



# Commission on the Future of Management and Leadership

**Written evidence submissions**

## **Written evidence**

In 2013, the All-Party Parliamentary Group on Management (APPGM) decided to investigate how management and leadership in the UK will need to change by 2020 to deliver sustainable economic growth. The Commission on the Future of Management and Leadership was created with the Chartered Management Institute (CMI) to pursue that inquiry, bringing together members of both Houses of Parliament, across the main parties, with leaders from a wide range of sectors.

This document catalogues the written evidence submitted to the Commission. Evidence was gathered from employers, management experts and academics, responding to three key questions:

- Where are we going wrong?
- What management skills are needed for 2020?
- And how can our managers acquire these critical skills?

Oral evidence considered by the Commission can be found in an additional document.

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## **The case for international development consultant training and accreditation**

The protection of DfID's budget during the Government's current austerity drive is evidence of a subtle and profound shift in the UK's foreign policy priority<sup>1</sup> from hard power to soft power.<sup>2</sup> While the MOD invests massively in standardised training and development of the Armed Forces, the government primarily dispenses the UK's development budget through public and private sector consultants who undergo no standard recognised professional training. There is also no specific code of conduct for consulting firms or individual consultants. If the UK is to increase value for money and increase the impact of its development aid then some training in the skills necessary for international consultancy must be specified and provided. The CMI and its sub-group, the Institute of Consulting, could be the best professional body to specify and regulate such training.

### **The UK's International Development Spending Commitment**

The Coalition Government's Comprehensive Spending Review, shortly after taking office in 2010, resulted in a pledged to maintain International Development spending at 0.7 % of the budget.<sup>3</sup> In order to fill the paucity of appropriately skilled staff, DFID often engages external suppliers to implement programmes. That expenditure has exceeded £400m over the past few years,<sup>4</sup> representing a government priority that is likely to come under greater scrutiny as constraints on domestic spending continue to bite.

### **Efficiency and Impact Initiatives**

An almost universal consensus exists, including DfID, that both the UK taxpayer and the recipients of UK foreign aid have not received value for money. Several initiatives have been introduced to rectify the situation including reducing the proportion lost to DfID's running costs through efficiency measures<sup>5</sup> and through the appointment of the Independent Commission of Aid Impact (ICAI).<sup>6</sup>

The Government has highlighted the importance of adequate skills for staff.<sup>7</sup> These skills include an awareness of multilateral organisations and working with them, skills needed to work with the FCO and the MoD for policy development, and skills

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<sup>1</sup> Hague, W. *Britain's values in a networked world*, Speech at Lincoln's Inn, 15 September 2010

<sup>2</sup> This is defined as the ability to get what you want through attraction rather than coercion or payments'

<sup>3</sup> Spending Review Statement, Chancellor of the Exchequer, Rt Hon George Osborne MP, 20 October 2010, House of Commons, Hansard, 20 Oct 2010: Column 954

<sup>4</sup> House of Commons, (2011), International Development Committee, Department for International Development Annual Report & Resource Accounts 2009–10 Third Report of Session 2010–11, HC 605, Para 77

<sup>5</sup> Ibid Page 5

<sup>6</sup> Ibid Para 44

<sup>7</sup> Para 65

required by frontline staff to work in fragile states.<sup>8</sup> However, no specific skills have been specified for those that actually deliver advice on governance, reform and other development related activities.

### **Recent Improvements Mask Areas of Further Improvements**

Knowledge gained from academia, NGOs and various government reviews has led to radical changes in the way foreign aid is targeted and delivered. The resultant policies, strategies and procedures have produced evidence of more sustainable improvements. Consequently, recent cases of failure and poor performance are increasingly attributed to inefficiency within the UK government or to corruption and other weaknesses in the recipient communities abroad. While these are relevant points, there is good anecdotal evidence to suggest that impact of programmes involving governance capacity building, institutional reform etc is highly dependant on the skills and personal qualities of the consultants involved. That is true of both UK consultants and of locally employed consultants. Although these individuals are frequently well qualified in educational terms and have relevant specialist experience, there is often little indication of their consultancy skills, particularly those relating to cross-cultural communications, facilitation and demarcation of responsibility and accountability.

There are no widely acknowledged empirical studies, which indicate a relationship between performance in international development, and an individual's training and skills. However, reason dictates that, as in other professions, performance can be improved through appropriate training and regulation. Certainly, the assumption that those who know can impart the knowledge to those who don't without additional skills in effectively transferring information, should be challenged. That assumption does not hold true in education and certainly should not be held as true in international development.

Poorly trained consultants do not just fail to fully deliver the impact that they are required to. They also fail to deliver the primary purpose of the UK Foreign aid - a positive increase in the influence and reputation of the UK abroad. Most consultants are relatively young and inexperienced compared to the senior officials they advise or mentor. Many of these officials see aid as a slight on the dignity of their nation and having to take advice from a relatively inexperienced 'junior' just adds to their feeling of indignation. A properly trained consultant, even a young inexperienced one, can be effective when armed with the emotional intelligence skills to recognise and deal with such situations. The training would further indoctrinate the individual with appropriate codes of practice and ethics ensuring a more professional approach, one which is aligned with the Government's intended values. Indeed, there is currently close harmony between the IC's and DFID's codes of conduct<sup>9,10</sup> and so appropriate material exists, requiring only to be adapted and mandated in this context.

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<sup>8</sup> Para 74

<sup>9</sup> Institute of Consulting, (2012), *Code of Professional Conduct and Practice*

<sup>10</sup> DFID (2013), *DFID Statement of Priorities and Expectations for Suppliers*

The UK not being alone in not having formal training and regulation of international development consultants, provides it an opportunity to lead in this field by setting standards of training and conduct. Other donor nations and institutions (eg UN and EU) are likely to adopt a similar approach when they become aware of its benefits. That could provide the UK with an opportunity to export both the training design and training delivery. Furthermore, the adoption of similar training and skills by international partners involved in joint development programmes will have a beneficial impact on performance as there will be a greater commonality of approach. The training should also be specified for in-country recruited consultants to ensure that they maximise the impact of the aid being funded by the UK government. That training should add to the receiving nation's governance and management capacity, ensuring a greater chance of sustaining the improvements the development programme intended to deliver.

### **Recommendations**

It is recommended that the Parliamentary Commission recognises:

- The necessity to increase the impact and value for money from the UK's expenditure on international development by specifying management skills and codes of practice for consultants involved in delivery. This would involve the provision of recognised and regulated training and professional development, standards of conduct, professional ethics and emotional intelligence.
- That the CMI and IC are best placed professional bodies to specify and regulate the training, development and conduct of such consultants.

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**ABS submission to the All-Party Parliamentary Group on Management Commission  
on the future of management and leadership**

**About the Association of Business Schools (ABS)**

The ABS is the voice for the UK's Business Schools and independent Management Colleges and sets the agenda for business and management education in the UK within an increasingly international environment. It develops influential policies and promotes, communicates and lobbies on these at local, regional, national and international levels.

The ABS welcomes this initiative and expects that its outcomes will:

- shed light on the current state of management and leadership in the UK
- enable relevant stakeholders to take action and help maintain high standards of quality in management and leadership
- inform Business School decisions on Business & Management curricula and research

The ABS surveyed its members in March and April 2014 to gauge their views on the future of management and leadership. Member responses included impact case studies, research papers, book chapters, literature reviews and personal insights of Business School Deans.

**1. Current situation - how good is management and leadership in the UK and how does this compare internationally?**

A group of researchers at an ABS member ranked 19 countries in terms of the quality of management practices used by firms and their impact on productivity. The UK is in the middle of the table, below Japan, Germany, Sweden and Canada but at the same level with other developed countries and above most emerging economies. Publicly owned companies have lower scores than the rest, while foreign multinationals fare better than domestic ones. One common characteristic of companies that fare better than the rest is that they use established management practices. The study also concludes that most firms do not compare their management practices with those of other companies and therefore best practice is rarely identified and implemented.

Another response from an ABS member highlighted the over-reliance of firms on external management consultants. This results in low levels of knowledge transfer and mediocre project outcomes, particularly in cases where in-house managers fail to assume responsibility and/or external consultants lack commitment to the client's goals. One possible solution is the recruitment of former external consultants into permanent internal management positions as 'consultant managers'. Such an arrangement, increasingly used by firms in the UK and internationally, allows managers to combine the neutrality of an outsider with the commitment of an internal manager.

## **2. Future skills needs – what is the potential impact of global markets, technology, workplace and societal trends on management and leadership skills and behaviours?**

ABS members stressed in their responses the need to harness change and address challenges such as climate change, globalisation and technological disruption. Therefore, managers and leaders will need to:

- Embrace technology and encourage distance and lifelong learning through the establishment of learning communities within organisations and also in partnership with external stakeholders.
- Use academic research in practice to boost firm innovative capacity
- Harness the forces of globalisation by developing a global perspective. UK firms operate in increasingly globalised markets, and therefore managers will need to cultivate a shared understanding of company values and goals across employees, even if these live in different countries and speak various languages. Therefore, managers will need to develop cultural awareness and sensitivity and instil these values across their organisations. They will also need to pursue 'glocal' strategies that will enable UK firms to tap into emerging markets.
- Inspire all members of their organisations and empower them to participate in the decision-making process through a model of 'inclusive leadership'. This will be based on the power of the collective rather than the individual and will require the encouragement of critical dialogue and productive collaboration, as power may be distributed across organisations rather than exerted vertically. Therefore, business leaders will need to build trust, empower followers and give everyone freedom to act. Such a change may be driven by technology and its role in flattening hierarchies and breaking down silos within firms and across industries.
- Encourage conscious reflection on management practices and develop soft skills such as empathy and the ability to listen customers, employees and shareholders and use their input to improve the company.

- Seek and absorb academic knowledge that will help them better frame complex issues and provide the kind of critique to current practice that will help them stand back from the day to day and their current experience and think out of the box.
- Be highly adaptable in order to tackle crises and 'surf' on the top of change rather than follow, as the no one-size-fits-all model of running a company gradually disappears. Business education should reflect this change.
- Develop a business culture that makes ethics, corporate social responsibility and sustainability an integral part of the company's business model.
- Cultivate entrepreneurship across the firm as a whole, as barriers and silos between and within companies are gradually brought down, departments converge and innovation is generated by all parts of a company.
- Encourage 'innovation ambidexterity', which allows firms to develop new products and improve existing ones without the former process having a negative impact on the latter.
- Exploit networking opportunities and maintain networks as smaller firms grow in size and outreach.
- Establish routines for absorptive capacity that allow companies to use the information they receive from the external environment through networking.

### **3. Pathways to progress – what are the key enablers that can raise the game of aspiring managers and leaders to help them achieve success in this future context?**

- Technology - this improves efficiency and creates a culture of 'collaborative leadership'
- Research - this allows managers to make their institutions more innovative
- Networking opportunities (online and offline) - these enable managers and firms to leverage their impact and exploit economies of scale in terms of demand and supply
- Business and Management education. Regarding the role of business schools in delivering management and leadership skills, more than one ABS members highlighted to need to connect business schools with business and industry and boost exchange of knowledge, resources and staff. They also expressed the view that competences required by managers and leaders are developed better when linked to practice and when managers have sufficient experience of the world of work and

organisations to conceptualise their practice or use this practical experience to reflect on their actions and performance.

It is therefore crucial for business schools to design practice into courses and employ practitioners with significant business experience. In terms of pedagogy, the evidence suggests that 'deep' skills are better developed when embedded throughout the whole academic curriculum, as opposed to being 'bolted on' as a separate 'skills' component. These points are highlighted by the [final report](#) of the Association of Business Schools Innovation Task Force, entitled 'The Role of UK Business Schools in Driving Innovation and Growth in the Domestic Economy' and co-authored by Professor Richard Thorpe and Richard Rawlinson. The report sets out to identify pedagogies within business schools which lead to increased relevance and engagement with practice and seeks to draw lessons as to how the practices identified could be scalable.

Academics from ABS members that contributed to the ABS's submission by alphabetical order:

- Professor Adrian Hopgood, Pro Vice-Chancellor & Dean, and Dr Murray Clark, Principal Lecturer, Sheffield Business School, Sheffield Hallam University
- Dr Matthew Hughes, Reader in Entrepreneurial Management, Durham University Business School, Durham University
- Dr Noelia-Sarah Reynolds, Lecturer in Strategic Management, Essex Business School
- Professor Vania Sena, Head of Marketing, Entrepreneurship and Global Strategy Group, Essex Business School, University of Essex
- Professor Andrew Sturdy, Head of the Department of Management, University of Bristol
- Professor Richard Thorpe, Professor of Management Development, Leeds University Business School, University of Leeds
- Dr Alex Wilson, Lecturer in Strategy, School of Business and Economics, Loughborough University

References available upon request.

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## Values to Practice

It is to be expected that within an organisation—may that be private, public or non-profit—there is a variety of attitudes, norms and habits which may be of influence and eventually destroy the organisation, leaving it in a state of constant inefficiency and entropy. In effect, the outcome of any form of change should be a harmonious combination of different parameters. Moreover, the key factor for change is the leader's influence among the people who operate within the organisation, which constitutes a crucial element of the success equation.

The second part of the equation is reserved for the rest of the qualified executives within the company. Still, the most important element, which is practically what strengthens organisations on the inside, is individuals' principles, which are primarily shaped by the leader and the executives, and finally by the organisation itself.

If only it aspires to harbour change or improvement, an organisation or company needs to be internally coherent; in other words, there must be an internal link between the different work teams (and the individuals that comprise them) in order to receive the same attitudes and outcomes out of all the different departments.

In any case, I would suggest that if only change aspires to render a fruitful outcome, it needs to be founded on certain principles and it should stem from specific ideals. Indeed, it is particularly hard to discuss about principles and ideals in such uncertain times and within an ever-changing social setting. Nevertheless, it is on the premises of such beliefs that organisations in the brink of destruction managed to survive and reeling nations managed to inspire revolutions to the benefit of the social tissue.

Furthermore, an organisation's operations should run along the lines of justice in order to achieve the intended change or transformation. A leader must be able to operate like a justice scale and, thus, communicate such high ideals to the rest of the executives within the organisation. Accordingly, it is crucial that leaders avoid distinguishing among their executives in order to pass their intended messages to everyone indiscriminately. Mind that news regarding the leader's activity is likely to spread fast within the organisation. After all, everyone pays attention to the leader's actions and often tries to imitate them. In this sense, justice ensures that the leader's message is transferred within the workforce in a proper fashion.

At this point, one might ask who the proper person to determine such principles is. Who is capable of specifying the appropriate agenda that will establish the course of either an organisation, or a nation, or companies, towards sustainable development? After all, development itself has a twofold nature; it might either be strictly financial or engulf a social dimension as well, thereby evolving within a people-oriented framework. Such concepts have been of great concern to me lately, since I have been trying to compromise the financial growth with the social dimension of entrepreneurship in the companies where I was active. Therefore,

after a lot of contemplation I decided to set certain principles in one of the last places I was employed. Such principles had a notable influence on the image and outcomes of the company in my area of influence (Northern Greece) within the past 6 years. These principles reflect the whole structure of my company, transpire my area of responsibility and induce the achieved desired results.

More specifically: What constitutes the basis of my principle pyramid is **Concern** about the rest of one's colleagues within the workplace. Every employee should be concerned about other executives' performance in such a way as to be able to reevaluate their own skills. Moreover, the concept of **Change** has played a decisive part in my choices so far and I was, thus, keen to include it in my list of principles. It follows that for a robust organisation with strong reflexes to forthcoming change, such a principle constitutes a key guideline for employees, facilitating a change in operations and rationale and a high level of adjustability when circumstances call for it.

All the above determine the company's **Strategy**, which comes third in my list of principles. Employees should be faithful to the company's strategy, which ensures that given problems during the day will be confronted in a uniform way on behalf of each of the work teams. In this way, individuals within the company contribute to solving problems, rather than creating new ones.

Moving further, the most crucial parameter of our times: that of **Speed**. To my mind, the concept of speed is intertwined with the principle of change, since the latter often involves direct execution of one's duties and rapid response to higher executives' demands. Speed of task execution is probably the most crucial element for an organisation whose priority is its growth and conquest of the market.

One step above will meet yet another principle of great gravity: **Honesty**. Just think of how different this world would be, if only it was characterised by as high a value as honesty, not merely in business terms, but also in terms of professional relations. Financial growth—and development in general—is synonymous to honesty. This is only natural, since honest communication among the members of a company/organisation promotes the common interest. In this way, it is easier to avoid or make up for mistakes and the cooperation between the members of the company assumes a different character and evolves into human relations, thereby escaping the strict outline of professionalism.

What follows is the principle of **Cooperation**. Cooperation is founded upon honesty and harmonious relations between the employees, which also include a focused performance, devoid of prejudice. Yet, it is one thing envisaging the concept of cooperation and another thing applying it successfully.

Finally, what I set at the top of the principle pyramid is the concept of **Company**. Japanese business culture constitutes a typical instance at this point. It is worth mentioning the cases of two companies, *Toyota* and *Fuji Heavy Industries*, whose employees, apart from considering the company their own property and home, always proceed in such a fashion that, by the time it reaches the customer, the final product is as refined as possible. The mode of operation and production of such

companies is truly admirable, as well as their members' devotion. One might go as far as to compare the president of the company to an emperor, and the workforce to servants. At this point, I would like to avoid misunderstandings, since I do not consider that the business world should run along such patterns, particularly in western societies. After all, there is quite a notable structural difference between the two cases. Accordingly, I do not mean to suggest that employees should never question but must randomly accept whatever order the board of directors might issue. Nevertheless, such instances are typical references to the way certain organisations managed to overcome crisis (mind that the crisis that fell upon the Far East was a deep one) and to reach a stage of financial growth with the least possible loss. This would not have been possible had the employees not counted upon the company's clients, considering them a valuable part of their business. In other words, employees identified with the company's purpose and values.

In the framework of corporate social responsibility, employees act as mirror images of their companies. Therefore, rather than merely investing in charity or advertising campaigns to spread their vision, companies should carefully select and train their leaders and managers in such a way as to ensure that the latter will communicate the proper principles to their subordinates. In this sense, the 7 principles I outline (5 of whom focus on behaviours), should have an impact on society, rendering individuals responsible citizens rather than merely skilful executives whose only aspiration is to succeed in sales.

## BPP Perspective on Employability Skills

BPP has carried two recent surveys of its graduates, who were in employment, and were being asked what skills they thought were essential to retain their roles. **Table 1** shows the results. In the first survey, Law graduates (n=100) were asked to state what set of employability skills they felt they needed to improve on and a second (n=1780) asking BPP accountancy graduates what skills they needed to secure and retain a position in accountancy firms. They were presented with headings to choose from which broadly reflected those identified by the CBI, rather than having a free choice. The top three skills identified by BPP Law graduates, on this basis, were Business and Commercial Awareness (53%), Numeracy (50%) and Leadership (45%). For BPP Accountancy graduates, the top five skills were Business Awareness, Oral Communication, Problem Solving, Technical Skills and Self Management. These results show a strong similarity to the research by Kavanagh and Drennan (**Table 2**) ranking the top skills identified by employers, and the discrepancy at times with those ranked by students.

At a BPP conference, *Preparing the 2025 Workforce*, held in March 2013, a poll was taken of 127 Employers asking them about their satisfaction with the level of employability skills of graduates entering the workforce. 51% of those polled said they were having difficulty filling vacancies due to lack of available talent and 59% of larger employers reported finding it difficult to fill vacancies. Furthermore, the attainment of a qualification on its own is not sufficient; employers are expecting more from higher education providers with regards to preparing their graduates beyond expertise in their disciplines. 73% were not satisfied with business skills, 71% were not satisfied with customer understanding, 41% were not satisfied with problem solving and 39% were not satisfied with team working skills.

From a more anecdotal perspective, our conversations with employers suggest that, beyond what you will find in recruitment advertisements, the following skills are particularly critical, and can be hard to find in graduates. This provides differentiation opportunities for those who display them:

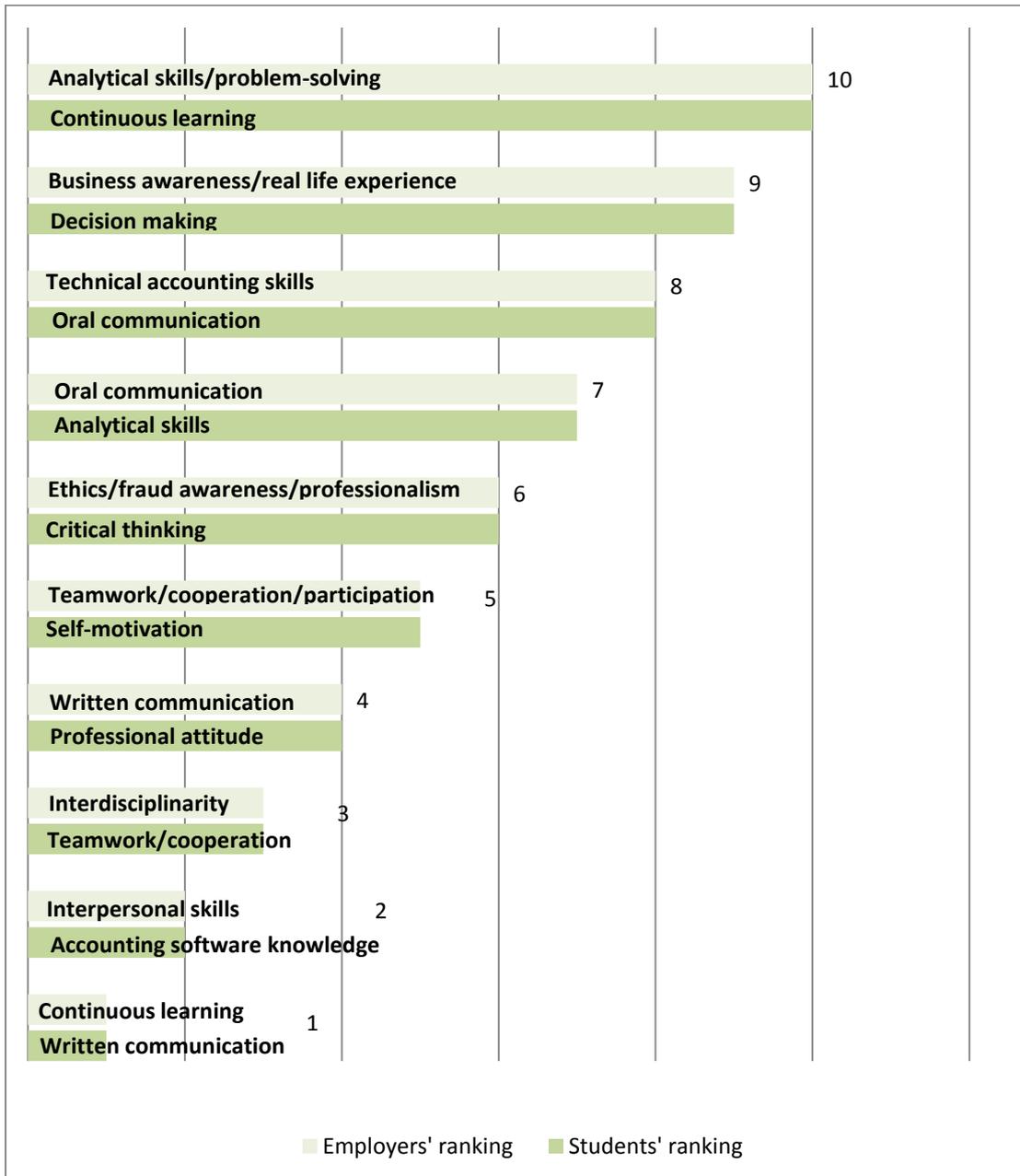
- General commercial awareness, including some understanding of financial data
- An ability to develop their network and so raise their profile without coming across as excessively “pushy”
- Influencing stakeholders in an appropriate way, internally and externally to the organisation, particularly when working on projects
- Introducing innovation in an appropriate way for the organisational context

**Table 1: Employability Skills**

Skill or aptitude	BPP Accountancy Survey	BPP Law Survey
Communication literacy, presentation	✓	✓
Problem solving, analysis	✓	✓
Drive, motivation, ambition, initiative, commitment, delivers	✓	
Leadership		✓
Self-management time management, planning, willingness to improve, flexibility	✓	✓
Team working, negotiation, interpersonal skills	✓	✓
Intelligence, expertise, reflection	✓	
Business/customer awareness	✓	✓
Numeracy	✓	✓
Information Literacy, IT skills	✓	✓
Ability and willingness to learn and adapt	✓	
Confident, Decisive	✓	
Fit with company culture		
Tenacity, resilience		
Values: trustworthy, ethical		
Represent the business well		

**Table 2: Ranking of the ten most important skills & attributes by employers and students**

10 = most important                      1 = least important



Source: M Kavanagh & L Drennan, 2008

## Case Study – Employability at BPP Business School

At BPP Business School, and for BPP University as a whole, the heart of what we do is enhancing our students' employability, whether they are studying full-time and preparing for a career, or part-time and already working. This goes well beyond the traditional role of a careers service in helping to find students a job. Our research has identified ten career-ready skills as critical to the success of their organisations and the economy as a whole. These are:



We are committed to building these skills into the design of **all** of our programmes, as well as giving students the opportunity to develop them outside the curriculum, for example by taking part in mock interviews and assessment centres, involvement in student societies and competitions. Ways in which the Business School shows its commitment to employability includes the following.

### *Practitioner Faculty*

We believe that students learn best about a subject area from someone who knows the theory well, but has also been “in at the deep end” as a practitioner. As well as academic credibility, our faculty have practitioner experience, for example as a manager or accountant, and in most cases professional qualifications in addition to academic ones. Some have stopped practising and now teach full-time while others continue to practice as well as teach, one experience enriching the other.

### *Skills and careers modules*

Many of our programmes include module that are specifically aimed at applying knowledge in order to enhance employability and careers progression. For full-time students, this may take the form of mock interviews, work placements and workshops on topics such as professional behaviour and presenting yourself well in your cv. For part-time, employed students, this may mean projects in the workplace, with high-touch support, which focus on developing the skills they have identified as necessary to get to the next stage in their careers. These modules are supported by staff with extensive backgrounds in human resources and career development.

### *Links to employers*

We have extensive experience of working with employers, understanding and delivering on their needs for development of their staff. We have developed groundbreaking programmes in partnership with and responding to the needs of top employers such as the MBA (Legal Services) with Simmons & Simmons and the Graduate Diploma in Accounting with KPMG. Other employers we deliver programmes to include Lloyds Banking Group, Tesco, Caffè Nero and Ford.

#### *Links to professional bodies*

We understand the importance of professional qualifications for career development and wherever possible “dual badge” our degree awards with bodies such as the Chartered Management Institute. We carefully structure our accounting programmes to link with the relevant institutes and maximise the exemptions that our students will earn, allowing them to earn their professional qualifications faster.

#### *Assessments*

We use a range of assessment methods which link to employability and reflect the work environment while not compromising academic rigour, including presentations and group work. One particularly distinctive assessment method used on our MSc Applied Taxation is for students to role-play giving technical tax advice to a client, played by an actor. The student will be assessed not just on the quality of their advice but their ability to deal effectively with the “client” and make their advice practical and comprehensible, which is a critical skill required by employers in this field.

#### *Employability Award*

Our careers service runs an employability award to recognise the achievements of students who have put significant efforts into developing their employability. Students entering for the award must complete tasks including undertaking volunteering or paid work experience, attending coaching sessions and reporting on the outcomes, and completing a self-reflection logbook detailing goals, learning and achievements.

# **Western expatriates in China: a bridge between academic research and real-life experience to enhance performance overseas.**

## **1.1 Introduction**

The recent Chinese economic development and its diplomatic efforts have resulted in an increased number of international business relations over the past 20 years. Expatriates are sent abroad by their companies for a number of reasons: in order to promote knowledge transfer in terms of technology and organizational culture; to explore new markets and ventures; and to develop people's skills (Shaffer et al., 1999). Organizations have often been slow to realize how operating across cultures requires a deeper understanding of a range of dynamics, cultures, languages, organizational strategies and processes that often differ from familiar practices established and implemented in a company's headquarters. In fact, according to the latest Global Relocation Trends surveys, China (ranked second only to the US as the top international destination and the first destination amongst emerging new assignment locations) is reported to be the country to which expatriates find it most difficult to adapt (GMAC, 2010, 2011).

The future of a company and the success of a business venture in foreign lands are often placed in the hands of the expatriates chosen to run or manage the day-to-day work of the business, which makes the understanding of their individual experience crucial to the exploration of doing business in China. Poor efficiency and weak performance of expatriates engaged in assignments in China can be related to a number of negative effects: delayed productivity and start-up time, disruption of the relationship between the expatriate and host nationals, damage to the multinational company's image, lost business opportunities and problematic repatriation resulting in high turnover rates. It is therefore essential for both organizations and individuals to further investigate the experience of expatriates in China in order to better understand their motivations, issues and needs.

Our latest research on doing business in China is explored in the book 'Expatriates in China: Experiences, Challenges and Opportunities' (Boncori, 2013) that combines rigorous academic research with data collected from the author's own eighteen year long experience of China and in-depth qualitative interviews with Western expatriates. This study highlights the importance of understanding not only general organizational perspectives of 'managing the dragon', but also individual experiences that can shed light on the real-life practice of doing business in China. A key finding of the 2013 study on expatriates in China is the need for companies and individuals to consider the whole expatriation process, from the pre-departure stage through the assignment overseas and the repatriation phase, and the relevant factors influencing each stage.

The purpose of this article is to discuss some of the issues emerging from our research that are believed to affect expatriates' performance. Moreover, this study has emphasised the importance of considering a plethora of factors pertaining to the specific Chinese context through the voices and experiences of Western expatriates in China.

## **1.2 Expatriate Adjustment in China**

China ranks first in the countries that expatriates fail to adjust to during foreign assignments (GMAC, 2010, 2011). A review of the key concepts from the available literature supports the assumptions of our research that the expatriate assignment should be considered by individuals and organizations in its entirety, from the management of pre-departure training and expectations, through to expatriate adjustment overseas and the issues encountered upon repatriation. Expatriate assignments pose unique challenges for employees since they not only have to adapt to new places, but also need to develop the ability to function in an environment with different languages, cultural values, work practices and expectations (Shin et al., 2007). When managers move to a country that is significantly distant to the one of origin (literally and figuratively), they are likely to need specific pre-departure preparation and training as well as post-arrival support given that adapting to distant environments with high or low novelty (unknown situation or codes of conduct) is likely to require different types of training and managerial skills.

The growing literature available on expatriate management in both academic and more popular publications highlights how intercultural relations have in this century assumed an even larger role with global marketing and sales strategies. Being contextualized within the 'one world market', companies are often asked to 'think global and act local'. These developments have forced businesses to compromise and enhance their flexibility as well as their cross-cultural competencies in order to remain competitive in the increasingly populated Chinese market. In relation to the Asia-Pacific region, Lasserre and Schutte (1995) stated that in that specific location business is influenced by two dominant concepts: a homogenous concept of social organization and the pervasiveness of Confucian values, which are still embedded in most levels and dynamics of social interaction in China and other Asian countries. Expatriates must understand such country specific dynamics in order to adjust and perform effectively in the local business context.

Black (1988) defines the degree of expatriate adjustment as the extent to which a person is psychologically comfortable with various aspects of the host culture. A number of studies have focussed on factors that have an impact on expatriate adjustment during the overseas assignment such as personality traits (Caligiuri, 2000), previous overseas experience (Takeuchi et al., 2005), training (Black and Mendenhall, 1990) and other factors not strictly related to work (Takeuchi, et al., 2002). Our study adopted a holistic view to adjustment and investigated three meta categories of adaptation that reflect previous frameworks: social/interaction adjustment, work adjustment and general adjustment (Gregersen and Stroh, 1997; Suutari and Valimaa, 2002; Zimmermann, Holman and Sparrow, 2003; Cox, 2004; Jassawalla, Connolly and Slojkowski, 2004; Andreason and Kinneer, 2005).

### **1.3 The expatriation process: before, during and after China**

Studies dating back from the early 1980s (Tung, 1981; Mendenhall and Oddou, 1985), noted the significant rates of premature returns amongst expatriates (later estimated at 40 per cent by Black, Mendenhall and Oddou, 1991; Gregersen and Black, 1996) and how the inability to adjust to the host culture's specific social and business environment led to a high expatriate failure rate. Early research also identified between 30–50 per cent of assignments as being costly and ineffective (Copeland and Griggs, 1985). Our study suggests that one of the key reasons of this poor performance may be the fact that organizations often only focus on the overseas expatriation phase rather than on the whole process, which includes other stages.

Amongst the numerous models of cultural shock and adjustment, Gullahorn and Gullahorn (1963) extended the U-curve hypothesis of culture shock (first used by Lysgaard in 1955) which involves the process of arrival, followed by cultural shock, recovery and adjustment (Bhaskar-Shrinivas et al., 2005), by making it into a W-curve which also takes into account the repatriation phase of the expatriate process. The W-curve model, identifies four salient stages of cultural adjustment abroad (the initial positive 'honeymoon' phase; the cultural shock stage, whereby those initially exciting cultural differences may cause difficulties, confusion, frustrations and feelings of nostalgia or homesickness; the recovery period, when people start understanding how to operate in the foreign country; and the final stage, during which foreigners feels like they have a role in the new environment and they feel more 'at home' physically, socially and intellectually) and shows how these are replicated upon repatriation.

In the data collected for this study, there seems to be no correlation between the gender, age, role or planned length of stay and the duration of the honeymoon period. With few exceptions, the majority of expatriates soon experience some level of cultural shock once they start living in China. Of my interviewees, 95 per cent supported the W-curve model of adjustment but reported a more noteworthy shock in the re-entry phase, which suggests a modification to the model to highlight a more significant drop in the second curve (see Figure 1 below).

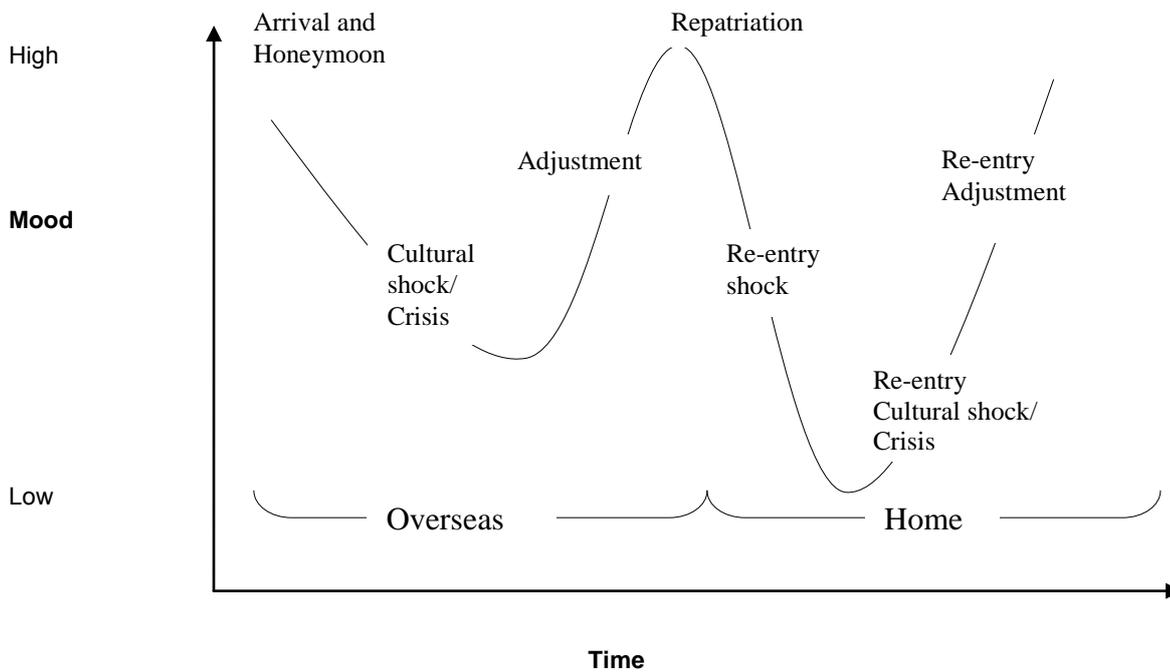


Fig 1. Modified W curve of adjustment

The term 'cultural shock' was coined by Oberg (1960) and is used to explain 'the frustration and confusion that result from being bombarded by uninterpretable cues' (Adler 1981: 343). Cultural shock can be seen as part of a process: 'the period of transition and adjustment during which a person who has been relocated experiences some degree of anxiety, confusion, and disruption related to living in the new culture' (Befus 1988: 381). Dowling and Welch (2004) suggest that cultural shock varies from person to person and, within certain contexts, is often understudied in the available literature. Befus (1988) does not see culture shock as a necessarily negative aspect of the adaptation experience; however, in the literature this term has generally assumed a negative connotation even though it can also be seen as an important aspect of cultural learning, self-development and personal growth (Adler, 1975).

#### 1.4 Aspects influencing expatriate performance

Based on our research, experience in China and interviews with expatriates in China, we have identified a number of aspects that we deem critical in the three stages of the expatriation process.

Pre-departure stage	In China	Upon repatriation
<ul style="list-style-type: none"> <li>• Pre-assignment trips to familiarize the expatriate with the new environment</li> <li>• Motivators</li> <li>• Expectations</li> <li>• Selection and recruitment criteria</li> <li>• Linguistic and cultural training</li> <li>• Educational and cultural background</li> </ul>	<ul style="list-style-type: none"> <li>• Physical adjustment</li> <li>• Culture shock</li> <li>• Language competence</li> <li>• Cultural understanding</li> <li>• Modus operandi in the workplace</li> <li>• Expatriates typology and traits</li> <li>• Mentoring</li> <li>• Length and location of continuous stay</li> <li>• Interpersonal relationships and social networks(within/outside the workplace)</li> <li>• Manners, etiquette and social conventions</li> <li>• Changes to individual identity</li> </ul>	<ul style="list-style-type: none"> <li>• Reason for departure</li> <li>• Re-entry culture shock</li> <li>• Physical adjustment</li> <li>• Career expectations and work-related issues</li> <li>• Social adjustment</li> <li>• Changes to lifestyle, habits and stimuli</li> <li>• Mentoring</li> </ul>

In the pre-departure phase of expatriations it is essential for organizations to implement rigorous recruitment and selection processes that not only focus on candidates' technical skills and previous experience abroad, but specifically consider cross-cultural skills, linguistic competence (deemed crucial by all participants in our study), knowledge of China and its context. Understanding of these factors and provision of the relevant training would help companies save on future direct and indirect cost. Motivation and expectations of the foreign assignment should also be investigated both from both a personal and career perspective and managed accordingly with mentors or support staff once abroad and upon return. Finally, short familiarization trips prior to the start of the assignment were deemed beneficial in order to manage culture shock on a general adjustment level.

Once in China, expatriates face a plethora of challenges and opportunities. Our findings highlight the fact that physical adjustment to the climate (pollution in large cities), food and urban development are likely to continue throughout the assignment. Differences in manners, etiquette and habits proved to be the aspect that expatriates were most negatively affected by once in China. In terms of social adjustment, the lack of interpersonal interaction between Western expatriates and host country nationals, often due to poor linguistic skills, is likely to affect expatriates well-being but also workplace practices as it hinders cultural understanding and the set up of social/work networks. China is a country that requires time and patience, which may be one of the reasons why long terms assignments (three years or longer) were considered more effective as expatriates in China need more time to understand the Chinese context, develop relationships and implement corporate strategies.

We find worrying one of our main findings related to workplace adjustment as Western expatriates reported considerable difficulties experienced in effectively managing a mixed workforce, which in many cases could have been addressed with the provision of specialised pre-departure training. For instance, the majority of our participants reported costly delays and inefficiency in achievement of work objectives due a number of issues including misunderstandings about 'the Chinese way' of management; ethnocentric and often contrasting views of best practice from foreigners and host country nationals; ignorance regarding context specific practices (such as conflict avoidance, 'saying no', the importance of networks and understanding of Confucian values). Personal traits of Extroversion, Agreeableness, Conscientiousness, Emotional stability, Openness or intellect were also identified as crucial for expatriates (Caligiuri, Tarique and Jacobs, 2009). In the context of China, our interviewees proposed the following personal dispositions as the top 5 positive contributors to the success of the foreign assignment: flexibility; abandonment of the Western mentality; openness to other cultures; desire to understand and integrate with the Chinese environment; and loss of any feeling of Western superiority and arrogance.

The vast majority of our interviewees reported a more significant culture shock upon repatriation than in China. Depending on the reasons why they decided to leave China, returning expatriates might find themselves displaced once 'back home' as numerous factors contribute to making this period far more complex than anticipated: most expatriates will have absorbed or internalized some aspects of the foreign culture they lived in for a long period of time, and the expatriation experience is therefore likely to have had an impact on their personality, sense-making, identity negotiations, knowledge and career. The interviewees in this study reported a lack of shared experience upon return to their country of origin and highlighted issues faced in re-establishing social relationships with old friends, colleagues and even family members. Upon return many mourned the loss of the lifestyle, stimuli and luxuries they were used to while living abroad. At work, many returning expatriates felt undervalued by their organization and reported their companies' failure to utilize their newly acquired knowledge, learn from their experience and follow up on the expected. Kohonen (2008: 321) summarizes previous studies pointing out that 'contrary to expectations, relatively few international assignments lead to promotion nor are all repatriates able to exploit their newly-acquired international knowledge, skills or abilities'. This in many cases undermines the expatriate's loyalty to the organization and prompts staff turnover. This last phase of the expatriation process is often neglected by organizations; however, trying to slide back into

old habits, social dynamics and existing job roles is in some cases a source of frustration which needs to be considered and managed accordingly at both individual and corporate levels.

## 1.5 Conclusions and Recommendations

Our research has identified the necessity for the expatriate experience in China to be considered from an individual viewpoint and in its entirety. A number of key recommendations can be drawn out of our research findings:

- Understanding of the individual expatriate experience is crucial in order to achieve positive businesses outcomes in China at both individual and organizational levels.
- Linguistic and cross-cultural knowledge is more important in the Chinese context than mere technical or role ability.
- Investing in specialised and targeted pre-departure training can save organizations cost in the long run.
- Factors related to general, social and work adjustment are significantly interdependent and should be managed accordingly.
- A number of aspects contribute to the expatriate's performance before, during and after the assignment overseas. These should be given special consideration and support should be provided to expatriates in order to turn challenges into opportunities.

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# How does coaching differ from other forms of management practice?

A fuller version of this paper entitled Conceptualizing coaching as an approach to management and organizational development, may be accessed in the Journal of Management Development at:

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**Keywords** coaching, comparative conceptual framework for coaching, characteristics of coaching.

## Introduction

Recent debates within the literature and amongst practitioners of coaching have been focussed on defining the scope and practice of coaching as a form of organisational intervention that can facilitate organisational and individual change. Within this paper we seek to contribute to the debate about what coaching is by reviewing an emerging comparative conceptual framework for coaching as a form of management practice. The framework was developed through an exploratory study involving a focus group of practitioners in coaching and management. The overall approach to this study blends a conceptual consideration of the practice of coaching with the results gained from a focus group. The study uses cognitive mapping, thematic grouping and content analysis to seek to define the key characteristics of coaching in comparison to other forms of management practice. A framework of 'meta-categories' of management practice are identified and the role and processes of coaching is compared in relation to these. Results from the study suggest that coaching adopts a holistic approach to organisational development and that certain key characteristics can be identified that differentiate it from other forms of management practice. The framework could be of use to managers in assessing whether a coaching based approach to promoting and managing change is appropriate and what processes it involves.

## Defining and exploring current conceptions of coaching

There has been for some time a growing interest and debate about the role and purpose of coaching in organisational contexts. There is an acknowledgement within much of the current literature that coaching is still in early stages of development

(Clegg, Rhodes and Kornberger 2003, Clegg et al 2005, Anderson, Frankovelgia and Hernez-Broome 2009; Evered and Selman 1989, Ives 2008, Bond and Seneque, 2013). Within this paper we aim to explore the role of coaching in business and corporate contexts and contrast this with other forms of management practice that are in common use. From the study we develop an emerging comparative framework that seeks to place coaching in relation to other forms of management practice. The framework aims to identify what differentiates coaching as an approach from other forms of established management practice commonly used when working with change agenda's.

Although coaching in organisational contexts is still in its infancy there is already a considerable variety of approaches and terminology surrounding this area of activity. Writers in this area have identified several approaches to coaching; these range from executive coaching, business coaching to life coaching with many variations and permutations in-between. Hamlin, Ellinger and Beattie (2008) building on earlier studies conducted by Grant (2001) and Joo (2005) identified 37 different definitions of coaching in published studies that they reviewed. Whilst such a rich complexity is natural within an evolving approach to management practice; if managers involved in change initiatives are to be convinced of coaching's value then some form of further elaboration and explanation of its potential and how its approach differs from more established forms of management practice is necessary. Organisations and managers will want reassurance and evidence that coaching can offer a process to enhance sustainability and competitiveness in challenging times for business and management and that it is not just the latest management mantra or leadership ideology to occupy management writers and displaced corporate human resource professionals.

Early definitions of coaching in the management literature place a key emphasis on the contribution that it can make to improve individual and organisational performance. (Fourines, 1987; Evered and Selman 1989; Orth, Wilkinson and Benfari 1992; Popper and Lipshitz, 1992). More recent definitions tend to define coaching as a process and draw a stronger link with learning and development and assisting individuals or teams to reach their full potential. (Grant 2006; Peterson 1996; Kampa-Kokesch and Anderson et al. 2009; ICF 2007). Despite this there is still no universally agreed definition of coaching in business contexts, or indeed a clear consensus on how it should be labelled. There are even those who question whether coaching has its own unique identity and body of empirically tested knowledge, as distinct from Organisational Development and Human Resource Development, (Hamlin et al 2008, 2009). They would argue that these are 'fields of practice' rather than 'professions' and that coaching could be conceptualised as a core component within these already established fields of practice. Whatever the claims and counter-claims, as coaching increases in popularity and is gaining more attention in the management literature there are attempts to define coaching as an approach to personal and organisational intervention that can be sub-divided into a variety of different types.

### **Results: an emerging framework**

An initial exercise with focus group members identified twelve major approaches to management that the group perceived to be most commonly in use in situations of transformational change. Through a process of cognitive mapping these were reduced

to five 'meta-categories'. These were labelled as managing, consulting, mentoring, facilitating and coaching. The remainder of this paper presents what the focus group deemed to be differentiating characteristics of coaching in relation to these other approaches and concludes by presenting an emerging comparative conceptual framework that captures these perceptions.

While coaching has emerged relatively recently as a significant part of organisation-wide interventions (including leadership development, strategic and culture change initiatives), organisational psychologists and management consultants have been involved in what is now termed executive coaching for a much longer period. The more recent phenomenon is part of broader attempts to promote organisational learning and change (prompted by the work of Senge 1990); more holistic approaches to organisational intervention that are targeted at individual transformation and growth as part of organisation-wide initiatives; an increased commitment to leadership development and wide-scale organisational change programmes intended to enhance performance and facilitate sustained change.

Members of the focus group defined coaching as 'a holistic process intended to build the capacity of people in organisations to work relationally, socially and organisationally.' Coaching was perceived to be a form of management practice that can be both individual and team focussed, and while it is a goal oriented and time-bounded activity, there is also a strong emphasis on self-reflection as part of developing individuals and teams. Participants articulated very strongly a view that the context for coaching is the 'here and now' situation that the individual or team is faced with and needs to make sense of in order to make decisions and act effectively in it. Coaching was described as an intervention that is intended to assess and improve individual and team performance, thus enhancing organisational efficiency and effectiveness.

Results from the content analysis indicated that coaching supports individuals and teams in realising and achieving their objectives and can be seen as a holistic intervention into organisational practices. Analysis of the critical incidents suggested that a collaborative relationship is at the core of the coaching contract; one which promotes self-directed learning and supports sustained behavioural change on the part of the person being coached. Coaching was often suggested to be a means of integrating individual, team and organisational learning and change and, through the process, enhancing performance in a dynamic way. The coach doesn't provide answers or solutions to issues raised by the coachee, but assumes rather that the person being coached has the necessary insights, and it is the goal of the coaching process to surface these tacit understandings to a level of conscious awareness in order for the coachee to direct his/her own learning. Developing the individual/team's capacity to identify and find solutions to their own problem situations is therefore at the heart of the coaching process, which aims to promote sustainable learning processes.

<b>Managing</b>	<b>Consulting</b>	<b>Mentoring</b>	<b>Facilitating</b>	<b>Coaching</b>
Controlling and directing (resources, people, processes & risk)	Advising (expertise) Diagnosis	Developing individual relationships	Encouraging & empowering	Goal orientation
Defining & drawing boundaries (roles, responsibilities etc)	Bringing in outside perspectives/other views	Developing competence & capacity	Challenging	Individual & team based Strong emphasis on self reflection
Balancing strategic thinking with operational action	Supporting & Developing	Promoting personal growth/development	Guiding process	Building capacity to work relationally, socially & organisationally (holistic)
Planning and monitoring action	Promoting/effecting change	On-going & flexible time frame: normally long term	Developing frameworks for social interaction (engineering or designing)	Focus on situation/context
Normally long term relationship with organisation	Normally short-term focussed intervention	Transfer of domain specific knowledge (exercising expertise giving).	Promoting reflection	Focus on "Here & Now"
Achieving results through others	Based on power dynamics where the consultant is seen to have technical or process expertise	Unequal power relationships	Ultimate power generally remains with the individual or group.	Time-bounded (circumscribed/deliverables)
Based on unequal power dynamics				Contracted relationship for fixed time Issues of power and influence are addressed and negotiated as part of the relational process.

***Table one: Characteristics of ‘meta’ approaches to management intervention***

## **Conclusion**

Within this paper we have sought to situate coaching within a comparative conceptual framework of practices that are and can be used by managers for organisational interventions when seeking to work with change agenda's. We have thus reviewed the notion of coaching through developing a framework that seeks to differentiate its essential characteristics from other forms of management practice common in organisations. In adopting this approach we fully acknowledge the limitations of defining complex approaches to management, which can be viewed as reductionism. It does, however, we contend assist to place the concept of coaching alongside other forms of management practice. In doing this we can develop a comparative view of coaching and note where its key characteristics, as defined from practice, converge with and diverge from more established and familiar modes of management practice in organisations.

As a result of having conducted an exploratory study into coaching as a form of management practice, and placing this in a comparative framework developed through this investigation, the authors draw the conclusion that coaching can be seen as an effective approach to managing a diverse and rapidly changing workforce. In placing coaching within this broader framework we propose that coaching is one of a range of approaches that organisations and managers can consider when seeking to improve organisational effectiveness and efficiency using a system-wide perspective.

Coaching, when used as part of an organisation wide strategy, can offer a framework for human resource development that is grounded in the 'here and now' and assist with balancing individual, team and organisational development needs. The outcome of this small scale investigation supports the assertions of Cavanagh (2006) and others in seeing coaching as a systemic activity that seeks to foreground complexity,

pluralist perspectives, unpredictability and contextual factors and the search for achieving a balance between stability and instability as one of the major contributions that it can make to management intervention.

The findings from the focus group and conversations with managers who have used coaching based approaches supports recent research conducted by Hamlin, Ellinger and Beattie (2008), who suggest that effective managers and managerial leaders embed effective coaching at the core of their management practice. It also supports earlier research by Evered and Selman (1989) that contended that good coaching was at the heart of management.

# All Party Parliamentary Group Commission on Management: Submission by the College of Fellows of the British Academy of Management

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1. The British Academy of Management (BAM) very much welcomes the APPG Commission on Management. The work of the commission is timely and the topic of considerable importance for the future of the UK economy. BAM is delighted that two of its past Presidents (Prof Cary Cooper CBE and Prof Abby Ghobadian) are members of the Commission. BAM is the professional association for the 9570 academics working in management education and/or research in the higher education sector of the UK.
2. Business and management studies as a university subject area has grown rapidly over the past twenty years and now has more students in UK universities than any other discipline. In the last academic year (2012-3) there were 254,000 full-time and 83,000 part-time students representing 14.4% of all students in UK universities.
3. The College of Fellows of BAM – the senior group within the Academy, who are elected as Fellows on the basis of their significant contribution to business and management research – met on the 13<sup>th</sup> March 2014 to discuss its response to the Commission’s invitation to make written submissions. The following summarises that discussion and the issues which were felt most relevant to the work of the Commission.

## Terminology and Territory

4. The importance of leadership in enhancing the performance of enterprises, in both the private and public sectors, has been rightly emphasised in recent years. While the importance of good leadership cannot be over-emphasised, good ‘traditional’ management is also important. If leadership is about vision, purpose and aspirations, then management is about the processes that enable the enterprise to realise its vision and fulfil its purposes.
5. Business Schools not only teach leadership and management but also business functions that have technical content that enables an enterprise to operate in a business-like way. These include the core activities of marketing, human resource management (HRM), accounting, finance, operations management, entrepreneurship, etc. Superior sustainable long-term success and growth requires all of the cognate capabilities of leadership, management, and these business functions - and we have had in mind each of these in our responses to the Commission’s three questions.

6. Much discussion about management education and training focuses on post-experience training in general management and leadership: executive development programmes and the MBA. BAM Fellows would like to draw the Commission's attention to the importance of pre-experience education and training in business and management through undergraduate degree courses and pre-experience Masters programmes. These pre-experience bachelors and masters programmes are numerically much more significant than the post-experience generalist MBA and executive short courses, though the MBA, particularly in its part-time mode, can serve a vital role in helping mid-career technical specialists make a transition into general management.

Question 1: *how good are management and leadership in the UK and how does this compare internationally?*

7. The data on UK productivity are well known. There is a substantial productivity gap between the UK on the one hand and the USA, France and Germany on the other. Measured by output per hour, productivity in 2012 in the US, France and Germany was, respectively, 35%, 32% and 31% higher than in the UK. The gap has closed a little (from 39% in the case of the US) since 1990 but has grown again in each of the past six years. (ONS Statistical Bulletin - International Comparisons of Productivity - Final Estimates, 2012, 20 February 2014)
8. There are now a reasonable number of reliable published studies showing a significant link between the use of modern *management practices* and firm performance (Griffith et al (2003), Patterson et al (2004), Mayhew and Neely (2006), Birdi et al (2008), Siebers et al (2008) and Bloom and van Reenen (2007)). The most telling of these is the work of Bloom and van Reenen. They have shown that UK management does indeed compare unfavourably with our international competitors. Their data showed a significant link between national productivity and the extent to which best management practices were used, with the UK doing badly. Of the four countries studied the US had the best management practices, followed by France and Germany with the UK worst.
9. Part of the explanation for the relatively poor UK managerial performance may be attributed to national differences in the early formation of business and management skills. Contrary to popular belief most business schools around the world spend much of their time teaching pre-experience students. The French 'grande ecole' programme is a classic example. Typically it is a five year programme, including at least six months on placement (an internship) and six months study abroad, taught in close collaboration with practitioners and corporates, and attracts the highest qualified school-leavers, usually through a 'classe preparatoire' route. The first French business schools were set up nearly two centuries ago. UK business schools by comparison are newcomers. The first substantial wave of university-based business schools is as recent as the 1960s with most of the highly-selective universities not setting up business schools until the 1990s.
10. Many UK schools have made significant steps in recent years to engage more closely with business, to offer internships, and to provide an international experience, including the opportunity to study abroad. Business and management undergraduate courses now attract students with very high A-level results and, as noted, are hugely popular. As graduates from these courses have carried out business functions and entered management roles over the past 20-40 years they will have made a significant contribution to good management practice. Nevertheless there is some way to go. One challenge for many UK business schools is that of fully engaging with the corporate world, a task identified in the Thorpe and

Rawlinson Report (2013) commissioned by the Association of Business Schools. Three of their six key recommendations addressed this issue. A second substantial difference is the shorter length of UK programmes. Even the four-year courses in the UK, which include an internship, are a year shorter than the Bologna model of five years to a Masters qualification, the standard graduating qualification of the most able students in France and Germany. The Commission should consider whether, and how, UK business schools be encouraged to move further in this direction and the likely demand by employers for the graduates of such courses.

*Question 2. Future skills needs – what is the potential impact of global markets, technology, workplace and societal trends on management and leadership skills and behaviours?*

11. Whilst it is dangerous and difficult to predict with any precision future skills needs, the pace of change is unlikely to slacken, technology will continue to have a major impact and it is likely research, production, trade and consumption will continue to globalise. We therefore strongly endorse the APPG contention that managers need to be ‘long-term growth visionaries’, seeking opportunities, investing and achieving sustainable success. However, we believe that the best managers are facing up to the double challenge of both looking to long term organizational success AND seeking efficiency and cost effectiveness in the short-term. There is no trade-off. Only those companies that do both are succeeding. The UK needs managers who can both run organizations efficiently in the short-term and also ensure the right investments are made for the long term. Gibson and Birkinshaw’s work (2004) on ‘Organizational Ambidexterity’ provides the most comprehensive endorsement of this assertion. They show how organizations can balance exploration and exploitation, and can focus on creativity at the same time as achieving high efficiency. This is sometimes done by structural separation of functions, sometimes by the more challenging task of achieving integration of both activities within the one business unit.
12. Developing ambidexterity requires not only the right organizational structures but also ambidextrous leadership, the nature of which is currently a hot research topic for management scholars. Another part of the challenge in creating an ambidextrous organisation is to develop leaders and managers who are both educated and trained. Ambidextrous leaders, indeed all who work in ambidextrous organizations, need to develop their critical thinking as well as their skills in running businesses. Businesses need people who can explore and assimilate ideas, as well as people who can manage processes.
13. Younger generations of managers are often more willing to use new technologies. Massive open online courses (MOOCs) are already being provided by elite universities in the US, for example. How well equipped are UK universities to provide these (especially the design of online learning and the supporting delivery infrastructure)?

*Question 3. Pathways to progress – what are the key enablers that can raise the game of aspiring managers and leaders to help them achieve success in this future context?*

14. In our response to Question 1 we discussed pathways to progress with regard to pre-experience business and management education. In this section we offer some comments on post-experience executive education.

15. The nature of the MBA market is changing. In many business schools the full-time MBA is largely a programme for international students and therefore makes a more limited contribution to the quality of UK management. The part-time MBA continues to make an important contribution and is joined by an increasing number of part-time post-experience specialist masters in management. The role of the part-time MBA, which attracts UK managers needs to be better recognised. (Unfortunately the greater attention paid to the Financial Times rankings of full-time MBA programmes does little to help in recognising the significance of the part-time MBA for the UK economy). It is not possible at present to determine from the Higher Education Statistics Agency (HESA) the number of post-experience managers on part-time MBA and allied generalist courses compared to those on other part-time business and management courses. It is possible this is a rather low figure thus adding to the problem of the use of modern management practise in the UK. The Commission may wish to consider this and comment on the adequacy of the flow of trained managers at this level.
16. Senior leaders and managers continue to value short courses at leading schools, though programmes are becoming shorter – from weeks to days. This may be a combination of educators getting better at provision and demand from the market for shorter courses. Such courses are particularly valued if attended by international delegates and those provided by US schools continue to be very attractive to delegates and corporate clients in the UK. Capital funding for the creation of appropriate executive development facilities is difficult to obtain. Thus, the development of regional centres that several business schools could access may encourage the development of more UK management development programmes run by business schools. Increasingly corporations are beginning to see the benefits of in-company MBAs and such developments should be encouraged.
17. Training/development for SMEs is available from university business schools, but the role that universities could and do play in providing this may not be recognized.
18. Modern corporations are thinking about the “70-20-10 model”: 70% on the job (OTJ) training; 20% mentoring; 10% training and education. This gives further reason for the closer integration of business schools with corporates, as noted in para. 10 above. Business schools will need, as a minimum, to ensure that their traditional training and education input meshes with the more sizable mentoring and OTJ development. At best they may have a valuable input to make in mentoring and OTJ training.
19. Business schools are increasingly focusing on employability, including, as noted above, the use of internships. There is increased emphasis on helping students develop the right skills for employment, both through internships and on-campus courses. There may, however, be a tension between training students to be good employees and good managers. Employability may not emphasise good management skills but rather instant return from immediate employability.
20. Regarding new models of management and leadership training - businesses themselves need help identifying new models of education and development, as do business schools, especially given new technology developments, in particular learning technologies. The impact of corporate ‘universities’ may be detrimental to the development of good managers and good leaders.

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The British  
Psychological Society

# Management's commission on the future of management and leadership

British Psychological Society response to the APPG Commission consultation

March 2013

## **About the Society**

The British Psychological Society, incorporated by Royal Charter, is the learned and professional body for psychologists in the United Kingdom. We are a registered charity with a total membership of just over 50,000.

Under its Royal Charter, the objective of the British Psychological Society is "to promote the advancement and diffusion of the knowledge of psychology pure and applied and especially to promote the efficiency and usefulness of members by setting up a high standard of professional education and knowledge". We are committed to providing and disseminating evidence-based expertise and advice, engaging with policy and decision makers, and promoting the highest standards in learning and teaching, professional practice and research.

The British Psychological Society is an examining body granting certificates and diplomas in specialist areas of professional applied psychology.

## **Publication and Queries**

We are content for our response, as well as our name and address, to be made public. We are also content for the Commission to contact us in the future in relation to this consultation response. Please direct all queries to:-

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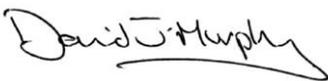
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We hope you find our comments useful.



**David J Murphy CPsychol**

*Chair, Professional Practice Board*

## **SUMMARY OF REVIEW OF EVIDENCE CONDUCTED FOR THE FUTURE OF MANAGEMENT**

1. Leaders and managers often face significant pressures to orientate performance towards a short-term a focus, however it is important for them to be aware that they are powerful role models for ethical behaviours and creating an open, learning culture within an organization.
2. Leaders and managers have a key role to play in liberating innovation – being open to ideas, valuing contributions, providing constructive feedback
3. Performance is enhanced by engaging employees and creating greater “meaning” in their work
4. Leaders and managers can be more effective through empowering colleagues, in line with “distributing” rather than “protecting” power
5. Transformational leadership is a positive model with many benefits, but specific measures may be necessary to ensure ethical practice is observed.
6. Developing the leadership and management capabilities outlined above, is likely to require an extensive review of selection, development and performance appraisal systems.

## **SECTION 1**

### **How good is management and leadership in the UK and how does this compare internationally?**

#### **1.0 Background**

In order to answer the question of how good management and leadership in the UK is, it is first necessary to establish the criteria by which management and leadership should be assessed. We need to understand in what ways management and leadership can add value to organisations (and the country as a whole) so as to be selective in our focus.

#### **1.1**

As highlighted in the 2014-15 budget, the UK remains heavily dependent on business-created wealth, and must increase exports significantly in order to balance the books. In a fast-paced world, where there have been more technological advances in the past 10 years than in the preceding 100 (e.g. Lewis and Zibarras, 2013), the ability of leaders in all sizes of organisation to be able to harness innovation and create new business opportunities is essential for global competitiveness (World Economic Forum, 2013).

## **1.2 Innovation**

With this in mind, it is relevant to consider the Global Entrepreneurship and Development Index (GEDI) 2013, which uses as its assessment criterion the number of patents filed, ranks the UK only 14<sup>th</sup>. The UK is behind nations such as Iceland, Taiwan, Belgium and Singapore. The number one position is held by the United States, followed by Sweden and Denmark, and nine of the 13 countries ahead of the UK are not G8 countries (except where they are represented by EU overall membership).

## **1.3 Innovation, management and leadership**

Given evidence to suggest that innovation in companies is driven to a large extent by senior managers and the extent to which they are strategically effective in their leadership (Heskett, 2007), but also affected by leadership at all levels developing the appropriate culture (e.g. Yukl, 2008), this may indicate that leadership in the UK is not as effective as other countries in this important regard. Certainly, it suggests that there is no room for complacency in our current global standing.

## **1.4 Leadership and short-termism**

Another way in which UK leaders and managers may not be as effective as they could be is a focus on short-termism, designed to avoid harm to their corporate reputation, at the expense of taking a more strategic view (Brochet, et al., 2012). Excessive short-termism at the expense of corporate reputation can be observed at a national level in food retail. With ongoing price wars (where price is regarded as one of the biggest consumer decision factors (e.g. Davis, 2013; Lal and Rao, 1997).

## **1.5 Effective and ineffective leadership**

There have been a number of recent global headline-grabbing examples of failures e.g., in relation to the global financial crisis that have been attributed to a lack of effective leadership in UK companies. (Martin, 2013). It could be argued that these examples are not common events; nonetheless, it is helpful to consider what it is about the culture of leadership in such major corporations that allowed these individuals to be appointed to the positions they attained, and whether it is symptomatic of a need for UK organisations to be more careful in determining the criteria for executive leadership in future.

## **1.6 Comparative data**

The Society is not aware of many comparative studies of the management and leadership effectiveness in the UK compared with other countries. However, one relevant study was conducted by McCarthy (2005), who compared leadership practices in UK and German organisations, using both a review of submissions to “Quality” award standards (e.g., ISO 9001), and survey methodology. Although based on a relatively small sample, the study is interesting since German products are often regarded as being particularly high quality in the world.

## **1.7**

Among the findings of the study were data presenting comparison of the extent to which respondents believed that certain management and leadership tasks were regarded as “usual practice”. A selection of these is listed below:

- Leaders set targets – 79% Germany, 75% UK
- Leaders are particularly expert – 46% of Germans, 19% UK
- Leaders visit and speak directly with employees – 61% Germany, 58% UK
- Leaders coach others – 43% Germany, 42% UK
- Leaders mentor others – 43% Germany, 19% UK
- Leaders are personally involved with customers – 86% Germany, 76% UK
- There is cross-functional collaboration – 21% Germany, 11% UK.

### **1.8**

These findings suggest is that practices in the UK are not significantly different to Germany in many respects but some areas of difference were apparent. Moreover, other interesting UK-specific findings that emerged from the study were:

- Leaders were expected to role-model ethics and values, and were measured against how well they did this
- Leaders aligned promotion criteria with organisational values against defined criteria. This was not noted in Germany, where promotion tended to be based more on technical expertise.

### **1.9**

These last two findings are particularly supportive of effective management and leadership approaches in the UK compared with Germany, and are relevant to psychological evidence (discussed below) on sustainability, and its relevance to continued national financial success.

## Future skills needs – what is the potential impact of global markets, technology, workplace and societal trends on management and leadership skills and behaviours?

### 2.0 Unique contribution of psychology

Psychology is the study of how individuals function as individuals and how they interact with others. As such, it is fundamental to our understanding of (1) the interaction of psychological, social and cultural processes, and (2) the reciprocal relationship between these and political, economic and technological processes. It is a truism to state that organisations succeed or fail as a direct consequence of human action. Thus, the key to organisational (and national) success is the effective development and positive exploitation of human resources, with reciprocal benefits for the individuals involved, as a result of exercising high quality management and leadership, and the various activities that these involve.

### 3.0 Avoiding Future Global Crises

The effects of the Global Financial Crisis, started around 2008, are still being felt by economies worldwide (Gruber, 2014). Such is the lasting impact of these cataclysmic events that focus is naturally being turned to how they can be avoided in future. Sheppard and colleagues (Sheppard, Sarros & Santora, 2013) have described the extent to which organisations globally are now hugely interdependent in terms of social, cultural, political and environmental factors, and as a result, leadership is increasingly complex. They discuss the extent to which organisations and their leaders need to be increasingly aware of the shifts of global power given the growth of emerging and “transitional” economies. Quoting extensive research, they argue, that it is essential for leaders to be aware of, and be equipped to handle proactively, all of these factors.

#### 3.1 Leadership, Integrity, and Organisational ethical mismanagement

Following the raft of corporate scandals since the collapse of Enron, many psychologists have warned of the potential dangers of appointing – particularly to senior positions – leaders who exhibit the ‘dark side’ of charisma, embodying traits of arrogance, narcissism, and hubris, and who, by exert their influence for selfish ends, rather than for the benefit of their organisation, ‘*can destabilise organizations in dangerous ways*’ (Khurana, 2002, p. 4, cited in Storey, 2011, p. 32). Sheppard and colleagues consider the concept of “organisational ethical mismanagement” which they describe as a key contributor, together with the aforementioned interconnectedness, to global crises. Added to this, leaders face increasing ethical challenges worldwide, relating to factors such as corruption, bribery, and an increased focus on Corporate Social Responsibility (CSR), as a defining source of competitive advantage (e.g. Beets, 2005; Maria and Arenas, 2009; quoted in Sheppard et al, 2013). An increased focus on CSR specifically is discussed below.

### 3.2

The features of organisations in today's climate that leaders need to address are summarised by Sheppard and colleagues as global ethics, global tempo and global risk. Together, these necessitate "strategic, innovative, global mindsets, based on transformative and creative leadership" (Karp and Helago, 2009, cited in Sheppard et al 2013, p. 268).

### 3.3

Considering again the comparison of UK and other international leaders, it is interesting to note that if global ethics are indeed as important as researchers quoted by Sheppard et al 2013 (e.g. Useem et al, 2005), it is worth noting that according to the International Finance Corporation and the World Bank, the UK ranks 10<sup>th</sup> in the world on measures of Ease of Doing Business (IFC and World Bank, 2014).

### 3.4 Leadership style

Harvard Professor Linda A. Hill also considered aspects of the increasing complexity of organisations in her research, and argues that leaders in the new world order should consider the concept of "leading from behind". She argues that a leaders' main responsibility is not to be expert in all of the areas in which they are responsible, but rather to *facilitate* the leadership of their direct reports such that they can be effective leaders in their area (Hill, 2008). Hill's approach is strongly reminiscent of 'servant leadership' (Greenleaf, 1970, 1996), 'leading quietly' (Mintzberg, 1999), and shared or 'distributive' leadership (Spillane, 2006; see below).

### 3.5

Psychologists, who have made significant contributions to the understanding of the nature of leadership, continue to influence thinking as to what leadership means in the post-heroic era, where the increasing complexity of challenges facing society, and the need to deal with constant change, means that the strengthening of employee engagement is key. Current developments in leadership research emphasise that leadership is about 'connecting' with others, and (1) less about people who occupy of particular position, and more about practice (i.e. how people behave towards each other); (2) that it is a social influence process, and emerges in relationships and networks of influence, rather than residing simply in 'the leader'; and that (3) it leads to learning and growth for the individual and the organisation (Fletcher, 2004). Much of the work of organisational psychologists has been to undertake research in these areas, and to make practical recommendations to organisations so as to improve the effectiveness of their recruitment and development activities, change initiatives, and other HR/OD practices, and (e.g. Leonard et al., 2013; Storey, 2011).

### 4.0 Reducing corruption through "whistleblowing"

Whistleblowing is defined as "the disclosure by organization members (former or current) of illegal, immoral or illegitimate practices under the control of their employers, to persons or organizations that may be able to affect action" (MacGregor and Stuebs, 2014).

#### 4.1

Whistleblowing is regarded by a number of researchers as an essential contributory factor in almost 20% of large corporate fraud cases in American between 1996 and 2004 (e.g., Dyck et al, 2008), and found to be largely responsible for ending globally recognised cases such as Enron and WorldCom (Bowen et al, 2010). This suggests that a key future leadership and management requirement is to create the conditions that increase employees' tendency and ability to "blow the whistle". Some psychologists have studied the phenomenon, describing it as an aspect of 'proactive' behavior' in which employees take the initiative protest against some kind of organizational injustice (Einarsen, & Matthiesen, 2010).

#### 4.2 Encouraging and enabling whistleblowing

MacGregor and Stuebs refer to research suggesting that organisational programmes to encourage whistleblowing programmes are not always effective, and at the same time, there is a lack of full understanding as to why this is the case (Knoll and Dick, 2013). Possible explanations include:

- Fear of reprisal and retaliation
- Corporate infrastructure not being conducive
- Individuals' aversion to engage in "abnormal" behaviour (regardless of whether the norm is ok) (O'Fallon and Butterfield, 2005)
- Commitment to colleagues (Taylor and Curtis, 2010)

#### 4.3

Whistleblowing has been the subject of a previous national consultation that the Society contributed to, led by the Department for Business and Skills. Nonetheless, it is important to focus on it here too, given the reported complexities of the relationship between leadership and whistleblowing, or remaining a "silent Samaritan" (MacGregor and Stuebs, 2014, p149).

#### 4.4 Leadership and ethical behaviour

Effelsberg and colleagues (2014) undertook a study exploring these complexities. They used the Bass and Avolio model of Transformational Leadership (TL), and quoted studies by Bass and colleagues which describe TL as decreasing leaders' self-interest in favour of the greater good (e.g., Bass, 1998). However, as Effelsberg et al point out, the "greater good" as defined in terms of the company, may well contradict the "greater good" in relation to society more widely. Therefore, it needs to be considered whether transformational leaders who increase organisational commitment among their direct reports (or colleagues) might inadvertently increase "unethical" behaviours from the viewpoint of stakeholders who are external to the organisation in question.

#### 4.5 Unethical pro-organisational behaviour

Effelsberg and colleagues refer to a study by Umphress et al (2010) who coined the term "*Unethical Pro-organisational Behaviour*" (UPB) and posited that unless integrity and ethics relating to the needs of

external stakeholders are explicitly required of leaders, those that increase organisational commitment without the emphasis on these specific dimensions are likely to increase UPB.

#### **4.6**

The same study found that Transformational Leadership is indeed related to willingness to engage in unethical behaviour, and that the key mediating factor is organisational identification (commitment). Two key lessons to be learned from this research are, (1) that the Bass and Avolio model of TL on its own might induce UPB, and (2) that leaders and managers should also consider employees' disposition towards unethical behaviour as this was another predictor of UPB (Effelsberg et al, 2014).

#### **4.7**

What Effelsberg and colleagues did not consider was the existence of a UK model of TL, first published in 2001 by Alimo-Metcalfe and Alban-Metcalfe (Alimo-Metcalfe and Alban-Metcalfe, 2001; 2008). This model has at its core the dimensions "*Acting with Integrity*" and "*Honesty and Consistency*" (both of which relate to role modelling and encouraging ethical behaviour), as well as "*Building Shared Vision*" and "*Networking*" which relate to appropriately balancing and meeting the needs of both internal and external stakeholders, and "*Facilitating Change Sensitively*" and "*Inspiring Others, such that they want to work with them*". This model has also been shown to enhance organisational commitment (among a range of other factors that enhance performance), but in ways that UPB should be negated.

### **5.0 Entrepreneurialism and innovation**

Ahmad and Hoffman (2007, p.5) define entrepreneurship as "*the creation of value through the identification and exploitation of new products, processes and markets and this is not uniquely the preserve of small companies or entrepreneurs*".

#### **5.1 Leadership, innovation and entrepreneurialism**

The UK's 14<sup>th</sup> GEDI place (GED, 2013) suggests that UK leaders and managers need (1) to become more focused on increasing cultures of innovation within their organisation (Lloyd-Walker and Walker, 2011) and (2) for senior managers behaviour to be more strategic (Elenkov et al, 2013).

#### **5.2**

In relation to competitive edge, Elenkov and colleagues (2013) drew a distinction between innovation that contributes to both new product-markets ("PM") as well as the development of improved and new administrative mechanisms ("ADM"), and confirmed that strategic leadership by top management is essential. TL behaviours that are linked to creativity include:

- Being a "good" work model
- Being open to new ideas
- Providing constructive feedback
- Valuing individuals' contributions.

## **6.0 More free-flowing knowledge management**

Another critical underpinning of successful international growth and competitiveness is the coordination and control of information and activities that come from effective knowledge management (KM) technologies (Griffith et al, 2008).

### **6.1**

In fact, many authors regard KM as the most important resource an organisation has, even over and above physical assets, including people. KM (practised by 80% of the largest global organisations) impacts on:

- Productivity
- Cost reduction
- Efficiency
- Meeting customer needs
- Profits
- New market identification
- Market share
- Effectiveness (Amir and Parvar, 2014).

### **6.2**

However, the main barriers to knowledge sharing were:

- A belief that knowledge is power
- Lack of trust
- Resistance to change
- Poor verbal and written communication
- Difficulty documenting certain types of knowledge

These are areas in which 'distributive' and shared leadership through empowerment are paramount.

## **7.0 Physical presence and the challenges and opportunities of “distributed” leadership**

Many authors have documented organisations' moves towards markedly different ways of working such as “remote” working, virtual teams, 24/7 availability, new technological advances and increased diversity of languages (Alban-Metcalfe, 2013; Jenster and Steiler, 2011; Li et al, 2011). Only limited research exists yet regarding how to effectively lead and manage remote workers and virtual teams, though there is the need for flexibility in leadership approach (Jenster and Steiler, 2011), with TL being more successful in achieving performance than other styles (Kelloway et al., 2002).

### **7.1 Leading across boundaries**

New forms of teams that represent people who do not necessarily work for the same organisation underline the importance of being able to lead across boundaries (e.g. Linden, 2010; Morse, 2010), rather than relying on positional power to achieve aims through others.

## 7.2 Challenges

Sheppard (2013) points out a number of other leadership challenges arising from new organisational forms, including:

- increased risk comes from sharing leadership responsibilities and inter-organisational coordination
- managing people in the context of ambiguity and complexity
- the need for increased team collaboration, collaborative decision-making and open dialogue
- increased need to create a greater climate of trust and provide more autonomy
- decisiveness
- authenticity
- a global perspective.

## 8.0 Power of CSR to increase organisational and UK economic performance

Corporate Social Responsibility (CSR) is defined as “the voluntary actions organisations can take, over and above compliance with minimum legal requirements, to address both its own competitive interests and the interests of wider society” (MacLeod and Clarke, 2008), and has been shown by many researchers to increase the competitiveness of organisations.

### 8.1

Boulouta and Pitelis (2014) summarised evidence that CSR contributes to increasing the competitiveness of organisations in a wide variety of ways including:

- Reducing costs
- Creating new value through entrance into new markets
- Enhancing HR performance and helping retain or attract new talent
- Building better relations with employees, customers, suppliers and communities
- In relation to employees they foster improved and constructive relationships and diversity which ultimately foster innovation
- Enhancing corporate image and reputation

### 8.2

They established a causal link between the CSR activities in organisations and per capita GDP. What is particularly interesting for the UK is that the findings suggest that as a “low innovation” (assessed by number of patents filed), high CSR (as assessed by the Dow Jones Sustainability Index) country, it is in the ideal position to utilise CSR to increase competitiveness and therefore increase national wealth.

### 8.3

An expected increase in CSR activities in the UK into the future has important implications for the future of leadership and management requirements. For example, TL has been shown to be positively related to individuals' attitudes towards CSR (Groves and LaRocca, 2011). Additionally, leaders and managers need to be orientated to CSR in order to be able to spot opportunities and support CSR practices by

enhancing innovation to spot opportunities, providing genuine support for people to undertake other activities during work time, improving community relations and other orientations towards external stakeholders, and so on.

## **9.0 Maximising employee potential through employee engagement and wellbeing**

Research suggests that productivity is linked not only to being able to do one's job without impediment, but equally that the work be meaningful (e.g. Amabile and Kramer, 2011; Scroggins, 2008). Thus, it is argued that younger generations of workers, in particular, place more emphasis on having a sense of meaning in what they do (ILM & Ashridge, 2011). One of the ways that the organisations of the future can ensure that they satisfy these needs is through ensuring that their people are highly "engaged" (e.g. Alban-Metcalfe, 2013; MacLeod and Clarke, 2008).

### **9.1 Management and leadership skills for engagement and wellbeing**

More widely, research by Lewis, Donaldson-Fielder and Thawani (2012), published by the CIPD demonstrates that a focus by organisations on employee engagement, health and wellbeing will continue to be important over the next 5-10 years (CIPD, 2012). Presented to the APPG as a separate submission, the skills, attitudes and behaviours needed are likely to include those set out in Lewis et al's research.

### **9.2**

The themes that emerged can be grouped under the categories below:

- **Open, fair and consistent:** Managing with integrity and consistency, managing emotions/ personal issues and taking a positive approach in interpersonal interactions
- **Handling conflict and problems:** Dealing with employee conflicts (including bullying and abuse) and using appropriate organisational resources
- **Knowledge, clarity and guidance:** Clear communication, advice and guidance, demonstrating understanding of roles and responsible decision-making
- **Building and sustaining relationships:** Personal interaction with employees involving empathy and consideration
- **Supporting development:** Supporting and arranging employee career progression and development.

### **9.3**

Since it is believed that the APPG will have received a large number of submissions on the subject of employee engagement, it is not discussed in any more depth here, however the Society believes that it is an essential focus by organisations for the future, and managers and leaders can be a primary source of this experience (e.g. Alimo-Metcalfe and Alban-Metcalfe, 2008).

## **10.0 Improving the climate for diversity and inclusion to flourish**

As populations shift and the world becomes more interconnected, and travel and work become more flexible across national boundaries, diversity in organisations is increasing. In addition, there is increasing evidence that diversity is a positive organisational attribute, with influence on outcomes such as sales growth, customer satisfaction and others, meaning that organisations are actively seeking to increase it among their workforce (Groggins and Ryan, 2013).

### **10.1**

Therefore, another essential factor for leaders and managers who will be successful in recruiting, retaining, developing and enabling the best talent is their ability to create cultures that are positively focused towards diversity and inclusion.

### **10.2**

However, it is important to note that a phenomenon known as the “revolving door” is associated with organisations’ attempts to increase the recruitment of diverse individuals without ensuring that the culture within the organisation is welcoming of their difference (Alban-Metcalfe, 2008; Moreno et al, 2006).

### **10.3 Increasing diversity**

Groggins and Ryan (2013) identified the following key themes in enabling diverse individuals to perform well:

- Diversity is a central, enduring and distinctive organizational attribute
- Accommodation is the rule and not the exception, creating openness to change and efficacy for change efforts
- Respecting difference is a necessity not a nicety, which translates into openness to others and the development of interpersonal competence
- Learning is continuously required, which translates into openness to error and efficacy for continuous improvement.

### **10.4**

Linked to the latter point they found that “*no place is completely immune to challenges in managing differences*” (p276). This, and many other factors in the successful recruitment and retention of diverse people, echoes the leadership requirements of leaders in any organisation, as described throughout this submission.

## What are the key enablers that can raise the game of aspiring managers and leaders to help them achieve success in this future context?

Aside from the leadership and management implications discussed throughout the previous section, the following additional areas in which psychologists can contribute to “raising the game” of future leaders and managers through selection and developmental support.

### 11.0 Having the right CEO

Whether or not a powerful CEO is positive for stakeholders is debatable, with both positive and negative outcomes found through research, related to complex combinations of factors (Larcker and Tayan, 2012). However, evidence does seem to exist suggesting that the behaviour of the CEO as a leader makes a difference to the quality of leadership throughout the organisation.

An example, is their willingness (or otherwise) to engage in leadership development. Randell and Toplis (in press), quote The Council for Excellence in Management and Leadership, who have specified as their first strategic principle that, “*Leadership development must be driven from the top: if the CEO is not intimately involved and committed to it, it is not worth doing*”.

### 11.1 Level in the organisation

Oshagbemi and Gill (2004) found that the higher the level of management, the more likely it is to attach importance to providing directives, and engage in delegation.

### 11.2

As noted above, decisiveness is essential for enabling employees to deal with change. So too are ability to delegate, and to devolve power and expertise (Oshagbemi, 1999; Hill, 2008). These findings suggest that key enablers for future managers and leaders to maximise their potential include:

- Having the right CEO (or that the CEO is engaged in the right behaviours)
- Developing decisive direction-giving, balanced with enabling others.

### 12.0 Focus on engagement and wellbeing to maximise employee potential

Key enablers to focus aspiring managers and leaders (and those who aspire to be better) include a greater focus on employee health, wellbeing and engagement (CIPD, 2012). Despite much research evidence demonstrating that health and wellbeing is increased among engaged employees (e.g., MacLeod and Clarke, 2008; Maslach, 2011), reliance on engagement alone is not sufficient to maximize performance. If people are engaged in their work, but their wellbeing is not protected, there is a risk that they overwork and either burn out or leave the organisation (CIPD, 2012).

## 12.1

Research on management competencies for preventing and reducing stress at work has identified a range of barriers to showing the behaviours that are important for preventing and reducing stress in those being managed (CIPD, 2012). These are summarised by Lewis et al (2012).

## 12.2 Multi-rater perspective

Management and leadership capabilities should be measured by gathering the views of those being managed and led. This means using properly-validated 360 degree and/or upward feedback and other mechanisms for gathering employee perspectives (CIPD, 2012).

## 12.3 Other metrics

The application of multiple metrics which consider sustainable improvements in 'non-tangibles', e.g., worker motivation, job satisfaction, wellbeing, health, safety, working and employment conditions, customer relations, customer satisfaction, that reflect the concerns of multiple stakeholders (employees, clients, suppliers, and wider society) can benefit both level of engagement and CSR, both current and future. 'Tangibles' relevant to innovation include non-financial metrics that drive growth (e.g., indicators of R&D, such as patents filed; number of employees with post-graduate degrees in engineering or scientific subjects; time devoted to training).

## 13.0 High Performance Work Systems

High Performance Work Systems (HPWS) are integrated systems of human resource management practices directed at enhancing the motivation, skills and abilities of workers, and giving workers the latitude to use their skills. In the management of people, there is accumulating evidence that firms who adopt HPWS are more likely to report better performance on a range of metrics including financial performance, productivity and safety (Combs Liu, Hall, & Ketchen, 2006; Ogbonnaya, Daniels, van Veldhoven & Tregaskis, 2013). There is some evidence that adoption of "high performance work practices" can also be associated with enhanced wellbeing and job satisfaction in workers (Van De Voorde, Paauwe, & Van Veldhoven, 2012).

## 13.1

HPWS comprise several human resource management practices (e.g., Combs et al., 2006) such as:

- high investment and selective recruitment and selection
- contingent rewards, based on performance or skills
- job design, including self-managing work teams, job rotation, flexible work, and skilled work
- decentralized decision making and participation reflected in information sharing, suggestion schemes, attitude assessment, and problem-solving groups
- investment in training
- formal, internal and merit based career structures
- total quality management
- job analysis

- performance management and appraisal systems; and
- employment security.

### 13.2 HPWS in practice

Much of the evidence concerning HPWS is cross-sectional with few longitudinal studies that examine whether the introduction of HPWS is associated with subsequent increases in performance. Tregaskis, and colleagues (2013) found that subsequent to introducing HPWS in a manufacturing company, metrics indicating the firm's safety performance and productivity improved, as did job satisfaction and organisational commitment.

### 13.3 Barriers to HPWS

Evidence indicates that successful implementation of HPWS requires the commitment of a strong senior management team (Tregaskis et al., 2013). This is because it requires system-wide thinking and total commitment. Also, there is conflicting evidence as to whether HPWS on their own lead to the intensification of work (Van De Voorde et al., 2012), or whether HPWS benefit from enhanced worker job satisfaction, commitment and motivation (Ogbonnaya, Daniels, Connolly & Van Veldhoven, 2013).

### 13.4

On balance, organisations are most likely to benefit from HPWS when senior managers are strongly committed to integrating HPWS with a broad range of human resource management practices.

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## The Future of Management

### 21<sup>st</sup> Century Management – the Rise of the Intrapreneur?

**Synopsis:** - How the MLD programme we have designed and delivered develops intrapreneurial attitudes and skills in participants leading to profitability and growth in private sector organisations but also stimulated innovation in public and third sector organisations, with requests to form social enterprises as a result. We believe intrapreneurship is a key theme for the future of management.

The 20<sup>th</sup> century saw the success of Scientific Management where ‘management’ of the work process was separated from the worker and the work itself.

It became the manager’s role to determine, organise, supervise and reward the worker and their productivity.

We now live and work in the digital 21<sup>st</sup> century ‘information age’. Do these old principles still hold?

Can we effectively lead and manage complex, inter-connected knowledge worker organisations where individuals determine, organise and supervise their own outcomes, activities and productivity using only manual worker 20<sup>th</sup> century principles?

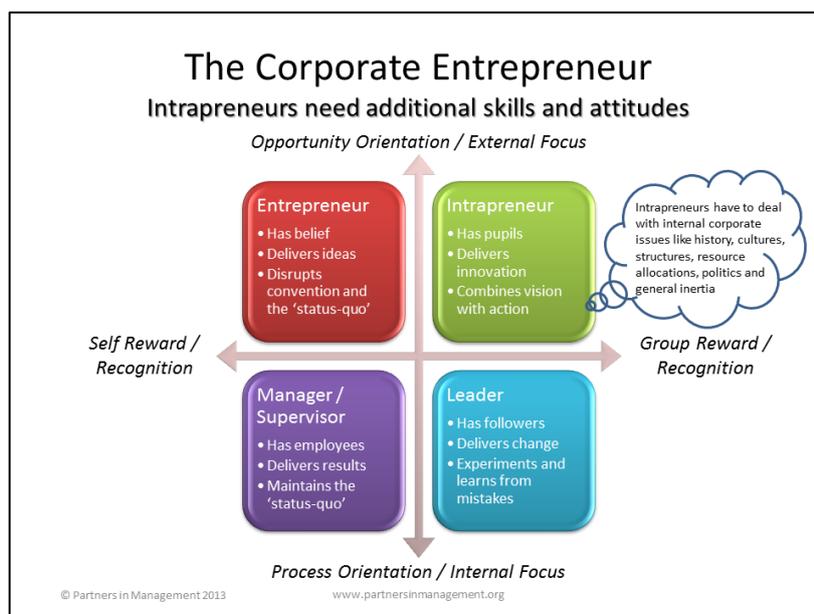
We also now need entrepreneurial skills too to drive private sector economic growth and lead innovation and change in our public services, but are these wholly appropriate in larger organisations?

As we know, Entrepreneurs are typically:

*Creative and innovative, spot and exploit opportunities, find resources, network well, determined, manage risk, have control and put the customer first. They often create new smaller independent organisations that they can direct ‘hands-on’.*

However Corporate Entrepreneurs have to work within existing larger organisations.

*They have to understand, adapt and overcome existing structures, cultures, processes, political agendas, plus often utilise assigned resources as opposed to ‘starting from scratch’ – skills that pure entrepreneurs might not have – hence the term Intrapreneurs.*



To more readily explain what differentiates Intrapreneurs we have developed the above model based around the focus on external/internal opportunities and emphasis on self or group.

# APPG - Evidence Submission

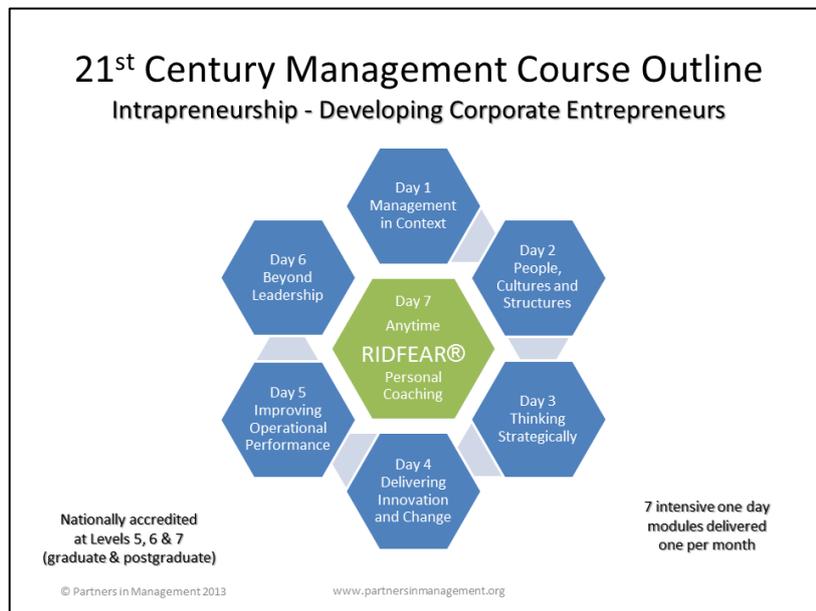


Position Paper by David Broadhead – Partners in Management Ltd, Huddersfield

Having determined that the guiding objective of our CMI and ILM accredited management and development programmes would be developing Intrapreneurial attitudes and skills, we then set about designing a suitable programme to achieve this. The target audience would be middle and senior managers/leaders from all sectors.

The course outline is shown here.

Feedback from our various corporate clients and individual students had indicated that they desired short, intensive low cost programmes with the option of a qualification. This too would not be an extensive, extended qualification but more likely a Certificate rather than Extended Diploma or University Masters. Key considerations being cost, time and general work pressures. We also chose to deliver the same programme content in one joint programme across levels 5, 6 or 7 with the assessment and support offered being the defining differences for those working at different levels.



Our general programme delivery model has always been about using action-learning principles where adults can talk about their issues and experiences in a small, supportive group of up to 12 people. This key feature has always been positively received by participants and is a powerful development tool. We combine this with ensuring there are participants from across all sectors whenever possible, thereby enhancing the support and learning opportunities for all.

Another key issue was the desire to attend sessions that fitted into hectic working lives but with time for reflection and study. The timing of sessions delivered one day per month over a six month period has worked well in this way for participants. These sessions are challenging and thought provoking but supported with traditional delivery type materials but also on-line materials like Management Direct and TED Talks etc.

We began delivering the programme in early 2010 and have now refined it to its current condensed format. In 2013 we have run three cohorts with support from a local authority which has taken 50% of the places available. Their managers have benefitted tremendously from this experience and gained much from the mixed sector representation. Likewise the private sector representatives have appreciated much more the challenges faced by the public sector and have offered much advice and support. It has been exciting to see since that local government managers have or are applying to develop their service areas into social enterprises as a result.

For 2014 we are hopeful of obtaining funding for more private sector participants and to encourage greater participation from the NHS, an area woefully underrepresented in our groups recently.

One final point worth mentioning is the fact that consistently we see a gender split on our programmes of between 70 / 80% female. In the 21<sup>st</sup> Century it would certainly appear to be women who are most willing to learn and develop!

**David Broadhead MA DMS BSc FCMI & CMI Ambassador**

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01484 500404

# **Improving performance and delivering growth in a County Council environment.**

## **The story**

Having operated for 8 years delivering Facilities Management, Schools catering, Grounds Maintenance and Design and Print with a fairly static organisational structure, “The Company” was divested from a “County Council” and commenced “independent” operations on the 1<sup>st</sup> November 2011.

2 Executive Directors (MD and FD), 1 share holder appointed and 3 elected County Councillors as Non-Executive Directors comprise the Board, the workforce is 2000 front line staff and 200 managers and support staff.

## **The challenge**

To change the company culture and mentality from “public sector” to a progressive, pro-active, commercially minded, profitable organisation.

## **The strategy**

To challenge the 15 member Operational Management Team (OMT), which included the Executive and Shareholder appointed Directors, asking them if a group of 15 people was the most effective way of leading the company? They agreed it was not, and a 5 person Strategic Leadership Team (SLT) was created (MD, FD, 2 Commercial Managers from OMT and Transformation Manager).

The new group was tasked with:

1. Providing leadership and strategic management
2. Leading the development of policy and strategic objective proposals
3. Leading on the development and implementation of corporate priorities
4. Providing governance for the Operational Management Team

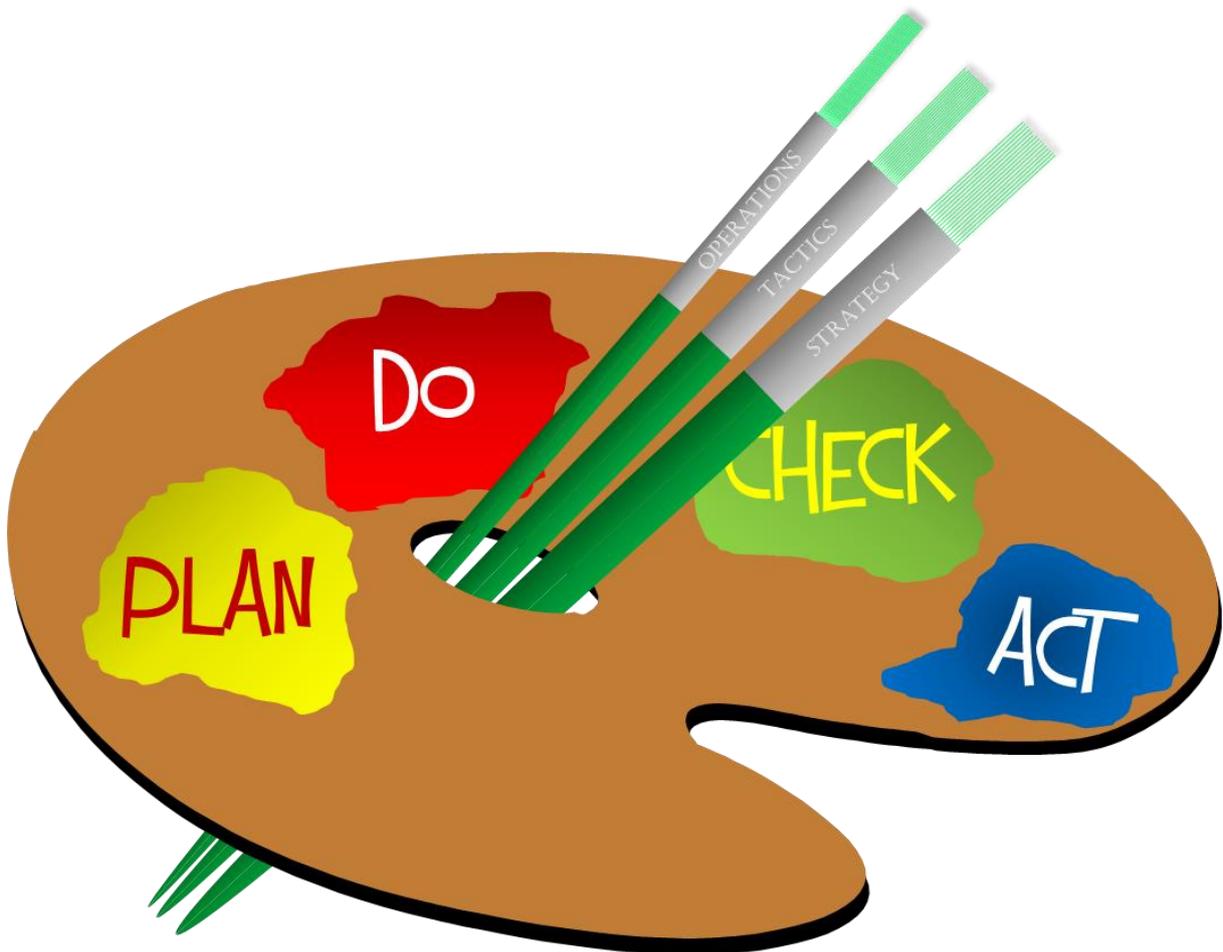
Under the leadership of the MD the SLT had the remit to rigorously address failing critical aspects of organisational management:

- Leadership
- Guidance
- Governance
- Objective setting
- Responsibility
- Measurement
- Accountability



**MANAGEMENT SYSTEM STANDARD**  
**SPECIFICATION AND GUIDANCE**  
**CQI 1000:2014 DRAFT B1**

THIS IS AN EXTRACT CONTAINING THE PREFACE- EMAIL [IANDALLING@LIVE.COM](mailto:IANDALLING@LIVE.COM) FOR FULL VERSION



**FACILITATING THE CREATION OF**  
**MANAGEMENT SYSTEMS WITHOUT BOUNDARIES**

## Preface

The principal objective of this Management System standard (MSS) is to provide instruction and guidance on designing and implementing fully integrated management systems that attempt to optimise the functionality of an organisation. This is achieved by organising the collective thought and action of the organization to equitably satisfy the needs and expectations of its stakeholders while making the best use of resources. Integrated Management Systems do not recognise artificial and restricting management boundaries. However, the MSS can also be used for existing or planned partial management systems and will assist in aligning their structure for future integration.

The application of existing management system standards has meant that many organizations have only had experience of formal management systems covering only part of their organization's performance. This MSS incorporates quality, risk and other management principles and provides the opportunity for organizations to create fully integrated management systems that address the whole of an organization in a truly joined up and coherent way and avoiding the need to comply with multiple diverse management system standards enabling it to economise on valuable management resources. This empowers it to improve its effectiveness, efficiency, innovation, robustness, agility and resilience and also experience the synergistic benefits of coherent management processes. Independent surveillance and certification processes will also have the potential to be more effective and efficient.

This MSS was designed by the Chartered Quality Institute Integrated Management Special Interest Group. At the time of commencing the first draft (September 2012) there was believed to be no single management system standard addressing the totality of an organisation's operations and taking a [fully integrated stakeholder focus](#). This MSS is intended to provide a one-stop solution for organisations seeking to implement a [fully integrated management system](#). As this MSS has the potential to universally benefit every type of organisation of whatever size it was decided that it should be freely published on the World Wide Web without charge inspired by its inventor Tim Berners-Lee.

This single universal MSS achieves the principal objectives of many separate management system standards in common use such as ISO 9001, ISO 14,001 and OHSAS 18,001 but it does not achieve this by simply merging the requirements of the various standards in the marketplace. It was done by returning to first principles required to be applied to an organisation's structures and dynamics in order to equitably satisfy the needs and expectations of its stakeholders while making the best use of resources. This has the effect of shifting the principal attention of management from its multiple facets of performance such as good/service quality, protection and nurture people, environmental protection, security etc. to the organisation's processes that impact the multiple facets of stakeholder satisfaction.

[Plan-Do-Check-Act](#) is something that humankind naturally does to varying degrees of competence but it does not happen naturally in an organization and needs to be orchestrated via a management system. A fully effective, efficient, agile and resilient integrated management system has the capability of promoting and facilitating the optimal functioning of [Plan-Do-Check-Act](#) throughout an organisation at every level. Its establishment is an indicator of high performance functionality that provides confidence to stakeholders.

It should be noted that all modelling of the real world to aid its understanding, prediction and management is approximate to some degree and good judgement must be exercised by competent managers to get the most out of this MSS and an integrated management system. The MSS provides the flexibility to violate its requirements where justified.

As this MSS is innovatively empowering organizations to gain new management experiences, it is hoped that it will stimulate creative thinking and research and help drive continual improvements in the understanding and application of management systems.

This MSS development team wish to acknowledge the unfathomable network of living and deceased people who have knowingly or unknowingly provided inspiration, knowledge and experience to make this standard a reality. For this reason no list of contributors has been attempted.

Unfortunately the group was led away from strategic planning and interventions by the MD, and SLT quickly became an operational forum chasing routine tasks, not providing the desperately required leadership to the company. Eventually the group stopped as there were no identifiable benefits from the meetings.

In the absence of SLT providing strong leadership and direction, the Transformation Manager has felt compelled to provide some degree of guidance and leadership for the company through Development Days, a new Performance Management System, and various Communications initiatives.

Through the Development Days we have introduced our first corporate business plan, our corporate objectives and our new Vision, Mission and Values to our operational managers and supervisors.

This group was also invited to identify the behaviours that they would like to see displayed by colleagues, senior, peer and junior, to promote positive changes in the culture of the company. These behaviours were then developed, and adopted as a set of all positive Corporate Behaviours.

The new Performance Management system has been rolled out from the middle down; not an ideal situation but with early success and good initial feedback the cascade will continue. Regrettably the MD has been unable to complete reviews or set objectives to complete OMT PDRs; it looks extremely unlikely that they will be completed before 2014.

The new Communications initiatives have ensured that information is available to staff at all levels; there is much debate whether information is actually accessed however.

## **The results**

Limited positive results have been seen, and our supervisors, junior and middle managers are beginning to engage with change initiatives. This upsurge in engagement is however being stifled by senior managers, who are creating significant barriers that prevent good management behaviours and practices being adopted.

## **The barriers**

**We don't learn from our mistakes** – We simply take the same incorrect options time and time again.

**Leadership** – To get from a council department to a commercially viable company is not a simple task, requiring strong leadership to provide direction and guidance; currently there is little appetite amongst SLT to provide any.

**Saying one thing, doing another, or nothing or saying different things to different people** - Prevalent and unhealthy practices.

**Talk not action** – Agreeing to undertake actions but not doing anything,.

**No objectives** – Only company corporate objectives are in place, none for teams, service streams or individuals not even Directors or Commercial Managers.

**No responsibility** – Where it is clear that an individual does hold responsibility i.e. through a job description, there is rarely any attempt at measurement or accountability for shortcomings or failure.

**No measurement/ accountability** – For example county schools were undercharged £350 000 for Free School Meals, which had to be absorbed by the company; the only disciplinary activity was a letter of censure to the responsible senior manager.

**No governance** – Where do you go when your board are unable to direct Executive actions.

**Time scales** – No urgency.

**Blockers/ stoppers** – For example, in one specialist area (Learning and Development), a meeting was called for 5 people, on 3 occasion's one person cancelled at late notice, the MD as part of the group did nothing; block successfully deployed and an area of critical importance is being severely neglected.

**No follow up, no completion/ finishing** – Actions are agreed, then started, then lose impetus and just stop.

**Excuse mentality – Can't Do, Won't Do, Didn't do** – It's not my responsibility, it's not my job; I'm not a solution orientated person – sort it on your own.

**Communication** - Knowledge is power, information is not freely shared, you must ask the right question to get the answers you need and even then peripheral information isn't usually offered.

***These barriers to progress remain strong and intact and the NEDs have now decided to bring in external consultants to look at:***

*Company structure, Capacity, Roles, Terms and Conditions*

*I am concerned however that the overwhelming cultural problems continue to be ignored, that we will remain with no firm foundations and we will merely ~~re-organise instead~~ shuffle deck chairs on the Titanic.*

**The lessons.....**

Well we don't really learn them, and I'm told by more trusted colleagues who have been here for a while that this is typical; whether that's for our company and county in particular, or counties and councils more generally I would love to know.

As an HR specialist in Learning and Development, Organisational Design and Development and Change Management I have identified solutions.

But **“they” don't listen, so “we” don't learn** and barriers are continually constructed **preventing effective and efficient management behaviours and practices being more widely adopted?**

## Why?

**Prepared Dec 2013 by:**

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## **Growing up, Waking up & Cleaning up**

*This paper submitted to AMED April 2013 suggests a need to pay far more attention to the developmental stages of leadership as outlined in the developmental models of Professor Robert Kegan, Bill Torbert , Jane Loevinger and others. The paper suggests that developmental conversations and actions are of strategic significance.*

As a coach supposedly supporting leaders and executives endeavouring to lead and manage in today's complex and volatile world I am asking myself will my providing a coaching service that is basically more and better of the same be an adequate response to the messiness of things and the broader challenges now facing us all. My answer to this self imposed question is a resounding no, and in this article I will outline a Growing up, Waking Up and Cleaning up coaching model that may be of some support to those of us engaged in leadership coaching.

Coincidentally I find myself writing this article in the week of Mrs Thatcher's passing and cannot help but be struck by the many and varied responses to her and her legacy. Puzzling over this wide range of responses I am left wondering if we collectively, either in our leaders, or in the wider population at large, were, or even are now, grown up or awake up enough in our own development to make some sense of, and clean up some of the apparent "mess" and "confusion" arising from the implementation of her ideas and of the responses being made to her at this time.

On a broader front and going beyond the immediacy of Mrs Thatcher's passing it doesn't take much further reading of the press or exposure to the media nowadays for one to form the impression that the Western World is itself facing a host of significant and "messy" challenges. My deep sense of this is that we are being confronted with the outcome of 300 years or so of the application of Reductionist and Darwinian ways of thinking, which have served us well in the developed world in the areas of physical comfort and material well being in recent history but that the leadership "intelligences", qualities and character based on this way of thinking are now running into the limitations of this way of thinking to handle a complex and volatile world.

After twenty three years of coaching in this country I am of the view that we won't get out of the mess we are in, and the confusion regarding Mrs Thatcher, by using the same "intelligences" and characterological qualities that got us to this point in the first place. In this paper I will outline a model that I have found, and am increasingly finding, to be helpful in supporting

leaders and executives at all levels as they struggle with the very real dilemmas of our times.

Basically the model has three parts which are

1. **Growing up** ,this stage suggests that human development goes through a series of developmental stages from the Dependence of childhood to the Independence of Adolescence to the Interdependence of Adulthood and that further development can occur during adulthood through a series of stages outlined in the Leadership Development model below
2. **Waking up**, this stage describes a “waking up “ from the limitations of the current “consensus view of reality” to a more comprehensive, complex and whole systems view of the world and a greater awareness of self and the self created nature of “reality” and the unitive nature of consciousness.
3. **Cleaning up**, taking actions from a “grown up” and “awake” perspective wherein there is a recognition of the need to clean up our acts both in the way we are with each other and the way we relate to the ecological and environmental challenges of our time

#### 1. **Growing up.**

I could discuss this stage at a generalised level but given the ongoing dilemmas, complexities and ambiguities still arising from the legacy of Mrs Thatcher I will endeavour to outline the significance of the Growing up stage with reference to her leadership in the hope that it might provide the possibility of more creative and productive responses to her legacy.

It appears to me that the core idea of Mrs Thatcher was to create the conditions for enabling personal responsibility and fairness to arise. i.e. help people make the shift from Dependence to Independence to Interdependence. However from what I see of her legacy she ended up creating on the one hand a much greater degree of Dependence via Social Welfare and an on the other an unhealthy degree of Independence through the deregulation of the City. This creating a generation of Independent and self interested participants whose main interest was to gain as much wealth as possible for themselves with little or no concern for the very Interdependence of the system that created that wealth in the first place.

I think one could reasonably say whilst her ideas were, and still are desirable in themselves, implementation was another matter and that possibly her leadership itself was not sufficiently developed to handle the unintended consequences of intervening in the way she did in a complex system. I do not

know if she had any advice or was aware of her own leadership stage of development and whether she had any framework or set of constructs for evaluating her leadership actions from a developmental perspective.

#### Leadership from a developmental perspective

There are now various and well documented models of stages of Adult Development that have been well researched and increasingly widely used over the past thirty years or so. In particular I have found the AQAL model developed by Ken Wilber, the 4 stages model developed by Robert Kegan, the Spiral Dynamics model developed by Don Beck and the Seven Stages Model Developed by David Rooke and Bill Torbert all to be very practical and supportive to the idea of Leadership as a developmental or “Growing Up” process.

For various pragmatic and commercial reasons I have for the last fifteen years or so opted to use the Seven Stages Model created by David Rooke and Bill Torbert, an outline of which was published in the Harvard Business Review, April 2005, titled the “Seven Transformations of Leadership”. The article in that year receiving an award for the most innovative article of the year and which more recently has been included in a Harvard Business Press book (2012) titled “The Ten Best Papers Ever.”

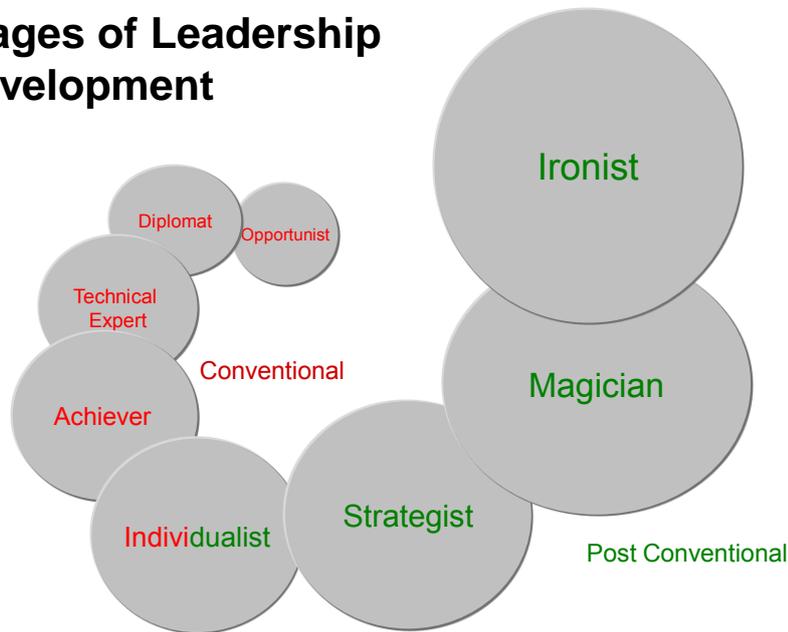
I have found this model and way of thinking about the various stages of adult development, applied to leadership, very helpful. Initially in my own development wherein I was able to make meaning of, and bring a deeper underlying coherence, to the unexpected vagaries, disillusionments and discontinuities of my own life and then more latterly in supporting my coaching clients to undergo significant personal transformations resulting in them leading in new and in some cases dramatically more effective ways.

In essence the Torbert Rooke model suggests there are Stages of Meaning Making which determine a leader’s capacity to respond to increasing levels of uncertainty and complexity. The model also suggests that if a leaders current level of meaning making is insufficiently developed to handle the level of complexity and uncertainty they face, their leadership will be less than optimal.

These Stages of Meaning Making are shown in summary in the table below:

# Leadership as Meaning Making

## Stages of Leadership Development



Stage descriptions

Leadership Stage Determined by level of meaning making	Characteristics	Strengths
<b>Opportunist</b> 3% of population Conventional	<i>Takes advantage of the situation. Wins any way possible. Self-oriented; manipulative; “might makes right.”</i>	Good in emergencies and in sales opportunities.
<b>Diplomat</b> 11% of population Conventional	<i>Avoids overt conflict. Wants to belong; obeys group norms; rarely rocks the boat.</i>	Good as supportive glue within an office; helps bring people together.
<b>Technical Expert</b> 37% of population Conventional	<i>Rules by logic and expertise. Seeks rational efficiency. There is an answer and if I don’t have it someone else</i>	Good as an individual contributor especially in challenging technical situations.

	will.	
<b>Achiever</b> 30% of population <b>Conventional</b>	Effectively achieves goals through teams; juggles managerial duties and market demands. Can handle complicated but not complex.	Well suited to managerial roles; action and goal oriented.
<b>Individualist</b> 11% of population <b>Post Conventional</b>	<i>Heightened awareness of the complexity and systemic nature of situations.</i> Increasing awareness of self as an integral part of the system and role in creating the system as it is. Starting to reconcile humility with power and mutual learning.	Can be effective in new venture and change roles.  Brings a fresh perspective (not always welcome to people at Conventional Stages ) .
<b>Strategist</b> 5% of population <b>Post Conventional</b>	<i>Can generate organizational transformations through the integrity of personal transformation.</i> Exercises the power of mutual inquiry, and not knowing in the face of uncertainty.	Effective as a transformational leader.
<b>Magician /Ironist</b> 2% of population <b>Post Conventional</b>	<i>Generates social transformations.</i> Integrates material, spiritual, and societal transformation.	Good at leading society-wide transformations.

My anecdotal assessment of Mrs Thatcher was that she functioned mainly at Late Stage Achiever / Early Individualist with an incredible amount of energy which in many ways served her well but also limited her accessing some of the qualities required to function further up the scale. I also believe that she

showed some flashes of behaviour that could be described as Strategist and Magician but was not grounded enough in these stages to exercise the humility of not knowing and ways of using not knowing to powerful effect.

Research<sup>11</sup> arising from the application of this model also shows that leaders functioning at one or more stages beyond the stage of the population they are leading are likely to attract hostility and rejection.

Given that approximately 48% of the population are functioning at the Diplomat/ Technical Expert stage perhaps it is no wonder that people at this level experienced Mrs Thatcher as destructive as she was functioning two stages beyond their level. On the other hand the model also shows that approximately 41% of the population are functioning at Achiever/ Individualist levels and these people would have been far more able to engage with Mrs Thatchers ideas. Perhaps this goes some way to explaining the widely varying responses to Mrs Thatcher.

Going further with this thinking it seems to me that for many of those at Achiever/ Individualist level who did understand and were able to embrace the freedom of deregulation and the “Big Bang” in the City there was insufficient political leadership or guidance from leaders in the City from Strategist or Magician levels that could have mobilised the Interdependence or systemic thinking and behaving required for a more healthy financial sector to emerge. On an anecdotal level it would appear to me that neither Bob Diamond nor Fred Goodwin were leading from Strategist or Magician levels.

I find it interesting to note that Anita Roddick and Richard Branson, both of whom exhibit (or exhibited) many of the characteristics and behaviours of Strategist and Magician, both thrived during the Thatcher years and created businesses that were socially useful and are still thriving to this day.

It seems to me that if we are to now look back upon and learn from the Thatcher years with a new and possibly more liberating perspective than the current two sided wrangling I suggest that much more attention needs to be paid to the “Growing Up” or developmental requirements of the changes she initiated. Perhaps the various crises she brought about have actually created the space for this “Growing Up” phase to accelerate. This acceleration would be much more likely if we recognised it as such, and directed some of our efforts and resources towards the growing up process. My recent experiences of working as a coach at senior levels in government and commercial organisations is that there is a lack of a developmental perspective in the various strategic and operational conversations that go on in leadership circles. This in my view is leaving the majority of the population ill equipped to meet the demands of the 21<sup>st</sup> Century.

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<sup>11</sup> Stages of Corporate Citizenship : Mivis & Googin 2006

At a more general level recent organisational research<sup>12</sup> on these leadership stages has revealed that organisations attempting to transform themselves require in their governance structures the presence of leaders who profile at Strategist & Magician stages. Perhaps this also helps to explain why Thatcherism is still a project in process and I am left wondering if Clegg and Cameron were / are sufficiently Strategist/Magician in their Leadership Stages to continue to take forward Thatcherism in a more “Grown Up” way.

## **2.Waking Up**

This stage refers to an increasing awareness of the oneness or unity of all phenomena and that one is no longer merely an isolated or limited egoic self but an integral part of a much wider complex and interdependent fabric of consciousness. This wider and more holistic world view cannot be sufficiently comprehended without going beyond the mind sets arising from the Reductionist/ Darwinian paradigm that has dominated the Western world for the past 300 yrs. In the scientific world this waking up has been going on for the last 100 years or so with the discovery of Quantum Physics, Field theory, Quantum Entanglement and the New Sciences. This waking up can also occur more widely in the non scientific community through crises and critical life experiences, which challenge existing mind sets and views of the world. At the level of personal experience this waking up can be supported and enabled through an increasingly wide ranging and expanding set of practices and disciplines some of which include areas such as Psychotherapy, Cognitive Behavioural Therapy, Transpersonal Therapy and spiritual practices and disciplines such as, Mindfulness, Meditation, Contemplative Prayer and many others.

Back in the 1970's I undertook a course in Transcendental Meditation with the Maharishi Yogi. Little did I realise at the time that TM was to have a significant effect on the rest of my life the full extent of which I have only come to realise in the past few years. I have come to recognise that TM and other forms of meditation and mindfulness are vehicles for deconditioning ones mind from the conventional and consensus “reality” which is really only a product of earlier conditioning. This deconditioning opening up the space for other views of “reality” to arise thereby enabling movement towards the latter stages of Strategist and Magician as described in the Leadership Stages model above.

The film “The Matrix” providing a metaphorical and popularised version of the journey about waking up from the self created and self limiting “dream” or conditioned minds view of reality to the deeper nature of consciousness and the unlimited powers associated with this realisation.

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<sup>12</sup> Mind Sets in Action: Paper from Avastone Consulting authors Mckewen & Schmidt

The importance of the waking up process is that it opens up the possibility of perceiving “reality” at the Strategist, Magician & Ironist levels . In so doing it reveals a much wider and more comprehensive view of the world which is more able to tolerate ambiguity and uncertainty and work effectively in the face of not knowing with far less stress. The possibility of acting creatively with wisdom and compassion no matter what the circumstances also arises. I have through my own journey to the latter stages come to understand this as an experience that could also be described as a **Spiritual Awakening**, well described in a multitude of texts both ancient and modern. For the purposes of this paper and my pragmatic orientation to the world as a practicing coach I am finding the recent works of Cindy Wigglesworth on **Spiritual Intelligence** to be very helpful in providing a framework and language for such conversations to occur in the pragmatic and action oriented world of leaders and managers .

Cindy’s work suggests there are four intelligence quotients, Physical Quotient, (PQ ) Intelligence Quotient (IQ), Emotional Quotient (EQ ), and Spiritual Quotient ( SQ ) and that SQ is the capstone that integrates the other three intelligences. She has developed a Spiritual Intelligence indicator, SQ21, which provides a numerical score across 21 indicators. Her recent research<sup>13</sup> findings show a significant correlation between high SQ21 scores and the latter Leadership Stages of Strategist, Magician and Ironist outlined above.

High scores on the spiritual intelligence indicator also underpin a revitalised moral and ethical compass which seems to be sorely needed amongst our leadership cadres at the present time. The fact that since the financial collapse of 2008 there are now hundreds of disgraced and imprisoned chief executives all of whom would have been high scorers in the realms and IQ, and possibly EQ, speaks legions to the need for a developmental perspective which includes Spiritual Intelligence or SQ.

### **3.Cleaning up**

In my experience as a coach I have found that those clients who make a genuine commitment to pursue the growing up and waking up stages over a period of time do start to lead and influence in very different ways. Most noticeably they become much more self aware and more in control of their shadow side, becoming better listeners and more inclusive of multiple and diverse perspectives, thereby increasing levels of engagement and commitment. They also exhibit the capacity to remain steady in the face of uncertainty and create learning environments that enable intelligent responses to be made in the face of complexity and ambiguity. They also

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<sup>13</sup> Presentation to the “Agents of Conscious Business Course” Nov 20<sup>th</sup> 2012 run by the Waking up the Workplace Academy

tend to become much more alert to the moral and ethical dimensions of leading. I can however only report that of the hundreds of people I have coached or worked with over the past twenty years or so only three individuals come to mind who have pursued this journey to the extent that they were able to manifest their “cleaned up acts” with initiatives in areas such as sustainability, corporate social responsibility, open book accounting, and a genuinely satisfied customer base.

I am also aware of a growing number of individuals who would score at Strategist , Magician stages and who also have high SQ scores who are seeing beyond the apocalyptic view of global warming and ecological disaster by creatively engaging with the unlimited possibility of human ingenuity to take next steps in the development of technology itself in areas such as renewable energy , the hydrogen economy, bio-engineering, bio medicine, IT based cooperation and collaboration etc to create pathways to a “bright green future”. The word ecology in their language not only referring to the outside world but to the ecology of mind required to take this next evolutionary step.

In summary then my view is that we currently have the system we deserve and we are beginning to know only too well the costs involved. In order to make progress we need to recognise that thinking with the same tools we currently use, or from the same stage of development, will only help us rebuild the kind of vehicle we currently have or at best modify it to a brighter shinier version. In short I believe there is a huge and urgent need for those in leadership positions to recognise and act upon the need for their own growing up, waking up and cleaning up as a prerequisite to meet the escalating challenges of the 21<sup>st</sup> Century.

The model suggested above does however suggest that the challenge to coaches will be to be able to evidence some attainment of their own clean up stage before they are able to support others on this journey.

## Provocative Position paper for the APPG on the future of management and leadership

### We already know the right approach: we need to use it.

Alternate models for much more effective organisational leadership are proven but many British cultural issues hinder their wider adoption.

A 1970 Autocar survey reported an average of over 5 faults per new car; half of buyers had experienced more than 2 days off the road being fixed in their first year. In 2012 similar data indicated an average of about 1 fault per vehicle. In spite of huge increases in complexity, the auto industry is continually transforming, generating multiple benefits. However, Japanese-influenced makers are still generally much more reliable than western-owned companies, thanks to their approach to leadership across their systems.

This demonstrates that a transformation of organisational performance is entirely possible, as its principles are thoroughly understood and have been applied globally. However, this approach requires radical shifts in western leadership thinking.

### The nature of the differences

Different attitudes, policies and actions need to be adopted if continuing transformation is to be generated;

- An organisation must be conceived of and led as an integrated system, everyone seeking to carry out their work in the cause of optimising the whole system, in the context of the wider society and environment.
- People must see the customer / end user as their focus.
- Methods or processes (how the work works) must be regarded as assets to be developed, managed and generally cared for.
- Efforts to improve must be based upon using the scientific method for increasing effectiveness, including the use of all resources.
- People working in the system (which includes “outsourced” services) must feel involved in the aim of the system, and participate in collaborative improvement activities.

### In summary

Everyone *can* understand their overall work system and its aim, their place in that system, and their work in process terms. They *can* know how to help to optimise it in real time in the cause of better fulfilling the aim.

### The evidence

Whilst the approach has been best demonstrated in the global automotive industry, it has been adopted in other industries and sectors around the world, albeit with varying success. In visiting the very best organisations, one can see

that they are achieving their goals and have a coherent approach to running, developing and transforming the organisation that is applied;

- **Everywhere.** Across the whole organisation, including strategy development, everyday work and projects.
- **Everyday.** Leaders understand and can explain the relationship between how they now approach their work and the improved results they have achieved.
- **By Everyone.** The approach is used in depth where appropriate, and can be explained by line managers and staff routinely, not just by the improvement personnel.
- **For Ever.** It has clearly been applied and developed over many years and hence looks likely to continue to develop.

There are several award frameworks that have been developed to identify the very best organisations, but are to some extent vulnerable to game playing and have become devalued.

### What gets in the way of such long-term transformation?

Unfortunately, in spite of the widespread adoption of proven methods and tools, many organisations fail to achieve the potential of the approach because they do not build the new underlying principles that are required, and apply them to their entire system. This does not invalidate the approach, it challenges leaders to change the existing principles and practises that undermine long-term transformation, and demoralise people, including;

- Management by specific target, which leads to the neglect of other factors.
- Performance related pay, which leads to game playing.
- Judicial approaches to problems and accidents, which destroy trust and learning.
- Putting the shareholder value first, which puts the customer (end user, patient, citizen) second.
- Pursuit of arbitrary short-term goals, which sacrifices the long-term future.
- Management by profit centre, which leads to internal competition.
- Buying on price alone, which punishes real value and innovation.
- Suboptimisation of parts of the system at the expense of the whole.
- Managing by the numbers, which are only an (imperfect) abstraction of reality.

Some organisations may appear to thrive for a while in spite of these practises, but very few indeed do so in a competitive environment for the long term. In our experience the more of these practices we find, the less the likelihood of a secure future.

*It's impossible to improve without changing*

### What is needed: systemic leadership

Work organisations are systems for providing products and services to their customers. Some, such as those in the global automotive sector, have refined their approach to reducing imperfections for decades, and still see considerable scope to improve: even the best suffer from the inevitable tendency to increasing disorder with the passage of time (entropy). Most organisations are staggering along with an indefensible number of faults, complaints, customer problems, waste and so on.

Systemic Leadership means working to optimise the organisation as a system, engaging the people to use the appropriate methods<sup>1</sup>

This challenge requires a multi-pronged attack, the start of which should be to adopt different principles. Leaders must understand and apply theories of systems thinking, psychology, variation and learning: Dr. Deming's System of Profound Knowledge.

### In conclusion

*It's impossible to be the best without being different.*

Much attention is correctly given to the need for leadership of people. However, this alone is not enough, there must be an equal emphasis on leadership of transforming principles, to enable the successful application of methods for making the work work better.

Jan Gillett FMCI, Warren Knight. Process Management International Ltd

March 2014

The authors started their careers as employees in large companies. Jan Gillett spent seven years in Managing Director posts, including leading a comprehensive quality-based transformation across 2000 people from 1987 to 1990. From 1990 he co-founded and led Process Management International Ltd, [www.pmi.co.uk](http://www.pmi.co.uk) a management consulting and training company, now with clients around the world, based upon the quality-management principles of the leading Japanese and other organisations. After starting in financial services and aerospace companies, Warren Knight has been a consultant with PMI since 1999, working with clients around the world from top management to the shop floor.

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<sup>1</sup> A report issued in August 2013 on the future of the NHS summarises our case [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/226703/Berwick\\_Report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/226703/Berwick_Report.pdf)



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The business people – an extension to your team

# Training and Skills Panel Report

January 2014

## Introduction

The Forum of Private Business is a proactive, not-for-profit organisation providing comprehensive support, protection and reassurance to small businesses. We add value to businesses through the collective voice for members in local, central and European government, and the provision of tailored solutions that promote business success.

We engage regularly with the business owners on our member panels to better understand and collect evidence of their real life experiences, to reinforce our policy and campaigns activities. Our Training and Skills Panel comprises approximately 75 members who have volunteered to provide feedback to us on training matters and includes training providers as well as business owners who require well-trained staff<sup>(1)</sup>.

**Note:** as figures refer to fewer than 100 businesses, they should be treated as indicative rather than as representative of all small and medium-sized businesses.

## Summary

75% of panel members reported that the focus of their training was ideal in 2013, up from 58% in 2012<sup>(2)</sup>. Increases were reported across all forms of training apart from efficiency and replacement.

Businesses that report the focus of their business training is ideal are more likely to provide strategic training, training in compliance, efficiency and continuous personal development. Businesses still needing to outsource skills and replace lost skills were less likely to feel that their training focus was ideal.

Just less than 67% had seen no impact on the skills within their business as a result of the recession. Quality management (28%), people management (30%), marketing (27%) and time management (27%) were the most likely to have changed over the recession period, with time management the competency that businesses were most likely to have struggled with.

Training issues recorded by members were time (23%), cost (17%) and lack of schemes available to them (14%). The quality of training (7%) and lack of choice (7%) were also highlighted by panel members as issues with training provision. 6% reported that the labour force lacked technical skills and the same proportion also reported a lack of employability attributes and/or a lack of a sustainable workforce.

20% were not doing anything specific to deal with these issues, 15% had increased on-the-job training and 11% reported getting more training from external providers.

2 in 5 felt senior management skills had been neglected due to lack of time, the primary focus remained keeping the business going. A further 1 in 5 were unsure, suggesting that they have not yet taken stock of how the recession has affected this area of business.

Problem-solving (54%), self motivation (52%) and effective self-assessment (48%) were the key skills that are required by the self employed which panel members would like to see within the school system. The highest scoring attributes were similar to those requested for employees with 15% wanting to see entrepreneurship taught more in schools. 22% wanted schools to focus on academic subjects, particularly basic skills.

Directly funding employers was the main priority wanted by businesses in relation to apprenticeships with 47% wanting this prioritised. A significant number of business owners equated direct funding to funding based on the benefits that such a scheme would give; more choice for the employer and compensating the businesses for the time required to put together courses at the beginning. Cash flow was an issue for businesses when getting trainees up to speed and so training schemes where businesses claim back tax would not be so attractive.

Closer integration of the education system and employment was the main way in which government institutions could support micro and small employers as 27% of members wanted to see greater focus on this area of the skills agenda. 18% wanted more leadership and management training, with work experience (17%) and apprenticeships (16%) also important.

## Recommendations

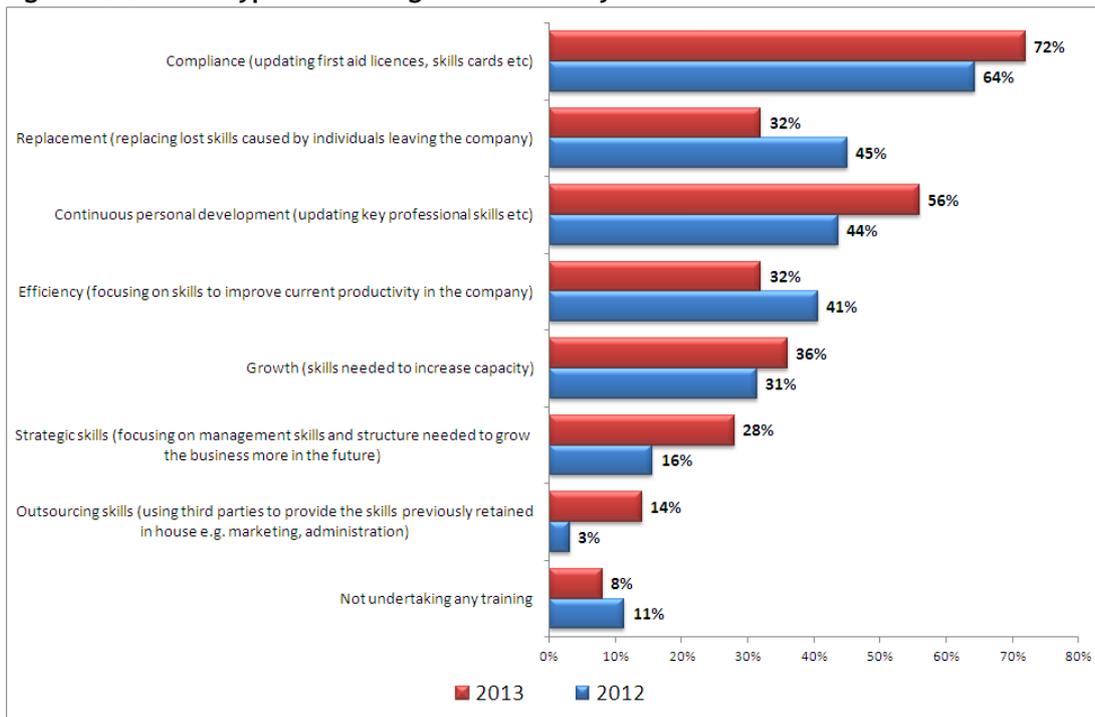
- Members identified the cost of training in an uncertain economic climate as a major barrier to greater investment in skills development. The £30m government has made available for business support over the next year should go some way to help reduce the monetary risk and encourage small businesses to invest in high quality business support and staff development. Where a business goes through the diagnostic process but is ineligible for the public funding every effort should be made to point the business to private providers of business support to enable them to make an informed decision about the support they require.
- Greater flexibility in training is required for small businesses to access the right training they need. After time, the cost and availability of training courses remain the greatest obstacles to training for small businesses. Training providers need to work together to ensure small businesses have equal access to provision throughout the country.
- Employability skills and basic skills need an equal focus. The government's commitment to ensure all young people leaving education achieve a level 2 (A\*-C GCSE) in English and Maths is encouraging but these basic skills need complementing by the softer skills that employers require. There should be an equal focus on teaching young people in education basic skills and the attitudinal attributes necessary to secure employment.
- The direction of the reforms to apprenticeship funding are welcomed by small businesses however the model must take into account the cashflow issues small firms face. As the policy continues to progress the Government should consider if a proportion of public funding could be paid to the employer upfront to avoid potential cash flow issues.
- Job Centres are too variable for employers. Job centres will play a pivotal role in the government's action to reduce the stubbornly high rate of youth unemployment. It is essential all job centres across the country are providing the same level of service to employers to ensure they are viewed as a beneficial recruitment tool.
- Education providers need to use more modern techniques to engage with young people and teach them a broader range of skills that will be more practical when they enter the workplace. Teaching them at an early age to solve problems and encourage them to motivate themselves would greatly help them to become employed or self employed.
- The education system needs to teach young people about the business landscape. As the government continues to focus on start ups it is important enterprise is fully integrated into the education system to ensure people are equipped with basic business knowledge.

## Current training provision

*“Lack of local resources and work pressure is preventing enough time to provide in house training.” Panel member response*

72% of employers are currently undertaking compliance related training compared to 64% in 2012. In a larger study of members undertaken in 2010 69% of businesses reported that regulation was a key trigger for training programmes <sup>(2)</sup> and illustrating the impact regulatory change has on businesses' training requirements.

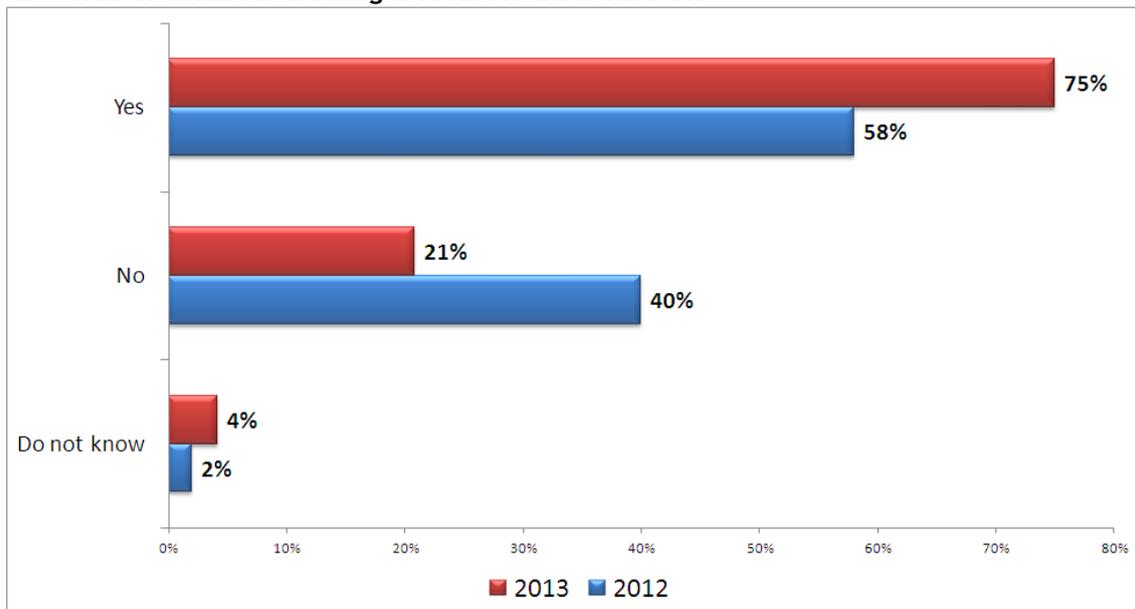
**Figure 1: Current type of training undertaken by businesses**



Other indications are that most businesses have been able to retain their staff and avoided making redundancies in 2013 as the number of businesses providing training to replace lost skills has dropped. A more stable workforce has led to increases in the frequency of continuous personal development training.

There has also been a movement from training to improve efficiency to training that will increase capacity, such as apprenticeships and permanent employment. Strategic skills - which were seen by some business owners as a key gap in their training plans in 2012 - have also increased. Outsourcing skills has also increased as the number of types of training provided by each employer has widened.

**Figure 2: Whether focus for training is ideal for their business**



In contrast to the last report when a small majority of businesses felt that the focus of their training was ideal, 75% feel that their training is ideal for their business.

Comparing the types of training offered and businesses satisfaction with their own focus indicated little change from the previous year. Again strategic skills were the key positive differentiator between whether

businesses were happy with their own training provision and those that did not, whilst replacement skills training was again the key negative differentiator.

**Figure 3: Satisfaction with training usage**

	2012	2013
<b>More likely to be used if focus is ideal</b>	<ul style="list-style-type: none"> <li>• Strategic</li> <li>• Continuous personal development</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic</li> <li>• Continuous personal development</li> <li>• Compliance</li> <li>• Efficiency skills</li> </ul>
<b>No difference in frequency of use</b>	<ul style="list-style-type: none"> <li>• Growth</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Growth skills</li> <li>• No training undertaken</li> </ul>
<b>Less likely to be used if focus is ideal</b>	<ul style="list-style-type: none"> <li>• No training undertaken</li> <li>• Outsourced skills</li> <li>• Efficiency skills</li> <li>• Replacement skills</li> </ul>	<ul style="list-style-type: none"> <li>• Outsourced skills</li> <li>• Replacement skills</li> </ul>

Businesses that were happy with training provision were more likely to offer compliance or efficiency skills than previously, with anecdotal evidence suggesting that this is due to the rising cost of business and environmental policies of their customers rather than making efficiency gains to keep the business going with fewer employees.

There was also no difference between businesses in terms of whether they offered training or not, indicating that many small businesses often have to balance training with capacity as they cannot run at full capacity with individuals on courses. There are however ways round this as indicated in the following case study on Aria Developments.

#### **Aria Developments - Training on a budget**

Aria Developments run two businesses - a building company and an early years nursery. This case study focuses on the second of these businesses although during the recession both industries are perceived as high risk, low margin and require high levels of compliance.

Current legislative requirements are that such organisations have 80% of their staff qualified to level 2 childcare and 20% to level 3. Aria Developments have 78% qualified to level 3 and are looking to get all employees trained to level 3 shortly. In addition to regulatory training they also undertake non-regulatory training when required.

As training is such an integral part of the business the management team dedicate three hours a week to identifying training needs and assessing potential providers. The team consider the content, accessibility and price of courses.

#### Sourcing affordable local training - The DYFODOL Project

The DYFODOL project is a local training and development project part funded by the European Social Fund available to businesses in North West Wales. Aria Developments have found the course provided by the DYFODOL Project especially useful in providing training across a range of areas including food hygiene, customer service and environmental awareness.

#### Finding the right provider

The organisation also employs apprentices. They faced problems when setting up the apprenticeship programme as providers were pushing people into the wrong placements and the results was that good candidates ended up with qualifications that were wrong for them. To overcome this Aria Developments work with a single provider that has proved to be more efficient, less bureaucratic and pays more promptly.

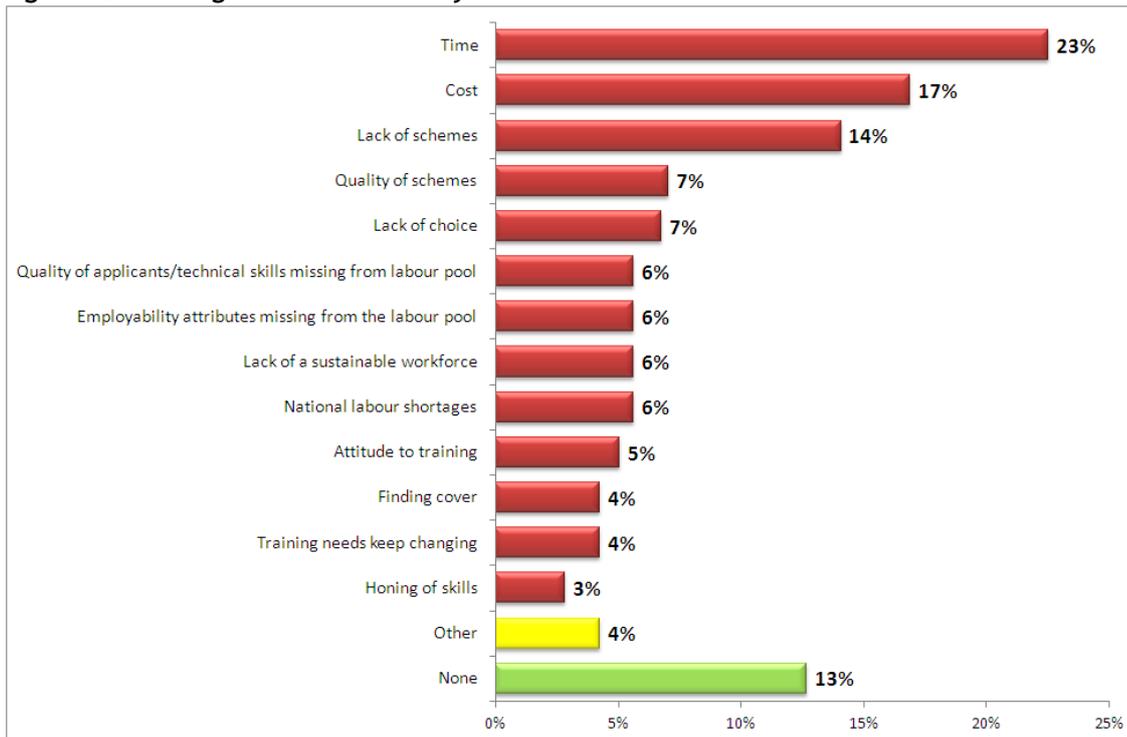
Margins in the industry have been eroded by high energy and food prices over the last few years and this has meant less focus on non core activities. For this reason finding funding for courses is important. However at the moment Academies are asking for School status meaning that they would be exempt from Non Domestic Rates and VAT, if this was extended to early years providers who offer training then the organisation would potentially be able to unlock £25,000 that could be invested in their most valuable asset - their staff.

## Training issues and business response

Time (23%), cost (17%) and the availability of suitable schemes or courses (26% - 14% lack of schemes, 7% quality of schemes and 7% lack of choice of provider) were the key issues faced by members when considering training for staff.

A further 16% felt that there were problems with the labour pool with equal proportions mentioning the quality of skilled applicants, a lack of employability attributes (team working, presentation etc) and national skills shortages such as CNC, specialist electricians and ICT skills (SQL, CAD and Visual basic) specifically mentioned by respondents.

**Figure 4: Training issues recorded by members**

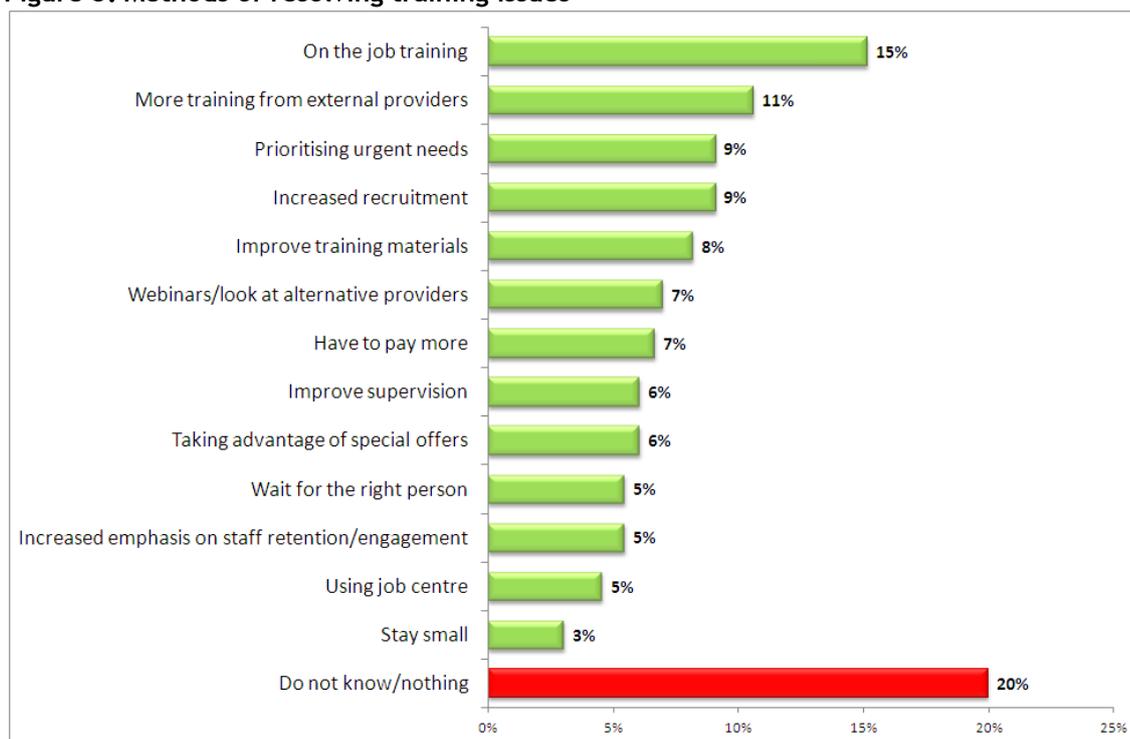


A further 6% mentioned the lack of a sustainable workforce. Members mentioned an ageing workforce and lack of niche skills being taught to young people. The lack of profit in their industry was a concern for some members as they feel unable to attract and retain good engineers or skilled workers compared to other industries.

Around 5% also felt that there was a problem in the attitude of employees and trainees to training, citing a lack of application or reluctance to attend courses as an issue. This is not always down to the individual with some courses having a significant repetitive element often around compliance.

The solutions when business owners indicated solutions were fairly varied. 1 in 5 businesses reported that they did not know or were not looking to take remedial measures. This was particularly common when businesses had indicated a cost issue. A further 7% were resigned to paying more either for individuals with the skills already or for courses tailored to their needs and 5% were intending to wait for the right person to come along.

**Figure 5: Methods of resolving training issues**



The most common solution was increasing on the job training (15%), although this has, in some cases further added to the time poverty of managers and supervisors. Some of these businesses were also using external providers to a greater extent, although these were outnumbered by those who had indicated that they only solution was to use colleges, universities or external training providers to develop the workforce they needed.

Prioritising urgent needs was one way that businesses had found a way of minimising key training issues, along with taking advantage of special offers from the right training providers or as a way of keeping morale high. Others were looking at other alternative provision; 8% mentioning improvement of training manuals and internal resources and 7% indicating that webinars, guides and online courses were also being considered. 5% were looking at other methods of staff retention or engagement to mitigate training issues - particularly the lack of available courses.

**Figure 6: Methods of resolving training issues**

Problem	Main responses
Cost	Nothing/do not know On the job training Spend more money Take advantage of special offers/events
Time	Training from external providers Prioritise urgent needs Nothing/do not know
Available training	On the job training Improve training materials Consider alternative provision
Skills in labour force	Increased recruitment Nothing/do not know Have to pay more Wait of the right person

The Job Centre was mentioned by a number of businesses. Experiences were mixed with businesses reporting that the service was variable or poor. Business owners also reported having to chase the job centre for information and inappropriate CVs were sent through. Cost compared to other recruitment providers was given as the main reason why the Job Centre was used in the first place. So it is perhaps unsurprising that in some cases the Job Centre did not meet expectations in terms of dealing with the more labour intensive parts of the recruitment process.

### CNC Training: A response to a national shortage

UKCES has identified CNC training as an area where there is a national skills gap and this is borne out by one of our members in the South West of England. The company reduced the number of employees at the start of the recession and is now looking to increase capacity but is hampered by a lack of skills in the local labour force and in local training providers.

The only option that they have at the moment is to improve the pay and benefits package to recruit readily trained operators from similar manufacturers as they have the following concerns with local training system:

- Costs of taking on and training an individual are significant
- There are few training courses in this area that are relevant to the company
- The individuals used are not good engineers and will teach them bad habits
- Transport to good courses are prohibitive to improve the skills of their current workforce

The company would like to see greater funding to help manufacturers to afford training for new recruits and for their current employees so that they have the skills to expand the business, increasing investment in machinery and employees.

Some of these issues have been recognised in the private sector. The CNC Training Academy was established in 2010 by Mills CNC Ltd, a distributor of machine tools into the UK and Ireland, and has grown significantly over this time. The business now employ 3 permanent members of staff and are on target to complete over 80 courses during 2013 at their Leamington Spa based facility.

They offer CNC training to programmers, operators and maintenance teams and are constantly reviewed to ensure the relevance of course content and delivery. They have a focus to be the best in their class and promote the use of highly skilled engineers to provide the training. The company recently won an award from the MTA as best industry training provider.

Originally their training courses were designed for those in work; however, they have seen a large number of unemployed individuals joining their courses as they look to benefit from the growth in manufacturing in the West Midlands area.

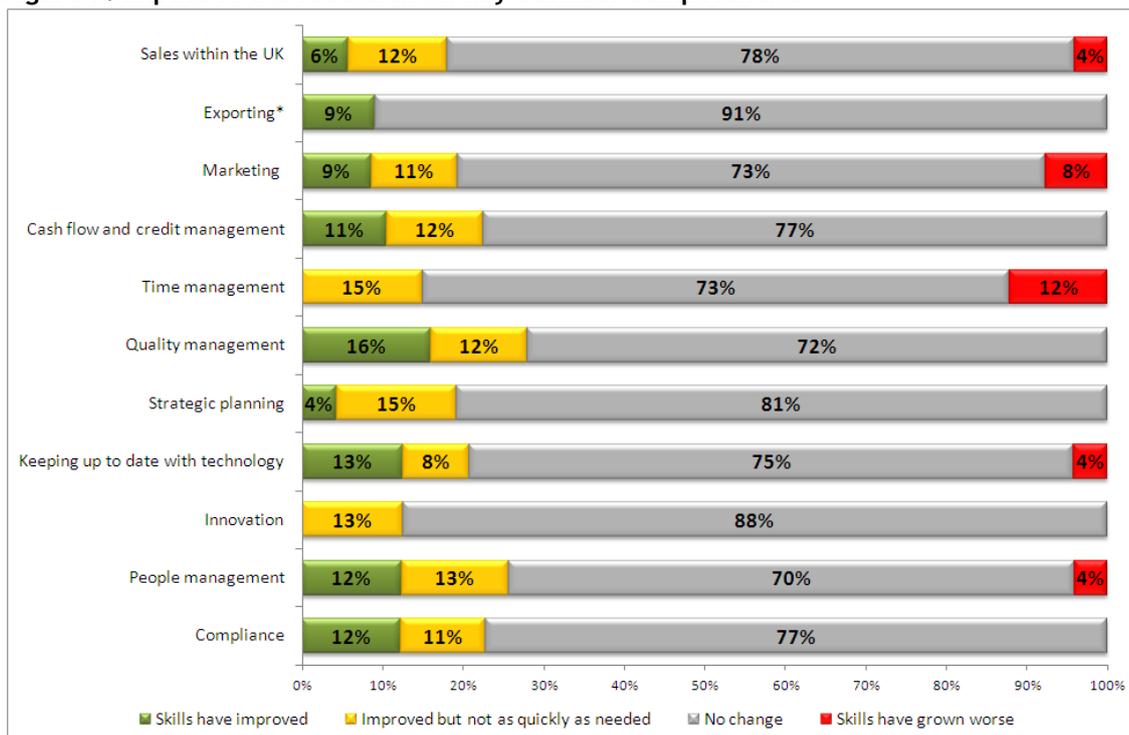
The majority of The CNC Training Academy's courses are classroom based which means travelling to Leamington Spa but they do offer cost effective on-site training as an alternative for small businesses.

## Impact of the recession on business competencies

*"Time Management is the hardest area for improvement" Panel member response*

We asked panel members what has been the impact of the recession on a list of competencies that are typically needed by businesses. Not all aspects were relevant for all businesses as some business models did not require competencies such as people management if the company no longer had any employees.

**Figure 7: Impact of the recession on key business competencies**



\*72% of businesses did not see exporting as relevant for their business and so the figures refer to a small minority of the panel.

Just under 2/3 of businesses have seen no impact on the skills within the business from the recession and a number have improved the business' internal capability during the last five years. Approximately 1 in 10 have seen an improvement in areas as diverse as compliance, people management, technology, quality management, cash flow and credit management and marketing.

There were also companies who recognised that their sales operation had become more effective over the last five years to meet tougher trading conditions and 4% had also seen an improvement in strategic planning - these companies mentioned that this was needed to focus resources where they were needed.

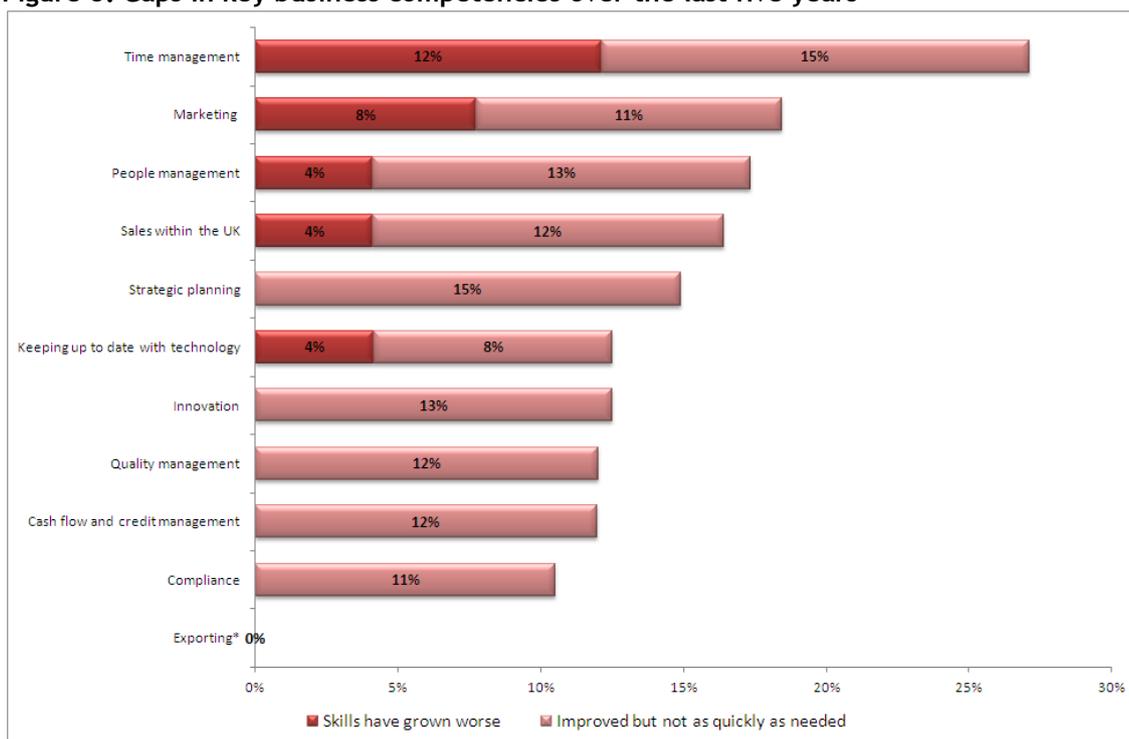
Time management competencies improved for around 1 in 7 businesses but not at the rate required by the business. Innovation, along with strategic planning, was the most likely to have remained at the same level during the recession as it had beforehand.

In terms of focusing on skills needs to help businesses develop, Figure 8 analyses businesses that have improved, but not as far as they feel they have needed to and those that have skills within the business decrease. There is an assumption that where skills have decreased this has created a gap in the business, although in the odd case, the business owner may feel that there was over-capability in this area.

*“People have had to diversify their role within the company, we have had to focus on core services and this has meant marketing and other non-core business areas have not been a priority” Panel member response*

The main focus is time - 12% reported that their ability to manage time effectively had grown worse over the last 5 years, with redundancies and the increased need for owner managers to work on other parts of their business leaving them with too little time to do all that was needed. 15% felt that their time management skills had improved, but not as effectively as they business needed to develop.

**Figure 8: Gaps in key business competencies over the last five years**



\*72% of businesses did not see exporting as relevant for their business and so the figures refer to a small minority of the panel.

Marketing was the second largest gap in the as a result of the recession, this was again to do with time as well as to a lesser extent cost. There have been complaints in previous panels and the Forum's business support report<sup>(3)</sup> that marketing training and support is too expensive meaning that businesses are now doing a lot more in-house than before the recession. Social media has also expanded and some members were uncertain of how much time they should be spending on this. At the same time marketing budgets have been refocused away from training to meet the increased cost of materials and distribution.

Skills in people management appear to be an issue for 17% of businesses, however this includes a small number of business owners whose skills have decreased in line with the number of employees they have. Others feel that they should be doing more in terms of employee retention as pay increases are difficult to finance in the current environment.

4% reported that sales in the UK have grown worse, in most cases because the owner has not had enough time to devote to sales, although some companies reported losing sales people during the recession. The tough economic climate meant that although 12% did improve their sales skills, they would have liked to do more.

4% reported that skills in keeping up to date with technology had grown worse, in these cases it was comparative to their competition or due to an inability to invest in improvements. 8% wanted to improve their technological skills further, making this area of business capability much more black and white than other potential skills gaps.

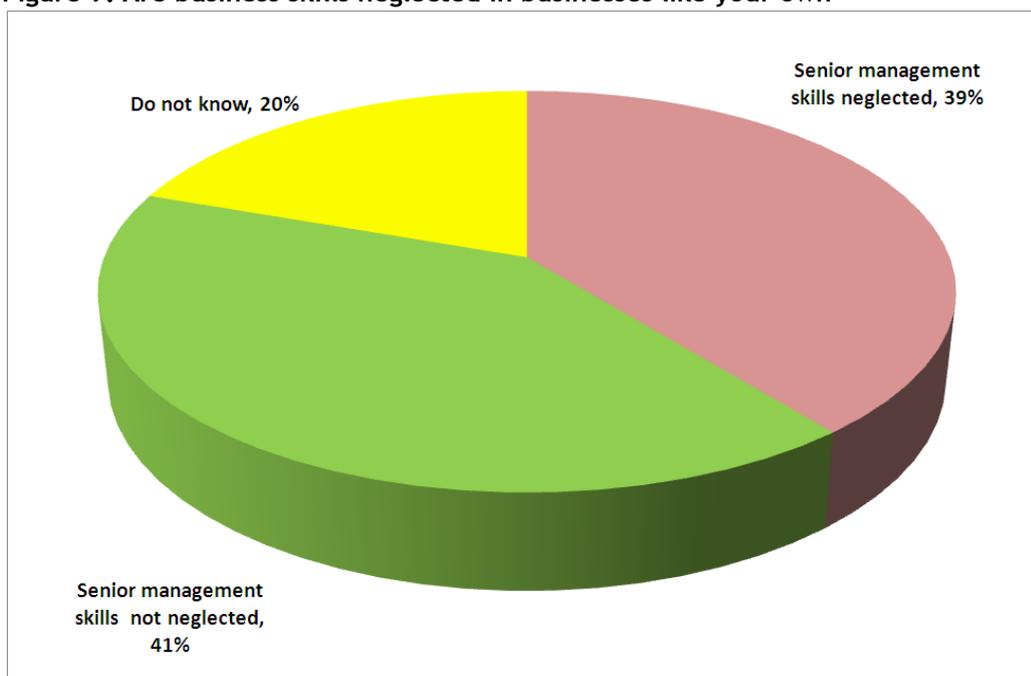
In contrast 15% felt that they had improved on strategic planning and a similar number felt the same over innovation and quality management, but not sufficiently. Comments from members suggested that this was due to a lack of prioritisation whereas similar figures in terms of credit management and compliance were more due to businesses feeling that they were not as up to date as they could be.

## Senior management skills

We asked panel members if senior management skills were neglected in their own business and businesses similar to their own (i.e. management skills in their industry). The response was mixed with 39% saying senior management skills were neglected, 41% saying they were not and 20% uncertain.

*“Due to work/time perspective, although courses are now booked!” Panel member response*

**Figure 9: Are business skills neglected in businesses like your own**



*“For us it was the laying the time aside to do courses. It is a big commitment and in small business managers frequently have to step in.” Panel member response*

The main reason why senior management skills were neglected was due to time. This was mentioned by 2/3 of businesses:

- The balance between working and taking time off
- The time spent on courses was excessive
- Time to teach themselves new skills.
- Time to find the right course
- Prioritising time to spend on courses that were needed in the medium term
- Time taken to organise their time away from the office
- Time to focus on needs as they were not as apparent.

*“It is all about cost and time.” Panel member response*

Cost was the next most frequently mentioned - by around 1 in 4 businesses

- Cost of the training
- Return on investment
- Cost of absence from the workplace
- Impact on cash flow if the skills they learnt could not be put into immediate use.

*“Easier to leave [management skills as they are]. Also a matter of pride.” Panel member response*

Other issues were how businesses find out that their skills are out of date, understanding how this can improve the business, lack of good trainers and simply that it was easier to leave as it is sometimes seen as a suggesting an individual is incompetent in a way that professional development or mandatory training does not. One business even felt that there was a lack of interest in improving management skills compared to honing professional skills.

*“Skills of senior management team have not changed over 20 years and we are a small company.” Panel member response*

Businesses who reported that their senior management were up to speed highlighted the experience of their management team, the fact that they have a training programme that encompasses management training or a process of understanding customer expectations and its implications on the business. A number of businesses highlighted the importance of competence rather than qualifications as skills tended to be learnt in the workplace rather than in colleges or simply felt that they did not need it. Three

business owners did however report that they or members of their management team were undertaking courses or looking at 1-2-1 support.

*“Although we do not get as much training as those on site it tends to be all experience anyway.” Panel member response*

Regardless of the response, management training was seen as practical, hands on and based on competence rather than being something learnt outside the workplace as part of a strategic plan. Overall just one business linked their response to their long-term plans for the business whereas business owners regardless of their response considered management training to only be necessary when there was a clear need for it (i.e. new product development etc).

#### **Rock Star Mentoring - flexible training, mentoring with the option of finance**

Rockstar mentoring provides a flexible mentoring service to their mentees on a number of levels:

- Time being mentored each month - owners can spend two hours a month to two full days depending on the requirements of the business
- Time they are mentored for - this is typically a year but can be shorter
- Technology - they offer skype/phone mentoring as well as face to face
- Dynamics of mentorship - as well as 121 mentoring, they have small group mentoring
- Finance - there is an equity option for businesses to help them grow quickly
- Start up loans - new businesses apply online for finance, attend an incubator event to get investor ready and then work with mentors to access the right finance for their business.

Behind the focus on getting the right mentor (from around 60 successful entrepreneurs) and the personal side to the relationship, the programme is very structured (based on finance, operations and sales) and is based on business owners using the experience, contacts and the accountability that a mentor brings to help achieve their business objectives.

An example of the mentoring in action was the restructuring of a family business involving removal of the founder director, re-focusing the business and refinancing the business. The right team members were allocated the targets and time frames to achieve the above points. The mentor, involved in the company for one day each week, oversaw the targets and mentored the various family members to achieve their set goals. The increased margins that were achieved allowed the business to be re-financed, giving it more cash to reinvest back into the business. Company sales revenue rose from around £500,000 with 20 employees to £800,000 with 16 employees over 2 years.

## **Self employment in young people**

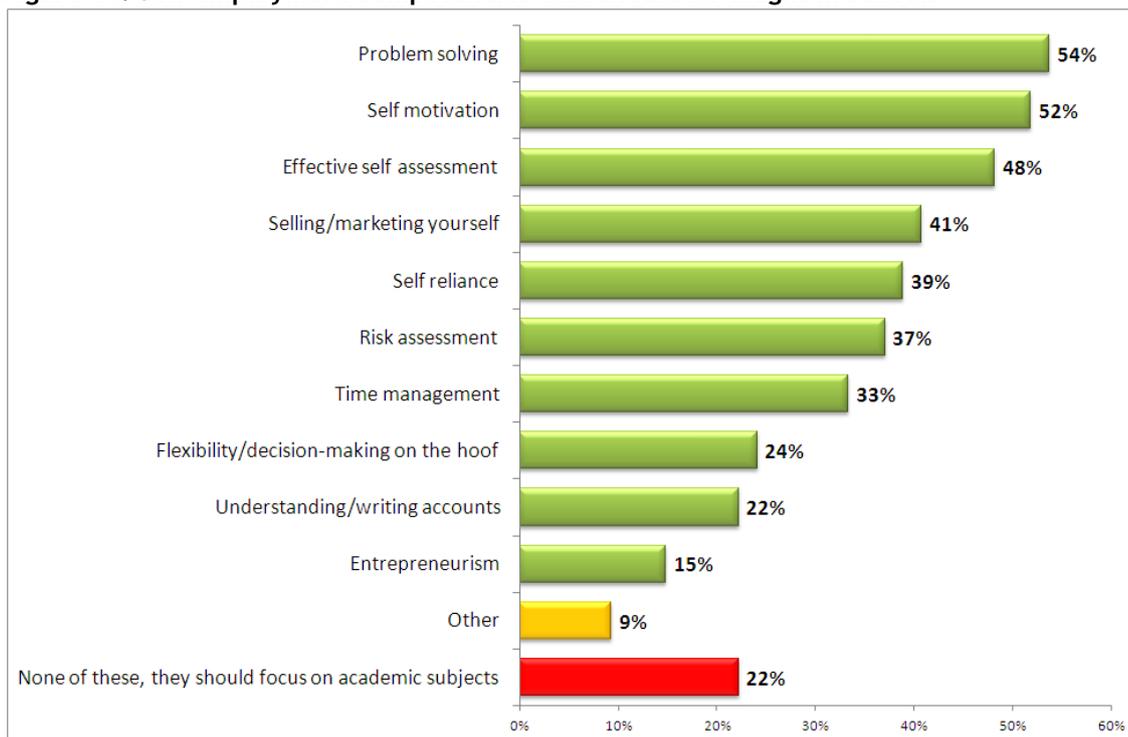
*“Hard work - there has been too much emphasis on entrepreneurialism and not enough on working hard.” Panel member response*

As 75% of businesses do not employ anyone and the trend for self employment appears to have intensified in the last decade, we wanted to see which characteristics of self employment/entrepreneurialism businesses would want to see taught in schools.

22% felt that students should focus on academic subjects, mainly because some businesses had reservations about the quality of basic skills in the local labour force.

General business attributes were the most frequently mentioned by business owners as something that should be taught in schools with problem solving, self motivation and effective self assessment all highlighted.

**Figure 10: Self employment competencies that should be taught in schools**



The ability to sell or market yourself was a key skill that businesses wanted to see more developed in schools along with self reliance. Other skills mentioned by members were varied with only work ethic, presentation and team building mentioned by more than one person.

Self confidence, reliability, the importance of appearance, manners, patience, customer service skills, team building, work ethic, enthusiasm, willingness to learn and a passion to work in the industry were all mentioned as the distinction between employment and self employment was blurred.

## Priorities for apprenticeships

*“If funding goes direct to employers it rewards those who actually put the effort in.” Panel member response*

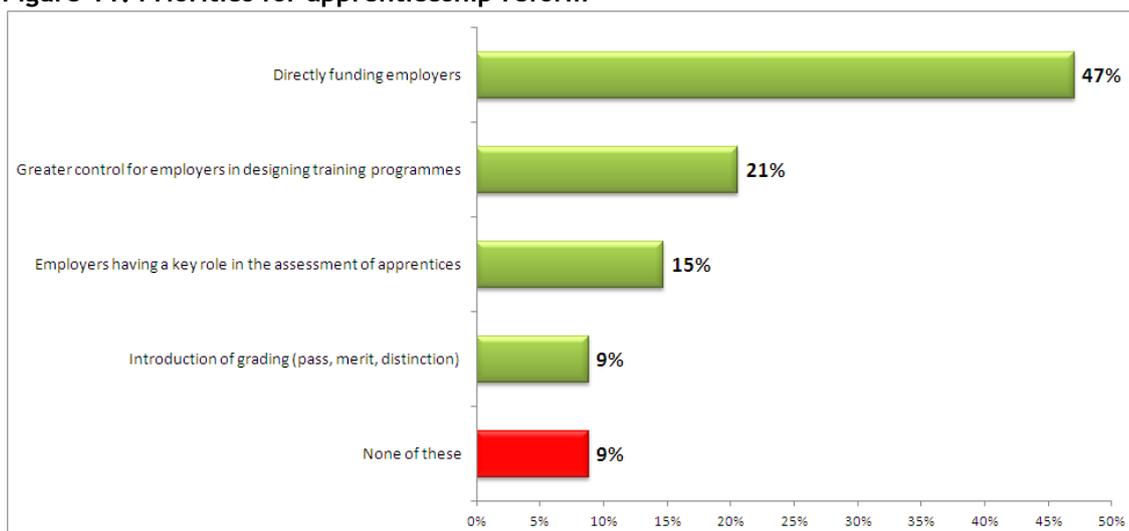
Apprenticeships have become a key element of the training environment with a number of panel members in hairdressing, retailer, private health provision, care homes, child care, manufacturing and construction all offering apprenticeships to young people.

To put the importance in some sort of perspective in 2002/3 42,400 successfully complete their apprenticeships in all subjects, a decade later 58,980 apprenticeships were achieved in retail and commercial enterprise and 80,470 in business, law and administration. ICT is also likely to provide more apprentices this year as an industry than all industries did in 2002/3<sup>(3)</sup>. This rapid expansion in the number of apprentices and range of frameworks has led to a number of issues with the system as indicated below.

*“Providers are dreadful, one apprentice had a criminal record and the other one was too bright for course.” Panel member response*

Despite this our members feel that more could be done to support businesses in taking on the right apprentice to help their business develop. Several sectors reported that things were improving, but they had experienced problems in the past with training providers not providing the right type of individual, putting them on the wrong sort of course or simply not understanding the job market - one member recalled hearing an individual being told to go into HR because they seemed to get on with everyone, whilst others (particularly in health and social care) came out with the wrong qualifications for a career in that industry and more importantly with that business.

**Figure 11: Priorities for apprenticeship reform**



*“Training is expensive for companies and financial assistance may encourage companies to invest.” Panel member response*

47% felt that directly funding employers would be the most effective way of change that could be made to the current system as this would compensate businesses for the time to supervise the individual apprentice and, in the case of high risk environments such as construction sites, for the time to fill out the paperwork required by main contractors and undertake risk analyses. This indicates upfront funding for the business in line with their own costs rather than schemes such as R&D tax credits which have to be claimed back from the government or the scheme suggested by the government for funding apprenticeships in the future.

*“Looking to take on an apprentice once we have a full time engineer on board. Funding would be helpful.” Panel member response*

Cash flow was also an issue, particularly as businesses expanded and an apprenticeship was seen as a longer term option to increase capacity after individuals with the experience to be a productive member of the team as soon as they started. Other hidden costs included cost of supervision training, licences and temporary wastage/drop in productivity which businesses cannot afford at the moment. There was a concern that the option identified in the Richard Review of funding through claiming back funding from the government and other organisations could exacerbate cash flow issues rather than relieve them.

*“We have more applications for internships from the UK and USA than openings and would like to offer 1-2 placements each year.” Panel member response*

A number of businesses would even like to offer placements for 1 or 2 apprenticeships a year in occupations as diverse as midwives and machine operatives but funds are not available to do so.

*“[Direct funding] would allow us to understand the skills of the trainer and them us, some CNC trainers are not good enough on the basic engineering fundamentals.” Panel member response*

Others felt that by giving the businesses access to the cash their needs would have to be taken seriously by training providers rather than being offered an apprentice who is being trained in skills that are tangential to the needs of the business - a particular concern for niche manufacturers and service providers. Choice was also another issue that was mentioned by several businesses - one business felt that the recession had limited choice in the construction industry and increasingly the CITB (Construction Industry Training Board) was the only option even though it did not meet the needs of this business.

*“Grading could be relevant or irrelevant. Design and assessment gives real world experience.” Panel member response*

Assessment and design of the programmes had similar reasons for their choice as those that wanted direct funding - greater control of the programme, ability to tailor the skills to the practical needs of their business as well as a greater flexibility in the programme.

Design of the courses is key: *“...there is a lack of good training locally - we are too niche.” Panel member response*

Businesses who highlighted assessment or design felt that from the policy side this would reduce providers who were only interested in the money and give enthusiastic employers, regardless of size, the opportunity to get more out of the scheme if they put more into planning at an early stage.

*“Courses in general are designed for larger companies and not for the needs of SMEs.” Panel member response*

There was also a feeling that niche providers and businesses looking for the occasional apprentice needed greater control over the design as most courses were provided for larger business as colleges and other institutions find it difficult to connect with infrequent users of their services. This is particularly an issue for training providers.

*“Liabilities are an issue [for taking on apprenticeships] so employers need to drive it and assess young people [themselves].” Panel member response*

Being able to assess young people was important for some businesses to make sure that those coming out of the system were suitably qualified and understood the risks inherent in the workplace as well as checking that they had learnt the skills to the correct level. For skills where there was a national shortage there was a concern that those providing the skills were not good enough to work in the private sector and so could be passing on bad, even unsafe, practices.

*“Because the training of apprentices at the moment in our field leaves no distinction between the excellent and those that need additional training.” Panel member response*

Grading would help businesses in understanding apprentices in the same way that getting businesses involved in the assessment would do. Businesses wanted apprentices to have the skills to produce the quality of service/goods that they required in a commercial setting and some businesses felt that the NVQ system that underpins apprenticeships did not offer this. This is perhaps one of the reasons why businesses tend to specify “traditional apprenticeships” as a business need rather than the apprenticeship schemes currently offered.

9% felt that the system was okay as it was or felt that they would not need to use apprenticeships in the future.

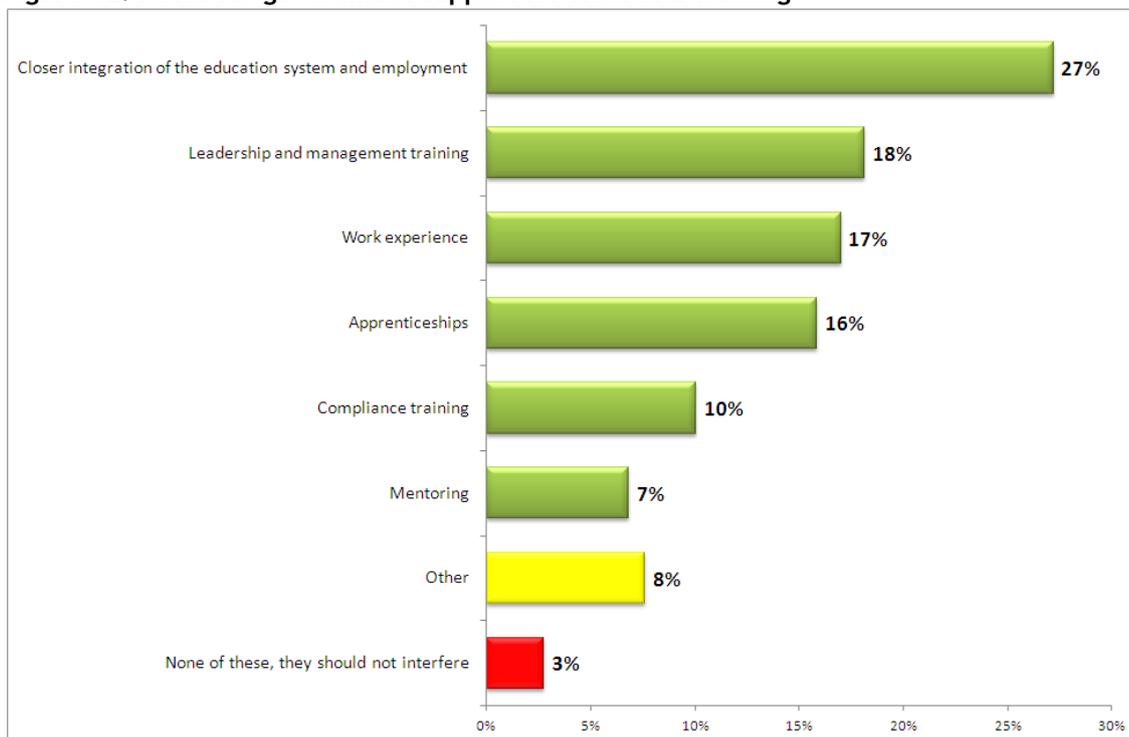
## Greater government support for skills and training

*“Current education system kills thought and problem solving, tick box is the fashion - if it doesn't tick the box it doesn't happen - no grey areas allowed, the system destroys enterprising thoughts. Need to look up from the computer screen. Someone actually needs to do the work.” Panel member response*

Despite issues with the apprenticeship schemes, some of which appear to be temporary growing pains, apprenticeships were not seen as a priority for panel members. The main requirement in terms of support was the over-arching theme of closer integration of the education system and employment with 27% wanting this improvement to how training and skills are provided.

Businesses were particularly concerned about their inability to discipline staff and the attitude of employees to the workplace. Owners were particularly concerned that the two biggest influences on young people - the media and their teachers - had a limited experience of their workplace environment.

**Figure 12: Focus for government support for skills and training**



Leadership and management training, work experience and apprenticeships all were wanted as a focus for government support by similar numbers of panel members. In contrast 10% wanted a focus on compliance training, although this would vary if new laws were introduced requiring one trained person at each workplace and 7% wanted a greater focus on mentoring, with more focus on initiatives such as Rock Star Mentoring where the mentoring can be part of a wider financial package.

Other support tended to be for a broadening of training schemes, this accounted for 5% of responses, an improved tax regime for training investment, less red tape or more effective training for individuals where there are clear national skills gaps, CNC training, ICT skills etc.

## What could the government do to support businesses?

*“Funding, it is quite hard to find courses and this gets put to the back of the queue of things to do. Incentives would help bring this forward.” Panel member response*

We asked businesses what one thing the government could do to support businesses in being able to recruit and develop employees. A number of key themes emerged:

### More opportunities to invest in training

The cost of training staff in uncertain times was the biggest issue that businesses felt needed to be resolved. Some businesses felt that the tax regime could be looked at to incentivise training in the same way as research and development has been incentivised. Others felt that greater funding should be offered to support businesses through more incentives for training current members of staff either to upgrade their skills or to retrain. One member also thought that the punitive nature of compliance training (where costs escalate if you are a day out of date) caused prioritisation of compliance training over other - perhaps greater - needs of the business. Overall the feeling was that internal training would continue to be preferred in most instances unless there was greater funding for training provision. One business owner felt that funding or tax breaks had to be provided alongside mentoring for the employer and employee as well as support in dealing with the admin issues. An alternative suggested by one business was a programme of free workshops at convenient times for employers and employees to update their skills.

### **Improve the skills of young people**

Businesses felt that young people needed greater support in making them ready for the world of work, whether it was self employment or working for a business. These included:

- Switching computers off and getting young people to focus on problem solving and practical solutions to issues.
- Use schemes used by businesses to encourage employee engagement within the classroom.
- Giving young people the confidence to go into the world of work by teaching team-building skills and develop suitable attitudes for the workplace.
- Instilling a work ethic and greater workplace experience - 18 hours contact with the workplace is not sufficient for a 16 year old and without greater guidance young people will become disengaged.
- Ensure careers advice is broad and truly represents the way in which business works. Realistic career aspirations are essential for young people moving from education to employment.
- Expanding schemes for self employment such as the Start up Schools programme

### **Greater diversity in training options for young people**

Members wanted to see greater diversity in the training pathways for young people and those currently in work. Some businesses saw apprenticeships as too generic and there seemed to be few options in terms of training other than higher education or apprenticeships. In particular there was a feeling that more could be done to help those in work take control of their own personal development.

### **Greater choice in training provider**

Technical skills in particular were often the preserve of trade associations who tended to have a monopoly on training but did not necessarily offer the courses at a relevant location, cost or level that the business dictated. A number of businesses felt that the government should focus more on using private sector suppliers to offer courses or learn from the way they offered courses in terms of timings, technology and fitting the employee/owner up with the right coach, mentor or other training provider.

### **Less red tape**

There have been a number of initiatives to free up the time of business owners, but members still feel that training providers can be overly bureaucratic. Less red tape generally would also give businesses more time to find suitable training courses which often are available but require some searching (see the case study for Aria Developments).

### **Improve recruitment channels**

A couple of businesses felt that the Job Centre website was an obstacle to recruitment rather than a support mechanism and another business reported that the service they received was mixed. Members felt that the website was not easy to use and they did not receive any response to posting an advert including recognition that the post was online. Firms without HR departments reported that they had difficulty in sifting through CVs and owners felt that there were too many inappropriate CVs from individuals who needed to apply for a job as part of the conditions of Jobseekers Allowance.

### **Identifying training needs within a business**

A couple of businesses reported that more support and guidance was needed in identifying training needs within the business as there was not always a clear indication that skills were getting out of date or processes could be modernised.

(1) When referring to types of skills the following definitions were provided for members:

Compliance - updating first aid licences, skills cards etc

Continuous personal development - updating key professional skills

Replacement - replacing lost skills caused by individuals leaving the company

Growth - skills needed to increase capacity

Efficiency - focusing on skills to improve current productivity in the company

Strategic skills - focusing on management skills and structure needed to grow the business more in the future

(2) Forum of Private Business, Training and Skills panel, August 2012,

[www.fpb.org/page/1003/Small\\_business\\_research.htm](http://www.fpb.org/page/1003/Small_business_research.htm)

(3) Forum of Private Business, Cost of Compliance (Referendum 196), July 2011,

[www.fpb.org/page/1003/Small\\_business\\_research.htm](http://www.fpb.org/page/1003/Small_business_research.htm)

(4) Forum of Private Business, Business, October 2013, available on request

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The business people – an extension to your team

# Training and skills member panel report

August 2012

## Introduction

The Forum of Private Business is a proactive, not-for-profit organisation providing comprehensive support, protection and reassurance to small businesses. We add value to businesses through the collective voice for members in local, central and European government, and the provision of tailored solutions that promote business success.

We engage regularly with the business owners on our member panels to better understand and collect evidence of their real life experiences, to reinforce our policy and campaigns activities. Our training and skills panel comprises approximately 75 members who have volunteered to provide feedback to us on training matters and includes training providers as well as business owners who require well-trained staff.

**Note:** as figures refer to fewer than 100 businesses, they should be treated as indicative rather than as representative of all small and medium-sized businesses.

## Summary

Overall, 9 in 10 businesses are currently training staff. 64% of businesses report that they are undertaking compliance training, 45% are training staff to replace skills lost to the business, 44% are providing continuous personal development programmes and 41% are training to improve efficiency. 31% are investing in training to boost capacity, 16% are focusing on strategic skills and just 3% are outsourcing skills that were previously available internally.

In total 58% reported that the focus of their training provision was not ideal, citing the cost of training and time issues involved. 40% reported that their training programme was ideal, with improved business performance the primary reason for their satisfaction.

Three quarters of businesses partly assess training needs informally. Around half use a formal method of assessing business needs and just under 30% trained staff as a result of a particular event, either a training course from a provider or because they are making a significant change to the business.

Cost is the biggest barrier to provision of training for employees with 61% reporting this was a barrier, although businesses reported a wide variety of usage of low cost methods of improving skills in the company. 40% reported that availability of training, 28% indicated quality of courses was an issue and 22% reported that time was a barrier.

There are indications that the overall environment for training and skills is improving. Businesses are adamant that the burden of teaching basic skills should not fall on an employer. Members also wanted employees to be more proactive in developing themselves.

48% felt that the greater focus on apprenticeships as opposed to higher education was welcome although 36% felt that the level of funding was still too low. 35% of businesses reported that they had recruited in the last year, with generally positive outcomes. For those that chose not to employ, confidence in the system remains an issue, and 46% were waiting to assess the impact of changes before providing an opinion, whilst another sizeable number harboured concerns over the quality of candidates.

60% of employers surveyed for the UK Commission for Employer and Skills (UKCES) report<sup>(1)</sup> reported that school leavers were well prepared for the workplace, 72% felt similar of employees from further education establishments and 82% from graduates. Forum members broadly agreed that there were fewer issues with graduates but comparatively more with young people in general. Few members reported lack of basic skills amongst graduates or over 50s, with graduates also unlikely to have outdated skills or have an inability to learn whilst over 50s were more likely to stay for a good period of time. 55% felt that those who had been unemployed for over a year could be reluctant to learn.

## Recommendations

- **Continuation of investment in apprenticeships;** our members welcome the Government's focus on apprenticeships and they remain a popular training method amongst small businesses. However the funding level is still felt to be too low. More apprenticeship funding needs to be made available for the smallest businesses. There also needs to be improved communication and marketing of the schemes on offer to make sure eligible businesses do not miss out on vital funding.



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The business people – an extension to your team

# Training and Skills Panel Report

January 2014

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**Note:** as figures refer to fewer than 100 businesses, they should be treated as indicative rather than as representative of all small and medium-sized businesses.

## Summary

75% of panel members reported that the focus of their training was ideal in 2013, up from 58% in 2012<sup>(2)</sup>. Increases were reported across all forms of training apart from efficiency and replacement.

Businesses that report the focus of their business training is ideal are more likely to provide strategic training, training in compliance, efficiency and continuous personal development. Businesses still needing to outsource skills and replace lost skills were less likely to feel that their training focus was ideal.

Just less than 67% had seen no impact on the skills within their business as a result of the recession. Quality management (28%), people management (30%), marketing (27%) and time management (27%) were the most likely to have changed over the recession period, with time management the competency that businesses were most likely to have struggled with.

Training issues recorded by members were time (23%), cost (17%) and lack of schemes available to them (14%). The quality of training (7%) and lack of choice (7%) were also highlighted by panel members as issues with training provision. 6% reported that the labour force lacked technical skills and the same proportion also reported a lack of employability attributes and/or a lack of a sustainable workforce.

20% were not doing anything specific to deal with these issues, 15% had increased on-the-job training and 11% reported getting more training from external providers.

2 in 5 felt senior management skills had been neglected due to lack of time, the primary focus remained keeping the business going. A further 1 in 5 were unsure, suggesting that they have not yet taken stock of how the recession has affected this area of business.

Problem-solving (54%), self motivation (52%) and effective self-assessment (48%) were the key skills that are required by the self employed which panel members would like to see within the school system. The highest scoring attributes were similar to those requested for employees with 15% wanting to see entrepreneurship taught more in schools. 22% wanted schools to focus on academic subjects, particularly basic skills.

Directly funding employers was the main priority wanted by businesses in relation to apprenticeships with 47% wanting this prioritised. A significant number of business owners equated direct funding to funding based on the benefits that such a scheme would give; more choice for the employer and compensating the businesses for the time required to put together courses at the beginning. Cash flow was an issue for businesses when getting trainees up to speed and so training schemes where businesses claim back tax would not be so attractive.

Closer integration of the education system and employment was the main way in which government institutions could support micro and small employers as 27% of members wanted to see greater focus on this area of the skills agenda. 18% wanted more leadership and management training, with work experience (17%) and apprenticeships (16%) also important.

## Recommendations

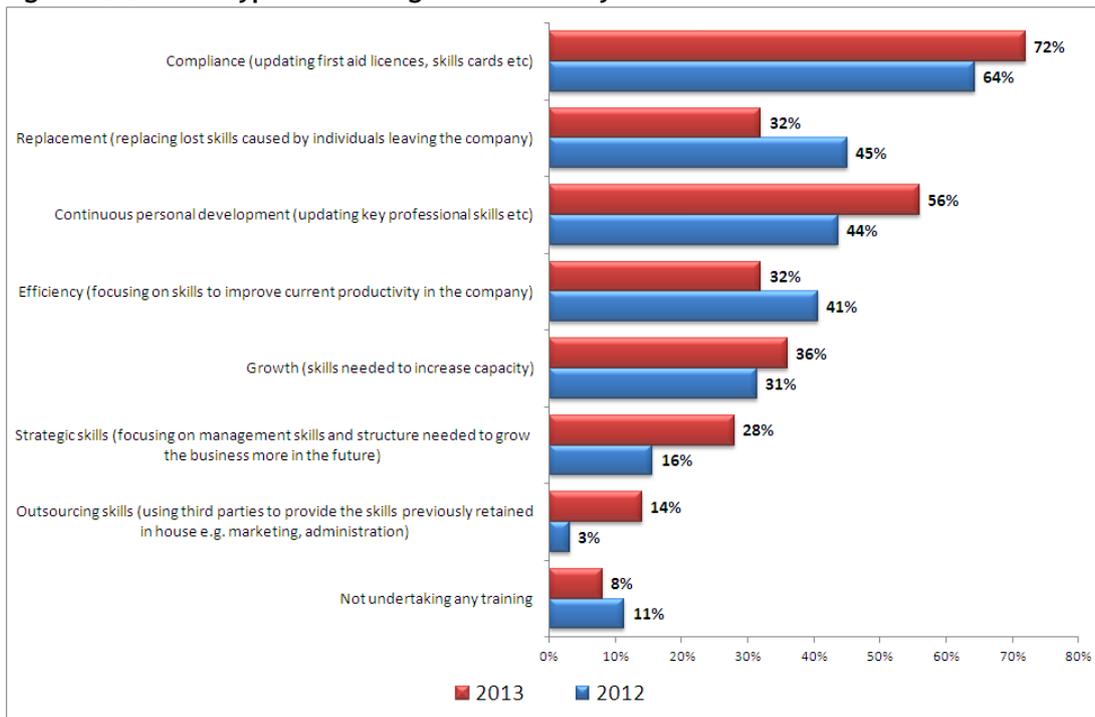
- Members identified the cost of training in an uncertain economic climate as a major barrier to greater investment in skills development. The £30m government has made available for business support over the next year should go some way to help reduce the monetary risk and encourage small businesses to invest in high quality business support and staff development. Where a business goes through the diagnostic process but is ineligible for the public funding every effort should be made to point the business to private providers of business support to enable them to make an informed decision about the support they require.
- Greater flexibility in training is required for small businesses to access the right training they need. After time, the cost and availability of training courses remain the greatest obstacles to training for small businesses. Training providers need to work together to ensure small businesses have equal access to provision throughout the country.
- Employability skills and basic skills need an equal focus. The government's commitment to ensure all young people leaving education achieve a level 2 (A\*-C GCSE) in English and Maths is encouraging but these basic skills need complementing by the softer skills that employers require. There should be an equal focus on teaching young people in education basic skills and the attitudinal attributes necessary to secure employment.
- The direction of the reforms to apprenticeship funding are welcomed by small businesses however the model must take into account the cashflow issues small firms face. As the policy continues to progress the Government should consider if a proportion of public funding could be paid to the employer upfront to avoid potential cash flow issues.
- Job Centres are too variable for employers. Job centres will play a pivotal role in the government's action to reduce the stubbornly high rate of youth unemployment. It is essential all job centres across the country are providing the same level of service to employers to ensure they are viewed as a beneficial recruitment tool.
- Education providers need to use more modern techniques to engage with young people and teach them a broader range of skills that will be more practical when they enter the workplace. Teaching them at an early age to solve problems and encourage them to motivate themselves would greatly help them to become employed or self employed.
- The education system needs to teach young people about the business landscape. As the government continues to focus on start ups it is important enterprise is fully integrated into the education system to ensure people are equipped with basic business knowledge.

## Current training provision

*“Lack of local resources and work pressure is preventing enough time to provide in house training.” Panel member response*

72% of employers are currently undertaking compliance related training compared to 64% in 2012. In a larger study of members undertaken in 2010 69% of businesses reported that regulation was a key trigger for training programmes <sup>(2)</sup> and illustrating the impact regulatory change has on businesses' training requirements.

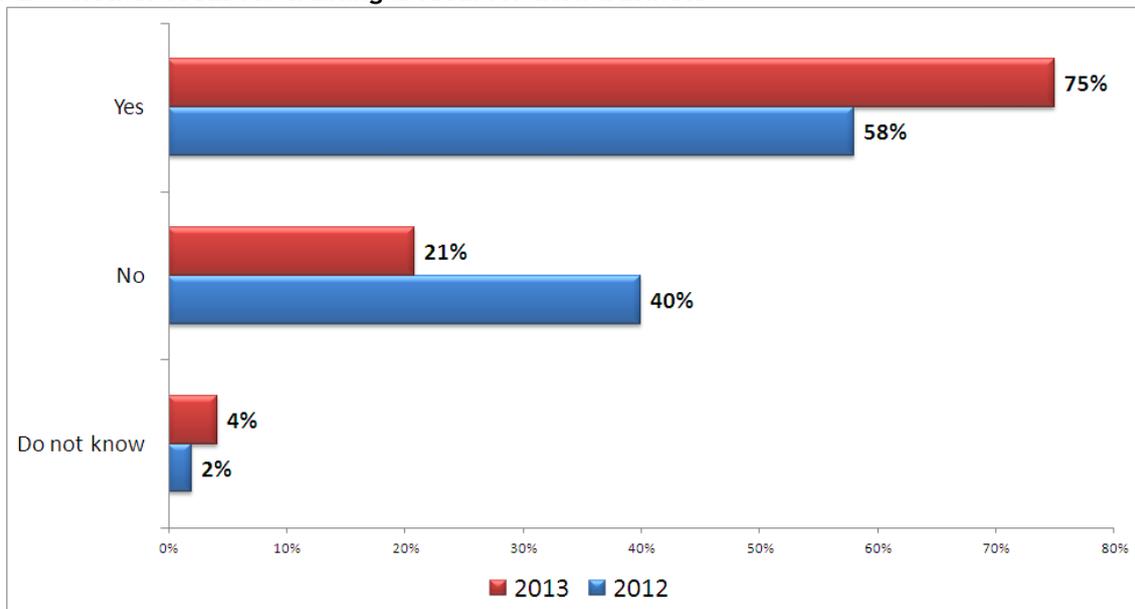
**Figure 1: Current type of training undertaken by businesses**



Other indications are that most businesses have been able to retain their staff and avoided making redundancies in 2013 as the number of businesses providing training to replace lost skills has dropped. A more stable workforce has led to increases in the frequency of continuous personal development training.

There has also been a movement from training to improve efficiency to training that will increase capacity, such as apprenticeships and permanent employment. Strategic skills - which were seen by some business owners as a key gap in their training plans in 2012 - have also increased. Outsourcing skills has also increased as the number of types of training provided by each employer has widened.

**Figure 2: Whether focus for training is ideal for their business**



In contrast to the last report when a small majority of businesses felt that the focus of their training was ideal, 75% feel that their training is ideal for their business.

Comparing the types of training offered and businesses satisfaction with their own focus indicated little change from the previous year. Again strategic skills were the key positive differentiator between whether

businesses were happy with their own training provision and those that did not, whilst replacement skills training was again the key negative differentiator.

**Figure 3: Satisfaction with training usage**

	2012	2013
<b>More likely to be used if focus is ideal</b>	<ul style="list-style-type: none"> <li>• Strategic</li> <li>• Continuous personal development</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic</li> <li>• Continuous personal development</li> <li>• Compliance</li> <li>• Efficiency skills</li> </ul>
<b>No difference in frequency of use</b>	<ul style="list-style-type: none"> <li>• Growth</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Growth skills</li> <li>• No training undertaken</li> </ul>
<b>Less likely to be used if focus is ideal</b>	<ul style="list-style-type: none"> <li>• No training undertaken</li> <li>• Outsourced skills</li> <li>• Efficiency skills</li> <li>• Replacement skills</li> </ul>	<ul style="list-style-type: none"> <li>• Outsourced skills</li> <li>• Replacement skills</li> </ul>

Businesses that were happy with training provision were more likely to offer compliance or efficiency skills than previously, with anecdotal evidence suggesting that this is due to the rising cost of business and environmental policies of their customers rather than making efficiency gains to keep the business going with fewer employees.

There was also no difference between businesses in terms of whether they offered training or not, indicating that many small businesses often have to balance training with capacity as they cannot run at full capacity with individuals on courses. There are however ways round this as indicated in the following case study on Aria Developments.

#### **Aria Developments - Training on a budget**

Aria Developments run two businesses - a building company and an early years nursery. This case study focuses on the second of these businesses although during the recession both industries are perceived as high risk, low margin and require high levels of compliance.

Current legislative requirements are that such organisations have 80% of their staff qualified to level 2 childcare and 20% to level 3. Aria Developments have 78% qualified to level 3 and are looking to get all employees trained to level 3 shortly. In addition to regulatory training they also undertake non-regulatory training when required.

As training is such an integral part of the business the management team dedicate three hours a week to identifying training needs and assessing potential providers. The team consider the content, accessibility and price of courses.

#### Sourcing affordable local training - The DYFODOL Project

The DYFODOL project is a local training and development project part funded by the European Social Fund available to businesses in North West Wales. Aria Developments have found the course provided by the DYFODOL Project especially useful in providing training across a range of areas including food hygiene, customer service and environmental awareness.

#### Finding the right provider

The organisation also employs apprentices. They faced problems when setting up the apprenticeship programme as providers were pushing people into the wrong placements and the results was that good candidates ended up with qualifications that were wrong for them. To overcome this Aria Developments work with a single provider that has proved to be more efficient, less bureaucratic and pays more promptly.

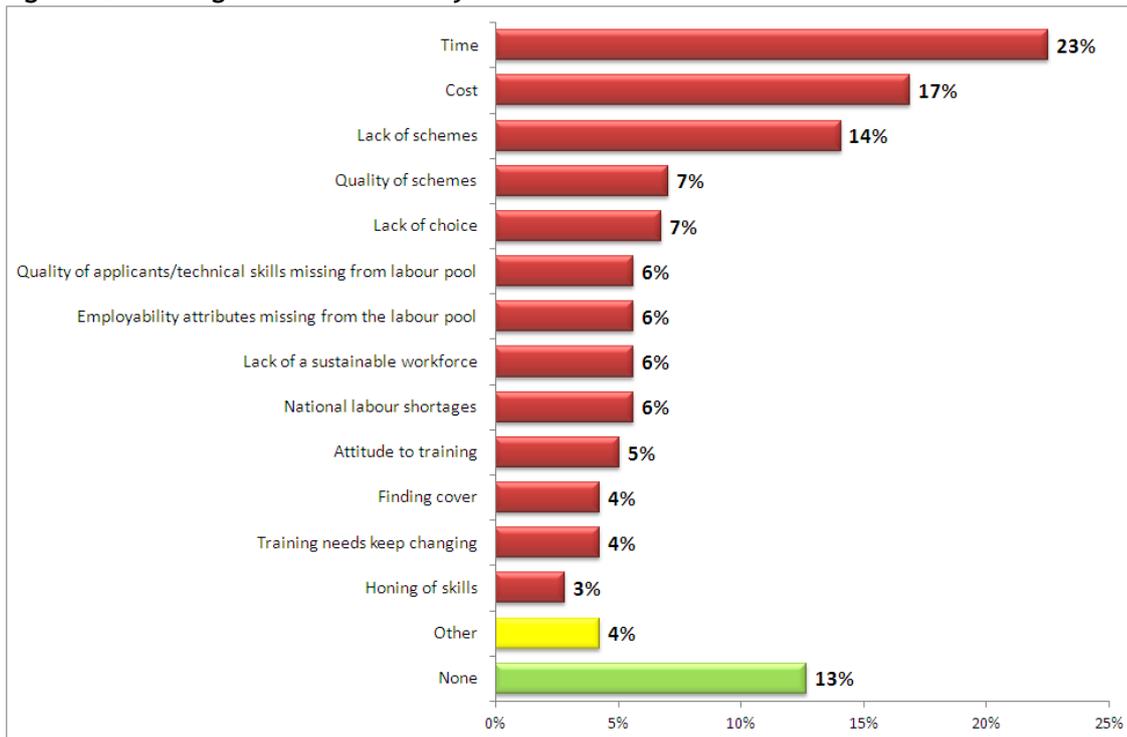
Margins in the industry have been eroded by high energy and food prices over the last few years and this has meant less focus on non core activities. For this reason finding funding for courses is important. However at the moment Academies are asking for School status meaning that they would be exempt from Non Domestic Rates and VAT, if this was extended to early years providers who offer training then the organisation would potentially be able to unlock £25,000 that could be invested in their most valuable asset - their staff.

## Training issues and business response

Time (23%), cost (17%) and the availability of suitable schemes or courses (26% - 14% lack of schemes, 7% quality of schemes and 7% lack of choice of provider) were the key issues faced by members when considering training for staff.

A further 16% felt that there were problems with the labour pool with equal proportions mentioning the quality of skilled applicants, a lack of employability attributes (team working, presentation etc) and national skills shortages such as CNC, specialist electricians and ICT skills (SQL, CAD and Visual basic) specifically mentioned by respondents.

**Figure 4: Training issues recorded by members**



A further 6% mentioned the lack of a sustainable workforce. Members mentioned an ageing workforce and lack of niche skills being taught to young people. The lack of profit in their industry was a concern for some members as they feel unable to attract and retain good engineers or skilled workers compared to other industries.

Around 5% also felt that there was a problem in the attitude of employees and trainees to training, citing a lack of application or reluctance to attend courses as an issue. This is not always down to the individual with some courses having a significant repetitive element often around compliance.

The solutions when business owners indicated solutions were fairly varied. 1 in 5 businesses reported that they did not know or were not looking to take remedial measures. This was particularly common when businesses had indicated a cost issue. A further 7% were resigned to paying more either for individuals with the skills already or for courses tailored to their needs and 5% were intending to wait for the right person to come along.

**Figure 5: Methods of resolving training issues**



The most common solution was increasing on the job training (15%), although this has, in some cases further added to the time poverty of managers and supervisors. Some of these businesses were also using external providers to a greater extent, although these were outnumbered by those who had indicated that they only solution was to use colleges, universities or external training providers to develop the workforce they needed.

Prioritising urgent needs was one way that businesses had found a way of minimising key training issues, along with taking advantage of special offers from the right training providers or as a way of keeping morale high. Others were looking at other alternative provision; 8% mentioning improvement of training manuals and internal resources and 7% indicating that webinars, guides and online courses were also being considered. 5% were looking at other methods of staff retention or engagement to mitigate training issues - particularly the lack of available courses.

**Figure 6: Methods of resolving training issues**

Problem	Main responses
Cost	Nothing/do not know On the job training Spend more money Take advantage of special offers/events
Time	Training from external providers Prioritise urgent needs Nothing/do not know
Available training	On the job training Improve training materials Consider alternative provision
Skills in labour force	Increased recruitment Nothing/do not know Have to pay more Wait of the right person

The Job Centre was mentioned by a number of businesses. Experiences were mixed with businesses reporting that the service was variable or poor. Business owners also reported having to chase the job centre for information and inappropriate CVs were sent through. Cost compared to other recruitment providers was given as the main reason why the Job Centre was used in the first place. So it is perhaps unsurprising that in some cases the Job Centre did not meet expectations in terms of dealing with the more labour intensive parts of the recruitment process.

## CNC Training: A response to a national shortage

UKCES has identified CNC training as an area where there is a national skills gap and this is borne out by one of our members in the South West of England. The company reduced the number of employees at the start of the recession and is now looking to increase capacity but is hampered by a lack of skills in the local labour force and in local training providers.

The only option that they have at the moment is to improve the pay and benefits package to recruit readily trained operators from similar manufacturers as they have the following concerns with local training system:

- Costs of taking on and training an individual are significant
- There are few training courses in this area that are relevant to the company
- The individuals used are not good engineers and will teach them bad habits
- Transport to good courses are prohibitive to improve the skills of their current workforce

The company would like to see greater funding to help manufacturers to afford training for new recruits and for their current employees so that they have the skills to expand the business, increasing investment in machinery and employees.

Some of these issues have been recognised in the private sector. The CNC Training Academy was established in 2010 by Mills CNC Ltd, a distributor of machine tools into the UK and Ireland, and has grown significantly over this time. The business now employ 3 permanent members of staff and are on target to complete over 80 courses during 2013 at their Leamington Spa based facility.

They offer CNC training to programmers, operators and maintenance teams and are constantly reviewed to ensure the relevance of course content and delivery. They have a focus to be the best in their class and promote the use of highly skilled engineers to provide the training. The company recently won an award from the MTA as best industry training provider.

Originally their training courses were designed for those in work; however, they have seen a large number of unemployed individuals joining their courses as they look to benefit from the growth in manufacturing in the West Midlands area.

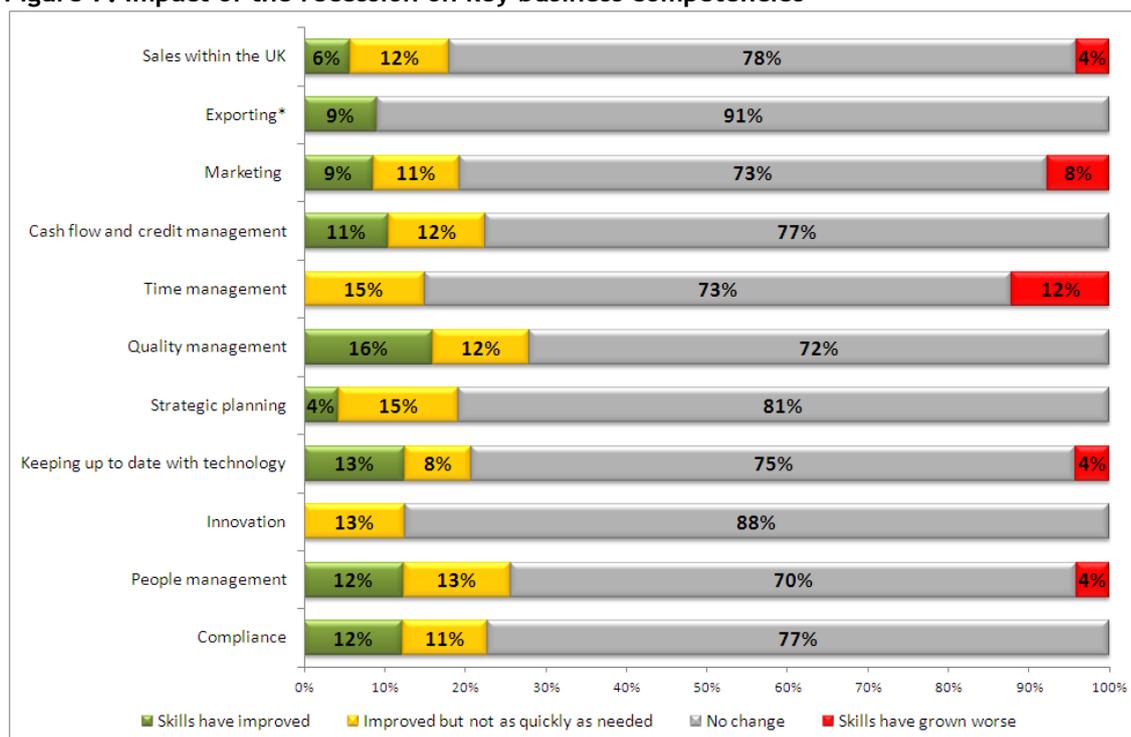
The majority of The CNC Training Academy's courses are classroom based which means travelling to Leamington Spa but they do offer cost effective on-site training as an alternative for small businesses.

## Impact of the recession on business competencies

*"Time Management is the hardest area for improvement" Panel member response*

We asked panel members what has been the impact of the recession on a list of competencies that are typically needed by businesses. Not all aspects were relevant for all businesses as some business models did not require competencies such as people management if the company no longer had any employees.

**Figure 7: Impact of the recession on key business competencies**



\*72% of businesses did not see exporting as relevant for their business and so the figures refer to a small minority of the panel.

Just under 2/3 of businesses have seen no impact on the skills within the business from the recession and a number have improved the business' internal capability during the last five years. Approximately 1 in 10 have seen an improvement in areas as diverse as compliance, people management, technology, quality management, cash flow and credit management and marketing.

There were also companies who recognised that their sales operation had become more effective over the last five years to meet tougher trading conditions and 4% had also seen an improvement in strategic planning - these companies mentioned that this was needed to focus resources where they were needed.

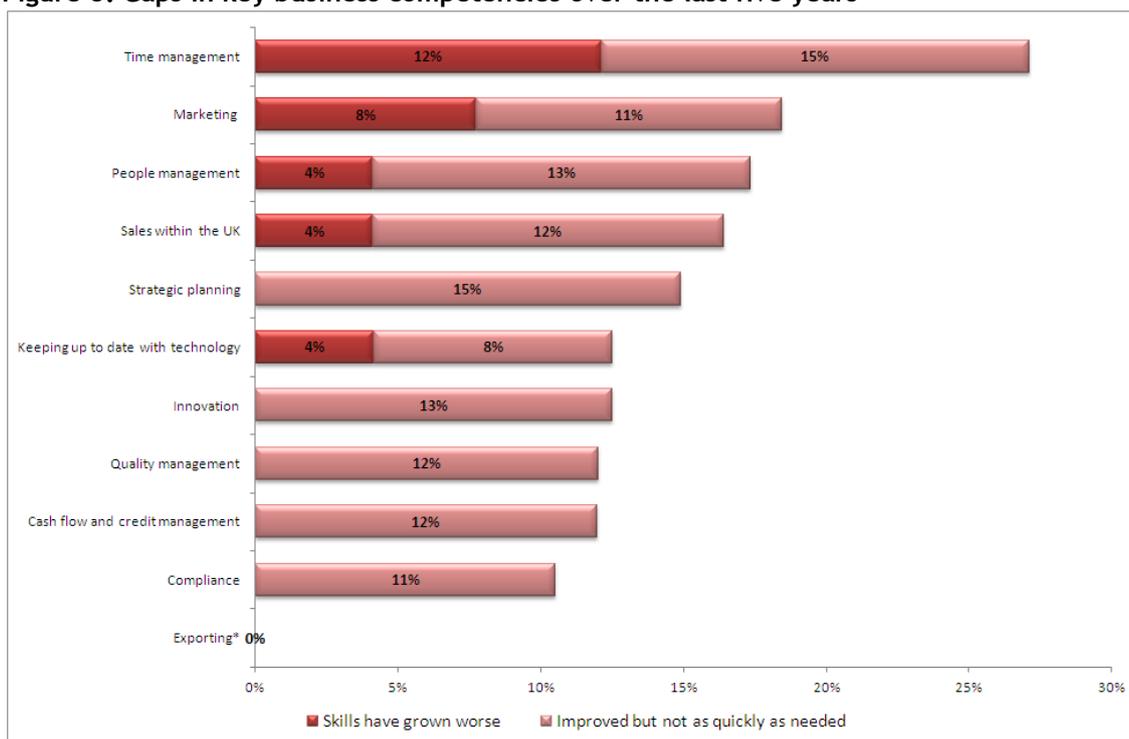
Time management competencies improved for around 1 in 7 businesses but not at the rate required by the business. Innovation, along with strategic planning, was the most likely to have remained at the same level during the recession as it had beforehand.

In terms of focusing on skills needs to help businesses develop, Figure 8 analyses businesses that have improved, but not as far as they feel they have needed to and those that have skills within the business decrease. There is an assumption that where skills have decreased this has created a gap in the business, although in the odd case, the business owner may feel that there was over-capability in this area.

*“People have had to diversify their role within the company, we have had to focus on core services and this has meant marketing and other non-core business areas have not been a priority” Panel member response*

The main focus is time - 12% reported that their ability to manage time effectively had grown worse over the last 5 years, with redundancies and the increased need for owner managers to work on other parts of their business leaving them with too little time to do all that was needed. 15% felt that their time management skills had improved, but not as effectively as they business needed to develop.

**Figure 8: Gaps in key business competencies over the last five years**



\*72% of businesses did not see exporting as relevant for their business and so the figures refer to a small minority of the panel.

Marketing was the second largest gap in the as a result of the recession, this was again to do with time as well as to a lesser extent cost. There have been complaints in previous panels and the Forum’s business support report<sup>(3)</sup> that marketing training and support is too expensive meaning that businesses are now doing a lot more in-house than before the recession. Social media has also expanded and some members were uncertain of how much time they should be spending on this. At the same time marketing budgets have been refocused away from training to meet the increased cost of materials and distribution.

Skills in people management appear to be an issue for 17% of businesses, however this includes a small number of business owners whose skills have decreased in line with the number of employees they have. Others feel that they should be doing more in terms of employee retention as pay increases are difficult to finance in the current environment.

4% reported that sales in the UK have grown worse, in most cases because the owner has not had enough time to devote to sales, although some companies reported losing sales people during the recession. The tough economic climate meant that although 12% did improve their sales skills, they would have liked to do more.

4% reported that skills in keeping up to date with technology had grown worse, in these cases it was comparative to their competition or due to an inability to invest in improvements. 8% wanted to improve their technological skills further, making this area of business capability much more black and white than other potential skills gaps.

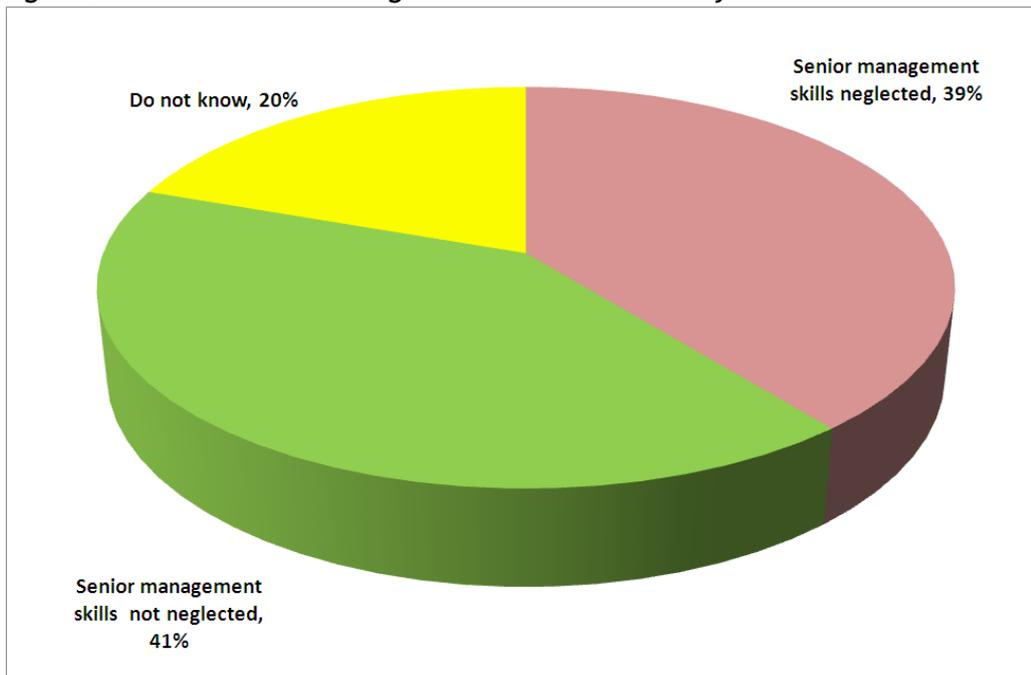
In contrast 15% felt that they had improved on strategic planning and a similar number felt the same over innovation and quality management, but not sufficiently. Comments from members suggested that this was due to a lack of prioritisation whereas similar figures in terms of credit management and compliance were more due to businesses feeling that they were not as up to date as they could be.

## Senior management skills

We asked panel members if senior management skills were neglected in their own business and businesses similar to their own (i.e. management skills in their industry). The response was mixed with 39% saying senior management skills were neglected, 41% saying they were not and 20% uncertain.

*“Due to work/time perspective, although courses are now booked!” Panel member response*

**Figure 9: Are business skills neglected in businesses like your own**



*“For us it was the laying the time aside to do courses. It is a big commitment and in small business managers frequently have to step in.” Panel member response*

The main reason why senior management skills were neglected was due to time. This was mentioned by 2/3 of businesses:

- The balance between working and taking time off
- The time spent on courses was excessive
- Time to teach themselves new skills.
- Time to find the right course
- Prioritising time to spend on courses that were needed in the medium term
- Time taken to organise their time away from the office
- Time to focus on needs as they were not as apparent.

*“It is all about cost and time.” Panel member response*

Cost was the next most frequently mentioned - by around 1 in 4 businesses

- Cost of the training
- Return on investment
- Cost of absence from the workplace
- Impact on cash flow if the skills they learnt could not be put into immediate use.

*“Easier to leave [management skills as they are]. Also a matter of pride.” Panel member response*

Other issues were how businesses find out that their skills are out of date, understanding how this can improve the business, lack of good trainers and simply that it was easier to leave as it is sometimes seen as a suggesting an individual is incompetent in a way that professional development or mandatory training does not. One business even felt that there was a lack of interest in improving management skills compared to honing professional skills.

*“Skills of senior management team have not changed over 20 years and we are a small company.” Panel member response*

Businesses who reported that their senior management were up to speed highlighted the experience of their management team, the fact that they have a training programme that encompasses management training or a process of understanding customer expectations and its implications on the business. A number of businesses highlighted the importance of competence rather than qualifications as skills tended to be learnt in the workplace rather than in colleges or simply felt that they did not need it. Three

business owners did however report that they or members of their management team were undertaking courses or looking at 1-2-1 support.

*“Although we do not get as much training as those on site it tends to be all experience anyway.” Panel member response*

Regardless of the response, management training was seen as practical, hands on and based on competence rather than being something learnt outside the workplace as part of a strategic plan. Overall just one business linked their response to their long-term plans for the business whereas business owners regardless of their response considered management training to only be necessary when there was a clear need for it (i.e. new product development etc).

#### **Rock Star Mentoring - flexible training, mentoring with the option of finance**

Rockstar mentoring provides a flexible mentoring service to their mentees on a number of levels:

- Time being mentored each month - owners can spend two hours a month to two full days depending on the requirements of the business
- Time they are mentored for - this is typically a year but can be shorter
- Technology - they offer skype/phone mentoring as well as face to face
- Dynamics of mentorship - as well as 121 mentoring, they have small group mentoring
- Finance - there is an equity option for businesses to help them grow quickly
- Start up loans - new businesses apply online for finance, attend an incubator event to get investor ready and then work with mentors to access the right finance for their business.

Behind the focus on getting the right mentor (from around 60 successful entrepreneurs) and the personal side to the relationship, the programme is very structured (based on finance, operations and sales) and is based on business owners using the experience, contacts and the accountability that a mentor brings to help achieve their business objectives.

An example of the mentoring in action was the restructuring of a family business involving removal of the founder director, re-focusing the business and refinancing the business. The right team members were allocated the targets and time frames to achieve the above points. The mentor, involved in the company for one day each week, oversaw the targets and mentored the various family members to achieve their set goals. The increased margins that were achieved allowed the business to be re-financed, giving it more cash to reinvest back into the business. Company sales revenue rose from around £500,000 with 20 employees to £800,000 with 16 employees over 2 years.

## **Self employment in young people**

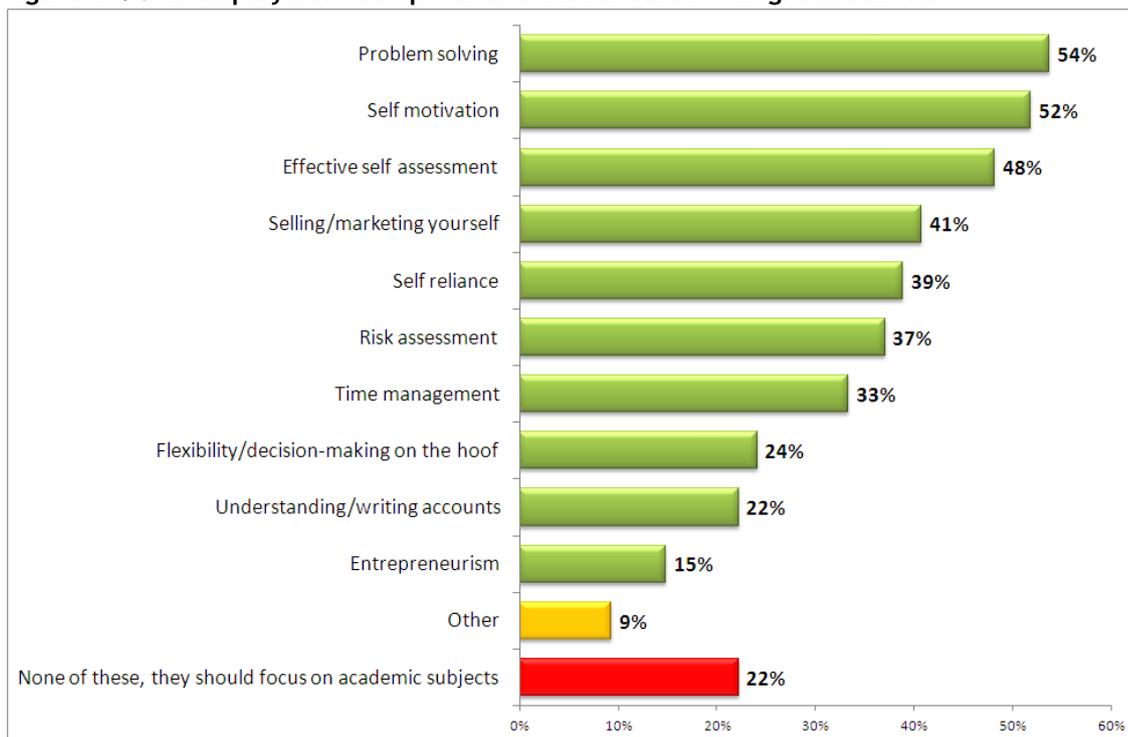
*“Hard work - there has been too much emphasis on entrepreneurialism and not enough on working hard.” Panel member response*

As 75% of businesses do not employ anyone and the trend for self employment appears to have intensified in the last decade, we wanted to see which characteristics of self employment/entrepreneurialism businesses would want to see taught in schools.

22% felt that students should focus on academic subjects, mainly because some businesses had reservations about the quality of basic skills in the local labour force.

General business attributes were the most frequently mentioned by business owners as something that should be taught in schools with problem solving, self motivation and effective self assessment all highlighted.

**Figure 10: Self employment competencies that should be taught in schools**



The ability to sell or market yourself was a key skill that businesses wanted to see more developed in schools along with self reliance. Other skills mentioned by members were varied with only work ethic, presentation and team building mentioned by more than one person.

Self confidence, reliability, the importance of appearance, manners, patience, customer service skills, team building, work ethic, enthusiasm, willingness to learn and a passion to work in the industry were all mentioned as the distinction between employment and self employment was blurred.

## Priorities for apprenticeships

*“If funding goes direct to employers it rewards those who actually put the effort in.” Panel member response*

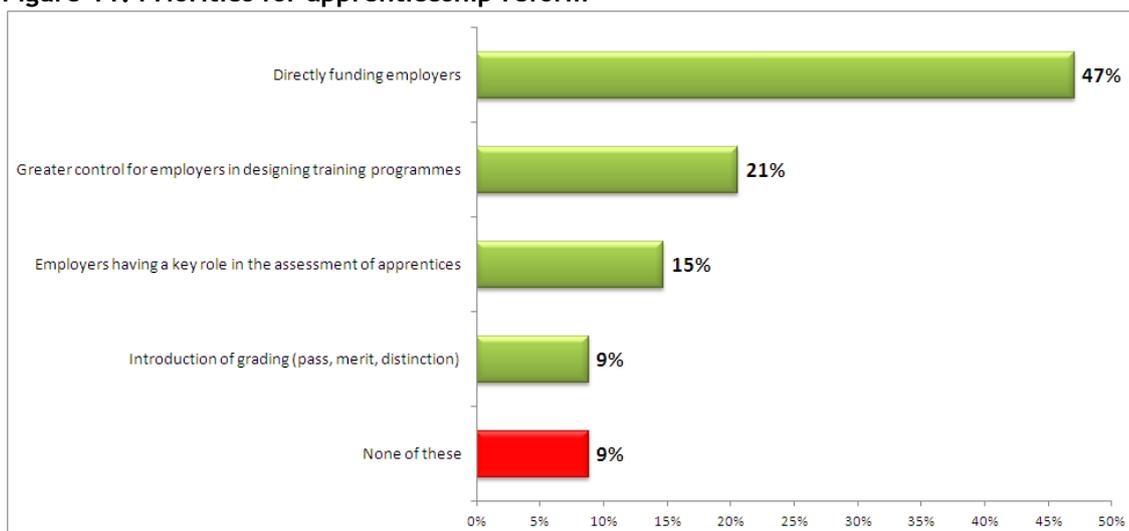
Apprenticeships have become a key element of the training environment with a number of panel members in hairdressing, retailer, private health provision, care homes, child care, manufacturing and construction all offering apprenticeships to young people.

To put the importance in some sort of perspective in 2002/3 42,400 successfully complete their apprenticeships in all subjects, a decade later 58,980 apprenticeships were achieved in retail and commercial enterprise and 80,470 in business, law and administration. ICT is also likely to provide more apprentices this year as an industry than all industries did in 2002/3<sup>(3)</sup>. This rapid expansion in the number of apprentices and range of frameworks has led to a number of issues with the system as indicated below.

*“Providers are dreadful, one apprentice had a criminal record and the other one was too bright for course.” Panel member response*

Despite this our members feel that more could be done to support businesses in taking on the right apprentice to help their business develop. Several sectors reported that things were improving, but they had experienced problems in the past with training providers not providing the right type of individual, putting them on the wrong sort of course or simply not understanding the job market - one member recalled hearing an individual being told to go into HR because they seemed to get on with everyone, whilst others (particularly in health and social care) came out with the wrong qualifications for a career in that industry and more importantly with that business.

**Figure 11: Priorities for apprenticeship reform**



***“Training is expensive for companies and financial assistance may encourage companies to invest.” Panel member response***

47% felt that directly funding employers would be the most effective way of change that could be made to the current system as this would compensate businesses for the time to supervise the individual apprentice and, in the case of high risk environments such as construction sites, for the time to fill out the paperwork required by main contractors and undertake risk analyses. This indicates upfront funding for the business in line with their own costs rather than schemes such as R&D tax credits which have to be claimed back from the government or the scheme suggested by the government for funding apprenticeships in the future.

***“Looking to take on an apprentice once we have a full time engineer on board. Funding would be helpful.” Panel member response***

Cash flow was also an issue, particularly as businesses expanded and an apprenticeship was seen as a longer term option to increase capacity after individuals with the experience to be a productive member of the team as soon as they started. Other hidden costs included cost of supervision training, licences and temporary wastage/drop in productivity which businesses cannot afford at the moment. There was a concern that the option identified in the Richard Review of funding through claiming back funding from the government and other organisations could exacerbate cash flow issues rather than relieve them.

***“We have more applications for internships from the UK and USA than openings and would like to offer 1-2 placements each year.” Panel member response***

A number of businesses would even like to offer placements for 1 or 2 apprenticeships a year in occupations as diverse as midwives and machine operatives but funds are not available to do so.

***“[Direct funding] would allow us to understand the skills of the trainer and them us, some CNC trainers are not good enough on the basic engineering fundamentals.” Panel member response***

Others felt that by giving the businesses access to the cash their needs would have to be taken seriously by training providers rather than being offered an apprentice who is being trained in skills that are tangential to the needs of the business - a particular concern for niche manufacturers and service providers. Choice was also another issue that was mentioned by several businesses - one business felt that the recession had limited choice in the construction industry and increasingly the CITB (Construction Industry Training Board) was the only option even though it did not meet the needs of this business.

***“Grading could be relevant or irrelevant. Design and assessment gives real world experience.” Panel member response***

Assessment and design of the programmes had similar reasons for their choice as those that wanted direct funding - greater control of the programme, ability to tailor the skills to the practical needs of their business as well as a greater flexibility in the programme.

Design of the courses is key: *“...there is a lack of good training locally - we are too niche.” Panel member response*

Businesses who highlighted assessment or design felt that from the policy side this would reduce providers who were only interested in the money and give enthusiastic employers, regardless of size, the opportunity to get more out of the scheme if they put more into planning at an early stage.

*“Courses in general are designed for larger companies and not for the needs of SMEs.” Panel member response*

There was also a feeling that niche providers and businesses looking for the occasional apprentice needed greater control over the design as most courses were provided for larger business as colleges and other institutions find it difficult to connect with infrequent users of their services. This is particularly an issue for training providers.

*“Liabilities are an issue [for taking on apprenticeships] so employers need to drive it and assess young people [themselves].” Panel member response*

Being able to assess young people was important for some businesses to make sure that those coming out of the system were suitably qualified and understood the risks inherent in the workplace as well as checking that they had learnt the skills to the correct level. For skills where there was a national shortage there was a concern that those providing the skills were not good enough to work in the private sector and so could be passing on bad, even unsafe, practices.

*“Because the training of apprentices at the moment in our field leaves no distinction between the excellent and those that need additional training.” Panel member response*

Grading would help businesses in understanding apprentices in the same way that getting businesses involved in the assessment would do. Businesses wanted apprentices to have the skills to produce the quality of service/goods that they required in a commercial setting and some businesses felt that the NVQ system that underpins apprenticeships did not offer this. This is perhaps one of the reasons why businesses tend to specify “traditional apprenticeships” as a business need rather than the apprenticeship schemes currently offered.

9% felt that the system was okay as it was or felt that they would not need to use apprenticeships in the future.

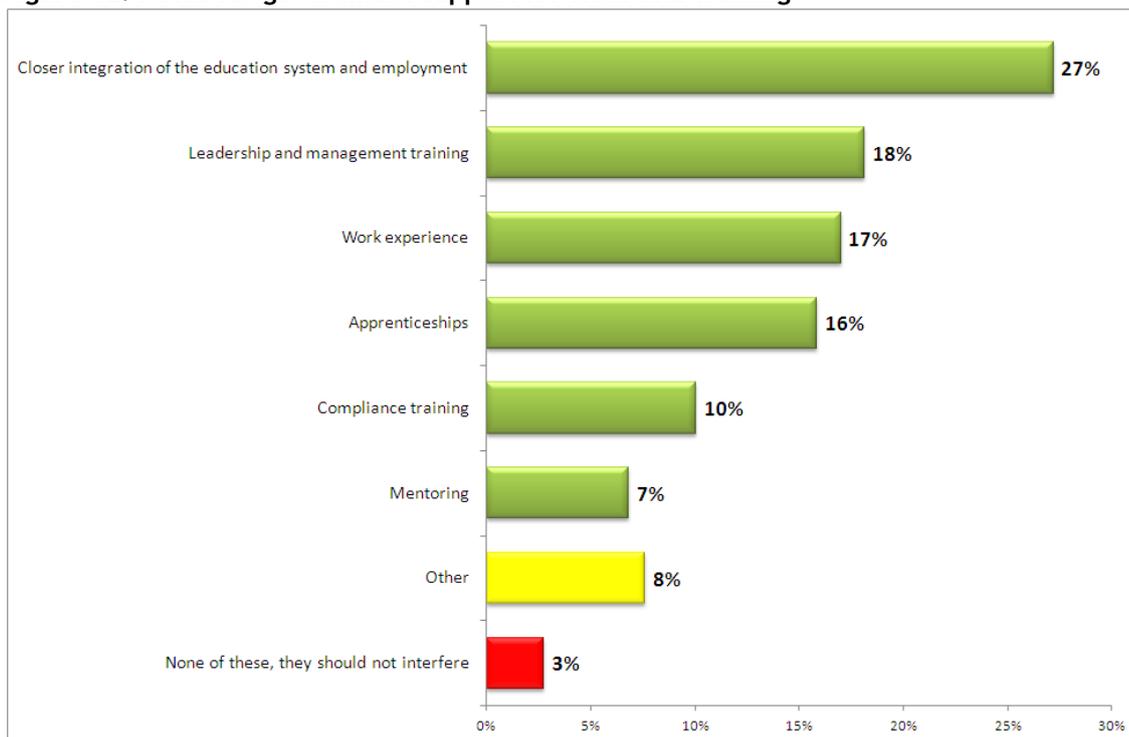
## Greater government support for skills and training

*“Current education system kills thought and problem solving, tick box is the fashion - if it doesn't tick the box it doesn't happen - no grey areas allowed, the system destroys enterprising thoughts. Need to look up from the computer screen. Someone actually needs to do the work.” Panel member response*

Despite issues with the apprenticeship schemes, some of which appear to be temporary growing pains, apprenticeships were not seen as a priority for panel members. The main requirement in terms of support was the over-arching theme of closer integration of the education system and employment with 27% wanting this improvement to how training and skills are provided.

Businesses were particularly concerned about their inability to discipline staff and the attitude of employees to the workplace. Owners were particularly concerned that the two biggest influences on young people - the media and their teachers - had a limited experience of their workplace environment.

**Figure 12: Focus for government support for skills and training**



Leadership and management training, work experience and apprenticeships all were wanted as a focus for government support by similar numbers of panel members. In contrast 10% wanted a focus on compliance training, although this would vary if new laws were introduced requiring one trained person at each workplace and 7% wanted a greater focus on mentoring, with more focus on initiatives such as Rock Star Mentoring where the mentoring can be part of a wider financial package.

Other support tended to be for a broadening of training schemes, this accounted for 5% of responses, an improved tax regime for training investment, less red tape or more effective training for individuals where there are clear national skills gaps, CNC training, ICT skills etc.

## What could the government do to support businesses?

*“Funding, it is quite hard to find courses and this gets put to the back of the queue of things to do. Incentives would help bring this forward.” Panel member response*

We asked businesses what one thing the government could do to support businesses in being able to recruit and develop employees. A number of key themes emerged:

### More opportunities to invest in training

The cost of training staff in uncertain times was the biggest issue that businesses felt needed to be resolved. Some businesses felt that the tax regime could be looked at to incentivise training in the same way as research and development has been incentivised. Others felt that greater funding should be offered to support businesses through more incentives for training current members of staff either to upgrade their skills or to retrain. One member also thought that the punitive nature of compliance training (where costs escalate if you are a day out of date) caused prioritisation of compliance training over other - perhaps greater - needs of the business. Overall the feeling was that internal training would continue to be preferred in most instances unless there was greater funding for training provision. One business owner felt that funding or tax breaks had to be provided alongside mentoring for the employer and employee as well as support in dealing with the admin issues. An alternative suggested by one business was a programme of free workshops at convenient times for employers and employees to update their skills.

### **Improve the skills of young people**

Businesses felt that young people needed greater support in making them ready for the world of work, whether it was self employment or working for a business. These included:

- Switching computers off and getting young people to focus on problem solving and practical solutions to issues.
- Use schemes used by businesses to encourage employee engagement within the classroom.
- Giving young people the confidence to go into the world of work by teaching team-building skills and develop suitable attitudes for the workplace.
- Instilling a work ethic and greater workplace experience - 18 hours contact with the workplace is not sufficient for a 16 year old and without greater guidance young people will become disengaged.
- Ensure careers advice is broad and truly represents the way in which business works. Realistic career aspirations are essential for young people moving from education to employment.
- Expanding schemes for self employment such as the Start up Schools programme

### **Greater diversity in training options for young people**

Members wanted to see greater diversity in the training pathways for young people and those currently in work. Some businesses saw apprenticeships as too generic and there seemed to be few options in terms of training other than higher education or apprenticeships. In particular there was a feeling that more could be done to help those in work take control of their own personal development.

### **Greater choice in training provider**

Technical skills in particular were often the preserve of trade associations who tended to have a monopoly on training but did not necessarily offer the courses at a relevant location, cost or level that the business dictated. A number of businesses felt that the government should focus more on using private sector suppliers to offer courses or learn from the way they offered courses in terms of timings, technology and fitting the employee/owner up with the right coach, mentor or other training provider.

### **Less red tape**

There have been a number of initiatives to free up the time of business owners, but members still feel that training providers can be overly bureaucratic. Less red tape generally would also give businesses more time to find suitable training courses which often are available but require some searching (see the case study for Aria Developments).

### **Improve recruitment channels**

A couple of businesses felt that the Job Centre website was an obstacle to recruitment rather than a support mechanism and another business reported that the service they received was mixed. Members felt that the website was not easy to use and they did not receive any response to posting an advert including recognition that the post was online. Firms without HR departments reported that they had difficulty in sifting through CVs and owners felt that there were too many inappropriate CVs from individuals who needed to apply for a job as part of the conditions of Jobseekers Allowance.

### **Identifying training needs within a business**

A couple of businesses reported that more support and guidance was needed in identifying training needs within the business as there was not always a clear indication that skills were getting out of date or processes could be modernised.

(1) When referring to types of skills the following definitions were provided for members:

Compliance - updating first aid licences, skills cards etc

Continuous personal development - updating key professional skills

Replacement - replacing lost skills caused by individuals leaving the company

Growth - skills needed to increase capacity

Efficiency - focusing on skills to improve current productivity in the company

Strategic skills - focusing on management skills and structure needed to grow the business more in the future

(2) Forum of Private Business, Training and Skills panel, August 2012,

[www.fpb.org/page/1003/Small\\_business\\_research.htm](http://www.fpb.org/page/1003/Small_business_research.htm)

(3) Forum of Private Business, Cost of Compliance (Referendum 196), July 2011,

[www.fpb.org/page/1003/Small\\_business\\_research.htm](http://www.fpb.org/page/1003/Small_business_research.htm)

(4) Forum of Private Business, Business, October 2013, available on request

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The business people – an extension to your team

# Training and skills member panel report

August 2012

## Introduction

The Forum of Private Business is a proactive, not-for-profit organisation providing comprehensive support, protection and reassurance to small businesses. We add value to businesses through the collective voice for members in local, central and European government, and the provision of tailored solutions that promote business success.

We engage regularly with the business owners on our member panels to better understand and collect evidence of their real life experiences, to reinforce our policy and campaigns activities. Our training and skills panel comprises approximately 75 members who have volunteered to provide feedback to us on training matters and includes training providers as well as business owners who require well-trained staff.

**Note:** as figures refer to fewer than 100 businesses, they should be treated as indicative rather than as representative of all small and medium-sized businesses.

## Summary

Overall, 9 in 10 businesses are currently training staff. 64% of businesses report that they are undertaking compliance training, 45% are training staff to replace skills lost to the business, 44% are providing continuous personal development programmes and 41% are training to improve efficiency. 31% are investing in training to boost capacity, 16% are focusing on strategic skills and just 3% are outsourcing skills that were previously available internally.

In total 58% reported that the focus of their training provision was not ideal, citing the cost of training and time issues involved. 40% reported that their training programme was ideal, with improved business performance the primary reason for their satisfaction.

Three quarters of businesses partly assess training needs informally. Around half use a formal method of assessing business needs and just under 30% trained staff as a result of a particular event, either a training course from a provider or because they are making a significant change to the business.

Cost is the biggest barrier to provision of training for employees with 61% reporting this was a barrier, although businesses reported a wide variety of usage of low cost methods of improving skills in the company. 40% reported that availability of training, 28% indicated quality of courses was an issue and 22% reported that time was a barrier.

There are indications that the overall environment for training and skills is improving. Businesses are adamant that the burden of teaching basic skills should not fall on an employer. Members also wanted employees to be more proactive in developing themselves.

48% felt that the greater focus on apprenticeships as opposed to higher education was welcome although 36% felt that the level of funding was still too low. 35% of businesses reported that they had recruited in the last year, with generally positive outcomes. For those that chose not to employ, confidence in the system remains an issue, and 46% were waiting to assess the impact of changes before providing an opinion, whilst another sizeable number harboured concerns over the quality of candidates.

60% of employers surveyed for the UK Commission for Employer and Skills (UKCES) report<sup>(1)</sup> reported that school leavers were well prepared for the workplace, 72% felt similar of employees from further education establishments and 82% from graduates. Forum members broadly agreed that there were fewer issues with graduates but comparatively more with young people in general. Few members reported lack of basic skills amongst graduates or over 50s, with graduates also unlikely to have outdated skills or have an inability to learn whilst over 50s were more likely to stay for a good period of time. 55% felt that those who had been unemployed for over a year could be reluctant to learn.

## Recommendations

- **Continuation of investment in apprenticeships;** our members welcome the Government's focus on apprenticeships and they remain a popular training method amongst small businesses. However the funding level is still felt to be too low. More apprenticeship funding needs to be made available for the smallest businesses. There also needs to be improved communication and marketing of the schemes on offer to make sure eligible businesses do not miss out on vital funding.

- **The education system must equip school leavers with employability skills;** businesses continue to report problems with the skills of young people. Many are leaving school lacking the basic skills needed to succeed in the workplace. Businesses owners often have to train new recruits in basic skills before they can start the usual training programme - a very time consuming processes which reduces the amount of hours spent on work activities. Therefore the school curriculum must include elements on workplace skills in order to boost the employment prospects of young people.
- **Education institutions should forge better links with small businesses in the local community;** small businesses would like to see closer working relationships between schools and colleges and local businesses. This would help schools to identify the needs of businesses and to develop relevant courses. This could be achieved by involving the business community in the design of courses and by holding more open days which bring businesses, teachers and young people together - an example of which would be the 'inspiring the future' event in East London.
- **Take steps to reduce the cost of training for small businesses;** cost is frequently cited as a barrier to training. If more businesses are to be incentivised to train their staff the cost of training must be reduced. Time away from the businesses should be minimised and more should be done to support businesses in terms of travel costs. Training providers need to spend more time visiting businesses and delivering the training on businesses premises, rather than requiring employees to travel out to them.
- **Guidance for small businesses on how to identify training needs;** small businesses that use more formal structured approaches to assessing training needs, alongside informal assessment, are more likely to be happy with the focus of their training. While formal methods are not suitable for all businesses, a number of firms would benefit from guidance from experts in this area. The main focus of business mentors tends to be helping small businesses operationally, rather than to assist with training. We believe the Mentorsme scheme should be developed further as a method of helping small businesses to access training and skills support.
- **There must be greater flexibility in training schemes;** small businesses need flexible courses which reflect their training needs. A significant number of firms are reporting that the courses on offer in their local area do not meet their requirements. Training providers should enable small firms to tailor courses to suit their needs, for example by introducing a modular element allowing businesses to pick and choose modules to build a relevant course.
- **More training courses to support the long-term unemployed back into work;** the results show that small firms are most concerned about the work-readiness of the long-term unemployed. We believe the burden of training the long-term unemployed should fall on the Government, rather than businesses, as this group represents too much of an employment risk for small firms. The skill sets of the long-term unemployed must be kept up to date in order to boost their employment opportunities.

## Current training provision

*"Lack of local resources and work pressure is preventing enough time to provide in-house training."  
Panel member response*

64% of employers are currently undertaking compliance-related training. This compares to 69% who reported that regulation was a key trigger for training programmes in 2010 in a larger postal study of members.<sup>(2)</sup>

Businesses are looking to keep skills in house, with 45% replacing skills lost to the business (through redundancies or people going to other workplaces) and 31% adding to the skills base to increase capacity in the future.

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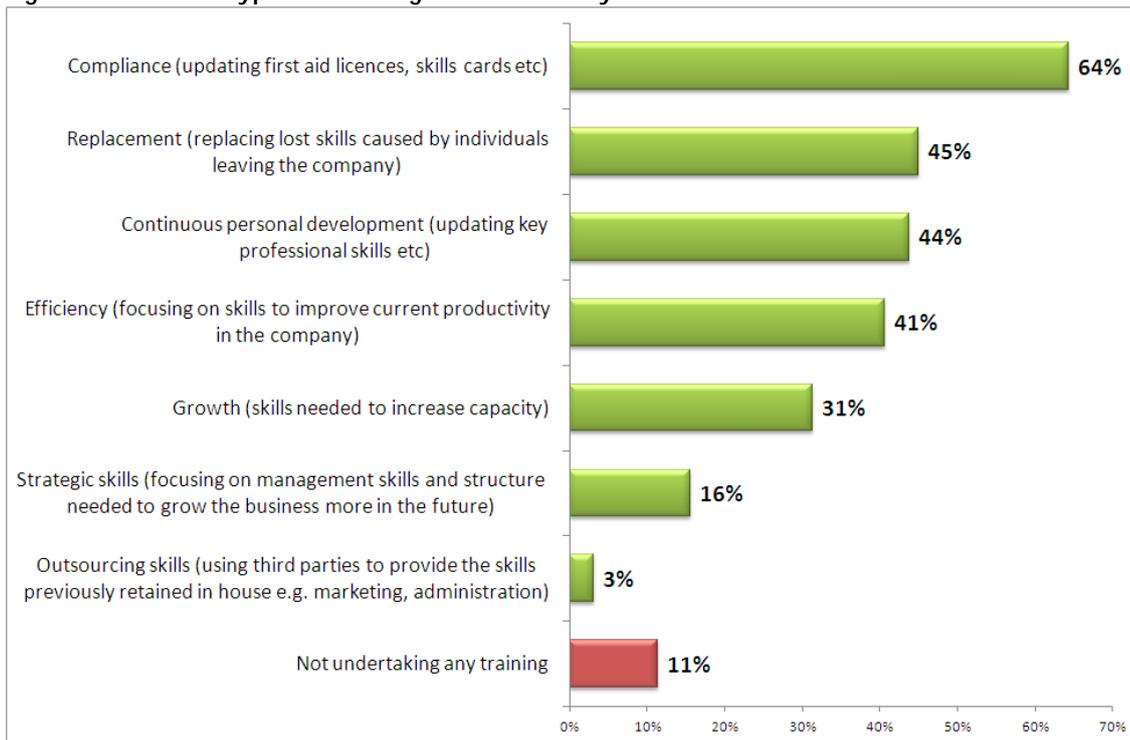
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Figure 1: Current type of training undertaken by businesses

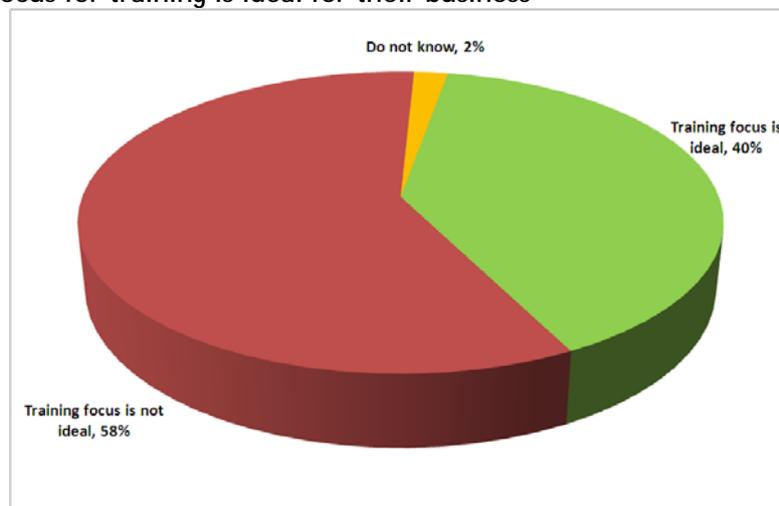


1 in 9 businesses are not currently undertaking any training - this is around half the level of other businesses in the 5-24 employee section of the recent UKCES report, which shows 23%<sup>(1)</sup> are not undertaking any training. 16% are focusing on strategic skills, an area where a previous panel highlighted a lack of availability. This does suggest that businesses who value the skills in their business are continuing to invest in them as far as possible but time-intensive or costly training is still something that business owners are reluctant to undertake. These businesses tended to mention business performance and inability to borrow for courses that the company needed.

*“The current focus is restricted by finance, loss of staff whilst on training and reduction of income and business generally.” Panel member response*

Just 3% of companies are outsourcing skills by using freelancers or third parties to deliver services which previously utilised internal expertise. Companies may have already outsourced non-core skills in the past, but anecdotal feedback suggests owners and senior management teams are having to take on a greater role in the support elements of the business such as administration or marketing. UKCES<sup>(1)</sup> reported a similar picture in the response of businesses to skills shortage vacancies, with 5% reporting that they would contract such roles out and 9% prepared to outsource work as a response to internal skills issues.

Figure 2: Whether focus for training is ideal for their business



This message is reinforced by the fact that businesses that were happy with the focus of their training and skills were more likely to include strategic and continuous personal development training. Businesses that were less happy with the focus of their training were more likely to outsource skills or not undertake any training at all. They were also more likely to spend money on training for replacement skills and on efficiency issues, indicating that staff were being trained in several areas of the business to make up for a reduced head count.

*“Ideally, there would be strategic skills training but it is difficult to afford both the cost and time away from the business to undertake such training.” Panel member response*

**Figure 3: Satisfaction with training usage**

More likely to be used if focus is ideal	No difference in frequency of use	Less likely to be used if focus is ideal
<ul style="list-style-type: none"> <li>• Strategic</li> <li>• Continuous personal development</li> </ul>	<ul style="list-style-type: none"> <li>• Growth</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• No training undertaken</li> <li>• Outsourced skills</li> <li>• Efficiency skills</li> <li>• Replacement skills</li> </ul>

As can be seen from training usage there was no difference between those who were happy and unhappy with the focus of their training when it came to compliance and improving skills for growth.

*“There just isn't enough time to do as much as we would like. Simply because THE CLIENTS MUST COME FIRST and being a small business we only have limited staff numbers to cater for them which reduces extra time for more skill development.” Panel member response*

Reasons why businesses reported that they were unhappy with the focus of their training were:

- Cost of training
- Time to train staff up, particularly after loss of staff have increased individuals' workloads
- Management time (particularly for strategic level skills)
- Frequency of training updates (fork lift truck licences, first aid, H&S as part of construction cards)
- Lack of availability of courses (Computer Numerical Control (CNC) machining, jewellery, marketing etc)
- Lack of credit to cover investment in skills
- Uncertainty in the economy, local or industrial business climate

*“The business has changed - more business guests and booking via internet therefore we have reduced staff levels and some staff now do two jobs to avoid redundancy.” Panel member response*

Positive reasons why businesses were happy with the focus of their training were:

- Improved performance or capacity (in some cases with reduced numbers)
- Close proximity to a good college
- Clear goals (including use of business coaches and mentors)
- Strong internal training culture or good knowledge transfer procedures
- Training is up to date
- Staff are motivated or help define programme

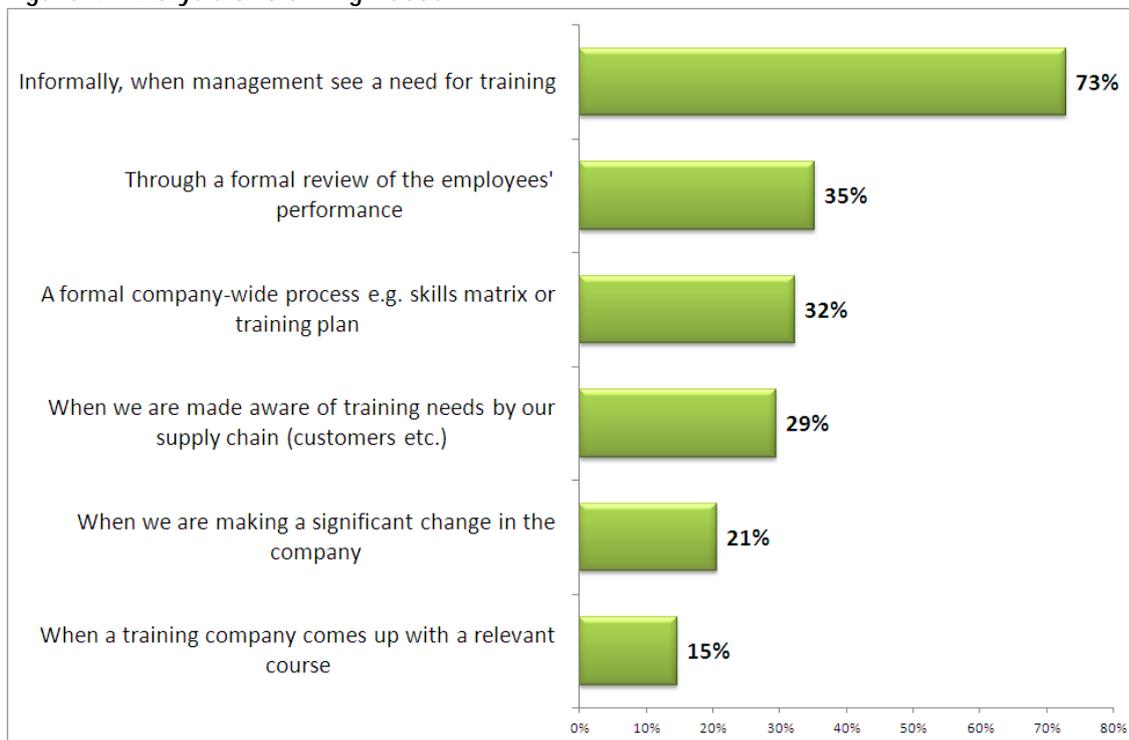
*“We undergo a large amount of technical training for our staff every year to keep up industry accreditations, plus NVQs for staff and professional personal development & training for those in support roles. We have also engaged a business coach to help the directors focus on the journey into the future, and how we intend to get there.” Panel member response*

One clear theme is that businesses which are starting to recover are generally happier with the training they can afford to offer to employees and to themselves. The other is that local college training, particularly in skilled manual applications, is extremely important to businesses as it minimises the time and money spent on travelling.

## Assessment of training needs

The proximity of employees to management and high usage of on-the-job training meant that 73% of business owners were able to use informal methods to assess needs. 35% used formal reviews of employees' performance such as appraisals to assess staff (as a comparison 53% of businesses overall report using appraisals), with a similar proportion reporting using skills matrices or information from customers and suppliers to determine training needs.

Figure 4: Analysis of training needs



*"We do not feel that this is the best, simply expedient in the current climate." Panel member response*

Businesses that were happy with the focus of their training were more likely to use formal, structured approaches to assessing training needs alongside informal assessment of skills. Despite the flexibility inherent in the training assessment of members there is a reluctance to respond to advertisements of new courses unless directly relevant or based on longer-term needs.

Where a comparison is possible there are close links between this research and larger studies of the Forum membership<sup>(2)</sup> and small businesses in general<sup>(1)</sup>. The main difference is in the proportion of businesses willing to consider relevant courses which training providers have put on. This may have longer-term implications for routes for apprentices (as some providers look to place candidates in a workplace) and for choice in the future.

Figure 5: Comparison with other studies

	Source	Quantitative study	Panel
Formal review	Ref 190 2010 <sup>(2)</sup>	38%	35%
Training Plan	UKCES 2011 <sup>(1)</sup>	38%	32%
Feedback from supply chain	Ref 190 2010 <sup>(2)</sup>	30%	29%
Ad hoc when training providers put on courses	Ref 190 2010 <sup>(2)</sup>	29%	15%

*"Just keeping an eye on everyone and everything, encourage them and where you see a need for more training try to arrange for that to happen." Panel member response*

Most members felt that the company was small enough to understand from observation and other informal ways that training was needed. Some businesses reported that their employees had the opportunity to highlight skills issues directly to management.

*"We are a small business which needs to remain diverse and flexible. Training requirements can change rapidly." Panel member response*

Further, some felt more formal methods could be a little cumbersome as the business needs to encourage innovation or be flexible to the demands of the consumer. There was often a sense of immediacy to responses so that businesses could respond to the opportunities in the marketplace.

*"The formal process is undertaken occasionally giving us an opportunity to be proactive. However, the other methods of assessment give us the ability to respond to opportunities and changes in the marketplace." Panel member response*

Time has become a key issue, with some businesses having fewer staff to complete the same amount of work and so have cut down on training assessment as a short-term measure to increase efficiency. Others feel that this would take the focus of employees away from increasing sales.

*"Otherwise the staff would be away from earning income too much of the time." Panel member response*

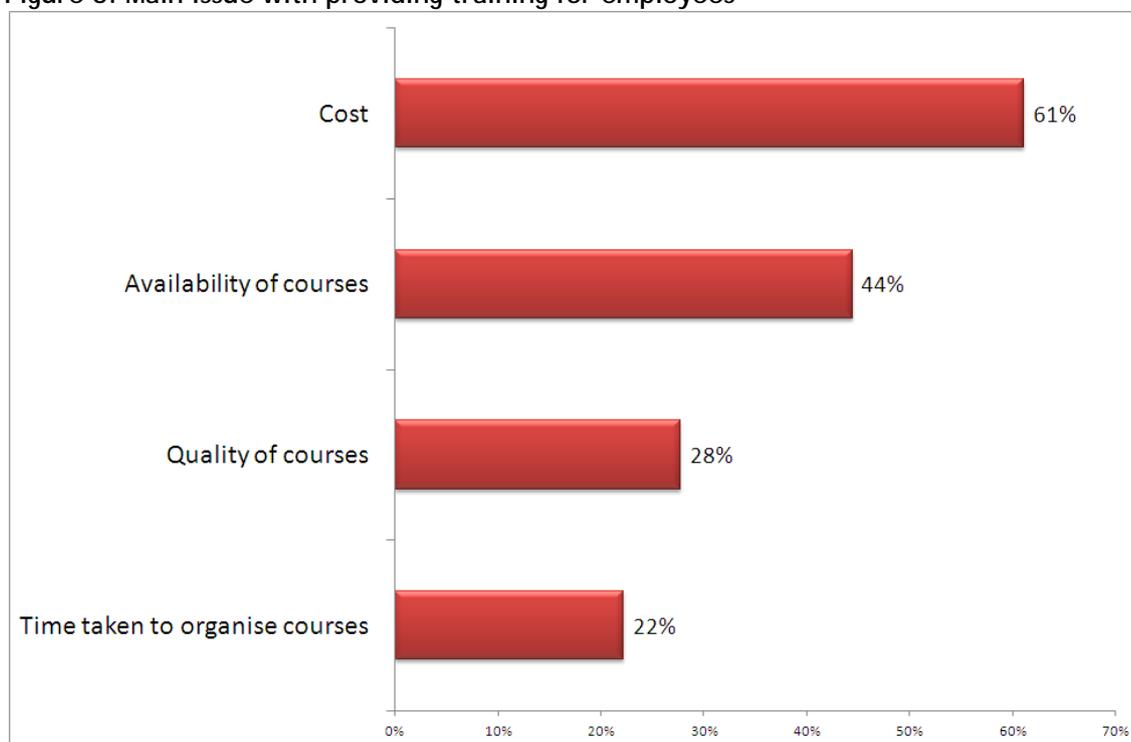
Around 1 in 10 respondents indicated that this was the way that they had always assessed training needs so employees and the management were comfortable with the arrangement. A more formalised process could also unsettle staff.

## Barriers to providing training for employees

*"Cost of most training courses is prohibitive." Panel member response*

61% reported that the main issue with providing training for employees was cost. 44% reported that availability was an issue and 28% reported that the quality of the courses were not high enough. 22% included the time taken to organise courses as a further factor.

Figure 6: Main issue with providing training for employees



*"It's always down to that [cost] isn't it, followed closely by the other choices." Panel member response*

Cost was mentioned slightly more frequently amongst those who were not happy with the focus of their training than those who were. There were also likely to be concerned about the quality of courses whereas those happy with the broad focus of their training courses were more likely to highlight availability of courses or the time taken to organise them.

Figure 7: Main issue split between those who were happy with development and those who were not

	Total	Yes	No
Cost	61%	28%	33%
Availability of courses	44%	24%	20%
Quality of courses	28%	11%	17%
Time taken to organise courses	22%	16%	6%

*"I have had one employee waiting for a payroll course for over six months, and the supplier has not run one locally. I have no choice of supplier as it is an industry accreditation, not a general payroll course."*  
**Panel member response**

The availability of courses was a big issue for almost half of businesses, with some courses not being provided locally or not provided through colleges. For others, industry accreditation or the level or course required for their employees was not available or at a realistic price.

*"With a very lean staff, any time out of the workplace stretches the ability of the remaining team."*  
**Panel member response**

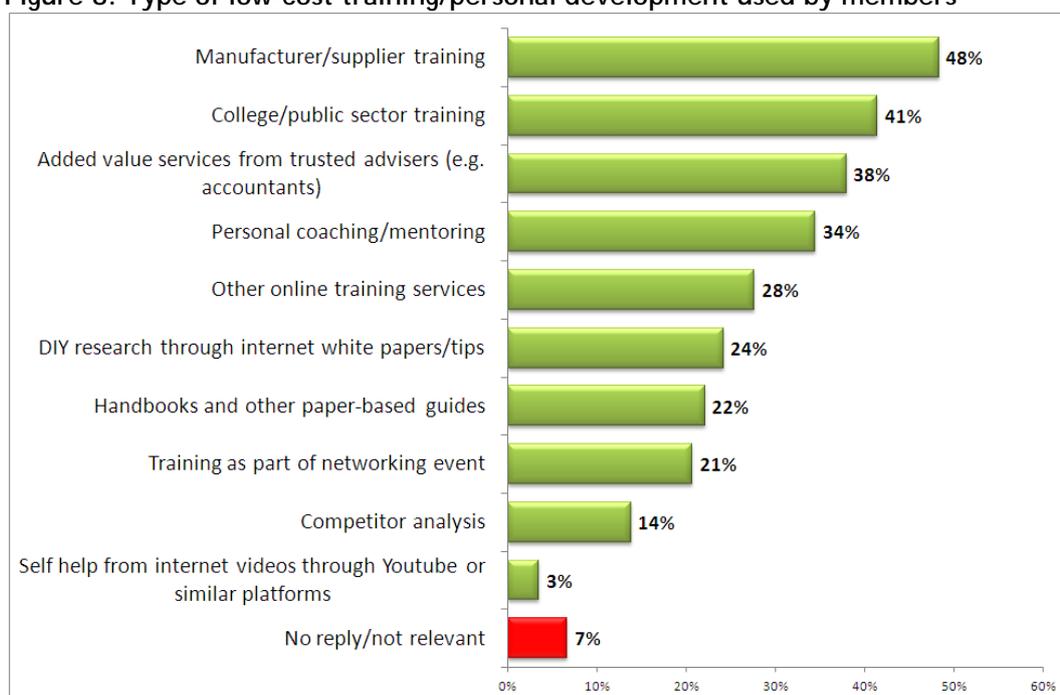
Time out of the office or management time in organising training was also an issue for just over 1 in 5 businesses, this was exacerbated by the reduction in headcount and for some businesses the inability to find courses locally. Another reason mentioned was the amount of time that business owners need to spend on other things such as planning or cash flow management.

## Use of low-cost skills enhancement options

The Forum also looked at some of the relatively low-cost options that could be used for developing staff or senior management teams. Supplier training was the most popular as such companies provided specific training at the level needed by businesses, with a relatively low cost if the business has already purchased or installed the product as part of their business.

41% used college or public sector training (local authorities etc), particularly organisations such as charities, care homes and tradesmen. Getting additional value from trusted advisers was also a way of accessing relatively specific training as well as helping the company run their finances or their business more efficiently.

Figure 8: Type of low-cost training/personal development used by members



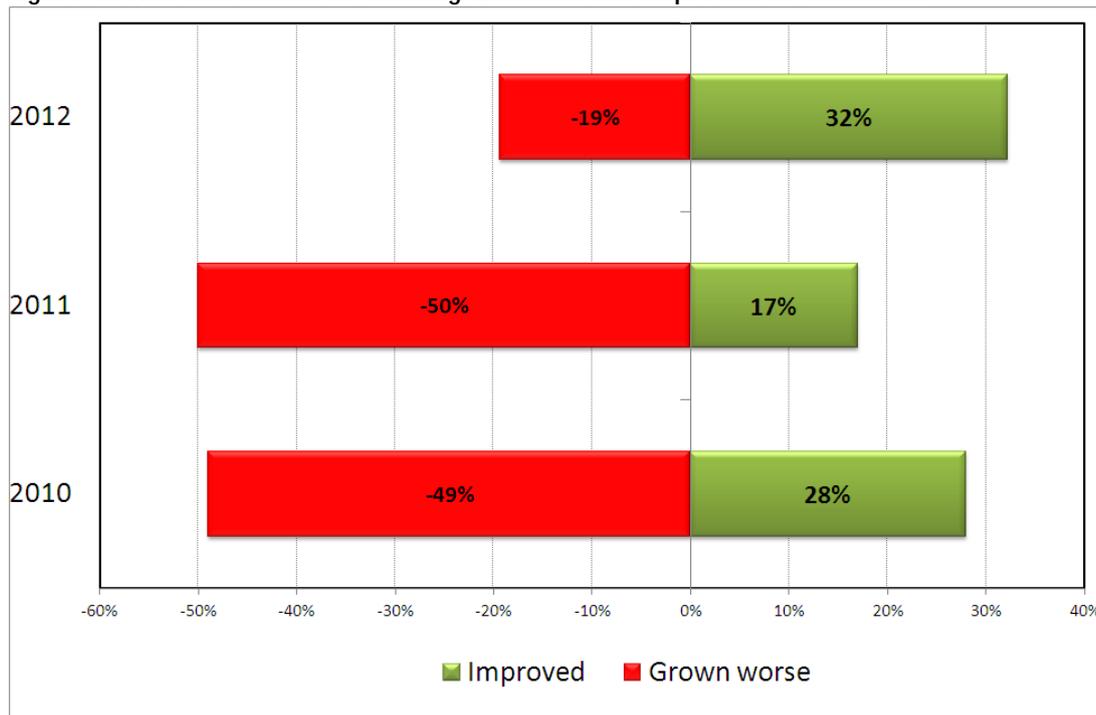
Although 7% did not report using any of the training options suggested in the list, some admitted to using trusted advisers or keeping up with industry developments through the internet.

Twice as many panel members reported using personal coaches or mentors than reported accessing training to develop the business strategically. This suggests that the main focus of such trainers has been to help businesses operationally or to support them personally in dealing with economic uncertainty.

## Overall environment for training and skills

Panel members feel that the overall environment for training and skills has stabilised, with fewer businesses reporting worsened access to training and skills, while the number who have seen an improvement has doubled.

Figure 9: Whether access to training and skills has improved or worsened



In 2010 and 2011 around half the panel members reported that their access to training and skills had grown worse, whereas this quarter almost half of panel members reported that there was no change to their access to training schemes.

Figure 10: Change in access to training over the last three years

	Jul-12	Aug-11	Sep-10
Improved	32%	17%	28%
Grown worse	19%	50%	49%
No change	45%	29%	21%
Do not know	3%	4%	2%
Balance	13%	-33%	-21%

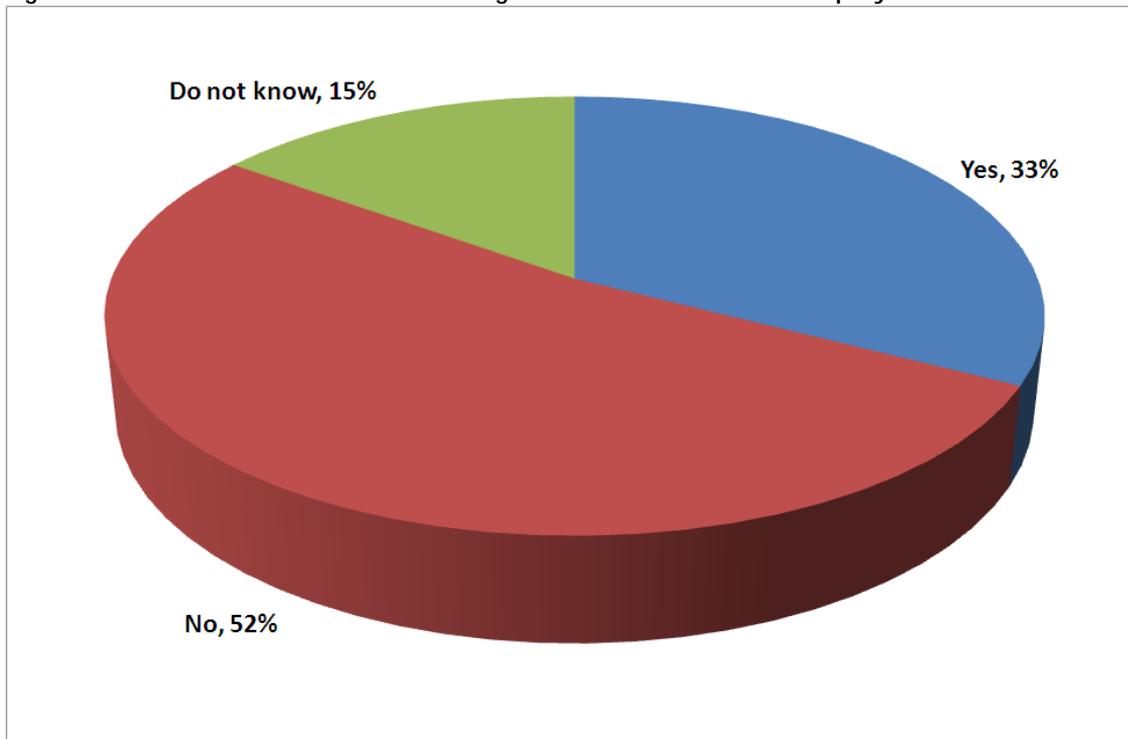
Almost all of those who felt that their access to training and skills had grown worse mentioned that cost was an issue in providing training for their employees.

## Should the burden of training individuals fall on the employer?

*"We have our own standards within our services in washroom, clinical waste and janitorial supplies."*  
*Panel member response*

We asked panel members whether the burden of training individuals should fall on the employer. 35% replied that it should, stating that businesses often required specialist skills or expertise from the owner or from managers in the company. They also argued that their companies' needs were specific and, if it was not possible to provide local courses in the good times, then it was unrealistic to consider that they should during the current downturn.

Figure 11: Should the burden of training individuals fall on the employer



*"If we are looking to create opportunities for both businesses and individuals then the state should share some of the burden as they will derive longer term benefits too."* Panel member response

Surprisingly few of the 52% who stated the burden of training individuals should not fall on the employer argued for an education and training scheme closer to the German model, where there is heavy state investment in the apprenticeships and skills from Universities and equivalent institutions. Many argued that they would appreciate a closer working relationship with educational establishments as there was felt to be a lack of focus on the world of work. Others argued that they, as employers, were already being forced into taking on too much of the role of educators in terms of teaching individuals basic skills or improving attitudes. Others focused on the need for training for those already in work, arguing that the burden was both financial and of time since the majority of suitable courses were based in London and travel to the capital was often more than the course itself.

*"People should feel more keen to invest in their own future. Given the choice many people would accept endless training, relevant or not."* Panel member response

A number also argued that employees should play a greater role in personal development not just in training themselves but making the most of opportunities employers gave them to develop their skills.

Those that did not know pointed out that some skills training should be provided by the state, these tended to be:

- where there was market failure in creating employment locally or exploiting local opportunities
- basic skills (such as reading, mathematics or low level IT skills)
- skills where they were already paying a levy (construction skills)

- skills that were needed for labour-intensive industries or highly-regulated industries such as care homes, hotels, hairdressing where the market does not allow for high salaries
- training required through regulation change

Others felt that colleges and other institutions could relieve the burden on the employer but not necessarily through taking on a greater training role or providing more courses, arguing that communication and better marketing of the current schemes would be more effective.

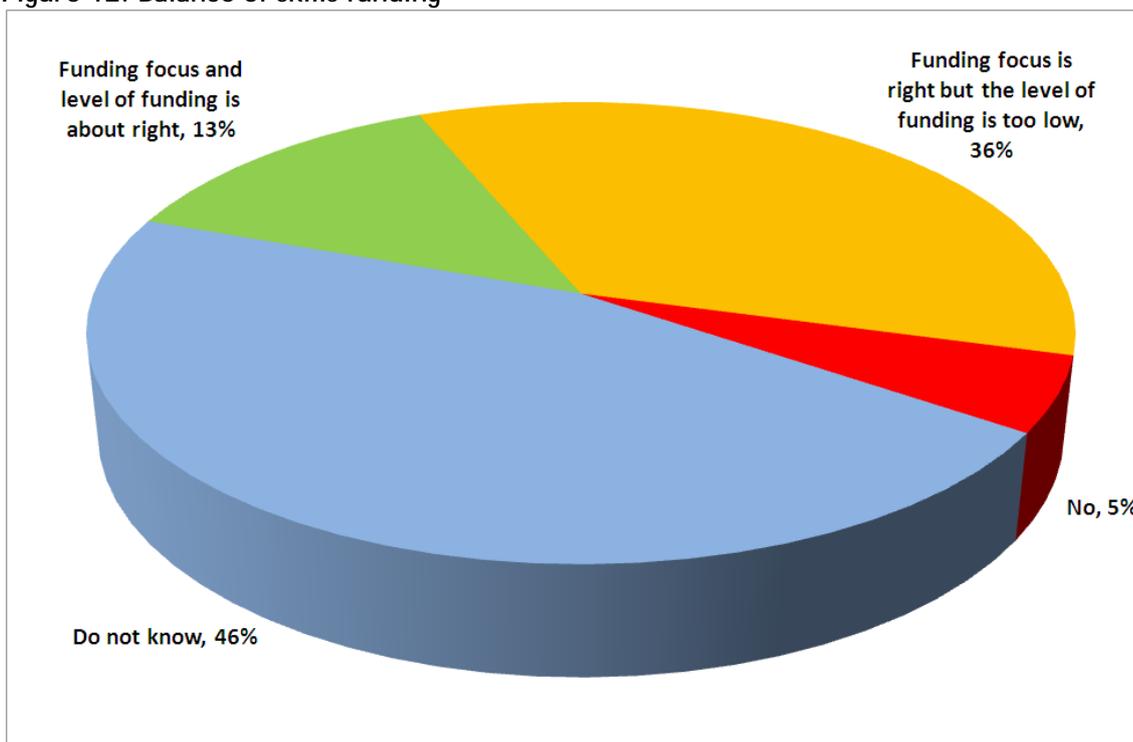
Overall there appeared to be a fairly broad consensus that the Government should prioritise getting basic skills right and improving attitudes amongst students. Where regulators enforced training then this also should be provided locally to minimise disruption. There was also a realism that specialist skills training would have to come from the employer although it was felt that some industries should be exempted. It was also felt that employees need to be more proactive in terms of personal development.

## Balance of skills funding

*“University courses in engineering and science should be subsidised as should the ones teaching business and IT skills, these are essential skills for business R&D and growth in the economy. Apprenticeships are good but some of the applicants’ skills levels are quite low before they start.” Panel member response*

Following the continued expansion of the apprenticeship programme and the reduction in funding for university education we asked our members what they thought of the balance of skills funding.

Figure 12: Balance of skills funding



13% felt the balance was about right as there was a greater need for skilled manual labour in their area. Many businesses had a greater need for staff who could demonstrate they were good with their hands or had skills needed in that industry. In some sectors it was felt that without apprenticeships, training would decline and the sector would face a skills gap in the future.

36% broadly agreed that moving towards more apprenticeships was a good thing but felt that the funding remained too low. Some businesses focused on the university side, pointing out the need for mathematics, science and engineering graduates alongside the need for apprenticeships, whilst others indicated that the apprenticeship scheme still needed to be expanded to include their sector, provide skills locally or provide the quality of skills needed in the commercial world. Others simply felt that the system was failing young people in giving them the opportunity to join small and emerging businesses that could develop and grow

alongside them. The comparison with Germany (where youth unemployment is only slightly higher than that of the wider population) which had 570,00 apprentices signed up in 2011 compared to a target of 250,00 apprenticeship starts by 2020 in the UK. The German scheme is also less centralised and so benefits from being a little more flexible than its UK counterpart.<sup>(3)</sup>

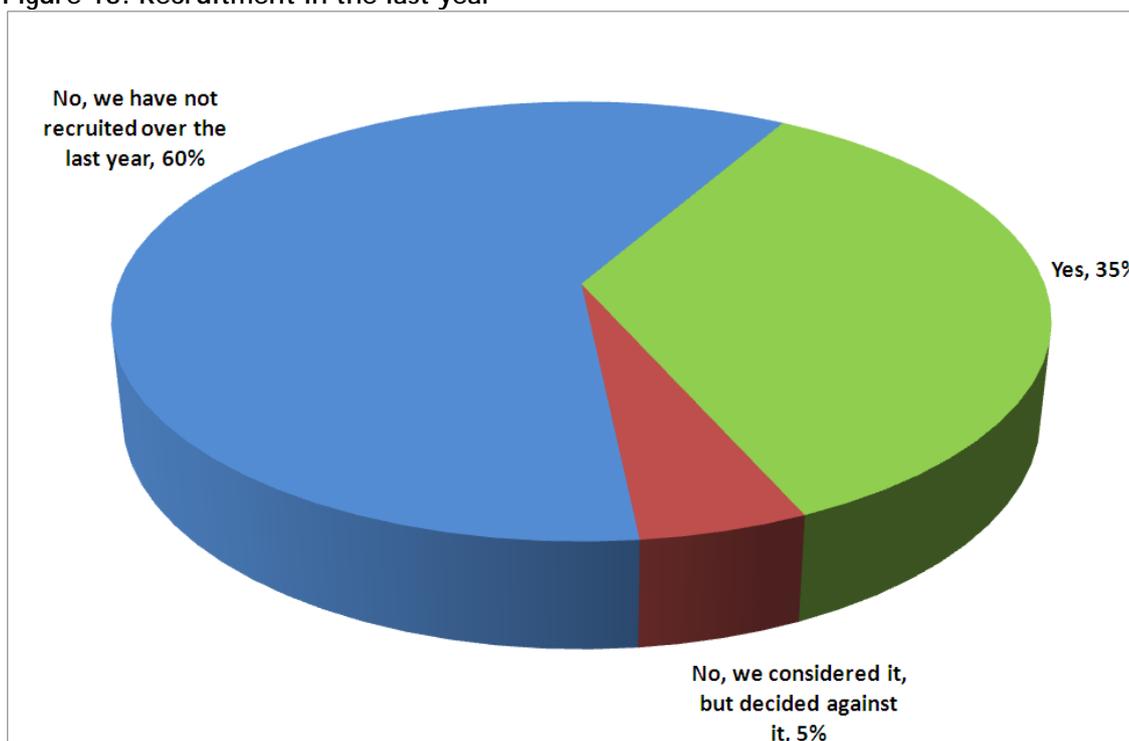
46% reported that they did not know, for a variety of reasons. A number stated that it was too early to tell if the focus or level of funding was about right, others did not recruit at either level or had not recruited at such a level in the last few years.

5% disagreed in general. These businesses generally felt that higher level skills (particularly in science and mathematics) were important to ensure the UK was competitive globally and that their businesses could recruit good graduates in the future. One or two businesses felt that funding should be increased in schools to better skill young people for the workplace.

## Recruitment of employees

According to UKCES<sup>(1)</sup>, 30% of businesses recruited an employee in the last 2-3 years (2008-2011) with 40% of businesses with 5 to 24 employees recruiting in this time and 60% of businesses with 25 to 99 employees. Figure 13 indicates that 35% of panel members recruited in the last year, which is higher than anticipated based on the UKCES figures and higher than 22% of businesses looking to recruit in 2011/2 from the general Forum membership.<sup>(4)</sup> This may also suggest that there has been a slight increase in activity in the last 6 to 9 months.

Figure 13: Recruitment in the last year



*"We had an extraordinary amount of applicants. Training is in-house and ongoing." Panel member response*

Experiences ranged significantly with a number of companies reporting that the process went well and some reporting that they received a good number of applicants, although one or two did hint that the number was a strain on management time. Businesses looking to recruit experienced people were more likely to mention that they were satisfied, although members who were recruiting young people reported very varied experiences. Some members reported that there was no difference in the recruitment process as they had a standard procedure which typically included health and safety, a general introduction to the business, training in use of software and telecoms systems and in one case job shadowing. This enabled a greater level of consistency in the recruitment process as they were developing the individual to a certain standard very quickly.

*“Process went well and we seem to get the people we need as we can poach them from other businesses.” Panel member response*

A few businesses on the panel reported that there were a limited number of candidates or no suitable candidates. The cost of recruiting employees was an issue for some businesses and most of those who have to repeat the recruitment process felt that cost was a big issue. Others mentioned a variety of issues including the paucity of information provided by previous employers when they took up references, being ‘plagued’ by recruitment consultants when the local job centre provided a reasonable service and finding the time to get the individual trained up or fitting into the team culture.

One business had an issue with an apprentice that highlighted the difficulty in balancing the employment rights of the new recruit with training deadlines such as the beginning of the academic year:

*“A young lady, aged 16, joined us in September last year as an apprentice. Everything was set up for her to start her one-day release at College in January. In January she informed us that she was pregnant! She started her maternity leave at the end of April. Now we are without an apprentice and we are having to administrate her SMP (Statutory Maternity Pay) until she return. IF she returns in January 2013. If she misses that [deadline] she will be too late to start college again until the following September.” Panel member response*

A small additional number (5%) had considered it, but decided against it, as a comparator, UKCES reported the number of skills shortage vacancies was 4%.<sup>(1)</sup> The main reasons why companies decided against it were:

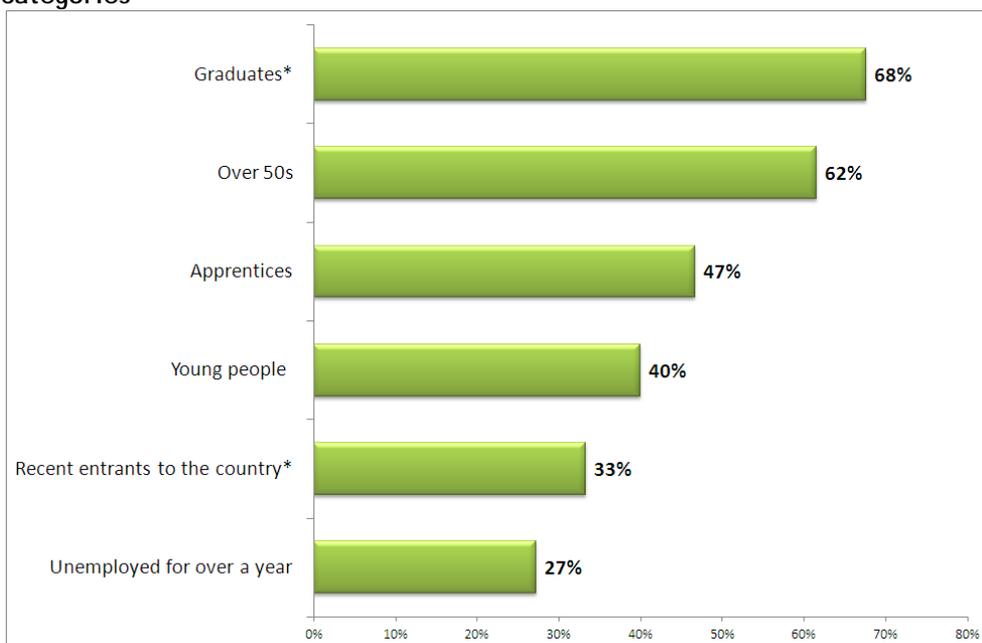
- Financial restrictions (cash-flow or credit) on employing
- Felt they did not need anyone after all or demand for their services declined during this period
- They could not find the right applicant/skills set

The feedback from UKCES<sup>(1)</sup> centred on the skills issues, however our members reported that the prolonged period of financial uncertainty had had an impact on major investment decisions including recruitment.

## Work readiness of those seeking employment

We asked business owners if there were any issues in the employment of various categories of potential recruit. Since small employers will be responsible for around two-thirds of new jobs in the UK, these perceptions will have implications for many people looking for work.

**Figure 13: Proportion of members who felt that they would have no problems in recruiting from these categories**



Despite low numbers reporting on graduates or recent entrants to the country, the general trend in terms of satisfaction with groups fits with the trend that UKCES saw last year, where 82% of businesses found those from higher education establishments to be well prepared for work, 72% with those from colleges and further education establishments and just over 60% with those from schools. In the report, smaller firms were more likely to see issues with new recruits compared to larger companies.

The figures in this panel are lower indicating what one business owner reported, that a number of these groups in our research often suffered through lack of relevant experience rather than any form of discrimination. He pointed out that the jobs market has changed (albeit temporarily) and that good employers can get very good recruits from competitors or from the recent unemployed.

One business owner felt that this question added to the negative stereotyping of (particularly) young people who felt that the issue of management should have been addressed, another felt that the bureaucratic burden of recent entrants was a significant disincentive for a business with limited administrative capacity. Bureaucracy was also an issue for employment of young people as well as insurance issues with young people in a variety of industry sectors such as construction or engineering effectively costing the business more in insurance premiums.

**Figure 14: Issues with recruitment of potentially high-risk types of employees**

	No problems	Lack of basic skills (writing etc)	Out-dated or limited skills	Willingness to learn	Ability to learn	Amount of time they stay	Likely return on investment
Young people	40%	40%	7%	27%	13%	33%	33%
Apprentices	47%	33%	13%	7%	12%	13%	20%
Over 50s	62%	0%	27%	4%	15%	2%	2%
Graduates*	68%	3%	0%	7%	3%	14%	14%
Recent entrants to the country*	33%	33%	6%	0%	11%	6%	22%
Unemployed for over a year	27%	27%	27%	55%	9%	27%	1%

*“Life skills. It is all down to attitude and aptitude and plain willingness to want to learn and WORK. Young people today are definitely different in all the aforementioned compared to 20 or even 10 years ago. Now, it’s all about how much they earn and what material things they own. All this reflects on their work and attitude towards it.” Panel member response*

Generally there is a concern about the lack of basic skills among school-leavers and a concern that young people may be reluctant to learn and may not stay for long, leading to a lack of investment by businesses in the individual. These concerns were often linked together as the typical number of responses per panel member was close to 2 for young people but much closer to 1 for graduates.

**Figure 15: Number of problems with potentially high risk types of employees**

	Perceived problems	Number of responses per member
Young people	60%	1.93
Unemployed for over a year	73%	1.74
Apprentices	53%	1.45
Recent entrants to the country*	76%	1.11
Over 50s	38%	1.11
Graduates*	32%	1.07

Apprentices were more likely to stay for a longer period of time and provide some return on investment. There were some concerns about the quality of individuals looking at apprentices as such people were now believed to be going on to university. In contrast, those over 50 were felt to have good basic skills and be likely to stay longer at a business but their other skills may be outdated.

Unsurprisingly graduates were seen to have up-to-date skills although there was a slight concern about the time that they would stay and the overall return on investment from employing graduates as they would typically cost slightly more to hire than a school leaver.

*“A great deal of our business is carried out over the telephone so excellent language skills are required and often new entrants to the country don't meet the level required.” Panel member response*

Concerns with recent entrants to the country were mainly to do with communication and closely linked to this the ability to learn. Return on investment was also an issue.

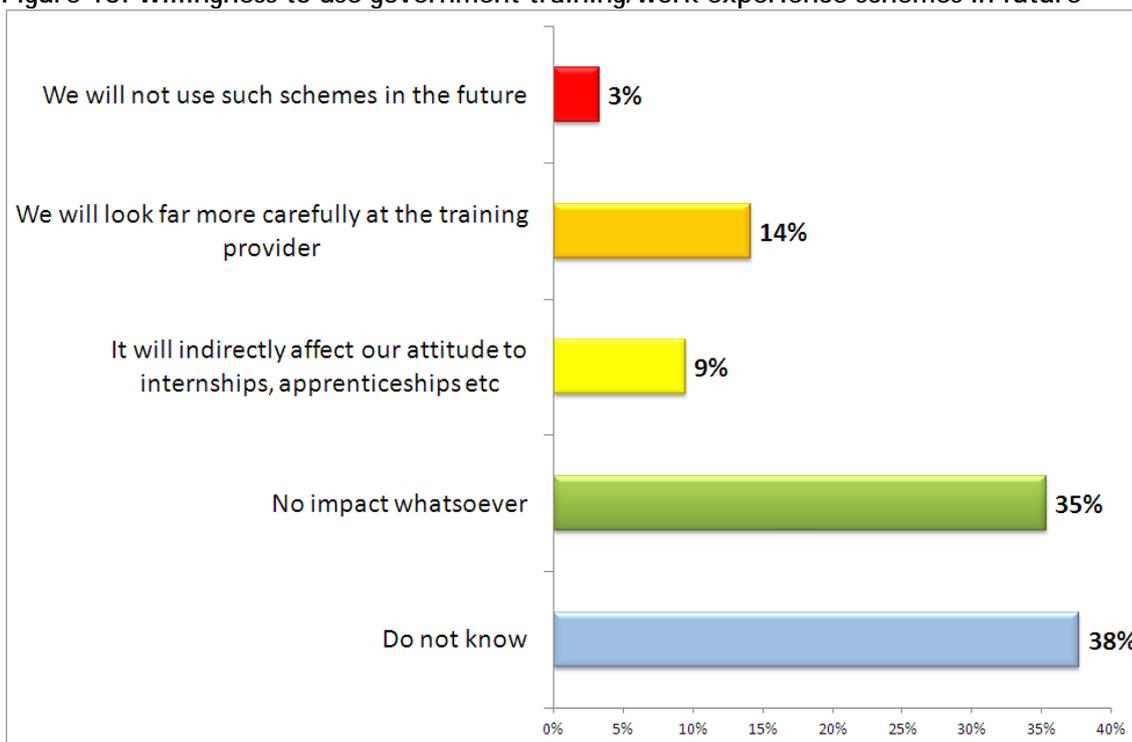
Most concerning was that 55% of members had concerns about the willingness of the long-term unemployed to learn. Half this number had concerns about skills levels and the amount of time that they would stay there. However the return on investment for successfully recruiting and training such people was not an issue, indicating that members saw return on investment as something more than a simple financial calculation.

## Impact of recent news on work experience programmes

*“Through experience we have known for years that many providers of apprenticeships are incompetent/chancers.” Panel member response*

Over the last few months there have been reports about the value of government-funded work experience schemes within large corporations and reports over the false records provided by A4E about the success of its work experience schemes. Concern over the quality and project management of some of the welfare to work providers has had limited impact on members on the panel. Two businesses reported that they would not use such schemes in the future but overall there has been little impact with almost three quarters stating there was no impact or the impact was uncertain.

Figure 16: Willingness to use government training/work experience schemes in future



*“The quality/suitability of training is important in providing confidence that training will be effective.” Panel member response*

There was a greater element of caution with training providers being treated more carefully and some felt that it would indirectly affect their attitude to internships or apprenticeships as it could lead to a decline in numbers or quality of applicants. Many felt that they would focus more on providing training themselves through their own network. A couple of businesses felt that they would prefer to use smaller providers who were known locally and recommended by other business owners.

A few businesses stated that they were too niche or had unique service standards so would not be able to access such schemes. A couple also indicated they were too small to deal with the paperwork and preferred to recruit and train in a less bureaucratic way.

- (1) Constable J, Davies B et al, "UK Commission's Employer Skills Survey 2011: UK Results", UKCES 2012  
<http://www.ukces.org.uk/assets/ukces/docs/publications/ukces-employer-skills-survey-11.pdf>
- (2) Parry T, "Referendum 190: Training and skills, January 2010", Forum of Private Business 2010  
<http://www.fpb.org/images/PDFs/referendum/FPB%20Referendum%20190%20report.pdf>
- (3) Weisman G, "German companies set gold standard for apprenticeships, Financial Times July 10<sup>th</sup> 2012
- (4) Parry T, "Referendum 195: Training and skills, March 2011", Forum of Private Business 2011  
[http://www.fpb.org/images/PDFs/referendum/Referendum\\_195\\_report.pdf](http://www.fpb.org/images/PDFs/referendum/Referendum_195_report.pdf)

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# Toward a British Taxonomy of Perceived Managerial and Leadership Effectiveness

Robert G. Hamlin, Alf Hatton

*A long-standing problem in management research has been the lack of agreement about the specific managerial behaviors that are most closely associated with effective management practice and leadership practice. The study reports the results of a qualitative multiple cross-case and cross-sector exploration of what managers and nonmanagerial employees within British public-, private-, and third-sector organizations perceive as effective and least effective/ineffective managerial behavior. Based on empirical findings obtained from nine prior emic replication studies, our derived etic comparative analysis has led to a deduced taxonomy of perceived managerial and leadership effectiveness comprised of eight positive (effective) and six negative (least effective/ineffective) generic behavioral criteria. Comparisons against extant U.S.-derived taxonomies have revealed many similarities but also significant differences. The findings go against the grain of predominant discourse, and challenge long-held, taken-for-granted assumptions about the “contingent” nature of management and leadership. Implications for HRD research and practice are discussed.*

Based on a comprehensive review of management literature, Hales (1986, p. 88) concluded that a major weakness of past research “concerned with ‘effective’ management (or managerial effectiveness)” was that the accumulated evidence had not given much of an answer to the question of whether the managerial practice identified was “good” or “bad.” His view echoed Martinko and Gardner’s (1985) claim, based on a review of 20 structured observation studies of managerial work and behavior, that most researchers had failed to explore what differentiates highly effective from less effective managers, and that there was little information identifying the behaviors most closely

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associated with effective managerial performance. Borman and Brush (1993) argued that despite the volumes of research on management, few studies had empirically examined managerial behavior in the context of the critical performance requirements of a manager's job, namely, the behaviors that are important in differentiating between doing a job effectively and doing it ineffectively. Furthermore, they claimed that most studies had been directed toward a particular managerial job within a single organization and had used sample sizes of fewer than 100 people. Additionally, few of these studies had examined managerial behavior across varying industries, organization sizes, and geographic locations. Consequently, using an inductive method, Borman and Brush derived "a taxonomy of managerial performance requirements" by summarizing and integrating multiple sets of performance-related dimensions of managerial behavior gathered from 26 past studies of manager performance. In 18 of these studies, the researchers had used the critical incident method for obtaining the empirical data on which their identified dimensions were based. Only 7 of the 26 studies had been published, and all of these were between 1951 and 1978.

Noting that a unifying aim of managerial behavior research had been to identify general dimensions of managerial performance, Tett, Gutterman, Bleier, and Murphy (2000) derived a "hyperdimensional" taxonomy of managerial competence from 12 source taxonomies, including the one deduced by Borman and Brush (1993). Nine of their source studies were published between 1951 and 1985, of which four had been used by Borman and Brush. We have found no other taxonomies that focus specifically on managerial performance, competence, or effectiveness. However, Yukl, Gordon, and Taber (2002) developed a "hierarchical taxonomy of leadership behavior" by integrating "specific behavior components" selected from prior measures of managerial and leadership behavior derived by previous researchers. Of the 10 measures for which they provided a Harvard reference, 7 were published between 1962 and 1990, and 3 between 1991 and 1998. More recently, Yukl (2012) has offered a hierarchical taxonomy of leadership behavior that is very similar to that offered by Yukl, Gordon, and Taber. Of the 75 cited works that appear to have informed the development of this taxonomy, 9 were published between 1948 and 1980, 46 between 1981 and 2000, and 20 between 2001 and 2011.

A common feature of the four taxonomies is that the vast majority of the respective source studies were conducted in the United States. This raises questions about generalizability because, as various writers have argued, the relevance and transferability of findings of U.S. management research to non-U.S. cultures can be problematic due to the significant cultural and organizational differences affecting the managerial and leadership environment of the United States in relation to other countries (Alban-Metcalf & Alimo-Metcalf, 2007; Ayman, 1993; Flanagan & Spurgeon, 1996; Holt, 1998; M. F. Peterson & Hunt, 1997; Triandis, 1993). Thus, the development of similar performance/effectiveness-related taxonomies derived from more recent managerial behavior

studies carried out in other countries, plus cross-nation comparative analyses in search of similarities and differences across the studies are warranted.

Over the past 15 years or so, one of us (Author 1) has been engaged in this type of managerial behavior research within the United Kingdom. Using empirical data obtained from his first three single-organization studies that were carried out in the U.K. public sector, two of which had replicated his original study in the state secondary schools of a local education authority, Author 1 developed through cross-case comparative analysis a public-sector-related “generic model” of managerial and leadership effectiveness (see R. G. Hamlin, 2004). Our multiple-case comparative study seeks to extend this latter research. It has three aims:

1. To compare the behavioral content of Hamlin’s generic model against equivalent empirical source data obtained from subsequent single organization replication studies carried out within various U.K. public-, private-, and third-sector organizations, in order to identify commonalities and relative generalizations across the cases.
2. To derive (if possible) a cross-sector British taxonomy by integrating the behavioral criteria constituting Hamlin’s generic model with the multiple sets of performance-related dimensions of effective and ineffective managerial behavior obtained from the replication studies.
3. To compare the so deduced British taxonomy against the four aforementioned U.S.-centric taxonomies.

## Review of the Literature

To address the research purpose this review focuses on (a) current debates about what is *management* and what is *leadership*, (b) various criticisms of traditional managerial and leadership effectiveness research, and (c) alternative approaches to studying effectiveness. In addition, it discusses the source studies used by us to deduce our British taxonomy.

## Management Versus Leadership

The relation between the roles and functions of managers and leaders is a matter of considerable debate, and whether a clear distinction exists between management and leadership generally remains unresolved (Bennis & Nanus, 1985; Kotterman, 2006; Toor & Ofori, 2008). Although most theorists argue that there are distinct differences, the terms *management* and *managing* and *leadership* and *leading* are so often used interchangeably in organizations that the differences become blurred (Bolden, 2004; Raelin, 2004). Kotterman (2006) suggested that one misconception dividing academics from practitioners is that workplace leadership and management are mutually exclusive, when in fact they are complementary. As various other writers have argued, leading is an integral part of the everyday task of managing and is

what managers do (Hickman, 1990; Mintzberg, 2004; Tett et al., 2000; Yukl, 2006; Yukl & Van Fleet, 1992). For these reasons we have followed the example of our source study researchers, who, following Yukl (1989), preferred not to separate management from leadership when conducting their research. Consequently, in this article the term *managerial behavior* encapsulates both “manager behavior” and “leader behavior,” and our use of the word *leadership* in the term *managerial and leadership effectiveness* relates to “supervisory leadership” as performed by managers at all levels of management (House & Aditya, 1997). It does not relate to “strategic leadership” as defined by House, Hanges, Javidan, Dorfman, and Gupta (2004) for the GLOBE study of culture, leadership, and organizations, the focus of which was on the leadership behavior of organizational leaders and other top managers.

### **Criticisms of Traditional Managerial and Leadership Effectiveness Research**

Various researchers have drawn attention to the fact that there is little agreement on what constitutes managerial effectiveness, or on the specific behaviors distinguishing effective managers from ineffective managers. For example, Luthans, Welsh, and Taylor (1988) argued that there had been a lack of consensus on what was meant by effectiveness, and that the development of descriptive models to examine the relationship between effectiveness and day-to-day managerial activities and behaviors had been ignored. Martinko and Gardner (1990) claimed there was very little information that identified the behaviors most closely associated with effective managerial performance, and that more attention should be devoted to investigating this key issue. Other writers have noted that managerial effectiveness has been a substantially neglected area of management research (see Cammock, Nilakant, & Dakin, 1995; Noordegraaf & Stewart, 2000; Willcocks, 1997), which we suggest has continued to the present day. Similar concerns have been expressed about leadership effectiveness research. For example, Kim and Yukl (1995) claimed that the number of studies on specific behaviors associated with effective leadership had been small; Barker (2000) noted that although articles abound on leadership few had evaluated the impact of leadership and its effectiveness; and Yukl, Gordon, and Taber (2002) suggested a major problem of research on effective leadership had been the lack of agreement about which behavior categories were relevant and meaningful for leaders. Thus, more research appears to be required to clarify the measures (criteria) that are most relevant and meaningful for evaluating managerial effectiveness and leadership effectiveness.

### **Alternative Approaches to Studying Managerial and Leadership Effectiveness**

Since the 1950s most studies of managerial work and behavior have fallen within the functionalist paradigm (Burrell & Morgan, 1979). And in the main

their aim has been to identify predictive relationships between behaviors and objective output measures of effectiveness such as “career advancement,” “unit/department performance,” “organizational effectiveness,” or “project completion” (Cammock et al., 1995). However, these approaches have not always been feasible or successful given the variation of managerial jobs and organizational settings. Consequently, various writers have argued that researchers should consider using more contingent approaches whereby managerial practice is compared against what others expect of their managers/managerial colleagues in terms of what they do and how they behaviorally interact (see Hales, 1986; O’Driscoll, Humphries, & Larsen 1991; Tsui, 1984a).

Tsui (1984b) adopted a “multiple constituency approach” for studying and measuring managerial effectiveness. This approach relies on role theory and role set analysis, and the criteria used to evaluate managerial performance are based on the desirable managerial behaviors expected by a manager’s constituencies (superiors, subordinates, and peers or colleagues). Thus, effectiveness is considered to be the extent to which a manager’s manifested behavior is congruent with his or her constituents’ judgment of what they perceive to be effective or ineffective within a given context. Tsui described this as *managerial reputational effectiveness*. Cammock et al. (1995) suggested that the complexity and contingent nature of managerial work will always provide significant challenges for functionalist approaches, and for their research they presented a convincing argument for using an alternative research perspective. These researchers explored managerial effectiveness in a large New Zealand public-sector organization. They adopted a social constructionist approach located within an interpretive paradigm, and used the so-called repertory grid technique to gather their primary data. For a comparative study of leadership effectiveness across two organizations, Hooijberg and Choi (2001) did not attempt to assess the performance of the work units or departments of the focal managers, but used separate measures of *perceived* effectiveness that indicated how effective managers were seen to be by their subordinates and superiors. In conducting exploratory investigations of the nature of leadership at the higher levels of management in various U.K. public- and private-sector organizations, Alimo-Metcalfe and Alban-Metcalfe (2001) and Alban-Metcalfe and Alimo-Metcalfe (2007) adopted a “grounded theory” approach using the repertory grid technique for gathering their primary data. Author 1 (Hamlin) with various co-researchers has cumulatively conducted nine integrative studies of “managerial and leadership effectiveness” within U.K. public-, private-, and third-sector organizations (see B. Hamlin, 2009). He and his co-researchers adopted an inductive and interpretivist approach, and used Flanagan’s (1954) critical incident technique (CIT) for gathering their empirical data because (a) it is regarded by many researchers as one of the best methods for focusing on the more important effectiveness aspects of managerial behavior (Borman & Brush, 1993; Latham & Wexley, 1981), and (b) the comparative analysis of CIT derived source data collected from multiple sites means that

“the researcher can look for evidence of commonalities in themes which increase the generalizability” of the findings (Chell, 1999, p. 55).

A common feature of these various nontraditional studies is that the resulting behavioral measures (criteria) and/or lay models were derived from people’s observations and *perceptions* of effectiveness. And because the empirical source data for our present study were obtained from the nine aforementioned U.K. studies of observed managerial behavior, we have used the term *perceived managerial and leadership effectiveness* in order to distinguish our particular view of effectiveness from the traditional concept adopted by most “organization and management” researchers.

### Source Studies Relevant to the Present Study

Of the nine studies we used, of which three underpinned Hamlin’s generic model, five were carried out in public-sector organizations (R. G. Hamlin, 1988; R. G. Hamlin, 2002; B. Hamlin & Cooper, 2007; R. G. Hamlin, Reidy, & Stewart, 1998; R. G. Hamlin & Serventi, 2008), two in private-sector companies (R. G. Hamlin & Bassi, 2008; R. G. Hamlin & Sawyer, 2007); and two in third-sector organizations (R. G. Hamlin & Barnett, 2011; R. G. Hamlin, Sawyer, & Sage, 2011). As previously mentioned, eight of these studies replicated to a greater or lesser extent R. G. Hamlin’s (1988) original “managerial effectiveness” research, and were conducted in single organizations. To ensure consistency in the application of CIT the respective researchers were required to follow a common protocol under Hamlin’s guidance. In all but one of the studies, the CIT informants were composed of voluntary yet purposeful balanced samples of nonmanagerial employees and managers. With regard to R. G. Hamlin and Sawyer’s (2007) study, in which the focal managers being studied were the “executive leaders” of the collaborating organization, the sample was comprised of top, senior, and middle-level managers only. Prior to a CIT interview, each informant received a briefing on the purpose and process of the research; the meaning of such terms as *critical*, *incident*, and *critical incident*; the academic code of ethics that would be applied; and the two following definitions that R. G. Hamlin (1988) had adapted from Latham and Wexley (1981): (a) Effective managerial performance is “behavior which you wish all managers would adopt if and when faced with a similar circumstance,” and (b) ineffective managerial performance is “behavior which, if it occurred repeatedly, or was seen once in certain circumstances, might cause you to begin to question or doubt the ability of that particular manager in that instance.” The collected critical incidents (CIs) could relate to behaviors exhibited by their respective superior, peer, or subordinate managers/supervisors during the 6 to 9 months immediately preceding the interview. A strict code of anonymity prevented the informants from revealing the identity of the particular managers whose effective and least effective or ineffective managerial behaviors they had

**Table 1. Hamlin's (2004) Generic Model of Managerial and Leadership Effectiveness**

<i>Positive (Effective) Generic Behavioral Criteria:</i>
Effective organization and planning/Proactive management (9)
Participative and supportive leadership/Proactive team leadership (10)
Empowerment and delegation (5)
Genuine concern for people/Looks after the interests and development needs of staff (12)
Open and personal management approach/Inclusive decision making (6)
Communicates and consults widely/Keeps people informed (6)
<i>Negative (Ineffective) Generic Behavioral Criteria</i>
Shows lack of consideration or concern for staff/Ineffective autocratic or dictatorial style of management (9)
Uncaring, self-serving management/Undermining, depriving, and intimidating behavior (16)
Tolerance of poor performance and low standards/Ignoring and avoidance (10)
Abdicating roles and responsibilities (8)
Resistance to new ideas and change/Negative approach (5)

*Note:* The numbers in parentheses indicate the number of indicative behavioral statements underpinning each criterion.

described. Furthermore, those who were themselves managers were not allowed to offer CIs based on their own managerial practices.

In each study, the obtained CIs were grouped into clusters according to how similar they were in meaning to each other. Behavioral statements (BSs) were then devised to reflect the constituent CIs in each cluster, and these were subsequently classified using either factor analysis or qualitative content and thematic analytic methods to identify broad and discrete behavioral categories that could be used as effectiveness measures (criteria). As also mentioned earlier, R. G. Hamlin (2004) conducted a comparative analysis of the BSs underpinning the behavioral criteria resulting from his three earliest studies (R. G. Hamlin, 1988; R. G. Hamlin, 2002; R. G. Hamlin, Reidy, & Stewart, 1998). The deduced U.K. public-sector-related "generic model of managerial and leadership effectiveness" is composed of six effective and five least effective/ineffective behavioral criteria. Each criterion is underpinned by 5 to 16 behavioral statements. Nine of the criteria contain two component parts, as indicated by the two-part labels used to describe them (see Table 1).

Our study extends R. G. Hamlin's (2004) research. Fundamentally, it is a multiple cross-case and cross-sector comparative analysis of how "managerial and leadership effectiveness" is perceived and defined within U.K. public-, private-, and third-sector organizations. The primary aim has been to search for commonalities and relative generalizations across the cases. We addressed three specific research questions, as follows:

1. How is “managerial and leadership effectiveness” perceived and defined within particular organizations and organizational sectors in the United Kingdom, and to what extent are these perceptions and definitions similar or different?
2. Can these organization-specific perceptions and definitions be integrated inductively, and be expressed in the form of a U.K.-centric taxonomy of “perceived managerial and leadership effectiveness”?
3. How does any resulting deduced taxonomy compare with extant U.S.-centric effectiveness/performance-related taxonomies?

## Method

We adopted a “pragmatic approach” (Morgan, 2007) and multiple paradigmatic assumptions. From a constructionist perspective we assumed people inside specific organizational contexts make judgments on the effectiveness of observed managerial performance based on their subjective experiences of day-to-day behavioral interactions (Schwandt, 1994). From a postpositivist perspective (Guba & Lincoln, 1994) we assumed that “lay” or “common sense” theories (Semin & Gergen, 1990) derived from the social perceptions of people within particular organizations (Lord, 1985) could hold much in common. And when such commonalities exist, we pragmatically assumed it would be possible to deduce generic or universalistic categories and concepts on the basis of comparing empirical data obtained from multiple managerial behavior studies (Morgan, 2007; Noordegraaf & Stewart, 2000). For its theoretical foundation our inductive study relied on *Implicit Leadership Theory* (see Cantor & Mischel, 1979; Eden & Leviatan, 1975; Phillips & Lord, 1981) and the *Multiple-Constituency Model of Effectiveness* (see Tsui, 1984a; Tsui, 1990). To address the first and second questions we adopted Tsang and Kwan’s (1999) notion of *empirical generalization* replication and Berry’s (1989) *derived etic* approach to applied research. Berry argues that there are benefits in psychology research for using a combined emic–etic approach to reach valid derived etic generalizations. In derived etic studies the same phenomenon is explored in more than one specific context/cultural setting, and in the same way. A cross-case comparative analysis of the emic findings is then carried out. If common features begin to emerge, the comparison is possible. Without necessarily assuming universality, this combined emic–etic approach provides the possibility of drawing conclusions about derived etics across the compared cases, and progressively across more and more specific contexts and cultural settings.

## Empirical Source Data

The empirical source data was composed of 437 BSs, of which 102 were those underpinning the 11 behavioral criteria constituting R. G. Hamlin’s (2004) generic model, and 335 were obtained from the six emic replication studies of

managerial and leadership effectiveness conducted from 2007 to 2011 (see Table 2). From this point on, we refer to these past works as the HGM study and the Case A to Case F studies, respectively. Included for each of the six emic studies (cases) listed in Table 2 is the respective subject focus, the sample size of CIT informants interviewed, the number of CIs collected, and the number of effective and least effective/ineffective BSs derived from the CIs. The same sort of information is given for the three emic studies used by R. G. Hamlin (2004) to deduce the HGM model. The common subject focus of five of the overall nine emic studies was senior, middle, and first-line managers. However, Hamlin's original Case A study was focused on middle managers, whereas the Case D study was focused on top managers (executive leaders), the Case E study on senior managers, and the Case F study on managers at all levels of management. As can be seen, the number of CIT informants interviewed in each study ranged from 33 to 130. The number of CIs collected by the respective researchers ranged from 228 to 1,200, and the number of discrete BSs derived from the collected CIs ranged from 29 to 126.

## Analyses

Research questions 1 and 2 were addressed in three phases, as follows:

**Phase 1.** The BSs obtained from Case A to Case F were content analyzed sequentially at a semantic level by Author 1 (Hamlin) using forms of open and axial coding (Eisenhardt, 1989; Flick, 2002). The aim was to search for evidence of sameness, similarity, and congruence of meaning with one or more of the BSs underpinning each component part of the 11 HGM behavioral criteria. *Sameness* was deemed to exist when the sentences or phrases used to describe two or more BSs were identical or near identical. *Similarity* was deemed to exist when the BS sentences and/or phrases were different but the kind of meaning was the same. *Congruence* existed where there was an element of sameness or similarity in the meaning of certain phrases and/or key words. Where such convergence and congruence of meaning were found, the BSs were deductively coded and categorized in accordance with the particular behavioral criterion constituting the HGM model.

**Phase 2.** This phase was also conducted by Author 1. The Case A to Case C behavioral statements were added to those underpinning the 11 HGM criteria in accordance with how they had been coded and categorized in Phase 1. Then, through open and selective coding (Flick, 2002; Miles & Huberman, 1994), the enlarged behavioral underpinnings of the component parts of the so refined behavioral criteria were subjected at a semantic level (Braun & Clarke, 2006) to deductive and inductive thematic coding. The aim was to identify any resulting BS subclusters within the existing BS clusters underpinning the various criteria. Where such BS subclusters were identified, those of sufficient size and with sufficient discrete meaning were separated out to form new discrete criteria. The behavioral underpinnings of the deduced

Table 2. Empirical Source Data of the Present Derived Etic Study

<i>Present Derived Etic Study Authors and organizations of six etic studies (Cases A to F) and the HGM generic model</i>	<i>Stage 1 No. of CIT Informants</i>	<i>Stage 1 No. of CIs Collected</i>	<i>Stage 2 No. of Effective BSs</i>	<i>Stage 2 No. of Ineffective BSs</i>	<i>Stage 2 Total No. of BSs</i>
<i>Public Sector</i>					
Case A: Hamlin & Cooper (2007) A "specialist" NHS Trust hospital	60	467	25	24	49
Case B: Hamlin & Serventi (2008) A local government department	40	228	25	25	50
<i>Private Sector</i>					
Case C: Hamlin & Bassi (2008) A professional communications company	55	555	31	35	66
Case D: Hamlin & Sawyer (2007) A telecommunications group plc	37	370	16	13	29
<i>Third Sector/Charity</i>					
Case E: Hamlin, Sawyer, & Sage (2011) A national registered charity	40	450	42	34	76
Case F: Hamlin & Barnett (2011) U.K. independent secondary schools	33	262	34	31	65
<i>Totals</i>	265	2,332	173	162	335

HGM generic model Hamlin (2004)	58	44	106
<i>Hamlin (2004)</i> <i>Authors and type of organizations of the three emic studies underpinning the derived HGM generic model</i>	<i>Stage 1 No. of CIT Informants</i>	<i>Stage 1 No. of CIs Collected</i>	<i>Stage 2 No. of Effective BSs</i>
<i>Public Sector</i>	<i>Subject Focus</i>	<i>Stage 2 No. of Ineffective BSs</i>	<i>Total No. of BSs</i>
Hamlin (1988) U.K. state secondary schools	M & FL	35	340
Hamlin, Reidy, & Stewart (1998) A department of the British Civil Service	S, M, & FL	130	1,200
Hamlin (2002) An "acute" NHS Trust hospital	S, M, & FL	57	405
<i>Totals</i>		222	1,945
			135
			126
			52
			261

Note: CIT = critical incident technique; CIs = critical incidents; BSs = behavioral statements; T, S, M, FL = top, senior, middle and first-line managers.

refined/new generic behavioral criteria were reinterpreted and labeled. Wherever possible the labels created by R. G. Hamlin (2004) to describe the HGM criteria were reused and new labels created as necessary. Finally, the wording of each descriptive label was checked to ensure it encapsulated in essence the meaning held in common across all of the CIs constituting the respective generic behavioral criterion.

**Phase 3.** Author 1 compared and contrasted the BSs obtained from Cases D, E, and F against those underpinning each of the deduced generic behavioral criteria. The BSs that were the same, similar, or congruent in meaning were coded and sorted accordingly and added to the relevant criteria. Acting independently, and using the descriptive labels of these refined/new generic behavioral criteria as *a priori* coding categories, Author 2 (Hatton) deductively sorted the HGM behavioral content and Case A to Case F behavioral statements using a form of *structuring* content analysis (Flick, 2002; Mayring, 2004). The two authors then joined forces and engaged in several iterations of cross-code checking (Gibbs, 2007). This involved comparing and discussing their respective analyses until they reached consensus on a stable set of generic behavioral criteria.

The authors addressed research question 3 by jointly comparing the content of the deduced generic behavioral criteria against the content of the broad behavioral categories constituting the four U.S.-centric taxonomies. As before, they used forms of open and axial coding and qualitative content analysis at a semantic level in order to identify similarities and differences between the respective data sets (Flick, 2002; Gibbs, 2007).

### Trustworthiness of the Findings

Validity (*credibility*) and reliability (*dependability*) were assured through “realist triangulation” procedures involving “multiple data sources” to assess and test the consistency of the initial results, plus a form of “investigator triangulation” with the two authors acting as “multiple researchers” (Easterby-Smith, Thorpe, & Lowe, 1991; Madill, Jordon, & Shirley, 2000). In addition, they code cross-checked their respective analyses to verify and arrive at a mutual confirmation and consensus of where their individual interpretations converged and diverged (Knafel & Breitmayer, 1991), and then sent their deduced generic behavioral criteria and underpinning BSs to three expert confirmatory auditors for counterchecking. Where there was disagreement, the authors reworked the elaboration of the respective criteria.

### Results

In this section, we discuss the result of (a) comparing the behavioral statements obtained from the replication studies against the behavioral content of the extant public sector–related HGM generic model, (b) deducing a

national embedded taxonomy, and (c) comparing the deduced British taxonomy against extant U.S.-centric taxonomies.

### Replication Studies and HGM Generic Model Comparisons

Of the 335 BSs obtained from Case A to Case F, 97.09% ( $n = 328$ ) were found to be the same as, or similar to, or to contain an element of congruent meaning with one or more BSs underpinning all 11 behavioral criteria constituting the HGM model. The nature of the identified convergence between the model and the six added cases is illustrated in Table 3. As can be seen, the first nine generic behavioral criteria (criteria 1–9) and their concomitant criterion components ( $n = 17$ ) are grounded across all six cases. However, none of the BSs obtained from Case A, Case C, and Case D converge with any BSs underpinning the component of criterion 11 labeled *Resistant to new ideas and change*. Similarly, none of the BSs obtained from Case F converge with the behavioral underpinning of criterion 10 labeled *Abdicating roles and responsibilities*. Thus, overall, 90% ( $n = 18$ ) of the HGM criterion components and 81.82% ( $n = 8$ ) of the HGM criteria were found to be wholly grounded across all six cases. These high levels of convergence suggest that most parts of R. G. Hamlin's (2004) generic model are relevant and generalizable to U.K. private- and third-sector organizations, as well as to U.K. public-sector organizations.

### Deducing a British Taxonomy of Perceived Managerial and Leadership Effectiveness

The BSs ( $n = 165$ ) from Cases A, B, and C were first incorporated into Hamlin's generic model to enrich and enlarge to a greater or lesser extent the criterion components of the respective HGM behavioral criteria. The enlarged component BS subclusters of 4 of the 11 criteria warranted their separation and formation into new discrete criteria. This resulted in a larger taxonomic structure comprised of 16 generic behavioral criteria. This taxonomic structure was generalized to other organizational settings by adding the previously coded and categorized BSs ( $n = 170$ ) obtained from Cases D, E, and F. The criteria were then reinterpreted and labeled. Most of the deduced labels were the same as, or with minor variations of wording and emphasis, virtually the same as those of the HGM criteria and/or criterion components. For example, the positive HGM criterion *Effective organization and planning/Proactive management* turned into *Effective planning and organizing and proactive execution and control*. An example of the newly identified criteria resulting from the comparative analyses can be seen in the way the two component parts of the positive HGM criterion *Genuine concern for people/Looks after the interests and development needs of staff*, were separated into two new discrete criteria labeled *Care and concern for staff and other people* and *Fights in the interests of their staff and actively attends to their learning and development needs*. Similarly, the two

**Table 3. Grounding of the HGM Criteria and Criterion Components Across Case A to Case F**

<i>Hamlin's (2004) Study Generic Model of Managerial and Leadership Effectiveness HGM criteria and criterion components</i>	Case A	Case B	Case C	Case D	Case E	Case F
<i>Indications (positive criteria/criterion components)</i>						
1. Effective organization and planning/proactive management	SS	SS	SS	SS	SS	SS
2. Participative and supportive leadership/proactive team leadership	SS	SS	SS	SS	SS	SC
3. Empowerment and delegation	S	S	S	S	S	S
4. Genuine concern for people/looks after the interests and development needs of staff	SS	SS	SS	CS	SS	SS
5. Open and personal management approaches/inclusive decision making	SS	SC	SS	SS	SS	SS
6. Communicates and consults widely/keeps people informed	SS	SS	SS	SC	SS	SS
<i>Contraindications (negative criteria/criterion components)</i>						
7. Shows lack of consideration or concern for staff/ineffective autocratic or dictatorial style of management	SC	SS	SS	CC	SS	SS
8. Uncaring, self-serving management/undermining, depriving, and intimidating behavior	SS	SS	SS	SC	SS	SS

9. Tolerance of poor performance and low standards/ ignoring and avoidance	CS	SS	SS	SC	SS	SS
10. Abdicating roles and responsibilities	S	S	S	S	S	n
11. Resistant to new ideas and change/negative approach	ns	cc	ns	ns	ss	cc
Meaning of the letters in the four adjacent columns mapped against the one or two criterion components of each of the respective HGM criteria	s - 17 c - 2 n - 1	85% 10% 5%	s - 17 c - 3 n - 0	85% 15% 0	s - 19 c - 0 n - 1	95% 0 5%
s denotes sameness or similarity between one or more behavioral statements				s - 13 c - 6-30% n - 1- 5%	s - 20 c - 0 n - 0	100% 0 0
c denotes some evidence of congruent meaning						s - 16 c - 3 n - 1
n denotes no comparable convergent behavioral statements						80% 15% 5%

component parts of the negative HGM criterion *Shows lack of consideration or concern for staff/Ineffective autocratic or dictatorial style of management* were divided into two new discrete criteria labeled *Lack of interest in and/or care or concern for staff* and *Inappropriate autocratic and non-consultative management style*. In the case of the negative HGM criterion *Uncaring, self-serving management/Undermining, depriving, and intimidating behavior*, its two component parts were separated into three new discrete criteria labeled *Unfair, inconsiderate, selfish, and self-serving behavior*; *Manipulative, undermining, and/or intimidating behavior*, and *Depriving and withholding behavior*, respectively. Clearly, all 16 of our deduced generic behavioral criteria are refinements and/or variants of the HGM criteria and/or criterion components.

The deductive multiple cross-case comparative analysis carried out independently by Author 2 using as coding categories the 16 “new/refined” generic behavioral criteria deduced by Author 1, led to several minor refinements being made in the sorting of the behavioral statements. This resulted in some of the BSs underpinning certain criteria being reclassified and resorted. No additional new criteria were identified from this cumulative verification and refining process. The subsequent confirmatory audit by the three independent auditors resulted in a few minor reelaborations of several criteria being made. The 8 positive (*effective*) and 8 negative (*least effective/ineffective*) deduced generic behavioral criteria are presented in Table 4. To illustrate the sameness, similarity, and congruence of meaning found across the cases, indicative samples of the BSs constituting each criterion are presented in the Appendix.

The vast majority of the BSs underpinning the deduced negative generic behavioral criterion *Lack of interest in and/or care or concern for staff* are acts of omission. In the main they describe an absence of the type of managerial behavior represented by the positive generic behavioral criterion *Care and concern for staff and other people*. Thus, these two criteria could be seen as the polar opposite ends of a single behavioral construct. A similar situation applies for the negative criterion *Poor quality/low standard of managing and tolerance of poor performance from others*, and the positive criterion *Effective planning and organization and proactive execution and control*. Although the negative criterion *Inappropriate autocratic and nonconsultative management style* might appear in some respects to be the polar opposite of the positive criterion *Involves and includes staff in planning, decision making and problem solving*, most of the underpinning BSs describe the type of behavior associated with specific acts of commission that managers need to avoid if they are to be perceived and judged effective. Hence, what we have deduced is a taxonomy of perceived managerial and leadership effectiveness composed of eight positive and six negative generic behavioral criteria (see Table 5). These criteria provide new insight and further understanding of what managers and nonmanagerial employees within public-, private-, and third-sector organizations in the United Kingdom perceive as effective and least effective/ineffective managerial behavior.

**Table 4. Deduced Generic Behavioral Criteria of Perceived Managerial and Leadership Effectiveness**

<i>Positive Behavioral Criteria</i>	<i>Negative Generic Behavioral Criteria</i>
<ol style="list-style-type: none"> <li>1. Good planning and organizing and proactive execution and control</li> <li>2. Active supportive management and managerial leadership</li> <li>3. Delegation and empowerment</li> <li>4. Care and concern for staff and other people</li> <li>5. Fights in the interests of their staff and actively attends to their learning and development needs</li> <li>6. Open, personal and trusting management approach</li> <li>7. Involves and includes staff in planning, decision making and problem solving</li> <li>8. Communicates well with staff and/or keeps them informed</li> </ol>	<ol style="list-style-type: none"> <li>1. Poor quality/low standard of managing and tolerance of poor performance from others</li> <li>2. Lack of interest in and/or care or concern for staff</li> <li>3. Inappropriate autocratic and nonconsultative management style</li> <li>4. Unfair, inconsiderate, selfish, and self-serving behavior</li> <li>5. Manipulative, undermining, and/or intimidating behavior</li> <li>6. Slack management and/or abdicating, ignoring, or avoidance behavior</li> <li>7. Depriving and/or withholding behavior</li> <li>8. Closed mind and negative approach</li> </ol>



**Table 5. Deduced British Taxonomy of Perceived Managerial and Leadership Effectiveness**

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**Positive Generic Behavioral Criteria**

- Effective planning and organizing and proactive execution and control
- Active supportive management and managerial leadership
- Delegation and empowerment
- Care and concern for staff and other people
- Fights in the interests of their staff and actively attends to their learning and development needs
- Open, personal and trusting managerial approach
- Involves and includes staff in planning, decision making and problem solving
- Communicates well with staff and keeps them informed

**Negative Generic Behavioral Criteria**

- Inappropriate autocratic and nonconsultative management style
  - Unfair, inconsiderate, selfish and self-serving behavior
  - Manipulative, undermining and/or intimidating behavior
  - Slack management and abdicating, ignoring or avoidance behavior
  - Depriving and withholding behavior
  - Closed mind and negative approach
- 

**Comparison of the British Taxonomy Against Extant Taxonomies**

We compared our U.K.-centric taxonomy against the four aforementioned U.S.-centric taxonomies.

***Borman and Brush's (1993) Taxonomy of Managerial Performance Requirements.*** These researchers used the various performance-related dimensions resulting from their 26 source studies to develop an 18-factor/ mega-dimension summary of managerial performance requirements, which they expressed in effective (*positive*) behavioral terms. Of these mega-dimensions, 9 overlap and converge in meaning to a greater or lesser extent with 7 of the 8 positive generic behavioral criteria constituting our British taxonomy (see Table 6). For example, the two U.S. "managerial performance requirement" dimensions labeled *Guiding, directing, and motivating subordinates and providing feedback* and *Communicate effectively and keeping others informed* are very similar in meaning to various BSs underpinning the two U.K. criteria labeled *Active supportive management and managerial leadership* and *Communicates well with staff and/or keeps them informed*. However, various parts of the underpinnings of these compared behavioral categories (mega-dimensions/criteria) are not reflected in both taxonomies. Whereas there are strong similarities, there are also significant and substantial differences. For

Table 6. Overlap of the British Taxonomy with Three U.S. Taxonomies

<i>U.S. Taxonomy of Managerial Performance Requirements; Borman &amp; Brush (1993)</i>	<i>British Taxonomy of Perceived Managerial and Leadership Effectiveness</i>	<i>Two U.S. Hierarchical Taxonomies of Leadership Behavior; Yukl, Gordon &amp; Tabor (2002), Yukl (2012)</i>
<i>Overlap/Convergence</i>	<i>Overlap/Convergence</i>	<i>Overlap/Convergence</i>
Planning and organizing	Good planning and organizing and proactive execution and control	Task Behavior/ <i>Task-oriented</i>
Monitoring and controlling resources	Good planning and organizing and proactive execution and control	Plan short-term activities/ <i>Planning</i>
Guiding, directing, and motivating subordinates and providing feedback	Active supportive management and managerial leadership	Clarifying task objectives and role expectations/ <i>Clarifying</i>
Training, coaching, and developing subordinates	Fights in the interests of their staff and actively attends to their learning and development needs	Monitoring operations and performance/ <i>Monitoring operations</i>
Communicating effectively and keeping others informed	Communicates well with staff and/or keeps them informed	Relations Behavior/ <i>Relations-Oriented</i>
Delegating	Involves and includes staff in planning, decision making and problem solving	Provide recognition for achievement and contribution/ <i>Supporting/Recognizing</i>
Maintaining good working relationships	Delegation and empowerment	Develop member skill and confidence/ <i>Developing</i>
Decision making/problem solving	Care and concern for staff and other people	Consult with members when making decisions
Handling crises and stress	Good planning and organizing and proactive execution and control	Empower members to take initiative in problem solving/ <i>Empowering</i>
		Provide support and encouragement (e.g., acting considerate, showing sympathy and support when someone is upset or anxious)/ <i>Supporting</i>
		<i>Problem solving</i>

(Continued)

**Table 6. Overlap of the British Taxonomy with Three US Taxonomies (Continued)**

<i>No Overlap/Convergence</i>	<i>No Overlap/Convergence</i>	<i>No Overlap/Convergence</i>
Representing the organization to customers and the public	Open, personal and trusting management approach	Change behavior/ <i>Change-oriented</i>
Technical proficiency	and also	Monitor the external environment/ Propose an innovative strategy or new vision/ <i>Envisioning change</i>
Administration and paperwork	Six negative generic behavioral criteria	Encourage innovative thinking/ <i>Encouraging innovation</i>
Coordinating subordinates and other resources to get the job done		Take risks to promote necessary changes/ <i>Advocating change</i>
Staffing		<i>Facilitating collective learning</i>
Persisting to reach goals		<i>External</i>
Organizational commitment		<i>Networking</i>
Selling/influencing		<i>External monitoring</i>
Collecting and interpreting data		<i>Representing</i>

*Note:* The specific component behaviors in Yukls (2012) taxonomy are in italics.

example, none of the BSs underpinning our criterion *Open, personal, and trusting management approach* overlap/converge with any of Borman and Brush's mega-dimension behavioral definitions. Conversely, none of the behavioral underpinnings of 9 of their 18 mega-dimensions are represented in our taxonomy. This divergence may be the result of differences between peoples' perceptions of managerial and leadership effectiveness in the two countries. However, these differences may be the result of our study having been focused solely on critical incidents of observed managerial behavior, whereas some of the source dimensions used by Borman and Brush (1993) contained managerial tasks as well as behaviors.

**Tett, Guterman, Bleier and Murphy's (2000) "Hyperdimensional" Taxonomy of Managerial Competence.** This taxonomy is comprised of 53 managerial competencies organized into 9 general categories. Of the 53 competencies, 12 predominantly describe behavioral traits and/or managerial characteristics. Of the other 41 competencies that describe observed managerial behaviors, 33 (62.26%) overlap all of our U.K. positive generic behavioral criteria. However, 14 of these 33 U.S. competencies converge in meaning with our U.K. criterion *Good planning and organizing and proactive execution and control*; but just 1 of them overlaps with our criterion labeled *Delegation and empowerment*, and only 2 with the two criteria labeled respectively as *Care and concern for other staff* and *Open, personal and trusting management approach*. Conversely, one or more of our U.K. criteria converge with 8 of the 9 U.S.-derived general categories, the exception being the one labeled *Emotional Control*. The extent of convergence with the range of competencies constituting each of the 8 U.S. categories is as follows: *Traditional Functions*: 92.31% ( $n = 12$ ); *Task Orientation*: 50% ( $n = 2$ ); *Person Orientation*: 50% ( $n = 4$ ); *Dependability*: 28.57% ( $n = 2$ ); *Open-Mindedness*: 50% ( $n = 2$ ); *Communication*: 100% ( $n = 4$ ); *Developing Self and Others*: 80% ( $n = 4$ ); *Occupational Acumen and Concerns*: 50% ( $n = 3$ ). A comparison against our six negative generic behavioral criteria revealed evidence of "converse" congruent meaning with six *Dependability*-related competencies and two *Open-Mindedness* related competencies, thus increasing to 85.71% ( $n = 6$ ) and 100% ( $n = 4$ ) the respective overlap with these two U.S. categories. The small or lack of overlap with the four U.S. "traitlike" general categories labeled *Task Orientation*, *Person Orientation*, *Occupational Acumen and Concerns*, and *Emotional Control* could be due to the high proportion of constituent competencies composed of managerial traits and characteristics.

**Yukl, Gordon, and Taber's (2002) Hierarchical Taxonomy of Leadership Behavior.** This taxonomy is composed of 12 component behaviors which the researchers sorted into 3 meta-categories labeled *Task Behavior*, *Relations Behavior*, and *Change Behavior*. As can be seen in Table 6, seven of our eight positive generic behavioral criteria overlap with the three "task" and five "relations" behaviors. The lack of convergence with any of the four "change" behaviors may be due to the fact that the prior measures of leadership

behavior used to provide evidence for the construct validity of the hierarchical taxonomy included survey scales/inventories designed to measure organizational/strategic leadership behavior, as well as managerial/supervisory leadership behavior. Our U.K.-centric criterion *Open, personal, and trusting management approach*, which is perceived as critical if managers/leaders are to be perceived effective by their subordinates/followers, appears to be deemphasized in Yukl et al.'s taxonomy, as it does in Borman and Brush's taxonomy.

**Yukl's (2012) Hierarchical Taxonomy of Leadership Behavior.** This taxonomy is composed of 15 specific component behaviors sorted into 4 broad meta-categories, which are labeled *Task-Oriented*, *Relations-Oriented*, *Change-Oriented*, and *External*, respectively. As can be seen from Table 6, the overlaps of our U.K. positive generic behavioral criteria with this taxonomy are virtually the same as with Yukl, Gordon, and Taber's taxonomy; and there is a lack of overlap with most of Yukl's *Change-Oriented* and *External* component behaviors. The lack of convergence might be due to the fact that 60% ( $n = 12$ ) of the articles published since 2001, which Yukl used to support his derived taxonomic structure, were concerned with the strategic/organizational leadership and organizational change focus of CEOs and top executives. However, one facet of Yukl's *External* component leadership behavior, *Representing*, which includes "lobbying for resources and assistance, promoting and defending the reputation of the team or organization" has strong resonance with one component part of our generic behavioral criterion, *Fights in the interests of their staff and actively attends to their learning and development needs*. But in our British taxonomy, this "representing" leadership behavior relates to managers at all levels within organizations who, in transactions with superiors and peers, lobby for and promote and/or defend their staff/team. It does not relate to the interpersonal interactions that organizational leaders/top managers and some lower level managers have with organizational outsiders such as clients, suppliers, investors, and joint venture partners.

## Discussion

The most significant insight resulting from our study is that managers and nonmanagerial employees within public-, private-, and third-sector organizations in the United Kingdom perceive and judge managerial and leadership effectiveness in much the same way, and define it in similar terms. Thus, our findings support Lau, Pavett, and Newman's (1980) claim that there are similarities between managerial behaviors across organizational sectors. But they lend little support for writers such as Baldwin (1987), Fottler (1981), and Peterson and Van Fleet (2008), who argue that for managers to be effective in public- and third-sector organizations, they need to adopt different behaviors and management styles to those of managers in private companies.

Additionally, the findings lend little support for Flanagan and Spurgeon's (1996, p. 96) assertion that managerial effectiveness is "situationally dependent and varies from one organization to another."

Another significant insight is the high degree of similarity found between our U.K.-centric positive generic behavioral criteria and the various behavioral categories constituting the compared U.S.-centric taxonomies, being 87.5% ( $n = 7$ ) for Borman and Brush's (1993) taxonomy, 100% ( $n = 8$ ) for Tett et al.'s (2000) taxonomy, and 75% ( $n = 6$ ) for the taxonomies offered respectively by Yukl et al. (2002) and Yukl (2012). Perhaps this should be expected, bearing in mind the cultural similarities between the two countries. However, an unexpected finding relating to three of the four compared U.S. taxonomies is the lack of focus and emphasis on managerial behavior characterizing *open, personal, and trusting* relationships with staff. We are particularly surprised in the case of Yukl et al.'s (2002) taxonomy because this was derived in part from component behaviors drawn from Stogdill, Goode, and Day's (1962) Leader Behavior Description Questionnaire (LBDQ-XII). Yet most of the *Consideration* items in all versions of the LBDQ, including Bryant's (2002) version, are similar to various behavioral statements underpinning five of our eight positive criteria, including the one labeled *Open, personal, and trusting management approach*. This strong overlap lends support for Piccolo et al.'s (2012) contemporary findings, which have empirically demonstrated the dominant importance of *Consideration* behaviors for predicting leadership outcomes (both job satisfaction and *perceived* leader effectiveness), and have also highlighted the importance of basic interpersonal savvy in effective leadership.

Overall, the extent of the revealed commonalities and relative generalizations suggest our deduced British taxonomy and its constituent generic behavioral criteria are likely to be contextually relevant to similar organizations in the United States. The existence of such "universalistic" criteria goes against the grain of predominant discourse and long-held, taken-for-granted assumptions about the "contingent" nature of management and leadership (see Black & Porter, 1991; Lammers & Hickson, 1979; Tayeb, 1998; Wendt, Euwema, & Emmerik, 2009). A distinctive feature of our taxonomy is its near-equal balance of positive and negative criteria that differentiate sharply the types of managerial behavior associated with good and poor/bad managerial performance. We suggest our inclusion of negative criteria, which describe many specific managerial behaviors that have been observed at various levels of management in a diverse range of organizations, and which subordinates, peers, and superiors have perceived and have judged to be indicative of least effective/ineffective management/leadership practice, is important. This is because (a) in social interactions, negative events can have a stronger impact than positive events, which means preventing them could be as important or even more important than encouraging positive behaviors (Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001; Duck, 1994); (b) ineffective managerial behaviors might be more important in influencing subordinates' performance and

perceptions of manager support, and the subordinates' affective reactions to ineffective behaviors may be stronger than their reactions to effective behaviors (Amabile, Schatzel, Moneta, & Kramer, 2004); and (c) a more accurate insight and better understanding of managerial and leadership effectiveness may emerge (Burke, 2006). As Lockwood, Jordon, and Kunda (2002) claimed, some people in society are "prevention-focused." Such people favor a strategy of avoiding undesirable outcomes and are most motivated by negative role models who highlight strategies for avoiding failure. Others in society are "promotion-focused," which means they favor a strategy of pursuing desirable outcomes, and are most inspired by positive role models who highlight strategies for achieving success. Yet most past studies of "managerial effectiveness" and "leadership effectiveness" have been focused on the effective behaviors and characteristics of managers and leaders, with the so-called "dark side" (*ineffective*) receiving much less attention (Ashforth, 1994; Burke, 2006; Fernandez, 2005; Furnham & Taylor, 2004; Litzky, Eddleston, & Kidder, 2006; Toor & Ogunlana, 2009).

The main contribution of this research appears to lie with (a) the empirical source data obtained from cumulative and integrative replication studies; (b) the wide sampling of focal managers, organizations, and organizational sectors; (c) a deduced taxonomy of generic behavioral criteria with significant explanatory power of specific managerial behaviors relating to the issue of *perceived managerial and leadership effectiveness* within different and diverse organizational settings that, potentially, could be used as a benchmark reference system; and (4) the U.K.-based empirical demonstration that for managers to be perceived effective by their superiors, peers, and subordinates, they need to embed *Initiating Structure* and *Consideration*-like behaviors into the fabric of their everyday management/leadership practice, including training and development-related behaviors.

### Limitations

We acknowledge that the research reported here has three possible limitations. First is the fact that of our nine direct and indirect source studies, just two were carried out in private-sector companies and two in third-sector organizations. Furthermore, only two of the nine studies included top managers/executive leaders within their subject focus. This means our generic behavioral criteria and deduced taxonomy may contain an underrepresentation of certain types of managerial behavior exhibited at the top of organizations in all three organizational sectors. A second limitation is the fact that although the number of CIT informants in the nine emic studies were within or exceeded the range of recommended sample sizes ( $n = 20$  to 40) for qualitative research (Cresswell, Plano-Clarke, Gutmann, & Hanson, 2003), it is possible that there might have been a degree of undersampling in some of the cases. If so, there may be other generic measures (criteria) of effective and

least effective/ineffective managerial behavior that have yet to be identified within and across U.K. organizations and organizational sectors. A third limitation stems from the strict code of anonymity applied during the CIT collection phase of the source studies, which prevented the interviewees from revealing the hierarchical role positions of the managers whose behavior they had described. Consequently, although these emic studies and our own derived etic study have been multidirectional in focus, we can offer no specific insight into the directionality of the generic behavioral criteria constituting our deduced taxonomy.

### Implications for HRD Practice and Future Research

A key feature of our deduced British taxonomy is the high degree of dimensional specificity and wide range of indicative managerial behaviors underpinning each of the constituent criteria. As developed to date, we suggest that the taxonomy provides a body of general knowledge that might be used by organizations to help bring about improvement in the way their managers behaviorally manage their employees. For example, with its near-equal focus on least effective/ineffective as well as effective managerial behavior, the taxonomy could be particularly meaningful for helping managers who are arrogant and/or lacking in self-awareness. These characteristics are usually associated with ineffective management/leadership (Farah & Dobbins, 1989). Indeed, as various writers have observed, arrogance can lead to managers' believing their managerial skills are better than they are, and a lack of self-awareness can lead to their being insensitive to how their behavior affects others (see Atwater & Yammarino, 1992; Johnson et al., 2010; Shipper & Davy, 2002; Silverman, Johnson, McConnel & Carr, 2012). To challenge such complacency, we suggest the taxonomy could be used to inform and develop HR techniques such as formal "360-degree feedback" mechanisms designed specifically to increase self-awareness of the impact of managerial behavior (Shipper & Neck, 1990), and for the creation of better self-assessed personal development plans. Additionally, the taxonomy has the potential to be used by HRD practitioners to (a) critically review and validate existing managerial competency frameworks, (b) increase the relevance and utility of assessment criteria used for selecting managers and measuring managerial performance, and (c) provide an empirical base for designing training programs that give greater focus to the critical managerial behaviors relevant for effective people management and supervisory leadership.

### Conclusion

Although our study goes some way toward addressing Noordegraaf and Stewart's (2000) call for managerial behavior research that explores the *sectoral embeddedness* and *national embeddedness* of managerial effectiveness, we suggest

more emic replication studies should be conducted within a wider range of similar and different U.K. public-, private-, and third-sector organizations, in order to further generalize and refine our deduced taxonomy until theoretical saturation has been reached (Eisenhardt, 1989). The high degrees of overlap and commonality existing between our U.K.-centric taxonomy and the compared U.S.-centric taxonomies point toward the possible existence of “universalistic” effective and ineffective managerial behaviors, and the potential for deducing a “universal” taxonomy. Thus, an interesting direction for future research would be for indigenous researchers to conduct emic replication studies of *perceived managerial and leadership effectiveness* within their own countries, and to compare their findings against what has been found in the United Kingdom. A number of such studies have already been completed in China (Wang, 2011), Egypt (R. G. Hamlin, Nassar, & Wahba, 2010), Mexico (R. G. Hamlin, Ruiz, & Wang, 2011), and Romania (R. G. Hamlin & Patel, 2012). We recommend that in due course, multiple cross-case and cross-nation derived etic studies are undertaken to systematically identify points of similarity and difference across countries, and thereby inductively deduce (if possible) a *general taxonomy of perceived managerial and leadership effectiveness*.

## Appendix: Indicative Sample of Behavioral Statements Underpinning the Generic Behavioral Criteria

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### *Positive Generic Behavioral Criteria of Perceived Managerial and Leadership Effectiveness*

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#### 1 **Good planning and organizing and proactive execution and control** **Public Sector**

HGM is well organized and well prepared for situations; is well prepared for meetings and runs them efficiently and effectively with good agendas; makes effective use of systems and resources; sets and maintains high standards for self and others; thinks ahead and makes sure things are done in good time.

Case A prepares well for meetings so that the meeting is run effectively and efficiently; plans ahead so that work can be carried out effectively; uses resources well (e.g., brings people in to assist in times of pressure, chooses best person for the job); recognizes and acts appropriately when things are going wrong.

Case B plans and prepares well in advance of meetings; proactively deals with issues quickly; proactively addresses poor performance issues with staff; proactively and consistently manages difficult and challenging issues; effectively chairs and facilitates structured meetings.

#### **Private Sector**

Case C addresses substandard behavior of staff in a proactive manner; *recognizes fear and anxieties of staff in change situations* and takes proactive action to allay or reduce fears; immediately tackles poor performance issues.

Case D conducts regular effective meetings to set objectives; utilizes information, knowledge, and experience effectively in decision making; thinks beyond constraints for continuous improvement; is personally prepared to tackle difficult/sensitive issues; considers impact before action; effectively plans and manages projects.

**Third Sector**

Case E focuses on positives and provides clear, sensitive, and constructive feedback when addressing performance issues; addresses individual performance issues at the time and in an “adult-to-adult” way; plans meetings in advance, taking responsibility for structure, direction, and focus, sets agendas, and records action points; sets, explains, and clarifies standards, boundaries, and responsibilities, and gives clear and concise directions to staff; proactively monitors and immediately responds to shortfalls in performance standards.

Case F puts in place tightly defined procedures and monitors people to ensure they follow them; organizes staff workloads effectively and prioritizes their own and delegated tasks to reflect the urgency or importance of them; manages/organizes people and resources in a structured and consistent manner; in urgent situations acts quickly and in a timely manner; resolves problems and coordinates solutions in a way that reflects the urgency of the situation; is focused on delivering tasks in a timely manner.

**2 Active supportive management and managerial leadership****Public Sector**

HGM provides active support and guidance; responds quickly and appropriately to staff problems; responds immediately to requests for help; congratulates and praises staff; supports team through its problems *and helps team members learn from their mistakes*.

Case A values work of team and acknowledges work completed to a high standard; assists other staff at busy times (e.g., prepared to get stuck in to alleviate work overload); *listens to staff when they are overloaded and helps to provide solutions*.

Case B praises staff regularly on achievements, and shows appreciation by saying “thank you”; actively supports individuals to find their own solutions to problems; effectively models good practice, and leads by example; provides good one-to-one learning support and supervision; gives in a constructive way both positive and negative feedback.

**Private Sector**

Case C thanks whole team for hard work and commitment; gives praise and constructive feedback to staff; provides additional resources in order to support staff; when workload is excessively high joins in to help out; is prepared to muck in and get their hands dirty; gives direction and guidance; rewards individuals for high performance and extra effort; thanks individual staff personally for hard work and extra effort.

Case D recognizes hard work and commitment from others; personally leads by example.

**Third Sector**

Case E gives personal praise, acknowledges achievements, good work, commitment, ideas and success; says “thank you” and recognizes performance in a personalized way; demonstrates they are happy to help, offering support and encouragement and responding quickly to requests for help; helps others to prioritize and manage tasks by breaking them down into chunks/component parts; creates a sense of identity and common purpose for a team, identifying priorities and tasks, and clarifying what is expected.

Case F encourages staff through supportive feedback; shows appreciation of his/her staff by giving them public recognition in front of the school, and making them feel part of the school team; values members of staff and gives acknowledgment to their individual efforts; says “thank you” to staff who do well.

### 3 Delegation and empowerment

#### **Public Sector**

HGM gives them [staff] the freedom to make own decisions without close supervision; encourages and empowers them [staff] to run their own unit/project and to work through their own problems; proactively and effectively delegates; encourages staff to take on new responsibilities; allows staff to develop and experiment with own ideas.

Case A positively delegates work to staff (e.g., is fair in delegating work, not just dirty work); gives staff freedom and flexibility in performing duties.

Case B delegates tasks effectively and monitors progress; actively listens and encourages teams to find their own solutions to problems; actively supports individuals to find their own solutions to problems.

#### **Private Sector**

Case C effectively delegates tasks and decisions.

Case D enables and empowers others to act on their own initiative; gives [to staff] responsibility while retaining accountability.

#### **Third Sector**

'Case E' Empowers staff to make their own decisions and effectively delegates tasks and responsibilities; Acts as a sounding board helping others problem solve and make their own decisions by listening, questioning and exploring options; Supports and backs up team members' decisions and judgment.

'Case F' Encourages and supports staff members to find their own solutions to problems; Encourages and empowers staff to take risks with no fear of blame should things go wrong.

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### 4 Care and concern for staff and other people

#### **Public Sector**

HGM deals with difficult or personal issues concerning staff and handles them sensitively; provides backing and personal support to staff confronted with particularly difficult/stressful operational situations; actively listens to their [staff] concerns, worries and anxieties; takes time to get to know staff.

Case A deals with personal and difficult situations with sensitivity; listens to staff on personal issues and acts to support the member of staff; responds quickly and appropriately to staff [experiencing] work problems; listens to staff when they are overworked *and helps to provide solutions.*

Case B supportively listens to the work concerns of staff; helps and supports staff facing difficult personal issues.

#### **Private Sector**

Case C offers support to staff that are facing problematic or difficult circumstances with work related tasks; shows care and concern for the health and well being of staff; recognizes fear and anxieties of staff in change situations and takes proactive action to allay or reduce fears; is willing to be flexible and gives support to staff that are experiencing problems in personal circumstances; checks that individuals/team are okay.

Case D shows interest in others, being responsive to their needs.

#### **Third Sector**

Case E shows genuine care and concern for others; listens to customer complaints and staff issues, takes them seriously, and deals with them in a positive adult-to-adult way.

Case F adopts a thoughtful, compassionate and supportive approach when staff are confronted by personal or professional dilemmas, or when delivering difficult messages to them; is empathetic and shows understanding of the staff's point of view; manager listens to the concerns of staff and in a supportive way; listens to and discusses with staff on such matters as alternative ways of working, and acts on their ideas.

5 **Fights for the interests of their staff and actively addresses their learning and development needs**

**Public Sector**

HGM argues a strong case for obtaining resources in support of staff wishing to develop new ideas; promotes the importance or needs of the department; brings to the attention of top management the achievement/contribution of staff; defends staff from unfair criticism/attack and protects their interests; provides coaching and training; recognizes, nurtures, and develops the latent abilities and potential of staff; *supports team through its problems* and helps team members learn from their mistakes; identifies the training needs of team members; initiates, promotes, and supports their [staff] personal and career development.

Case A publicizes and promotes good news stories to rest of the organization's staff; actively promotes work of staff and department; supports staff in identifying and finding development opportunities; ensures staff has the confidence and ability to perform required tasks (e.g., supports staff who require additional skills).

Case B provides good 1:1 learning support and supervision; shows *positive interest in staff* and supports the training and development of staff.

**Private Sector**

Case C ensures staff receive credit for work and achievements; supports staff when they feel overruled or under threat by complaints from another manager; actively provides development opportunities for staff; actively coaches staff to support their development; helps and supports staff to learn from their mistakes or under performance; arranges and provides on-the-job training for staff; actively supports career development within organization.

Case D creates opportunities to teach and coach using their own experience.

**Third Sector**

Case E builds and cultivates positive external relationships for the benefit of the organization's customers and staff; encourages and supports team members' personal development and career opportunities; responds positively to requests for resources (e.g., people, budget, equipment) and allocates resources appropriately.

Case F manager gives focus to the personal development of staff, including sharing their own experience with them.

6 **Open, personal and trusting management approach**

**Public Sector**

HGM creates a climate of trust; uses a personal approach to managing; takes time to get to know staff and develops in them a sense of trust.

Case A uses a personal approach to leadership (e.g., develops a sense of trust); develops trusting relationships with staff (e.g., does not break confidences of staff); makes time to talk to staff (e.g., engenders feeling of value in staff by showing an interest in their work).

Case B shows positive interest in staff *and supports the training and development of staff.*

**Private Sector**

Case C adopts an open and approachable leadership style.

Case D: has direct, open and honest style of communication.

**Third Sector**

Case E greets and interacts with others in an approachable, warm, and welcoming manner: speaks to people individually, showing a genuine interest by using names and personal anecdotes; asks probing questions in a friendly, none aggressive way.

Case F is approachable and builds a good working relationship with her staff; does what s/he says s/he will do and honors the commitments that are made; makes time to see his/her staff and for members of staff to come and see him/her.

7 **Involves and includes staff in planning, decision making and problem solving**

**Public Sector**

HGM consults and discusses change plans with staff; proactively canvasses and seeks their [staff] ideas; encourages staff to become involved with planning, decision making, and problem solving, particularly in change situations; invites staff to recommend how best to spend the departmental budget; includes team members in meetings and/or projects which normally would have involved higher grades of staff.

Case A develops long-term strategy with team members *and communicates objectives to staff*; involves staff in decision making where appropriate (e.g., consults staff on changes to work patterns etc.).

Case B consults and listens to those involved when making decisions; encourages staff to share their ideas and views; listens to sound arguments and is willing to review and change decisions.

**Private Sector**

Case C proactively asks staff for their views, thoughts, and opinions regarding business issues; involves staff in decision making and problem solving.

Case D consults and includes others in decision making.

**Third Sector**

Case E consults, includes, and involves others in decision making; listens to ideas and is open to other people's views; *maintains meeting agendas while* creating a climate for everyone to feel able and comfortable to contribute by encouraging participation.

Case F consults with and listens to staff on key issues and in appropriate situations before making her decision on matters that affect them; conducts collaborative discussions with staff in appropriate situations to arrive at workable solutions, and then makes a decision quickly; ensures staff are involved in decision making; listens to and discusses with staff on such matters as alternative ways of working and acts on their ideas.

## 8 Communicates well with staff and/or keeps them informed

### **Public Sector**

HGM actively listens to the views and opinions of staff; proactively disseminates within the team/unit major documents of importance; on major change initiatives conducts special events to communicate with staff and keep them informed; holds frequent meetings with staff.

Case A keeps staff informed of the organization's business (e.g., regularly updates staff in matters concerning the organization and how it applies/affects them); *develops long-term strategy with team members* and communicates objectives to staff.

Case B effectively keeps staff well informed of changes.

### **Private Sector**

Case C takes action to enable staff to see the bigger picture; makes an effort to ensure regular meetings take place with staff.

Case D has a direct, open, and honest style of communication.

### **Third Sector**

Case E *consults, includes, and involves others in decision making*; listens to ideas and is open to other people's views; forwards important, appropriate, and relevant information to team members promptly; conducts regular face-to-face one-to-ones with their team members; shares broad and detailed knowledge with others openly; creates a "vision" of the bigger picture and explains what is required and why, and checks understanding.

Case F communicates frequently and clearly with her staff through regular briefings, departmental meetings, and one-to-one meetings; informs staff about what is going on and brings to their attention matters of potential relevance/interest; communicates positively with staff through frequent discussions keeping them informed of management decisions; shares information with staff; reinforces organizational messages with her staff and talks through everything with them.

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### *Negative Generic Behavioral Criteria of Perceived Managerial and Leadership Effectiveness*

## 1 Poor quality/low standard of managing and tolerance of poor performance from others

### **Public Sector**

HGM condones ineffective/poor performance; fails or delays taking action to resolve problems of persistent underperforming staff; fails to recognize and attend to priority issues; allows a "next week will do" attitude to prevail in the department; fails to organize self and others; refuses to recognize problems or deadlines; fails to follow correct or appropriate procedures.

Case A does not treat staff equally (e.g., unfairly praises staff when not deserved); runs meetings ineffectively (e.g., allows certain staff to dominate meeting); does not control meetings effectively; fails to follow policies and procedures; makes poor decisions (e.g., applies blanket rule, which disadvantages all staff instead of dealing with member of staff who is abusing the system).

Case B avoids tackling poor performance issues; poor and ineffective planning, organization, and presentation skills; poor planning, organization, and facilitation of meetings; ineffective or inconsistent poor communication across teams.

**Private Sector**

Case C fails to take action to address substandard performance; fails to delegate tasks effectively.

Case D exhibits tolerance to low standards and poor performance; inadequate preparation and planning; does not communicate [plans for change] or manage change effectively.

**Third Sector**

Case E does not do what they said they would do, renegeing on promises; does not address the individual staff performance issues in the right way and at the right time, or does not address them at all; does not prepare adequate information prior to a meeting or presentation; does not establish what is required by obtaining a clear brief before starting/delivering a piece of work; does not set service standards for internal customers; is reluctant to pay attention to the detail, resulting in mistakes and inconsistencies; does not give direction or clarify what is expected; overrelies on trust and doesn't monitor progress; does not delegate effectively, feeling the need to do everything themselves rather than managing others; is indecisive in making decisions and/or sticking them; fails to manage meetings effectively.

Case F demonstrates a lack of planning of the work tasks of self and staff, and completes own tasks in an unplanned manner; fails to think things through and/or demonstrate a planned approach to managing situations and solving problems; when things go wrong the manager is quick to apportion blame without reviewing the circumstances; approaches and runs meetings in an unorganized way, and with agendas that result in the most important issues left to the end when there is insufficient time for proper discussion; demonstrates a lack of self-organization and discipline.

**2 Lack of interest in and/or care or concern for staff****Public Sector**

HGM shows lack of interest in or concern for staff; allocates work unfairly, placing unrealistic workloads/expectations on them (staff); is insensitive to individual needs; is unwilling to listen to staff concerns or answer their questions.

Case A does not support staff in difficult positions (e.g., does not back up staff member who is harassed by a member of the public); is unwilling to listen to staff or is not prepared to sort out staff problems; fails to recognize when staff member is struggling with tasks.

Case B is insensitive and dismissive toward staff anxieties and needs; delegates without consideration or respect for individual's workloads.

**Private Sector**

Case C fails to support staff in circumstances where they are asking for support or help due to excessive workloads; fails to acknowledge or pay any attention to staff; generally fails to respond to staff when they ask for help, support, or guidance.

Case D does not demonstrate personal commitment to/respect for others, *or recognize contribution [of others]*.

**Third Sector**

Case E shows a lack of interest when dealing with another person, not giving them their full attention; shows a lack of respect and consideration for others; engages in sensitive conversations and gossip at inappropriate times and places; creates unnecessary pressure [on others].

Case F does not listen to the ideas or concerns of their staff; takes no action to manage the expectations of staff; takes no action to develop good working relationships with people.

### 3 Inappropriate autocratic and nonconsultative management style

#### **Public Sector**

HGM takes all the credit for departmental achievements, *omits to thank or give recognition or praise for the good work of others*; manages in a dictatorial and autocratic manner; forces or imposes changes on staff with insufficient or no consultation, and takes action without considering the effects on staff.

Case A does not consult when giving out additional work (e.g., just expects individual to “drop everything” to complete a particular task); *does not inform staff of changes that are to be made* (e.g., does not consult on things, just implements them).

Case B is dismissive of staff views and ideas.

#### **Private Sector**

Case C treats staff like children; displays autocratic and controlling behavior; during change or problem situations fails to consult with key people and/or involve them in decisions; makes decisions without consulting teams or individuals about things that will affect them directly.

Case D does not involve others in decision making; does not communicate [plans for change] *or manage change effectively*; fails to agree objectives and clarify expectations.

#### **Third Sector**

Case E does not welcome others’ ideas and isn’t prepared to accept or discuss challenges to their own views; is dismissive of others and inhibits an open discussion using negative verbal or body language.

Case F communicates with staff in the same autocratic style as used with their pupils; consults with staff at inappropriate times, particularly when decisions have already been made; does not consult with staff on wider school issues; demonstrates a lack of trust in staff by interfering with tasks they are completing; delegates tasks to staff in a controlling manner.

### 4 Unfair, inconsiderate, selfish, and self-serving behavior

#### **Public Sector**

HGM makes self absent at critical times when a subordinate, team member, or colleague manager needs help, guidance, support, or advice; allocates work unfairly [preferentially] to self; allows staff to operate with inadequate resources *or denies them the resources that others in the organization receive*; encourages favoritism; is unfair in their dealings with people; excuses self from blame but blames others when things go wrong; adopts a narrow, parochial, selfish attitude; offloads problem staff on to other managers.

Case A does not treat staff equally (e.g., unfairly praises staff when not deserving); gives insufficient time to complete job (e.g., sits on allocating job until it is critical and then demands job to be completed in a rush); asks member of staff to stay late to complete task for deadline but is not prepared to stay over and help; *disregards policy* (e.g., makes decisions to meet own needs).

Case B blames others for own poor work performance; shows favoritism.

**Private Sector**

Case C demonstrates selfish and self-serving behaviors; fails to give instructions or explain what to do; shows favoritism and demonstrates double standards in decisions and behavior; doesn't bother to tell staff about meetings they should attend or arrange team meetings.

Case D becomes emotional, irrational, or temperamental; rearranges/cancels meetings at the last minute.

**Third Sector**

Case E does not consider the impact of their actions on others and focusing on their own needs above others; behaves irrationally and dramatically using overly emotive words; fails to treat people as individuals.

Case F does not admit to making mistakes; disciplines people in an unfair or inconsistent manner; works in a very task focused manner with no regard for people's feelings; will only listen to those concerns that are in line with their own thoughts; when things go wrong the manager is quick to apportion blame without reviewing the circumstances.

**5 Manipulative, undermining, and/or intimidating behavior****Public Sector**

HGM exhibits manipulative, politicking behavior; goes behind peoples' backs and overrides colleagues; *ignores policies and* tries to bypass the system; criticizes and derogates people behind their backs; undermines staff by dismissing their efforts, labels them with their weaknesses; is domineering, dictatorial, autocratic, and overbearing; engages in antagonistic, intimidating, threatening, abusive, humiliating, bullying behavior; acts in an irrational, volatile manner.

Case A criticizes members of staff in front of other members of staff, in meetings criticizes or *acts in negative way toward* staff; in staff meetings humiliates members of staff (e.g., breaks confidential news), fails to be open and honest with staff and plays one member of staff against the other; overrules decisions made by staff (e.g., humiliates member of staff who has made the decision); engages in bullying or harassing behavior).

Case B undermines and manipulates others; belittles staff in public areas; fails to follow policies, procedures, and rules effectively; uses intimidation to get results; is rude and shows anger when things go wrong; breaches confidentiality in public places.

**Private Sector**

Case C exhibits threatening or bullying behavior; makes derogatory comments about the business, colleagues, or other managers; is abrupt, rude, terse, curt, and uses expletives in language; imparts confidential and/or sensitive information to employees; shouts and snaps at staff in public and has stand up rows; undermines staff by criticizing, humiliating, or dressing them down in front of others; sends rude expletive e-mails; talks to staff in a patronizing, condescending, or derogatory way; does not trust or believe staff can carry out specific tasks.

Case D does not demonstrate personal commitment/respect to others or recognize [their] contribution; becomes emotional, irrational, or temperamental.

**Third Sector**

Case E openly criticizes others [in public]; uses language that is aggressive and undermining; behaves in a way that undermines the organization's values and doesn't role model the expected behavior; breaks company rules and/or doesn't follow processes.

Case F approaches conflict in a confrontational manner; shows a lack of honesty in their dealings with people; demonstrates an autocratic management style that leaves staff feeling threatened; undermines school processes and agreed procedures by not upholding and following them; deals with and handles school and private information without the appropriate level of confidentiality.

6 **Slack management and/or abdicating, ignoring or avoidance behavior**  
**Public Sector**

HGM exhibits *defensiveness and* reluctance to carry out any critical analysis of current methods; procrastinates; turns a blind eye to problems; ignores people problems hoping they will go away; avoids making decisions or taking necessary action; ignores policies and *tries to bypass the system*; avoids responsibilities by leaving own managerial work unattended; fails to give sufficient time to paperwork and the administrative aspects of management; shows disinterest in his/her post; abdicates roles and responsibilities; delegates to staff own managerial responsibilities, overloading them to the point of personal abdication.

Case A gives insufficient time to complete a job (e.g., sits on the job until it is critical *and then demands the job to be completed in a rush*); avoids making decisions (e.g., uses others to make decisions for them); disregards policy (e.g., makes decisions to meet own needs); refuses to recognize problems or deadlines (e.g., leaves tasks to last minute).

Case B avoids conflict and confrontation—unable to say no; avoids taking decisions, dealing with issues or taking action; abdicates responsibility for own work tasks; abdicates responsibility—consistently refers decisions up the line.

**Private Sector**

Case C fails to follow up on agreed actions or commitments; abdicates responsibility and lacks ownership by ignoring, opting out, or failing to make decisions; passes the buck instead of taking ownership of tasks.

Case D is reactive, focuses on detail rather than the big picture; displays a reluctance to embrace conflict; does not take responsibility, ownership, or accountability.

**Third Sector**

Case E does not respond to requests for information, help, or participation; puts a “spin” on a situation rather than being honest about bad news; *doesn't accept feedback about their team members, becomes defensive*, and demonstrates a lack of ownership for problems in their team; openly moans and complains to others and doesn't seem to seek to resolve the problem.

Case F makes decisions in an untimely manner; avoids making decisions and/or dealing with issues and taking action.

7 **Depriving and withholding behavior**  
**Public Sector**

HGM withholds or fails to impart/supply/notify the right people at the right time with accurate, reliable, consistent information; fails to inform or notify the right people at the right time; *allows staff to operate with inadequate resources* or denies them the resources that others in the organization receive; is not open, honest, forthright, and up front in their communications or dealings with people; forgets to let staff know of meetings until the last minute, or to inform/invite all the right people; *takes all the credit for departmental achievements*, omits to thank or give recognition or praise for the good work of others.

Case A gives little or no support to staff; does not support staff when [they find themselves] in a difficult position (e.g., when a member of staff was harassed by a member of the public the manager did not give any back up); does not praise or give credit when it is due; does not inform staff of changes that are to be made (e.g., does not consult on things just implements them).

Case B fails to pass on important information up and down the line; shows lack of appreciation for staffs' efforts; shows lack of interest or support for staff member's professional or career development; delegates tasks without clear explanation or instruction.

**Private Sector**

Case C fails to give feedback about performance; fails to give any feedback; does not provide support, coaching, guidance, guidelines, training, or induction; does not give feedback to staff that fail to succeed in internal interviews; withholds information and fails to give any explanation; fails to give recognition or credit to staff when they have worked extra hard, flat out and/or "pulled out all the stops"; fails to give induction, training, and/or coaching; deprives staff of training opportunities; *fails to give instructions or explain what to do.*

Case D communicates in an unclear, vague manner.

**Third Sector**

Case E gives superficial praise and doesn't celebrate or acknowledge achievements of others; does not ensure that new starters have the basic tools and information they need; fails to encourage and support staff's development and career opportunities.

Case F fails to consult or communicate with staff on wider school issues or keep them informed on matters they need to know about; fails to give staff constructive feedback on their performance and withholds guidance or help in their development; gives no time or support to staff who need and/or request help; gives no signs of appreciating/valuing their staff.

8 **Closed mind and negative approach**

**Public Sector**

HGM insists on sticking to traditional methods; takes no interest in keeping up to date with developments; exhibits defensiveness and *reluctance to carry out any critical analysis of current methods*; resists change and new working practices even to the point of "sabotage"; refuses to implement new systems.

Case A refuses to admit mistakes or failings; in meetings *criticizes or* acts in a negative way towards staff.

Case B makes decisions without considering the wider implications of the bigger picture; negatively colludes with staff on change.

**Private Sector**

Case C exhibits parochial behavior and demonstrates a "silo" mentality; is negative and/or defeatist in front of staff.

Case D demonstrates a lack of open-mindedness, focuses on obstacles.

**Third Sector**

Case E doesn't accept feedback about their team members; becomes defensive and *demonstrates a lack of ownership for problems in their team*; receives feedback negatively, doesn't listen to feedback or take it on board to change behavior or develop own learning; refuses to accept or acknowledge that their own behavior is inappropriate, being defensive and blaming others; outlines what can't be done without offering solutions; fails to appreciate the bigger picture or maximize on opportunities.

Case F dismisses suggestions offered by staff without giving any feedback about the relative relevance or merits of the ideas; demonstrates a lack of understanding of the organization's policies and procedures.

Notes: The words and phrases of those parts of behavioral statements (BSs) that are in *italics* do not relate to that particular criterion, but to some other criterion. The BSs that are underlined relate to and underpin more than one criterion. The full sample of BSs underpinning the 16 generic behavioral criteria can be obtained from the corresponding author, Robert G. Hamlin.

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Towards Universalistic Taxonomies of  
Perceived Managerial and Leadership Effectiveness

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## **Introduction**

Most managerial work and behaviour studies from the 1950s through to the present day have been focused on the duration and frequency of activities and behaviour, as opposed to the exploration of how behaviours are related to measures that distinguish effective managers from ineffective managers (Fernandez, 2005; Hales, 1986; Martinko & Gardner, 1985; Shipper & White 1999). As Borman and Brush (1993) observed, despite volumes of management research few studies have examined managerial behaviour in the context of the perceived critical performance requirements of a manager's job, and most have been directed toward a particular managerial job within a single organization with few examining managerial behaviour across varying industries, organization sizes and geographic locations. Consequently, Borman and Brush derived 'a taxonomy of managerial performance requirements' by summarizing and integrating multiple sets of performance-related dimensions of managerial behaviour gathered from 26 prior studies of manager performance; but all of these were conducted between 1951 and 1978. Similarly, Tett, Guttermann, Bleier and Murphy (2000) derived a "hyperdimensional" taxonomy of managerial competence from 12 source taxonomies, of which nine were published between 1951 and 1985. Yukl, Gordon and Taber (2002) developed a 'hierarchical taxonomy of leadership behavior' by integrating 'specific behavior components' selected from prior measures of managerial and leadership behaviour. But of the ten measures for which they provide a Harvard reference, seven were published between 1962 and 1990 and the other 3 between 1991 and 1998. More recently Yukl (2012) offered a similar hierarchical taxonomy of leadership behaviour derived from 75 cited works. Of these, 9 were published between 1948 and 1980, 46 between 1981 and 2000, and just 20 between 2001 and 2011.

Besides the somewhat dated nature of these respective source studies, virtually all were conducted in the United States of America (US). This raises questions about the generalizability of these taxonomies because, as various writers have argued, the relevance and transferability of US management research to non-US cultures can be problematic due to the cultural and organizational differences (Alban-Metcalf & Alimo-Metcalf, 2001; Ayman 1993; Holt, 1998; Peterson & Hunt, 1997; Triandis, 1993). Thus, the development of equivalent taxonomies derived from contemporary managerial behaviour studies conducted by indigenous researchers in other countries including the United Kingdom, and also cross nation comparative analyses, are warranted in order to empirically demonstrate the 'universal' versus 'culture specific nature' of management.

Another compelling justification for our study is the widely held belief that managers in public sector organizations should adopt different managerial behaviours to those in private sector companies because of the inherent differences between the two sectors (Baldwin, 1987; Fottler, 1981; Peterson & Van Fleet, 2008). However, although many researchers have examined these differences, few have been focused on whether management or leadership styles vary or should vary across sectors (Hooijberg & Choi, 1998). In the absence of empirical evidence demonstrating the managerial/leadership differences and similarities between sectors, or of clear, unequivocal and well understood behavioural indicators or criteria of effective managerial and leadership performance within organizations, managers

are likely to behave on the basis of their own individual personal preferences. To obviate this problem an organization needs either to establish through internal research its own organization-wide managerial behaviour effectiveness criteria by finding out the expectations of its managers and employees which, if met, lead to a perception of effectiveness; or if this is not affordable utilize generic behavioural criteria that have been empirically demonstrated to be relevant and transferable across organizations, organizational sectors, and even national boundaries.

In addressing the two research gaps identified above, this paper primarily describes the results of a recent multiple cross-case/cross-sector comparative analysis of empirical findings that we obtained from nine previous replication studies carried out by Author 1 (Hamlin) with various co-researchers in a diverse range of UK public, private and third sector organizations (see Table 1). We report the emergence of a ‘British taxonomy’ of perceived managerial and leadership effectiveness which is comprised of 16 generic behavioural criteria. The term ‘managerial and leadership effectiveness’ used here refers to the everyday managing and leading of employees, as performed by managers at all levels within organizational settings. Our paper also draws attention to the results of Hamlin, Patel, Ruiz and Whitford’s (2012) parallel multiple cross-case/cross-nation comparative analysis of empirical findings obtained from the same nine UK studies used by us, but also from six non-UK inquiries (see Table 1). Of the latter studies, two were carried out by Whitford and Ruiz

**Table 1**  
Empirical source studies used for the multiple case, cross-sector and cross-nation comparative analyses

<b>Empirical Source Studies</b>	<b>Specific collaborating organizations</b>
<i>UK replication studies</i>	
<i>Public Sector</i>	
Hamlin (1988).....UKA	UK state secondary schools: Dudley Local Education Authority
Hamlin, Reidy & Stewart (1998).....UKB	HM Customs & Excise-Anglia Region: A British Civil Service department
Hamlin (2002).....UKC	A UK ‘acute’ NHS Trust hospital in England
Hamlin & Cooper (2007).....UKD	The Birmingham Women’s NHS Trust Hospital
Hamlin & Serventi (2008) .....UKE	The Wolverhampton City Council Social Care Department
<i>Private Sector</i>	
Hamlin & Bassi (2008).....UKF	A global professional communications/advertising company
Hamlin & Sawyer (2007).....UKG	An international telecommunications Group plc
<i>Third (non-profit) Sector</i>	
Hamlin, Sawyer & Sage (2011).....UKH	A national registered charity
Hamlin & Barnett (2011).....UKI	UK independent secondary schools
<i>Non-UK replication studies</i>	
<i>Public Sector</i>	
Hamlin, Nassar & Wahba (2010) ..... EGYT	A public sector hospital in Cairo, Egypt
Hamlin, Ruiz & Wang (2011).....MXCO	A public sector hospital in Yucatan, Mexico
Patel & Hamlin (2012).....ROMA	A public hospital in Romania
Wang (2011).....CHNA	A public owned company in Beijing, China
Whitford (2010).....CNDA	A public sector electric utility in Canada
<i>Private Sector</i>	
Patel, Hamlin and Heidegen (2009).....GER	A heterogeneous mix of private companies from most regions of Germany

in Canada and Mexico respectively, three by Hamlin and Patel with various indigenous co-researchers in Egypt, Germany and Romania, and one by Wang (2011) in China with some guidance from Hamlin. The common aim of all these replication studies, of which many were single organization inquiries conducted in collaboration with the respective executive head/HR director and/or an HRD practitioner, was to identify what managers and non-

managerial employees perceived as *effective* and *least effective/ineffective* managerial behaviour.

The aim of our multiple cross-case/cross-sector study was to compare the findings of the nine UK inquiries, and search for empirical evidence demonstrating the existence of generic behavioural criteria of perceived managerial and leadership effectiveness. We addressed the following research questions:

- (i) To what extent are people's perceptions of the behavioural determinants (definitions) of 'perceived managerial and leadership effectiveness' within UK public, private and third sector organizations the same or different?
- (ii) Where such definitions are found to be held in common (if any), can they be expressed in the form of a generic or universalistic taxonomy?

### **Method**

The data collection method used by the respective researchers of our nine empirical source studies was Flanagan's (1954) Critical Incident Technique (CIT). This is considered one of the best methods for sampling important performance-related managerial behaviour, and for looking for evidence of commonalities in 'incidents' and behavioural themes across multiple organizational settings (Borman & Brush, 1993; Chell, 1999). The collected critical incidents were coded, categorized, and grouped in order to generate a set of discrete behavioural statements (BSs) and a 'lay' definition of perceived managerial and leadership effectiveness relevant to the particular collaborating organization(s). For our comparative study we used open, axial and selective coding to (i) identify and group the BSs that were the same, similar, or at least partly congruent in meaning, and (ii) to identify broad thematic behavioural categories containing at least one BS from all nine source studies. These categories, which we refer to as generic behavioural criteria, were interpreted and labelled according to the meaning held in common with all of their respective constituent behavioural statements.

### **Results**

Our findings demonstrate that managers and non-managerial employees within UK public, private, and third sector organizations perceive and define the behavioural determinants (criteria) of effective and ineffective managerial performance in much the same way. The main contribution of our work is the emergence of 8 positive (*effective*) and 8 negative (*least effective/ineffective*) generic behavioural criteria of perceived managerial and leadership effectiveness as shown in Table 2.

**Table 2.**

Generic behavioural criteria and emergent ‘British taxonomy’ of perceived managerial and leadership effectiveness

<i>Positive Generic Behavioural Criteria</i>	<i>Negative Generic Behavioural Criteria</i>
P1. Good planning and organizing and proactive execution and control*	N1. Poor quality/low standard of managing and tolerance of poor performance from others*
P2. Care and concern for staff and other people*	N2. Lack of interest in and/or care or concern for staff *
P3. Active supportive management and managerial leadership	N3. Inappropriate autocratic and non-consultative management style
P4. Delegation and empowerment	N4. Unfair, inconsiderate, selfish and self-serving behaviour
P5. Fights in the interests of their staff and actively attends to their learning and development needs	N5. Manipulative, undermining and/or intimidating behaviour
P6. Open, personal and trusting management approach	N6. Slack management and/or abdicating, ignoring or avoidance behaviour
P7. Involves and includes staff in planning, decision making and problem solving	N7. Depriving and/or withholding behaviour
P8. Communicates well with staff and/or keeps them informed	N8. Closed mind and negative approach

**Note:** (i) The juxtaposed positive criteria (P1, P2) and negative criteria (N1, N2) with ‘stars’ are essentially polar opposites  
(ii) The deduced ‘British taxonomy’ is comprised of 16 generic behavioural criteria excluding N1 and N2.

However, the vast majority of BSs that underpin two of the negative criteria (N1 & N2) describe the absence of the type of behaviours which underpin two positive criteria (P1 & P2). Consequently, these respectively juxtaposed criteria can be regarded as the polar opposite ends of a single behavioural construct. Thus our deduced ‘British taxonomy’ is comprised of 8 positive and 6 negative generic behavioural criteria which suggest that, regardless of organizational or sectoral context, managers are likely to be perceived effective by their superiors, peers and subordinates when they:- *are good in planning and organizing and proactive in execution, monitoring and control; show care and concern for staff and other people, and manage/lead their staff in an active supportive manner; when they:- delegate well and actively empower their staff; fight in their interests and for the interests of the department/unit; and also when they:- actively attend to the learning and development needs of their staff.* Additionally, managers are perceived effective when they:- *are generally open, approachable, personal and trusting in their managerial dealings with people; involve and include staff in planning, decision making and problem solving; and when they communicate regularly and well with their staff and keep them informed on organizational matters that will affect them.* Conversely, managers are likely to be perceived least effective or ineffective not only when they fail to exhibit positive (*effective*) managerial behaviours, but also when they are perceived to be *inappropriately autocratic and non-consultative; or unfair, inconsiderate, selfish, manipulative, self-serving, undermining and/or intimidating; or when they are and/or exhibit behaviours indicative of slackness or procrastination in the way they manage; or when they ignore and avoid and/or abdicate from their managerial responsibilities.* Additionally, managers are perceived least effective/ineffective when they actively or negligently *deprive and/or withhold from staff such things as key information, clear instructions, guidance, adequate resources, recognition, praise or feedback,* and when they *exhibit parochial behaviour, a closed mind, or a negative approach.*

The preliminary findings of the aforementioned ongoing multiple cross-case and cross-nation comparative study reported by Hamlin, Patel, Ruiz and Whitford (2012) point towards the possible existence of a ‘universal taxonomy’ which is very similar to our ‘British taxonomy’ (see Table 3).

**Table 3**

Universalistic behavioural criteria and emergent ‘universal taxonomy’ of perceived managerial and leadership effectiveness’

<i>Positive Universalistic Behavioural Criteria</i>	<i>Negative Universalistic Behavioural Criteria</i>
P1. Good planning and organizing, and proactive execution, monitoring and control* P2. Shows care and concern for staff and other people* P3. Supportive management and leadership P4. Delegation and empowerment P5. Actively addresses and attends to the learning and development needs of their staff P6. Open, personal and trusting management approach P7. Involves and includes staff in planning, decision making and problem solving P8. Communicates regularly and well with staff, and keeps them informed	N1. Poor planning, organizing and controlling, bad judgment, low standards and/or tolerance of poor performance from others* N2. Shows lack of interest in or respect for staff, and/or care or concern for their welfare or well-being* N3. Inappropriate autocratic, dictatorial, authoritarian and non-consultative, non-listening managerial approach N4. Unfair, inconsiderate, inconsistent, and/or selfish, manipulative, self-serving behaviour N5. Active intimidating, and/or undermining behaviour N6. Slack management, procrastination in decision making, ignoring problems and/or avoiding or abdicating from responsibilities N7. Depriving and/or withholding behaviour N8. Exhibits parochial behaviour, a closed mind, and/or a negative approach

**Note:** (i) The two juxtaposed positive criteria (P1,P2) and negative criteria (N1,N2) with ‘stars’ are essentially polar opposites  
 (ii) The emergent ‘universal taxonomy’ is comprised of 16 generic behavioural criteria excluding N1 and N2.

To illustrate the sameness of the compared BSs underpinning each criterion constituting the two emergent taxonomies, the behavioural contents of one positive and one negative criterion from the ‘universal taxonomy’ are shown in Appendix 1 and Appendix 2 respectively.

## Discussion

Our findings support Lau, Pavett and Newman’s (1980) claim that there are similarities between managerial behaviours across organizational sectors. Conversely, they lend little support for those who argue that to be effective managers in public and third sector organizations need to adopt different behaviours and styles to managers in private companies. An unexpected finding is the high degree of overlap between our UK positive generic behavioural criteria and the various behavioural categories constituting the four identified US taxonomies, being: 100% (n=8) for Tett et al’s (2000) taxonomy; 87.5% (n=7) for Borman and Brush’s (1993) taxonomy; and 75 % (n=6) for the taxonomies offered respectively by Yukl et al (2002) and Yukl (2012) (see Table 4). These results challenge

those who question the relevance and transferability of US management research to non US cultures, though some writers might argue that the overlap should be expected because the cultural similarities between the UK and USA are greater than the cultural differences between the UK and non-Anglo-Saxon countries. However, a striking difference relating to three of the four compared US taxonomies is their lack of focus and emphasis on managerial behaviour characterized by *open, personal and trusting* relationships with staff. This is particularly surprising in the case of Yukl et al.’s (2002) taxonomy because it was derived in part from component behaviours drawn from Stogdill, Goode and Day’s (1962) Leader Behavior Description Questionnaire (LDBQ-XII). Yet in this and all later versions of the LBDQ most of its *Consideration* items are similar to various behavioural statements

**Table 4** Overlap/convergence between the emergent ‘British taxonomy’ and three US taxonomies

‘British Taxonomy’ of Perceived Managerial and Leadership Effectiveness Hamlin & Hatton, (2013 <i>In press</i> )	US Taxonomy of Managerial Performance Requirements Borman & Brush (1993)	Two US Hierarchical Taxonomies of Leadership Behaviour Yukl, Gordon & Tabor (2002) <i>Yukl (2012)</i>
<i>Overlap/Convergence</i>	<i>Overlap/Convergence</i>	<i>Overlap/Convergence</i>
Good planning and organizing and proactive execution and control  Good planning and organizing and proactive execution and control	Planning and organizing  Monitoring and controlling resources	<u>Task Behaviour/Task-oriented</u> Plan short-term activities/ <i>Planning</i> Clarifying task objectives and role expectations/ <i>Clarifying</i>  Monitoring operations and performance/ <i>Monitoring operations</i>
Active supportive management and managerial leadership  Fights in the interests of their staff and actively attends to their learning and development needs  Communicates well with staff and/or keeps them informed.  Involves and includes staff in planning, decision making and problem solving  Delegation and empowerment  Care and concern for staff and other people  Good planning and organizing and proactive execution and control	Guiding, directing, and motivating subordinates and providing feedback  Training, coaching, and developing subordinates  Communicating effectively and keeping others informed  Delegate  Maintaining good working relationships  Decision making/problem solving Handling crises and stress	<u>Relations Behaviour/Relations-Oriented</u> Provide recognition for achievement and contribution/ <i>Supporting/Recognizing</i>  Develop member skill and confidence/ <i>Developing</i>  Consult with members when making decisions  Empower members to take initiative in problem solving/ <i>Empowering</i>  Provide support and encouragement (e.g. acting considerate, showing sympathy and support when someone is upset or anxious)/ <i>Supporting</i>  <i>Problem solving</i>
<i>No Overlap/Convergence</i>	<i>No Overlap/Convergence</i>	<i>No Overlap/Convergence</i>
Open, personal and trusting management approach  and also  Six negative generic behavioural criteria	Representing the organization to customers and the public Technical proficiency Administration and paperwork Coordinating subordinates and other resources to get the job done Staffing Persisting to reach goals Organizational commitment Selling/influencing Collecting and interpreting data	<u>Change behaviour/Change-oriented</u> Monitor the external environment/ Propose an innovative strategy or new vision/ <i>Envisioning change</i> Encourage innovative thinking/ <i>Encouraging innovation</i> Take risks to promote necessary changes/ <i>Advocating change</i> <i>Facilitating collective learning</i> <u>External</u> <i>Networking; External monitoring</i> <i>Representing</i>

**Note:** The specific component behaviours in *Yukl’s (2012) taxonomy* are typed in *italics*

underpinning five of our eight positive criteria, including the one labelled *Open, personal and trusting management approach*. Furthermore, the findings of Piccolo et al (2012) have demonstrated the dominant importance of *Consideration* behaviours for predicting leadership outcomes- including *perceived* leader effectiveness as well as the importance of basic interpersonal savvy in effective leadership. Overall, the high convergence suggests our

'British taxonomy' is likely to be contextually relevant and transferable to similar organizations in the United States.

A distinctive feature of our taxonomy is its near equal balance of positive and negative criteria. We suggest the inclusion of negative criteria is important because (i) in social interactions negative events can have a stronger impact than positive events, which means preventing them could be as important or even more important than encouraging positive behaviours (Baumeister, Bratlavsky, Finkenauer & Vohs, 2001; Duck, 1994); and (ii) ineffective managerial behaviours might be more important in influencing subordinates' performance and perceptions of manager support, and the subordinates' affective reactions to ineffective behaviours may be stronger than their reactions to effective behaviours (Amabile, Schatzel, Moneta & Kramer, 2004). Yet most past studies of 'managerial effectiveness' and 'leadership effectiveness' have focused on the *effective* behaviours and characteristics of managers and leaders, with much less attention being given to the *least effective/ineffective* behaviours and characteristics (Ashforth, 1994; Burke, 2006; Fernandez, 2005; Furnham & Taylor, 2004; Litsky, Eddleston & Kidder, 2006; Toor & Ogunlana, 2009).

### ***Limitations of our study***

Of our nine empirical source studies five were carried out in public sector organization. This means our deduced taxonomy may contain an under representation of behaviours exhibited by managers in private and third sector organizations. Furthermore, although the sample size of CIT informants of all these studies conformed with or exceeded Cresswell, Plano Clarke, Gutmann and Hanson's (2003) recommended range of 20 to 40, it is possible that some studies fell short of reaching data saturation point. Consequently, there may be other generic criteria of effective and least effective/ineffective managerial behaviour that have yet to be identified within and across UK organizations and organizational sectors.

### ***Implications for practice***

Our 'British taxonomy' indicates the type of specific behaviours that managers need to adopt and avoid if they are to establish a reputation for being effective in the eyes of their superiors, peers and subordinates. Potentially, it could be used in a wide range of UK public, private and third sector organizations for: (i) critically evaluating the content of existing competence-based management and leadership development programmes, (ii) designing training that focuses on the critical managerial behaviours which determine whether or not managers are likely to be perceived effective or least effective/ineffective, (iii) informing, shaping and/or increasing the relevance of assessment criteria used for: selecting managers, or measuring managerial performance through 360 degree appraisal instruments, or facilitating self assessment personal development plans, (iv) informing HRD/OD intervention strategies for bringing about desired change in an organization's management culture, or (v) developing management competency frameworks that are likely to have international relevance and utility. Furthermore, coupled with the emergent 'universal taxonomy' reported by Hamlin, Patel, Ruiz and Whitford (2012), the combined empirical findings could help multinational companies to better prepare their expatriates for managerial positions in other countries.

Additionally, with its near equal focus on least effective/ineffective as well as effective managerial behaviours, we suggest our 'British taxonomy' could be used to help

change the behaviour of managers who are arrogant and/or lacking in self-awareness. As various writers have observed, arrogance and a lack of self awareness can lead managers to believe their managerial skills are better than they are, or to be insensitive to how their behaviour affects others; and both of these characteristics are usually associated with ineffective management/leadership (Atwater & Yammarino, 1992; Farah & Dobbins, 1989; Johnson et al., 2010; Shipper & Davy, 2002; Silverman, Johnson, McConnel & Carr, 2012).

### **Conclusion**

HRD and OD initiatives designed to increase managers' self awareness or motivate managers to improve their managerial skills and behaviour, are more likely to be effective when informed by empirical evidence. We suggest our emergent 'British taxonomy' provides a suitable body of generalised 'best evidence' that could be used in support of 'evidence based' management and leadership development.

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## **Appendix 1.**

Illustration of the convergence of meaning of the BSs underpinning a positive behavioural criterion

### ***Good planning and organizing, and proactive execution, monitoring and control***

#### ***Public Sector Cases***

**UKA** Systematically monitors the teaching performance of staff by either listening in, walking through classrooms or sitting in [on classes]. Circulates to staff written agendas and key information papers in advance of scheduled departmental meetings and expects everyone to come properly prepared. Submits exam results and set lists before the due date by means of good organization of time, the setting of priorities and by total commitment to the achievement of tasks within the deadlines. Looks ahead and anticipates the likely effects of external changes and produces forward plans. Ensures all staff use and follow agreed procedures; expects everyone to come properly prepared for meetings. Prepares the ground thoroughly before presenting a case for consideration by top management. Initiates and/or personally develops the use of computerized systems for improving departmental and/or school-wide administrative procedures. Introduces on own initiative new imaginative concepts for making teaching more effective and/or exciting such as pupil directed projects for bright pupils.

**UKB** Undertakes the necessary groundwork and/or research in order to be well prepared for given situations; Confronts and/or speaks out to team members on difficult /sensitive issue. Gives feedback and constructive criticism to his/her people. Actively monitors individual and team performance. Innovates change or takes the initiative to offer improvement for the benefit of staff and organization. Takes initiative to solve problems and/or make more effective use of systems. Holds frequent meetings with team which are well organized and well run. Proactively sets out to build the team (e.g. ensures right people in right roles). Gets to know people on 1-to-1 basis. Inculcates team working. Organizes team building events.

**UKC** When faced with urgent or difficult problems/situations is good at making decisions and following them through and keeping promises. When making decisions or presenting an argument/case gathers and assesses all the relevant facts and judges things on their merits. Responds quickly and appropriately to staff/work problems. Takes control of difficult situations and deals with them quickly and appropriately. Recognizes problems and takes the necessary action. Prepares and organizes well for meetings (e.g. sorts out venues, sets, publishes and sends out agendas before meetings, things what other people will want in advance). Develops a long term departmental strategy and plan which provides clarity regarding the overall purpose, the roles, goals and targets of all individuals in the department. Thinks ahead and ensures things are done in good time, prepares well for situations and contingencies (e.g. uses good forward planning, prepares well for negotiations, is forward thinking). Holds regular meetings and/or team briefings with his/her team.

**UKD** Prepares well for meetings so that his/her meeting is run effectively and efficiently. Plans ahead so that work can be carried out effectively. Uses resources well (e.g. brings in people to assist in times of pressure; chooses the best person for the job). Responds quickly and appropriately to staff work problems. When problems occur he/she deals with them quickly and fairly.

**UKE** Plans and prepares well in advance of meetings. Pro-actively deals with issues quickly. Proactively addresses poor performance issues with staff. Pro-active and consistent management of difficult and challenging issues. Gathers all the relevant facts and data to make informed decisions. Demonstrates consistency in applying rules and procedures. Takes a strategic management approach to getting results. Manages conflict assertively and fairly. Effectively chairs and facilitates structured meetings. Gives constructive positive and negative feedback. Shows flexibility creativity and innovation in problem solving.

**EGYT** Sets SMART goals, plans and metrics (measurement) for staff. Is good at controlling, resolving problems, and achieving results with minimum loss of time. Prepares for meetings effectively. Is good at planning, organizing and decision making. Remains calm and in control of his emotions when faced with hard situations, and does not lose his temper. Actively seeks and takes action to obtain high standards of performance and productivity from his staff and department. Is creative in his management and encourages creativity in others. Treats staff fairly, applies rules equally to everyone without exceptions, and is fair and strict in applying rewarding systems.

**MXCO** Maintains high professional standard of his unit, and gives support to his own employees or those from

the preceding shift by providing cover on those occasions when they cannot stay after regular hours to check emergencies are under control and to attend to the patient. Is an effective problem solver-proactively solves problems in a timely manner. Points out to employees areas of improvement so they can make corrections to do better work. Shows concern for providing good customer service to patients by ensuring they receive excellent attention from his employees and by looking for better ways of working.

**ROMA** Reacts quickly and calmly to changing and/or stressful situations, and to staff problems, and is quick to take action and/or provide answers. Anticipates trends and potential problems, and introduces preventive measures or innovations as appropriate. Recognises and finds solutions to problems, and takes the necessary action to reduce or eliminate them. Sets and agrees priorities/objectives for/with staff and gives them clear future direction for their daily work. Demonstrates good planning, organization, and control of work/projects for self and staff. Establishes work priorities, deadlines and priority resource needs, and monitors progress. Convenes and chairs meetings with staff that are well prepared and organized. Arranges periodic performance review meetings with every member of staff (or sends them a written progress report) in order for them to receive useful feedback. Holds periodic meetings with team and individuals to clarify or discuss issues needing attention or solution and to exchange views. Gives honest and immediate feedback to staff on their work, performance and/or on problematic issues confronting them, and exhibits honesty and integrity in all other dealings with people.

**CHNA** Focuses on performance instead of personal relationships.

**CNDA** Decision making and problem solving. Follows through/follows up. Planning and work management. Provides structure. Manages conflict and discipline.

#### *Private Sector Cases*

**UKF** Addresses sub-standard behaviour of staff in a proactive manner. Recognizes fear and anxieties of staff in change situations and takes proactive action to allay or reduce fears. Immediately tackles poor performance issues. Takes action to enable staff to see the bigger picture. Is innovative and creative in producing new ideas to help staff. Checks that individuals/team are/is OK.

**UKG** Conducts regular, effective meetings to set objectives, allocate tasks and review performance. Utilizes information, knowledge and experience effectively in decision making. Is personally prepared to tackle difficult/sensitive issues. Thinks beyond constraints for continuous improvement. Effective project planning and management. Considers impact before action.

**GER** Is committed; shows accountability and initiative. Organizes project adequately, provides for well structured and organized job environment. Acts in an objective and goal-oriented way.

#### *Third Sector Cases*

**UKH** Focuses on positives and provides clear, sensitive and constructive feedback when addressing performance issues. Addresses individual performance issues at the time in an 'adult to adult' way. Sets, explains and clarifies standards, boundaries and responsibilities, and gives clear and concise directions [to staff]. Plans meetings in advance taking responsibility for the structure, direction and focus, sets the agenda, and records action to be taken. Proactively monitors and immediately responds to shortfalls in performance standards, questioning and challenging in a positive 'adult to adult' way before taking action. Does what they say they are going to do. Addresses negative behaviour within a group in a clear, positive way, gaining control, and re-directing focus back onto the agenda. Creates a sense of identity and common purpose for a team, identifying priorities and tasks and clarifying what is expected. Keeps calm when faced with potentially stressful situations, assessing the facts and potential outcomes before taking action. Reflects when something goes wrong and makes use of what they have learned. Creates a 'vision' of the 'bigger picture', explains what is required and why and checks understanding.

**UKI** Puts in place tightly defined procedures and monitors people to ensure they follow them. Plans and organizes well in advance the duty roster and other things affecting staff. Organizes staff workloads effectively and prioritizes their own and delegated tasks to reflect the urgency or importance of them. Manages/organizes people and resources in a structured and consistent manner. In urgent situations the manager acts quickly and

in a timely manner, avoiding any waste of time. The manager resolves problems and coordinates solutions in a way that reflects the urgency of the situation. The manager executes tasks efficiently. Gives to staff clear guidelines in which to work. When managing conflict situations she remains calm herself, takes the heat out of the situation, and calms others down in a supportive manner.

## Appendix 2

Illustration of the convergence of meaning of the BSs underpinning a negative behavioural criterion

### ***Unfair, inconsiderate, inconsistent and/or selfish, manipulative, self-serving behaviour***

#### *Public Sector Cases*

**UKA** Loads self with easy/quick to mark exam papers while allocating to staff those that are time consuming. Timetables examinations and report writing in same week without giving consideration to the effects on staff with already heavy workloads. Refuses to change own plans or working arrangements in order to help or make things easier for a colleague Head of Department. Allocates a disproportionate number of the academically bright pupils and/or VIth Form classes to self to teach. When arranging outside events omits to announce the arrangements to colleagues until the day of the event and then expects pupils to be released from lessons at very short notice. Takes all the credit for departmental achievements and omits to thank or praise the efforts of the staff. Accepts teaching timetables for the department which, from the point of view of the staff, are not conducive or wholly practical for effective teaching by virtue (e.g. for example, of classes being too large and/or the walking distances between classrooms too great for carrying heavy equipment). If involved in selecting replacement staff, avoids choosing the strongest candidates with forceful personalities and qualities of leadership, in preference for weaker candidates who can be easily handled/manipulated. Nominates self or deputy to attend external 'in-service' training courses and not the staff. Opts out if he cannot easily get his own way (with peers) at meetings of Department Heads. Allows own personal preferences and prejudices to influence/bias the way he represents the views and opinions of his staff to higher management. Refuses to broaden the curriculum to help develop skills linking in with other subjects for fear of devaluing the subject specialism.

**UKB** Excuses himself from blame and/or blames others when things go wrong; Shows favouritism when allocating resources such as office accommodation, furniture, IT equipment. Within the promotional system exhibits favouritism. Takes all the credit for success achieved by own team members. Adopts an uncooperative attitude towards others (e.g. empire building at expense of other units; refuses to work with peers/teams from the Headquarters). Adopts a *narrow, parochial and/or selfish* attitude. Delegates to staff own managerial responsibilities, overloading them to the point of personal abdication and subsequently blaming them when things go wrong. Moves own poor performers or problematic team members to other teams thereby leaving the recipient managers to resolve the problems associated with the people. Manifests manipulative or politicking behaviour, saying or doing one thing and then changing behind people's backs. Allows team to run with insufficient or inadequate resources.

**UKC** Is inconsistent and/or unfair in his/her dealings or handling of people. Refuses to admit to their own mistakes or errors in judgment and instead blames others Exhibits manipulative, politicking *and undermining* behaviour (e.g. saying one thing but doing another; using delaying tactics; *playing one person/group off against another*).

**UKD** Does not treat staff equally (e.g. unfairly praises staff when not deserved). Asks a member of staff to stay late to complete a task to meet a deadline but is not prepared to stay over and help. Disregards policy (e.g. makes decisions to meet own needs). Gives [staff] insufficient time to complete jobs (e.g. sits on [allocating] a job until it is critical and then demands the job to be completed in a rush). Refuses to admit mistakes or failings.

**UKE** Blames others for own poor work performance. Shows favouritism. *Undermines and* manipulates others. *Ineffective or* inconsistent poor communication across teams.

**EGYT** Treats staff unequally, unfairly and preferentially. Exhibits selfish and self serving behaviour. Will never admit to own mistakes, faults and shortcomings, *and/or refuses to accept criticisms or complaints*; Allows his/her judgments and decisions to be unduly influenced by personal feelings and relationships, mood swings, *rumors, and the subjective opinions of others*. *Disparages staff and* manipulates discord between them. Places unreasonable work demands on staff.

**MXCO** Hires incompetent people just because they are his friends. Manager shows preference for certain employees, and makes arbitrary decisions based on this preference. Lacks credibility, says one thing and does another. Blames employees without first investigating the problem. Unfair in the way to apply disciplinary action, tolerates wrongful behaviour of employees who are close to him. Gives rude responses *and shows arrogance and a bad attitude*. Abuse of authority. Ineffective delegation of work, assigning more work to some and less to others.

**ROMA** Treats staff unfairly, unequally and/or with favouritism regarding such matters as the granting of wages and bonuses, approving requests, providing training/promotion opportunities, and/or making judgments about people. Exhibits selfish or self-serving behaviour at the expense of her staff. Allows misunderstandings and personal conflict between self and other managers to persist at the expense of full effectiveness and efficiency;. Fails to give sufficient advance notice of meetings he/she convenes. Cancels/postpones planned meetings at last minute. Exhibits an inability to admit his/her own mistakes, or when he/she is wrong.

**CHNA** Acts selfishly (-abuses authority for personal gain). Does not evaluate employees in a fair manner. Shows favouritism.

**CNDA** Provides limited opportunities for growth, treated people inconsistently. Provides insincere praise. Spreads the blame but took the praise for themselves. Displays unprofessional showing favouritism, double standards, engaging in questionable hiring practices and taking credit for other's ideas.

*Private Sector Cases*

**UKF** Demonstrates selfish and self-serving behaviours. Shows favouritism and demonstrates double standards in decisions and behaviour. Doesn't bother to tell staff about meetings they should attend *or arrange team meetings*.

**UKG** Becomes emotional, irrational or temperamental. Re-arranges/cancels meetings at the last minute.

**GER** Does not treat employees equally/favours certain employees. Criticises in an unfair way/*gives unjustified criticism*. Ignores work overload, does not respect limited working capacity assigns task despite lack of skills. Does not stick to arrangements, does not keep promises.

*Third Sector Cases*

**UKH** Not considering the impact of their actions on others, and focusing on their own needs above others. Shows a lack of *respect and* consideration for others, engaging in sensitive conversations and gossip at inappropriate times and places.

**UKI** Disciplines people in an unfair or inconsistent manner. Does not admit to making mistakes. When things go wrong the manager is quick to apportion blame without reviewing the circumstances. Shows a lack of honesty in their dealings with people. Will only listen to those concerns which are in line with their own thoughts. Undermines school processes and agreed procedures by not upholding and following them. Works in a very task focused manner with no regard for people's feelings Approaches conflict in a confrontational manner.

**Note:** (i) Those 'units of meaning' typed in *italics* in some of the BSs do not relate to this particular generic behavioural criterion

## Submission from Henley Business School

### **Understanding the current situation – how good is management and leadership in the UK? (including international comparative data).**

The evidence overwhelmingly suggests that managerial capability impacts organisational competitiveness (1), and practice innovation (2). On the other hand there is a substantial productivity gap between UK and key G8 countries such as The USA, France and Germany. The evidence is also that the UK lags behind its major competitors when it comes to deploying modern management practices (3 and 4). A closer look at the available studies suggest that management and leadership in some of the top UK companies is comparable with the best in the world but that there is a very long tail of less well performing UK companies which affects the overall performance of the UK plc. This pattern is particularly evident for medium and smaller businesses. In our view a number of factors contribute to the existing situation. These are discussed briefly.

- The term “manager” is used to cover a wide range of job categories and unlike other professions (for example, accountancy) managers do not have to belong to a professional body and / or have any form of appropriate qualification attesting to their capability. We believe UK management as whole will benefit from greater professionalization.
- All the evidence suggests that UK competitors such as Germany, France, and the USA spend significantly more on management training than UK. This lack of attention to development of managers has a negative impact for the UK. To address this gap it is necessary to stimulate the demand side by providing tax breaks for CPD activities, creating regional hubs of business schools to offer range of training and other services to small and medium size enterprises, develop more evidence that development pays.
- Expand management teaching and increase teaching to those who have yet to enter employment. This will lead to widespread basic understanding of management practice for those who will, in the future, be leading UK industry. It is interesting to note that this model has been used in the French ‘grande ecole’ system for many years.
- Engage more closely with business, develop more partnerships, and close the gap between business and business schools through nationally organised secondment opportunities. The secondment opportunity should be extended to include government as well as the third sector.

### **Future skills needs – understanding the potential impact of global markets, technology, workplace and societal trends on management and leadership skills and behaviours**

It is difficult to predict the future. Current trends suggest that technological change will continue apace. Similarly, globalisation is likely to intensify as today’s organisations enter the international arena much quicker than would their predecessors – indeed some organisations are born global.

Traditional organisations are also entering the international arena, for example, John Lewis (5). From social point of view the new generation is much more at ease with technology, less constraint by national identity, less patient and more demanding. These suggest that to be successful in the future organisations need to be more flexible, more responsive and more innovative. This in turn suggest that successful leaders / managers need to identify and grab opportunities, look into future and at the same time seek effectiveness and opportunities, understand different cultures, and create a balance between exploration and exploitation. In short they need to be adaptable and continuously develop themselves and the organisation. The pace of technological change and globalisation is likely to pick up.

All of this again means that a good understanding of what good management is and what being a good manager means must be instilled at early stages of individuals' careers. Waiting until they are senior enough to recognise that they need training is too late.

### **Pathways to progress – the key enablers that can raise the game of aspiring managers and leaders to help them achieve success in this future context.**

There is a need to explore new models of training in conjunction with businesses and other interested stakeholders. The key is to find a model that takes learning to managers workplace and learning is an integrated part of the on-job-training. Workplace Study 2.0 is more likely to succeed because the technology has advanced so much. Furthermore, we need to pay greater attention to creating opportunities for practicing managers to study part-time and offer tax breaks to those managers who are investing in up skilling. MOOCS may offer another route. We also need to develop long-term partnership with technology and intermediary businesses.

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# **The 6 Box Leadership Diagnostics: Implementing Management Research into Practice for More Value Creation<sup>1</sup>**

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## **ABSTRACT**

Organisations today are facing substantial challenges, and some of the key reasons for this are outdated management practices based on mechanistic, Taylor-based paradigm and vertical leadership approaches. The 6 Box Leadership diagnostic system has been developed on the basis of many years of interdisciplinary research to enable organisations to discover hidden strengths and weaknesses in the areas of Culture, Relationships, Individuals, Strategy, Systems and Processes, and move towards management based on collaborative culture, distributed leadership and autonomy. This article presents research background to the 6 Box Leadership model and associated diagnostic tool, it discusses its diagnostics capability and provides a detailed case study and examples of various other organisations where this diagnostic tool has been used to facilitate more value creation, improved performance, innovation and engagement.

**KEYWORDS:** 6 Box Leadership, value creation, innovation, engagement

## **Introduction**

It is apparent that organisations today face unprecedented challenges. Some of the key challenges include: a disruption from unconventional rivals, intensifying competition for talent, accelerating pace of change, complexity and uncertainty, as well as a fast transition from the “knowledge economy” to the “creative economy” (Hamel, 2012). Furthermore, performance continues to decline whether measured through Return on Assets or Return on Invested Capital; U.S. firm's Return on Assets has progressively dropped 75% since 1965, despite rising labour productivity (<http://ow.ly/7TeUE>). The average life expectancy of Fortune 500 companies has steadily decreased from 75 to 15 years in the last 50 years. Furthermore, data shows that only 25% of the workforce is passionate about their work, despite the plethora of techniques and resources spent on L&D and global figures for engagement show that 80% of employees are less than fully engaged at work (Hamel, 2012).

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<sup>1</sup> This article is based on the content of the book by Vlatka Hlupic “*The Management Shift - How to Harness the Power of People and Transform Your Organization for Sustainable Success*”, to be published by Palgrave Macmillan in November 2014.

The key causes of this problem are outdated Management 1.0 practices based on mechanistic paradigm, bureaucratic organisation, hierarchical command and control mind set, standardisation and specialisation (Hamel, 2012). Similarly, the key premises of a Taylor approach are: Defining the task, command and control, strict standards, focus on quantity, measuring performance to strict standard, and minimising the cost of workers for a task. This is in contrast to Peter Drucker's premises which include: Understanding the task, giving autonomy, continuous innovation, focusing on quality, continuous learning and treating workers as an asset not a cost (Bergstrand, 2009).

Management 1.0 and Taylor based approach worked well for driving productivity and efficiency in production economy but is detrimental for innovation, engagement and resilience which are the key ingredients for success of modern, knowledge based organisations moving towards creativity economy. Current mechanistic management practices fuel mismatch with knowledge workers' needs, as they tend to ignore corporate hierarchy and need autonomy to be more innovative. As a consequence, people are becoming less engaged, collaborate less, cannot thrive and achieve their full potential. Furthermore, there is a lack of creativity, innovation and passion for work and many organisations are not sufficiently adaptable to survive. In knowledge-based organisations in particular, Drucker-based management will lead to more value creation, innovation and engagement.

### **Implementing New Management Practices for More Value Creation and Innovation**

To address this problem, organisations will need to create more value and become more engaging, innovative and resilient than they are now (Hamel, 2009). This requires a fundamental, counterintuitive change of traditional management and leadership practices as well as a change in the mind set. Implementing reinvented management will lead to highly engaging and innovative organisational cultures, based on Management 2.0 principles (<http://www.managementexchange.com/m20-principles>) such as collaboration, transparency, meritocracy, purpose, community and autonomy, where the authority is distributed and decisions are made on the basis of knowledge rather than a formal position in organisational hierarchy (Amar *et al.*, 2009) and organisations are managed holistically as complex adaptive systems (Holland, 2006).

Many leading management thinkers have recognized the need for moving away from mechanistic models of management towards distributed leadership and decision-making,

collaborative culture and more social orientation of businesses in addition to Peter Drucker (Drucker, 1954) – from Charles Handy (Handy, 1989) to Henry Mintzberg (Mintzberg, 1998) and Gary Hamel (Hamel, 2007). A more recent synthesis of a large body of the literature on leading knowledge workers (Amar and Hlupic, 2012), also reveals that in order to foster innovation in knowledge based organisations, a different leadership style is needed, based on horizontal rather than vertical leadership, where power and authority are distributed on the basis of knowledge.

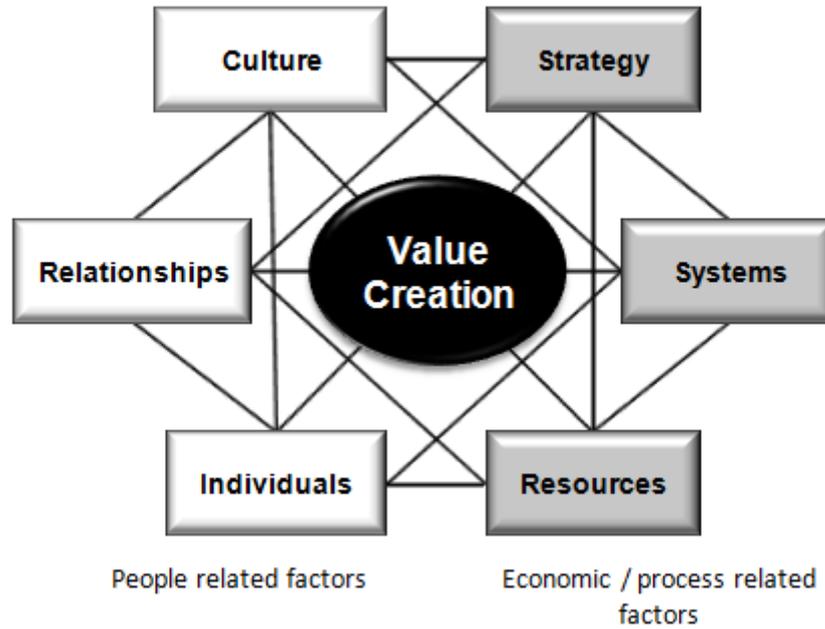
One common thread throughout all relevant seminal and emerging literature in management is that a majority of authors focus on *what* organisations should do to address their challenges, create more value and improve innovation and engagement. However, a research on *how* to do this in practice is rather rare (Amar *et al.*, 2009). In order to address this gap, the 6 Box Leadership Model was developed, as described in the following section.

### **The 6 Box Leadership Model: Creating More Value and Innovation Through Holistic Management**

Based on an extensive research, a holistic 6 Box Leadership Model was developed to help organisations to move towards Peter Drucker’s management principles and Management 2.0 culture, create more value and to discover specific bottlenecks to value creation in six interrelated areas, covering both people related and economic factors: *Culture, Relationships, Individuals, Strategy, Systems and Resources*.

The initial phase of developing this model related to development of a framework with more than 130 factors that drive value creation in organisations, and grouping these factors in the above-mentioned six areas. This was done through empirical and theoretical research using a thematic analysis with coding. An on-line questionnaire with 105 questions was developed and tested in 10 organisations. Subsequent to this, the final framework was developed with 150 factors that drive value creation in organisations.

In the next phase, an on-line assessment instrument with 120 questions was developed on the basis of the revised framework, and supporting software platform was redeveloped. Figure 1 shows the 6 Box Leadership Model, whilst Table 1 shows examples of the key factors that create value in organisations in each of the six areas.



**Figure 1. The 6 Box Leadership Model**

**Table 1. Examples of factors in the 6 Box Leadership model**

<b>People and Experiential Factors</b>	<b>Economic and Material</b>
<p><b>CULTURE</b>            Motivated employees            Caring ethos            Democratic culture            Innovation embedded in the culture            Autonomy of employees            Distributed authority            Transparency            Trust            Tolerating Mistakes</p>	<p><b>STRATEGY</b>            Collaborative development of strategy            Prioritising long term performance            Aligning of people and systems            Understanding of a strategic direction            Innovation embedded in strategy            Avoiding micro-management            Prioritising people aspects of an organization            Working collaboratively with customers and suppliers            Managing risk</p>
<p><b>RELATIONSHIPS</b>            Co-operation            Effective working relationships            Lack of unproductive conflicts            Facilitating informal networks            Good communication            Team building            Type and quality of internal relationships            Established coaching and mentoring            Interactions amongst employees</p>	<p><b>SYSTEMS</b>            Distributed decision making            Self-organization of employees in communities            Distributed flow of power, authority and information            Experimenting with new ideas            Flexibility of systems, process and technology            Accountability / Reversed accountability</p>

	Delegating responsibilities not tasks Eliminating activities that fail to add value Regular feedback
<b>INDIVIDUALS</b> Attitude of employees Mindset of employees Education and expertise of employees Opportunities for learning and development Motivation of employees Interpersonal skills Emotional and social intelligence Alignment of individual and organizational values Sense of purpose and passion for work	<b>RESOURCES</b> Access to resources Compensation schemes Sharing of resources Access to information Accuracy of information Intellectual property rights IT infrastructure Resources and support Software and collaboration tools

The original 120 6 Box Leadership questions (grouped in six boxes), were regrouped and mapped according to additional three frameworks for additional analysis:

(a) *Management 2.0 principles*

The 6 Box Leadership questions were mapped to 12 principles of Management 2.0 (<http://www.managementexchange.com/m20-principles>) which resulted from Management 2.0 Hackathon conducted within the Management Innovation Exchange (MIX) community. The key principles include (as shown in Table 7): 1. Openness, 2. Community, 3. Meritocracy, 4. Activism, 5. Collaboration, 6. Meaning, 7. Autonomy, 8. Serendipity, 9. Decentralisation, 10. Experimentation, 11. Speed and 12. Trust. Using this mapping of the 6 Box Leadership questions enables to assess to what extent an organisation has implemented Management 2.0 principles and which are the strongest and weakest principles, depending on average scores obtained for each principles.

(b) *Key ideas of Peter Drucker*

Eight key ideas from Peter Drucker's work were selected, and all 120 questions were mapped into groups related to these ideas: 1. Productive organisation / decentralisation, 2. Respect of workers / employees as assets, 3. Knowledge work productivity, 4. The imperative of community, 5. Focus on serving customers, 6. Responsibility for the common good, 7.

Focusing on core competencies / properly executing business processes, 8. Management by balancing a variety of needs and goals. Using this mapping of the 6 Box Leadership questions enables to assess to what extent an organisation is managed using Peter Drucker's principles and which are the strongest and weakest principles, depending on average scores obtained for each idea.

### *(c) Reinvention Framework*

The 6 Box Leadership questions were also mapped to Bergstrand's Reinvention Framework (Bergstrand, 2009) which has been used in various organisations to improve knowledge work productivity. This framework consists of four key knowledge work productivity areas: 1. Envision, 2. Design, 3. Build and 4. Operate. 120 6 Box Leadership questions were mapped to these four areas to assess where the strengths are and blockages to knowledge work productivity in a particular organisation.

For all four mappings of 120 questions that drive value creation, innovation and engagement in organisations, average scores below 40-50% are considered as a sign of possible weakness in a particular area, and scores above 60% as considered as a strength. Scores are relative for a particular organisation, and relatively high scores in a particular organisation could be considered as low in another organisation, which has higher average scores in all areas.

For each question, a 6-point Likert scale was used to eliminate neutral answers, and the possibility to add qualitative comments was also provided. Scores are translated into percentages, and the word frequency of the keywords used in comments is also calculated. In the *fifth phase*, an on-line assessment tool developed has been further tested empirically using 11 additional case studies. Finally, on the basis of data collected, statistical analysis was conducted to determine the reliability of the questionnaire. A random sample of 456 data sets was analysed using Statistical Analysis System (SAS) software. The Cronbach Alpha coefficient was used to check the internal consistency of data. For all six variables (Culture, Relationships, Individuals, Strategy, Systems and Resources) Cronbach Alpha values were high, between 0.812090 and 0.938309, indicating very good reliability of the questionnaire.

In summary, the following nine steps within the process of development of the 6 Box Leadership diagnostic tool have been taken:

1. Development of an initial framework with 130 factors (grouped in six areas: Culture, Relationships, Individuals, Strategy, Systems, Resources) that drive value creation in organisations based on more than 15 years of empirical and theoretical research using a thematic analysis (Boyatzis, 1998) with coding,
2. Development of the on-line questionnaire with 105 questions,
3. Empirical testing of the on-line questionnaire on 10 organisations,
4. Development of the final framework with 150 factors that drive value creation in organisations based on additional research and further thematic analysis with final coding,
5. Development of the final version of the online questionnaire with 120 questions,
6. Producing mappings of 120 questions to additional three frameworks: Reinvention Framework, Management 2.0 Principles and the Key ideas from Peter Drucker,
7. Development of the new 6 Box Leadership software platform for data collection and analysis, with enhanced functionalities that include all four mappings of 120 questions,
8. Empirical use of an online diagnostic tool in 11 additional organisations.
9. Statistical analysis of data sample to determine reliability of the questionnaire and data correlation.

The original basis for the 6 Box Leadership Model was more than 15 years of research, but it took a further four years of intensive research and practical work to complete the above nine steps.

Figure 2 shows an example of data input in the Culture section of the questionnaire using an on-line tool. Figure 3 shows an example of demographic data input. Figure 4 shows an example of aggregate scores obtained by a company using all four mappings for one company and Figure 5 shows aggregate scores for several companies.

**Six Box Leadership - Questionnaire**

Questions. Section 1 of 6 - Culture	Strongly Disagree ↓	Disagree ↓	Slightly Disagree ↓	Slightly Agree ↓	Agree ↓	Strongly Agree ↓	Not Applicable ↓	Don't Understand ↓	Optional Comments ↓
1 - Employees are motivated to do their best at work	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
2 - Employees are stressed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
3 - Employees are overworked	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
4 - Our organisation has a caring ethos	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
5 - Innovation is part of our culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
6 - Our culture has a sense of purpose	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
7 - Trial and error is part of our culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
8 - An internal sense of community spirit is part of our culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
9 - Environmental responsibility is part of our culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
10 - Giving back to the community is part of our culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
11 - Transparency is part of our culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
12 - Trust is part of our culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
13 - Ethical behaviour is part of our culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
14 - Senior management determine the culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
15 - Accountability is part of our culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
16 - Command and control is part of our culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
17 - Employee's values are aligned with the organisation's values	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
18 - Democracy is part of our culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
19 - Employees succeed based on the quality of their ideas	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
20 - Employees are afraid to take courageous decisions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
21 - Our culture focuses on delighting customers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>
22 - Encouragement is used regularly instead of criticism	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text"/>

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**Figure 2. The 6 6 Box Leadership data input example in Culture box**

**Six Box Leadership - Questionnaire**

**Candidate ID: 31, Company: Department 1.1**

Thank you for agreeing to complete the Six Box Leadership questionnaire.

It consists of 120 questions with a 6-point Likert scale based answers.

**Demographics**

<p>Position in company</p> <p>Top level management (CEO, MD, Board Level) <input type="radio"/></p> <p>Middle level management (Director level) <input type="radio"/></p> <p>Lower level management (some formal managerial responsibility) <input type="radio"/></p> <p>Operational <input type="radio"/></p> <p>Other <input type="radio"/></p>	<p>Gender</p> <p>No Answer <input type="radio"/></p> <p>Male <input type="radio"/></p> <p>Female <input type="radio"/></p>	<p>Age Group</p> <p>No Answer <input type="radio"/></p> <p>~ 19 <input type="radio"/></p> <p>20-29 <input type="radio"/></p> <p>30-39 <input type="radio"/></p> <p>40-49 <input type="radio"/></p> <p>50-59 <input type="radio"/></p> <p>60-69 <input type="radio"/></p> <p>70 + <input type="radio"/></p>	<p>Employed for</p> <p><input type="text"/></p> <p>in years</p>
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**Figure 3. The 6 Box Leadership demographic data input example**

**Results for the Six Box analysis**

Company Name	SixBoxTest
Organisation Type	Company
Departments	0
Industry Class	3 - Communications
Gender Demographic	Unknown
Age Group Demographic	~ 19
Management Level Demographic	N/A

Six Box	Reinvention Framework	Management 2.0	Peter Drucker's Ideas	Word Frequency
Culture 82 %	Envision 83 %	Openess 55 %	Productive Org 57 %	2 realy
Relationships 61 %	Design 55 %	Community 58 %	Respect 62 %	2 cool
Individuals 58 %	Build 43 %	Meritocracy 50 %	Knowledge 50 %	2 stress
Strategy 60 %	Operate 58 %	Activism 55 %	Community 58 %	1 boss
Systems 44 %		Collaboration 41 %	Customers 70 %	1 whats
Resources 35 %		Meaning 74 %	Common Good 76 %	1 just
		Autonomy 51 %	Compelencies 51 %	1 one
		Serendipity 56 %	Management 47 %	1 happy
		Decentalisation 60 %		1 company
		Experimentation 71 %		1 care
		Speed 47 %		
		Trust 65 %		

Questions (Data points:2)	Section	Score
Employees are motivated to do their best at work	Culture	70 %
Employees are stressed	Culture	70 %
Employees are overworked	Culture	70 %
Our organisation has a caring ethos	Culture	70 %
Innovation is part of our culture	Culture	100 %
Our culture has a sense of purpose	Culture	100 %
Trial and error is part of our culture	Culture	80 %
An internal sense of community spirit is part of our culture	Culture	70 %
Environmental responsibility is part of our culture	Culture	100 %
Giving back to the community is part of our culture	Culture	100 %
Transparency is part of our culture	Culture	70 %
Trust is part of our culture	Culture	70 %

**Figure 4. The 6 Box Leadership aggregate output example for one company**

**Results for the Six Box analysis for all companies**

ID	Company	Year	Data	Age	Sex	Six Box %			Reinvention Framework %				Management 2.0 %						Peter Drucker's ideas %				Status														
13	<a href="#">SixBoxTest</a>	2012	2	~ 19	-	82	61	58	60	44	35	83	55	43	58	55	58	50	55	41	74	51	56	60	71	47	65	57	62	50	58	70	76	51	47	<a href="#">View</a>   <a href="#">Delete</a>	
12	<a href="#">Good Company</a>	2012	2	N/A	F	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	90	<a href="#">View</a>   <a href="#">Delete</a>
11	<a href="#">Good Company</a>	2012	3	N/A	M	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	<a href="#">View</a>   <a href="#">Delete</a>
10	<a href="#">Good Company</a>	2012	5	N/A	-	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	67	<a href="#">View</a>   <a href="#">Delete</a>
9	<a href="#">SixBoxTest</a>	2012	1	N/A	F	85	43	57	80	68	71	100	80	80	40	74	44	70	48	64	70	64	48	72	80	62	80	71	48	67	58	65	80	76	67	<a href="#">View</a>   <a href="#">Delete</a>	
8	<a href="#">SixBoxTest</a>	2012	1	N/A	M	100	80	80	40	20	0	67	30	27	77	36	72	30	62	18	78	38	64	48	62	32	50	44	76	32	58	75	72	26	27	<a href="#">View</a>   <a href="#">Delete</a>	
7	<a href="#">SixBoxTest</a>	2012	2	N/A	-	82	61	58	60	44	35	83	55	43	58	55	58	50	55	41	74	51	56	60	71	47	65	57	62	50	58	70	76	51	47	<a href="#">View</a>   <a href="#">Delete</a>	
6	<a href="#">DruckerTest</a>	2012	1	N/A	F	72	71	65	38	57	50	50	57	50	75	51	66	63	74	51	63	68	62	61	58	54	50	90	80	70	60	50	40	30	20	<a href="#">View</a>   <a href="#">Delete</a>	
5	<a href="#">DruckerTest</a>	2012	1	N/A	M	82	81	75	48	67	60	80	67	60	85	61	76	73	84	61	73	78	72	71	68	64	60	100	90	80	70	60	50	40	30	<a href="#">View</a>   <a href="#">Delete</a>	
16	<a href="#">SixBoxTest</a>	2012	0	40-49	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No Data   <a href="#">Re-Queue</a>	
15	<a href="#">SixBoxTest</a>	2012	0	30-39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No Data   <a href="#">Re-Queue</a>	
17	<a href="#">SixBoxTest</a>	2012	0	50-59	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No Data   <a href="#">Re-Queue</a>	
18	<a href="#">SixBoxTest</a>	2012	0	60-69	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No Data   <a href="#">Re-Queue</a>	
14	<a href="#">SixBoxTest</a>	2012	0	20-29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No Data   <a href="#">Re-Queue</a>	
19	<a href="#">SixBoxTest</a>	2012	0	70+	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No Data   <a href="#">Re-Queue</a>	
4	<a href="#">DruckerTest</a>	2012	2	N/A	-	77	76	70	43	62	55	55	62	55	80	56	71	88	79	56	68	73	67	66	63	59	55	95	85	75	65	55	45	35	25	<a href="#">View</a>   <a href="#">Delete</a>	
3	<a href="#">Management 2.0 Test</a>	2012	1	N/A	F	28	30	22	22	30	28	17	28	26	31	55	50	45	40	35	30	25	20	15	10	5	0	20	35	24	30	26	36	19	35	<a href="#">View</a>   <a href="#">Delete</a>	
2	<a href="#">Management 2.0 Test</a>	2012	1	N/A	M	73	75	67	67	75	73	62	73	71	78	100	95	90	85	80	75	70	65	60	55	50	45	65	80	69	75	71	81	64	80	<a href="#">View</a>   <a href="#">Delete</a>	
1	<a href="#">Management 2.0 Test</a>	2012	2	N/A	-	50	52	44	44	52	50	39	50	48	53	77	72	67	62	57	52	47	42	37	32	27	22	42	57	46	52	48	58	41	57	<a href="#">View</a>   <a href="#">Delete</a>	

**Figure 5. The 6 Box Leadership aggregate output example for several companies**

In summary, the 6 Box Leadership Model provides assistance to managers to enable more value creation and implementation of the emerging management approaches that will lead to more innovation, better performance and engagement in organisations they manage. It helps to discover hidden areas of strengths, hidden dependencies and blockages to organisational performance, it uncovers developmental opportunities and helps organisations to systematically turn potential into results and turn staff engagement insights into value drivers.

### Research Background of the 6 Box Leadership Model

The 6 Box Leadership Model was developed through synthesis and thematic analysis of research findings from a number of research projects carried out by the author (with her colleagues) over the period of more than 15 years. Table 2 shows more details about the key projects that form a research background to the 6 Box Leadership model, research methods used, key findings and their link to the six boxes of the 6 Box Leadership Model.

Some of the insights were also obtained from the author’s leading role in the Management Innovation Exchange Management (MIX) 2.0 Hackathon.

These projects used various research methods, both qualitative and quantitative. Majority of these projects were interdisciplinary, investigating various aspects of value

creation in organisations that lead to improved performance, innovation, resilience and engagement.

Research projects that form a foundation of the 6 Box Leadership Model involved both theoretical and empirical research. Theoretical research relates to a review and synthesis of more than 1000 research articles, whilst empirical research is related to more than 23 case studies, involving more than 300 semi-structured interviews. Many of these case studies were in-depth, longitudinal case studies, carried out over the period of 2-3 years. Empirical research also involved a survey involving 88 organisations and more than 6000 respondents in a survey.

The findings from all these research projects informed the development of a holistic framework with more than 150 factors that drive value creation in organisations. The framework was developed using thematic analysis (Boyatzis, 1998), including coding. The factors in the framework were grouped in six interconnected and interrelated areas that form the basis of the 6 Box Leadership Model: Culture, Relationships, Individuals, Relationships, Strategy, Systems and Resources. On the basis of these factors, an on-line questionnaire was developed to enable assessment of hidden strengths and bottlenecks in each of the six areas (as well as in the areas related to three other mappings), and discovery of hidden dependencies and blockages to value creation.

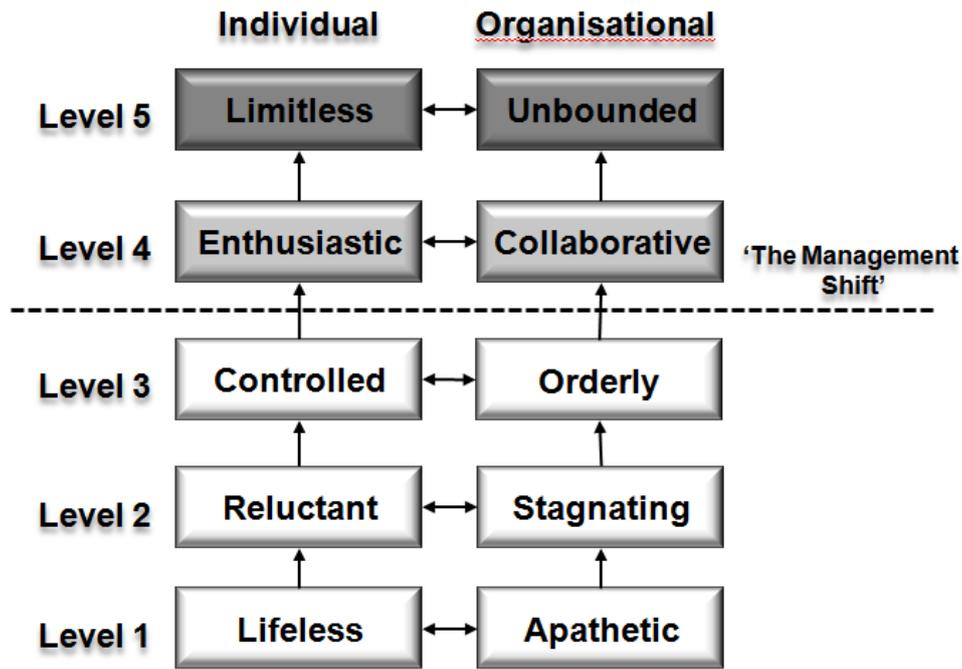
There are 120 questions in the survey. A 6-point Likert scale was used (where the range of answers is from 1-strongly disagree to 6- strongly agree). Each question has an option to add qualitative comments, which enables cross-referencing with quantitative results. The questions with highest scores point to key strengths, and the lowest scoring questions help to identify bottlenecks. Addressing bottlenecks will lead to more value creation, improved performance, innovation and engagements and moving from Management 1.0 to Management 2.0 and moving from a Taylor to a Drucker approach to management.

This research related to the 6 Box Leadership Model builds on author's own previous work (including an article published in *Harvard Business Review* in 2009 (Amar *et al.*, 2009) and research related to the Emergent Leadership Model (shown in Figure 6). This model was used as one of the starting points for developing the 6 Box Leadership Model (in addition to a large sample of published research conducted by others).

The Emergent Leadership Model was developed after extensive literature search in personal and organisational development. Some of the sources that have informed development of this model include Wilber's integral theory of consciousness (Wilber, 1997), Piaget's theory of cognitive development (Piaget, 1977), Maslow's hierarchy of needs (Maslow, 1943), Spiral dynamics model Beck and Cowan, 1996), Loevinger's stages of ego development (Loevinger, 1970), Cook-Greuter's Leadership Development Framework (Cook-Greuter, 2004) and research related to the Tribal Leadership (Logan *et al.*, 2008). The model shows how individuals and organisations go through different developmental levels. It also shows the levels of maturity of organisational culture as individuals and organisations evolve.

Each level has certain individual and organisational characteristics summarized as follows: At level 1, employees have a lifeless mindset, there is an apathetic / fear based culture, and employees and leaders are isolated and disengaged. At level 2, the mindset is reluctant; there is stagnating/blame culture, autocratic leadership, and overwhelmed and disengaged employees. At level 3, the mindset is controlled, culture is orderly, leadership is based on command and control, people are micromanaged, and relationships are self-centered. At level 4, the mindset is enthusiastic, there is a team ethos, culture is collaborative, the leadership style is distributed and employees have unleashed purpose and passion for work. At level 5, the mindset is unlimited, there is strong team cohesion, the culture is unbounded, leaders are inspirational and there is a strong sense of purpose and passion for work.

Once the predominant organisational culture moves from level 3 to level 4, a shift from Management 1.0 to Management 2.0 is achieved as well as a shift from a Taylor to Drucker management style. The 6 Box Leadership Model was developed to identify bottlenecks for this shift.



**Figure 6. The Emergent Leadership Model**

**Table 2. Key projects, research methods used, key findings and their link to the six boxes of the 6 Box Leadership Model**

PROJECT	RESEARCH METHODS	KEY FINDINGS	LINK TO SIX BOXES
<b>Leading Knowledge Workers</b>	<ul style="list-style-type: none"> <li>- Two in-depth, longitudinal case studies in knowledge intensive organizations in the private sector</li> <li>-Qualitative method (context analysis), observations, semi structured interviews (60+), documentary evidence (triangulation)</li> <li>-Literature review of 300+ articles</li> </ul>	<ul style="list-style-type: none"> <li>- Empirical guidelines for leading knowledge workers</li> <li>- Theoretical model for leading knowledge workers for innovation</li> <li>- Emergent Leadership Model</li> </ul>	<i>Individuals</i> <i>Culture</i> <i>Relationships</i> <i>Strategy</i> <i>Systems</i>
<b>Value Creation from Intellectual Capital</b>	<ul style="list-style-type: none"> <li>- Three in depth longitudinal case studies in knowledge intensive organizations in the private sector</li> <li>- Qualitative method (context analysis), observations, semi structured interviews (120), documentary evidence (triangulation)</li> <li>-Literature review of 250+ articles</li> </ul>	<ul style="list-style-type: none"> <li>- A framework for value creation from Intellectual Capital</li> <li>- Factors that contribute to innovation in organizations</li> </ul>	<i>Individuals</i> <i>Culture</i> <i>Relationships</i> <i>Strategy</i> <i>Systems</i> <i>Resources</i>
<b>Framework for</b>	-On-line survey with 88 organizations in the	-A framework for	<i>Individuals</i>

<b>Organizational Resilience</b>	private and public sectors, 6000+ respondents  - Quantitative method for data analysis	organizational resilience  - Factors that contribute to organizational resilience	<i>Culture</i> <i>Relationships</i> <i>Strategy</i> <i>Systems</i>
<b>Teamwork and Change Management</b>	- Three in-depth longitudinal case studies in knowledge intensive organizations  - Qualitative method (grounded theory, hermeneutics), observations, semi structured interviews (88), documentary evidence (triangulation)  -Literature review of 250+ articles	- A theory for leading teams in the context of change management  -Human and organizational factors that contribute to the success of change management projects	<i>Individuals</i> <i>Culture</i> <i>Relationships</i>
<b>Aligning Organizational Culture and IT Systems for Organizational Change Projects</b>	- Three in-depth longitudinal case studies in the private sector  - Qualitative method (Deductive testing of constructs), observations, semi structured interviews (50), documentary evidence (triangulation)  -Literature review of 200+ articles	- A framework for aligning organisational culture and IT systems for successful organizational change projects  -Interdisciplinary REBUS framework for successful change projects	<i>Culture</i> <i>Strategy</i> <i>Systems</i>
<b>Business Process Change</b>	- One in-depth longitudinal case study in the private sector  - Qualitative method, observations, semi structured interviews (15), iterative prototype development, documentary evidence (triangulation)  -Literature review of 200+ articles	- A methodology for business process improvement through dynamic modelling  - Factors that contribute to process modelling and efficiency	<i>Systems</i> <i>Resources</i>
<b>Personal Development and Engagement</b>	-Literature review of 200+ articles  - Empirical research/ action learning	- EXCELLENCE framework for personal development and engagement	<i>Individuals</i> <i>Relationships</i>
<b>Management Innovation Exchange</b>  <b>Management 2.0 Hackathon</b>	-Collaborative, iterative development of Management 2.0 Hacks	-Principles of Management 2.0  -Management 2.0 Hacks	<i>Individuals</i> <i>Culture</i> <i>Relationships</i> <i>Strategy</i> <i>Systems</i> <i>Resources</i>

## Application of the 6 Box Leadership Model in Practice

So far, the model has been successfully used in 15 organisations in the private and public sectors (11 in the UK, two in the USA, one in Norway and one in South Africa), to help them create value, discover hidden areas of strengths, dependences and blockages to organisational performance, improve innovation and engagement, and support strategy development. Different organisations obtained different benefits from using this assessment tool. Table 3 shows some examples on how 6 Box Leadership Model was used in different organisations and how it created the value for these organisations.

**Table 3. Examples of the 6 Box Leadership projects**

Type of organisation	Examples of benefits obtained from the 6 Box Leadership survey
<b>FTSE100 company, UK</b>	This large retail company has been going through a company-wide performance improvement initiative and the 6 Box Leadership survey has been done to facilitate this project. The results obtained revealed several key areas that the company needed to address to improve overall performance and improve enabling conditions for innovation and engagement. These results were used for the development of the subsequent stages of performance improvement initiative. Since this project was completed, this company experienced 33% increase in revenue and increase in net profit of 213%.
<b>Central Government Department, UK</b>	The 6 Box Leadership survey has been done in all departments of the central government unit. The results obtained informed the Executive Board of the key strategic areas that this organisation needs to focus on to improve performance and innovation, and some of these results were used for a new strategic focus. The results of this analysis were also used to design a tailored three years long senior management development programme, where key areas for improvement discovered through the 6 Box Leadership analysis were addressed directly in this development programme. Finally, it has been decided that the 6 Box Leadership Model will be used as a framework for development of a new HR strategy for this organisation.
<b>Media Company, South Africa</b>	The 6 Box Leadership survey has included all employees of this SME. The results have revealed some fundamental problems in several areas (boxes) which led to the decision by the Managing Director to sell the company. He said: <i>"This is a very accurate assessment of the business. I was impressed. It highlighted some fundamental problems with the business"</i> . The company was sold few months after the survey was completed.
<b>Vocational training company, UK</b>	6 Box Leadership survey was conducted in HR and IT Departments of this major vocational training company, supported by the UK Government. The results provided a valuable insight into key areas for improvement that will provide enabling conditions for better performance and innovation in these two departments. These areas were subsequently addressed and were also used to design internal leadership

	training programme for the key executives.
<b>IT training company, UK</b>	The 6 Box Leadership survey was conducted across the entire organisation, where interesting dynamics amongst various national training centres were revealed. These results were used by the CEO to initiate a number of changes to improve performance of some of the lower performing training centres as well as company-wide initiatives to improve connectivity and collaboration between different parts of an organisation.
<b>National Health Service (NHS) organisations, UK</b>	Four projects have been conducted in various parts of the NHS to discover key drivers for performance and key areas for improvement. All projects provided valuable insights for these organisations as reflected, for example, in the statement of the Chief Executive of one of the Integrated Primary Care Commissioning organisations: <i>“Confirming what was working well for us and discovering what was really driving our success has proven to be very enlightening. Equally, being able to see the organisation through our staff’s perceptions and linking this to our culture, strategy and processes has been very valuable. We now have a holistic perspective through which to help sustain and enhance our performance, engagement and patient outcomes.”</i>
<b>An academic department, UK</b>	The Leadership survey was conducted in an academic department of a UK University to discover the key blockages to innovation and engagement. Following a feedback session, a plan was developed to address key blockages that the department could address internally to improve academic output. This has resulted in more innovative ideas, new projects and new communities of passion formed by academic staff involving both internal and external communities.

Although the survey provides both quantitative and qualitative data, it has been used mainly as a qualitative tool to identify the key areas of strengths and weaknesses (on the basis of highest and lowest average scores for questions in six areas) that need further analysis and discussion in order to design an intervention for value creation.

Companies that are knowledge intensive, where core activities depend on innovation from knowledge workers, would particularly find this diagnostic tool very beneficial as it was the case with various cases studies where this tool was tested. The reason for this is that research shows that knowledge workers cannot and do not want to be led using traditional vertical leadership approaches, they tend to ignore corporate hierarchy, and they need interactions and autonomy to be more innovative and engaged (Goffee and Jones, 2007). The 6 Box Leadership diagnostic tool provides a means for implementing Management 2.0 principles in practice as well as management based on Peter Drucker’s ideas that will lead to more value creation, better performance, more innovation, engagement and better overall success for organisations.

## 6 Box Leadership Case Study: A Management Consultancy

To illustrate in more detail how the 6 Box Leadership diagnostics is used in practice, a case study is provided in this section. One of the most recent projects conducted using this diagnostics was for a management consultancy XYZ based in the USA. The company employs highly qualified and experienced consultants - it works in a specific market niche focusing on large companies, and is planning a new expansion strategy.

Whilst majority of other companies where 6 Box Leadership diagnostic tool was used were predominantly using Management 1.0 based management practices and the diagnostics helped them to identify bottlenecks for moving to Management 2.0, this company has already implemented many management practices pertinent to Management 2.0 and key Peter Drucker's ideas, and this was reflected in high scores they achieved for all four mappings.

The main objective of conducting the 6 Box Leadership analysis for this company was to help them identify key strengths and developmental opportunities that they could use for their growth strategy and market expansion.

As this is a small company with less than 15 employees, all employees were invited to take part in 6 Box Leadership survey in July 2012, and the response rate was 100% (in larger companies a sample of employees is normally chosen to take part in a survey). As anticipated, all scores obtained were higher than those obtained in other projects. Tables 4-7 show summary scores for all four mappings for Company XYZ.

**Table 4. Aggregate 6 Box Leadership scores for Company XYZ**

<b>BOX</b>	<b>SCORE</b>
<b>Culture</b>	76%
<b>Relationships</b>	81%
<b>Individuals</b>	82%
<b>Strategy</b>	75%
<b>Systems</b>	79%
<b>Resources</b>	75%

Table 4 shows that high, fairly uniform average scores are obtained for all six boxes. The difference between average scores is only 6%. *Individuals* is the highest scoring box with average score of 82%, whilst *Resources* and *Strategy* are the lowest scoring boxes with average score of 75%.

For each of the six boxes, the highest (key strengths) and lowest (key developmental opportunities) scoring questions were identified. Figure 7 shows an example of this analysis conducted for the *Culture* box.

<b>CULTURE</b>			
<b>KEY STRENGTHS</b>		<b>KEY DEVELOPMENTAL OPPORTUNITIES</b>	
<b>Question</b>	<b>Score</b>	<b>Question</b>	<b>Score</b>
<b>Ethical behaviour is part of our culture</b>	<b>98%</b>	<b>Employees are overworked *</b>	<b>55% (45%)</b>
<b>Encouragement is used regularly instead of criticism</b>	<b>95%</b>	<b>Employees are stressed *</b>	<b>43% (57%)</b>
<b>Our organisation has a caring ethos</b>	<b>93%</b>	<b>Command and control is part of our culture *</b>	<b>58% (42%)</b>
<b>Transparency is part of our culture</b>	<b>93%</b>	<b>Senior management determine the culture *</b>	<b>20% (80%)</b>
<b>Trust is part of our culture</b>	<b>90%</b>	<b>Environmental responsibility is part of our culture</b>	<b>65%</b>
<b>Employee's values are aligned with the organisation's values</b>	<b>88%</b>	<b>Democracy is part of our culture</b>	<b>60%</b>
<b>Accountability is part of our culture</b>	<b>88%</b>		
<b>Employees succeed based on the quality of their ideas</b>	<b>85%</b>		

\*Questions annotated with \* are negatively phrased questions for which original scores were inverted. Original scores are shown in brackets

**Figure 7. An example of highest and lowest scores for questions in the *Culture* box obtained for Company XYZ**

Figure 7 shows that the key *strengths* in the area of *Culture* for Company XYZ include: ethical behaviour, encouragement used instead of criticism, a caring ethos of the company, transparency, trust, alignment of individual and organisational values, accountability and meritocracy. Areas identified as *developmental opportunities* in the area of *Culture* include: potential stress and burnout issues, possible elements of command and control, embedding more environmental responsibility and democracy in the culture.

**Table 5. Aggregate Reinvention scores for Company XYZ**

AREA OF KNOWLEDGE WORK PRODUCTIVITY	SCORE
ENVISION	78%
DESIGN	76%
BUILD	79%
OPERATE	79%

Table 5 shows average scores obtained for Reinvention Framework, which shows areas of knowledge work productivity. Organisations with good knowledge work productivity have a good balance of scores across all four areas of the framework: *Envision*, *Design*, *Build* and *Operate*. High balanced scores in these areas are also likely to indicate level 4 organisations according to the Emergent Leadership Model (Figure 4).

The Reinvention scores obtained for Company XYZ show high, balanced scores for all four areas of reinvention Framework, with the difference of only 3% between four phases. This balance is likely to indicate high-performing, level 4 organisation. The lowest score was achieved for *Design* (76%) and the highest scores were achieved for *Build* and *Operate*.

**Table 6. Aggregate scores for key Peter Drucker’s principles for Company XYZ**

PRINCIPLE	SCORE
Productive organization / decentralization	66%
Respect of workers / employees as assets	80%

Knowledge work productivity	81%
The imperative of community	85%
Focus on serving customers	87%
Responsibility for the common good	81%
Focusing on core competencies / properly executing business processes	78%
Management by balancing a variety of needs and goals	75%

Table 6 shows that high average scores were achieved for all eight key principles of Peter Drucker's work. However, there is some discrepancy between scores of 21%. The highest scoring principle is Focus on serving customers (87%), followed by The imperative of community (85%). The lowest scoring principle is Productive organisation / decentralisation (66%), followed by Management by balancing a variety of needs and goals (75%).

**Table 7. Aggregate scores for Management 2.0 principles for Company XYZ**

PRINCIPLE	SCORE	PRINCIPLE	SCORE
Openness	76%	Autonomy	79%
Community	80%	Serendipity	82%
Meritocracy	81%	Decentralization	64%
Activism	78%	Experimentation	81%
Collaboration	85%	Speed	76%
Meaning	81%	Trust	78%

Table 7 shows that high scores are achieved for all 12 principles of Management 2.0. The highest scoring principles are: *Collaboration* (85%), *Serendipity* (82%), *Meaning* (81%) and *Meritocracy* (81%). The lowest scoring principles are: *Decentralisation* (64%), *Openness* (76%) and *Speed* (76%). The issue of decentralisation is consistent with findings from the 6 Box Leadership and Peter Drucker's ideas mappings.

### *Overall Findings for Company XYZ*

In general, Company XYZ achieved very high scores for all four mappings. Scores for the 6 Box Leadership Model and Reinvention Framework are more uniform than scores for the Peter Drucker's ideas and Management 2.0 principles. Key themes that emerged include: XYZ's motivated and purposeful employees are its greatest asset, which could be further leveraged by some fine-tuning of some processes and governance structure.

The key strengths of this company have achieved very high scores. In general, the key developmental opportunities were identified as questions with relatively lower scores, though for many of these questions their scores would be considered as high in some other organisations that have overall 10 -20% lower scores than Company XYZ. Whilst there are many areas of strengths, very few developmental opportunities have scores that would indicate a major concern (below 40-50%).

The key strengths identified for Company XYZ include: Caring, transparent culture based on trust, ethical values, meritocracy and accountability; Strong teamwork and collaboration ethos going across organisational boundaries; Highly motivated employees, feeling happy, purposeful and passionate about their work; Aligned systems and strategy, flexible working practices, alignment of information management and strategy, and good access and accuracy of information.

The key developmental opportunities for company XYZ include: Addressing possible issues of stress and burnout; Addressing a possible issue of tendency for command and control; Participative strategy development; Improving flexibility of processes; Closing gaps between stated and realised objectives; Reducing hierarchical structure; Avoiding micro-management; Improving access to training and development and mentoring processes; Reducing control of budgets when appropriate and Creating enabling conditions for change.

### *Translating 6 Box Leadership scores for Company XYZ into action*

The results of the 6 Box Leadership diagnosis were discussed with the Executive Board of the Company XYZ. Some of the questions and recommendations discussed include: *How to further develop and leverage XYZ's key strengths? Whilst key strengths are likely to make sense, what about the key developmental opportunities? To what extent these developmental*

*opportunities are relevant for XYZ’s processes and practice? What would be the top three developmental opportunities that could be addressed in the next three to six months that would make the biggest impact on XYZ’s employees and XYZ’s expansion strategy?*

The following action plan was agreed with the Executive Board:

1. Prioritizing key strengths that need to be leveraged further,
2. Prioritizing key developmental opportunities that need to be addressed to create the biggest impact,
3. Assigning a time scale for further leveraging of strengths and addressing weaknesses that were rated as highly important,
4. Designing a plan for individual and organisational action that will be taken to leverage strengths and address weaknesses that were rated as highly important,
5. Implementing plan for action,
6. Repeating the 6 Box Leadership analysis in 9-12 months to compare the scores and assess the impact of changes.

The above action plan is currently being implemented in Company XYZ, and as a part of this process members of the Executive Board gave their feedback on the 6 Box Leadership diagnostics and its usability. Table 8 summarizes some of the key comments that emerged from the feedback session, whilst Table 9 summarizes the key action points that were implemented in Company XYZ. Eighteen months after this project was completed, this company doubled in size (from 9 to 18 employees) and increased revenue by 500%.

**Table 8. Feedback on the 6 Box Leadership diagnostics from the Executive Board**

<i>“The 6 Box Leadership Survey identified what are important areas to look at for value creation”</i>
<i>“Regarding our internal use of 6 Box Leadership, it would be helpful to both improve our operating model by doing an internal session on this, and it would serve to improve our overall knowledge of 6 Box Leadership regarding how it can improve performance and create value within an organization”</i>
<i>“The 6 Box Leadership is helpful for dealing with the maturity of culture and the relationship of culture to the ability to move to a more structured and process based</i>

<i>approach to running and growing a business”</i>
<i>“I think looking at the low scores around decentralization, closing the gap between stated and realized objectives and dealing with burnout / frustration issues will allow us to shape our discussions and develop action plans that can address our weaknesses and improve our strengths simultaneously”</i>
<i>“I can see using SBL on the front end of a transformation engagement (for example, to compare “as is” with the desired “to be” for the organization), or as a standalone offering (that may compete against less powerful “employee engagement” offerings)”. Doing so would likely show gaps between where an organization is today and where its leader would like it to be”</i>
<i>“The even balance between the EDBO segments, the high cultural alignment among the group, and the positive relationships between individuals reflects the care XYZ has taken to build our team. I think that is an area XYZ should be justifiably be quite proud, but will be hard to maintain as we grow. It also brings up the question of where should we focus for growing our resources. Keeping our resources balanced between the quadrants might not be the best growth model depending on the future content of our work”</i>
<i>“Several of the identified weaknesses – mentoring, development of people and authoritative model are natural areas of development for a small firm and one that is focused on establishing and building its market position. That said, I agree they are areas of future focus. I think mentoring is a particularly key area as we develop our resources and add resources to the firm”</i>
<i>“6 Box Leadership compares favourably with other frameworks of this type, but it assumes that the buyer is interested in the most powerful solution”</i>
<i>“6 Box Leadership has better fundamentals than some other approaches”</i>
<i>“6 Box Leadership integrates the systems/process, strategy and resources (the hard side of culture) much more directly and efficiently”</i>
<i>“The link to Reinvention Framework potentially adds a lot more of an action component than do most competing models”</i>

**Table 9. Actions taken in Company XYZ as a result of the 6 Box Leadership diagnostics**

Redesigned and implemented a new Intranet site for the entire XYZ team, with enhanced social collaboration capabilities and more efficient information communication and retrieval
Updated the internal HR personal assessment process to provide more transparency to individual and team strengths, areas for development, and productivity barriers
Enhanced internal accountability through documented commitments by individual that are measurable, tied to a contribution action plan, and will be proactively tracked
Looking at “what should we stop doing?”, “what should we continue and build upon?”, and “what should we start doing?”— Company XYZ streamlined their approach to internal

meetings, reinforcing an action orientation (versus a reporting orientation) and leveraging more efficient vehicles (e.g. weekly two-minute voice-mail updates, the new Intranet site, etc.) to keep the team informed

## **Conclusions**

Business as usual is no longer an option for organisations today, and we cannot use old solutions to solve new problems. In order to survive and thrive in the current challenging business environments, organisations need to create more value, become more innovative and have more engaged and passionate employees. This cannot be achieved by using outdated management practices based on a Taylor approach focused on mechanistic, command and control based management. This approach does not work anymore for majority of organisations and it needs to be replaced by management practices based on the key Peter Drucker's ideas and Management 2.0 principles such as collaboration, emergence, trust, transparency, distribution of authority and decision making. This will lead to will lead to more value creation, innovation and engagement.

The majority of management literature focuses on what type of management needs to be implemented in contemporary organisations, but it provides very little guidance on how to achieve this in practice. Likewise, majority of well-known organisational diagnostic tools such as a Balanced Scorecard (Kaplan and Norton, 1996) or McKinsey's 7S model (Peters and Waterman, 1982) were developed 10-20 years ago when focus on Management 2.0 principles was very rare.

In order to address this gap, a holistic 6 Box Leadership Model and associated diagnostic tool has been developed to help organisations to find hidden strengths and blockages to value creation, innovation and engagement, and to drive strategy development. It is based on extensive interdisciplinary research, and it focuses on principles of emergence and holistic approach to management, rooted in the key ideas of Peter Drucker and principles of Management 2.0. The tool has been successfully used in more than 20 organisations so far and further projects are currently in progress. All organisations that have had the 6 Box Leadership survey done have experienced value creation and improvements in various aspects of their business.

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# **Enabling High Growth through Better Entrepreneurial Management: How the Best Managers Take Charge of Their Own Destiny**

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## **Synopsis**

This document intends to provide written evidence to the All-Party Parliamentary Group on Management (APPGM) Commission on the future of management and leadership. The APPGM Commission is seeking to challenge current management underperformance in the UK and explore the innovative management and leadership practices and behaviours that can create high-performing and sustainable organisations fit for the future. This document seeks to provide provocative but important research-based evidence to this debate. Specifically, the document reviews a relevant body of knowledge by the author that comprises a group of studies from 2007 to 2014 that examines the important role of entrepreneurial management in the firms internal activities and external activities as pathways to superior firm growth and firm performance into the future. These studies also look at firms at different points in time in their growth and evolution, showing how challenges evolve as firms grow and actions managers can take to further firm growth and prevent damaging negative consequences on firm performance. The intention is to offer the Commission evidence-based insights to inform their debate about interventions and incentives at government and management levels to promote firm growth and subsequent economic benefits from that.

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Studies have long argued that the contribution of firms to economic competitiveness is a problem that, “is not one of a lack of will or entrepreneurial spirit but a failure of institutions: firms may have performed well under existing constraints but they tended to take the constraints as given because of entrenched institutional structures” (Edwards, Gilman, Ram and Arrowsmith, 2002, p.5). This statement appears to be a damning indictment of government intervention in trying to modify markets or economies to behave in ways that are more business friendly and pursuant to economic growth. Government intervention in a market or economy is predicated on an attempt to affect the behaviour of an economy, or to improve an input into an economy, in a way which is *intended* to produce an increase in economic benefit (Bridge, O’Neill and Cromie, 2003). But many times its policies do not achieve their intended outcomes owing to convoluted implementation (Bridge et al., 2003), an assumption that firms can readily recognise their support needs and seek out government interventions (Curran, 2000), and a failure to realise that one sized does not fit all (Bridge, O’Neill and Martin). Ironically, studies have also shown that interventions reduce opportunities for firms to learn to improve themselves (Gibb, 2000), risking a perpetual cycle of under-performance now and into the future.

The starting point of this document is that government interventions are best served in conjunction with management interventions to consider how firms can increase their performance and growth in complex competitive environments. It adopts the view that challenges to firm performance and firm growth change over time as firms age and grow (Greiner, 1998; Henderson, 1999). Entrepreneurs and the firms they create are fundamental to economic growth (Westhead, Wright and McElwee, 2011) but not all share an ambition to grow. Consequently, research evidence points to a disproportionate amount of economic return coming from a small amount of entrepreneurs and entrepreneur firms (Westhead et al., 2011). In a series of studies between 2007 and 2014 into entrepreneurial firms and their management, Hughes and his colleagues mapped a series of management interventions important to raising firm performance and firm growth. A feature of these studies is that they take the view that the long term growth and sustainability of firms comes from tapping into and leveraging entrepreneurship *across* the firm *as a whole*, removing its reliance on a single lead entrepreneur.

Starting with the internal management of the firm, Hughes and Morgan (2007) took on the debate about ‘entrepreneurial orientation’ and challenged the hegemony that firms that *simultaneously* promote risk-taking, innovative and proactive behaviour perform better to other firms. Hughes and Morgan (2007) noted the resource implications of establishing entrepreneurial decision-making practices, proves and methods in one go across the firm and found that only proactiveness and innovativeness have a positive influence on business performance while risk-taking has a negative relationship. Their study was at the early stages of firm growth and demonstrated the need for managers to carefully craft and manage the entrepreneurial strategies of their firms to drive growth.

In a set of follow-up studies extending this study towards SMEs, Hughes and colleagues found that during periods of economic crisis, proactive firm behaviour positively contributes to SME performance during the economic crisis, but, while innovative SMEs do perform better in turbulent environments, those innovative SMEs should minimize the level of risk and should take action to avoid projects that are too risky or else damage their performance (Kraus, Rigtering, Hughes and Hosman, 2012). Moreover, Eggers, Kraus, Hughes, Laraway and Snyckerski (2013) disentangled the complexity of the entrepreneurial orientation problem further by looking at its relationship with customer orientation and resource scarcity. They found that while entrepreneurial orientation is positively related to SME growth, customer orientation shows a negative association with growth. Moreover, their analysis suggests that SMEs grow the most if they exhibit high EO and low CO. EO is needed to fuel growth aspirations. But in spite of these findings, their study also shows that SMEs tend to respond to a scarcity of financial resources with more CO and less EO, which then leads to less or even negative growth.

Together these studies show that EO can drive firm growth because of its emphasis on innovation to renew the firm's growth trajectory, whereas CO might stifle growth owing to its short-sighted focus. The fact that these dynamics hinge on the configuration of EO and on resource scarcity yields powerful insights into how managers can directly reshape the destiny of their firms—or otherwise make decisions with unintended consequences that harm firm growth.

A concern raised by these studies, and more broadly in the growing literature on entrepreneurial orientation and its importance to firm performance and growth (Rauch, Wiklund Lumpkin and Frese, 2009), is the question of what might *undermine* the entrepreneurship of the firm. Research has historically grounded this problem in the context of liabilities of age and size (Henderson, 1999) and structural challenges posed by growth (Greiner, 1998). However, consistent with a behaviour-based approach to managing entrepreneurship in firms, Hughes, Hughes and Morgan (2007) reported that decisions made about the learning strategies of the firm can hold consequences for its entrepreneurship. Drawing on network theory and burgeoning research on the trade-off between explorative (EO) and exploitative learning activities (from networks), Hughes et al. (2007) found that firms that over-rely on learning existing knowledge available in the outside world through its networking activities damage the entrepreneurship of their firms leading to reduced firm performance. Hughes et al. (2007) presented a configuration analysis that sought to show the optimal mix of these two important activities to optimise the performance of young firms seeking to overcome liabilities of newness via networking while seeking to innovate to achieve growth at the same time.

This study raised further questions about how SMEs in particular can best manage their innovation activity to ensure that on the one hand they serve current markets but also innovate to be in a position to lead future markets (see also Eggers et al., 2013 as discussed previously). In a subsequent study of Scottish SMEs, Chang and Hughes (2012) and Chang, Hughes and Hotho (2011) sought to evaluate the rapidly-growing body of knowledge on “innovation ambidexterity” (the ability to innovate on existing products in the short term to serve current markets balanced with the ability to undermine existing products with new innovations into the future) grounded almost entirely in the context of large firms to SMEs. Alarming, they found that many of the purported antecedents to innovation ambidexterity (the so-called optimal state for firms to grow) were not at all suitable to SMEs. Both studies

proposed contextual and managerial levers managers could use to elevate the innovation and entrepreneurship of their firms therein.

The notion of innovation ambidexterity is predicated on the need to balance improvements in current products with the development of new ones, even when new innovations put at risk, cannibalise or obsolete existing products. But within this debate is an acceptance that the capability to develop new products is far more complex than setting in place an appropriate environment for new innovation activity. The problem is particularly pertinent to firms that have become mature and rely on long-established products for their historical revenue and success. The willingness and ability to move away from these tried and tested products is difficult because of the legacy of investments and 'successes' tied to them. But failure to do so almost certainly jeopardises the long-term viability of a firm. In this sense, Noke and Hughes (2010) proposed a set of strategies by which Mature SMEs can create a new product development capability. In line with the view that liabilities evolve over time, the study provides an understanding of how mature manufacturers use different strategies to overcome resource constraints and generate a NPD capability to reinvigorating growth and firm performance.

A common trait among these studies however is the default view that firms who innovate are capable of going on to experience high growth and high firm performance. But this is not inevitable but the degree of market success also depends on formulating and implementing an appropriate product-market strategy to gain positional advantage (Hughes, Martin, Morgan and Robson, 2010) and to best leverage organisational and environmental contingencies (Hughes, Hughes and Morgan, 2010). In implementing product-market strategies, managers and their firms can often lose track of entrepreneurship principles and excessively adhere to their strategies despite substandard performance (Hughes, Hughes and Morgan, 2010). Why this happens remains an enduring management problem. Examining firms exhibiting conditions of high and low strategy adherence, Hughes, Hughes and Morgan (2010) found that resource scarcity is found to be a common antecedent to strategy failure in organizations regardless of adherence. From there, it was also found that managerial conditions (symbolic information use, strategy championing, and tenure) drive strategy failure in high-adherence firms, but, only structural conditions (formalization and resource scarcity) are antecedents of strategy failure in low-adherence firms, while failure is mitigated by centralized decision making.

Taken together these studies represent a body of knowledge about important factors internal to the organisation that managers can directly leverage as pathways to progress and growth. However, there are also important external considerations that a firm must also account for. The notion of firms as atomistic individual actors competing for growth in marketplaces is increasingly inadequate (Gulati, Nohria and Zaheer, 2000; Hughes, Morgan, Ireland and Hughes, 2014). Instead, managers must organise and effectively manage networks of relationships to access resources and knowledge that can help grow the firm and increase firm performance.

Much of the research on network and the accompanying notion of social capital (the goodwill resource held by a firm that represent a public good of its value as a potential partner) has examined issues of network structure and content but has surprisingly neglected aspects of network behaviour. This is problematic because the behaviour of managers and their firms in networking with others is fundamental to generating trust (Hughes et al., 2014). Hughes, Ireland and Morgan (2007) in a study of configurations of value creation (in the shape of a

value stimulant matrix) generated from high-low combinations of resource pooling activity and strategic network involvement for young high-technology incubating firms found considerable variation in firm growth, firm, innovation and firm performance outcomes based on the combination of behaviours undertaken. The study was different from many others in that it took as its start point that networks can only provide opportunities for value creation but *not* its realisation. Realising value falls to the firm and depends on its behaviour—an assertion proven by this study. Interventions by government or any other body to artificially create networks of firms or networking opportunities is doomed to realise little value or improvements in firm growth if management interventions to strategically manage the networking behaviour of the firm are not also undertaken.

To examine this further, two additional studies are of relevance here. A further flaw in research has been to assume that all learning from network relationships is inherently positive, and improvements in intellectual capital (and so the potential that holds for firm performance) has been widely cited as a benefit of network activities (Nahapiet and Ghoshal, 1998). Hughes, Hughes, and Morgan (2007) have already shown how network-based learning can have unforeseen deleterious effects on the entrepreneurship of the firm, but Hughes et al. (2014) go further to examine the performance effects of network-based learning and especially draw doubts on the so-called learning advantages of newness that young firms are purported to have over established firms. Once again, Hughes et al. (2014) show that network behaviour is fundamental to increasing network-based learning but the study also finds that network-based learning holds no direct improvement in firm performance or firm growth and can be antagonistic at times. Central to realising any benefit in firm growth and firm performance is the need to establish routines for absorptive capacity—routines that enable the firm to value, assimilate and leverage relevant information and knowledge from otherwise vast quantities of information the firm is exposed to through its networking activities (especially if it has particularly potent network behaviour). This further supports the view that it is the entrepreneurial managers of firms that are crucial to carefully generating advantages from pathways such as networks. The work challenges the learning advantages of newness thesis and reiterates the value of entrepreneurial management to effective firm growth and firm performance. This represents important advances that hold considerable implications for current forms of network-based interventions by governments or managers in an effort to drive firm performance. They may do more harm than good or no good at all in light of these findings.

Finally, an additional flaw in treatments of social capital and networking is the assumption that networks grow linearly and ad infinitum with next to no study treating what happens when firms must evolve their networks and, importantly, shed ties. Hughes and Perrons (2011) address this very question and examined a scenario many firms find themselves in: what happens when a major buying firm makes substantial changes to its network of supplier ties. The situation echoes many scenarios in which firms find themselves with redundant ties that they then sacrifice and replace with new ones. The study also showed show ties that are weak at one point in time can become important strong and cohesive ties in time but in so doing reveal the challenges firms face in transforming the social capital within those ties or otherwise risk missing out on their innovation and value potential. In contrast to a vast amount of study, Hughes and Perrons (2011) showed how firm growth and innovation is in fact dependent on evolving its network and carefully managing that evolution represents the difference between future success and potential catastrophic failure caused by the collapse of trust. A key observation contradicting long held views is that the firm must invest as much if not more time and effort in maintaining its network during this evolution as it must during its

initial formation. Given the value of effective network behaviour to innovation, firm growth and firm performance, the failure to consider network behaviour when evolving and sacrificing ties represent a potentially calamitous scenario and hazard for firms undermining their future value creation and growth potential.

This report has sought to summarise an integrated body of knowledge focus on enabling high growth among firms through better entrepreneurial management and maps provocative but important key enablers that can raise the game of aspiring managers and entrepreneurial leaders in taking charge of the destiny of their firms. It also shows that the application of government interventions and incentives are potentially flawed and of little value of co-opting appropriate management intervention is not thought through concurrently and comprehensively. The report has also sought to distil how challenges evolve over time as firms grow, and the body of knowledge discussed herein illustrates important issues facing managers at different points in time as well as potential means to overcome them. From the early life and growth of entrepreneurial firms to maturity, challenges of age and size in furthering growth and performance effectively come from inadequate management of the evolution of the entrepreneurship of the firm and managing the strategic dynamics of growth. These studies also show how networks of relationships are not a panacea solution to these problems either despite the great value for innovation, firm growth and firm performance they can hold *if* managed correctly through network behaviour and with conscious thought to the entrepreneurship of the firm.

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# A Submission to the All Party Parliamentary Group Commission on Management

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## Summary

It is ILM's view that there is compelling evidence that leadership and management capability is correlated to productivity, and that a relative weakness in the former is a causal factor in our under-performance. We are also of the opinion that structural changes that are slowly taking place in the UK economy are strengthening the pipeline of future talent, but that employers need to have both the willingness and a more coherent strategy to take advantage of this talent.

There are significant opportunities for UK plc. The strength of the UK economy as it powers its way out of the recession means that more, new managers will be appointed and others will be promoted, enabling some of the talent that exists in many of our organisations to be recognised. In part this talent pipeline results from the rapid expansion in higher education in the last couple of decades, and also the high quality apprentices that are now ready to move up into management roles.

However, if the development of these managers is left solely to them, as too often happens, there is a risk that existing under-performance will become the model that these new managers learn from, especially in the SME sector where so much employment growth is happening. In larger organisations, training and development is generally good, but it is amongst the smaller businesses that the lack of investment is the biggest worry. The absence of public funding doesn't help, and it is ILM's view that a little seedcorn funding will be more than matched by employers, if they have the freedom to use it for leadership and management development that fits their needs, and that this could have a significant multiplier effect.

Above all, the UK needs to be more ambitious in its performance expectations of all employees, and the best way to do this is to model high performance working practices in the way that leaders and managers are selected, trained and expected to perform

## About ILM

The Institute of Leadership & Management is the UK's largest leadership and management development organisation. Since its formation in 2001 (as a result of a merger between the Institute of Supervisory Management and the National Examining Body for Supervision and Management), close to one million practising team leaders and managers have registered for a qualification from ILM. A further 20,000 managers are in membership of ILM to enable them to develop themselves professionally in their careers.

ILM is committed to the development managers because we believe effective leadership and management is critical to the UK's economic and social development. Furthermore, we emphasise the importance of both leadership (the ability to inspire commitment to the achievement of goals) and management (the ability to plan and organise people and other resources, to enable achievement of goals) at all levels, from the most junior team leader to the most senior executive. Clearly, the knowledge and skills needed to be effective at all these levels will vary, but it is the combination of both leadership and management that is so essential to enable teams and organisations to make the most efficient use of resources, to be innovative in what they do and how they do it, to be responsive to the needs of their customers and other stakeholders, and to deliver consistently high quality products and services.

## Clarifying the issues

The idea that there is a problem with leadership and management in the UK that needs resolving is one that has been around for many years. There are two questions that need to be answered in addressing this:

- Is there really a problem?
- If so, what are its root causes?

Only if there is clear agreement about the problem – if there is one - and its causes, is it then possible to consider possible solutions.

### 1. *Is there a problem?*

There are approximately 5.4 million 'managers' in the UK, including those in small firms (perhaps 40% of managers). According to UKCES, the UK needs at least 200,000 new entrants to management each year, both to renew (replace those retiring) and to grow this population. The average age at which people become managers is around 33, so most will already have been trained and have many years' experience in a 'technical' role, but few will have any management training before taking up their new role (see ILM's report *The leadership and management talent pipeline*). Younger managers tend to be appointed in industries such as retail and hospitality, or to have been recruited as management trainees; the majority of older entrants to the role will have chosen management as the only career development option. Unpublished research by ILM in 2008 found that some 60% of people moved into management do so reluctantly because of the lack of other progression opportunities in their 'technical' specialism.

ILM estimates that approximately 300,000 qualifications in leadership and management are awarded each year, including professional and vocational, and under-graduate and post-graduate qualifications. ILM is the largest provider of leadership and management qualifications – rapidly approaching one million since 2001. In addition, there are a very substantial number of non-accredited training programmes, usually one or two days long, focussing on specific aspects of the role. Managers are likely to have an average of 4 days training per year, but this average includes a minority who receive 50 or more days. For the majority, training is probably no more than 3 days, and for many new managers, there is unlikely to be access to more substantial training prior to appointment or during the early months in the role.

There has been persistent concern that levels of productivity are low in the UK. The Handy (*The making of managers: a report on management education, training and development in the USA, West Germany, France, Japan and the UK* National Economic Development Office) and Constable & McCormick reports (*The making of British managers: a report for the BIM and CBI into management training, education and development* BIM & CBI), both in 1987, identified a link between national economic performance and a deficit of good managers.

In 2002, the Government-appointed Council for Excellence in Management and Leadership (*managers and leaders: raising our game*) said that "...while business failures and low productivity are blamed on poor management, management and leadership education and development are not valued as a prime ingredient of business success." The following year, Michael Porter and Christian Ketels (*UK Competitiveness: moving to the next stage* DTI Economics Paper 3: 2003) found that: "...the role of management cannot be separated from the overall competitiveness issues facing the country"

In a separate report (*Competitive Company Weaknesses in the UK - Potential Explanations*) the same year, Porter and Ketels identified three critical weaknesses in the UK economy that put us at a competitive disadvantage:

- a. Low rate of investment in capital assets and innovation
- b. Competing less on unique value than advanced peers
- c. Indications of lower use of modern management techniques

Each of these problems were explained by a variety of different causal factors, but the one common factor was management weakness.

Other reports have made similar criticisms; for example:

- Burgoyne J, Hirsh W and Williams S (*The Development of Management and Leadership Capability and its Contribution to Performance: The evidence, the prospects and the research need* Research Report RR560, London: Dept. for Education & Skills: 2004):  
“...there may be qualitative shortfalls in management skills, but such evidence is based on perceptions of management quality by other employees.”
- Horne and Stedman Jones (*Leadership: The challenge for all* IM: 2001) in a survey of 1500 managers found that over a third of managers and almost half junior managers rated the quality of leadership in their organisations as poor (although this survey did have a low response rate). This study also casts doubt on asking top managers their opinion of leadership. Senior managers and executives were far more likely than junior managers to rate the quality of leadership as high.
- Charlesworth et al. (*Leading change in the Public Sector: Making the difference* CMI: 2003) in a survey of over 1800 public sector managers found only a third of managers giving a high rating to senior management teams, but 44% giving a high rating to their immediate manager.
- Keep and Westwood *Can the UK learn to manage? Work Foundation:(2003)* use wider business arguments, for example the low business gains from business process re-engineering programmes and mergers, to argue a lack of managerial skill, but commented that: “These failures are by no means unique to the UK.”
- Hirsh W and Carter A (2002). *New Directions in Management Development* IES Report 387, Brighton: Institute for Employment Studies concluded that:
  - ➔ Management training still needs to provide a coherent view of what managers need to learn, and that delivery needs to be more flexible and to fit into the busy working lives of managers, for example through shorter or more modular training courses.
  - ➔ Most managers are now told to manage their own careers, but do so with little effective support or information.
  - ➔ Line managers have been given a number of important roles in the development of their subordinates, but they may not yet be equipped to carry these out, or really be encouraged to develop others.
  - ➔ High attention is often given to senior managers and ‘high potential’ staff both in their skill development and in career planning. These approaches are labour intensive and not easy to extend to the majority of the management workforce.

Perhaps the most striking research into the issue was the work of Nick Bloom and John Van Reenen at the LSE, as quoted in Department of Business report *LEADERSHIP & MANAGEMENT IN THE UK - THE KEY TO SUSTAINABLE GROWTH*. Bloom and Van Reenen’s evidence of a

significant gap in productivity that can be directly ascribed to the failure to adopt modern management practices, which can, at least partly, be explained by lack of knowledge and skill.

## 2. *What are the root causes?*

Throughout this analysis one dramatic fact has frequently been used – that the UK's managers are, by comparison with many of our major competitors, poorly qualified, both in general education and in leadership and management. This lack has been seen as a critical component of the UK's productivity gap and a major constraint on economic growth.

From Handy and Constable & McCormick onwards, the solution to this has been seen primarily as supply side problem that can be rectified by improving the supply of leadership and management education and training. This has been reflected in the expansion of Business Schools and attempts to make National Occupation Standards central to leadership and management development. Where demand-side strategies have been used, funding leadership and management development (mainly for smaller firms) this has often been tied to particular favoured supply-side approaches.

However, one of the problems in making comparisons between the qualification level of UK managers and those in our main competitor countries is one of definition. According to Eurostat data for 2011, (<http://appsso.eurostat.ec.europa.eu/nui/setupModifyTableLayout.do>) the proportion of managers in the UK labour force (at 15.3%) is double or treble that of countries like France (8.9%) or Germany (5.5%). Such discrepancies need to be explained, one probable reason is that first line managers and team leaders (ie the most junior leaders and managers) are not counted as managers in other countries but by reference to their technical role, which they usually still perform. This group is far more likely to be qualified at Level 3 or equivalent, pulling down the UK average by being included but not the average for Germany, where only the more senior – and better qualified - managers are counted.

However, the perceived skills deficiency may not be exclusivity a factor of level; recent analysis by ILM (Pardey D and May T *ILM Research Paper 3: UK Managers' Profile, 2013*) suggests that a much higher proportion of younger managers are graduates or have graduate-equivalent qualifications than older managers (who will have left school before the expansion of Higher Education provision). However, it is doubtful if the UK economy can afford to allow nature to take its course, and see younger, better qualified managers gradually replace older, less well qualified managers.

There is also the question of whether 'knowing' is the same as 'doing'? Just having better qualified and better trained leaders and managers is no guarantee that better work practices will be used. ILM's experience is that too many employers train managers but are reluctant to let them employ their new knowledge and skills. A report prepared by the Institute of Employment Studies for the Sector Skills Development Agency in 2006 (Tamkin P, Mabey C, Beech D *The Comparative Capability of UK Managers*) recommended that UK firms would do better to have a single management development programme or a common philosophical thread of what constitutes good management running through all programmes, to provide managers with a common language and understanding of what is required and can be done. Where there is little consistency in terms of what managers are learning and expected to do, there will be little consistency in the implementation of best practices.

Furthermore, to ensure that modern work practices are employed requires a culture that combines:

1. Constant monitoring of new methods and technologies to identify opportunities to achieve higher levels of productivity
2. An openness to innovation in working methods (which also employs a willingness to take risks)
3. A culture that demands high levels of performance coupled with investment in skills development to ensure employees are able to perform to those high standards.
4. A recognition that new methods of working may take time to show a return and will require continuous review and revision from learning and experience to generate returns

This culture is partly dependent on ensuring that all managers have the common language and skills identified above, but also that other stakeholders, especially investors, are demanding that these standards are being met to achieve long term growth and profitability. If, as is frequently argued, UK business is too influenced by the need to make short term returns, this discourages the kind of culture described.

### **ILM recommends**

ILM does not see any easy solution to a problem that has been around for a very long time. In particular, we would strongly argue against any strategy which requires significant supply side intervention. There is no evidence of a shortage of leadership and management development; if anything, the choice of provision is more varied here than anywhere else.

What is clear is that larger organisations tend to have better developed, more integrated and consistent approaches to developing their leaders and managers. They will tend to have talent development programmes to identify and develop people for future senior positions, and are willing to make the scale of investment needed to ensure a future supply of capable managers. This is not to say that there is no room for improvement, but larger businesses tend to operate in more international markets and competitive pressure is a powerful lever for better leadership & management.

However, larger employers are not growing employment; the new jobs are mainly in the small and medium sized enterprise sector, and here the picture is far less rosy. A combination of lower expectations, lower investment in development and limited competition from more productive organisations leads to what Feingold and Soskice (in *The failure of training in Britain: Analysis and prescription* Oxford Review of Economic Policy; 1988) dubbed a 'low skills equilibrium'. Low standards lead to low performance; low performance leads to use of less advanced practices, requiring lower standards. The only solution to this is to raise expectations amongst senior managers of what could be achieved, and this is why ILM regretted the demise of the Government's Leadership and Management programme that offered matched funding for a single manager in a SME. With an unconditional grant of £500 plus a further £500 if matched by the employer, this represented a relatively low cost way of encouraging owners and senior managers of SMEs to develop their own skills and raise their expectations of other managers. What made this so effective was its lack of prescription; unlike so many previous Government initiatives, it didn't constrain participants to accepting a single solution, and in doing so encouraged some highly innovative development activities to occur.

Large firms do have a role to play as well. As some have shown, building long term relationships with smaller suppliers and sharing their knowledge and expertise to enable them to achieve higher standards does pay off. Pioneered by Japanese car companies investing in the UK, this has spread to a number of UK based companies that now recognise that investing in their own supply chain pays dividends down the line. These networks can and do offer a mechanism for changing

expectations. By demanding better leadership and management but also making commitments to continue to buy if the supplier meets the higher standards, real value is added through the supply chain.

This is something that Government is well placed to support, through its procurement strategies. Unfortunately, the commitment to open tender for contracts doesn't encourage the development of sustainable supply chains and reduces the ability of Government to leverage higher performance standards. Paradoxically, the desire to maximise value by open tender probably reduces value in the longer term by prioritising low cost over higher value.

Finally leaders and managers at all levels will have to take increasing personal responsibility for their own development. This is not just through formal learning, but also by recognising the importance of networking as a vehicle for learning and improvement. As Lord Ashdown has observed, networks are the: "... paradigm structure of our time... In the modern age where everything is connected to everything, the most important thing about what you can do is about what you can do with others." (Brussels; 2011)

ILM, like other professional bodies, exists to provide opportunities for leaders and managers to make contacts with others, to access continuing professional development, and have a combined voice for their concerns. However, the modern world offers a variety of opportunities to network with others, and we do not claim to any exclusivity. What matters is that individuals recognise their own need to learn and improve, and to seize every opportunity to do so, wherever it may occur.

In many ways, the deficiencies in leadership and management performance are a reflection of the wider skills weaknesses in the UK economy. Higher standards in both general and vocational education are a prerequisite for the UK's continuing its position as a leading developed economy. As Germany has shown, the challenge is less about growing higher education participation, but raising the standard of the many. A higher performing workforce requires higher skilled employees at all levels, but leaders and managers can set the standard, and that is what makes them so critical.

**APPGM Commission on the Future of Management**  
**Submission from the IPA**  
**14 April 2014**

Established in 1884, the IPA is a not-for-profit, a-political organisation and Britain's leading organisation delivering partnership, consultation and employee engagement in the workplace. We work with organisations of all sizes in the public, private and third sectors to help managers and employees develop new ways of working, based on trust and collaboration that deliver better workplaces and better outcomes - increased productivity and improved services.

In 2009 IPA director Nita Clarke co-authored [\*Engaging for Success: enhancing performance through employee engagement\*](#) which gathered evidence from business leaders, unions, academics and employees to produce a clearer definition of what an engaged workforce looks like and can achieve, and the practical steps organisations can take to realise the benefits of employee engagement.

The initial report identified four key enablers of employee engagement. It is significant that three of these are directly related to the leadership and management of an organisation:

- Visible, empowering leadership providing a **strong strategic narrative** about the organisation, where it's come from and where it's going.
- **Engaging managers** who focus their people and give them scope, treat their people as individuals and coach and stretch their people.
- **Employee voice** where employees' views are sought out, listened to and are seen to make a difference. A strong sense of listening and responsiveness permeates the organization, enabled by effective communication.
- There is organisational **integrity** – the values on the wall are reflected in day to day behaviours. There is no 'say –do' gap.

To some extent, these three enablers can be developed by education and training for our current and future managers and leaders. Leaders can be encouraged to and equipped with the skills to be more visible and to empower and devolve decision-making. The IPA's soon to be published research on Engagement in the NHS shows how highly visible senior managers can inspire employees and develop understanding of the organisation's values and goals. At line manager level, the development of coaching and mentoring skills can help to foster an environment in which innovation is encouraged and new ideas sought out and rewarded.

However, we need to go beyond skills training for managers and leaders and look at how we can create an underpinning business culture of openness and trust in which all organisations and their leaders and managers operate.

Trust within an organisation can be easily undermined and once lost is difficult to regain. Trust is a scarce commodity in the UK presently – witness the lack of trust we show in politicians, following the expenses scandal, the police after "pleb-gate", and in the banking sector post-recession. It is no surprise then that employees show a similar lack of trust in the senior managers of their employer

organisation, particularly when the perception is decisions affecting employees' livelihoods and well-being are being made by invisible people behind closed doors.

Research by the CIPD published in October 2013, *Employee Outlook: focus on trust in leaders* showed that of 3,000 employees surveyed one third, reported that their level of trust in senior managers is weak. At the same time, levels of trust in their more visible colleagues and line managers was reported as high by the majority of respondents. The senior managers surveyed were much more likely to rate levels of trust within their organisations as high.

It is clear from this research that there is much to be done to raise awareness of senior managers that their role needs to include making themselves and the management decision-making process visible and transparent.

The IES study, *The Engaging Manager*, Robinson and Hayday, published in November 2009 asked employees to identify "engaging behaviours" on the part of their line managers. The top three were:

- Clear communication of expectations
- Listening to, valuing and involving the team
- Supportive

The IPA's experience of working with organisations to develop effective employee voice mechanisms, one of the four key enablers of employee engagement, has led to the development of tools that employees, managers and senior leaders can use to help make management decision-making both more robust and more transparent. [Option-based consultation](#) helps managers make better informed decisions about the business by involving employees at all levels, listening to alternative suggestions and testing ideas.

The *15 Strategic Questions* support employee representatives to ask the right questions of managers about business decisions and provides a framework for the development of further options to be considered.

Whilst managers retain the right to make final decisions, these approaches foster innovation and growth, and facilitate rather than hinder change which can happen with the support and understanding of the workforce. They require managers to exhibit the top three behaviours identified in the IES research – focusing on coaching and mentoring skills – to release the full potential of their workforce.

Lack of autonomy at work, the feeling that change is something that is being "done to" you, lack of voice at work are all causes of poor levels of employee well-being, workplace stress, low levels of engagement and low productivity. To be competitive in the global economy, the UK must abandon the "race to the bottom" of removing employee protections and address the real causes of low productivity in our economy and provide a framework for releasing the potential of the UK workforce.

# A R T I C L E S

## Test-Driving the Future: How Design Competitions Are Changing Innovation

by Joseph Lampel, Pushkar P. Jha, and Ajay Bhalla

### Executive Overview

As organizations realize the potential of “open innovation” models, design competitions—target-setting events that offer monetary awards and other benefits to contestants—are regaining popularity as an innovation tool. In this paper we look at the innovation agendas of organizations and individuals who sponsor and organize design competitions. We then examine the architecture and governance of such competitions, and explore how open innovation and crowdsourcing, in combination with online platforms, have transformed design competitions. Finally, we look at the evolution of design competitions and highlight their expanding scope and complexity.

**D**esign competitions, target-setting events that offer monetary awards and other benefits to contestants, are an increasingly popular tool for purposes that range from fast-tracking nascent technologies to focusing entrepreneurial attention on pressing social needs. Although design competitions often capture headlines, they are not new. As far back as the 18th century, organizations and governments staged “design competitions” that challenged innovators to submit prototypes to competitive evaluation in nonmarket settings (Sobel, 2007). These competitions, however, were limited by fragmented entrepreneurial fields and diffused communities of knowledge. The current generation of design competitions, while still focused on solving problems and pushing technological frontiers, has overcome these limitations through the transformative impact of open innovation, crowdsourcing systems, and powerful Internet platforms.

Research on design competitions has lagged behind these developments. To some extent this may be due to differences in terminology. For example,

what we call here “design competitions” have been defined elsewhere as innovation contests (Boudreau, Lacetera, & Lakhani, 2011), technology contests (Cohen, Kaplan, & Sela, 2008), innovation tournaments (Terweisch & Xu, 2008), and tournaments for ideas (Morgan & Wang, 2010). Another reason is the long-standing influence of economic modeling of design competitions (e.g., Masters, 2003; Nalebuff & Stiglitz, 1983; Shavell & van Ypersele, 2001; Surowiecki, 2004; Taylor, 1995). The modeling approach to design competitions is primarily interested in what can be learned about “invisible hand” market competition from organized competitions where incentives and performance criteria are set and manipulated. However, as design competitions increase in number and importance, we need a more comprehensive analysis that integrates relevant insights from research in economics, strategy, organization theory, and innovation studies to create an understanding of how these competitions work in practice (Boudreau et al., 2011; Jeppesen & Lakhani, 2010; Terweisch & Ulrich, 2009).

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This paper contributes to this analysis. The paper begins by looking at how sponsors and organizers of design competitions translate their innovation agendas into competition targets that define specific criteria against which participants' innovation will be judged. We next argue that an important influence on how innovation agendas are translated into competition targets is the type of outputs design competitions are expected to produce, specifically whether they are expected to create private, public, or mixed goods. Thereafter, we turn our attention to how design competitions are set up and managed, and look at the various structural options that are available to sponsors and organizers of design competitions. We also explore the alternative governance systems that are used to evaluate competitive performance.

To examine the emergence and development of design competitions, we then reflect on the relationship between design competitions and the rise of open innovation. We argue that the increased importance that organizations have placed on using external sources of innovation has reinforced the perceived benefits of design competitions and led to a shift away from a winner-take-all view in favor of encouraging collaboration alongside competition. We then look at design competitions, from one-off challenges to multi-year events and, in some instances, permanent programs that manage portfolios of design competitions. We pay particular attention to the role of the Internet in augmenting the emergence and development of design competitions. In the penultimate section, we argue that effective design competitions must adapt to the idiosyncratic requirements of their particular contexts by developing practices that modify and complement formal competition processes. We conclude with a discussion on the future of design competitions.

### **Design Competitions as Arenas of Exploratory Innovation**

**D**esign competitions connect two sets of actors: sponsors and organizers of design competitions and contestants. In most early design competitions, the sponsor and the organizer were one and the same. In the past decade or so, however,

we have witnessed increasing separation between sponsors and organizers of design competitions. While sponsors provide prize money and exercise considerable influence on setting the targets competitors must meet to win, they increasingly delegate the task of publicizing and managing the competition to organizers that specialize in these tasks. In some instances, this separation leads to a clearly defined principal-agent relationship, with sponsors defining all key aspects of the design competition and then handing over the day-to-day operations to organizers. In most contemporary design competitions, however, there is flexible collaboration between sponsors and organizers when it comes to defining the key aspects of the design competition, even when the two are separate entities.

Design competitions create temporary arenas of exploration where innovative solutions can emerge at far lower cost than similar efforts in permanent research and development establishments. For example, Malone, Laubacher, and Johns (2011, p. 4) noted that design competitions organized by TopCoder "can often provide clients with development work that they would get by more traditional means but at as little as 25% of the cost." There are cost advantages to innovators as well. Innovators often seek design competitions because they lower the costs of finding and securing innovation-related resources such as publicity, domain expertise, supporting technologies, and expert assessment. Design competitions have these cost advantages because they have the infrastructure and capabilities to bundle these resources and services more efficiently than would be the case if innovators sought to recruit the same on their own.

### **The Innovation Agendas of Design Competitions**

**T**o understand design competitions, it is necessary to look at both their public face—their stated goals and the prizes and recognition they offer—and their unstated motivations. Our analysis of design competitions suggests that sponsors and organizers come to the table with agendas

rooted in their immediate concerns and future aspirations.

These agendas shape the competitions' declared goals and map the process that selects final winners. The relationship between innovation agendas and the design competition is shown in Figure 1. Reading this figure, we have to begin with the external environment, where innovators who may potentially engage with the design competition are located. The sponsors and organizers define their declared goals to attract interest from innovators who are widely dispersed professionally and geographically. Doing this requires a balancing act between the innovation agenda, which may cover multiple areas of interest and is not always fully developed, and clear and relatively well-defined competition goals that are able to persuade innovators to participate. Therefore, the process of successfully defining the competition's declared goals depends on translating the innovation agenda into goals that are meaningful to potential participants.

### **Narrow to Broad Goals**

Our analysis suggests that design competitions run the gamut from narrowly focused innovation agendas, usually motivated by tightly defined problems, to broader and more complex agendas that reflect a desire to shape current and future social, economic, or technological environments. Narrowly focused innovation agendas tend to arise when organizations lack the resources and the administrative flexibility necessary to innovate solutions to business problems or urgent social issues. The main purpose of design competitions under these circumstances is to develop innovative solutions at far lower cost than would be the case for internal research and development or external contractors. The Netflix Prize<sup>1</sup> is one of the best-known recent examples of a private firm configuring a design competition to solve a technical problem that is central to its strategic operations. Netflix had been struggling with how to better predict the kinds of films users might like based on their past choices. Internal software spe-

cialists were making little progress, so the company launched a design competition for an algorithm that could substantially improve its prediction rate.

At the opposite end of the spectrum are design competitions that reflect broader innovation agendas, such as accelerating or even reshaping market development. Innovation agendas in this case are often influenced by a strong conviction that certain markets that ought to exist do not, or if they do exist they should evolve in a different direction. Translating these agendas into a design competition usually involves focusing innovators' efforts on key bottlenecks that stand in the way of market evolution or creating incentives that encourage technological and product trajectories that suffer from underinvestment.

An example of the use of design competitions to reshape market evolution is the 1991 Super-Efficient Refrigerator Program (SERP) (Holloman, Ledbetter, Sandahl, & Shoemaker, 2002), a competition sponsored by a consortium of United States electric utilities that offered a prize of up to US\$30 million for the manufacturer that could design and manufacture refrigerators that delivered the most energy savings at the lowest cost per kilowatt-hour. Whirlpool's winning design substantially influenced refrigerator technology and has had a long-term impact on the energy efficiency of refrigerator models in the industry.

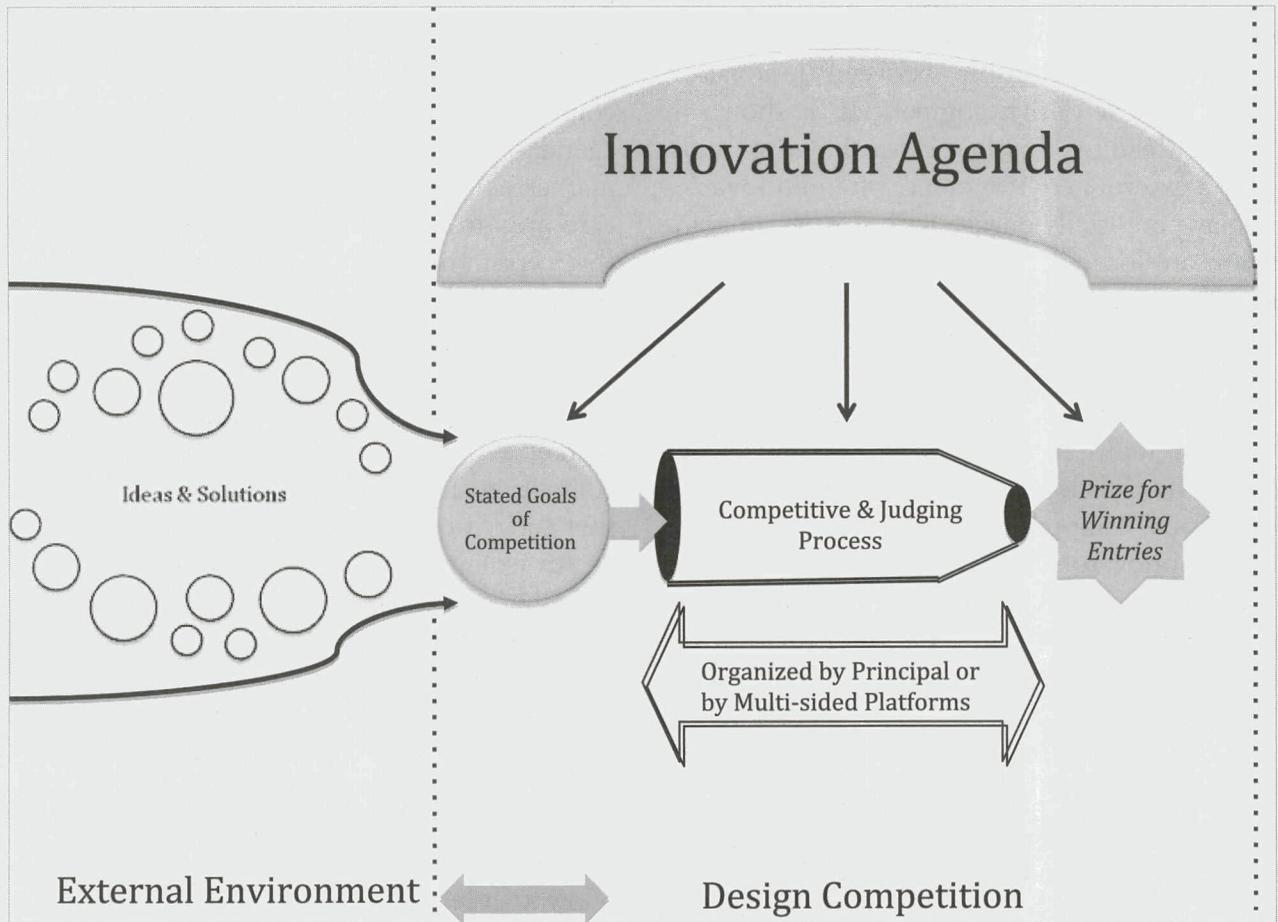
Innovation agendas are not limited to existing markets, however. In contrast to the SERP prize, which dealt with an existing and relatively mature market, the Ansari X Prize<sup>2</sup> focused on developing a market that did not yet exist: commercial, privately run space travel and tourism. To ensure that designs would be commercially viable, the Ansari X Prize stipulated that entries could not benefit from government funding. This focused innovators' efforts within the constraint of cost factors that stood in the way of a private market for space travel and exploration.

In other instances, design competitions that are narrowly focused to begin with become broader over time. This is not necessarily because original targets have been abandoned, but because earlier

<sup>1</sup> <http://www.netflixprize.com/rules>

<sup>2</sup> <http://www.xprize.org>; <http://space.xprize.org/ansari-x-prize>

**Figure 1**  
**Innovation Agendas and the Design Competition**



design competitions point toward more ambitious targets. For example, the U.S. Defense Advanced Research Projects Agency<sup>3</sup> (DARPA) driverless vehicle competition started with a focus on military applications in hostile environments (specifically motivated by the challenge of improvised explosive devices), but the competition's innovation agenda subsequently took on the broader ambition of creating driverless “vehicles of the future”—without, however, relinquishing the more specific target of developing driverless vehicles for military use.

### Identifying New Talent

Innovation agendas sometimes focus on identifying and developing new talent. The Mapping Dark Matter Competition, sponsored by NASA, the European Space Agency, and the Royal As-

tronomical Society,<sup>4</sup> asked entrants to use “gravitational lensing,” a predicted effect from general relativity, to calculate the amount of dark matter between a galactic light source and Earth (Rhodes, 2011). The winner is invited to work with a NASA team to transform the winning entry into a workable tool. Winning this competition is attractive not only to individuals keen on developing their scientific careers, but also to organizations such as NASA that are always on the lookout for first-rate talent.

Using design competitions to identify individuals with exceptional skills and talents is particularly important in areas of innovation where rapid progress often depends on identifying and supporting talent. In more general terms, we can say that even though innovation agendas are usually translated into specific design competition targets, they

<sup>3</sup> [http://www.darpa.mil/NewsEvents/Events/Challenge\\_Contest.aspx](http://www.darpa.mil/NewsEvents/Events/Challenge_Contest.aspx)

<sup>4</sup> <http://www.kaggle.com/c/mdm>

may have subsidiary aims that are not always manifest to the casual observer. For instance, the X Prize Foundation has recently launched a competition to develop a portable device for diagnosing illnesses, pitting proposed designs against a panel of physicians. In the process it also helps to identify individuals with exceptional talent and skills who do not work in biomedical instrumentation.

### **Private-, Public-, and Mixed-Good Benefits of Design Competitions**

**W**ith the considerable resources that go into setting up and managing design competitions, it is natural to ask who ultimately benefits from this approach to innovation. Clearly, winners of the competitions do—in terms of monetary reward, visibility, and relationships established with key stakeholders such as investors and lead users. But what are the benefits to sponsors and organizers that put up these resources in the first place?

To evaluate this we need to examine the mission and values of these organizations and individuals. Corporations, governments, foundations, entrepreneurs, and civic-minded individuals who sponsor design competitions will inevitably gauge the potential benefits according to their specific interests. Corporations, for instance, are more likely to set up design competitions with the intention of creating private good (McCann & Mudambi, 2005); this usually entails a stipulation within the competition rules that gives them exclusive rights to the winning innovations. In contrast, foundations are more likely to set up design competitions with the public good in mind. This means they are more likely to forgo appropriation of intellectual property and will take steps to encourage the widest possible diffusion of the innovation.

A third kind of benefit is so-called “mixed goods,” which are products and services that create both private returns and public benefits (Cullis & Jones, 2009, p. 68). The SERP prize for super-efficient refrigerators is a good example of a mixed-goods design competition: launched with private returns in mind, but with public-good spillovers. The competition was sponsored by a consortium of private utilities with the aim of reducing their capital construc-

tion costs, but was also intended to benefit national efforts to improve energy efficiency.

Unlike the SERP competition, where public benefits were secondary to private returns, most of the mixed-goods design competitions we examined came from sponsors and organizers that may have benefited privately but saw the creation of public goods as their main purpose. Surprisingly, we found that this held for many private corporations and individual entrepreneurs that sponsored design competitions for foundations and governments. In other words, mixed-goods design competitions that were launched by corporations or private entrepreneurs did not necessarily focus on the creation of private goods with public spillovers. Rather, far more common, even for corporations and private entrepreneurs, were design competitions that were explicitly framed in terms of public goods with potential benefits to private users of the innovation. For example, beginning in the early part of the 20th century private individuals and public foundations sponsored a series of design competitions that sought to encourage the development of aviation. The aim was to generate public goods in the form of technical data and feasibility demonstration, but there was also the expectation that the competitions would generate private returns for budding entrepreneurs who would go on to develop the aviation sector.

### **Creating Effective Design Competitions**

**T**ranslating an innovation agenda into a set of targets and announcing monetary prizes or other rewards are the first steps in setting up a design competition. Taking it forward requires an organizational framework within which the innovation processes will take place. In all design competitions, this organizational framework consists of two related sets of choices: about the architecture of the design competition and about the governance system that defines and administers the rules by which the competition will be adjudicated.

### **The Architecture of Design Competitions**

Our research suggests that design competitions share two common architectural principles that organizers modify to suit circumstances and goals. The first principle that informs competition architecture is

competitive orientation—specifically, the degree to which the design competition emphasizes rivalry versus collaboration. The second principle is the structural composition of the design competition, ranging from the simple to the complex.

### Competitive Orientation

Design competitions that capture headlines often convey the impression of a struggle for supremacy at all costs. This impression greatly oversimplifies how design competitions manage the innovation process. Organizers of design competitions calibrate their competitive orientation between two extremes, using prizes to motivate and direct “innovative labor” (Eickelpasch & Fritsch, 2005; Lazear & Rosen, 1981).

At one extreme are design competitions that promote winning as the prime motivator and thus cultivate a climate of intense rivalry. They usually have prizes awarded to the first “past the post” winner, leaving other participants with little to show for their efforts. Past X Prize competitions and the British Ministry of Defence’s Grand Challenge for the best ideas in defense technology are good examples of this orientation.

At the other extreme are design competitions that emphasize collaboration over competition. The motivating rationale of these design competitions is to encourage knowledge sharing, seed networks, develop communities, and build innovation competencies by motivating “learning by interaction” (Nooteboom, 2000). By offering multiple awards and conferring recognition more widely, these design competitions work to counteract the winner-take-all mindset that militates against cooperation.

In some instances, organizers of design competitions encourage cooperation and sharing of ideas by requiring participants to reveal their progress as the competition moves forward. The Heritage Health Prize offers US\$3 million for a model that can improve predictions of which patients are most likely to require a hospital visit within a year. The competition offers a US\$230,000 milestone prize for solutions that exceed a given threshold on the condition that participants disclose their algorithms to each other. Organizers note that even without this incentive participants tend to

share information of their own accord, perhaps in part because those who fail to do so are usually derided as “spongers” (Economist, 2011).

### Structural Composition

Design competition architecture falls along a continuum between simple and complex structures. Simple design competitions usually have one stage and culminate with a single award. These tend to have relatively clear criteria by which the competition is judged. At the opposite end of the continuum are design competitions, such as the Netflix Prize, with multiple stages and even stage-based progress awards. These competitions normally require participants to undergo a multistage evaluation process. Their drawback is the complexity that accompanies a competition that confers multiple awards based on different performance criteria (Akerlof, 1970; Nalebuff & Stiglitz, 1983; Rosenman & Wilson, 1991). Further complexities can stem from assessment features, institutional support systems, and stakeholder involvement.

### The Governance of Design Competitions

At the heart of a design competition is the assurance to participants that all performances will be judged impartially, without allowing competitors’ previous reputation or economic clout to influence assessment. This means creating a governance structure where rules are fair and unambiguous, and communicating this governance structure as clearly as possible. Performance assessment is central to its legitimacy. This holds true for participants, who must be certain that a fair process is in place before taking on the challenge, and for other stakeholders, who rely on the credibility of the assessment when deciding whether to invest, lend support, or adopt or purchase the innovation.

Our analysis of design competitions reveals three distinct methods of assessment: (a) expert assessment by a jury of individuals selected on the basis of their specialist knowledge and/or public profile; (b) peer assessment by innovators from the same knowledge or practice communities as the participants; and (c) vox populi assessment rendered by popular acclaim or voting of participating

audiences or the public more generally. These methods can be used separately or in combination.

### Expert Assessment

Expert assessment relies on experts in relevant areas to evaluate performance and determine the final competition outcome. The experts usually come from universities, research institutions, think tanks, and policy-making bodies, but they can also come from politics, business, or the arts. They may owe their credibility to their high academic or scientific standing, or they may have gained their reputation through public service or a distinguished career.

Selecting experts with high credibility in the innovative community is crucial to the credibility of expert-based assessment. Design competition organizers often consult innovators for recognized experts. For innovators and innovation stakeholders, expert judgment also provides useful evaluation and analysis, identifying problems and areas of application that may be otherwise overlooked.

### Peer Assessment

Peer assessment relies on the evaluation and judgment of nonparticipating innovators in the same community, who are intimately familiar with the issues and the progress made to date. Peer assessment has the dual advantage of providing valuable feedback from practitioners with an intimate knowledge of the area and conferring community legitimacy from leading figures. Peer assessment, however, can be undermined by community disagreements about fundamental issues or by personal rivalries that politicize the process. Therefore, it is important—but often difficult—to select peers who are impartial and well regarded. A remedy to this problem is to use expert assessment to screen initial submissions. This counteracts perceptions of bias but ensures that a wide range of technological options and social solutions are represented.

### Vox Populi Assessment

Vox populi (voice of the people) assessment relies on acclaim and popular approval by audiences that attend the competition or by the public more generally. Vox populi assessment works best

when the products, technologies, or social solutions have subjective and intangible personal dimensions that are ignored by innovators bent on technically “sweet” solutions or that cannot be articulated fully by objective expert analysis (Greve, Pozner, & Rao, 2006). The advantage of vox populi assessment is that it provides innovators and innovation stakeholders with important information on how individuals and communities will react to innovations. In this sense, it is both a form of spontaneous market research and a platform for advanced marketing and publicity.

The main disadvantage of the vox populi method is that the evaluation it produces can be ambiguous: The voting is not accompanied by analysis and feedback, dissenting minorities with important views may be ignored, and the final outcome is sensitive to innovators’ presentation skills. Therefore, vox populi assessment is frequently used in combination with other forms of assessment to provide analysis and feedback. For example, the Dell Social Innovation Challenge<sup>5</sup> uses expert assessment to clarify and articulate the judgment that emerges from the vox populi assessment phase.

## The Evolution of Design Competitions

Design competitions today have evolved considerably beyond their original structure and form. Several factors have played a role in this evolution. First, we have had a shift from models that emphasize management and control of the innovation process within the confines of organizations to “open innovation” models that weave together internal organizational processes with the external innovation ecology. Design competitions fit well into this trend, which is one reason they are being used more frequently today. Second, the rise of the Internet has provided sponsors and organizers with more powerful and relatively inexpensive tools for setting up and managing design competitions. Many design competitions today are purely Internet-based; several allow entries to be submitted and evaluated entirely online. Finally, we are witnessing an increase not

<sup>5</sup> <http://www.dellchallenge.org/about/about-dsic>

only in the number of design competitions, but also in the number that become institutionalized as multi-event competitions with broader innovation agendas. Design competitions today are therefore the direct descendants of an approach to innovation that first became popular several centuries ago, but—as we argue below—they have evolved considerably since that time.

### **Design Competitions and Open Innovation**

The current enthusiasm for design competitions is partly a rediscovery of the virtues of an old institution that emerged in response to the difficulties of translating scientific and technological breakthroughs into reality. Design competitions in the 18th and 19th centuries were often used to bridge this gap. As such competitions gained in popularity, they also added evidence to the view that arose during the scientific revolution and subsequently gained credence during the industrial revolution: namely that setting goals and backing them up with the right incentives can yield solutions to important social and economic problems. The university laboratory, the government research agency, the high-tech consortium—not to mention the corporate research and development department that emerged as the industrial revolution matured—incorporate and extend this view. Our review of the design competition phenomenon suggests that the emergence and increasing dominance of these institutions in the first half of the 20th century may also account for the relative decline of design competitions. While they continued to be launched, they became peripheral to the main R&D institutions that relied on salaried employees.

This view—that innovation is best managed when kept entirely within the boundaries of the organization—dominated organizational mindsets until the close of the 20th century (Fredberg, Elmquist, & Ollila, 2008). In recent years, however, open innovation and crowdsourcing have emerged to challenge this assumption (Almirall & Casadesus-Masanell, 2010; Jeppesen & Lakhani, 2010; Lichtenthaler, 2011). Research on these models suggests that mobilizing innovation from sources located outside established organization boundaries can deliver results that in many in-

stances are superior to innovation kept strictly within the organization.

The appeal of open innovation and crowdsourcing models also springs from the increasing costs of maintaining the internal resources to cultivate innovation. As organizations struggle with a persistent mismatch between the innovation resources at their disposal and the demands of a rapidly shifting environment, they increasingly turn to external actors such as technology brokers, project promoters, and innovation intermediaries as a way of complementing their internal innovation processes (Neyer, Bullinger, & Moeslein, 2009).

The same mismatch increasingly confronts society as a whole. Institutions designed for the challenges of an earlier age lack the resources necessary to innovate timely solutions for an expanding list of social and economic problems. Top-down attempts by governments to expand these organizations' resource base confront institutional rigidities that slow down and often defeat the wider mission with which they are entrusted. Turning to external innovation processes such as design competitions has the merit of tapping a wide range of external innovation resources while at the same time avoiding open-ended budgetary commitments.

### **Design Competitions and Collaborative Innovation**

Although the use of design competitions to access external innovation is not new, what is new is the increased power that comes with combining this approach with the rich innovation ecology that has emerged over the past several decades (Davis, 2002; Love & Hubbard, 2007). An overview of this ecology must start with suppliers that provide innovative technology through market transactions (Arora & Gambardella, 2010; Chesbrough, 2007).

An interesting example is the evolving relationship between internal and external innovation at Procter & Gamble. When Procter & Gamble launched a search for corporate or individual collaborators to improve packaging, product design, and marketing, it not only obtained ideas and solutions but also triggered rapid development of organizational processes that focus on managing

innovation inflows. This translated into direct involvement in the creation of NineSigma, a company that connects firms seeking solutions to science and technology problems with solution providers (Huston & Sukkab, 2005). More recently, Procter & Gamble has been developing a parallel process for managing outflows of innovation. This involves licensing of trademarks, technologies, engineering solutions, and market research methods. The company has also put this two-way flow of innovation on firmer footing by helping to create yet2.com, a marketplace that brings together buyers and sellers of intellectual assets.

An additional change in current design competitions, compared to their predecessors, is the emphasis on collaboration. This occurs by inducing processes that allow innovation to benefit from the collective pool of ideas and capabilities in communities targeted by the competition. By their very nature, design competitions appeal to the competitive spirit. This tends to limit collaboration (Dunlap-Hinkler, Kotabe, & Mudambi, 2010), which in turn, according to Laursen and Salter (2006), limits their potential to deliver radical innovations. As we noted earlier, sponsors and organizers of design competitions attempt to moderate this tendency by encouraging knowledge sharing among participants. This applies not only to encouraging collaboration directly during the event, but also to fostering collaboration within the communities of practice and knowledge to which these participants often belong.

Working through these knowledge and practice communities, current design competitions are increasingly encouraging innovation within communities before as well as during the competitive events. For example, VJAM, launched by Virgin Atlantic in 2008, was premised on collaborative idea generation initiated in workshops on how social networking could improve the travel experience. Of the ideas generated, six social media projects were selected to receive support to develop a proof of concept and further investment. The "Vjammers" were not affiliates of Virgin Atlantic, so they brought outside observations and an entrepreneurial mindset to the VJAM workshop. They had proprietorship over their ideas,

but Virgin Atlantic had the first call on licensing them. The VJAM-produced social media products and successful Vjammers continue to be highlighted by Virgin Atlantic to encourage such co-innovation with customers.

The push for greater collaboration is visible not only in more interaction among participants, but also in joint sponsorship of design competitions. The LAUNCH Initiative<sup>6</sup> (begun in 2010) brings together sponsors with different interests and varied competencies. Founded by Nike, NASA, the U.S. State Department, and the U.S. Agency for International Development (USAID), the initiative challenges entrepreneurs and innovators to address key sustainability problems in the areas of water, health, energy, and air. Initiatives such as LAUNCH represent increasing government use of public-private design competitions to further national innovation agendas. Other examples can be found in the German government program of contests, such as BioRegio, InnoRegio, and Lernende Regionen, that specifically target collaboration (Eickelpasch & Fritsch, 2005), and the "innovation inducement prizes" sponsored and organized by the U.S. government's National Research Council (Stine, 2009). Both of these initiatives require the partnership to include the academic community, venture capitalists, and private firms.

### **Design Competitions' Expanding Scope**

Design competitions were originally established as a one-time challenge with a finite duration. Even when the targets set by a competition took decades to accomplish, the basic assumption was that the organization that set up and ran the competition would be dissolved once these targets were met. The finite duration of design competitions limited the upfront costs of setting up and running such organizations. However, as use of design competitions has expanded, we are seeing a tendency for them to evolve beyond one-time challenges into multiyear events—and then into portfolio programs that encompass multiple design competitions. This has underpinned the emer-

<sup>6</sup> <http://launch.org>

gence of organizations such as the X Prize Foundation, which launches competitions for specified agendas. More recently, organizational setups such as TopCoder go one step further and “broker” customized solutions for their clients by designing competitions that address their needs.

To illustrate this evolutionary development, we selected several representative examples of design competitions. Figure 2 maps their evolutionary trajectories according to their competitive orientation and structural composition. Taken together these examples cover a range of design competitions that target social innovation, technological solutions, and pathbreaking technological change. They also represent a variety of organizers and sponsors, from government agencies to not-for-profit organizations and corporate entities. Below we discuss a few of these to provide a perspective on their evolution.

We first examine the X Prize Foundation and the DARPA Grand Challenge. In both we see a move toward greater collaborative orientation, mostly by linking monetary awards to targets being achieved within a specified time frame. For example, the Google Lunar X Prize sets a timeline for meeting the target of sending an unmanned robot to the moon; prize money is progressively reduced as time passes. Therefore, it makes sense for participants to collaborate rather than go for a winner-take-all approach that may take longer. More generally, to encourage collaboration both the X Prize and DARPA’s portfolio of competitions have moved away from evaluation criteria that focus team efforts on competitive gains toward more diverse criteria that balance competition and collaboration.

Greater visibility and apparent success encourage sponsors and organizers to expand the scope of design competitions, contributing to their growing complexity. When we look at the example of Ashoka Changemakers competitions,<sup>7</sup> we see a gradual increase in the number of competition stages and categories since the competition was first introduced in 1996. The sponsorship element has also become very explicit. In other words, many organizations are now directly engaged in

sponsoring themes for competitions. Public voting, peer reviews, and jury-based expert decision making have now extended the earlier Changemakers competitions’ relatively simple schema of predominantly peer-based evaluation.

Another example in Figure 2 is the Cisco I-Prize<sup>8</sup> (King, 2008). This design competition had only two iterations, but organizers used the experience of the first competition to revamp the second I-Prize in 2010, putting more emphasis on collaboration and providing greater support for contestants through Cisco’s knowledge base.

The discernible trend, as shown in Figure 2, is a move by design competitions toward multiple prize structures and multiple forms of assessment. There is also increasing emphasis on collaborative development and less on competitive elimination that results in winner-take-all outcomes. More generally, the evolution of design competitions, when managed within the same program, demonstrates a search for balance, or congruence, between collaboration and competition. For instance, DARPA has changed its emphasis from finding technological winners to being part of a wider movement toward “re-architecting social networks” for innovation (Fuchs, 2010).

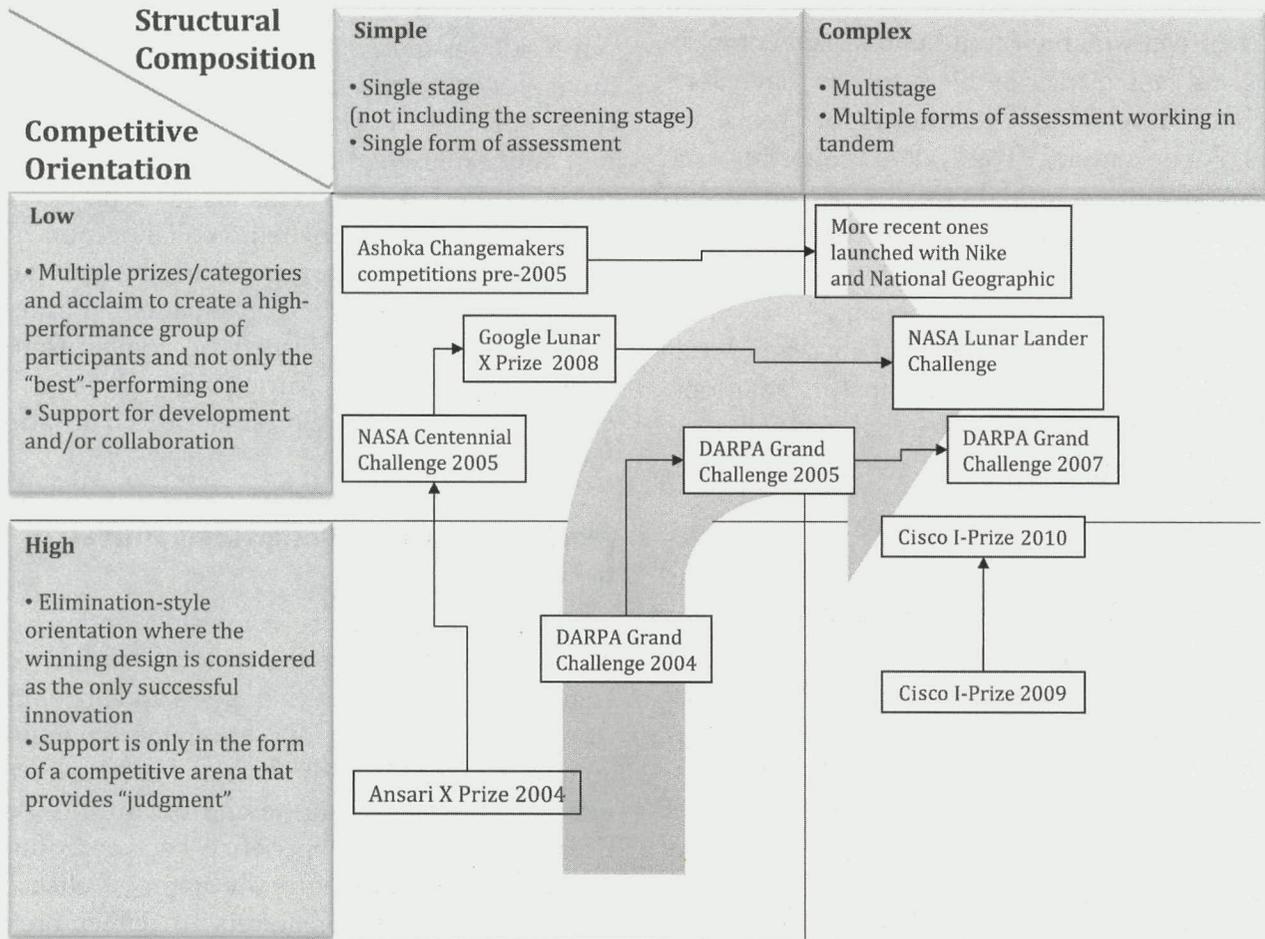
### Design Competitions and Online Platforms

The final factor affecting the evolution of design competitions is the increasing role of the Internet. The emergence of the Internet has exponentially increased the “broadcast for search” capability of all design competitions (Jeppesen & Lakhani, 2010). For example, Goldcorp, a relatively unknown mining company, used the Internet to launch a competition that offered a US\$500,000 prize for methods that could increase gold extraction from a low-performing Northern Ontario mine. The Internet allowed Goldcorp to attract more attention and reach more potential participants than if it had relied on standard media publicity. It also allowed Goldcorp to post the relevant geological data online, making it easier for even casually interested persons to peruse the data before committing seriously to solving the problem (Tapscott & Williams, 2006).

<sup>7</sup> <http://www.changemakers.com/competitions>

<sup>8</sup> <http://www.cisco.com/web/solutions/iprize/index.html>

**Figure 2**  
**Design Competitions' Evolutionary Trajectories**



The data communication and sharing functionalities of the Internet have also enabled organizers to build collaborative processes into the structure and competitive orientation of design competitions. For example, DARPA recently announced the launch of *vehicleforge.mil* as part of its initiative to develop a Fast Adaptable Next-Generation Ground Combat Vehicle (FANG GCV) for the U.S. military. The Internet platform will provide the infrastructure for sharing design files among distributed design teams that, from mid-2012, will compete in three design competitions, each carrying a prize of between US\$500,000 and US\$1 million.

The more design competitions rely on the Web, the more it becomes apparent to sponsors and organizers that they lack the resources and expertise needed to exploit the full potential of virtual space (Malone et al., 2011). To address

this problem, many organizations turn to specialist firms that offer support services to design competitions that are executed partially or completely online. Some of these firms go beyond Internet support to act as online brokers between solution-seekers and problem-solvers. Many of these online brokers have developed multisided platforms (MSPs) that help solution-seekers formulate their search objectives for online postings, recommend the best governance mechanism, and evaluate the relative merits of the solutions submitted by problem-solvers (Boudreau & Hagi, 2008; Boudreau & Lakhani, 2009).

Such MSPs are common in many industries, such as eBay in online retail and Apple's App Store in software. An MSP's primary function is to provide "support that facilitates interactions (or transactions) among the two or more constituents (sides) that it serves, such that members of one

side are more likely to get on board the MSP when more members of another side do so" (Hagi, 2009, p. 3). Organizations such as TopCoder and Innocentive, which custom-build design competitions and help attract problem-solvers, have done much to develop and legitimize this brokerage role. For example, TopCoder is hosting the NASA Tournament Lab (NTL), a partnership between NASA and Harvard University that will help NASA researchers tackle difficult computational and data-processing problems. Once problems are posted on the platform, software developers are invited to submit competing solutions. Entries are evaluated on internal code quality, benchmark performance, and ease of integration into NASA systems.

### **The Challenge of Managing Design Competitions**

**A**longside processes that lay out the formal guidelines and mechanisms for managing design competitions, there are practices that represent the informal and contingent aspects of managing systems and situations. Practices are the adaptive interventions that decision makers undertake when tackling the idiosyncratic contingencies of the context in which they operate. Our research suggests that five key practices are particularly applicable to the role that design competitions are expected to play in today's innovation processes.

#### **Practices for Aligning Incentives With Motives**

Motivations for participating in design competitions vary: Some participants are focused on the monetary value of the prizes, some use the challenge to test their capabilities, others are interested in meeting potential investors or users, and still others are intent on learning from other innovators or participating experts. Many design competitions put together a "value pack" consisting of monetary prizes, technical advice, dedicated facilities, and marketing support, and then align the value pack with the key objectives of the competition.

#### **Practices That Prevent Competition From Suppressing Collaboration**

Increasingly, the value of design competitions often resides as much, if not more, in the collaborative processes they initiate during and following the event. Competition and collaboration are not mutually exclusive, but unless the design competition is designed to encourage collaboration, competition often overwhelms collaboration. This means fostering collaboration early by facilitating communication among participants and maintaining collaboration during the competition by creating spaces where participants can meet, exchange views, and develop solidarity that outlives the event.

#### **Practices That Enable Design Competitions to Evolve**

Sponsors and organizers of multiple design competitions tend to retain the structure and scope of competitions that meet their goals and are administratively tractable. Countering inertia requires analysis followed by assimilation of lessons learned into subsequent sponsoring and organizing. Practices that feed past experience back into future design competitions not only improve effectiveness but also allow organizers to reflect on the basic purpose of the competition. In many instances this reinforces the initially defined purpose and structure, but in others it may lead to wider scope and more elaborate structure. In general, as design competitions evolve, a tension between structure and scope tends to emerge. Keeping the same structure while taking on more goals undermines the ability to deliver on both new and old goals. Changing the structure—for example, by increasing the number of stages and introducing more awards—presents serious managerial challenges.

#### **Practices That Enable Learning From Failure**

Design competitions can fail to accomplish their goals. For example, no team managed to cross the finish line in the first DARPA Grand Challenge (2004) for remote-controlled driverless vehicles. What worked in the laboratory was not up to the task when put to the test in field settings. DARPA

could have interpreted this failure as technology “teething” problems and let future contestants struggle with the problem of transitioning their designs from the laboratory to the field on their own. Instead, it decided to revise the basic terms of the competition and provide more technical support to participating teams. In subsequent DARPA Grand Challenge competitions more teams entered and more crossed the finish line, demonstrating conclusively that the technology could perform outside laboratory settings. The initial design competition failure was therefore used to implement improvements. What was a failure for the contestants was a learning experience that DARPA put to use in planning future design competitions.

### **Practices Around Selecting Judges**

The quality and the objectivity of the judging panel are crucial for the long-term effectiveness of design competitions. Unfortunately, the selection of the panel of experts or judges is rarely public. There is, therefore, always the risk that this process will be politicized or co-opted by key stakeholders. This may result in a loss of credibility for the design competition and damage the prospects of innovations that would have benefited from a more impartial assessment. Even when the selection process is undertaken with due care, the verdict may be subject to the inevitable compromises that any group must make to arrive at a collective decision, thus giving the impression of bias even when none is present. This is less of a problem when competitors are expected to meet clearly specified targets, but can be a serious deficiency when determining outcomes depends heavily on the judgment of the panel.

### **Conclusions**

**D**esign competitions are fast becoming an important instrument for delivering innovative products and solutions. The pattern is now well established: Corporations, foundations, governments, or individual entrepreneurs sponsor and organize a competition with targets and prizes. This may take the form of an event in which participants display their skills and ingenuity, or it

may simply be a stand-alone challenge that innovators tackle at their discretion.

The growing popularity of design competitions suggests that they are a firmly established innovation strategy. This has also led to greater experimentation in configuring design competitions themselves. Whereas past design competitions were set up as single competitive episodes, current design competitions are more likely to be a multi-episode or even a permanent process using the Internet. Whether one looks at X Prizes, the Goldcorp Challenge, or Ashoka Changemakers, in many cases design competitions are “serialized episodes” delivered by dedicated setups. This gives sponsors greater opportunity to learn and refine the architecture of such competitions. It also allows sponsors to improve the alignment of motives of participants with the objectives of the design competition, and with the interests of organizing and sponsoring institutions more generally.

The increasing popularity of competitions raises interesting questions for innovation researchers in general. The importance of first-mover advantage and fast technology launch to sustainable advantage is stretching corporate innovative capabilities to the limit (Kessler, 1996). Design competitions clearly address these constraints. In principle, they should also reduce the costs and risks normally associated with radical innovations (Berndt, Cockburn, & Grepin, 2006). However, if we examine design competitions in the context of the wider move toward open innovation, we have to note studies by Laursen and Salter (2006) and Dunlap-Hinkler et al. (2010), which together suggest that breakthrough innovations are less likely to emerge from open innovation. Laursen and Salter (2006) argue that “deep search,” building long-term relationships with a small number of external knowledge sources, plays a crucial role in promoting innovation. Dunlap-Hinkler et al. (2010), for their part, demonstrate that breakthrough innovations are more likely to come from joint ventures and alliances. Clearly, design competitions that normally cast their search nets widely and commit to participants only on an event-by-event basis promote neither deep search nor long-term relationship.

Hence it is possible that the hopes for radical technological or social transformation that motivate some sponsors and organizers of design competitions, such as the X Prize Foundation, may be excessively optimistic, while the more modest aims of design competitions such as the Netflix Prize or Goldcorp Challenge may be more realistic.

At this point in the evolution of design competitions it is probably premature to make a full assessment of the potential of this approach to innovation. It took decades of organizational and managerial innovation after Edison pioneered his "invention factory" for observers to fully appreciate the power of organized research and development. The same can be said about design competitions. Though they have a long pedigree, it is only in the past two decades that a shift toward open innovation, combined with the reach of the Internet, has allowed organizations and individuals not only to apply this approach across a broad range of problems, but also to use the resulting experience to experiment with this form of innovation. Not surprisingly, when these experiments have delivered strong results they have contributed substantially to the legitimacy of design competitions as an effective approach to innovation. But even when results have been disappointing or slow in coming, sponsorship by top corporations, prestigious foundations, and major government departments, not to mention well-known entrepreneurs, deliver a vote of confidence that lends considerable legitimacy to the use of design competitions. Perhaps this, as much as anything else, is ensuring that design competitions will continue to attract the attention and resources needed to establish them as a permanent innovation institution.

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**All-Party Parliamentary Group on Management (APPGM)  
Commission on the future of management and leadership**

**Position Paper - Mythbusting for Leaders and Managers  
By Dr Mark Pegg, CEO, Leadership Foundation for Higher Education**

**Introduction**

The search for better leadership and management in the UK is strongly articulated, the need compelling, the barriers powerful, and the rewards from success immense. The nation poses vital questions and needs answers. I believe some mythbusting might help demolish the barriers that hold us back, help define some guiding principles and show a clearer path to success.

**Myth 1 - Leaders are born not made**

As a nation we have collective psychological barriers to break: a belief that leaders are in short supply, that too few natural leaders are born, that leadership can't be taught and the problem is intractable. Many of my students arrive brainwashed to believe this and start 100 metres behind the starting line because of it, but it is a myth, some leaders are born, but most are made and the supply of leaders is expandable.

There are also many myths that set unattainable ideas of what a leader should look like. The reality is those heroic days are long gone, today's leaders are less likely to be authority figures, more likely to be networkers, team leaders, subtler more nuanced leaders with the skills to influence and ability to engage with and empower others, to change cultures and meet the challenges of a rapidly changing world.

This style of leadership is attainable: we can help the manager of today find the right style of leadership for them, to live these new values and be the best leader they can be.

**Myth 2 – We need a new leadership model**

Another is that we have to find a new leadership model – to find the latest guru with the latest model, like the latest diet fad, that will solve everything.

We don't need one; instead we need a campaign to convince many more managers to believe they can develop their own leadership skills. Even if we accept they can't be taught from a text book, there are so many sophisticated ways of developing leadership skills. Skilful faculty, relevant pedagogy, good programme design, access to modern learning technology will all help develop people as better leaders.

We don't need a magic model. Real leadership development identifies potential, creates a career path that nurtures, helps and supports aspiring leaders, in a hard working culture that creates more leadership paths, provides more opportunities to learn by doing, offers projects to take on, encourages mutual support and provides access to wise role models as mentors.

We can open up minds and help develop the belief that managers can develop as leaders: a new baseline in our national culture: that you can understand more about yourself by gaining good feedback, that self-awareness of your impact on others is a huge first step in shaping your leadership style, to find the right approach that works for you in your context.

Our goal is ambitious but achievable - If we can just get the next third of managers up to the standard of the best we will revolutionise UK standards of management and leadership.

### **Myth 3 – Leadership development programmes are a waste of money**

It is a complete myth that we only learn leadership by doing it, we can develop as leaders in the classroom too and this need not cost the earth.

Many see it as time away for people who can't be spared, overloaded people who see a training day as extra diary pressure. I call them 'prisoners'. Sent on a programme, they sit arms folded – come on and impress me - their body language suggests. The lecturer is judged guilty until proven innocent. I try to persuade them to adopt 'habeas corpus' – innocent until proven guilty – you can learn to be a leader. The result is clear almost all are converted. So many give positive feedback and stay in touch – to tell me how the leadership programme they attended not only changed their leadership, but also changed their life.

It is an investment not a cost. Learning leadership face to face is best, but blended with online tools make learning just in time, when and where you need it, more affordable and more accessible. Best of all; build learning into your culture where career development, talent management, performance development and review systems put leadership firmly on the agenda for managers.

### **Myth 4 - We don't know how to develop good leaders in the UK**

Another myth is we are just not very good at leadership and management. Creative and innovative yes, but not well led and hopeless at developing new leaders. We look abroad for our Chief Executives.

The evidence shows the UK has some of the best: world ranked universities and business schools for teaching and research in management and leadership, and some of the best virtual training providers. Too few British managers realise the rest of the world comes to the UK to learn about managing and leading.

We have the leadership thinkers, we have the schools, what we lack is the commitment and support for them. The answer is to grasp the opportunity on our own doorstep, to invest in them and make them a bigger part of our plans, to build thinking and learning about leadership into everything we do. If local businesses, communities and the LEPs can get closer to universities and see new leadership thinking and leadership development as an integral part of everything they do to grow their business.

## **Myth 5 - This is a British disease and will always be with us**

This has been around for such a long time, so is there is little prospect of changing poor leadership and management performance in the UK? A complete myth because we often have changed: so many examples, case studies, role models of excellence in management and leadership that prove it can be done and makes commercial sense. The most admired UK companies and the best companies to work for are usually the best led.

My own organisation, the Leadership Foundation for Higher Education proved that in less than a decade you could change attitudes and gain acceptance of good leadership in a sceptical sector: that it was possible to develop leaders and managers in academia and convince them that it was a key part of the road to success for their institutions.

We have a journey to travel, much remains to be done but these myths can be busted and we can make a difference: we really can believe in changing attitudes and behaviours, to see leadership as an essential part of commercial success – excellence not only in creating and producing, but also in leading those who do.

24 March 2014

# **All-Party Parliamentary Group on Management (APPGM) Commission on the future of management and leadership**

## **Position Paper - Leadership - the Next Generations By Dr Mark Pegg, CEO, Leadership Foundation for Higher Education**

### **Inspiring Leaders**

If the UK wants more inspiring leadership in the next 10 years, it must prepare leaders for many new challenges: the ones that stand out are globalisation, diversity, sustainability, digital technology with much more flexibility and creativity, leaders who build smarter stronger institutions to take on a highly competitive and closely connected world. These challenges are getting tougher and there will be little success unless we prepare leaders of the next generations much better than we do today.

We believe Universities have a critical role in shaping this future and at the Leadership Foundation for Higher Education (LF) we ask leaders in the UK Higher Education sector how we can work together to take on these challenges: to be better led themselves and, through their teaching and research, to raise the bar for world class leadership nationally and locally: to help UK business and society flourish and grow.

### **University Leadership**

As leadership developers, the LF's role is to be thought leaders in leadership with the best ideas generated by a constructive dialogue with our customers. We travel the length and breadth of the UK to ask what Universities actually want not what they can have. In this brave new world, we listen and learn about services leaders in their institutions need from us and in turn we aim to develop and inspire them.

A new wind of change is affecting Universities – they have radically different business models to assimilate, new measures of academic research and higher teaching standards to apply. They have a new, more demanding public funding regime and new generations of students with higher expectations: they must be better prepared for the complex leadership challenges this presents. Their leaders have to ask themselves, not only what their university is good at, but also what it is for.

Leaders in Universities have very particular challenges associated with autonomy and freedom in academic life. So much leadership comes from within: understanding yourself, developing a personal vision, strong values, about openness, humility, living the values, authentic leadership, inspiring leadership and distributive leadership. Many of these behaviours and characteristics change little over time. What changes more quickly is the way we learn about leadership, how we communicate, how we engage with people and lead change in a rapidly changing world.

Three generational perspectives have emerged from our dialogue:

**Leadership – Generation X** – current senior leaders in successful UK Universities tell us they want leaders who can think strategically, but can also up their pace and make it happen! They prize the learning that takes aspiring leaders out of their context and comfort zone, provides action learning opportunities with peers and creates powerful networks.

They see value in developing leaders able to lead change, draw on best in class in the sector but also from wider external perspectives. They want to develop strategic vision and helicopter ability, but they also want leaders who get things done, who can have the difficult conversations, take on the complex projects, who can engage with their teams, who know how to consult, but also when to act.

What is driving this is the speed of global change: deeply held values of transparency and consultation should not be forgotten, but a competitive world demands a higher tempo of decision making. Some pain and cultural change is inevitable.

In practical terms, they want leaders able to engage better and build complex relationships with colleagues, students, HE sector, local community and government: leaders who form teams that deliver successful change projects. They want leaders who can form links to business and the local community, to link to Local Enterprise Partnerships: leaders able to nurture innovation and creativity, and channel this into transformational change.

**Leadership – Generation Y** – there is a clear shift in this generation towards action learning, to collaboration, to share thinking on difficult problems, to embrace the power of the team in distributive learning, with leadership starting earlier in their career and functioning at every level. They have a stronger desire to learn transferable skills and best practice in other sectors.

They enjoy hearing from leaders in other public and not-for-profit services, but increasingly they tell us they want to hear from the private sector too. They want to access the best skills and ideas about leading their University wherever they can be found: to balance the historic values of their University with new thinking for a more demanding standard of teaching and research.

They want learning that enables them to overcome discriminatory barriers, to enable them to lead in more diverse, engaged and open institutions. Leadership development for women and ethnic minority leaders, to reflect the diverse composition of today's staff and student population, of widening access and growing participation across all parts of society.

**Leadership – Generation Z** - what will tomorrow's leaders want? Parents can hear for themselves what 11-18 year olds say about their future and what it means for leaders and how they engage effectively. They still want University places, but only if they get their money's worth – quality, contact time, learning facilities and social life. They value investment in clicks as much as bricks – combining digital dexterity with mobility and incredible connectivity: images are as powerful as words, with close convergence between simulation, gaming and entertainment.

One of the most striking pieces of research evidence is how 'Gen Z' individuals have just as many differences preferences and behaviours as any other generation. What is different for leaders is the landscape in which they live and work, the multiplicity of powerful communications devices they can readily call on and the level of connectedness they can achieve.

Already, leading schools are moving en masse to iPads, to install wi-fi, fibre optics, intranets and back-up to the cloud. 6<sup>th</sup> forms have cyber cafés and library space is now matched with flexible open learning space. Leaders in this generation see learning power as more important than factual memory. The medium has become the message: it has changed the way 'Gen Z' learns. *Facebook* is old hat already and email died ages ago - now it is ephemera – *Instagram, Snapchat* – visual and time shifted material - *YouTube* and *Twitter*.

To develop the inspiring leadership of the future, we must prepare leaders of the next generations in ways that enable them to take on all manner of unpredictable, fast changing issues for demanding people in a socially networked world.

28 March 2014

# **All-Party Parliamentary Group on Management (APPGM) Commission on the future of management and leadership**

## **Case Study - the Leadership Foundation for Higher Education - A decade of inspiring leadership**

**By Dr Mark Pegg, Chief Executive**

### **The story**

For a decade, the LF has delivered leadership development for UK Universities – to create the academic and professional leaders, managers and governors needed by all higher education institutions. The LF helps create the quality of leadership needed for success in a sector that is a fundamental part of the UK's global reputation as a prosperous, creative and democratic society.

The LF was formed in unusual circumstances – the aftermath of a cause célèbre. The Laura Spence affair in 2004 set off a chain reaction leading to the LF's creation. Laura Spence was a straight A student at a state school turned down by Oxford and Cambridge who gained a place at Harvard. In the eyes of HM Government, the affair reflected badly on the leaders of UK Universities. Ministers were disappointed by the lack of leadership displayed, which they blamed for stalling progress on widening participation for state pupils and for lumbering thought processes in universities holding back the innovation and creativity needed for a sophisticated knowledge economy.

### **The challenge**

With a need defined, the LF was created by UK Universities. The LF was tasked with developing leaders and make a rapid impact without undue access to the public purse. The task was daunting. To make a difference in higher education is difficult because of the powerful culture that values independence, autonomy and academic freedom above all: those choosing leadership as a career are seen by their peers almost by definition as unsuited to be leaders in institutions where skills of enquiry and research excellence are prized the most. Universities are also some of the UK's most enduring entities, many were created many decades or even centuries ago and value continuity over change.

The LF was only given public funding to get started, but this was probably a major advantage, because the business model relied on charging for services, it meant the LF had to be highly customer focused, deliver quality and earn the respect of participants. Using a 'pull' strategy meant the LF overcame barriers to change and Universities signed up willingly because they liked what they received and the LF was a vital enabler of a step change improvement in leadership standards.

There is a lot at stake. Success here has massive benefits for the UK. Leaders in universities have a major role at the heart of an innovative, creative national culture that delivers impacts on business, science and technology and determines national economic development, growth and prosperity. Public investment in Universities is substantial and better leadership reassures parents, students and taxpayers that their investment in university research provides value for money.

## **The strategy**

Early strategic leadership decisions were vital to set the LF on the right path. To achieve its demanding goals, a small agile, customer focused organisation with a hybrid business model was created based on service charges, membership fees and funder's investments. Highly flexible, the LF's operations are based on a small core staff, enhanced by a network of expert associates to maximise impact and minimise overheads.

Only staff with the highest standards of leadership development skills were recruited: they had to be the best to have credibility in the eyes of a highly intelligent audience with complex leadership challenges.

A highly focused and high quality portfolio of programmes was developed to target senior leaders, delivered wherever our customers wanted us, using a network of staff located across England, Scotland, Wales and N.Ireland.

LF programmes focuses on areas where it adds the most value: not to 'train' people on day to day management but to 'develop' them as leaders. The LF takes participants out of familiar surroundings to develop their strategic perspective, enhances their network and puts them in contact with key external influences. It uses a highly interactive learning environment including action learning to foster personal leadership development and encourages them to bring real life challenges and projects into the classroom and expose them to shared analysis and problem solving. They use learning simulations to test themselves in life-like conditions.

We get out, too, and meet governments, travel to other countries and experience other university systems. Our work is underpinned by excellent research on leadership in a higher education context. Universities look to us as a source of fresh thinking and best practice, a place that encourages difficult thinking, a safe space to discuss the risks and challenges they face.

## **The results**

The service is 'of the sector, for the sector' to gain trust and overcome scepticism about leadership development. Universities have a choice: they buy LF services because we add value and receive consistently high evaluation scores from participants.

We've delivered 100,000 participant days, some 500 senior staff completed our flagship top management programme including 60 current Vice Chancellors. Independent evaluations of our activities gave us exemplary feedback and, in a business where personal recommendation and word of mouth really matter, the LF's reputation for adding value to leaders is excellent.

## **The lessons**

It is possible to make a difference to leadership development– even in a sector with little previous exposure.

In 2014, the LF celebrates its 10<sup>th</sup> anniversary as a shared service for the sector, and proved that if it is set up to be nimble, customer focused and with excellence built-in as standard, it can overcome a very sceptical audience, establish a reputation and inspire confidence.

150 HEIs choose to be members of the LF and buy our services, developing the next generation of leaders and focusing on leadership priorities that enable their institutions flourish and grow:

- **Governance** - to manage risk and adopt new business and funding models for better outcomes;
- **Leadership** – developing leadership at every level – strategic leaders, operational leaders, professional and academic staff and the next generation of leaders;
- **Efficiency & effectiveness** – developing leadership tools and techniques to support a change agenda for a stronger and more sustainable institution;
- **Organisational development** – for new business models, cultural change, entrepreneurship, senior team leadership;
- **Equality and diversity** – getting the best from all the talent in a multi-cultural society;
- **International best practice** – working with leaders in advanced nations and developing countries from the USA and China to Myanmar and Cambodia, to share leading-edge thinking.

18 March 2014

**Evidence to the All-Party Parliamentary Group on Management (APPGM) Commission on the future of management and leadership**

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**MMU School of Business and Law – Centre for Enterprise  
Evidence to the All-Party Parliamentary Group on Management (APPGM) Commission on the  
future of management and leadership.**

**Query**

The APPGM Commission is seeking to challenge current management underperformance in the UK and explore the innovative management and leadership practices and behaviours that can create high-performing and sustainable organisations fit for the future. Our aim is to develop practical and targeted recommendations for politicians and senior leaders that can deliver a tangible impact on managers to support the UK's future growth agenda.

**Context**

This evidence is based both on our research and on our research-led programmes to support leadership, business management and growth. The Faculty of Business and Law at Manchester Metropolitan University (MMU) is one of the largest UK business schools, with over 4,000 undergraduate and 1,000 postgraduate students, including 60 research postgraduates and 420 professional accounting students in its new £75 million teaching and research headquarters. It has relationships with key large organisations, MacDonal'd's, Booths, Halfords, the Coop etc to support their long term aims for sustainability and growth. It also supports leadership and management development for a large community of small firms across the north west, through its Centre for Enterprise, supported by through private sector (the Goldman Sachs 10,000 Small business Programme) and public sector funding (the ERDF funded Knowledge Action network) through and has a specific focus on. This also includes the development of new awards with professional bodies. For instance, the Centre is working with The Chartered Institute of Personnel and Development in to support new awards for small firms.

The Faculty of Business and Law at Manchester Metropolitan University has a strong and sustained approach to supporting start ups and small firm growth. The Centre for Enterprise (CfE) and adjunct faculty have developed new ways to support small firm start up, growth and leadership, carrying out research into growth and leadership issues, introducing new knowledge exchange activities with owners and managers and working with companies to initiate new leadership activities (e.g, the managers2Leaders programme, codesigned with larger small firms for their staff). CfE delivers business and leadership development to over 400 North West SMEs, with an alumni group of 3,500. It also carries out research with and about small firms and social enterprises, funded by research councils, SME associations and the small firms themselves, working closely with many other parts of the faculty and specialists from other faculties that support SME interaction and development.

**Our evidence**

Given our range of activities, our evidence takes as its main contexts the following, discussing these against the three themes requested by the APPG

- (a) Small firm leadership and management for growth both as start up and when the firm is well established.
- (b) Larger firm needs for leadership and management excellence, particularly in the context of new technologies and in internationalisation of their company and its activities and in talent recognition and development.

(c)

## Summary

(1) *Understanding the current situation* – how good is management and leadership in the UK? (including international comparative data)

1.1 Our view is that there is still a leadership and management gap in the UK, particularly supporting growth and innovation, which is likely to impact on long term economic well being both regionally and nationally. This is exacerbated at specific stages of company life, with key gaps at each stage of start up, growth and exit. This calls for a differentiated approach to target specific needs rather than new blanket programmes of support.

1.2 There are specific and consistent gaps especially in small and medium sized firms which undermine the routes taken to form strategy and to implement it. These are :

- the gap and need for *entrepreneurial* leadership to enable sustained growth.
- The need for effective *leadership of people* – talent recognition and management to operationalise vision and to enable the growing firm to succeed.
- The need for better *financial management*. This includes not only better financial literacy for managers and owners but also enabling them to take new ways to look numerically at the firm.

1.3 Talent management is not just an issue for small firms. This also relates to how accessible leadership and management positions are for women and for those from ethnic minorities across sizes of organisations. A 2011 survey suggested that gender parity in UK business at senior levels would not be reached until 2225 (The Guardian, 2013). In the UK and internationally, senior positions, particularly at the highest levels, are still predominantly held by men, whether in business, politics or other fields. The UK is ranked eighth in the EU-28 survey of board positions, with an overall board membership of 21% which includes a large number of very small firms (European Commission, 2014).

2. *Future skills needs* – understanding the potential impact of global markets, technology, workplace and societal trends on management and leadership skills and behaviours

2.1 **Technology in practice.** Technology has become part of the fabric of management, changing the way that managers fulfil their role. Surveys of managers in larger firms show the arrival of the 24/7 manager, always available online through smartphones and tablets. New working policies on times (to reflect reasonable working times to avoid the problems seen in other organisations including employee demotivation) and new new ways of working in groups and individually both support better operational practice. These issues - and how to address them - are rarely recognised in UK firms. Leaders here need to be comfortable with the technology and able to translate it into effective working practice in partnership with employees.

2.2 **Technology as business advantage.** New technologies have enabled new ways to promote and sell, new ways to source and to engage across all sectors. Those companies able to take advantage of this will dominate markets. There is still very patchy understanding of the ways in which technology can enable organisational change and growth, whether in small or large firms. Leaders need to be able to embed new technology in their strategies for business growth and managers to implement these effectively to gain advantage from them. These two vital aspects remain gap areas in firms studied.

2.3 **Global markets** may be seen as threatening rather than as new opportunities. Management education needs to include always to understand what global markets are, their potential and how to engage in them. This goes beyond 'exports' or sourcing to include strategy for global growth within medium and larger firms. Surveys have shown that companies selling overseas might do so as born globals, born again globals or as accidental tourists. While much space is given to the 'born global' idea of start ups set for global dominance, most firms fall into the two other categories, most are accidental tourists, with one or two overseas customers, and no real understanding of how to capitalise on those sales to grow their footprint in that market, let alone expand into other markets (Onetti et al, 2012; Bell et al, 2004; Bell et al, 2001).

Small business managers see this in risk terms and are reluctant to invest in global activities given low levels of information and understanding. Global leaders need to be culturally aware and technologically savvy in order to bring new solutions to the merge of global players in their specific field. Neither of these contexts are currently an emphasis in management education.

(3) *Pathways to progress* – the key enablers that can raise the game of aspiring managers and leaders to help them achieve success in this future context

### 3.1 **Encouraging rounded leaders and managers**

In this document, we have stressed the need for entrepreneurial leaders, able to identify and activate opportunities and to grow and expand their companies. This relates directly to the ways in which company embed technology and their international and global ambitions. Here strategy and the role of planning is consistently indicated as a way to take a company forward, if it is based on understanding of the competition and the market, knowledge, expertise and the right access to resources (as in example 3 – Fleetsolve). There is a clear indication here that education for managers and elders needs to embed these key qualities, either as formal qualification based programmes or as specific targeted programmes based on public or private sector funding. These need to be coupled with very good communication and empathic qualities, likely to bring people on board with the vision and keep them engaged (Haslam et al, 2013; Lazaar, 2012)

### 3.2 **Differentiated approaches**

There need to be differentiated approaches to target managers and leaders, whether aspiring or in post, to support their ongoing development. These may be targeted at particular stages as discussed above (e.g., with the focus on business management in start up phases and on leadership at growth stages). This may also call on Business Schools to revise their current provision, to offer new variants of the MBA etc in order to develop more entrepreneurial leaders and more technologically and financially astute managers.

In terms of talent recognition and management these will need to be inclusive to maximise the benefits from a multicultural workplace where different genders provide equal measures of significant talent and ability. UK Companies may not be keen to adopt quotas to address low female proportions at senior management (McDonald-Gibson, 2013) but they may be required to do so, or at the very least to implement five year plans to address this, by specific development for women and ethnic minorities to take on higher level management roles (Blackhurst, 2014).

3.3 **Methods for learning in leadership and management education.** We have run very successful programmes to support leadership development and business growth, based on blended learning using face-to-face and virtual learning, group and individual

environments. Funded by the private and public sector, some of the larger examples include the **Goldman Sachs 10,000 Small Businesses Programme Northwest**; the Knowledge Action Network and LEAD. These are captured in three cases at the end of this document.

The Goldman Sachs Programme has been the most successful initiative we have ever delivered in terms of business and leadership success (e.g., in 18 months, 77% of participants had created net new jobs while 66% reported increased revenues in a 2013 survey) See also Clarke (2013).

All, however, have elements in common, being based on small business research in growth and leadership. All include active learning through action learning sets, master classes, coaching and one-to-one support. These are key elements in learning programmes with owner-managers. We have recently inaugurated the same approach with larger firms with equal success. Hence the balance of activities in these programmes needs to include not only high level knowledge inputs but also equal emphasis on activities to embed other techniques such as peer-to-peer learning in structured situations and the development of strategic space to work **on** the business rather than in it. This supports better strategy development and implementation

### 3.4 Examples of targeted provision – start up

As discussed below, different life cycle stages need differentiated support to encourage strong leadership and effective management. As an example, at the start up stage we suggest two ways to actively promote better leadership and management with the aim of ensuring more robust set up and longer term business survival rates.

The first is to encourage start ups via the introduction of entrepreneurial teams (with shared equity or non-exec roles required for support) as a way to bring sound management experience into firms. This is a key way forward, mixing generations, expertise and sectors to bring different expertise to bear to avoid ‘silo thinking’ and meet business management gaps (Higgs and Patton, 2013).

The second is to set up programmes to bring together owners to initiate and support business growth through mutual shared understanding will help leadership and management, if coupled with specific subject input and access to appropriate resources (Ganotakis, 2012; Brinckmann et al, 2011) The need for structure and for face-to-face and online activities is indicated here. Networking without this is insufficient, as seen in the lack of progress in survival rates for small firms.

## Background

### Introduction

This evidence does not attempt to define leadership or management given the time and space already given to this topic. Rather it reflects our perspectives on the three themes posed above based not only on our research and those of others but also on our work in supporting leadership and business management.

Dinh et al (2014) suggest a large and expanding literature form research on leadership and management,. Similarly, any Google search shows a plethora of sites offering advice , guidance, frameworks and insights into leadership and management. These are often from organisations with key aims and business models related to supporting these to qualities. The Management Advisory Service for instance suggests that the answer to the question, What makes a good leader? Is that “A good leader takes the lead. A good leader has personality, courage, clear vision with ambition to succeed. A good leader encourages the team to perform to their optimum all the time and drives organisational success.” Others seek to embed leadership in society, both public and third sector as well as the privates sector. The NHS leadership Academy as one example, offers nine dimensions for a Healthcare Leadership Model, each equally important to enable healthcare professionals to lead exemplary services.

There are even National Occupational Standards (NOS) for leadership and management offering a definition of key leadership and management skills. Within each of these areas the individual standards describe best practice at a high level of detail. These are structured around five broad themes or functional areas which broadly define what leaders and managers do:

- providing direction,
- working with people,
- using resources,
- facilitating change and
- achieving results.

Despite this range of standards and studies, evidence of poor leadership is consistently evident across different sectors. DTI reports from the late 1990s read very similarly to a BIS report from late 2012, for instance, which notes that :

- Ineffective management is estimated to be costing UK businesses over £19billion per year in lost working hours.
- 43% of UK managers rate their own line manager as ineffective – and only one in five are qualified
- Nearly three quarters of organisations in England reported a deficit of management and leadership skills in 2012. This deficit is contributing to our productivity gap with countries like the US, Germany and Japan.
- Incompetence or bad management of company directors causes 56 % of corporate failures

We take this as our starting point and seek to support business leadership through not only national and international surveys but the voice of the owners and managers themselves. For this reason we have included three cues of companies in varied sectors where growth is significant and where leadership gaps and solutions are indentified.

We believe that we demonstrate that Business schools have a key role to play in bringing these gaps, by putting research into action in the workplace, making knowledge practical and accessible so that leaders can emerge and companies can grow

## Our perspectives on the three APPG themes

### (1) *Understanding the current situation* – how good is management and leadership in the UK? (including international comparative data)

Here we feel that current leadership and management is variable and often ineffective, with key areas for focus including lack of leadership for effective strategy formation, poor engagement of staff in its implementation and gaps in the way that talent is selected, developed and retained. Research points to new demands on the manager to address these issues not only in the context of new technologies and internationalisation but also in terms of management style and practice (Drucker, 2011; Lazear, 2012; Haslam et al, 2013).

These gaps are also related to specific company circumstances so needs a differentiated approach, to meet the needs of, for instance, small firms, family firms, firms at different stages in the growth process. We illustrate this by exploring gaps at different stages in the business life cycle. In the UK it is important to do this. Although “the move towards economic recovery has seen birth rates being higher than death rates from 2011, .. the gap has narrowed in 2012”. (ONSa, 2014). There are also geographic disparities, with London having the highest business birth rate at 14.8% and the highest business death rate at 11.7%. Apart from London the number of birth and deaths by region were similar. Survival rates remain an issue however. The UK five-year survival rate for businesses created in 2007 and still active in 2012 was 44.6% (ONSb, 2014).

### Different leadership and management needs at different life cycle stages

- (1.1) **At start up** the emphasis is on ‘being entrepreneurial’ and accessing finance with numbers of programmes to do so. There is less investment in business management and leadership development. When a start up fails, there may be learning on the part of the individual but there is also likely to be to debt, and loss of confidence. This also has little positive impact on employment creation and the generation of wealth. While mentoring and networking can both help, they are not always enough to enable a company to thrive.

We suggest introducing business management and leadership into the start up process in different ways. These are (a) the introduction of structured programmes to enable learning to occur throughout the first two years of company life and beyond (b) the introduction of team starts as a norm.

(a) programmes to bring together owners to initiate and support business growth through mutual shared understanding will help leadership and management, if coupled with specific subject input and access to appropriate resources. Networking without this is insufficient.

(b) The introduction of entrepreneurial teams (with shared equity or non-exec roles required for support) as a way to bring sound management experience into firms is a key way forward, mixing generations, expertise and sectors to bring different expertise to bear to avoid ‘silo thinking’.

- (1.2) **At growth stages**, leadership styles and management techniques that worked with smaller companies will not always transfer effectively into the large forms. One recurrent need is for better financial management and understanding of ways to understand your firm through finance (e.g. ratios etc) (Brinckmann, 2011)

Here lessons can be learned from programmes with proven and excellent results, such as the 10,000 Small Businesses Programme, which has targeted these qualities very effectively in small firms in the UK, USA and Asia. As the firms grow the leader needs to evaluate their role and re-evaluate their role. A company with a £15

million turnover will need a different approach to working, vision and operation than one with £1 million, £5 million etc. The leader needs to be able to draw on specific and different resources at each stage. These can result from structured networking, the development of strategic space to work on the business rather than in the business and again benefiting from the shared learning approach, drawing together owner-managers and CEOs into learning sets to match their approaches and their needs.

There will be specific needs too around ownership. Is this a family firm? How will the right level of leadership and management emerge if the family is the only resource being considered? Here support will need to be different.

- (1.3) **Succession or business exit** needs careful leadership to envisage what the future might bring and careful management to bring together those steps and activities to ensure effective exit or continuation (such that the business survives and thrives). There are different situations here. In larger firms talent definition, recognition, and development can be limited. Some members of the talent pool are invisible and their potential may be wasted. Here women and ethnic minorities are included.

In the UK our 2011 survey suggested that gender parity in business at senior levels would not be reached until 2225 (Guardian, 2013). In the UK and internationally, senior positions, particularly at the highest levels, are still predominantly held by men, whether in business, politics or other fields. The UK is ranked eighth in this list, with an overall board membership of 21% which includes a large number of very small firms, likely to be underfunded at start up and unlikely to offer long term financial security.

The situation is also critical in smaller organisations. Here our research shows that very few small firms owners (with at least 6 employees) plan for business exit or continuation. This dim and distant prospect is avoided until it is too late to set the business up to offer prosperity for owners, staff or community. Where companies do not have a proper business exit planned, then this is detrimental for both owner-managers (who may be disappointed in the supposed value of their firm to support retirement) and employees who may face loss of jobs and / or poor pension provision.

- (2) *Future skills needs* – understanding the potential impact of global markets, technology, workplace and societal trends on management and leadership skills and behaviours

- (2.1) **Technology and the managerial working process.** Technology is an underlying force within society and business, underpinning the way business work. This has led to a shift in when work is done and how. Our research shows new impacts of technology on “how management is carried out” in both large and small organisations and in different industries (Antcliffe, 2014; Carter, 2014; McNeill, 2014)

A recent survey of managers showed that this technology has encouraged the development of the 24/7 manager- always available, via his or her tablet or smart phone. Longer working days and demands online from and to managers alters the psychological contract of the manager and the workplace. If the manager is available 24/7 should employees also expect to do the same? This is being worked out informally in organisations. One example was a firm with an Australian and a south American subsidiary where the manager interviewed showed emails very late at night and very early in the morning as a repeated pattern over the month selected. This led to him seeking answers from employees at these same times – it also impacted on his family through their mimicking behaviour. “The first thing in

the morning .. and the last thing at night is to check my tablet or my smartphone...I see my kids do the same”(Martin, 2014)

- (2.2) **Technology and the leadership model.** The interconnectedness of everyday life, where TV, radio, email and social media interlink and invent and reinvent stories about ‘leaders’ and ‘managers’ has supported a limited understand of what a leader or a manager is. Research at MMU published in 2011 (Martin et al, 2011) identified the way this works for entrepreneurial stereotypes. Further work on leaders and managers and the images of these in the minds of students and those in employment is drawing the same picture of white, male, rich, relatively young and without positive values (ruthless is a common adjective).

In understanding what a leader or manager is the role of social media is very important. It allows great new ways to market and promote and to source information and those who are technologically savvy are likely to do better. Figures across Europe and in the UK however, show that these are still skills gaps for managers and leaders, exacerbated by some geographical areas in the UK still lacking broadband. Similarly in Europe, uneven provision of services are linked with a need to improve leadership in the use of social media and cloud computing (EU, 2014b)

- (3) *Pathways to progress* – the key enablers that can raise the game of aspiring managers and leaders to help them achieve success in this future context are discussed in each section but our key messages are
- a. *Differentiate to provide the right sort of initiative or support at different stages in the company life cycle and to meet the needs of specific types of firms (e.g., small, family, technology-based etc)*
  - b. *Focus on management themes which are common gaps, finance, talent management and strategy formation, via programmes such as the Goldman Sachs 10,000 Small Businesses or KAN initiatives*
  - c. *Develop non-educational initiatives to support startups which bring new resources into the firm early (team starts)*
  - d. *Develop*
    - i. *new education and learning programmes both award bearing and non award bearing which develop more technologically savvy managers able to embed new technologies within their strategies for growth*
    - ii. *new education and learning programmes and other initiatives which develop more globally informed managers and leaders able to embed company internationalisation as practical and achieve goals within their strategies for growth*
  - e. *Develop change management programmes where required to support organisations to promote new ways for better talent management, specifically to support more inclusive policies for talent selection and for better recognition and development of talent within the firm to address the UK’s gender gap at senior levels*
  - f.

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## Examples



### Example 1 PES

**Business:** Power Efficient Systems

**LEP Region:** LANCASHIRE

**Industry:** Manufacturing

**CfE Programme:** Knowledge Action Network and Goldman Sachs 10,000 Small Businesses

**Turnover Growth:** ✓

**Employment Growth:** ✓

**Issues and solutions in :** People and finance management; encouraging leadership within the firm

### CASE STUDY: Energy efficiency business powers up growth with MMU

Energy efficiency and manufacturing business PES has powered up its performance with support from MMU Centre for Enterprise, which has also helped the business secure a £9,000 tax allowance. Since embarking on MMU's enterprise development programmes 18 months ago, the Skelmersdale firm has grown its sales by 36% and is projecting a £3 million turnover in 2016.

Gary Vizard and wife Eileen set up PES from home in 2002 with one engineer. Today the company employs 12 staff and is currently recruiting 5 more people. A recent move into new 12,000 sq. ft. premises will support continued expansion.

Growth for PES was slow and steady for the first 10 years, but during recent years energy costs have risen dramatically, providing strong demand for PES' energy efficient solutions. Recognising the opportunity, PES launched several new energy saving products, for both commercial and domestic use eighteen months ago.

At the same time, Gary was accepted onto the Knowledge Action Network (KAN) and then the Goldman Sachs 10,000 Small Business Programme, both programmes run by MMU's Centre for Enterprise. Gary says that these programmes have assisted greatly with ramping up business growth.

*Commenting on the MMU programmes, he felt that taking time out of the business to work things out with input from experts and other directors was a key part of the process of growth: **"It has been really useful to have other Company Directors to bounce ideas off. It gives you an opportunity to look at the business from outside, instead of just struggling with the day-to-day. We have had advice on setting up proper contracts, on business planning and now on funding."***

PES have secured pilots with a leading retailer, a well-known Fitness and Leisure chain and a large Housing Association. These are proving extremely successful, with the clients saving 12.5% on energy bills. PES are now rebranding and rolling out their products to 100 sites for just one customer. Further growth is imminent.

*Gary added: **"We received brilliant advice from Pete Wild who is a Senior Lecturer at MMU, regarding tax allowances for Research and Development. This immediately saved PES £9000 and allowed us to press ahead with further product development. My advice to anyone would be that if you think you may be eligible ring the Tax Office – they have a special department just dealing with Research and Development for SMEs."***

## Example 2

**Business:** FCE Projects Ltd.

**LEP Region:** CHESHIRE AND WARRINGTON

**Industry:** Construction

**CfE Programme:** Knowledge Action Network

**Turnover Growth:** ✓

**Employment Growth:** ✓

**Problems and solutions in :** strategy development and leadership support

### **CASE STUDY: New phase of growth opens up for successful Cheshire partnership**

Taking time out to join the MMU Knowledge Action Network (KAN) Programme gave Tim Whitewell the clarity of purpose he required to determine a new strategic direction, involving launching a second business. This has proved to be a wise move since the new company is growing fast and Tim and business partner Ian Cole are **recruiting 23 new staff**.

Tim and Ian, both Civil Engineers and best friends from university, founded Capenhurst-based FCE Projects 10 years ago. The power network construction company has since grown to become a £2.4 million turnover business, employing 23 people. They are a strong business partnership with complementary skills, Tim is strategically focussed and Ian is excellent with clients and the operational side of the business.

When Tim joined the MMU programme, he was faced with a momentous decision as to whether to focus on growing the existing successful FCE business, or to consider starting up a brand new and additional business. *He explained the crossroads he felt he was at*

***“When I came to KAN I wasn’t sure which business I wanted to really grow, which one to spend more time on. Taking time out to come to the groups made me rethink my priorities for the business.”***

The action-based peer-to-peer learning which is at the heart of KAN, and which draws together the experiences of a wide range of trusted business peers to focus on such critical questions, helped Tim to make his decision.

***“We were able to use surplus funds from FCE to set up the new company. It would have been possible to try and grow FCE further into a big animal but we know and like our zone. From our work in the construction industry we knew that profitability is not the same in other areas. We therefore decided to diversify into another type of company rather than keep growing FCE into other areas of construction.”***

In the process of embarking on the new business venture, the partnership which had created such success for FCE, now needed to evolve. Drawing on the learning from the KAN action learning sets and masterclasses, the team were able to successfully re-define their roles and structure to support the goals and ambitions of both partners and both businesses.

***“The new company is already growing quickly in income and is taking on new staff. We are looking for 23 new staff at present!”***

Tim sees the impact of the programme in both businesses. ***“With FCE, we had a secure contract with a major client, which has seen us grow £500,000 per year, even in recession. Now there is renewed growth in construction and increased spend in the power industry and in housing. FCE is well positioned to take advantage of both and we are taking on more permanent staff.”***

As Tim and Ian look to a continued growth journey with the group, the vital importance of the vision Tim honed as part of his work with Manchester Metropolitan University cannot be understated.

***“With any company you should develop a vision and stick to that vision. I knew from the outset what we wanted to achieve and it was therefore important that everyone shared that vision. Our real strength is understanding our business model and having the right business partner to complement each other’s skills and abilities.”***

**Example 3 Name:** Anne O'Connor

**Business:** *Fleetsolve Ltd*  
**LEP Region:** MERSEYSIDE  
**Industry:** Manufacturing  
**CfE Programme:** Goldman Sachs *10,000 Small Businesses*  
**Turnover Growth:** ✓  
**Employment Growth:** ✓  
**Problems and solutions in :** strategy focus and renewal

#### **CASE STUDY: Renewables power growth for Merseyside manufacturer**

Anne O' Connor, owner of renewable energy company Fleetsolve, has seen business turnover increase by £1m since graduating from the Goldman Sachs *10,000 Small Businesses* Programme at MMU in late 2012. The course helped Anne to take time out of operational management to look at the business critically, identifying opportunities and weaknesses, to create a plan to take the business to the next level. She commented:

***“As a small business owner, you’re so busy working in the business, but you have to realise that unless you start working on the business you’re never going to achieve your goals. I go back to the plan at least once a week. I keep focusing on our key goals.”***

These goals include raising investment, beefing up the company’s sales and marketing efforts, offering more flexible payment options to clients, and creating a manufacturing hub, which will double as a showcase for Fleetsolve’s innovative technology.

Fleetsolve builds liquid biomass Combined Heat and Power systems (CHP) that turn waste products into energy. Fleetsolve’s CHPs have already powered construction projects ranging from the world’s first carbon neutral superstore for Tesco to the Harrogate International Centre – ***“the greenest conference centre in Europe”***. They have even powered the Glastonbury Festival.

***Anne explained: “In simple terms, CHPs are small power stations. We use them to power very large buildings, either off the national grid or in parallel with the grid, and they can provide heat, electricity, cooling, and steam.”***

Fleetsolve was founded in 2002 by Anne and husband Keith, without any external funding. Keith, who previously worked in the fuel industry, provided the ideas and technical innovation, while Anne supplied the business skills. The business was based on the second floor of their home – a world away from the factory on the Wirral from which Fleetsolve now operates. The big break for the company came from a key client. ***“Tesco took a punt on us at a time when this was breakthrough technology. They were really brave. We now power 15 stores and distribution centres for them, including the world’s first carbon-neutral superstore.”***

Fleetsolve's business growth plan is clearly working as the company looks towards sustained success in the expanding renewable energy market.

# Can't Innovate - Won't Innovate

*A lot of times people do not know what they want until you show it to them – Steve Jobs*

Comparing what people say they want with what they actually need is curious. Take for example a recent survey of UK CEOs[1]; the biggest challenges to growth were cited as “building customer relationships”. Innovation was bottom of the list. We can define innovation as “finding new or better ways to serve customers’ needs”. If deeper in the same report, CEOs define customer relationships as ‘sharper understanding of customer needs’ and ‘better products’. Then what they really need is innovation. Curious Indeed!

## Why do we need innovation yet do not want it?

The great entrepreneurs see opportunities where there are unmet needs, they are unmet because few innovate with any rigour. Looking through the eyes of an entrepreneur some interesting insights emerge. Five misconceptions might be putting CEOs off innovation as each one obscures what good looks like.

## Innovation is risky

*The best way to predict the future is to invent it – Alan Kay*

Our perception of risk is heavily shaped by *what we realise that we do not know*. So any process where the end result is opaque seems risky. But surely the elephant in the room is the disruptive innovation that turns our whole market upside down - is it really less of a risk just because we cannot see it coming? Yet customers needs change slowly; if we know their aspirations and what frustrates their daily routine, then there should be no surprises from left field unless of course we fail to act on our insight. We come back to that one later. The riskiest practice is to seek insight from competitors rather than customers.

## Innovation is too creative and not pragmatic

*Creativity is thinking up new things – innovation is doing new things – Ted Levitt*

One of the frustrations of off-site workshops and training is all the energy and creativity that stays off-site, left on the flipcharts and whiteboards that never see action. We do not need “blue sky thinking” for pragmatic innovation. It is much more about an evidence-based problem solving process, which digs deep for customer insight and then applies unconstrained thinking to the solution. Often the best solution is already working well in a different context. Borrow with pride rather than trying to come up with something completely new, untested and with the risk of unintended consequences.

Entrepreneurs steer clear of bleeding edge technology for good reason.

## You cannot teach Innovation

*Innovation is the ability to turn ideas into invoices – L Duncan*

Following on from above, the other reason off-site sessions rarely work is that they lack real workplace context. At best they are abstract and theoretical, but at worst plain inappropriate. If you need help, it is much better to get facilitation and coaching in house to progress a real customer opportunity. An experienced facilitator guiding a team through a disciplined process tailored to their need is far more effective at transferring skills - 4 times according to research. That is on top of the benefits of the help provided with the customer problem.

## **Too much innovation fails**

*Discovery is the journey; insight is the destination – Gary Hamel*

Product flops stem from an inadequate innovation process. New products fail because customers do not want them or do not 'get' the benefits. This is the big danger of push rather than pull marketing. Entrepreneurs use pull marketing – they design products around the deep insight garnered from their target customers. Traditional product marketing is more push, where customer needs are gained from market research (which lacks real insight) and the real effort goes into selling the products once finished. Entrepreneurs know that their first concepts will not be right, but with little invested in development, getting it wrong is not a failure, more an opportunity to make what they have better.

## **Innovation is not in our organization's culture**

*It is about the people you have, how you're led and how much you get it Steve Jobs*

Whilst we might intellectually agree with the 4 previous points, if our teams are just not set up to do it then it is all rather academic. It is stark that the Parliamentary Commission addressing management issues is asking whether British "Management is short sighted short termists or long-term growth visionaries?" Many are a lot happier with the certainty of management accounts and KPI dashboards than the uncertainty of future growth; not helped by the short-term horizons of stakeholders. It takes both a different leadership mind-set and a different front-line skill-set to innovate well, but the capability can be developed with the right approach and success in one project quickly spreads elsewhere. But we tend to overlook Leadership. The skills to manage a task to perfection are very different from those that set a growth vision and empower the front line to deliver it. In another survey of 750 UK Leaders 1/3 acknowledged that they were ineffective at decentralizing decisions and ¼ at creating agile teams. We could double those figures if we include managers who simply do not get it. Critical self-awareness is a good start, but it takes action to enable change. Fortunately skills development is much more evidence based now and the habits of effective entrepreneurs are well documented. The capability can be transferred if wanted.

## **Effective Innovation is simple, but that is not the same as easy.**

You could be forgiven for thinking that the previous section is a bit glib and trivializes the issues. Of course brevity forces simplicity and there is easily a chapter on each of the 5 factors – several on the last one, but the principles really are quite simple. That said, to be successful is not easy. You need 3Ps. Passion – you have to want to do this; Precision – you need to follow the process properly and not cut corners; and Perseverance – customer insight for anything other than incremental innovation is hard to win. After all, what customers need and what they think they want is not always the same thing and it is in that gap that the best opportunities for innovation and partnering lie.

[1] CMI The UK CEO Challenge - July 2013

**The Hidden Revolution in  
Leadership & Change**

# ANTI HERO\*

**By Richard Wilson**

**With Matthew Kálmán Mezey & Nick Nielsen**



**ANTI HERO\***

**The Hidden Revolution in  
Leadership & Change**



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\*‘antihero’, noun, (plural) –roes, *a central character in a novel, play, etc, who lacks the traditional heroic virtues*. Collins Dictionary Definition, 2013. The definition of antihero has changed over time as society’s ideas of what is heroic have changed. Now we suggest it is time for another revision of what we mean by Anti-hero.

## ABOUT THE AUTHOR

Richard Wilson is a social entrepreneur, writer and 2012 Clore Social Fellow. He was born in North Wales in 1976 and grew up there. He went to Bradford and Sussex Universities. In 2004 he founded the Involve Foundation and is now the director of Osca. He writes regularly for the *Guardian* and blogs at [richwilson.org](http://richwilson.org). He is a UN adviser and supports organisations around the world achieve social change. He lives in Stroud, England with his wife and son.

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# PREFACE

“When I took on the leadership of NSPCC in 2000 I knew that I faced great challenges as a new chief executive of a large children’s charity in the early stages of the FULL STOP Campaign to end cruelty to children. It would have been easy to have been mostly absorbed with internal issues. But I realised in my first week that I would make little progress without active collaboration with all other agencies and organisations in the field of child protection including local and national government. My first thoughts have been about collaboration in many other situations since.”

*Dame Mary Marsh, Founding Director, Clore Social Leadership Programme*

‘Often we think of leadership as finding and imposing the one right answer. At the RSA and in other roles I have come to see that the more difficult and valuable task is to acknowledge and combine elements of many right answers, seeing that it is only by holding these different approaches in creative tension that we release the individual creativity, team commitment and respect for legitimate authority which are all part of making organisations successful and solutions effective’.

*Matthew Taylor, Chief Executive of the RSA*



# SUMMARY

*Anti Hero* helps explain why so many of us are frustrated with our leaders. Despite the great failures of Iraq, the financial crisis and MPs' expenses, our leaders often appear to have learnt little, as they career from one crisis to the next.

*Anti Hero* explains why none of this should surprise us and why we should continue to expect to be disappointed by our leaders until they fundamentally change how they lead.

*Anti Hero* argues that the modern challenges we face have fundamentally changed what we need from our leaders, requiring a shift from Heroic to Anti-heroic leadership. The Heroic leaders who dominate our institutions today have four fatal flaws. First, they tend to be over-confident in their opinions. Secondly, they tend to lack empathy towards others. Thirdly, they tend to be inflexible. And finally, they tend to deny the existence of uncertainty. These are the four pillars of the Heroic leader. This isn't, though, the fault of the leaders themselves; most of our leaders are the victims of outdated systems of leadership that were built for simpler times. Indeed, our leaders are very often doing their best in very difficult circumstances.

Many of today's issues are not like the complicated technical problems of the past; problems that could be addressed by smart people working hard. Our densely populated, hyper-connected, interdependent modern world is throwing up seemingly insoluble issues: 'wicked' issues.

These 'wicked issues' require a way of thinking that technical experts and senior leaders rarely have. They require a more open and inquiring mind that can see patterns, understand, and even integrate, the multiple frames that different people and cultures have. This is not some high-minded ideal,

but a description of real people who are already creating real change in institutions and communities across the world. We call these new leaders ‘Anti-heroes’. We call them this not because we believe heroes are bad, but because these ‘Anti-heroes’ are in many ways the antithesis of the single strong heroes who alone, ‘save the day’. Anti-heroes tend to be defined by five characteristics: empathy, humility, self-awareness, flexibility and, finally, an ability to acknowledge uncertainty.

Developmental psychologists like Harvard’s Professor Robert Kegan argue that what makes these Anti-heroes exceptional is that they have reached a later stage of adult psychological development, and that only those people who have developed this anti-hero mindset are able to successfully grapple with today’s ‘wicked’ issues.

We need to quadruple the number of Anti-heroes among our professionals from its current level (likely to be around 5% to 20%) if we are to have a chance of tackling the wicked issues we face.

Understanding that the Anti-hero is a new stage of adult psychological maturation also helps to explain why the usual ‘informational’ training and learning we are offered in our organisations—adding ever more data to our overstretched operating systems—is of little help. What’s needed is ‘transformational’ learning where people can radically broaden their worldview by expanding the capability of their operating system, allowing them to have a much greater understanding of others, the world and themselves. It is only through deliberately applying ‘transformational’ learning that new, richer, more open, anti-heroic ‘ways of knowing’ can be created.

However, there is great resistance to the emergence of Anti-heroes. There is a real possibility that both the current climate of austerity and deep-rooted societal ambivalence to personal growth will extinguish the emerging anti-heroic revolution. If this happens we will, at best, waste what limited resources we do have on the wrong kind of ‘informational’ leadership development and fail to meet the challenges we face. At worst, our leaders will fail even more badly than they have done in recent years, exacerbating the implications of wicked issues like the financial crisis and climate change.

To avoid this we need to see institutions (particularly universities, business schools, HR departments and senior managers) across all sectors place a much higher priority on transformational learning. We also need to see some of our highest profile leaders demonstrate the qualities of flexibility, vulnerability and generosity associated with Anti-heroes. But to do this we need the media to develop a form of journalism that not only holds our leaders to account but also allows them to acknowledge uncertainty, be vulnerable and to change their mind. A U-turn should not necessarily be

seen as a weakness, indeed when based on new information and experience it should be considered a strength.

Finally, Anti-heroic leadership is not suitable for all circumstances. We still need heroes in society, in the emergency services, military, schools and communities. Where we all know the outcome we desire and a good process to get there, the hero can be the person to make it happen. These kinds of heroes are vital, but this type of heroism cannot be easily transferred to today's 'wicked' issues. That's why we must expand what it means to be a hero and a leader.

Here we outline our Anti-heroic 10 Point Plan:

1. 10% of MPs' expenses budget ring-fenced for their transformative development;
2. Government to provide a central fund to support the anti-heroic leadership development of all senior civil servants, local government officials and politicians. This fund should be around £2,000/head or an amount to 4% of the salary bill for these posts;
3. The Coalition's service cuts must be supplemented by resources to support culture shifts in the public and social sectors if the innovation challenge is to be achieved (e.g. training, learning networks, coaching);
4. Schools of government to make transformative development of government staff their top priority;
5. Academia: Universities offering professional degrees (e.g. MBA, Business or Gov. Admin) must offer transformative learning options;
6. Schools: transformative learning elements to be included in the National Curriculum;
7. ACEVO to examine what support is required to increase psychological development of social sector leadership;
8. Social Sector funders to support psychological development of sector, through:
  - a. Offering senior leader transformation support (e.g. coaching)
  - b. Creation of 'anti-heroic' cultures in organisations
  - c. Helping organisations focus on their social purpose not organisational existence
  - d. Experimentation and innovation support.
9. Shareholders shown action logic profiles of the board members and senior management team;
10. Leaders walk the talk e.g. CEOs speaking from vulnerability, creating space to fail, being honest, having coaching, committing to their own development.

# ABOUT ANTI HERO

*Anti Hero* has been written in the spirit of enquiry. We do not assume to tell you what kind of leader you are or should be. We do, however, passionately believe that there is a global crisis of leadership and that we can learn a lot from the Anti-heroic pioneers we describe in this pamphlet. We also believe that there are some relatively simple steps we can take right away which will make a big difference.

We do not have all the answers. Instead we simply hope to:

- Bring attention to the work of pioneering Anti-heroes and theorists
- Start a debate about how we can practically improve our leaders' ability to tackle wicked issues, and
- Support the growth of the Anti-heroic pioneers.

In that spirit *Anti Hero* seeks to do two things:

- Outline our argument for the current leadership crisis and what needs to change and,
- Help the reader better understand his or her own style of leadership.

## **Why we have written *Anti Hero* this way**

We have written *Anti Hero* in a simple, polemical style. This is not because we are unaware of the importance of nuance or the limitations of developmental theory itself, but because it makes the story of the Anti-heroes more engaging and easier to understand.

We are also very aware of how hard many of our current leaders work to tackle the big challenges we face. So to be clear before we start, *Anti*

*Hero* is not a critique of our leaders. Quite the opposite, it is intended as an explanation of why it is so hard to be a leader today. Many modern problems are more complex than in the past, and the Internet has in many ways made it a less forgiving environment within which to be a leader. We argue that our leaders are working within systems of leadership that too often are ill suited to the complex wicked issues we now face. So right from the start we would like to acknowledge how hard it is to be a leader today and that we are in their debt.

### **How to read**

As *Anti Hero* is a mixture of polemical argument and personal enquiry, we suggest you read it according to your enthusiasms. In each section there is at least one brief exercise that you can skip or undertake as you see fit. Part 4 in particular is designed to support personal enquiry, so again it may serve you better to ignore this section altogether.

Additionally, as we are aware that many of you are very busy, we begin each section with a short one-page summary. All of the summaries are white text on red pages to help you skip through to each one.

### **Defining Anti-heroes and our nomenclature**

We call the protagonists of our story ‘Anti-heroes’. These people are heroes, but not in the conventional sense. *The Collins English Dictionary 2013* defines ‘antihero’ as a “noun, (plural) –roes, a central character in a novel, play, etc, who lacks the traditional heroic virtues”. Our Anti-heroes do not lack ‘traditional heroic virtues’ but have transcended them because such established virtues of being single minded, extraverted and forceful are not enough to tackle many of the big issues we face to day. We define our Anti-heroes as:

*‘Anti-hero’, noun, (plural) –roes, a person who creates change through transcending traditional heroic virtues, and whose impact is often unnoticed but nevertheless vital.*

This research report is published as part of Richard’s Clore Social Fellowship. As part of the Clore Social Leadership Programme, each Fellow is required to undertake a piece of practice-based research. The purpose of the research is to help develop the evidence base for the sector as a whole. The research focus, methodology and output are all chosen by the Fellow.

# RECOGNISING HEROES & ANTI-HEROES

## **What is a Hero?**

A heroic leader sees the world with great clarity, knows what they want to achieve and has the self-belief and drive to make it happen. Here are the four great talents of the heroic leader:

- Clear thinking
- Self-confident
- Expert
- Charismatic.

Heroic leadership tends to be well suited to tackling clearly defined challenges, such as winning a soccer match, making a highly successful music album or putting out a fire. Situations with clear challenges and agreed objectives are when the hero performs best. But the clear thinking and self-confidence which helps heroes achieve well-defined goals can undermine their ability to work in more complex environments. The heroes' confidence in their own opinions closes down the possibility of being open to other ideas or being able to see the world from different perspectives. On that basis the heroic leader's four flaws are, being:

- Un-empathetic
- Over confident and opinionated
- Inflexible (a product of their expertise), and
- In denial of uncertainty.

Heroic leaders often embody their own views and opinions. Think of the environmental campaigner who never flies or eats meat, or the business executive who plays sport as hard as they work and is never late for anything.

This consistency of behaviour can win accolades with colleagues and displays a congruence that is admirable. However, this consistency can also mean that the hero is highly attached to their way of life and so any opinions that run contrary to how they live are taken as personal attacks and immediately dismissed as ‘wrong’. This may mean that the hero will deny or miss vital intelligence and find it hard to see the world from other people’s perspectives.

### **What is an Anti-hero?**

Perhaps the most important behaviour of the Anti-hero is that they adapt their leadership style according to circumstances. This is a product of their ability to see themselves, their opinions and their actions in a wider context. Anti-heroes are inherently sensitive to other people and aware of the limitations of their own knowledge and skills. It is this sensitivity to themselves, others and the wider world that forms the basis of the Anti-hero. The five pillars of anti-heroic leadership are:

- Empathy
- Humility
- Flexibility (leadership style and behaviour)
- Acknowledgement of uncertainty and not knowing
- Self-awareness: being highly aware of their core values and behaviours.

Importantly, Anti-heroes have access to the same talents as heroes, but they also have the flexibility and awareness to adapt their approach according to different circumstances. Heroic leaders tend to have one leadership style, be it top-down, bottom-up or something else that rarely changes, whereas anti-heroic leaders constantly adapt their leadership style in a manner in which heroic leaders do not. Also, an Anti-hero may have the same expertise as a hero but will be more aware of its limitations and therefore tend to use it more sparingly than the heroic leader.

In this vein, Anti-heroes tend to be better at:

- Adapting to new circumstances
- Drawing upon all relevant information
- Building diverse relationships
- Understanding other people.

Anti-heroes are not perfect though and have weaknesses just like other leaders. These tend to be a product of seeing the complexity inherent in the world and can produce:

- Complicated communications, and
- Slower decision-making.

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# THE SECRET SOCIETY OF ANTI-HEROES

## INTRODUCTION

The allure of the hero is powerful, pervasive and invisible. Most of us have no idea how attached to the heroic ideal we are. Hollywood, religion, management schools, political parties, science and celebrity, almost everyone everywhere is promoting the heroes path, to such an extent that it's deeply embedded in our psyche from birth. The reason so many people love blockbuster movies is the perennial appeal of a simple story of good triumphing over evil and although we all know the world isn't really like that, many of us secretly wish it were. Many of us long for a mythical Tolkienesque world where right and wrong are black and white and we are shielded from the discomfort of uncertainty. But we also know real life is not like that.

As we get to understand the world and its interdependency in ever more staggering detail, its inherent complexity is becoming more obvious to more people. Our high definition world gives us great power and rich knowledge, but it doesn't always make decisions easier. Indeed, it often makes things that once appeared simple and black and white more complex, as our data stockpiles reveal patterns once hidden from view.

That our leaders let us down is nothing new. Recent history is filled with examples of politicians and business leaders failing to meet the big challenges of the day: be it climate change, obesity or jobs creation. Across the board they have been left wanting.

What is new is a breed of leaders who are the antithesis of the single strong heroic leaders to whom we have become accustomed. We call these new leaders 'Anti-heroes'. We call them this not because we are against heroes, quite the opposite, but because these 'Anti-heroes' are so different from our usual leaders. 'Anti-heroes' tend to be open-minded not single-

minded, flexible not dogmatic, sensitive and discerning and humble while remaining focused. Make no mistake though: 'Anti-heroes' are tough. This pamphlet is no homily to the sentimental boss who made his or her way to the top by being 'nice', by putting nobody's back out and by ruffling no feathers. The Anti-hero's strength runs deep and it comes through empowering their colleagues, having strong principles and knowing themselves intimately—warts and all.

This pamphlet is the story of the Anti-heroes: why they have emerged, what makes them special, why there are currently so few of them and how we can increase their numbers.

Given the inefficacy of our leaders, the deepening leadership crisis and the lack of alternatives, we argue here that we need to look seriously at what the Anti-hero pioneers are doing right and seek to learn from them. However, we are aware that to do this we face a significant challenge. Our culture and organisations are deeply attached to the heroic ideal. Many Anti-heroes get forced out of our organisations as the 'key performance indicators' do not recognise their contribution and those who stay become undercover agents, disguising themselves in the language and attire of their organisations. Speaking to those studying and supporting this new breed, they tell us that, "many Anti-heroes feel that to break out and unmask themselves would be professional suicide", and yet, it is people like this who hold the missing key to meeting the big challenges we face.

*Anti Hero* is also the story of how, although many of us understand the arguments of the need for change and think we are Anti-heroes, in practice we are often not.

According to developmental psychologists just 1% of the average western population reaches the anti-heroic level. The good news for us is that the very fact that people like you are reading this publication means that there are people out there who are open to anti-heroic ideas and therefore at a mature stage of adult development. Many of you may even unknowingly be Anti-heroes.

In the following pages we outline why the world needs people like you, what you can learn from the anti-heroic pioneers and what you can do to amplify your impact. But above all, this pamphlet is about you understanding your power and unique qualities.

This is a call to arms: come and join the secret society of Anti-heroes.

## **Exercise A: Awareness Increasing**

So, what do you think so far? About the cover, the introduction, the writing style, how you heard about it? And why do you think that?

One key to anti-heroic behaviour is being highly aware of the real basis of our behaviours and opinions. We all have judgments, on the basis of our values, beliefs and prior experiences, which colour our experiences.

Being conscious of our judgements helps us to see the world as clearly as possible. If we can't do this, our ability to develop valuable insight is significantly compromised. And this isn't a one-off realisation: it's an ongoing journey of increasing subtlety, so if you think you've 'got' this, you may want to look again.

So, from now on, whilst reading this pamphlet we'd encourage you to question any opinion or preference that comes into your head. Ask yourself where it comes from. Is it really 'true' or useful?

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## SUMMARY OF PART 1

Part 1 describes a phenomenon whereby the legitimacy of our leaders and institutions has been seriously damaged by their failure in areas such as jobs creation, the conflict in Iraq, climate change and the ongoing scandals across politics, media and business. Compounding this, the 2008 crash has made everyone aware of the fragility of their lives and the limitations of our leaders. We argue that these phenomena go some way to explain the mood of global protest where people feel they have no choice but to take to the streets to be heard.

We also explain how peoples leadership style is profoundly influenced by their Psychology, and that different leadership styles seem to be better suited to dealing with modern complex issues. Classical strong leaders, who we call heroic leaders, tend to be good at handling straight forward challenges where solutions are known, but many of the challenges we face today are not like that.

But breaking from the 'heroes path' is not easy as we have all been taught to love and aspire to be classical leaders by Hollywood, academia and our professions. And, that the 'heroic' way of being, having high self confidence and clarity about what you want and the way the world works is a comfortable place to be and so it can often be easier to be a heroic leader than an anti-heroic leader.

Finally, this section covers the results of our survey which found that the top five leadership characteristics that are overvalued are: 1. Command and Control, 2. Charisma, 3. Power, 4. Financial Skills and 5. Expertise. The top five leadership characteristics that are undervalued are: 1. Collaboration, 2. Humility, 3. Listening, 4. Empathy and 5. Integrity. And the top five qualities that you have found most important in your leadership: 1. Communication, 2. Listening, 3. Honesty, 4. Valuing Team, 5. Collaboration.

# 1

## HEROIC CRASH

How did we get here to this state of impotence—when President Obama can't implement the softest of gun controls<sup>1</sup>?

Here we describe a phenomenon whereby the legitimacy of our leaders and institutions has been seriously damaged by the 2008 crash and recent scandals across politics, media and business. The scandals in corporate tax avoidance, bankers' bonuses, phone hacking and MPs' expenses have starkly illustrated the growing gap between 'them' and 'us'. That bankers still demand bonuses and that some journalists thought phone hacking was acceptable defies belief for most people. Compounding this the 2008 crash and other negative events<sup>2</sup> has made everyone aware of the fragility of their lives and the major limitations of our leaders.

We argue that these two phenomena are contributing to a collapse in the legitimacy of our institutions and leaders. A collapse that goes some way towards explaining the mood of global protest where people feel they have no choice but to take to the streets. It has been clear for years to those in policy circles<sup>3</sup> that many of our national institutions lack desirable levels of public legitimacy. It would seem now, however, that a tipping point may have been reached and many countries face implicit rejection of their leadership class. This is especially pronounced among younger people who tend to feel disconnected from classical politics and power<sup>4</sup>. There is a real chance therefore that in one or two decades' time we will see voting levels fall even further whereby it becomes difficult for many politicians to reasonably claim legitimacy to act on behalf of the public.

Given this it is clear we need to come up with practical ways to breathe new life into our outdated leadership systems. We argue that the anti-heroic path should therefore be taken very seriously as one of the ways to help stop our leadership rot.

In this section we do this by asking: 'what do we think of our leaders?'

explaining how we lost faith in our leaders, why it is they increasingly lack efficacy and how despite all this most of still love our heroic leaders.

## **Our Heroes' Fall From Grace**

The world changed on 15 September 2008 when Lehman Brothers filed for bankruptcy; and it wasn't just that we all became poorer. All of us, in a way, became wiser. Not simply wise to the complexity, self-interest and anarchy of finance, but wise to the fragility of our world; wise to where power really lies; wise to whom, if anyone, is looking after our interests, and wise to the uncertainty of modern life. 15 September 2008 was like one big global rite of passage where we all suddenly came of age. Overnight, we all had a more mature understanding of how the world really works, and had to face the grim reality that the last 60 years of growth had been an exceptional financial cushion—a cushion that had given us security we'd never had before through pensions, homes and insurance; security that we are slowly realising we may never have again. Just as the markets are still slowly waking up to the liability of their assets as aftershocks have hit Cyprus, Slovenia and beyond in 2013, we are all living with the long hangover from that coming of age party five years ago. There is a creeping reality for all of us that life has an inherent fragility and that there's nothing anyone, certainly not our bankers and politicians, can do about it.

Over the last 30 years we have lost the respect we once had for all experts and professionals namely lawyers, journalists, scientists and most notably politicians. This is a well-documented global phenomenon, known as the 'decline of deference'. In the past we tended to believe our politicians and journalists were telling the truth and that we should accept the advice of our lawyers and doctors, and respect the authority of teachers and the police. Whether lawyers have become less reliable or teachers less authoritative is open to debate, but what is clear is the information that is the basis for their expertise is more available and open to scrutiny than ever before. If we have an injury we can stick a photograph on Twitter and get feedback quicker than it takes to make a doctor's appointment. If we need legal advice, Google is most people's first port of call, not a solicitor.

The availability of information over the last few decades has profoundly changed the relationship between our authority figures and us. Patients can become more expert on their condition than their doctors, students better briefed on any subject than their lecturers.

As the 'information' gap between us has shrunk, our leaders' pedestals have wobbled and, in many cases, toppled and fallen. On the 8 May 2009, the *Daily Telegraph* started publishing stories of how British Members

of Parliament spent their expenses—expenses that are meant to allow an MP to cover the high costs of simultaneously living in London and their constituency in another part of the UK. Instead of legitimate expenses such as food and rent, some MPs had been using the money to luxuriate their lifestyles. Famously, Sir Peter Viggers, MP for Gosport, claimed £32,000 in gardening costs, which included building a floating duck island designed to protect his ducks from foxes. This episode marked the start of a cavalcade of leadership crises from News International's phone hacking, to the Jimmy Saville scandal, and the bankers and their stratospheric bonuses.

All areas of leadership, from politics to business, media and entertainment have been ripped apart by controversies that have gone to the heart of how they function and raised big questions about their integrity and public service.

Perhaps most damning of all has been their pleas of innocence: Barclays boss Bob Diamond defending his staff bonuses in the House of Commons; James Murdoch squirming in the same seat as he attempted to dodge questions from Tom Watson MP; Google's Eric Schmidt claiming they are just playing within the rules when accused of tax avoidance<sup>5</sup>. These very public events have cemented a new view of how we see our leaders. We no longer see them as distant captains of industry or government, seeking to steer the country in the right direction. We tend to see them as individuals caught in webs of personality and power, far detached from the lives of normal people, unable to understand or serve them and, when the chips are down, they inevitably fall back on their own self-interest.

It's like realising the fallibility and limits of our parents. Once that point is passed, the relationship is altered forever, but not necessarily in a bad way. By realising our parents' limitations we realise they are not impervious gods, but normal people like us. In the same way, realising that our leaders are inherently imperfect enables us to see them in their true light—warts and all—and be realistic about what they can do for us, and what we may need to do for ourselves.

On the 15 September of 2008 the mirage of international finance wasn't the only thing that came crashing down; with it fell the idea that our leaders are unique people who have been imbued with something special that enables them to lead. Indeed, we have been left with a sense that quite the opposite is true—that many of our leaders do not have what it takes to lead us and, in a way, we are right.

## Why Heroes Don't Work Anymore

A central theme of *Anti Hero* is that we have all reached a certain stage of psychological development, and that people at different stages have different characteristics. We explain this in detail in the section titled 'Older and Wiser: Stages of Development' (p66), and you may find it helpful to skip ahead to Part 3 just to familiarise with some of the thinking. As a taste of what's to come here we introduce Professor Robert Kegan's 'Stages of Psychological Development' (See Table 1, p27). Here Kegan explains how we respond to the world at different points in our life. Infants respond to their impulses, children to their needs and adults to their relationships.

At each stage there is an additional level of freedom created by ever higher levels of awareness of people's selves and their environments. For example, people at 'Self Authoring' are aware of their needs and the impact of relationships, but they may be unaware of the ideologies that govern their life. It is not that they don't know they have an ideology, they are very often highly aware of it, often cherishing it, but they do not see the ideology as abstract from them. For example, when Richard Wilson (the main author of this report) was an environmental campaigner he saw his job as an essential part of his identity, environmentalism was not a choice for him but an inherent part of who he was, and it was the lens through which he saw most other things, whether you were good or bad, kind or cruel.

What is important here is that you do not become free of your ideologies until you hit the Self Transforming stage. It is only at the Self Transforming stage that you are able to embrace uncertainty, and it is only at this stage that you stop seeing the world in black and white but see it instead in a kaleidoscope of greys.

The majority of today's leaders operate at the Self Authoring stage. Leaders at the Self Authoring stage tend to have a very clear belief of what needs to happen, are highly motivated to take action and have the confidence to make it happen—to self-author their lives. Many of the most successful politicians, business people and celebrities fall into this category. These people are designed to thrive in today's world. They communicate with clarity and certainty and they offer institutions a sense of calm self-assuredness that fits well with their often risk-averse cultures. However, their strong beliefs and confidence are also their Achilles' heels, because in order to navigate the complex world we inhabit, it helps to be flexible and open to different solutions or paths. It also really helps to be highly aware of your limitations as well as your strengths in order to build the right teams around you and create highly diverse relationships. Classical heroic leaders are not psychologically pre-disposed to do this.

	<b>Stage</b>	<b>Characteristics</b>
Pre-Heroic	Impulsive Mind age: 2–6	<ul style="list-style-type: none"> <li>• Responds to immediate priorities</li> <li>• Little concept of time</li> <li>• Seeks comfort</li> </ul>
Pre-Heroic	Instrumental Mind age: 6–adolescence	<ul style="list-style-type: none"> <li>• Focus on personal needs</li> <li>• Responds to threats</li> </ul>
Pre-Heroic	Socialised Mind age: post adolescence	<ul style="list-style-type: none"> <li>• Team player</li> <li>• Faithful follower</li> <li>• Seeks direction</li> </ul>
Heroic	Self Authoring Mind age: variable, if achieved	<ul style="list-style-type: none"> <li>• Own compass</li> <li>• Problem-solving</li> <li>• Independent</li> <li>• Single-minded leader</li> </ul>
Anti-heroic	Self Transforming Mind age: rare	<ul style="list-style-type: none"> <li>• Holds paradox</li> <li>• Meta leader</li> <li>• Manage uncertainty</li> <li>• Holds multiple frames</li> <li>• Interdependent</li> </ul>

Table 1: Stages of Psychological Development<sup>6</sup>

Heroes tend to have a clear worldview that they believe is 100% true and complete and they are usually aware of a multitude of ‘other’ perspectives, but see them as ‘wrong’. More critically, they also tend to view all other worldviews through their own necessarily limited perspective as opposed to looking at their own and others’ views in the abstract.

The point being that the ‘heroic’ mindset, which sees itself as 100% right and those who disagree as wrong, is unhelpful when trying to tackle modern problems. Here we identify five major limiting characteristics it creates:

- Failure to build diverse relationships
- Poor at working in uncertainty
- Inability to value things outside their worldview
- Bad at adaptation and flexibility
- Miss important patterns.

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# CASE STUDY A: THE SUSTAINABLE TRADE INITIATIVE

*This case study shows what can be achieved when organisations come together for their own reasons, without external pressure, for a common goal. It shows the power of the Anti-hero as convenor.*

The Sustainable Trade Initiative<sup>7</sup> (STI) does large-scale market transformation work on behalf of the Dutch government, which has invested €100m over five years through the STI into mainstreaming sustainability within global supply chains. This funding is matched by corporate investments to at least 50:50.

The great success of the STI has been that it does not attempt to challenge the different worldviews of the different stakeholders involved. The STI has avoided the classic approach of NGOs (Non-Governmental Organisations), which is to try and convince the multinational corporations to prioritise their core issues such as deforestation or energy conservation.

Instead, the STI allows stakeholders to get involved for their own reasons and this marks a clear break from multi-stakeholder processes which are often focussed on trying to find common ground. Instead the STI explicitly does not try and change the objectives of its members. International NGO members get involved to help advance the Millennium Development Goals such as reducing poverty or improving maternal health. The multinational corporations are there for what they call their own 'enlightened self-interest'. This means that they're involved both for very practical business reasons, such as brand reputation or supply chain security, but also because it creates big improvements to their social and environmental impact.

### **(i) Failure to build diverse relationships**

Heroes tend to be bad at seeing the world from other people's perspectives. This is a problem, as for us to progress on wicked issues it's a prerequisite to be able to appreciate other people's perspectives and opinions and this is only possible if you first openly acknowledge the limitations of your own values and opinions. As explained by Professor Robert Kegan:

“The great trap of the [hero's] mind is that it usually holds on to lots of different kinds of information and makes sense of it according to the logic of its own system and then it confuses this kind of wholeness with completeness, so the ability to make something whole doesn't necessarily mean that you haven't left quite a lot out.

It is only when you're able to transcend the [hero's] mind, when the self is bigger than any one ideology, when you're able to, in some way be friendlier towards these contradictions and opposites, instead of merely holding yours and projecting the oppositeness on to your foe so to speak, it's only then, when you're with that kind of mental spaciousness, that you have more opportunity to get your arms around these very complex issues.”

The Sustainable Trade Initiative described in Case Study A (p28), stands out because of its incredible ability to build highly diverse relationships.

### **(ii) Poor at working in uncertainty**

The heroic mind is inherently certain of its truth and seeks to minimise or ignore uncertainty wherever possible. However, most wicked issues are dominated by irreducible uncertainty. In order to tackle a wicked issue like climate change or reduction of anti-social behaviour, it is very helpful to start from a position of not knowing precisely what will work. You may believe that tougher sentencing will be a key part of the strategy in either case, but in order to bring all necessary parties to the table it is important, at least at the start, to be explicitly open to all options. This can be nearly impossible for the heroic mind.

### **(iii) Inability to value things outside their worldview**

Because the heroic mind sees itself and its beliefs as the same, it takes any criticism of its beliefs personally and becomes very defensive in response. This makes it very difficult to value and understand ideas that in any way contradict their own. Defensive communication is often prevalent in old, established organisations, especially public bodies that may come under scrutiny from the media. Newham Council in east London took the impressive step of assuming it did not understand the beliefs and values of its population and undertook a comprehensive values analysis of its community to be able to work more effectively with them.

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## CASE STUDY B: NEWHAM COUNCIL COMMUNITY RESILIENCE (2012)

*This case study shows the value of an organisation adopting the anti-heroic attribute of acknowledging that it may not fully understand those it serves and seek to understand them better.*

In order to better understand their community and help build stronger ties, Newham Council worked with the RSA, The Campaign Company and Cultural Dynamics to better understand the values modes of their community. Through this work they found out that they had more than double the national average of ‘Prospectors’<sup>8</sup> (47% as opposed to 23%), and this group was also the least involved in council activities. This new information has enabled Newham Council to tailor its community support activities to the real values, as opposed to assumed values, of its population. This is important, as most public bodies tend to assume that its audience are ‘like me’ and design communication activities that the staff of the organisation would respond to well, as opposed to the people they are trying to reach.

**(iv) Bad at adaptation and flexibility**

The heroic mind tends to be highly driven and determined and only changes its course of direction when the evidence to do so is overwhelming. The anti-heroic mind however is constantly adjusting its course and opinion in response to the new information it receives.

**(v) Miss important patterns**

Because the heroic mind is narrowly focused and attached to its own beliefs it very often misses broader trends or patterns. It tends not to look beyond its own worldview.

## **The Allure of The Hero**

Many, perhaps the majority of the people reading this pamphlet, will be at the ‘Self-Authorship’ level of adult development (a late stage of heroic leadership, see Table 1 page p27). 80% of people in society never reach this level, and only 45% of highly educated professionals get there—those that have a tendency to be more inquiring and reflective. It’s the stage of adult development where most of our leaders get to and here they stay, and you can understand why.

Self-Authorship is a nice place to be; the chances are you know the place very well. We do. Once here, you get some real benefits. For example, at Self-Authorship you know that you have control of your life, you know what you want, you know how to get it and, by God, you’re going to take what’s rightfully yours. You’re also blessed with a real clarity that your way of life is the right way. Sure, you’ve had setbacks before, relationships that ended badly, jobs that didn’t work out, but now...now it’s different, you’ve learned and now you’re on the right track.

The big problem is that it’s precisely this self-confident focus that is both problematic and attractive about Self-Authorship. It’s problematic because to be flexible and sensitive there needs to be limits on your self-confidence. When you believe you are 100% right, there’s no space for alternative ideas, you are closed-minded and although you can be persuaded it takes a huge effort. However, in many ways the heroic path is much more attractive. Life’s easier when you have a sense of deep clarity and conviction in yourself and your ideas. Being open to other ideas can take effort and time.

To be anti-heroic you necessarily need to see the world in shades of grey rather than black and white. There is no fixed ideology; there is, instead, self-doubt. Life tends to be fluid and flexible and inherently less certain than the classical heroic path. It’s easier with the certainties and focus of the heroes’ path. The problem is that it’s less useful.

## Exercise B: Death Zone

Anti-heroes are simultaneously high impact leaders and in touch with their core vulnerabilities.

*What makes you sad? What do you fear? How do you relate to death, for example?*

The idea is that by knowing all these parts of you, especially these sensitive elements, you can be whole and can access all of your power. It helps us develop empathy as well as our authenticity, critical for inspiring others. Our great common vulnerability is our death, but it can also be a doorway to living fully.

In his 2012 book about dying, Phillip Gould explains how ‘it’s only when they say you’re going to die, get used to it (in weeks or months). When you are aware of death, and only when that happens, life suddenly screams at you in all its intensity’<sup>9</sup>.

Sometime today spend a few minutes noting down your fears, fears you wouldn’t tell anyone about, fears you may be too uncomfortable about to write down. And then hold them in contemplation.

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## What do we think of our leaders?

As part of the research for this report we surveyed 50+ professionals to get their insights into what needs to change in terms of the character and qualities of the leaders we have. Box 1 (p33) outlines some of the key findings. We have also included word clouds of the full results (p33 and p34).

By looking at the word clouds of the full results, our respondents have inadvertently validated the evidence from the academics (see ‘The Anti-hero Spotters’, p58) of the difference between the leadership we need (Anti-heroes) and the leadership we need to move beyond (heroic).

Here we outline our working definition of heroic and anti-heroic leadership so we can have a clear sense of what we are talking about from the start.

Figure 1 is a Wordle of the responses to the survey question: ‘What are the top five leadership characteristics that are overvalued?’. Characteristics like ‘command and control’, ‘charisma’, ‘power’, ‘financial skills’, ‘over confidence’, ‘expertise’ and ‘appearance’. This starts to give a picture

similar to what Professor Robert Kegan calls a ‘Self-Authoring’ leader or what Professor Bill Torbert calls ‘Achiever’ leader (see Table 1, p27). Both of these are the classic ‘strong leader’ which is often defined by having a lot of charisma and being driven and focused.

<p>A. What are the top five leadership characteristics that are overvalued?</p> <ol style="list-style-type: none"><li>1. Command and Control</li><li>2. Charisma</li><li>3. Power</li><li>4. Financial Skills</li><li>5. Expertise.</li></ol>	<p>B. What are the top five leadership characteristics that are undervalued?</p> <ol style="list-style-type: none"><li>1. Collaboration</li><li>2. Humility</li><li>3. Listening</li><li>4. Empathy</li><li>5. Integrity.</li></ol>	<p>C. In your leadership, what are the top five qualities that you have found most important?</p> <ol style="list-style-type: none"><li>1. Communication</li><li>2. Listening</li><li>3. Honesty</li><li>4. Valuing Team</li><li>5. Collaboration.</li></ol>
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Box 1: Results of Anti Hero Survey



Figure 1: Responses to: What are the top five leadership characteristics that are overvalued?



### **A Working Definition of Anti-heroic Leadership**

Figure 2 starts to help us get a picture of what an Anti-hero looks like. For a more detailed definition see introductory section ‘Recognising Heroes and Anti-heroes’. However, it is in many senses the opposite of the classical ‘strong’ leader; it is being humble, listening, valuing collaboration and having relationship intelligence. As we argue in Part 3, being an Anti-hero is also about having dispersed leadership across organisations and society, and so it is useful to see anti-heroic leadership as a fusion of Figures 2 and 3.

By comparing Figure 1 with Figures 2 and 3, we start to get a very clear sense of the difference between the heroic and anti-heroic leadership.

Throughout this publication we make the case for why we need to be moving in the anti-heroic direction. However, as a taster of some of the recent challenges that have been created by heroic leadership we list the following three recent examples.

### **Credit Bubble of 2008**

There is evidence that the highly ‘heroic’ culture of the banking sector can go some way to explaining the climate of ‘turbo capitalism’ that underpinned the boom that caused the 2008 bust. The organisation Cultural Dynamics have undertaken research<sup>10</sup> into the values of people who work for and support ‘big business’. This research shows that proponents of big business tend to see the world in classically heroic black and white terms. In particular, they see the world in terms of winners and losers. They believe themselves to be winners, and those different from them or holding different opinions to be losers. This group is highly unreflective and they see their unwillingness to examine their own motivations and beliefs as an important strength. They also see their refusal to change their opinions in the face of conflicting facts and advice as desirable. Specifically, it was found that many in this group had classical ‘heroic’ characteristics, such as preferring top-down controlling approaches to management and an emphasis on acquiring material wealth and status.

The research also found that proponents of ‘big business’ tend to believe that those better off have no responsibility for the less well off, and that they have no obligation to help their fellow citizens in times of economic distress. In this view, supporting the less materially fortunate ‘rewards failure’ and provides a disincentive towards changing their ways and becoming ‘winners’ like them.

And finally, the research found that proponents of ‘big business’ believe that what is good for big business is good for all—and that governments should keep out of the way. This extreme version of heroic leadership can go some way to explaining how the credit bubble of 2008 was created and considered legitimate by some of its creators.

### **Bankers' Bonuses**

The controversy surrounding bankers' bonuses was in many ways a product of the dominant 'heroic' culture of the banking sector. The critical issue here is not the size of the bonuses as such, but rather the failure of the banks to appreciate the extent of public outrage at the size of their bonuses and their consequent failure to manage the story through the press. This was exemplified by former Barclays CEO Bob Diamond who responded to a question at a Parliamentary committee on 11 January 2011 on whether he should take his own bonus for 2010 by saying that the time for apologies from banks was over: "There was a period of remorse and apology for banks and I think that period needs to be over" he argued. True to his word Bob Diamond did accept a £6.5m bonus for 2010 but left Barclays in 2012 amid the Libor rate-fixing scandal.

More damning however was his successor Antony Jenkins who took the highly unusual step of telling the Parliamentary committee on banking standards that he was "shredding" the legacy left by his predecessor Bob Diamond. Mr Jenkins explained that under Diamond Barclays had an "aggressive" and "self-serving" culture.

Here it appears that we can see how the banking sector has been learning the hard way the consequences of the closed-minded and self-confident form of heroic leadership that dominates the sector. Antony Jenkins has waived his bonus for 2012 and "substantially" reduced the Barclays bonus pool.

### **Public Service Failure**

In 2011, The King's Fund Commission on Leadership and Management in the NHS published a report called 'The future of leadership and management in the NHS: No more heroes'. The report found that "leadership development must be a priority for every NHS organisation" and that, "the service also needs to recognise that the type of leadership the NHS requires is changing. The old model of 'heroic' leadership by individuals needs to adapt." The report also goes on to warn that:

"Recent hospital scandals—the paediatric heart surgery deaths at the Bristol Royal Infirmary, hospital-acquired infections at Maidstone and Tunbridge Wells, and preventable deaths at Mid-Staffordshire—have demonstrated painfully and acutely what can happen when leadership and management fail. They show not just when they fail at board and chief executive level, and even when a medically qualified chief executive is in charge, but when failure occurs throughout an organisation, and among stakeholders who should have been aware earlier what was going wrong."

In other public service areas there have also been warnings. The 2011

Nesta report, 'Catching the Wave'<sup>11</sup> which looked at innovation in local authorities, found that 20% of 'innovation-embracing local authorities' were still unaware of what was required to innovate. Two years later and the situation is actually somewhat worse, with many local authorities struggling to maintain service standards let alone reinvest to support innovation.

- 1 Note: The USA has far more gun-related killings than any other developed country <http://www.washingtonpost.com/blogs/worldviews/wp/2012/12/14/chart-the-u-s-has-far-more-gun-related-killings-than-any-other-developed-country/> [accessed 20 June 2013]
- 2 Major public challenges such as slow rates of growth, The War in Iraq and Climate Change.
- 3 Wilson R. (eds) (2006), 'Post Party Politics: Can participation reconnect people and government?', Involve: London, ISBN: 0-9552421-0-X 978-0-9552421-0-6
- 4 Sloam, J. (2013), 'Young people are less likely to vote than older citizens, but they are also more diverse in how they choose to participate in politics', LSE Blog: <http://blogs.lse.ac.uk/europpblog/2013/07/19/young-people-are-less-likely-to-vote-than-older-citizens-but-they-are-also-more-diverse-in-how-they-choose-to-participate-in-politics/> [accessed 14 August 2013]
- 5 <http://www.bbc.co.uk/democracylive/house-of-commons-22555459> [accessed 19 June 2013]
- 6 Adapted from Kegan, R. (1994), 'In Over Our Heads: The Mental Demands of Modern Life', Harvard University Press, ISBN: 0-674-44587-2 Kegan, R. & Lahey L. L. (2001), 'How The Way We Talk Can Change The Way We Work'
- 7 <http://www.idhsustainabletrade.com>
- 8 NOTE: Cultural Dynamics segment society into three broad values groupings: settlers (who need Safety, Security and to belong); prospectors (who need recognition of others and to feel successful) and pioneers (who need to feel like they are creating positive change).
- 9 <http://www.youtube.com/watch?v=S2eUw0CUuMc> [accessed 24 August 2013]
- 10 Big Business Attribute Profile, Cultural Dynamics, August 2013
- 11 To access the Catching the Wave Paper see: <http://www.nesta.org.uk/library/documents/CreativeCouncilsIzwe2.pdf>

## SUMMARY OF PART 2

Part 2 describes how over the last 30 years a new type of leader has slowly been revealing itself. We call these people Anti-heroes. These people haven't so much chosen this path but run out of other options. The issues they face, such as reforming finance, abortion rights and job creation exist within the interconnected and evolving system of our globalised world. Where there are few single solutions or right answers but rather options for progress.

Harvard Professor Ron Heifetz explains how, “the most common leadership failure stems from attempting to apply technical solutions to adaptive challenges”. Adaptive challenges require changes in attitudes and perspectives and not just behaviours. Professor Robert Kegan built on this, arguing that many modern complex challenges (adaptive challenges) can only be addressed by transforming your mindset and by advancing to a more sophisticated stage of mental development. This is a stage that the heroic mind is not at but that the anti-heroic mind has reached.

It is having a mature level of psychological development that appears to mark the Anti-heroes out. A level they have achieved through prioritising transformational over informational learning. Informational learning is when you simply acquire more information in the form of skills or knowledge, whereas transformative learning changes how you see the world through examining your core assumptions and values.

In this section we introduce 14 case studies of anti-heroic leadership.

# 2

## AN INVISIBLE REVOLUTION

Over the last 30 years a new type of leadership has slowly been revealing itself. This has been driven by a group of disparate and determined people and organisations that have been forced to find new ways to create change when their established methods have not delivered the results they needed. These pioneers—who we call Anti-heroes—are children of necessity; they haven't so much chosen this path but run out of other options. The challenges they face, such as reforming finance, abortion rights and job creation, exist within the interconnected and evolving system of our globalised world, where there are few single solutions or right answers but rather options for progress—options that must be culturally responsive and technically informed. In this constantly changing environment the Anti-heroes have learnt that being a heroic leader only gets you so far. Not only are you likely to burn out on the hero's path, but you simply will not be able to adapt with your environment or harness the capability of your team. Most of today's Anti-heroes have learnt the hard way that an alternative to heroic leadership is needed.

What bonds this disparate group of people together is not a shared ideology as such, but rather that they all have been found to show signs of a mature stage of psychological development. They tend not to see the world in black and white or right and wrong but more in shades of grey, and they are able to see their own and other people's opinions at a distance that helps them bring diverse and unexpected people together.

The Anti-heroes are not part of a coordinated movement; they are rare, isolated individuals, who have been singled out by theorists as having an exceptional level of psychological development which allows them to do things that most leaders can't. Things like holding paradoxical views and an ability to operate simultaneously at the strategic and the practical level.

The evidence for this comes from a small band of psychology, social change and leadership theorists who have been tirelessly gathering what

<b>Action Logic</b>	<b>Characteristics</b>
<b>Opportunist</b>	<ul style="list-style-type: none"><li>• Wins any way possible</li><li>• Self-orientated</li><li>• Manipulative</li><li>• ‘Might makes right’</li></ul>
<b>Diplomat</b>	<ul style="list-style-type: none"><li>• Avoids overt conflict</li><li>• Wants to belong</li><li>• Obeys group norms</li><li>• Rarely rocks the boat</li></ul>
<b>Expert</b>	<ul style="list-style-type: none"><li>• Rules by logic and expertise</li><li>• Seeks rational efficiency</li></ul>
<b>Achiever</b>	<ul style="list-style-type: none"><li>• Meets strategic goals</li><li>• Effectively achieves goals through teams</li><li>• Juggles managerial duties and market demands</li></ul>
<b>Individualist</b>	<ul style="list-style-type: none"><li>• Interweaves competing personal and company Action Logics</li><li>• Creates unique structures to resolve gaps between strategy and performance</li></ul>
<b>Strategist</b>	<ul style="list-style-type: none"><li>• Generates organisational and personal transformations</li><li>• Exercises the power of mutual inquiry, vigilance and vulnerability for both the short and the long term</li></ul>
<b>Alchemist</b>	<ul style="list-style-type: none"><li>• Generates social transformations</li><li>• Integrates material, spiritual and societal transformation</li></ul>

Box 2: Action Logics

Leadership Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Good in emergencies and sales opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Forcibly self-interested and manipulative</li> <li>• Rejects feedback and externalises blame</li> </ul>
<ul style="list-style-type: none"> <li>• Good as supportive glue within an office</li> <li>• Helps bring people together</li> </ul>	<ul style="list-style-type: none"> <li>• Avoids conflict, rigidly conforms and status-driven</li> <li>• Sees negative feedback as punishment</li> </ul>
<ul style="list-style-type: none"> <li>• Good as individual contributor</li> </ul>	<ul style="list-style-type: none"> <li>• Critical and dogmatic</li> <li>• Chooses efficiency over effectiveness</li> <li>• Resists ‘subjective’ feedback</li> </ul>
<ul style="list-style-type: none"> <li>• Well suited to managerial roles</li> <li>• Action and goal orientated</li> </ul>	<ul style="list-style-type: none"> <li>• Can be over-driven to achieve self-chosen ‘objective’ standards</li> <li>• Blind to complex subjectivity</li> </ul>
<ul style="list-style-type: none"> <li>• Effective in venture and consulting roles</li> </ul>	<ul style="list-style-type: none"> <li>• Can be a maverick, an ‘outsider’ or rebel</li> <li>• Their independence can work against collaboration</li> </ul>
<ul style="list-style-type: none"> <li>• Effective as a transformational leader within large contexts such as organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Tempted by the dark side of power</li> <li>• May not employ their skills in a given context</li> </ul>
<ul style="list-style-type: none"> <li>• Good at leading society-wide transformations</li> </ul>	<ul style="list-style-type: none"> <li>• Personal suffering maybe obstructs the use of their skills</li> </ul>

Action Logics describe an approach to managing or leading and were developed by Torbert, Rooke, Susanne Cook-Greuter and Harthill Consulting. Their original academic source is Jane Loevinger. Each Action Logic describes an overall approach to managing or leading, and each successive Action Logic incorporates the previous Action Logic’s attributes and also implies new sets of assumptions. Table 1 is taken from the Harthill consulting ‘Leadership Development Framework’.

evidence they can on limited budgets, fuelled by enthusiasm and a sense that this is something very important (for an example see Box 1, p33). We owe a great debt to these 'Anti-hero spotters', as without their work the anti-heroic revolution would have remained completely hidden.

We do not pretend that there is 'mountains of evidence' (to paraphrase one of our critics) to provide a cast iron case for action, but we do argue that in this area practice leads theory and given the little research that has been done, the evidence we do have is persuasive. Perhaps most importantly given the overwhelming evidence of the crisis in traditional heroic leadership (see Part 1), we clearly need an alternative and this currently looks like our best bet. So yes, our evidence for the anti-heroic revolution is more limited than we would like, but we do not have an obvious alternative line of enquiry.

## **The Anti-heroes**

The Anti-heroes are not members of a defined movement but have emerged in response to different challenges at different times; they consequently come in many shapes and sizes. What binds them is that they have all come to the anti-heroic approach after exhausting the heroic way of working. As we shall see, some, such as the Boston Public Conversations Project, Robert Madelin and Joan Bavaria, work directly with complex, wicked issues and others, such as John Mackey, Integral Tennis and the Air Force Squadron Leader, have taken up the anti-heroic approach due to the limitations of alternative options.

*Note: the following other case studies are throughout the document:*

*Case Study A: The Sustainable Trade Initiative*

*Case Study B: Newham Council*

*Case Study J: Warren Buffett*

*Case Study I: CEO of UK Local Authority*

*Case Study K: Natura, Cosmetics Multinational*

*Case Study L: National UK Government Office*

*Case Study M: Lynne Sedgemore*

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## CASE STUDY C: THE BOSTON CONVERSATIONS PROJECT

*This case study illustrates the power of the anti-heroic, sensitive, discursive and open approach. It shows how two opposing campaign groups managed to further both their causes by simply talking to each other. Not to convince one another—indeed their positions never changed—but instead to gain a deep understanding and appreciation of the other’s perspective which shifted the terms of the debate.*

In 1994, John Salvi walked into the Planned Parenthood clinic in Brookline, Boston and opened fire with a rifle. He seriously wounded three people and killed the receptionist, Shannon Lowney. He then drove two miles to Preterm Health Services, where he began shooting again, injuring two and killing receptionist Lee Ann Nichols.

Following this, six leaders from both sides of the debate, pro-life and pro-choice, started meeting in private, facilitated by the Public Conversations Project<sup>12</sup>.

They ended up meeting together for five and a half years on a monthly basis, in complete secrecy, for over 150 hours in total. After this time they decided to go public and together published a joint document in the *Boston Globe*<sup>13</sup>. Shortly after, the group gave a TV interview<sup>14</sup> where the participants explained how the conversations had transformed the relationships between one another. At one point the presenter challenged the participants saying “It’s a little disheartening, there’s this group, six very educated women who are willing to be civil, who are willing to investigate and still we’re not able to find any common ground on this issue”. In response, Barbara Thorp from the Pro-Life Office explained “I think there’s something of even deeper value, when there are people who are passionately divided on an issue that has torn the country apart for over 25 years are able to sustain a relationship, and not only sustain it but grow in concern and respect

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and care for all of the participants across the divide, and I think that is a sign of hope”.

Barbara Thorp also explained how, “the difference was we were not in debate, this was very different. In a debate, as the other person is speaking you are anticipating how the other person will respond, and in the dialogue you do just the opposite, you have to listen, and when you don’t fully understand you have to ask another question. The goal is to understand the other person’s point of view.”

According to Professor Robert Kegan, what appears to have happened in this instance is the leaders of both sides moved from self-authoring level of psychological development to self-transforming. At self-authoring (see ‘Older and Wiser: Stages of Development’ on page 66) you tend to be very attached to your own world view and find it hard to empathise with others, whereas at self-transforming you are able to step back from your own and others’ opinions and see how they may relate, from a distance.

Through the process of having their worldviews expanded, both sides became able to hold the existence of the other side even though they didn’t agree with it. Both sides also expanded their model of change, seeing how these meetings were having a much more positive impact than their previous strategy of classical positional campaigning. So whilst a public debate continued, it was conducted with much higher levels of mutual respect and understanding.

*Through this process the leaders of both the Pro Life and the Pro Choice sides appear to have gone through a transformation from ‘heroic’ to ‘anti-heroic’ leadership.*

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# CASE STUDY D: ROBERT MADELIN AND THE DIGITAL AGENDA FOR EUROPE

*This case study illustrates the power of having a flexible approach to leadership, being both top-down and bottom-up, depending on what will work best.*

In 2011 the European Commission launched the Digital Agenda for Europe, the principal aim being to help economic growth across the European Union through improved digital policies.

Robert Madelin, the Director General of DG CONNECT, was tasked with steering this process. He was aware that to have any chance of succeeding and creating real growth, he needed to create a much more open and connected approach to policymaking. One of the big challenges of policymaking at the EU level is that it has to serve highly diverse, individual economies. Additionally, the traditional, research-led approach was too slow for the fast changing landscape of the digital economy and the urgent need for economic growth in Europe.

In response to these challenges Robert Madelin supported an organisational culture change where more of his staff would feel comfortable and compelled to build closer working relationships with the diverse stakeholders in the different countries they serve. To do this he did five things:

- **Led by example:** he personally began to actively use social media to discuss his professional and personal life to build relations with diverse people and prioritised speaking to stakeholders. Additionally, he made his meeting schedule public.
- **Created clear expectations** of how he expected his staff to behave differently.
- **Gave his staff permission to fail** by making it clear he expected them to use social media and if they didn't he wanted to know why.

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- **Built the structures for a new way of working, such as the open Digital Agenda websites and assembly, which brought thousands of stakeholders together across Europe to help them tie policy to on-the-ground practice.**
  - **Created multiple incentives (e.g. prizes, recognition, promotion) to support innovation internally and externally.**

**Robert Madelin explains how: “radical change leadership is perhaps a paradox in a hierarchical bureaucracy. You cannot hire and fire. You need a bit more top-down push. You may get authoritarian at times. Without these dangerous ingredients, you will fail. But too much authoritarianism can undermine the goal. It’s dangerous stuff.”**

**This has led to the Digital Agenda for Europe having more support than any equivalent European policy process.**

**Throughout this process Robert Madelin exhibited the classical qualities of being a flexible leader, both by being authoritarian (creating clear expectations of what he expected of his staff) and by being generous in saying he would personally take the responsibility for any damaging consequences of the increased social media usage and being vulnerable by speaking about his personal life and opinions on social media platforms.**

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## CASE STUDY E: JOAN BAVARIA, SOCIAL INVESTMENT PIONEER

*The late Joan Bavaria is often referred to as the ‘founding mother’ of the social investment field and one of the few Anti-heroes to have had her psychological development professionally assessed.*

Joan Bavaria co-founded the Social Investment Forum in 1981, and the following year founded Trillium Asset Management, a worker-owned organisation that was the first U.S. firm dedicated to developing social research on publicly traded companies. This was all done in the face of strong criticism from mainstream investment firms and funds, who felt that limiting investment choices due to social and environmental criteria violated neo-classical economic and financial portfolio theories. (They would later change their tune and launch their own responsible funds. Trillium today boasts \$1 billion in assets under management).

Following the Exxon Valdez oil spill she wrote the Coalition for Environmentally Responsible Economies (CERES) Principles, which dozens of major companies signed in the late 1990s. Working with the UN she helped create the Global Reporting Initiative, a set of global sustainability guidelines, supported by a \$30 million grant from the United Nations Environmental Program.

‘Here we see the [anti-heroic] ‘Strategist’ action logic at work,’ explains Professor Bill Torbert and David Rooke in their Harvard Business Review article ‘Seven Transformations of Leadership’. ‘Bavaria saw a unique moment in which to make ethical investing a viable business, then established Trillium to execute her plan. Strategists typically have socially conscious business ideas that are carried out in a highly collaborative manner.’

‘[Anti-heroes] seek to weave together idealist visions with pragmatic, timely initiatives and principled actions.’ Conversely, many heroic leaders ‘will use their influence to successfully promote their own companies. The Strategist works to create

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ethical principles and practices beyond the interests of herself or her organisation.’ A leadership maturity assessment done in 1985 found that Joan had reached the relatively rare ‘Strategist’ stage of development—an Anti-hero.

Inside Trillium, she showed Anti-hero traits such as openness by choosing the transparent ‘open book management’ approach. ‘You must let go of control to have honesty and transparency inside and outside the company. It’s the only way to treat your people like grown-ups so that you can develop trust and build leadership in the company,’ she said<sup>15</sup>. Ironically, this quiet and slightly-built leader found herself chosen as the 1999 Time “Hero of the Planet”.

‘As might be predicted of a [Strategist] action logic practitioner of collaboration, mutuality, and distributed leadership, not “heroic” leadership, she predictably doesn’t much like being singled out like this’, wrote Professor Torbert, who worked with Joan<sup>16</sup>.

*However not all examples of anti-heroic leadership have specifically emerged to tackle wicked issues. Some, such as the Australian Squadron Leader, the Integral Tennis Coaching Academy and John Mackey, have responded to the limitations of the heroic systems of which they were part.*

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## CASE STUDY F: THE AIR FORCE SQUADRON LEADER

*This case study illustrates the anti-heroic capability of seeking to understand those who are different from you and manage them according to their values, not necessarily doing what the 'manual' says you should do.*

In 2011 an Australian squadron leader was put in charge of a dysfunctional squadron of 80 men and women. This was a squadron with severe discipline and performance issues. Under normal circumstances such a group would be managed through warnings and punishments finally resulting in dishonorable dismissal if behaviour did not improve. However, this squadron leader sensed that his group was not going to respond to threats and if he continued down the established path, his job would essentially become a protracted process of dismissing many of his staff and recruiting new people. This would take a huge amount of time and he also believed it would 'waste' some good people as he believed that many of his squadron were somehow 'misunderstood' by the Air Force.

To understand how to best motivate his team he undertook a values analysis of his entire squadron and found that many of the most disruptive members had higher levels of psychological development. This explained why they did not respond to classical hierarchical threats and rewards. In response, he introduced a flexible approach to managing the different squadron members in different ways, based directly upon their psychological development. This necessitated having a spectrum of management which involved some people having large degrees of autonomy and others staying in the classical hierarchy. Having now run the system for some time, members of the most difficult team have received commendations, some have been promoted and one of the team has received a special award for innovation in the Australian Air Force.

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# CASE STUDY G: JOHN MACKEY & WHOLE FOODS

*This case study shows how, by stepping outside the predominant norms and values of your community, you can become open to other ideas and massively increase your impact.*

John Mackey is Chairman and CEO of Whole Foods Market, a \$4 billion Fortune 500 company, and every year since 1998 a, “Fortune 100 Best Companies To Work For”. Whole Foods is one of the top 12 supermarket companies in America and the world’s largest natural foods retail chain. It also has what we would term a strong and transparent ‘anti-heroic’ leadership culture.

John Mackey grew up in the counterculture movement of the late 1960s and 1970s but eventually became “disillusioned” in the co-op movement (see ‘Almost an Anti-hero’ on page 105 for an indication of why). Mackey writes:

“There seemed little room for entrepreneurial creativity; virtually every decision was politicised. The most politically active members controlled the co-op with their own personal agendas, and much more energy was focused on deciding which companies to boycott than on how to improve the quality of products and services for customers. I thought I could create a better store than any of the co-ops I belonged to, and decided to become an entrepreneur to prove it.”

And so he created Whole Foods, and grew it to the success it is today. Using an awareness of developmental theory, Whole Foods is structured to appeal to employees at each of the developmental levels we describe in Table 1. There are rituals, clear core values, offers of structure and security. The organisation also encourages competition to innovate and to utilise the abilities of employees at Action Logic ‘Expert’ and ‘Achiever’ levels. Many employees at Action Logic ‘Individualist’ level are attracted because of the focus on sustainability and well-being for all stakeholders. All of this has been designed with an anti-heroic awareness.

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**Much of Mackey's philosophy and method is contained in his current Conscious Capitalism initiative. It includes the principles of anti-heroic business structures, as well as recommendations for deep personal development programmes for business leaders that address spiritual, emotional and systems intelligence.**

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# CASE STUDY H: INTEGRAL TENNIS COACHING ACADEMY

*This case study shows how the anti-heroic trait of being highly aware of all dimensions of a challenge can achieve great results.*

In 2006 a new tennis club was set up in the UK which aimed to ‘create a champion’ using traditional elite training approaches. By 2010 no noticeable progress had been made and it was decided to change the approach. Now, the goal of the club is to develop players as individuals in preparation for life through tennis, not just for the obvious individual and social benefits, but also as a way to create greater levels of excellence. To do this they moved from a traditional elite sporting model to the integral coaching model which looks at all aspects of individuals: their physicality, their mind, their social and their cultural context. Within three years there were seven players making the top national ranks in Britain, 12 making regional, and over 40 in the counties.

The coaching of the players was the first priority of the project. Practices were introduced within the tennis coaching to develop player’s emotional intelligence, to introduce awareness and relaxation techniques (calling it meditation risked scepticism) and concepts of acceptance, intentionality and conscious responsibility.

They also worked hard to cater for the different values of the players within the centre. This included story-telling a magical world onto the tennis court for the youngest players, challenging and skillfully making space for egoistic expression when it was emerging in players, and holding strict but still skilful boundaries with teenagers.

As with any emergent group, Anti-heroes come in many shapes and sizes. What binds them together at this stage is evidence of them operating at a higher level of psychological development and having an often exceptional impact.

Through the research for *Anti Hero* we came across examples of many others who might be Anti-heroes but we have included here just 12 that either we knew well or had substantive evidence of their conscious functioning at the anti-heroic level. The truth, though, is that the vast majority of Anti-heroes do not define themselves as such, but rather will have reached this point of development unconsciously and through their determination to get results.

One of the ambitions of this pamphlet is that Anti-heroes will be able to self identify, better understand and get in touch with other Anti-heroes who think like them (see Part 3).

## **Children of Necessity and Complexity**

As already mentioned, many Anti-heroes have become such in response to the complex and interconnected world that we live in. They have discovered the hard way that many of the toughest issues we face cannot be addressed by technical expertise alone but require a subtle, flexible and open approach to leadership rarely taught in business schools.

When Thomas John Barnardo opened his first home for children in East London in 1870, the problem was clear: children needed food and shelter. Today when we look at the same issue of helping ‘impoverished’ or ‘socially excluded’ young people in East London, it appears more complex. We now know factors such as social mobility, styles of parenting, diet, schooling, nature and nurture are all important. Sure this is partly a function of fixing the obvious problems of food and shelter, but it’s also a function of us knowing the subject better and people arguing over which of these ‘new’ factors should be prioritised.

Seeing the problem in higher definition has in some ways made it harder, not easier, to progress the problem. The new information gives us both a richer picture and more scope to debate the issue in question. Where before the issue could be seen in binary terms—no one would disagree that children should be clothed and housed—there is now an ongoing debate about the rights and wrongs of interventions such as parenting classes, which can inhibit any action being undertaken at all.

The depth of information we have should be a great opportunity to make more calibrated and effective interventions, but in practice it paralyses many institutions and individuals. As we explain in Part 4, individuals and organisations need to have attained a certain level of psychological development to be able to work effectively with today’s high definition world

and most of us are not at that level. The conventional world of heroic thinking likes answers to be ‘clear-cut’ and ‘evidence-based’ but the evidence rarely makes things ‘clear-cut’ or ‘black and white’, instead it paints the world in a kaleidoscope of greys. A spectrum the heroic mind cannot see.

Wicked Problems (see Box 3, p55) are highly complex issues without an agreed solution. They also tend to require lots of different people to work together to solve them, and often many of the people who need to take action will challenge the existence of the problem in the first place. Climate change is perhaps the best-known example of a wicked problem.

To understand wicked problems more easily, it’s useful to compare with standard problems and everyday puzzles. Figure 4 (p55) outlines four different orders of challenges, plotting them against agreement and certainty: puzzles, complicated puzzles, problems and wicked problems. A puzzle is something like a Rubik’s Cube, which may be tricky to solve, but there’s agreement and clarity about the problem, the solution and how to achieve the solution. In this case it’s a puzzle when the faces have mixed colours, the solution is when the six faces are the same colour, and you get there by twisting the sections of the cube. Job done, eventually. In the case of a wicked problem it’s the exact opposite, there is rarely consensus on the nature of the problem and sometimes whether it even is a problem, there is often little certainty of what the solution looks like and approaches to solve the problem are often highly controversial.

Wicked problems are a direct product of the interconnected world that we live in and the high definition that we have. Returning to the climate change example, combating climate change needs international agreement. You can bet that if it didn’t the Scandinavians would have had a national solution in place decades ago. However, instead the only way the Scandinavians can protect themselves is by supporting some kind of international solution, as their climate depends on what the rest of us do. They are not in charge of their own destiny.

However, before you even get to a discussion about a solution you have to agree that there is a problem and many nations around the world do not agree that there is one, or at least do not agree that it is a priority for action. This is where the data comes in. Conventional wisdom suggests that the more data and information you have the more you know, and the easier it is to agree a solution. This is not the case for climate change. The amount of data and information available is enormous and yet this has done little to create any action. Indeed, what has happened instead is the various sides of the debate have created competing ‘data mountains’ that tell opposing stories of whether climate change is even happening at all. This has created gridlock, not action.

Wicked Problems usually have the following characteristics:

1. There is no consensus over defining the problem
2. The solutions to the problem are controversial and unproven
3. Implementing solutions depends on multiple stakeholders
4. Wicked problems get worse (often exponentially) if not attended to
5. Each wicked problem is essentially unique.

Well-known international examples of wicked problems include:

- Climate change
- ‘International terrorism’
- Drug trafficking
- Nuclear weapon proliferation
- Pollution management
- Pandemic Influenza.

National or regional examples may include: child poverty, obesity, diabetes, depression, GMO management, and food safety.

Box 3: Wicked Problems

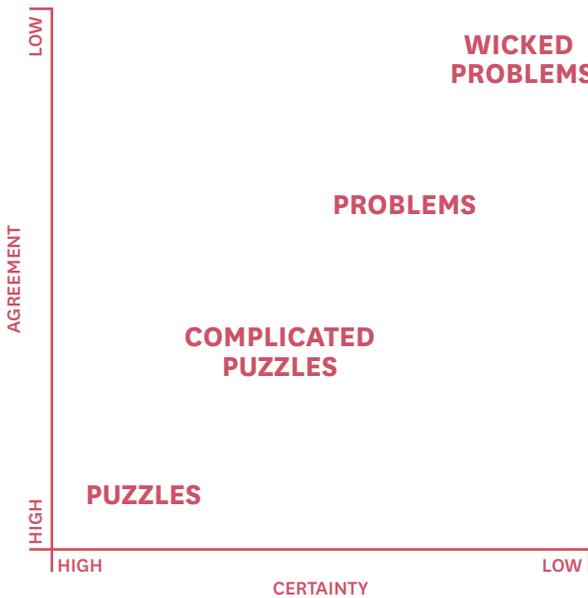


Figure 4: Different Orders of Challenge<sup>17</sup>

Conventional thinking is addicted to data and this has created an information arms race, where both sides employ myriad academics to ‘prove’ that they are right. They also tend not to listen to what is actually being said<sup>18</sup>, but instead project on to the ‘opposing side’ what they think they are saying. Finally, the conventional world tends to see compromise as ‘weakness’ and frames the world as ‘good guys’ and ‘bad guys’, winners and losers. So in practice we enter gridlock where both sides stockpile data, never communicate and demonise the alternative view.

Is it any surprise then that we can’t progress the issues?

## The Growth of Wicked Problems

As globalisation deepens, interconnectedness becomes stronger and we become more interdependent with others around the world. Wicked issues are everywhere and on the rise. Figure 5 illustrates how increasing global interconnectedness is driving a subsequent increase in wicked issues. As our population continues to increase and we continue to hit ecological and spatial limits, our interdependence will become ever more tightly bound and so in turn accelerate the growth of wicked issues.

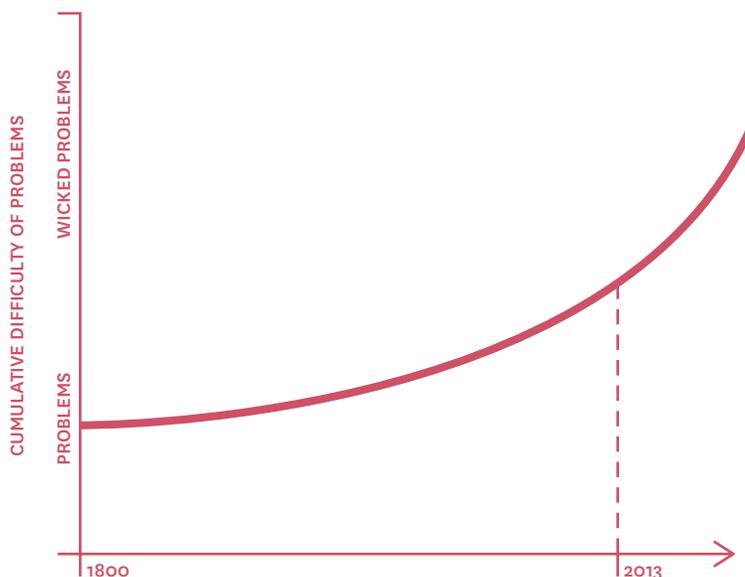


Figure 5: Cumulative Difficulty of Problems Over Time

## **Confusing Technical Challenges with Adaptive Challenges**

Wicked problems are amplified because often, the key to their resolution is human not technical. Taking the example of climate change, we already know how to reduce energy consumption and associated greenhouse gas emissions. We even have well-developed policy mechanisms such as cap and trade to manage the consumption reduction required: the blockage is human. To implement these solutions requires our leaders to agree to use them. The solution is in some ways simple but, as mentioned previously, getting people to agree to implement that solution is so far impossible. Harvard Professor Ron Heifetz explains that, “the most common leadership failure stems from attempting to apply technical solutions to adaptive challenges.” Adaptive challenges require changes in attitudes and perspectives and not just behaviours, and they can only be addressed by the people who face these challenges, which is why they are difficult to identify and easy to deny. Professor Robert Kegan makes a similar argument in his book *Immunity to Change*, arguing that adaptive challenges (including wicked problems) can only be met by transforming your mindset and by advancing to a more sophisticated stage of mental development. A stage that he agrees the heroic mind is not at.

It can be helpful here to remember the difference between complicated problems and the complex world we live in. Clever people can find answers to complicated problems, i.e. difficult multifaceted questions, but the complexity of the world is a function of the continual shifts and changes of the world, be they ecological, meteorological, social or informational shifts. The world is in a constant, sometimes accelerating mode of flux that creates uncertainty and means that definitive answers can often not be found. So although ‘clever people’ can be good at answering complicated questions, they are not necessarily as good at helping us adapt to our complex and uncertain world.

## **Prioritising Transformational Learning**

The challenge here is that in order to meet wicked issues you need to be an ‘adaptive’ leader, and to be an adaptive leader requires reaching a certain level of psychological development (see Table 2, p68); a level that the vast majority of our leaders never reach. Being an adaptive leader only happens at what Kegan calls the ‘Self transforming’ level of psychological development—what we are calling the anti-heroic level—and in order to reach this level most people have to embark on ‘transformational’ as opposed to the usual ‘informational’ forms of learning.

Figure 6 (p59) describes this difference. It is the distinction between learning more ‘stuff’ or more ‘information’ and gaining new cognitive capabilities. The difference between simply saving more data on your hard drive and improving your computer’s processing power. This difference is at the heart of the difference between the Anti-heroes and the rest of us. The Anti-heroes will have deliberately prioritised ‘transformational’ learning that will have increased their general capabilities and expanded their worldview beyond the rest of us. Figure 6 illustrates this with the example of a pool of water than can only be filled with ‘horizontal’ learning depending on the space made available by the ‘vertical development’ that creates more space, in this instance a deeper pool for water.

The problem is very of our few leaders or our institutions prioritise transformative learning.

## **The Anti-hero Spotters**

Without the work of a small band of ‘Anti-hero spotters’, Anti-heroes would remain unidentified. Of course the more successful Anti-heroes would still have received their public recognition but the reasons for their success would be unexplained. This is because Anti-heroes are not easy to spot. Indeed, their key characteristics either go unnoticed or worse are seen as problematic by most people. This is why we describe this as a ‘hidden’ revolution—it can only be seen by those with knowledge of human development. Consequently this publication owes its existence to the theorists who identified and documented the early Anti-heroes. Here we identify some of the key Anti-hero spotters who have laid the trail for the rest of us to follow.

The award-winning 2005 Harvard Business Review article by Professor Bill Torbert and David Rooke, ‘Seven Transformations of Leadership’, was especially important, finding a strong and statistically significant correlation between the CEO developmental diversity stage and their ability to innovate and successfully transform their organisations.

They found that, “The three types of leaders associated with below average corporate performance accounted for 55% of our sample. They were significantly less effective at implementing organisational strategies than the 30% of the sample who measured as Achievers (see Box 2 p40). Moreover, only the final 5% of managers in the sample (those at the anti-heroic level) showed the consistent capacity to innovate and to successfully transform their organisations.” “Strategists [i.e. Anti-heroes] tend to have long time-frames—up to 20 years—and don’t aim for short-term gain”, explains Professor Bill Torbert.

In their 2007 book ‘Leadership Agility—5 Levels of Mastery for

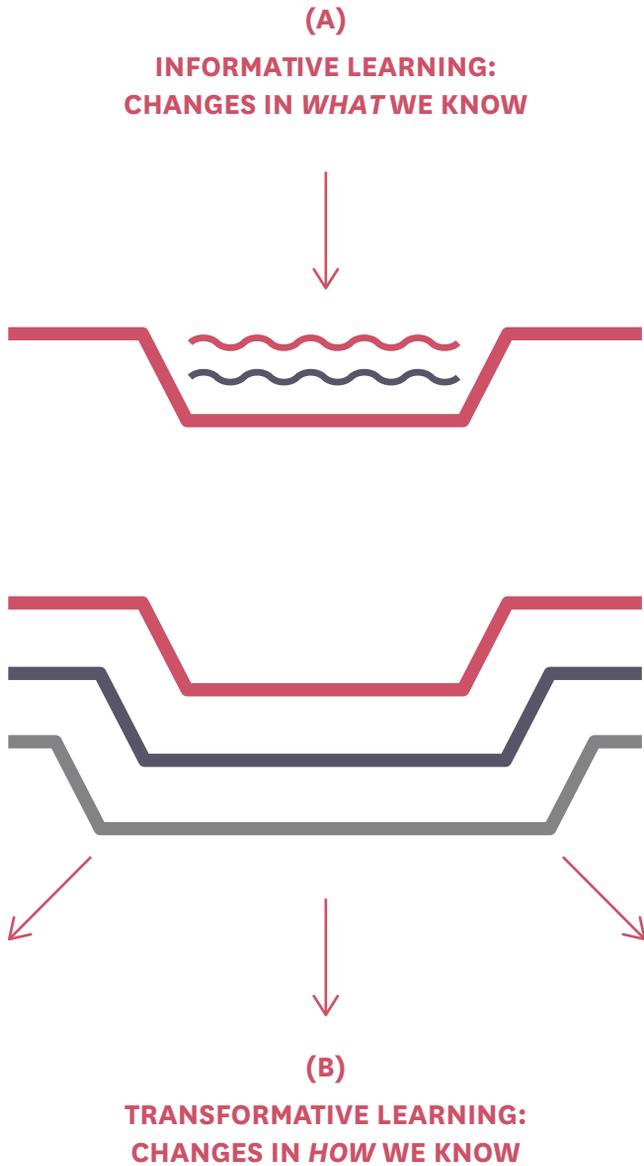


Figure 6: Informative and Transformative Learning<sup>19</sup>

Anticipating and Initiating Change' Joiner and Josephs share the results of the early research on anti-heroic leaders: "During the early 1980s, a series of academic studies...found that, in the great majority of cases, post-conventional managers are more effective than conventional managers. Why? Because they are more strategic in their thinking, more collaborative, more proactive in seeking feedback, more effective in resolving conflicts, more active in developing subordinates, and more likely to redefine problems to capitalise on connections between them."

More recently, research by Karl Kuhnert and Lauren Harris<sup>20</sup> found a strong, positive relationship between a leader's developmental level and their overall leadership effectiveness.

Similarly, last year the respected Centre for Creative Leadership produced a report on future trends in leadership and identified what we are calling 'psychological development' and what they call 'vertical development', to be the number one priority in leadership development.

Finally, almost 10 years ago, Susanne Cook-Greuter published 'Making the case for a developmental perspective'. Here, Cook-Greuter argues that we should look beyond classic personality profiling towards 'levels of development': "Each later stage in the sequence is more differentiated, integrated, flexible and capable of optimally functioning in a rapidly changing and complexifying world. People's stage of development influences what they notice or can become aware of, and therefore what they can describe, articulate, influence and change. People with identical personality profiles on the Myers-Briggs Type Indicator... can differ by several levels on a development scale."

Late stage leaders will, "tend to cultivate relationships with many stakeholders, see promising connections and opportunities in novel places, and deal with problems in adaptive and proactive ways."

The past two decades have seen interest in human development beyond academic circles, for which American theorist Ken Wilber has become the somewhat reluctant poster boy. Bill Clinton highlighted 'levels of consciousness' and Wilber's book 'A Theory of Everything—An Integral Vision for Business, Politics, Science and Spirituality' at the Davos 2006 World Economic Forum. Celebrities such as the Director of *The Matrix* Larry Wachowski once stated that 'Ken Wilber is our Neo', referring to the hero of *The Matrix* trilogy of films, who helps humanity to wake up from its unconsciousness and enslavement (Wilber also recorded the commentary for the Director's cut of the film). Wilber has even spawned a movement known as Integral.

Unsurprisingly, the Integral movement has its critics accusing it of 'intellectual arrogance' and 'a lack of practical applicability'. Nevertheless,

what is clear is there is a growing army of developmental practitioners, some of whom we reference in this pamphlet.

- 12 [http://www.publicconversations.org/docs/resources/Jams\\_website.pdf](http://www.publicconversations.org/docs/resources/Jams_website.pdf) [accessed 5 September 2013]
- 13 <http://pubpages.unh.edu/~jds/BostonGlobe.htm> [accessed 5 September 2013]
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- 17 Adapted from a presentation given by Harthill Consulting Ltd
- 18 Kegan, R. & Lahey L. L. (2001), 'How The Way We Talk Can Change The Way We Work', Jossey-Bass: San Francisco, ISBN: 978-0-7879-6378-1
- 19 Adapted from: Kegan, R. chapter: 'What Form Transforms?' p. 35 Chapter in: Mezirow, J. (2000) 'Learning As Transformation: Critical Perspectives on a Theory in Progress', Jossey-Bass: San Francisco, ISBN: 0-7879-4845-4
- 20 Harris L. S. & Kuhnert K. W. (2008), 'Looking through the lens of leadership: a constructive developmental approach', Leadership & Organization Development Journal, pp47-67
- 21 For example Elliot Jaques' 'Requisite Organisation' has been applied in these circumstances.
- 22 Rayner, E.; Joyce A.; et. Al (1971) Human Development: An Introduction to the psychodynamics of growth, maturity and aging', Routledge: London, ISBN: 1-58391-112-X. Smith R. R;(2013), 'Between Mind & Nature: A History of Psychology', Reaction: London, ISBN: 987-1-78023-098-6.

## SUMMARY OF PART 3

Anti-heroes quite literally see the world differently to other people, and it is this difference in perspective that enables them to come up with better solutions to tough issues than other leaders.

Here we introduce two models for looking at stages of development: psychological maturity and Action Logics. We compare and contrast both in our framework of heroic and anti-heroic leadership. Critical to understanding these stages of development is that they are not the same as personality typologies such as Myers-Briggs or The Enneagram, because there is an explicit direction of travel. Everyone goes through the different stages sequentially, just as we learn to walk before we can run. Whereas personality typologies group types of character traits, which can change over time but there is no direction of travel.

# 3

## WHAT MAKES ANTI-HEROES DIFFERENT

What marks ‘Anti-heroes’ out as different is their high level of psychological development. They quite literally see the world differently to other people, and it is this different perspective that enables them to come up with better solutions to wicked issues than other leaders. The anti-heroic revolution, though, is happening against a cultural backdrop that denies the possibility of such human development.

Many people today believe that once we reach adulthood we no longer grow psychologically. We may learn more stuff, put more info on the hard drive if you like, but the processor no longer gets upgraded after we’re 18 or 21. That’s it, you aren’t getting any smarter.

This is not just a commonly held belief, but until the 1970s and 1980s it was backed by academics as well. Early developmental theorists and researchers such as Jean Piaget believed that cognitive development peaked during the late teens. It wasn’t until the introduction of longitudinal studies such as William Perry’s classic 1970 study of student development that evidence emerged that we could continue to develop through adulthood. Along with Perry came others such as Lawrence Kohlberg, Michael Commons, Clare Graves, Jane Loevinger and Robert Kegan and figures such as Maslow got recognition far beyond their fields. But despite their work and fame, to this day, across many families, organisations and communities, the lie persists that our development as humans has some kind of in-built glass ceiling that emerges in our late teens.

Not only is this wrong, it is dangerous. Dangerous because it traps people in damaging life circumstances; it breeds depression and discontent. Dangerous because it is this rejection of personal growth which means many

of us can't cope with the complexity of the modern world.

Only through embracing deep life-long development can any of us hope to grow the mental muscles that help us live in the modern world. But it is not easy: the pressure to conform, to follow the well-trodden path of zero adult development, is hard to resist.

Yet figures as diverse as Clinton, Gore and Bishop of London, Richard Chartres have advocated the models and theorists of human development. Even organisations such as Rio Tinto, the Church of England and the US Joint Chiefs of Staff have applied developmental models<sup>21</sup> to support their recruitment and staff development. Management bestseller 'The Leadership Pipeline' was based on such work (though without sharing its source).

But despite this, the ideas are not in the mainstream. Many find phrases like 'human development' unpalatable, having echoes of human hierarchy—or worse, eugenics—which make all of us very uncomfortable. Here we argue that whilst we are right to be wary of any approach that seeks to place people in any kind of ideological hierarchy on the basis of genetics or culture, we also do need to recognise that we are all different and that the last 40 years of adult development studies cannot go ignored. It also helps us to further understand how and why we are all different. After all we do not want everyone to become an anti-heroic leader; we will always need our classical heroes, our experts and diplomats. Anti-heroes appear to be especially good at helping us tackle wicked issues, but they are not good at everything—far from it.

Human development is also an inherently optimistic argument. In the words of Jennifer Garvey Berger, author of 'Changing on the Job—Developing Leaders for a Complex World', it is a “fundamentally hopeful perspective, always seeing the way we can become bigger”. Eleanor Drago-Severson author of 'Helping Educators Grow' makes a complementary point, arguing that a developmental perspective, “is both helpful and hopeful, for it allows us to understand the types of holding environments and the conditions that can facilitate growth, and it also reminds us that we are all capable of growing bigger selves”.

And given the array of problems the world currently faces, we are hardly in a position to ignore this weight of theory and practice.

In this section therefore we explore the principal stages of development we all pass through, from infants to adults, and the different capabilities we have at these life stages.

## **Vertical and Horizontal Development**

The received wisdom over the past hundred years or so has assumed a strong correlation between our physical growth and our cognitive capability<sup>22</sup>.

Basically, once our brains stop growing we don't get any smarter. Prior to the medicalisation of human development circles in the 19th century, there was the opposite assumption, that as you get 'older you become wiser'. An idea that is of course resonant today. But within the academic circles of most of the 19th and 20th centuries, if you did get wiser it was because you learnt more stuff, put more information on your hard drive, it wasn't because you gained new cognitive capabilities, or upgraded your computer processor so to speak.

In 'Prioritising Transformational Learning' (page 57) we made the case for going beyond traditional informational learning (horizontal) towards transformational learning (vertical).

Figure 7 illustrates the idea of vertical development more clearly by showing how you expand your capacity for horizontal learning the higher you go.

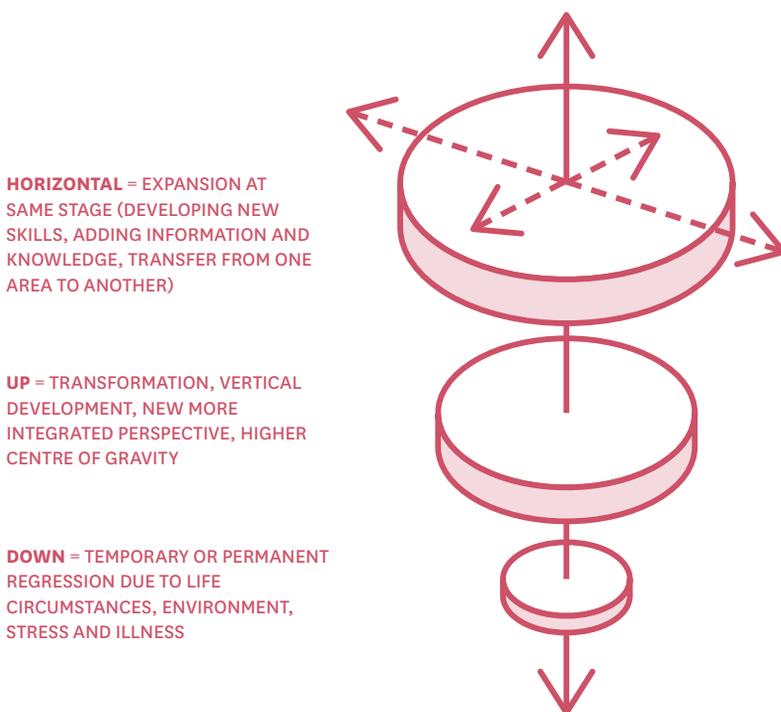


Figure 7: horizontal and vertical development<sup>23</sup>

Moreover with ever increasing ways to share and store information, what counts is what we do with information, and that's where our vertical development, the broadening of our cognitive capabilities, comes in.



Figure 8: Three Plateaus in Adult Mental Development (Adapted from *Immunity to Change* (2009))

## Older and Wiser: Stages of Development

The most famous model of human development is Maslow’s Hierarchy of Needs. We all know the theory that most people are only able to scale the hierarchy once their prior needs are met, so we are only able to fulfill our full potential once we have healthy levels of self esteem and respect from others.

These ideas have been developed over the intervening 60 years and we outline some in Table 2 on page 68.

Here however we are especially interested in what level of development we need to be at to navigate complex or wicked issues. Figure 8 (p66) shows Robert Kegan’s plateaus of adult development and how well suited each is for handling the complexity of the modern world.

**The Socialised Mind:** has the capacity to think abstractly and reflect on people's actions; subordinates his or her needs to the needs of others. One's own values are a product of those around you: family, friends, community and culture. Here there is a risk of groupthink and feedback is almost always experienced as a threat to the self; acceptance by authorities is of high importance.

**The Self-authoring Mind:** steps back enough from the social environment to generate a personal internal authority that self-directs, can take stands, and set limits. It has personal principles and longer-term purposes; is able to prioritise and integrate competing values. Competence, achievement and responsibility are uppermost concerns.

**The Self-transforming Mind:** sees their own ideology and opinions in the abstract and is therefore less invested in their own point of view. Instead they examine issues from multiple points of view and see where seemingly opposite perspectives overlap, being open towards contradiction and incompleteness. They are even able to hold contradictory opinions simultaneously. They can manage high levels of complexity.

Once we've passed through one level, we do not lose its associated behaviours. To use the jargon we 'transcend and include' the qualities of each level. And just as we can progress, we can regress, 'descending and losing' those qualities. We all behave like children or teenagers when appropriately triggered in good and bad ways, and some people spend longer at each stage than others. It would appear, though, that we all progress through each stage sequentially.

There are dozens—hundreds even—of different ways of segmenting stages of human development. Here we have included those that we consider the most robust and directly applicable to tackling complex issues but there may well be others that you feel suit your circumstances better.

In Table 2 we have developed our own based upon the work of some leading developmental academics.

Most importantly for us is that we estimate that today only 5% of professionals are at the anti-heroic stage, which is where we need people to be if we are to better tackle the wicked issues we face.

In the 1990s the new CEO of a UK local authority initially struggled to make any headway with the big challenges he faced. He'd previously been an engineer and found the political culture he now inhabited utterly alien from being in a technical, expert environment. So in desperation he turned to the stages of development we outline in Table 2, achieving remarkable results (see Case Study I, p70).

## What Makes Anti-Heroes Different

<b>Leadership Style</b>	<b>Way of knowing/ stage name (Robert Kegan)</b>	<b>Sample guiding questions for self</b>	<b>Strengths</b>
<b>Pre-Heroic</b>	Instrumental (pre-conventional)	What's in it for me? Who is in charge and enforcing things here?	Clarity of purpose and self-interest
<b>Pre-Heroic</b>	Socialised (conventional)	What will others say? Who can tell me whether I've done it right or not?	Devotion to a cause bigger than oneself
<b>Heroic</b>	Socialised/Self-authoring (conventional)		
<b>Heroic</b>	Self-authoring (conventional)	How does this forward my bigger goals/values/principles? Is it within my scope to do it?	Strength of commitment to self-authored ideals and values
<b>Heroic/ Anti-Heroic</b>	Self-authoring/Self-transforming (post-conventional)		
<b>Anti-Heroic</b>	Self-transforming (post-conventional)	What can I learn from this? How do I work with others to shape and reshape this issue?	Openness to new perspectives, constant interest in learning, ability to see nuance and be untroubled by complexity
<b>Anti-Heroic</b>	Self-transforming (post-conventional)		
<b>Anti-Heroic</b>	Self-transforming (post-conventional)		

Table 2: Heroic & Anti Heroic Stages of Development (extended)

Throughout this publication we speak about the numbers of people at the anti-heroic level being 1% of the general population and 5% of the professional/manager population. These figures should be seen as purely indicative. We don't know the real answers and are basing these estimations on what data is available.

## What Makes Anti-Heroes Different

Challenges	Action Logic Name (Bill Torbert)	Characteristics of person	Attitude to feedback	% of professional population <sup>24</sup>
Lack of perspective-taking and empathy	Opportunist (dependent)	Wins any way possible	Reacts to it as an attack or threat	5
Lack of ability to decide between important others' or competing ideas in which he is embedded	Diplomat (dependent)	Avoids overt conflict, wants to belong; brings people together	Receives as disapproval, or reminder of norms	12
	Expert (dependent)	Rules by logic and expertise; good individual contributor	Takes personally, defends own position; dismisses if not from expert in same field	38
Lack of ability to get outside own commitments and perspectives; not complex enough to make real traction in a world filled with ambiguity.	Achiever (independent)	Meets strategic goals; suited for managerial roles	Accepts it especially if helps to achieve their goals/improve	30
	Individualist (independent)	Unconventional innovator, self-discovery; effective in venture/consulting roles	Welcomes as necessary to self-knowledge, to uncover hidden aspects	10
Lack of ability not to see patterns; difficulty remembering that seeing the world this way is unusual	Strategist (inter-independent)	Generates organisational and personal transformations	Invites it for self-actualisation; conflict seen as inevitable	4
	Alchemist (inter-independent)	Generates society-wide transformations	Feedback as natural, essential—take with grain of salt	1
	Unitive (inter-dependent)	Paradoxical, evolutionary		rare

This table is adapted from various works by Torbert, Kegan, Drago-Severson, Garvey Berger, Susanne Cook-Greuter, Harthill Consulting. Some of the 'Sample Guiding Questions for Self', 'Strengths' and 'challenges' are left blank as they are based on Kegan's levels of development which don't directly map on to Torbert's Action Logics.

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# CASE STUDY I: CEO OF UK LOCAL AUTHORITY

*This case study shows how you can transform the performance of the organisation you are leading, by making the shift from the heroic to the anti-heroic mind-set.*

This anti-heroic leader had been a successful engineer working in the private and public sectors in this country and abroad—and was appointed Chief Executive of the local authority in question in the 1990s.

A couple of years in, though, it was looking tough: the top team was becoming fractious and he was thinking he might even quit. It was then that he came across Bill Torbert’s model of developmental stages and anti-heroic leadership. This proved to be a major turning-point in his life. He had found a new lens that—for the first time—made sense of his challenging experiences, the turbulent political battling that didn’t sit well with his rational engineering mind.

He profiled at Torbert’s ‘Individualist’ stage, just pre-anti-heroic.

Leadership coach Sol Davidson saw a transformation in him where the mood and his standing at the Council was transformed. His example transmitted through the organisation, politicians started getting closer to the managers—moving beyond the usual directing and coercing—and the Chief Executive was able to see how the council had been limited by his previous behaviour at a less mature developmental level.

“One of the things he modelled was openness to feedback,” says Sol. “By being open to feedback, modelling learning, and humility, he helped others to lean into that, and that gave him permission to ask hard questions of others.” This openness paid off, the council was transformed and much of the negative coverage in areas like education services disappeared. “The council became much more

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of a ‘Learning Organisation’, beyond the usual command-and-control approaches,” adds Sol.

In the end, a full cohort of 120 Council leaders and managers were all assessed for their developmental level, and given support to transform.

The Council Leader, commented: “When the Chief Executive and I started together in 1997, the authority had problems. He has transformed performance in vital service areas and was largely responsible for the single-minded drive to ensure the council achieved an “excellent” rating from the Audit Commission. That involved strong leadership and step changes in performance.” The Chief Executive was subsequently knighted.

He moved on to become an interim CEO to help turn round another council that was clearly struggling. One key action was to use an assessment of leader development stages to choose his successor.

When this was done, the successful candidate jumped out as being the only candidate with a ‘Strategist’ action logic—and he was given the job. He then undertook an innovative and transforming approach, and succeeded in recruiting two visionary leaders onto the Executive Board, using a leadership maturity assessment tool, as only two such ‘anti-heroic’ leaders could actually be found.

NOTE: Throughout this book we refer to three systems for categorising stages of human development. Bill Torbert's Action Logics, Robert Kegan's Ways of Knowing and the broad categories of Heroic and Anti-heroic. These are described and compared in Table 2. However throughout *Anti Hero* they are all used at different points as they each point to different characteristics of the stages involved which are more or less useful depending upon the point we are making. Torbert's categories refer to the types of professionals we see in organisations, Kegan's to how people make sense of their world. The Heroic and Anti-heroic points to the fundamental shift between Torbert's individualist and strategist and Kegan's self-authoring and self-transforming. At this stage what happens is that people start to be able to see their own values and opinions at a distance and are no longer so attached to their opinions and so can become more flexible about the approach they use and it is this detached flexibility which makes an Anti-hero so important today.

## NOT Just Another Personality Typology

So what's the difference between these stages of development and more well known personality typologies such as Myers-Briggs or The Enneagram? The principal difference is that personality typologies have no direction of travel, whereas stages of development do, they are milestones in (vertical) psychological maturation. Where Myers-Briggs may describe you as ISFJ (Introverted, Sensing, Feeling, Judging), the dominant type in the USA, you could be at any stage in human psychological development. Similarly people with identical personality profiles on the Myers-Briggs Type Indicator can differ by several levels on a development scale.

Personality typologies seek to reflect back where your character currently is, there is no sense of development or progression. Whereas the point of human development is to better understand how we 'develop', how we change.

## Anti-heroes Not Übermensch<sup>25</sup>

At this stage you could be forgiven for thinking that we are advocating the breeding of some kind of impossible to attain übermensch, superhuman 'Anti-heroes' who are not only brilliant professionals, great lovers and parents but can also knock-up a delicious risotto bianca in 15 minutes flat. Let's make it really clear, we are not.

We've met a lot of Anti-heroes, and to be honest it can be a little bit disappointing because they're just like the rest of us.

Optimists think there may be as many as 1 million people in the UK at

the anti-heroic level. People who for whatever reason have had life experiences which have allowed them to grow beyond the more commonly encountered adult stages. Later we explore what it is that can help the transition between stages. It does appear that certain personality types find this easier and it is very clear that creating space for reflection is critical. It is also clear that anyone, given the right support, can make the transition. To be an Anti-hero is not an elite private members' club, with secret privileged access rights. There are though stages in development that can not be downplayed or ducked; Ken Wilber calls it "an elitism to which all are invited".

### **Not Wet Fish**

Although Anti-heroes are not superhuman, they are also not 'wet fish'. Being an Anti-hero is not a licence to be indecisive and sickly sympathetic. Yes, it's about being highly sensitive and attuned to your environment; yes it's about being highly adaptable, being able to 'pivot' in response to changing circumstances; and yes it's about caring for people, the planet, and all that good stuff, but not in a sentimental, hopelessly-concerned way, the way your Great Aunt may see all activities outside the home as potentially life-threatening. Anti-heroism is not a licence to be fearful. It may form the basis for inaction, but only when not doing is the right course of action. Often not doing can require great courage: one thinks of the European leaders who didn't join the invasion of Iraq or the many non-violent protestors such as Gandhi and Rosa Parks. Anti-heroes may be loud, quiet, wild or diplomatic, but more than anything else they have a strength and depth that gives them sight beyond their own self interest, beyond the systems within which they live, towards higher truths. Truths which are often beyond the limits of a Gantt chart or a key performance indicator.

## Exercise C: Weaknesses

It's the interview question that everyone hates as it's become so predictable, but a genuine awareness of our weaknesses is fundamental and marks an Anti-hero out from a hero.

*How aware are you of, and open about, your weaknesses with those around you? Perversely, being open to weakness and failure actually builds our resilience and strength. Also our weaknesses can change.*

*Even if you think you know your weaknesses completely, reflect on the last day, week and month, and ask what could you have done better, in all areas of life and why?*

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23 Adapted from from Susanne Cook-Greuter's (2004) article 'Making the Case for a Developmental Perspective'.

24 Rooke, D. & Torbert W. R. (2005), 'Seven Transformations of Leadership', Harvard Business Review, April 2005. Brown B. C. (2012), 'Leading Complex Change With Post Conventional Consciousness', *Journal of Organizational Change Management*, Vol. 25 Iss: 4 pp. 560-575.

25 When Nietzsche first introduced the concept of the Übermensch, in *Thus Spoke Zarathustra* (1896) he outlined human development as a goal humanity can set for itself.



## SUMMARY OF PART 4

Part 4 is your opportunity to explore in depth how anti-heroic you are. We start by defining what an Anti-hero is and exploring the characteristics that make them different, such as: thinking strategically about the future; creating a compelling vision; fostering communication, cooperation, and trust; being personally grounded and being creative in conflict resolution.

We also explore here how many Anti-heroes feel isolated in relation to colleagues, friends and family who will nearly always see the world very differently from the way they do. Given that we estimate the number of Anti-heroes in society to be around 1% of the general population (in a typical developed country) and 5% of the professional population, it is no surprise that Anti-heroes feel isolated. They are isolated, especially because most remain unaware of why they are different. They are just aware that they are different.

We also include two questionnaires to assess your own anti-heroic disposition and how supportive your environment is.

Finally we look at what we call the 'Knowing-Doing' gap: how many people understand the benefits of being an Anti-hero but in practice find it hard to behave like one.

# 4

## INSIDE THE BLACK BOX

In 2000, as Jim Collins filed the final copy for his business classic ‘Good to Great’, he was inadvertently priming the clarion call for Anti-heroes. In ‘Good to Great’ Collins identifies the essential characteristics of great organisations capable of changing the world. In the book he notices that the leaders of these organisations are quite different from conventional leaders such as your average politician or company director. He says that these people tend to be a ‘study in duality’, being both modest and wilful, shy and fearless. At the time, Collins wasn’t able to go beyond some of the headline characteristics he had observed, describing these findings as a ‘black box that we don’t yet understand’. Here we take a look inside the black box and start to understand what it is that makes Anti-heroes special.

### **What is An Anti-Hero?**

Despite Collins not knowing what was inside the black box of anti-heroic leadership, over the last 40 years, teams of psychologists, medics and human development academics have found ever-increasing clarity as to what specific attributes are needed to better navigate complexity<sup>26</sup>.

Similarly, over the last decade there has been mounting evidence<sup>27</sup> as to the value of Anti-heroes in handling complex, wicked issues.

Combining Torbert and Rooke’s research results with those of Kuhnert and Harris we find that Anti-hero leaders have been discovered to be better than other leaders at key task such as:

- Thinking strategically about the future
- Creating a compelling vision

- Leading change—i.e. challenging the status quo and serving as effective change agents who are able to help successfully transform their organisations (including turning them into effective ‘Learning Organisations’)
- Fostering communication, cooperation and trust
- Using a mutual approach to change that invites and sometimes even challenges others to join in the leadership process
- Inspiring commitment
- Being personally and contextually grounded
- Being creative in conflict resolution.

What also appears to make Anti-heroes exceptional is that they appear to have skills that are often seen as contradictory, and apply them when appropriate. These include:

- Able to embrace uncertainty and to analyse evidence
- Highly focused and highly flexible
- Able to manage horizontally and vertically
- Self-awareness and sensitivity to others
- Commitment to the internal culture and external impact
- Personal vulnerability and highly directive
- Genuinely open to personal criticism and able to integrate it into action
- Humble and self confident
- Authentically themselves and committed to personal growth
- Able to live with contradictions in themselves and the world.

What makes this list of characteristics distinctive is that these tend not to be capabilities that can be acquired through traditional learning or training, but instead require a shift in how you approach the world and your life. As described in ‘Prioritising Transformational Learning’ on page 57, this is the difference between informational and transformational learning. The Centre for Creative Leadership’s *Future Trends in Leadership* report argued that, “this is no longer just a leadership challenge (what good leadership looks like), it is a development challenge (the process of how to grow “bigger” minds). Managers have become experts on the “what” of leadership, but novices in the “how” of their own development.”

### **Waking up to your anti-hero potential**

Leadership specialist Sol Davidson goes further and explains how those who have the anti-heroic characteristics required to manage the wicked problems

we face are systematically excluded from many of our organisations:

“One very senior leader I was working with had a breakdown because he didn’t fit into their system but the HR people knew that he had something to offer. They said, “when he’s around, he’s brilliant. He makes a huge contribution but he’s off the wall and he’s been labelled the mad man by his colleagues, ‘here comes the bloody mad man’”.

So, I was picked up to work with him and early on we did a leadership development profile. He scored as highly vertically developed straightaway and in the debriefing he sort of stopped and looked at me, his eyes wide open and he said, “oh my God, you’re the first person in my entire life who understands me, I can now make sense of who I am and what’s going on and the context I’m in.”

### **Breaking out of the Anti-hero isolation**

This feeling of isolation is very common among Anti-heroes especially for those individuals working inside large organisations, but that feeling may also be felt in relation to friends and family who will nearly always see the world very differently from the way they do. Given we estimate that the number of Anti-heroes in society to be around 1% of the general population (in a typical developed country) and 5% of the professional population, it is no surprise that Anti-heroes feel isolated. They are isolated, especially because most remain unaware of why they are different. They are just aware that they are different. For many Anti-heroes, when they first discover developmental stages it can be an important moment in their lives, as we describe for the local authority CEO (Case Study I on page 70) whose learning about developmental levels ‘proved to be a major turning-point in his life: he had found a new lens that—for the first time—made sense of his challenging experiences’.

This means that Anti-heroes cannot always be themselves with everyone. Many people won’t relate to how they see the world in shades of grey, and if they speak in these terms, they can become the ‘mad man’, because to everyone else they may appear ‘mad’. Anti-heroes therefore live in a different world to the rest of society. They are a rare breed and need to adapt to an often-unforgiving world in order to survive.

Sometimes examples of Anti-heroes are right in front of us: individuals who are so well known that we don’t see them for what they are. Or indeed, they’ve had to hide their anti-heroic tendencies to do what they do. One such example is Warren Buffet, whose life was analysed by a developmental theorist Dr Edward Kelly.

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# CASE STUDY J: WARREN BUFFETT

*This case study shows how people can shift from heroic to antiheroic by simply adapting to their own personal needs and influences, without any formal support whatsoever.*

Business magnate Warren Buffett is widely considered to be the most successful investor of the 20th century. He's also a leading philanthropist and is known for his personal frugality. (Buffett has pledged to give away 99% of his fortune, and lost his position as Forbes' richest person in the world after donating billions).

He has also developed a very horizontal style of leadership, not leading through the power of his position.

"I don't believe in fear as a manager... I don't like this life... I would not want to live a life where people are afraid of me. People don't operate well under fear... love is a better way to operate", he told *Time* magazine. (*Time* magazine, January 2007).

Buffett calls this a 'seamless web of trust'—indeed in practice there is no real leadership structure. The company he runs, Berkshire Hathaway, is made up of 80 separate businesses, employing over 250,000 people—yet has only 24 people in its head office. Buffett told visiting MBA students in 2007 [Gad, 2007]: "I have 40 CEOs working for companies owned by Berkshire. Since 1965, not one of them has left Berkshire Hathaway."

Though biographies of Buffett have stated that his development was merely as a result of an accumulation of learning and experience, a developmental analysis of his life by Dr Edward Kelly found something rather different. This new analysis found that for the first half of his career, Buffett was a 'heroic' leader, characterised by the 'Expert' action logic. But as his action logic centre of gravity moved, and his character changed, he slowly transformed into the leader he is today.

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By analysing dozens of key episodes in Buffett's life, Dr Kelly was able to discern a shift towards later-stage, mature anti-heroic action logics. This was expressed in an expanded timeframe, an increase in Buffett's openness to feedback and a shift from his earlier unilateral and transactional use of power towards more relational and transformational use of power: "he doesn't lead so others will follow but rather so that they can lead themselves" [Kelly part 2].

"What is clear is that Buffett has gone through [Prof Torbert's] 'Seven Transformations in Leadership' over his long career", wrote Dr Kelly. [*Integral Leadership Review*, March 2013].

"There was no way that Buffett could have developed the kind of sustainable leadership culture at Berkshire without first developing himself... Buffett's character development is a forerunner to his success as a leader". [Kelly paper, part 2]

Bill Torbert told us: "It's a really wonderful story to watch the growing complexification in Buffett's approach, which he was influenced to develop partly by his wife, who was a very extraordinary woman, and partly by his partner, Charlie Munger. But, without knowing a shred of the theory, he has mastered the practice."

## How Anti-Heroic Are You?

Anti-heroes come in many shapes and sizes. In this section we seek to help you get a sense of what your characteristics are. These exercises should be seen just as temporary mirrors offering a reflection back which will change. They are not good or bad or even correct, they are just a partial reflection of what may be going on for you right now.

We start by looking at what your characteristics are and then provide a tool for looking at the communities you inhabit, which could be organisations, families or neighbourhoods, to get a sense of whether these environments are good places for Anti-heroes to grow.

### Who You Are

If you are still not sure whether or not you hold anti-heroic tendencies, here we offer a couple of exercises that should help shine a stronger light on your current level of psychological development.

**a.** Can you imagine what it might feel like to be OK with not knowing, to be really relaxed about not knowing precisely what is going on? Sure, you may have a sense of purpose, but you are also aware that you don't know how exactly that purpose will be achieved. Indeed it's that uncertainty that you see everywhere that makes life worth living, it is what life is. Can you imagine that?

**b.** Have you ever been in a conversation when everyone's talking but no one is listening? Or they may think they're listening but all they're hearing is what they want to hear. Do you know that feeling? And when you're listening to others you do so with simple clarity, not judging, just absorbing what they're saying and modulating your responses according to what you think will serve the other person best? Are you aware of your own filter systems as you listen to others, your own judgements and beliefs? Can you simultaneously focus on these and those of others? Can you hold it all in a non-judgemental space?

**c.** So, when was the last time you had sex, and was it any good? Were you on form, or were you just going through the motions? Stop and notice yourself. When you're confronted with the unexpected how do you respond? Does it disrupt you, does your life somehow stutter or is it simply integrated as new data to inform you<sup>28</sup>?

**d.** Are you addicted to positivity? Or do you know that life is sometimes hard? Can you really meet the pain in life without letting it overwhelm or diminish your optimism and desire for impact?

**e.** Liar. Your response to that last question was not true, and if you think it was you're kidding yourself! How do you respond to being challenged like that? Can you imagine finding challenges invaluable opportunities to learn more about what you really believe?

**f.** Do you know what it is like to really let feedback in? When someone is really disappointed in you, can you really feel their hurt without it affecting your sense of self?

**g.** Do you have a good work/life balance? Or, can you imagine it being impossible to separate out the different parts of life, such as love, fun, work, family, health? Do you sometimes not have a consistent sense of who you are, as it keeps changing?

Stop. Just for a moment, connect to yourself and stay still.

Did you find that difficult? Are you bored easily, looking to the next line?

**h.** If you are the kind of person who welcomed that invitation to be still and focus inwards you may well already be an established Anti-hero.

If it was easy for you to imagine any of the other behaviours listed above, your inner Anti-hero sounds like it's asking to be nurtured and brought out from behind the curtain.

Below we list some characteristics that are commonly held by those with anti-heroic tendencies. Go through the table and tick which you tend to agree with and those you tend to disagree with.

If you mostly agreed with the statements below then you already have strongly anti-heroic tendencies. If not then your tendency is likely to be weaker. However, what's important here is that unlike some of the famous personality profiling systems such as Myers-Briggs and the Enneagram, your developmental level that the Anti-hero idea is based upon, is inherently dynamic. It changes and just by reading this report, it is very likely that you will become more anti-heroic. Simply becoming aware of the frameworks that underpin human development theory appears to accelerate people's development as it supports personal reflection.

Characteristic	Tend to agree	Tend to disagree
Schedule very regular (e.g. daily) solitary reflective practice, such as meditation or walking alone.		
Undertake group inquiry professionally and personally.		
Undertake some form of shadow work whereby you actively seek to understand your personal fears and insecurities (e.g. therapy, action learning).		
Expose your vulnerability either through speaking openly to people, or writing about it publicly through a blog.		
Actively seek genuine feedback and engage deeply with what it means for you.		
Create space for play in life (could be through playing with children, acting, or light-hearted sport).		
Know your personality profile (see 'The Path' on page 112).		
Are a member of a community to support your personal development.		
Seek to always be in a space of testing your own assumptions.		
Often invite genuine challenge to you on issues that matter.		
Are uncomfortable with a single fixed answer to workplace problems.		
Are comfortable with being different from other people.		
Invest your own money in your own development, knowing that it is critical for you.		

Table 3: Anti-heroic tendencies

## **Where You Live**

The groups we are part of, be they neighbourhood communities, organisations or families are the breeding ground for the Anti-heroes we need. People like you are pioneers who have survived in spite of the circumstances in which they have found themselves. But, if we are to encourage more people to be able to meet the complexity of the modern world, we need our neighbourhoods, organisations and families to start supporting the growth of Anti-heroes.

Here we list 11 characteristics that are usually present in a group of people that support Anti-heroes.

Take a specific group that is important for you, maybe your place of work or your family, and consider whether the statements on the next page are true or false for this group.

If you considered that the statements were mostly true then you are lucky enough to inhabit a world that is supportive of your development. If there are more false ticks than true, this starts to help explain why you may find your environment uncomfortable. It can also help explain some of the 'tend to disagree' responses on your personal profile, as it's incredibly hard to develop unless you are in a supportive environment.

## **Actions Speak Louder Than Words (The Knowing-Doing Gap)**

During the research for this pamphlet, a passionately held frustration shared by many Anti-heroes was that very often, they would have friends who would have intellectually understood the benefits of anti-heroic leadership, but their actions would not reflect this. This is what we call the 'knowing-doing gap'. One interviewee, speaking about their boss said: *"it's obvious he gets it, in fact he talks a lot about the need for 'horizontal leadership', reflection and awareness, and I think he thinks he does it. But in practice the organisation is run in a classical top down fashion, with perhaps a few more workshops than you might normally expect"*.

The cognition-action gap is a classic symptom of those Heroic leaders on the cusp of transformation to Anti-heroes, the 10% in, what Bill Torbert calls, the Individualist phase. People at the Individualist stage are our best hope for achieving a major growth in the numbers of Anti-heroes, so in many ways, reaching the cognition behaviour gap is good news as it is symptomatic of maturing leadership development. To think you are an Anti-hero or want to be an Anti-hero is truly a wonderful thing and a sign of great progress. It is something to be celebrated!

More worryingly, many people at this phase never become Anti-heroes because the inertial pressure to remain a classical hero is very strong. This is

Characteristic	True	False
<b>Dissent is encouraged</b> , people do not fear speaking up for what they believe.		
<b>Different working arrangements are offered</b> for different people. For example, introverts may find an open plan office more difficult than extroverts. Parents may need to leave early to pick up their children.		
The group actively seeks to expose and <b>challenge its core ideology</b> . For example the CEO not saying 'this is how we do things around here', but actually inviting criticism of how things are currently done.		
<b>All members encouraged to consider how their actions contribute to the group's wellbeing</b> and purpose. E.g. how staff members' daily actions impact the group's 5 year goals.		
All <b>people actively encouraged to develop</b> e.g. through taking further training, coaching and new experience with budgets and time available for this.		
<b>No elephants in the room</b> . People supported to discuss all issues, nothing explicitly or implicitly off the table.		
Staff encouraged to work in a way which <b>supports their life and wellbeing</b> as a whole.		
Regular active exploration of <b>organisational strengths and weaknesses</b> .		
<b>Organisational culture spoken about</b> and actively sought to be continually improved.		
Commitment to the need to <b>balance dialogue and action</b> .		
Development and <b>reflective space</b> supported through activities such as annual away days and coaching.		

Table 4: Anti-heroic community characteristics

due to many factors, such as:

- The social pressures to remain ‘normal’, which in this case means favouring heroic leadership;
- Our fears of changing who we are, as personal development does mean changing ourselves; and
- It is easier to commit to something than to actually do something.

This final point—that it is easier to commit to something than change your behaviour—is powerfully illustrated by the example<sup>29</sup> of cardiologists telling seriously at-risk heart patients that they will die in the near future if they do not make changes in their personal lives such as stopping smoking. Still only one in seven are able to make the necessary changes. This is because new behaviours are often blocked by:

- Other commitments that are misaligned with the new behaviour; and
- Hidden assumptions about what will happen if the new behaviour is adopted.

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## **Exercise D: Your Hidden Immunity to Change**

**Spend a few minutes thinking about some commitments you have made to do things differently, this could be a New Year’s resolution or a health drive. What in these instances has hindered you following through on these commitments?**

**In particular seek to identify the subtle blockages such as hidden ideas about yourself or how other people will react when you start to do things differently.**

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26 Crook-Greuter, S. (2004), ‘Making the case for a developmental perspective’, *Industrial & Commercial Training*, Vol. 36, No. 77, pp. 275-281. McGonagill, G. & Prunyn P. W. (2010), ‘Leadership & Development in the US: Principles & Patterns of Best Practice’, Bertelsmann Stiftung Leadership Series.

27 Rooke, D. & Torbert W. R. (2005), ‘Seven Transformations of Leadership’, *Harvard Business Review*, April 2005. Brown B. C. (2012), ‘Leading Complex Change With Post Conventional Consciousness’, *Journal of Organizational Change Management*, Vol. 25 Iss: 4 pp. 560-575.

28 NOTE: there is no suggestion here that Anti Heroes have better sex than the rest of us, but rather this example is used as something you were not expecting to be asked.

29 Kegan, R. & Lahey, L. L. (2009), ‘Immunity to Change: How To Overcome It And The Potential in Yourself and Your Organisation’. Harvard Business Press: Boston. ISBN: 978-1-4221-1736-1.

## SUMMARY OF PART 5

Part 5 describes how we do not have enough Anti-heroes. We estimate that at most 5% of our current leaders are at the anti-heroic level. We estimate that this needs to quadruple over the next 10 years to give us a chance of tackling the challenges we face.

We also look at how the distribution of types of people in our organisations needs to change. Specifically we argue that most organisations will need to shift the balance from ‘experts’ and ‘achievers’, to ‘individualists’, ‘strategists’ and ‘alchemists’.

# 5

## NOT ENOUGH ANTI-HEROES

We do not have enough Anti-heroes in our organisations or positions of influence given the increasing number of wicked issues (see Figure 9).

The data we have on the number of leaders at the anti-heroic level of development is limited, but our best current estimates suggest that at most 5% of our current leaders are at the anti-heroic level. We estimate that this needs to quadruple at the very least over the next 10 years to give us a chance of tackling the challenges we face.

In this section we look at how we don't have enough Anti-heroes to tackle the growth of wicked issues, how the distribution of types of people<sup>30</sup> in our organisations needs to change, and what it might look like if we do accelerate the growth in Anti-heroes.

### **Your Country Needs You**

Figure 9 (p90) shows the increasing impact of wicked problems over time, as introduced in Figure 5 (p56), however this time we have overlaid our estimate of the growth of Anti-heroes over the same period. This Anti-hero growth projection is our estimate of the current trajectory of increase with none of the additional support we recommend in Part 7. Put simply, we think there will be too few Anti-heroes to make a significant impact on the rapid growth of wicked issues. If anything encapsulates the central concern of this report it is this. We believe that if we don't do something to increase the number and influence of Anti-heroes, we won't be able to stop our current trajectory towards environmental decay and falling living standards.

Figure 10 (p91) in contrast encapsulates the ambition and purpose of

*Anti Hero.* Figure 10 illustrates the task we face to support a quadrupling of the impact of Anti-heroes over the next 20 years—a 400% increase. This may seem an ambitious goal, but it's not that ambitious. According to Pat Dade, an authority on culture change, in the last 40 years we have seen a comparable shift in the values across much of the West as many people have moved from 'Socialised/Traditional' to 'Self-authoring/Modern'; this was mainly thanks to the emergence of post-war individualism.



Figure 9: Impact of Wicked Issues and Growth of Anti-heroes (Business As Usual)

## Your Organisation's Anti-Heroic Deficit

To put these ideas into more concrete and practical terms will require a shift in the kind of people we have working in our organisations. Figure 11 (p92) gives a sense of how our organisations may have to change in terms of the types of people that we need and their psychological make-up. The data for the current distributions of these types is based on the best data we have for the current psychological make-up of professional organisations<sup>31</sup>. The 'alternative' data is a projection based on estimates of how we imagine this distribution may have to change. This should NOT be seen as a blueprint

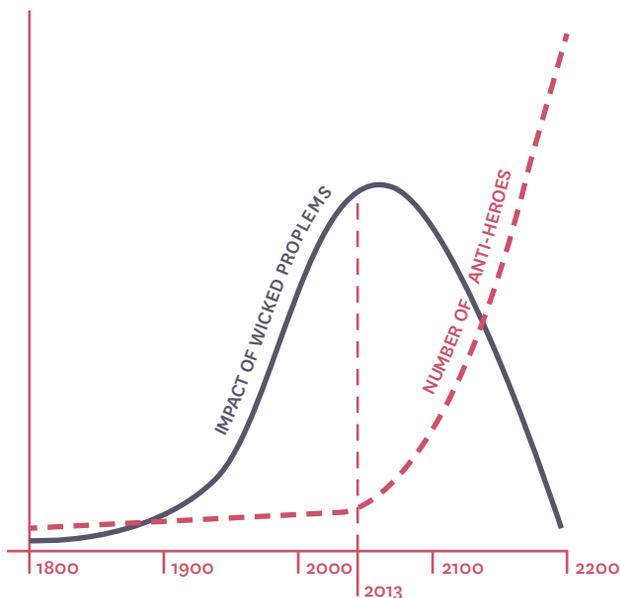


Figure 10: Impact of Wicked Issues & Growth of Anti-heroes (New Interventions)

and is purely illustrative. The last thing we would want to see happening is a haemorrhaging of experts and achievers in organisations that badly need them. The only point of any significance here is the lack of Anti-heroes (Strategists and Alchemists) that we need. For those of you working in organisations dealing with highly complex adaptive challenges this may go some way to explain why it is you struggle, or indeed why you are doing well.

To give a sense of how some real organisations have tackled their anti-heroic deficits, we offer two very different organisational case studies, but both offering impressive, if very different, results. The first is the global cosmetics multinational Natura, who wanted to imbue an anti-heroic culture across their organisation. To do this, they worked with the Anti-hero specialists MetaIntegral who developed a strategy for integrating the anti-heroic approach across all levels of their business. *Forbes* magazine recently awarded Natura the honor of being named the eighth most innovative company in the world, ahead of Google which came ninth. The other example is a major UK national government department, which in response to severe budget cuts had to find a new way of achieving the same or increased impact. The initial results appear impressive.

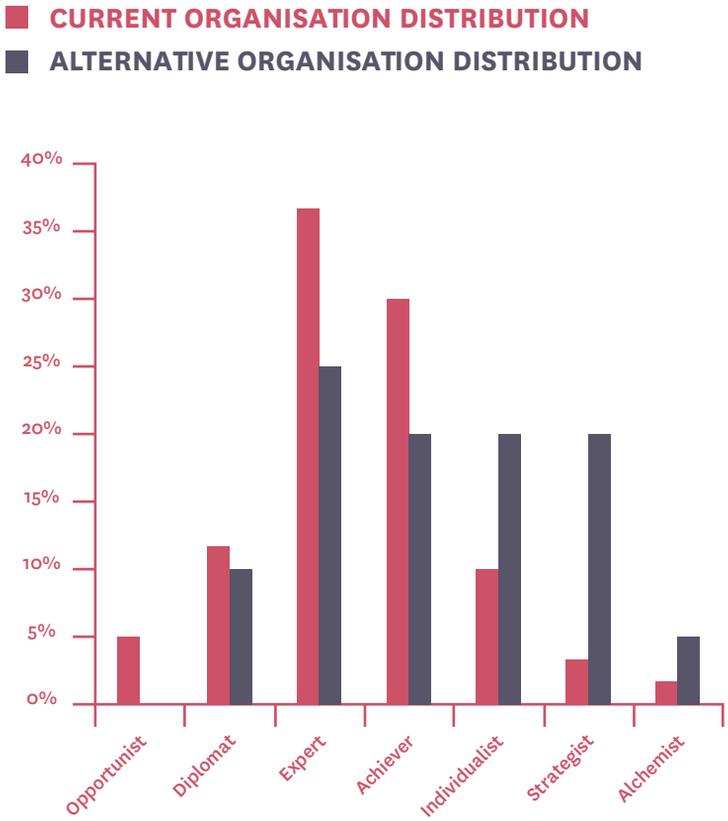


Figure 11: The Current and Alternative Distribution of Leadership Types Across Organisations

30 Based on Action Logics Stages of Leadership Development

31 Rooke, D. & Torbert W. R. (2005), 'Seven Transformations of Leadership', Harvard Business Review, April 2005. Brown B. C. (2012), 'Leading Complex Change With Post Conventional Consciousness', *Journal of Organizational Change Management*, Vol. 25 Iss: 4 pp. 560-575.

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# CASE STUDY K: NATURA, \$3.2BN COSMETICS COMPANY

*This case study explains how integrating an ‘anti-heroic’ culture across all dimensions of a multinational has helped them become recognized as the 8th most innovative company in the world.*

Set up in 1969, Natura is the leading Brazilian manufacturer and marketer of beauty products, turning over \$3.2 bn in 2012. Natura is best known for being an eco-friendly, sustainable business.

As mentioned in ‘The Anti-hero spotters’ on page 93, one of the foundations for the anti-heroic way of leading is Ken Wilber’s ‘integral’ philosophy, which offers a framework for being aware of all dimensions of how you function to support the anti-heroic sensitivity, awareness and openness that we argue for here. We give an example of this framework in ‘Organisations’ on page 116.

In 2009 Natura decided it wanted to become a leading example of integral (anti-heroic) business to take further its motto of “Well-Being-Well”. They worked with Sean Esbjorn-Hargens, the director of a specialist integral organisation ‘Meta-Integral’, to make this happen. Through this process, Sean supported Natura to integrate anti-heroic practice on five levels of the organisation:

1. Integral Strategy
2. Executive Committee Level
3. Individual Project Leadership
4. Individual Project Members
5. Integral Knowledge.

The following list represents some of the main components of this work at Natura: Branding, Corporate Education, Mexico Market Strategy, High-potential Employees, Integral Coaching Training, Integral Council, Integral Science, Integral Sustainability, Integral Team Building, Leadership Development, Management Model, Solid Waste, Stakeholder Engagement, Trainee Program.

In two years Natura has positioned itself as one of the best examples of anti-heroic (Integral) business we could find.

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# CASE STUDY L: MAJOR NATIONAL GOVERNMENT INSTITUTION

*This case study shows how supporting a whole government department's leadership to embrace an anti-heroic style has been an enormous help when handling the consequences of big budget cuts, particularly helping them embrace innovation whilst achieving an Investors in People 'gold' award at a time of significant staff upheaval.*

Across the world, many public bodies are having to manage with less money while facing new difficult challenges like driving economic growth and tackling falling living standards.

One major national government department who wished to remain anonymous have done this explicitly through creating an anti-heroic culture in top management with impressive results.

Faced with major cuts to their budget and many new political priorities, a decision was taken for all the organisation's senior leaders to participate in an anti-heroic development programme based on adaptive leadership (Heifetz & Linsky) and public value (Moore). Through this process, the staff began to be able to speak openly and meaningfully about the organisation's challenges and what they should do about them.

Through the process the top leadership team was restructured to move away from separate 'silos' of management responsibility, instead developing cross-cutting roles to help the top team see connections, build trust and encourage delegation. This approach was then taken to the next level of directors who also gained cross-cutting roles to encourage delegation and empowerment.

They now have weekly 45-minute meetings of all the directors to promote connectedness and a shared understanding of key issues. Quarterly, this meeting becomes a half-day development session, fostering shared values and learning. These are well attended and get very positive feedback.

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Through this process there has been a clear focus on getting results, seeking to simplify communications across the whole organisation, and people continually looking for new ways to make the organisation more agile and flexible. There is also a range of simple documents such as a business strategy, a ‘capability plan’ and ‘people strategy’ which make it really clear how the organisation is supposed to function, and the approaches such as ‘systems thinking’ which they seek to encourage.

Although it’s early days, leaders in the organisation believe these changes have had a huge influence on limiting the impact of the significant budget cuts. What is especially unusual, given the major upheavals in staffing they have had, is that through this process they have received an Investors in People “gold” award (achieved by only 3% of those recognised by IiP).

## SUMMARY OF PART 6

The uniqueness that gives Anti-heroes their great strength is also what it makes it hard to be one. By their very nature, Anti-heroes are different and often find it hard to fit in. The social pressures to be ‘normal’ coupled with our conditioning to love the classical hero are hard to resist.

Perhaps the most obvious challenge to the emergence of the anti-heroic leader is that although Anti-heroes see the world in subtle shades of grey, the vast majority of people prefer communication in simple black-and-white. This means that in order to be understood and respected they have to completely modify their communication.

Here we also explore some other direct challenges to transformative learning upon which Anti-heroes depend, including the widespread cultural opposition to personal development and how the climate of austerity is making people think twice about investing in transformative learning.

We also explore here how many Anti-heroes have a secret spiritual life that is foundational to how they perform as leaders. It is something they rarely discuss, especially in a professional context. That’s why we called it the ‘S’ Word.

Finally, we discuss a group of people who are on the cusp of becoming Anti-heroes and what is stopping them making the final step.

## 6

# IT'S NOT EASY TO BE AN ANTI-HERO

The uniqueness that gives Anti-heroes their great strength is also what makes it hard to be one. By their very nature, Anti-heroes are different and often find it hard to fit in. The social pressures to be 'normal', coupled with people's conditioning to love the classical hero, are very hard to resist.

Across society there is great resistance to the core anti-heroic message of the possibility and desirability of human development. As Lynne Sedgemore, former director of the Centre for Excellence in Leadership argues in Case Study M (p100), one of the biggest problems we face is that our existing institutional power structures are often incompatible with the Anti-heroes they desperately need. In short, it would seem that once you develop anti-heroic capabilities of flexibility and self-awareness, it becomes increasingly hard to stay within the machinery of large organisations. The built-in rigidity so common in institutions, suffocates anti-heroic leaders, forcing many of them to leave. Or as Sol Davidson explained in Part 4, many organisations and people who can not understand Anti-heroes view them as the 'mad men'.

Anti-heroes both inside and outside organisations tend to operate undercover, although as already detailed in Part 2 they tend to give themselves away, if you know how to spot them. In this section we will examine why it is so hard to be an Anti-hero today.

### **No-One's Listening**

One of the great challenges in being an Anti-hero is that although you may see the world in subtle shades of grey the vast majority of people prefer communication in simple black-and-white.

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# CASE STUDY M: LYNNE SEDGEMORE

*This case study highlights what it is like to be an Anti-hero in a world dominated by heroes.*

Lynne Sedgemore exemplifies many of the transformational capacities that an anti-heroic mindset can bring. Her leadership experience also puts into stark relief the many challenges of being an Anti-hero.

She describes herself as the classic working-class girl “done good”, and as Principal of Guildford College was awarded a CBE in 2004 for services to education as a result of the dramatic improvements she made there in only a few years.

Whilst CEO of the Centre for Excellence in Leadership (CEL) it became only the second organisation, after the Body Shop, to be recognised with an International Spirit at Work award for its triple-bottom-line success (i.e. people, planet, profit).

The CEL was highly successful in conventional terms, over-achieving on its targets. Its initial aim was to bring 1,500 leaders through its training in three years. In the end it managed to bring through 40,000 in four years.

Little-known is that Lynne succeeded in re-organising the whole of UK Further Education leadership into “a comprehensive and sophisticated ladder of interconnected offerings”. “The story that’s never been written is that I organised the whole system for FE of leadership development around ‘Action Logics’ [i.e. developmental stages],” she told us.

## Stopping Anti-heroes leaving your organisation

With Anti-heroes often keen to leave mainstream organisations, Lynne’s support for the inner journeys of staff was one way to keep such people on board.

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“What I think is crucial is that you enable people to look at—and it has to be voluntary I think—their inner life and they start on that process because you can’t move from Achiever to Individualist unless you’re starting to reflect and you’re doing some work about your defences and your fixations”.

Lynne would always balance training programmes in basic management with offerings that were more related to people’s inner journeys, like the Enneagram personality type model and NLP. She would also offer team development activities, such as Emotional Intelligence training, or whatever was current at the time.

Lynne also made sure that all staff were entitled to a coach/mentor (at a cost of up to £3,500 pa). There were also all-staff strategic forums and annual retreats (‘to deal with difficult and unspoken issues’), and her junior staff would be persuaded to step into leadership roles.

#### Anti-heroic pitfalls and co-operating with those who find your success ‘spooky’

Anti-heroes will often appear maverick, with predictable consequences: “I had one ‘Technician’ [Heroic] Chair would have happily chucked me out of the organisation because he hated what I was doing, he thought it was ‘spooky’”.

But hindsight also reveals how the problems were sometimes exacerbated when the maverick and ‘disruptive’ CEL didn’t always manage to deal appropriately with the (usually) more conventional mindsets they were working in partnership with: “we frightened the Civil Service: ‘what is this organisation doing?’, ‘How is it producing so many people?’, ‘It can’t be true’, ‘We don’t understand how they are doing it’. It’s scary to the conventional mind frame, if something can’t be controlled and understood”.

“We were doing brilliantly, but were seen as too disruptive”.

“The criticism I’d make of myself is that I got so exasperated with them.”

“We thought ‘Why don’t you just go away and leave us alone’ because every bottom-line measurement was off the scale in a positive way, but we shouldn’t have—we displayed a kind of arrogance. We all got irritated by them, we got fed up with them.”

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Developmental leadership models themselves were sometimes used to feed this arrogance.

“In hindsight,” says Lynne, “we could have continued to talk in their frame and we could have taken a lot of time and energy to translate the unknown magic that we had, in a manner that they could have understood it better.”

“We could have been less passionate, we were deeply passionate about what we were doing”.

“We could have and we should have analysed more closely the frames of each of our team and who we field in the discussions we had with other organisations.”

### Recognising fellow Anti-heroes

Lynne has become pretty adept at spotting like-minded leaders: “my experience of post-conventional leaders that I’ve worked with is that they use dialogue and discourse, they want to understand, they’re inquiring all the time, they have huge curiosity, they have an openness to feedback.”

“[A leading UK civil servant], is post-conventional [anti-heroic]. How did I know? Because of the nature of the conversations we would have, and the conversations were about seeing the whole system”.

“I spot a post-conventional by what we can talk about and then I would say to them something like “Do you know Bill Torbert’s work?” and they’d go ‘Yes’ or whatever, then you ask questions and that then susses them out. I wonder if that’s what it’s like for the Masons”.

This is especially endemic on current affairs shows like BBC Radio 4's Today Programme, where presenters take great pride in forcing their interviewees to give binary yes or no answers to simple questions; after all, they're doing their job, holding our leaders to account for what they will or won't do, trying to get them to give simple responses to important questions. Unfortunately, the journalistic imperative and short TV and Radio timeslots do not always support the subtlety required for a truly accurate description of how things are. And if they did, many of the heroic leaders who are on their shows would abuse the system and avoid making themselves accountable for things they may later regret.

So this is not a critique of the prevailing approach of the journalists, but rather an acknowledgement that today's world is not easy. Indeed, you could say it is often impossible to behave like an Anti-hero, as the world does not always appreciate or accommodate their desire to communicate with subtlety. More subtle communication can often be criticised as either 'academic' and therefore 'boring,' or 'evasive' and therefore 'manipulative'. Since both cases are highly undesirable for a leader, the anti-heroic leaders must adjust their communication for their audiences' needs and communicate in simple engaging language. This flexibility in communication is in itself a sign of a highly evolved anti-heroic leadership, although many of our current Anti-heroes have yet to fully appreciate this and are stuck tongue-tied knowing their nuanced message will be lost on most.

## Stuck in the Middle

Not only is the heroes' path more attractive (see Part 1), there are a number of factors which make breaking from the path very difficult. Here we list four of them.

### Filter Bubbles

Figure 12 (p104) shows how many of us, especially those at the earlier Heroic development stages, tend to filter the information to which we are exposed, only engaging with data that reinforces the worldview that we have.

This process of filtering doesn't stop with the information you receive; it extends to the people you spend time with, the media you consume, and the places you live. Those at the Heroic stages of development exist in filter bubbles that continually reinforce the beliefs they have, making seeing beyond them more difficult. This idea was made famous by Eli Pariser's book *The Filter Bubble*, which focused on the consequences of online filtering and personalisation, but the principle is the same both on- and off-line.

Anti-heroes in contrast very often seek to be around people who are

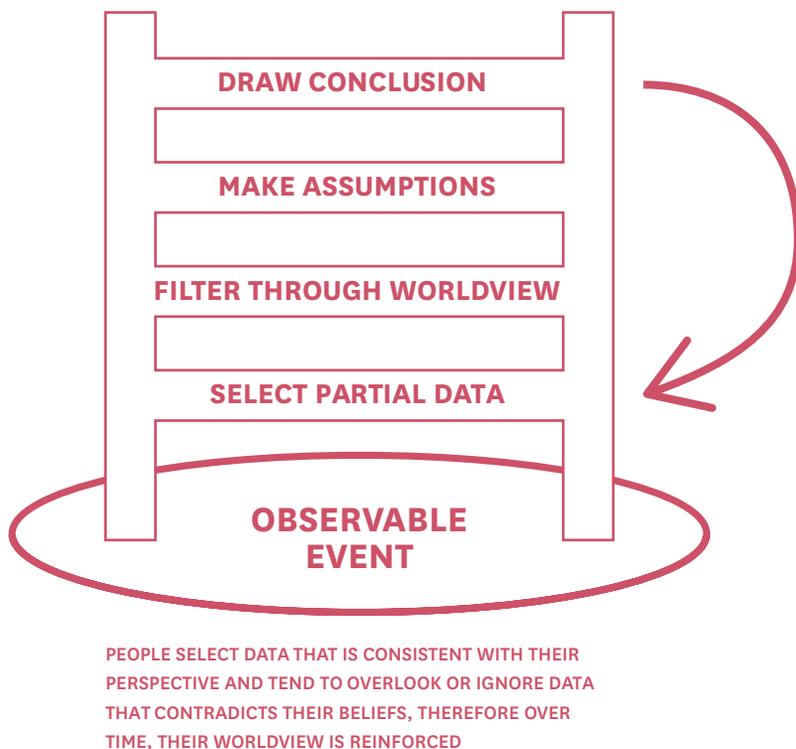


Figure 12: How Data Filtering Locks in Our Worldview<sup>32</sup>

different from them and seek out those who will challenge their assumptions, as they know that only by challenging assumptions and worldviews can you get closer to the truth.

### **Distaste for Development**

A big reason that many of us do not prioritise our personal development is that it feels wrong, somehow distasteful or perhaps we've been scared off by someone who has been on a personal transformation workshop and tried to 'convert' us to what seems from the outside like a cult. For many people the religiosity with which some discuss personal development feels too forceful. In our experience, this is particularly true for those schools of personal development which encourage you to commit exclusively to their approach: this in itself is a sign that the approach does not come from an anti-heroic place and should be treated with caution.

Others find personal development self-centered: 'It's all about me!'. To some extent true personal development is self-centered—often that's the point as it's about knowing yourself better, understanding your assumptions and foibles and whether these serve you. There is, however, a balance to be struck, as there is a real trap that self-development can become narcissistic, focusing on the self to the exclusion of the outside world, and that is a problem. So for those who have this hunch that personal development can become selfish, you're right, but this concern is your great ally in your personal development voyage, as by having and maintaining that concern you're far less likely to fall in to the narcissists' trap.

### **The Cost of Development**

In the current climate of austerity, as training budgets are slashed and people's disposable income is reduced, many feel as if they simply cannot afford to pay for personal development.

We understand this and in this spirit we have identified three principles to guide you in choosing which personal development activities to prioritise:

- Vertical not horizontal development: vertical development is when you change what you can do and your perspective; horizontal development is about learning new stuff. The vast majority of current training offers are in the horizontal category and we argue should be deprioritised.
- Focus on supporting day-to-day shifts, not one-off exceptional experiences. What counts is actually supporting lasting changes and this tends to be better achieved through on-going support such as learning networks and coaching, not one-off events.
- Free stuff works well: simple activities like reflection and self-coaching are very powerful and cost nothing, and perhaps are the foundation of any lasting change process.

### **Time-squeezed**

We are all getting busier, and the recession has made many of us feel even busier, as we spend more time than ever seeking out the best ways to make our limited cash go further. Unsurprisingly, in this climate many people who are interested in developing themselves further feel that the time available for this has been squeezed out. In some cases this may be just a convenient excuse, in others it is a genuine case of having less money, meaning having less time for themselves. The brunt of this time squeeze appears to be falling more on the shoulders of women, which is a particular problem as women appear to find the transition from Heroic to Anti-heroic easier than men.

## Exercise E: Development Self Sabotage

The big challenge with psychological development is that it changes us, and we all fear the loss that any change brings. This is especially true for those who haven't done much deep personal development work. There are real fears over what part of ourselves we will lose. Often these fears do not show themselves as fear, as we have all been taught not to be fearful. Instead, we often have 'good' reasons of not doing the 'deep' work' such as: being too busy, not knowing where to start, not having the money, the judgments of others.

*Write down what stops you starting a development programme, whatever it is. Even if you think you know already, write down at least five reasons you're not currently as engaged as you could be.*

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## The 'S' Word

Think of a time in the recent past when you had a hard decision to make: maybe it was where to live? Whether to do a particular job? Hire a person? We're talking here about a hard decision that matters. When you have located a suitable example, spend a few moments reflecting on the decision-points you went through to make the final decision. What was it that brought you to the final decision? And was it in hindsight the right decision? Or maybe it's too early to tell?

The point is that at the moment of decision-making for anything that matters, you are nearly always operating with imperfect data. But sooner or later a judgment call has to be made and you have to trust your instinct.

Now we are aware that this idea of trusting your instinct sits in some ways at odds with what we have been saying about the Anti-hero being highly sensitive to other people and the wider context. However, this awareness doesn't necessarily lead to greater clarity about decision-making, it just gives us more information to inform the final decision, which very often comes down to our gut feeling.

Different people talk about trusting their gut feeling in different ways, for some people it's 'trusting your instincts', for others it's 'going for it', for others it's following their 'inner compass'. But just what is this 'inner compass'? For many of the interviewees of this report it seems to be the surrendering to the inherent uncertainty of life. Many interviewees spoke of their secret spiritual lives, some of these were Christians, Buddhists and Muslims, but probably more often they were not of any faith as such, but

rather believing in the nourishing quality of 'spirituality', whether through nature, engaging with art and music or simply being alone. It appears to be about connecting to the transcendent, the way in which a beautiful song can capture a feeling far better than words ever could.

For many Anti-heroes their spiritual lives are a foundational way in which they live. It is also something they rarely discuss, especially in a professional context. That's why we called it the 'S' Word.

## Almost an Anti-hero

This section explores the particular characteristics of people who are on the cusp of becoming Anti-heroes but who have not made the leap across the divide.

These people are especially prevalent in the social sectors where they often have very well developed instincts for justice, generosity, sensitivity and openness, but as opposed to having the flexibility of the Anti-hero they tend to be highly attached to 'altruistic' ideas such as equality and openness.

We are focusing on this group as they play a vital role in helping us meet the big social challenges we face. According to Bill Torbert, they can handle complexity better than most other levels but they remain very much at the heroic level. This group is often the most obviously attached to their ideologies. These are the campaigners blocking runways, and the protesters who drove the Arab Spring. This group has often been the very best at highlighting what is wrong in the world today, be it the challenges of carbon emissions, malaria or human rights. So, we are all massively in their debt.

But, and it is a big but, they have characteristics which inhibit their ability to create solutions to the challenges we now face. Their single-minded commitment to social progress is what also stops them being open to new solutions and alternative perspectives. Put simply, their greatest strength is their greatest weakness.

In the rest of this section we explore the solution-stopping characteristics of the 'Almost Anti-heroes'. We have identified four of these 'solution stopping characteristics' that are prevalent for this group. They tend to:

- Reject hierarchy and value discussion over decision-making
- Value heart over head
- Be sceptical of science and technology, and
- Find it hard to see the world from different perspectives.

**Reject hierarchy and value discussion over decision-making:** very often 'Almost Anti-heroic' organisations put great emphasis on their 'democratic' character which results in many decisions being made collectively rather

## Exercise F: Where Are Your Anti Heroes?

Think of some people you know personally who you would consider Anti-heroes.

What is it about them that you like? What don't you like about them? And in particular what makes them different from everyone else you know? What has happened to them in their lives to enable them to develop these anti-heroic capabilities?

Now visualise a group of the people you know who are influential in the world. They may be medics, work for the government or corporations, be activists or simply hard workers. Of that group identify the 10 people who have the most power, the most ability to shape our world. Ask yourself the following questions:

- Why are some of the Anti-heroes not in the list of the powerful?
- Why do some of the powerful not qualify as Anti-heroes in your opinion?
- What would have to change to get more Anti-heroes in positions of influence?
- What would have to change to get more of the powerful to exhibit anti-heroic qualities? and
- What is it that has enabled some of the Anti-heroes to be in the list of the powerful? (Or prevented it if there is no overlap.)

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than in a top-down manner. There are costs to such a 'democratic' culture though, as decisions can be made slowly and organisations can find it hard to adapt quickly or be innovative. This can have the consequences of:

- Slowing down decisions
- Frustrating staff
- Wasting time
- Reducing innovation.

**Value heart over head:** often 'Almost Anti-heroic' organisations place a higher value on people's 'feelings' than on 'data and facts'. The classic example of this is an NGO when everyone feels 'cared for' by his or her

organisation but there isn't enough money to pay people properly. It is only in the last 20 years that it has become the norm for NGOs to have professional finance systems. This was a classic symptom of this emphasis on the 'heart' not the 'head'. This can have the consequences of:

- Poor financial management
- Not understanding how the organisation really functions (e.g. no time accounting)
- Staff in roles based on personality not capability
- Disconnected senior management from real business.

**Sceptical of Science and Technology:** 'Almost Anti-heroic' organisations can often be slow to adopt new technologies, especially community and voluntary organisations. Many NGOs still have relatively weak social media activities. This can have the consequences of:

- Ineffective communications
- Inefficient operations
- Disconnection from other organisations or information.

**Find it hard to see the world from different perspectives:** many people who work for NGOs closely identify with their values and are prepared to make great sacrifices for their values. They then take any challenge to those values personally, which can make it hard to connect with people who are different from them. This can have the consequences of:

- Poor alliance-building
- Weaker support for solutions
- Reducing innovation.

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## Exercise G: Your Inner Dissonance

Just notice now how you felt when reading any of those previous statements. Was there any resonance for you? For most of us, this document makes for uncomfortable reading as we are likely to see ourselves as members of this group. We may recognise the strengths and weaknesses of this group amongst our own friends and colleagues, even probably in ourselves.

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32 Adapted From: Brett Thomas' Integral Manifesto website: <http://integralleadershipmanifesto.com/> [accessed 26 August 2013] the basis of their forthcoming book *Integral Leadership*.

33 Harrison, M, and Singer, M, (2009), "The time squeeze generation" IIPS: London

## SUMMARY OF PART 7

We conclude in Part 7 and argue that if nothing is done to accelerate the psychological development of our leaders we must expect them to continue to fail to meet the big challenges we face. This is likely to mean more military interventions with tragic consequences, continued failure to address climate change and chronically slow progress on complex social issues like obesity and anti-social behaviour. In this situation, public disconnection and disenchantment with our leaders will inevitably grow and the legitimacy of our institutions will further deteriorate. Similarly, as our population continues to grow and the interconnectedness of our economies further deepens, we should expect this cycle of failure to accelerate and the suffering to increase.

The good news is we know what the solution is: shifting what we learn from informational learning to transformational learning. The bad news is that almost all the formal learning we currently do is informational. So, we need to focus on instilling an appetite and capability of transforming ourselves throughout adulthood and embracing the fact that there is no ceiling to how we can grow.

Importantly, the anti-heroic revolution is not just about our leaders, it's about all of us. Today, we are global citizens, managing more relationships and information than any previous generation. We can often struggle to live in a world that is changing at a rate that no-one before has experienced and many of us, at some level, sense we are spinning out of control. But the truth is the only people who can stop our own worlds spinning out of control are ourselves.

We list some recommended actions for individuals and organisations in 'The Path' and 'Organisations'.

# 7

## CONCLUSION: OUT OF THE SHADOWS

Hopefully you are by now convinced of the existence of the Anti-heroes and their importance. Anti-heroes offer us a practical alternative to the conventional leaders who struggle with modern challenges. The emergence of Anti-heroes is, however, still very much in its infancy and happening all too often under the radar. That anti-heroic leadership will grow and become more influential is by no means guaranteed. Indeed, we believe that the current climate of austerity combined with the cultural resistance to human development could extinguish the emerging anti-heroic revolution. Training budgets are being slashed across all sectors, and activities such as coaching, which at the best of times are considered by many a luxury, are right now a non-starter.

Under these circumstances there is a real danger that we will waste what limited resources we do have on the wrong kind of ‘informational’ leadership development and fail to meet the challenges we face. If nothing is done to accelerate the vertical (psychological) development of our leaders we must expect them to continue to fail to meet the big challenges we face. This is likely to mean more military interventions with tragic consequences, continued failure to address climate change and chronically slow progress on complex social issues like obesity and anti-social behaviour. Until our leaders can really embrace both the uncertainty of each of these challenges and the urgency to do something about them, we are in trouble. Until our leaders are able to move beyond their ‘national security interests’ and have real compassion with people very different from them, we will never be able to get a workable solution to climate change. If we continue on the path of heroic leadership we should expect continued failure to meet the big

challenges the world faces, with all the immense suffering that brings. In this situation, public disconnection and disenchantment with our leaders will inevitably grow and the legitimacy of our institutions will further deteriorate. Similarly, as our population continues to grow and the interconnectedness of our economies further deepens we should expect this cycle of failure to accelerate and the suffering to increase.

Unless, that is, we commit to breaking the cycle of failure and embrace the anti-heroic path.

The good news is we know what the solution is: shifting what we learn from informational learning to transformational learning. The bad news is that almost all the formal learning we currently do is informational; it's simply just adding more water to our already full pool of understanding. Instead we need to transform how we think and expand the capacity of our pool of understanding. This is the only way we can start really empathising with people who live very different lives from our own. So we need to completely change the emphasis of how we learn and what we learn. We need to focus on instilling an appetite and capability for transforming ourselves throughout adulthood and embracing the fact that there is no ceiling to how we can grow. We're not saying that you shouldn't try learn the names of the top 100 best-selling singles of all time, or your favourite Shakespeare sonnet, but your smartphone will probably do a better job than you, and what we need more urgently are people that can acknowledge the uncertainty of the world and show deep compassion to those very different from them.

Supporting the shift from heroic to anti-heroic leadership need not cost anything; it simply requires a shift in emphasis from informational to transformational learning and many of the most popular ways of supporting transformational learning like meditation, journaling and action learning are free.

There are also strong global movements challenging the leadership status quo like Authentic Leadership, Distributed Leadership, Open Leadership and Horizontal Leadership. Similarly, popular management techniques such as double-loop learning, action learning, systems thinking, facilitation and the Learning Organisation are all opening up the space for alternative leadership models to emerge. Similarly, social trends such as the popularity of mindfulness, non-violent communication and mediation are supporting a social foundation for the appreciation of reflection and personal growth.

That said, this alone would be insufficient to create the rapid growth of Anti-heroes that we need. In addition we need to see institutions (particularly universities, business schools, HR departments and senior managers) place a higher priority on transformational learning than informational learning and we outline some practical options for achieving that in the recommendations

section. We also need to see some of our highest profile leaders demonstrate the qualities of flexibility, vulnerability and generosity associated with Anti-heroes. However, for this to happen we need the media to develop a form of journalism that both holds our leaders to account but also allows them to acknowledge uncertainty, be vulnerable and to change their mind. U-turns should not necessarily be seen as a weakness, indeed when based on new information and experience they should be supported.

Anti-heroic leadership isn't suitable for all people or all circumstances. We clearly still need our heroes across society: in the emergency services, the military, schools and communities. Less obviously, much of today's world is not ready for 'full-blown' Anti-heroes. In most institutions acknowledging uncertainty is seen as a weakness and the media largely shuns nuanced conversation. Often, therefore, it is highly appropriate for Anti-heroes to behave in a classical heroic manner to maintain the positions of influence they have. We have found plenty of evidence of the need for Anti-heroes to continue their undercover operations in a world that isn't ready for their uncertain and nuanced behaviour.

Importantly, the anti-heroic revolution is not just about our leaders, it's about all of us. Today, we are global citizens, managing more relationships and information than any previous generation. We can often struggle to live in a world that is changing at a rate that no one before has experienced and many of us at some level sense we are spinning out of control—that's partly why we're so exasperated with our leaders, we sense their impotence but have no idea what we can do about it. This also helps explain why we cling to the heroic ideal. Throughout our lives we've all been taught to love heroes. But, the truth is, the only people who can stop our own worlds spinning out of control are ourselves. To get a grip on globalisation we need to rise above it, not feel trapped by it, and this is something we can all do through starting a reflective practice like journaling our feelings, speaking more openly with colleagues or simply lying down somewhere quiet for a few minutes a day. Although these simple acts don't seem like much, they can transform our lives. They help us break free of ideas that secretly govern us and allow us to consciously choose our path. To break free of the allure of the hero and prove that another way of being is possible.

It's also important to remember that there is a delicate balance in the momentum of life; every developmental step up creates potential for greater awareness but also for greater disorder. Every achievement gives new opportunities and presents new dangers. Personal growth is important, but its counterpart—stability—is equally essential. A person who has no stable inner structure has nothing to develop. All organisations need stabilisers and progressives, just as a person needs a balance of both forces within them. An

organisation also needs conventions and norms as well as innovations and changes. So yes, we absolutely need to support the creation of new Anti-heroes, but their creation depends upon having core stability within our organisations and ourselves. *Anti Hero* is absolutely not a case for reducing the numbers of our tried and tested ‘experts’ and ‘diplomats’; indeed it is these people who actually give us the stability that is required for Anti-heroes to emerge.

In order to tackle the wicked problems we face we need more Anti-heroes. Some will be hidden but many will come out of the shadows and be clearly visible. Some will have the good fortune to have the support of their heroic colleagues and some will not. In this section we outline what we as individuals, (see ‘The Path’) and society at large (see ‘Organisations’), can do to support the growth of the Anti-heroes we need.

## The Path

In this section we outline how to stay on the Anti-hero’s path; just by reading this far, you are far further down the track than most.

To make it easier to remember, we have developed the 3Ps framework for thinking through the ingredients of anti-heroic leadership for both individuals and organisations.

The 3Ps of the Anti Heroic Path: Path, Practice and Partners:

Know The **Path**: understand where on the path you or your organisation is.

**Practice**: the things you can do to develop your anti-heroic capabilities.

Have **Partners**: the support we all need to help us on our Anti-hero’s journey.

### Individuals

#### Path (Individuals)

Understanding where you are on the Anti-hero’s journey is critical in order to understand why you experience the world the way you do, and why others experience the world differently. It’s also helpful to inform what practices may be most beneficial to you at this time.

### I. Discover and work with your own ‘action logic’ and personality type.

There are many different approaches to personality profiling such as Myers-Briggs and the Enneagram. They are all different and vary enormously. Here are some we recommend:

- Myers-Briggs Free Online Assessment [<http://www.humanmetrics.com/cgi-win/jtypes2.asp>]
- Big 5/NEO-PI, aka OCEAN (Openness, Conscientiousness, Extraversion, Agreeableness, Neuroticism): [<http://www.personal.psu.edu/j5j/IPIP/>]
- The Enneagram: [[http://www.trans4mind.com/rheti\\_html/test.html](http://www.trans4mind.com/rheti_html/test.html)]

NOTE: These free tests tend to be useful, but also limited and if possible we recommend you take an externally assessed action logic test to get a sense of where you are on the anti-heroic scale:

- Harthill [<http://www.harthill.co.uk/transforming-leadership/harthill-leadership-development-profile.html>]
- William Torbert [<http://www.williamrtorbert.com/global-leadership-profile/>]
- Cook-Greuter [<http://www.cook-greuter.com/SCTi-MAPForm.htm>]

It is also rewarding to read through a list of the ‘action logics’ and see which ones resonate with you, or which one’s friends say look most like you: <http://www.harthill.co.uk/leadership-development-framework/seven-action-logics.html>

Maureen Metcalf has developed some very useful practices to help people at each action logic level move to the next level. Specifically we recommend:

The *Innovative Leadership Fieldbook*, by Metcalf and Palmer, which includes a series of recommendations that helps people shift from one developmental level to another (see page 166-170).

### II. Devote attention to your Inner Journey

Whether you adopt the action logic framework outlined here or find another developmental path more congruent, what is important is to choose the path

that works for you and stick to it. This is because all paths are different and different schools have different key stages, from action logics to Zen Buddhism. What's critical is not so much the path you follow but knowing where you are on the path. Through the practices (III–V) and the partners (VII–X) create an on-going record of your development and the territory of the path you are following.

### **Practice (Individuals)**

All Anti-heroes need a 360° practice which nurtures their complete wellbeing and fully embodied awareness. Here we outline four foundational practices.

#### III Meditation/Mindfulness

Meditation and mindfulness are enjoying a great surge of interest across the West. Some of our favourite books on the subject include *Living the Mindful Life: A Handbook for Living in the Present Moment* by Charles Tart; *Essential Spirituality: The 7 Central Practices to Awaken Heart and Mind*, by Roger Walsh, Thich Nhat Hanh's *The Miracle of Mindfulness: An Introduction to the Practice of Meditation* and Eckhart Tolle's *The Power of Now*.

#### IV Journaling

Writing about one's life, especially one's emotions, is one of the oldest, best established and cheapest forms of therapy. There are various methods, but put simply, seeking to carve out regular time to write from the heart—without filtering or judgement—is one of the most effective practices.

#### V Exercise and Diet

As we progress down the anti-heroic path, most people become ever more sensitive to what they eat and drink. Often people realise that they want to limit caffeine and alcohol and modify their exercise to what their body really needs. Modifying your diet can also provide an important psychological signal of your commitment to change.

#### VI Find your cathedral and create your sanctuary

Everyone has special places that nourish them. These places may inspire them and energise them (the cathedral) or they may help them relax and feel at peace (sanctuary). For many people, being in nature or amongst beautiful architecture gives them the cathedral sensation, whereas the sanctuary is often a room in your home that is designed to make you feel centred and calm. Wherever these places are, they should be an easily accessible part of your life. Places you can go to, to regenerate whenever you need to.

### VII Stay Aware of Best Practice in Complexity Management

Best practice in complexity management is constantly changing so here we recommend staying in touch with best practice through organisations like the Organisational Development Network, MetaIntegral, the RSA and OSCA.

### **Partners (Individuals)**

As already described, the path of the Anti-hero is not always easy, partly as it makes you both different from most other people and more sensitive to their judgements of you and also, quite simply, because real personal change is tough. Because of this it is for many people essential to have a supportive community around them. Here we list three elements of what that community may look like.

### VIII Mentors/Coaches

Having a mentor or a coach can be invaluable. A mentor is someone who understands the path you are on and can empathise with your journey and the challenges you are experiencing. A coach is someone who can establish the framework for you to work through, ensure that you are evolving in the direction you want to. **BEWARE:** many coaches and mentors actually operate at the heroic level of development, so it can often be advisable to get some kind of evidence, such as their action logic assessment, that they are operating at the anti-heroic level themselves. Or simply ask them about their awareness of developmental theory: many coaches nowadays use developmental models such as Prof Kegan's, Prof Bill Torbert's or Spiral Dynamics.

### IX Supportive Friends

Having friends who support the kind of personal change journey you are on can be very helpful. Being around friends who 'get you', who have a similar value of sensitivity, openness and authenticity. It is inevitable that many of our friends and family won't be like that, and it's often highly appropriate to prioritise spending time with those people who are able to support you most naturally.

### X Action Learning Groups

Action Learning Groups are a well-established methodology to support peer reflection and being a member of one can provide a vital foundation, providing you with the community you will need.

## Organisations

For the anti-heroic revolution to really take off we need our institutions to become breeding grounds for Anti-heroes. Here we list 10 practical actions that will help our organisations move in this direction.

### **Path (Organisations)**

#### A Know your organisation's culture/Action Logic?

Undertake a stage assessment of your organisation's culture or Action Logic. As far as we are aware there is no organisational assessment tool available, however Julian Simcox's 2005 paper 'Detailed Descriptions of the Developmental Stages or Action Logics of the Leadership Development Framework' provides useful insight in this task comparing the 'Conventional Organisation' and 'Learning Organisation'. [[http://www.harthill.co.uk/assets/files/Articles/05\\_Leadership\\_and%20Deming\\_Simcox.pdf](http://www.harthill.co.uk/assets/files/Articles/05_Leadership_and%20Deming_Simcox.pdf)]

#### B Explicit Leadership Commitment to Psychological Development

The leadership team need to make it very clear that their style of leadership sets an expectation for everyone in the organisation to develop themselves for the good of the organisation. The Senior Management Team need to outline openly where they currently are in terms of organisational culture, where they want to get to, and how they intend to get there.

#### C Have an integrative map of your organisation

Organisations need to develop the kind of objective 'view from the balcony' that enables them to map out the important mindsets, behaviours, culture and structures in their organisation, where they are and what needs to change.

### **Practice (Organisations)**

#### D Individual Reflection Incentives

There need to be clear incentives that encourage people across the organisation, especially the senior members, to become reflective. This could be through things like providing coaching or encouraging staff to be members of action learning groups, especially involving external people.

#### E Include Action Logic Test in Recruitment

Possibly the easiest way to get Anti-heroes into your organisation is to use a leadership maturity assessment as part of the recruitment process—don't tie yourself down to the usual (limited) personality type questionnaires. (See case studies B and I (pages 30 and 70) from two local authorities—which

include the successful use of a leadership maturity assessment to choose the Chief Executive).

F Square pegs in square holes: Match a person's action logic to their role

A person with particular action logic will only thrive in a role—and with a manager—that enables them to express their capacities. Putting a heroic Expert in charge of an anti-heroic Strategist is a recipe for frustration, unhappiness and unfulfilled potential.

G SMT must walk their talk

Members of the SMT must be seen to focus on their development, either through attending courses, having a coach or prioritising attending the activities (such as vision days) that relate to this.

**Partners (Organisations)**

H Coaching

Coaching should be offered to all staff, and perhaps internal staff could be trained as coaches to help reduce the cost.

I Mentoring/buddying

Establish mentoring and buddying schemes, either internally or externally, depending on what makes best sense for your organisation.

J Action learning sets/ Innovation Groups

Require all senior staff to become members of cross-disciplinary action learning or innovation groups.

	<b>Interior</b>	<b>Exterior</b>
<b>Individual</b>	<p><b>Psychological Lens</b></p> <ul style="list-style-type: none"> <li>• What is the psychological development character of your staff?</li> <li>• Are people generally supportive or not of personal development?</li> </ul> <p>e.g. personal values, digital inclinations and skills, individual dispositions and beliefs: technology is good (early adopters, silver surfers); technology is bad.</p>	<p><b>Behavioral Lens</b></p> <ul style="list-style-type: none"> <li>• Is there support for development (e.g. training budgets or coaching)?</li> <li>• Is network support available such as action learning?</li> </ul> <p>e.g. coaching, action-learning sets, training programmes.</p>
<b>Collective</b>	<p><b>Cultural Lens</b></p> <ul style="list-style-type: none"> <li>• Does the culture support reflection?</li> <li>• Are their incentives to support vertical growth?</li> </ul> <p>e.g. very flat or hierarchical, command and control, shared values, relationships, cultural background.</p>	<p><b>Systems Lens</b></p> <ul style="list-style-type: none"> <li>• What staff development systems have you got?</li> <li>• How does the organisational structure support people at different levels of psychological development?</li> </ul> <p>e.g. incentives systems based on people, developmental level, flexible approaches to dress code, how does the office layout and design support vertical development?</p>

Table 5: Integral Engagement Framework for Understanding Their Context<sup>34</sup>

The key to using the Integral Framework (IF) is being clear what you are using it to analyse. For example are you looking at an organisation as a whole, or a specific project, team or individual.

<b>Quadrant</b>	<b>Typical Characteristic</b>
<b>Psychological Lens</b>	Psychological Influences: e.g. Individual Skills, Individual Values, Engagement preferences (e.g. online, meetings)
<b>Cultural Lens</b>	Cultural Influences: e.g. hierarchical or participative
<b>Behavioral Lens</b>	Behavioural Influences: e.g. project-specific elements
<b>Systems Lens</b>	Systems Influences: e.g. quality of broadband, finance available, infrastructure, ecology...

Table 5: Characteristics at Different Quadrant Levels

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## **Exercise H: Cognition Action Gap**

When you look at your own development, what's required to move to the next stage?

Deepening meditation practice, getting a coach, setting up an Action Learning Group? And critically what's stopping you taking the next step?

Spend some time writing down the actions you want to take and what, if anything, is stopping you getting started.

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## Recommendations

The central argument of *Anti Hero* is that as the world becomes more complicated we need leaders with higher levels of psychological development. This is summarised in the following equation:

Higher Personal Development + Power = solutions to complex problems  
Lower Personal Development + Power = stasis

The purpose of these recommendations is therefore to outline what is required to create the necessary growth in psychological development across society. We do this by listing four sectors and recommendations for the leadership this sector may require. We also list five generally applicable recommendations at the end.

### (i) Government

Government needs to recognise that the type of leadership Britain requires is changing. The old model of creating single strong leaders needs to be changed to include other more anti-heroic models such as open leadership. This requires a focus on developing the organisation and its teams, not just individuals, on leadership across systems of service delivery rather than just institutions, and on followership as well as leadership. To do this we outline ten recommendations below:

- 10% of MPs' expenses budget ring-fenced for their transformative development.
- Awards for most anti-heroic MPs (against various criteria e.g. being most open, most vulnerable, highest integrity, transparent, most honest).
- Government to provide a central fund to support the anti-heroic leadership development of all senior civil servants, local government officials and politicians. This fund should be around £2,000/head or an amount to 4% of the salary bill for these posts.
- The Coalition's service cuts must be supplemented by resources to support culture shifts in public sector if the innovation challenge is to be achieved (e.g. training, learning networks, coaching).
- Civil Service Learning to make transformative development of government staff their number 1 priority.
- All Fast Streamers required to undertake intensive transformative development program.
- Recruitment and staffing informed by action logics.

- All senior civil servants to undertake an annual transformative development program.
- A new unit in the Cabinet Office (similar to the ‘Nudge Unit’) should be set-up to support government wide anti heroic leadership development.

(ii) Education

- Academia: Universities offering professional degrees (e.g. MBA, Business or Government Administration) must offer transformative learning options.
- Schools: Transformative Learning Elements to be included on National Curriculum.
- National Curriculum designed to increase student’s psychological development—perhaps by drawing on Prof Marcia Baxter Magolda’s ‘Learning Partnerships’ model.
- All teachers trained in action logics.
- Leadership development in schooling to include action logics.
- Head teachers recruited using action logics.

(iii) Social Sector

- ACEVO to examine what support is required to increase psychological development of social sector leadership—drawing on reports like Solace’s leadership report, *Flying High*.
- Allocate 50% of training budget to transformative development
- Board development and recruitment need particular attention, most notably, but far from exclusively, in the case of foundation trusts where governors are to take on a new role as the autonomy of foundation trusts is significantly enhanced.
- Funders to support psychological development of sector, through:
  - Offering senior leader transformation support (e.g. coaching)
  - Creation of ‘anti-heroic’ cultures in organisations
  - Help organisations focus on their social purpose not organisational existence
  - Experimentation and innovation support.
- Charity membership should demand to see anonymous action logic profiles of the board members and senior management team and also to see evidence that the whole organisation has a ‘Requisite’ structure. This means that Strategists would be managing Individualists, Achievers, Experts etc.—so that no staff are ‘in over their heads’, or ‘in under their heads’. Elliot Jaques found that such a ‘Requisite’ structure enables everyone to fulfil their potential.

(iv) Business

- Shareholders may demand to see anonymous action logic profiles of the board members and senior management team.
- All companies to seek to add value to all stakeholders (beyond customers and shareholders); business held accountable for this.
- Business to have higher purpose beyond cash.
- Business leaders held accountable for their overall personal leadership development.

(v) Generally Applicable Recommendations

- Leaders Walk the Talk e.g. CEOs speaking from vulnerability, creating space to fail, being honest, having coaching, committing to their own development.
- Reject the cult of 'busy-ness', and help staff become more reflective and purposeful.
- Ensure Human Resources directors have high action logic and are committed to improving culture of organisation.
- Include action logic in recruitment strategies of all members of SMT & board.
- All 'heads' of human resources must have clear expectations to drive their organisations and their own psychological development.

34 Adapted From: Brett Thomas' Integral Manifesto website:  
<http://integralleadershipmanifesto.com/> [accessed 26 August 2013] the basis of their forthcoming book *Integral Leadership*.

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## **Sustained Organisational Performance Through Professional People Leadership**

### **Synopsis**

The crisis in business leadership is merely a reflection of prevailing societal ideology and to address the business leadership issue in isolation will ensure only short term improvement but little prospect of sustainable enhancement in leadership performance. In this respect business leaders must take action both externally and internally, using their influence as societal peer group leaders to effect changes in the wider societal and economic context within which the sector operates. This is critical otherwise we are, as they say, merely re-arranging the deckchairs on the Titanic. There is already evidence that senior leaders of successful national and international organisations are openly critical of the impact of prevailing societal ideology on all sectors of society, including business (e.g. Stephen Green, latterly Chairman/Group CEO HSBC Group and Trade Minister).

We must look at alternative business models or logics to ascertain whether a change in leadership principles, perspectives and priorities will achieve changes in leadership mindset such as to attain greater engagement, collaboration and advocacy by stakeholders. In finding solutions to the prevailing management and particularly leadership failure it is necessary to dig under the issues of short termism, profit and individualism motives and define the perspectives, attributes and capabilities required of the leadership cadre in any business organisation. Given the impact of people energy and motivation on operational effectiveness and organisational performance the prime failure of leadership lies in its unprofessional approach to people management which presently continues to be a secondary focus and capability, far behind the central focus of technical capability. We must create a leadership cadre mindset which acknowledges that those technical capabilities which have to date been the source of career success are in reality not the drivers of organisational effectiveness and performance, they are merely the tables takes. It is rather an understanding of and a capability in people leadership which delivers long term survival and performance. This is a much more complex and unstable area within which to be effective and may be the primary reason for avoiding basing one's career on achieving excellence.

In this respect I provide a "built" schematic which details the development of twenty first century leadership logic, utilising research on an organisation which has survived and prospered over a period of 150+ years.

Report

I should state from the outset that, like Peter Ayliffe, I am a practitioner who has spent the best part of four decades in financial services, both mutual and plc, in my case in UK, Ireland and overseas. However, I have latterly gained scholarly insight into the area of operational business leadership through doctoral studies and authorship.

Whilst the evidence does refer to a short-term and profit focus it delves behind these issues of media attention to address issues of leadership logic and operational imperatives with the intention of providing enhanced clarity and insight in order to address the prevailing business management/leadership crisis.

### **Fundamentally a Societal Rather Than Business Leadership Issue**

The first point that I would like to make is that the problem and therefore the primary source of any foundational solution lies not at the business but rather at the societal level. Business leadership will ultimately fail to achieve tangible and effective change unless, in their role as societal peer group influencers and leaders, rather than as operational leaders of the business organisation, senior executives within business organisations are able to change the principles, perspectives and priorities which are the foundation of the prevailing societal logic or ideology. The introduction of further ethical codes, standards and regulation will merely add to the costs and complexity of business management without tangibly and tangibly impacting upon underlying business values, principles and perspectives, which in the majority of cases substantially reflect the “home” society’s dominant logic. Examples of “home” logics which have a significant, often dominant impact on business logic might be that of France, Spain, Germany or “regional” logics such as Scandinavian, Chinese, Anglo-American, all of which find themselves increasingly challenged by the dynamics of the twenty first century socio-economic context.

Whilst there will be exceptions to the rule, the vast majority of business leadership cadres who define organisational values, principles, perspectives, priorities and practices merely reflect those of the society and culture with which they identify. Therefore, in practice, to seek to effectively implement widespread change and reform in business management/leadership in the face of the absence of a change in the individualist, short term, rationalist, scientific societal mindset is doomed to limited implementation and success. As the members of the parliamentary committee will be aware this is a deep rooted ideology based on gradually changing dominant perspectives over centuries in western societies, in Europe, but particularly in the Anglo-American culture.

The negative impact of this ideology has been exacerbated by the prolonged onset of low economic growth over recent decades (which is projected by an increasing

number of economists to become the norm in the “west” going forward). This economic reality must also be simultaneously viewed within the context of leaders within society’s various sectors pragmatically accepting the requirement to at least create the perception of seeking to satisfy the ever increasing expectations and aspirations of stakeholders, not least shareholders, staff/employees and voters (albeit increasingly over the last year or two with a better appreciation of the impact of such low economic growth) in order to maintain acceptable (not optimal) levels of loyalty, motivation and engagement.

There is a requirement in all sectors of society to recognise that individuals no longer accept being regarded as mindless pawns participating in the process of social, political and business leadership as an underclass participating in the system of mass production. Enhanced educational opportunities, access to comparative information, increased personal confidence means that individuals no longer “sell” their labour, support, allegiance, dedication and advocacy on the basis of vague promises and a limited share of the benefits of their labour. In particular, those with the accumulated knowledge, experience and insight increasingly expect and require the opportunity to actively engage and participate in the management of society and business; to have a sense of engagement, if they are expected to contribute to the optimal performance, effectiveness and growth of society and the business organisation. The continuing social and organisational structures and cultures do not encourage optimal access to and utilisation of the increasing knowledge and analysis assets of employees and other stakeholders in the interests of survival and sustained/enhanced organisational performance.

This framework of considerations, perspectives and priorities is not made from a socialist, communist or liberal, or any other political standpoint. Rather, it reflects the hard headed, pragmatic yet soft-hearted business leadership approach which the radically changing social, economic and business environment demands to ensure organisational survival and the possibility of sustained performance. It has also for long lain at the core of the dominant logic of many of those business organisations which have survived and prospered over many economic cycles, in some cases spanning at least a century, one of which will be discussed in greater detail later in the text. It is also increasingly reflected in the views of many of the CEOs and chairmen, both past and present, again, as we will note later in the text.

### **Introduce an Electric Engine not a Catalytic Converter**

The fundamental problem and solution to the crisis with respect to business management and leadership lies full square in philosophical and ideological beliefs and perspectives, which act as the foundations and underpinnings of decision making and issue resolution. Given this crisis, exposed and exacerbated by the prevailing economic and financial crisis, there is a requirement to address the embedded leadership logic, rather than recommend further new “bolt on” systems

and processes which have been the solution applied to date in order to “update” leadership perspectives and practices to the changing business context and the drive for enhanced productivity and profitability.

The solution is much akin to replacing the internal combustion engine with electric propulsion rather than adding a turbocharger or catalytic converter to a petrol engine, which has been the approach to the changing business leadership context over at least the last 3-4 decades. The impetus for change is the result of the demands and implications of fast moving and dramatic environmental and societal changes in perspectives and priorities rather than merely the result of a voluntary desire for fine tuning to respond to such changes. Over the last decades we have witnessed radical innovations in many aspects of the economy, society and business, not least the rise of new global economies, universal education, supply chain management, new financial services/vehicles, burgeoning technological innovations, all of which have radically changed the nature of our daily lives. Despite this the business management and leadership mindset, its underlying principles, perspectives and priorities remain largely rooted in the business mindset late 19<sup>th</sup>, at best, first half of the 20<sup>th</sup> century, reliant on introducing bolt-on mechanisms to improve and maintain yet fearful of replacing a business and leadership philosophy and logic which for long has passed its sell by date. In all honesty this is understandable since it goes to the very DNA of generations of leaders, principles, perspectives, priorities and practices which are embedded in their subconscious through constant example, mentoring, training, development and practice throughout their career, a logic, which, as I have noted, is also consistent with that experienced in their dealings with other societal contexts.

Think steam locomotive in an age of diesel engines and internal combustion engines ; they still get you to your destination, eventually, but slow, dirty, laboriously and difficult on the hills, leaving you well behind the competition, which has no commitment to principles and perspectives based on past success and achievements. We are in a business environment affected by a range of paradigm shifts yet persist with a leadership logic which reflects the business context of 50+ years ago. Time now to question and change the prevailing dominant logic rather than merely fine-tune existing operational leadership perspectives and practices. The alternative is sub-optimal performance in relation to absolute market opportunities and assets (particularly but not exclusively) available to the business organisation.

### **A Collaborative Approach to Leadership**

Whilst I am sure that there are examples in other business sectors, the pressure from those who define and direct the prevailing short term, shareholder, maximum profit societal ideology to deliver on the basis of prevailing societal perspectives and priorities has been so great as to sweep aside the contrary dominant logic of mutual and co-operative financial institutions in the UK and also in my personal experience

in Ireland, This has ultimately resulting in their elimination as a counterweight to the pervasive ideology. Given the substantial personal benefits of the short term, individual mindset, many of those who had been steeped in the co-operative and mutual philosophy “converted”, re-orientating their operational business logic. Alternatively, those senior executives who would not convert to the new societal and sectoral principles and priorities were replaced by those inculcated in the prevailing ideology. This has resulted in the demise of such institutions as Halifax, Abbey National, Skipton, Britannia, Leicester building societies, TSB Group over the last two decades and, most recently, perhaps/probably Co-operative Bank. We can now, with the benefit of hindsight, recognise that the societal/business logic which cast aside the values which were the foundation of such institutions was itself flawed and aberrant. Therefore, there may be merit and logic in re-assessing the relevance, viability and desirability of the business and leadership values and priorities which underpin such mutual/cooperative institutions, rather than the organisational structures themselves, within the twenty first century business context

The prevailing societal/business logic has been and continues to be a sort of juggernaut which has effectively destroyed alternative logics, with the resultant implication that future generations of managers/leaders will not be aware of or contemplate in their cognitive process any alternative during operational and strategic decision making and issue resolution, regarding the prevailing logic as not only dominant but universal, rather than merely reflecting the prevailing but transient ideology.

It is a significant point of debate whether organisations which operate on a mutual, co-operative, community, dare I say people rather than profit basis, can deliver on the prevailing societal and economic requirements and priorities, based upon continuously escalating consumption as a means of enhancing status and self-esteem. This desire for ever increasing consumption is a mindset and philosophy which operates as a dominant ideology impacting on the political, economic and business sectors and which to some significant extent must be taken as a given if some solution is to be implemented in the medium (although not long) term.

There is much scholarly research and many publications which support theories and concepts in respect of

- short term, individualist and expedient vs. holistic, morally principled and long term leadership perspectives
- social vs. business focus
- people vs. profit priorities

upon which I will not dwell unduly, since I am sure that Committee members are well aware of the diversity in perspectives and will receive evidence from others who have far superior scholarly credentials. I would prefer in this evidence to take a practitioner focus, albeit with a scholarly bent. Having worked in both mutual and plc organisations the difference in organisational culture and operational

management/leadership context/environment is primarily the impact on participation, motivation and engagement, of a sense of community, membership, dare I say “ownership”,

- That you are regarded as an active and valued contributor rather than a human tool in the attainment of targets and objectives and the resultant potential impact on organisational effectiveness;
- That the organisational leadership acknowledges and comprehends the direct link and indeed is qualified and experienced in satisfying personal tangible and intangible objectives and aspirations as valuable stakeholders, this as a critical means of organisational survival and optimising long term performance..

I fully accept that this is not the Industrial Revolution and that we have travelled far along the continuum between exploitation on the one hand and perhaps employee “ownership” on the other. My point is that business leadership appears now resistant to move further and faster along the continuum and therefore resorts to unethical practices masked as expediency and pragmatism as a means of achieving expected financial benchmarks within the context of prevailing societal and business ideology.

Committee members will be aware of the recent publications on the issues of employee ownership and organisational democracy, particularly The Nuttall Review of Employee Ownership (July 2012) and government responses, the report by Professor Joseph Lampel et al (Model Growth: Do employee-owned businesses deliver sustainable performance?) and Matrix Evidence – “The Employee Ownership Effect: A Review of the Evidence”.

If indeed there is the nucleus of the answer to the prevailing leadership crisis, dilemma and failure then it lies somewhere in the failure of the short term, rationalist ideology to tap into the desire of the more sophisticated and confident and better educated to actively participate, to be energised by a feeling of ownership, of belonging and thereby optimise productivity per unit of cost. As the above reports indicated, it is the sense of participation in the “management” process rather than actual ownership which delivers the desired resultant increase in productivity. However, the prevailing societal/management ideology does not prepare or provide management/leadership with the required perspectives, attributes and capabilities and mindset to focus on people as the driver of performance.

The core competence and key success factor of Marks & Spencer in the past and John Lewis Partnership today does not lie in such factors as product, distribution, price, systems or process, which are merely table stakes for survival and sustainability. It is rather the sense of belonging, engagement, participation, of “ownership”. The requirement is for a focus on the development of a cadre of professional **people** leaders rather than technically proficient managers who have over time accumulated people management capabilities in an unstructured and haphazard manner, whilst focusing on product, price, process and procedure as the

primary drivers of performance. If we acknowledge the importance of people in operational effectiveness, productivity and organisational performance then, in practice, leadership capability tends to be centred within business organisations in the middle reaches, at the divisional/department head downwards, where effectiveness and performance is reliant upon personal perspectives, attributes and capabilities which provide an ability to motivate and energise people, rather than develop policy and strategy and monitor its implementation. There is therefore a requirement to re-focus, away from those technical skills which are perceived to deliver short term performance and towards those leadership capabilities which deliver sustained performance and survival through the professional leadership of people if the crisis in management and leadership is not to persist and store up the potential for not only weak organisational and business performance but continuing economic, social and political crisis and instability. This therefore requires a greater understanding of people rather than process, procedure and systems dynamics.

Whilst I believe that the ultimate solution to the prevailing crisis of confidence in business leadership does lie in a business culture which reflects a greater sense of employee “ownership” and organisational “democracy”, somewhere along a spectrum of that in operation in such countries as Germany, France, Spain and Scandinavia, in reality there is, primarily for political and ideological reasons, in practice, no desire to create the required infrastructure to develop and support such a radical change in values, principles and priorities which might by detractors be described as retrograde, a return to principles which prevailed in and relevant to the 19<sup>th</sup> rather than the 21<sup>st</sup> century business context. I therefore put forward to the Committee, as an example of long term effective leadership attributes, capabilities and characteristics, an organisation with which they hopefully will feel relatively comfortable and to which they are likely to relate. Nevertheless, acceptance of their mode of leadership logic will require a radical change in prevailing leadership logic within the business sector.

## **A Proposed Case Study Organisation**

### **Embedded Leadership Logic**

***“We are not managing for the next reporting period, we are managing an organisation that has survived and prospered for almost 140 years and is running a marathon, not a series of sprints”*** (Sir Keith Whitson, Group CEO, HSBC Group 1998-2003)

It is within this context that I propose as a case study a business organisation which has not only survived but achieved sustained performance and growth to become a global force within its business sector from humble beginnings over a period of 150 years. It has achieved this position operating within the context of the prevailing

dominant societal and economic ideology, yet providing people oriented leadership logic. This institution is HSBC Group. There may be some initial surprise at the selection of HSBC Group as an appropriate case study due, in the main, to recent media exposure regarding compliance issues in Mexico and Middle East (amongst other issues and practices which been exposed within the sector). However, as an employee of HSBC Group for a short period (six years) and having worked for a range of major banks (including National Westminster and TSB Bank Group) and other financial services groups I was so impressed by their organisational culture, particularly the impact on staff relatedness to the organisation and resultant loyalty, dedication and advocacy, which engendered a sense of cohesion and participation as a means of sustained performance, that I undertook empirical research, interviewing senior executives of HSBC Group and undertaking desk research into their archives to expose the values, principles and priorities which developed from its inception and have been adapted but not radically changed until the present day.

My conclusions were that in the case of HSBC Group

- The context within which the organisation was instituted required the development, application and communication of a dominant logic, consistently communicated and applied by the leadership cadre throughout the organisation,
- Which had at its heart an acknowledgement and understanding that survival, much less sustained performance over the long term could only be achieved through engendering in all stakeholders, be they in Europe, Africa, Middle East, South America or Far East, a sense of participation, belonging and ownership
- Such as to continuously energise and excite towards the optimal productivity and performance of the organisation.

My experience and research indicates that HSBC Group successfully applies what all business leaders seek but perhaps rarely achieve, that is the correct balance of values, principles, pragmatism and expediency to optimise organisational effectiveness and performance over the long term. HSBC Group is no softy, it applies a sensitive approach as a means of consistently delivering performance in order to sustain confidence and comfort amongst its stakeholders.

***“HSBC’s business philosophy is based on achieving value and benefit through a long term investment -----this requires sensitivity, adaptability openness to ideas which will create an effective organisation. As long as the universal business blueprint is implemented HSBC sees the value in being culturally sensitive, it’s pragmatic business sense”*** (Interviewee C)

Very much like many other successful business organisations, HSBC consistently applies a single dominant logic – principles, priorities and standards, across all of its operations, adapting only at the level of practices (e.g. HR, marketing, legal) rather than principles where justified within the local business context. In this context I

quote from a Group Managing Director of HSBC Group whom I interviewed as part of my research:-

***“HSBC has a framework of technical, management standards and principles which are applied universally. Such practices are not considered rooted in any single national culture and to that extent are considered to be understandable and agreeable within any cultural context. These principles are largely non-negotiable but in other respects HSBC is willing to adapt to comply with local customs, beliefs and practices”***

The key difference with most other organisations is that the values and principles underpinning the dominant logic are universal; they are acknowledged, understood and accepted by staff and other stakeholders as consistent with their individual fundamental requirements, expectations and aspirations. As we will describe in greater detail below, they are recognised to offer equity, self-esteem, consultation, respect, stability, security and clarity of direction, which all provide a sense of confidence and comfort required by stakeholders. This, in turn, engenders levels of motivation, energy, engagement, participation and advocacy for which material compensation is not expected because the benefit to the individual is of a more intangible and psychological nature.

I should stress at this stage for those beginning to shift in their seats, reading this text amidst a growing feeling of scepticism and trepidation, that this is not some idealistic mumbo jumbo written by someone with his quill pen and his contemplative cap on, sitting afar from the frenetic environment of business leadership today. It is rather written by someone like Stephen Green, latterly Chairman of HSBC Group and Trade Minister, who in the latter stages of his career, based upon experience, insight and reflection sees the crisis in leadership to be based upon prevalent societal ideology, perspectives and priorities which are reflected in business as they are in all other sectors of society, including charities, public service, politics and your local social club. Green makes three points encompassed in the following quotations from his book “Good Value: Reflections on money, morality and an uncertain world” which reflect changing leadership perspectives and an imbalance with the changing context within which business organisations operate. In the first he contends that leadership in the main fails to stand at the correct point in the stakeholder/shareholder continuum to gain from people engagement and participation:-

***“Some still think that the concept of corporate social responsibility is somehow incompatible with shareholder value maximisation, or fear it can be an excuse for poor competitive positioning, operational inefficiency and low returns to investors ----- Sustained shareholder value creation is absolutely critical to any discussion of wider responsibilities in business. And yet it should not be – as has been the case – the over-arching objective of management in business. It should rather, be the hallmark of business well done” (Green, 2009, p.3)***

He further considers the change in leadership dominant logic which occurred between 1980s-19990s, reflected in the stated objectives of a global chemicals company, from

***“to be the world’s leading chemical company serving customers internationally through the innovative and responsible application of chemistry and related science. Through achievement of our aim, we will enhance the wealth and wellbeing of our shareholders, our employees, our customers and the communities in which we serve and where we operate”***

to

***“to maximise value for our shareholders by focusing on businesses where we have market leadership, a technological edge and a world competitive cost base”***

### **Operational Implementation of a Sustainable Leadership Philosophy**

I therefore offer below a few brief details in order to meet the 21<sup>st</sup> December 2013 deadline with regard to the operational implications of a leadership philosophy based upon a long term, holistic, people focused perspective geared to long term survival and optimal performance. Hopefully this will provide useful guidance and practical steps towards a change in leadership principles, perspectives and priorities which will consistently deliver at the “pointy” end, where operational leadership decisions are made, issues resolved and revenue created, thereby ensuring survival, enhanced productivity and long term performance. However, if it is considered that the points have merit then I would be pleased to provide more comprehensive case study material which has been included in a number of more substantial texts.

### ***Organisational Cohesion and Confidence***

HSBC Group is undoubtedly a product of what might be termed the “capitalist” ideology which has dominated global business for at least two centuries. Yet my experience and research indicates that fundamentally their long term survival and success is dependent upon a dominant logic which has as its embedded, central focus, appreciation of and capability in people, the “soft stuff”, rather than product, process and profit management. HSBC Group understands the people dynamic; the logic of delivering on the individuals’ requirements and expectations in order to deliver on organisational objectives.

It succeeds on the basis of clear and consistent values, direction, cohesion, a feeling of community and pride and the resultant energy, dedication, loyalty, sense of contribution and engagement. It is not “fluffy”, cooperative or mutual; it might however be considered soft-hearted but hard headed. This is in the majority of cases a tough balance for leaders to consistently deliver in practice. This is particularly and

primarily due to the fact that they have not been inculcated in appropriate perspectives, priorities and characteristics. This is doubly unfortunate since I have discerned in individual leaders an increasing recognition of the importance of effective and professional people leadership as a means of optimal operational effectiveness and organisational performance. Yet the culture and organisational context within which they operate precludes indeed militates against the practical development and application of such a perspective and leadership logic.

Despite this difference in dominant logic compared with other organisations HSBC Group it is unquestionably acknowledged by the majority of individuals and stakeholders as professional, equitable, fair and reliable, resulting in confidence and comfort, no sudden surprises leadership. It depends upon inculcation, not indoctrination, a set of values, principles, perspectives and priorities which are acceptable to individuals, be they employees, senior executives, operational managers, shareholders or government officials, providing a confidence to go forward, confident that everyone is behind you in body and mind.

***“Ultimately, success in business depends on confidence. --- confidence is about -----how well your company performs, how responsibly you behave, and how well-trained your colleagues are around the world. So that you can rely on them to look after your customers when you are asleep” (Sir Bond 2001)***

Effective inculcation depends upon the development and consistent communication and application within the context of all decision making and issue resolution of a set of key business values. The result is that you have a cadre of leaders throughout the organisation who are thinking in synch which produce the advantages of coordination, cooperation and cohesion, the absence of which has recently destroyed many financial institutions, rather than capital ratios, liquidity, risk profile upon which the media and analysts continue to heap attention .

### ***Consistent Application of People Related Priorities***

Whilst there is always much scepticism and cynicism regarding the production and communication of an organisation’s key business values, that they are primarily a PR exercise, I am aware that HSBC Group takes these very seriously. During my term with HSBC Group the Group Chief Executive would send out a communication to business/country heads on an annual basis asking them to confirm in writing, that their operations were strictly applying every point on the list below:-

#### **Key Business Values**

- Highest personal standards of integrity at all levels
- Commitment to truth and fair dealing
- Hands on management at all levels
- Openly esteemed commitment to quality and competence
- Minimum of bureaucracy

- Fast decisions and implementation
- Putting team's interests ahead of individuals
- Appropriate delegation of authority with accountability
- Fair and objective employer
- Diversity underpinned by a meritocratic approach to recruitment, promotion and selection
- Commitment to comply with spirit and letter of all laws and regulations wherever we conduct our business
- The exercise of corporate social responsibility through detailed assessments of lending proposals and investments
- The promotion of good environmental practice and sustainable development and commitment to the development and welfare of each local community.

**Source: Provided by Interviewee A from Group Standards Manual**

I can testify that this communication was taken very seriously in that I then received a communication from my business/country head asking me to similarly furnish a confirmation in this regard, which forces you to ensure that you are delivering on these criteria as well as the "numbers". The key point to emphasise is that these values primarily impact on people management and leadership, which is by implication considered by senior leadership to be directly linked to the long term survival and sustained performance of the organisation.

I quote below one of the many statements from my research into HSBC Group which I believe succinctly gets to the root of the sustained success of this organisation. As I have noted, they consistently apply a single dominant logic comprising values and principles which are supported by all stakeholders as consistent with their aspirations in all of their global operations, adapting at the level of practices. They then select, inculcate, develop and ultimately promote a leadership cadre in this logic, who consistently apply it in all existing and new organisations, communicating it primarily by its consistent operational application in respect of decision making and issue resolution. The Group avoids disruption to its application by not being tempted to recruit "technical" experts and "stars" from outside in the hope of making short term gains. This is admittedly a fine balance and HSBC Group have recruited "**technicians**" and appointed them into senior **management** positions but not into senior **leadership** positions until they have exhibited an understanding of and loyalty to the dominant logic (which itself is adapted to respond to changing business contexts).

***"HSBC does have a core set of values and principles which are applied across the Group ----- these are provided in the Group Standards Manual ----- these are very important issues in terms of how we move into new markets ----- these are not unique to HSBC but more of how they are introduced and equally strengthened by action and application by the executive core and because executives have worked for long period in the Group they have assimilated these core values and espoused them very well. ----- more difficult to***

***consistently apply in organisations where there are executive “musical chairs”, with people coming in from other organisations where they have been inculcated by different values, perspectives and practices” (Interviewee A)***

The key foundation for sustained “success” is the implementation of values, principles, perspectives and priorities which generate optimal energy, motivation, engagement and advocacy by individuals and stakeholder groups on behalf of the organisation. The source of the prevailing management and leadership crisis fundamentally lies in an unwillingness/inability to understand, acknowledge, develop or sustain this logic and relationship and a preference to deliver short term results based upon “technical” excellence.

It would be true to say that where HSBC Group has failed it has been primarily due to leaving existing management and their prevailing dominant logic in place when acquiring an organisation (USA and Australia would be examples). This has been remedied by sending in a cadre of inculcated HSBC leaders and technicians to embed standards, principles, perspectives and priorities.

### ***Organisations are About People***

***A company is an abstract concept, the product of a lawyer’s mind. Human beings are what bring a company to life and shape its destiny” (Sir John Bond, 2001)***

***Companies are ultimately a human endeavour. A company is the corporate branch of society. (Sir John Bond 2000)***

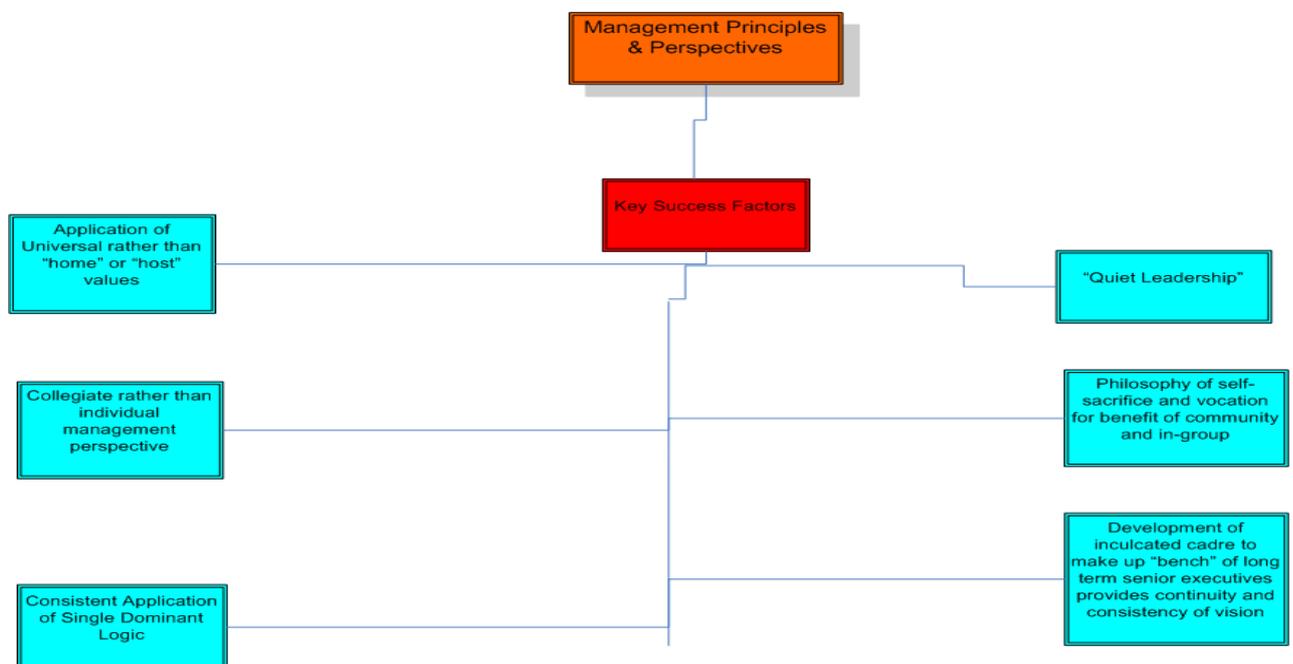
The organisation as a whole, rather than isolated leaders within HSBC Group, acknowledge, understand and consistently deliver on the requirements and expectations of individuals. This is reflected in the recruitment, training, development and senior executive selection process which regards technical expertise as a requisite table stake but professional people leadership as a prerequisite.

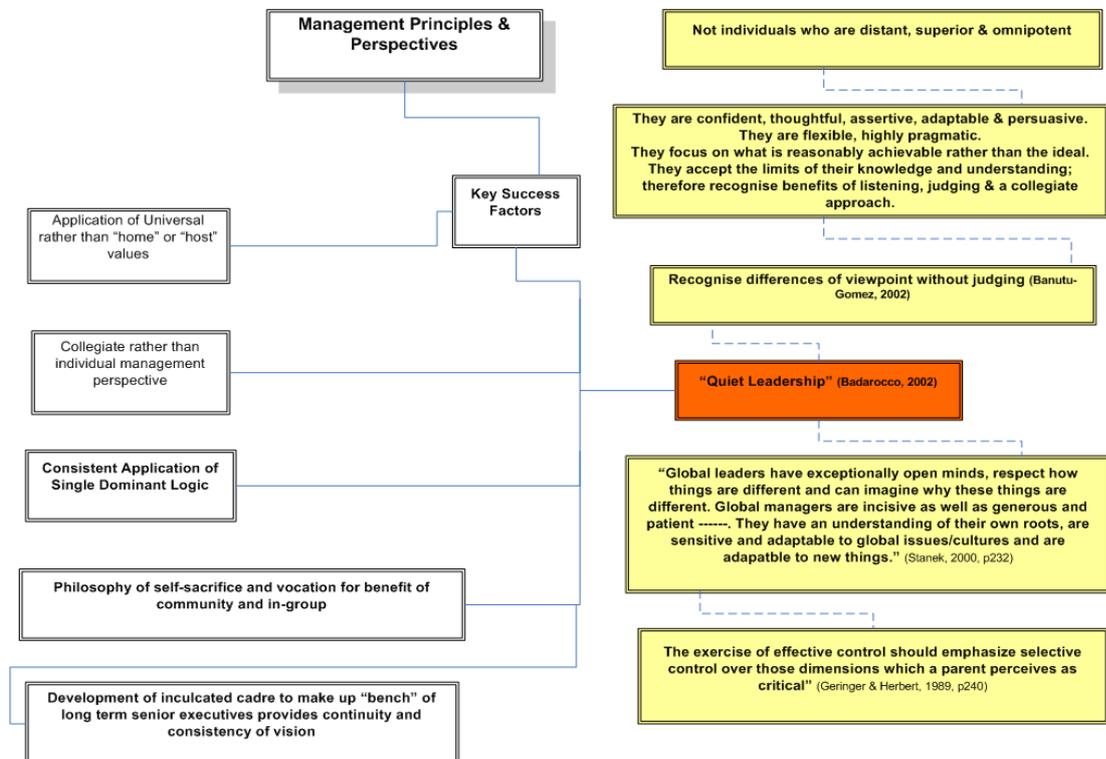
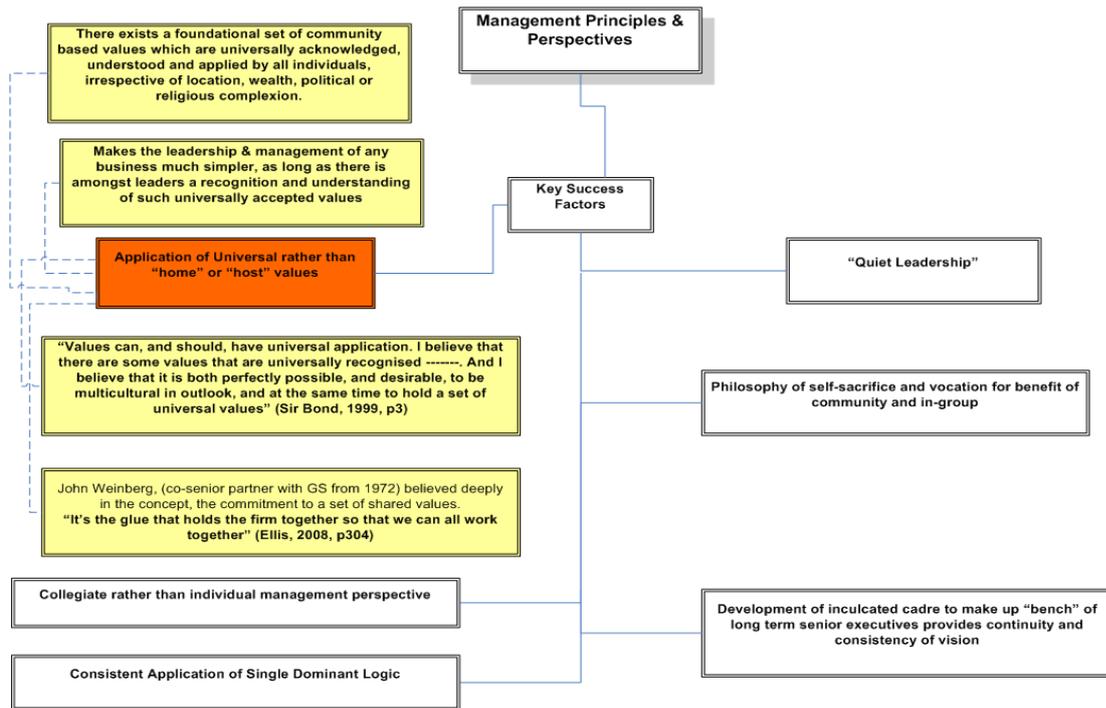
The above points give a pencil picture of the logic, perspectives and priorities of an organisation which has survived and consistently performed over the long term and which is most unlikely to collapse or be acquired in decades to come on the basis of not adequately responding to changes in the business context. In order to add colour to this picture I have created below a brief presentation of management principles and the resultant strategic imperatives. This, I believe makes a compelling and comprehensive leadership logic, to be consistently reflected and applied in policy, strategic and operational decision making and issue resolution, no matter the task or function.

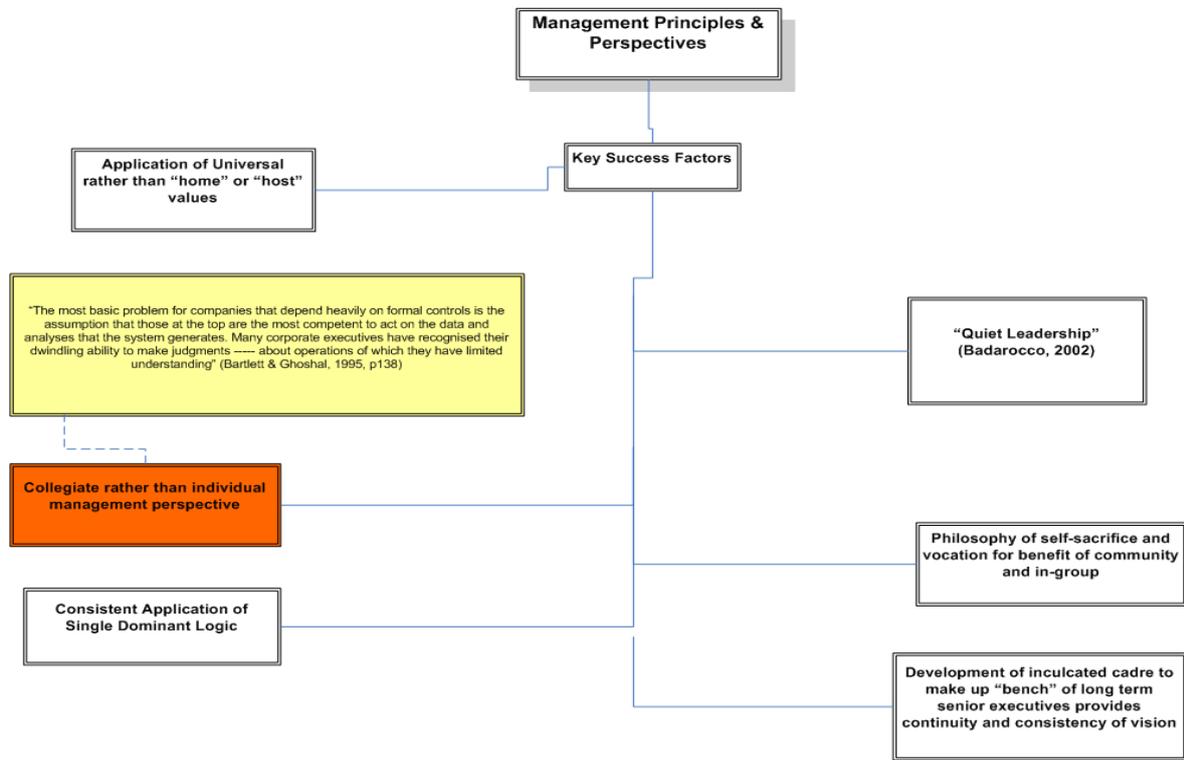
It reflects, in practice, both the fine balance and conflict between moral/ethical principles and practical expediency and pragmatism which lies at the root of effective leadership over the long term. It is also the basis of the crisis of confidence in

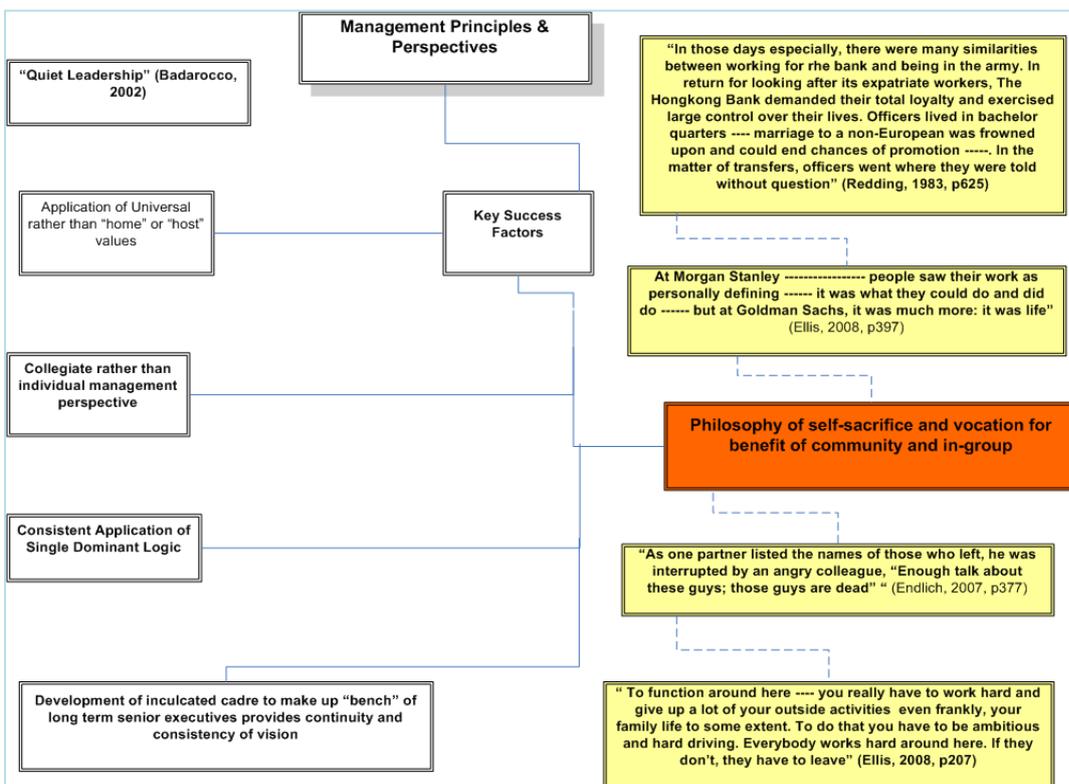
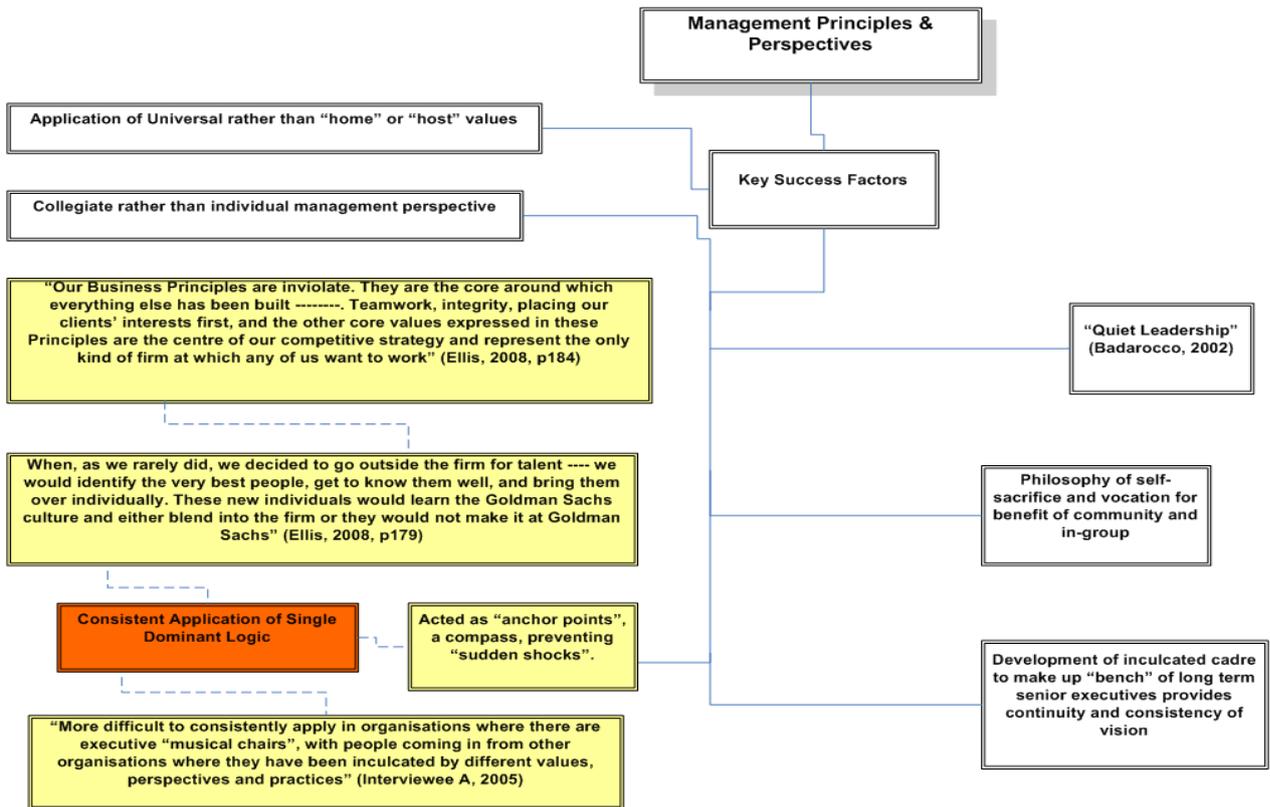
business leadership which we face today, where many might consider that the prevailing leadership ideology is skewed towards the expediency end of the continuum, resulting in an amoral leadership perspective. Other organisations may also apply some of the perspectives, priorities and practices, but it is the underlying values, principles and logic which provide the required clarity, direction and cohesion to leadership decision making which is the unique key success factor of this organisation. These figures have largely been developed on the basis of the dominant logic of HSBC Group as a guide for the leaders of other organisations. They may be a bit brief and cryptic but I would be pleased to provide further detail if required.

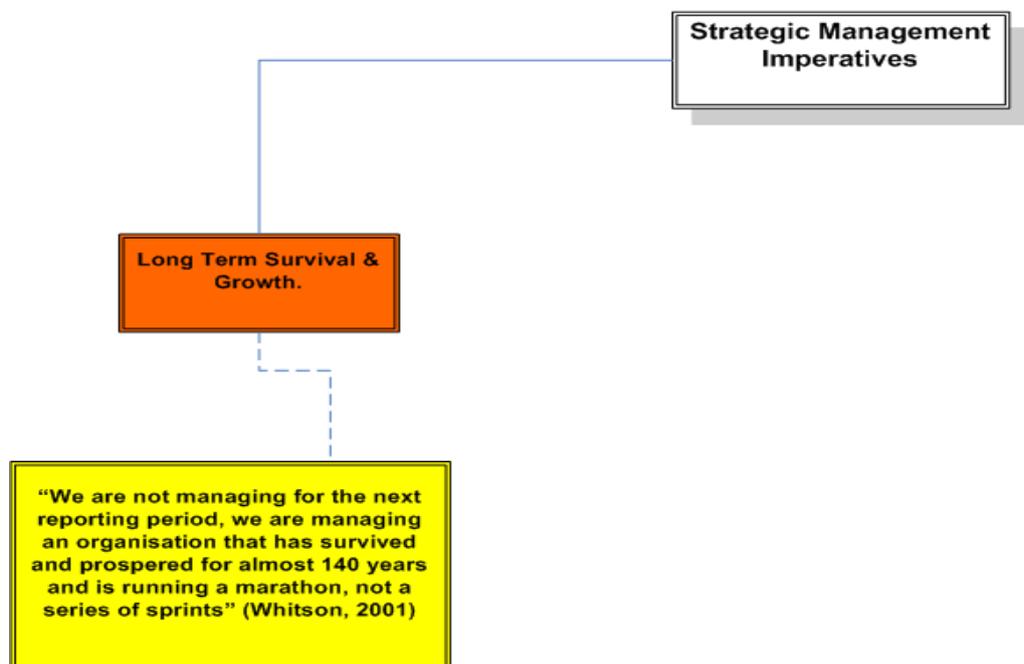
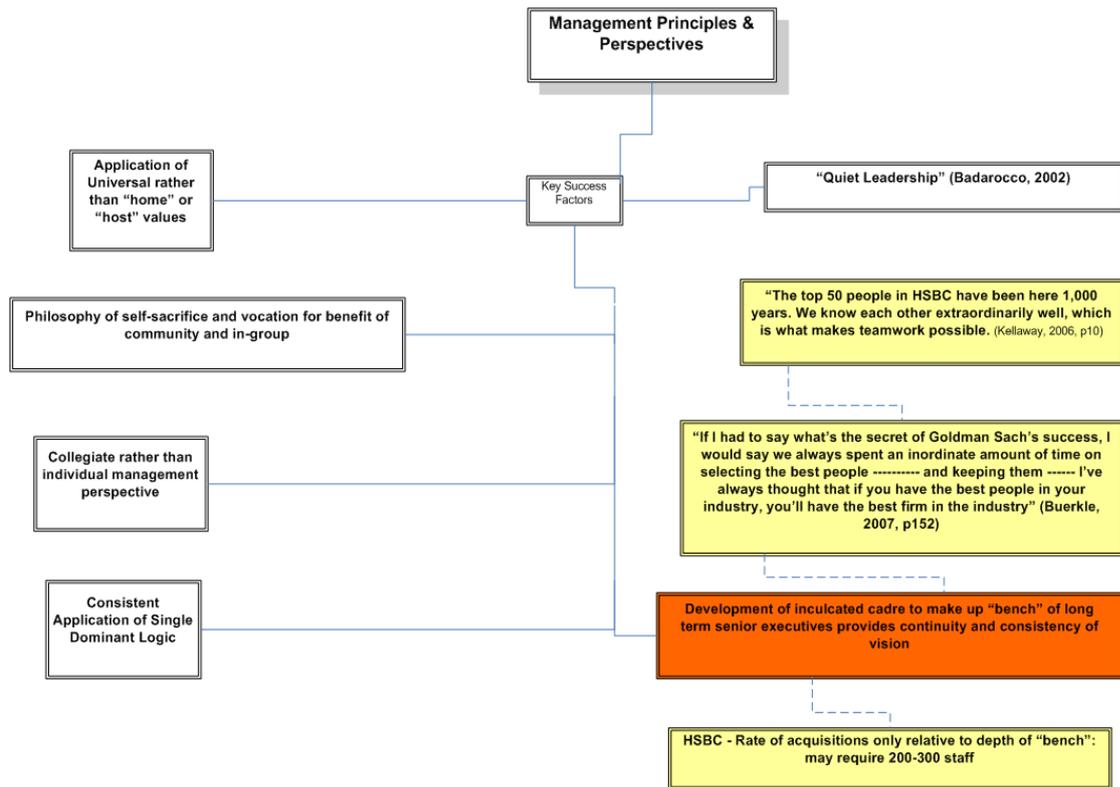
**The Process & Development of a Sustainable Approach to Operational Leadership**

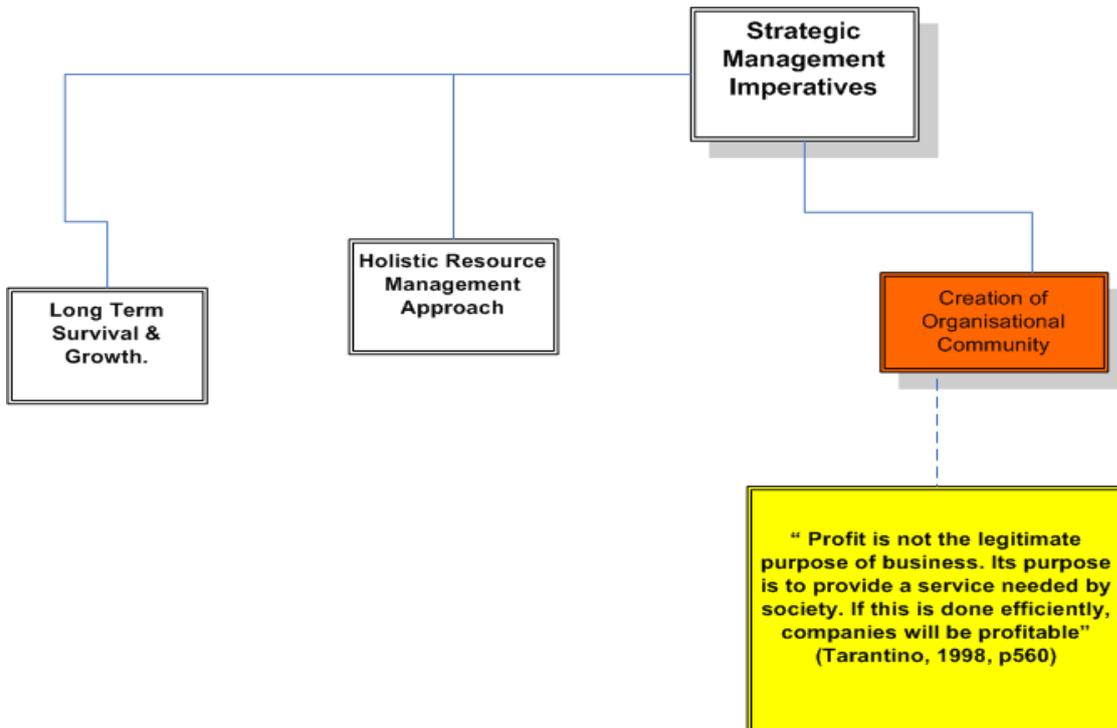
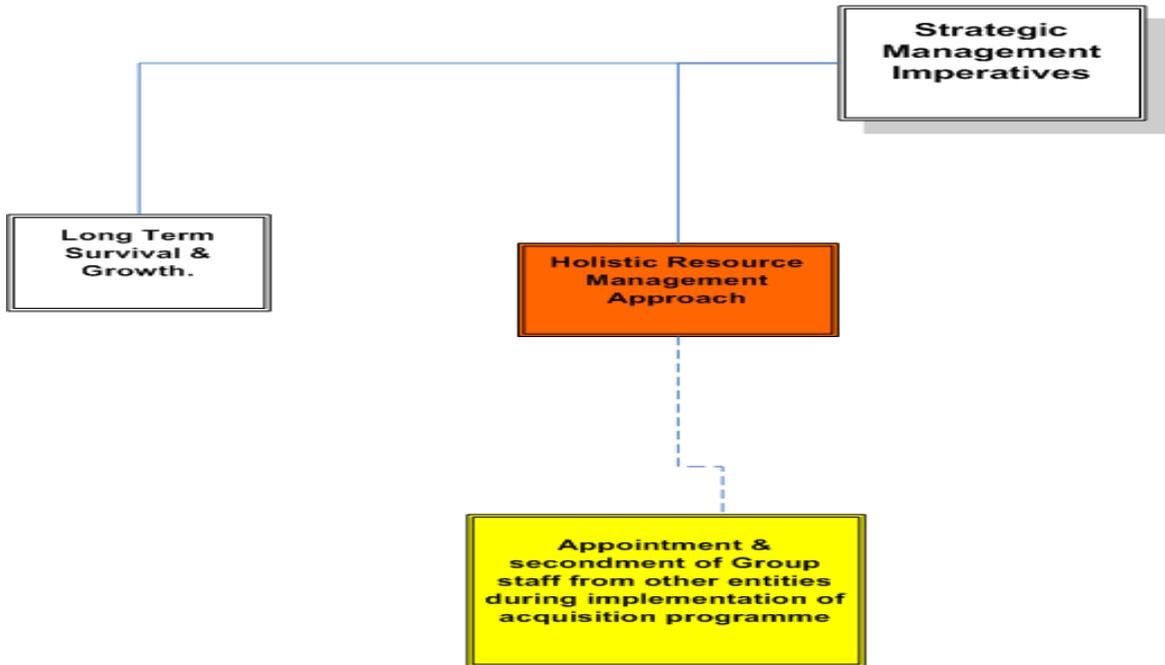


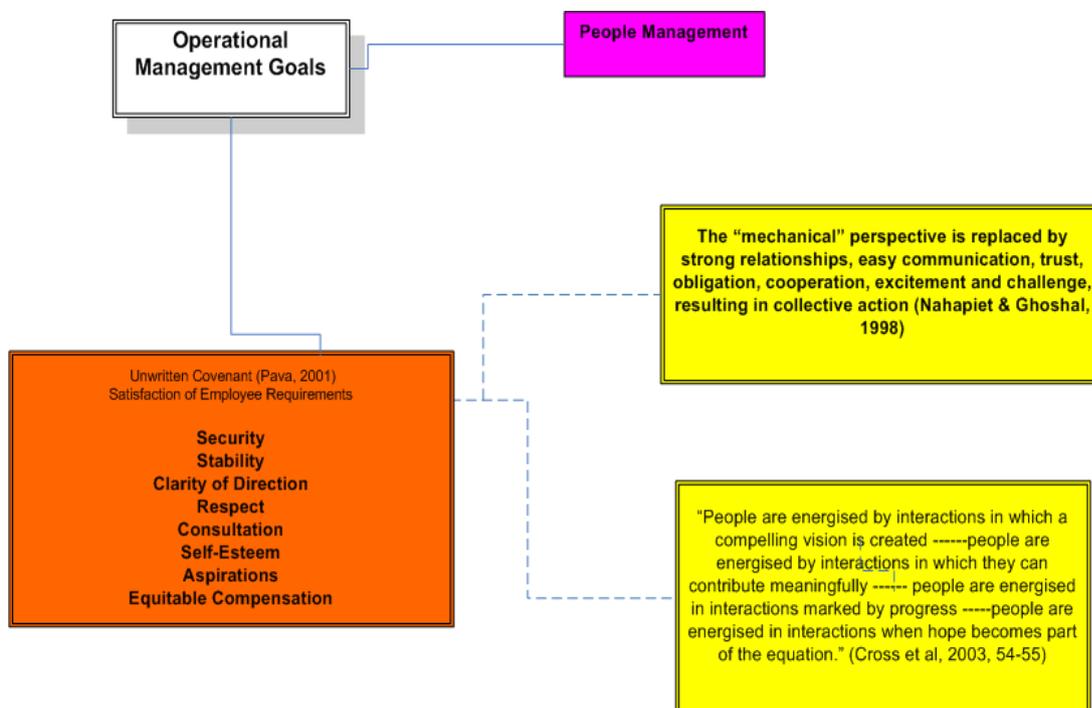
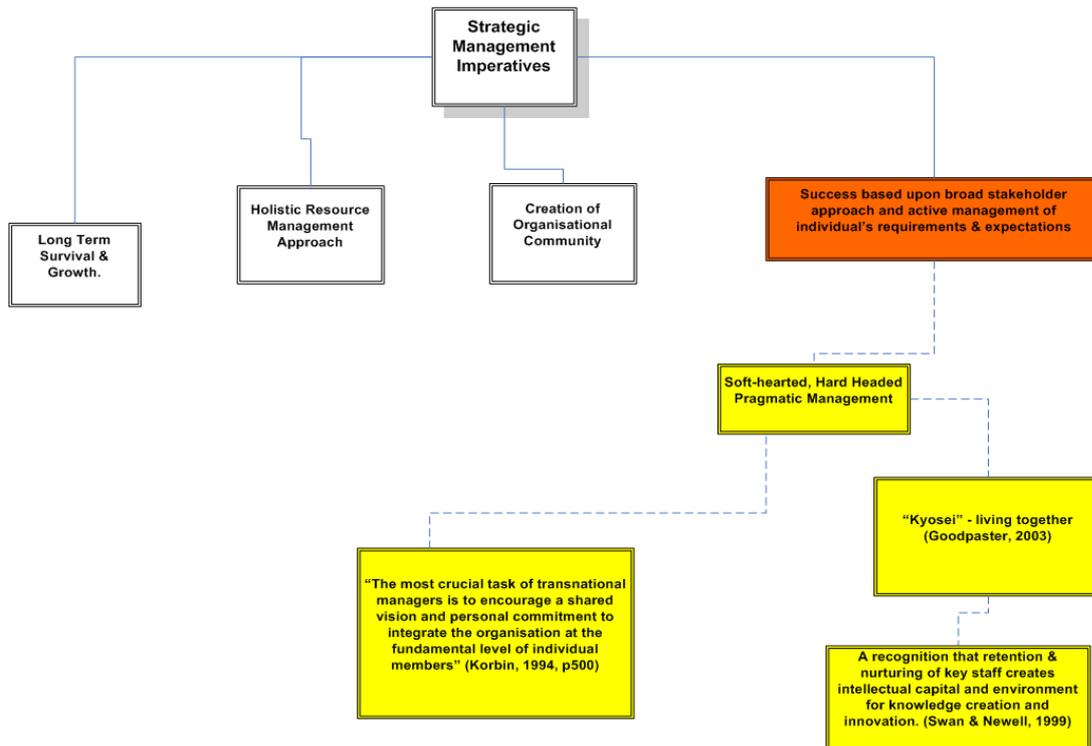


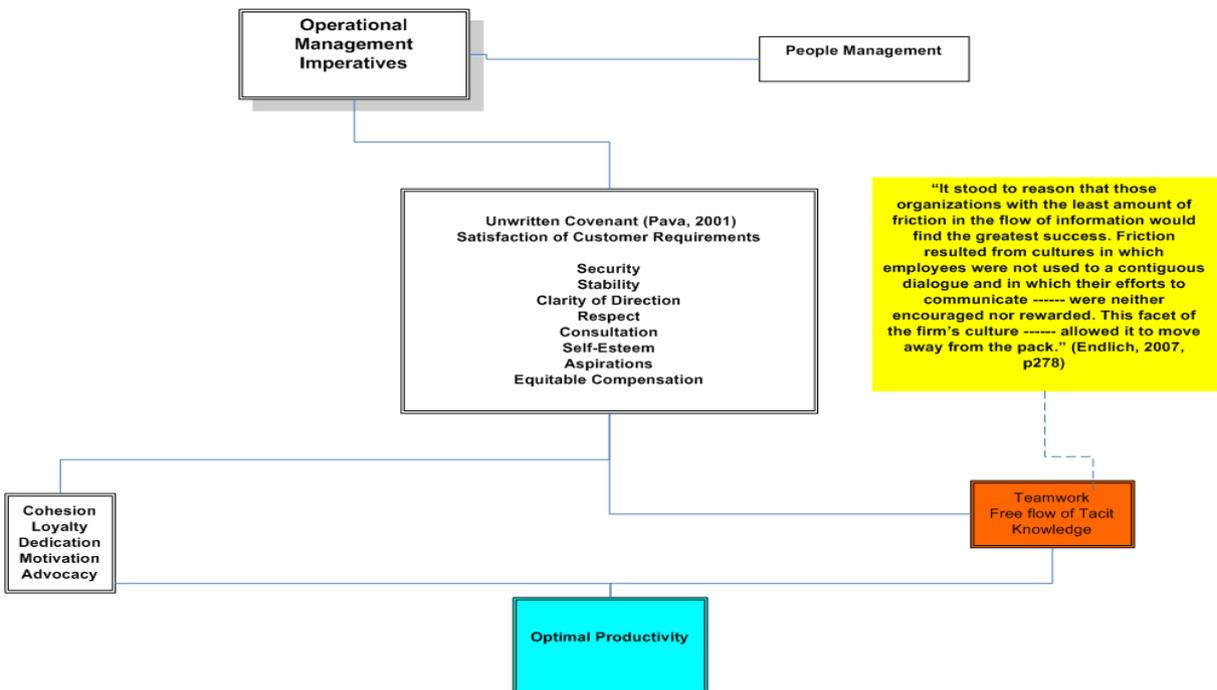
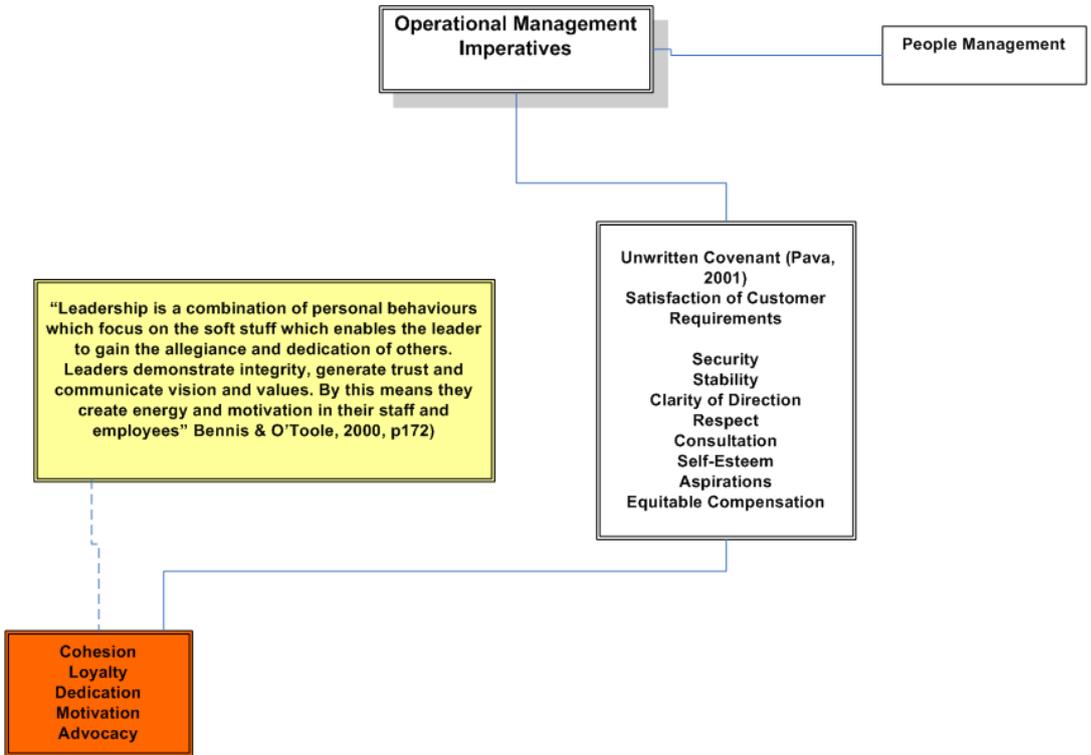




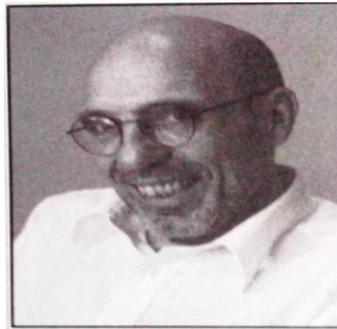








The above schematic has sought to operationalise an alternative business leadership logic or ideology to the one which is increasingly regarded as unfit for use. In HSBC Group we see an organisation which has, in my view, taken the key success factors of the mutual/co-operative/employee ownership model, a focus on the “soft stuff” of leadership and created an organisational leadership model which can be applied successfully without shaking (too much) the prevailing embedded societal perspectives and priorities. Recognition of its value for application across the sector can act as a catalyst for the ultimate, although gradual, change in business logic or ideology, in terms of principles, perspectives, priorities, which will impact on a daily basis on policy and strategy development and thereby on operational leadership decision making and issue resolution . As someone who has spent some decades in business leadership I acknowledge that it will take no little courage and open-mindedness to even acknowledge, contemplate and consider as a solution to the crisis, much less take tangible steps towards its implementation



## Fitzpatrick, leadership and loss

“It seems to me sometimes that we never got used to being on this earth and life is just one great, ongoing, incomprehensible blunder.” W.G. Sebald, “The Rings of Saturn”

### Introduction

I was extremely fortunate to find a livelihood, that while it would not have been of my choosing, still provided sufficient intellectual stimulus and a decent level of remuneration such that I remained with the same employer for over twenty years and moved on voluntarily at the end of 2007. In this respect my situation with such a long stable period of employment, some enjoyment, and believing in a degree of control over my destiny, is increasingly rare.

My employer would be classed as progressive for the way in which it treated its staff. Regular comparisons are made to that most paternalistic of employers, the John Lewis Partnership, and indeed the trust form of ownership, with beneficiaries being existing employees and pensioners, superficially resembles the JLP model. The employer’s model is now down in company mythology as the result of the original founder wishing for his name to be carried on into perpetuity, and for the organisation he founded to be incapable of being taken over. So something of a vanity project served to generate an organisation of considerable resilience and strong ethical standards which in my view has allowed the making of a great deal of good work in all fields of engineering design.

Of course, working with engineers will inevitably further enhance the ethos of the place. Engineers are both trained and disposed to act ethically. In the structures they design are embodied principles of balance and harmony and durability. They do not design to self-destruct or to securitise, and the term ‘financial engineering’ is an insult to their trade. This does not mean they look without envy at their often former university colleagues now ‘producing’ new products in The City whose proceeds will earn multiples of salary and bonus over what they take home. And it is a well-known empirical fact that engineers do not appear for work every day so that they can socialise. If there is any profession where individuals like ‘to be with themselves’ in mind and sometimes heart, it is surely engineering.

### Transactional Leadership (1)

So it was towards the end of the last millennium that I found myself with over a decade of working for a man who I now see to have been an exceptional transactional leader. Like engineers, yet completely unlike them, accountants are trained into a very distinctive world view. That world is unfashionably centred around the idea of discipline. I well remember an accountants' group-think where we were each encouraged to draw out our core values by distilling them into three attributes. Only one of my colleagues settled on 'discipline' as one of his, yet we all smiled knowingly and understood, with a tinge of sadness, that this indeed underlay our being at work.

The accountant's life falls easily into accounting periods – transaction time, the weekly cash balance, the monthly management accounts, the quarterly operating plans and yearly accounts, the 5-year plans. From the periods come the ceaseless reconciliations, the perpetual scepticism that things might not be financially just as they are, that some endlessly malevolent and immoral force, easily personalised into a stream of individuals, is seeking to corrupt and to misinform. And beneath this unremitting self-paranoia is the much more mundane but nonetheless pervasive notion that "I might have made a mistake".

Our transactional leader existed in this space with vigour and with passion and with a strength of conviction I have not known before or since. He is a man who I love dearly, and for several years now I have known he has borne self-doubt of numbing magnitude. He is a man who has looked into the eyes of that black eyed dog (2) I thought it was only my lot to face. Yet as with all self-doubters this will only be known via others. He has already retired from that working time and is now focusing on becoming a musician of great skill and accomplishment. This is his new work.

I repeat, so it was I found myself working in a financial function for the most transactional of leaders who had built a team that often grudgingly crossed international boundaries, nevertheless a team that was professional, competent, did not make mistakes and apparently supported a successful business that had grown continuously since its foundation in 1946, and which was totally independent. I was developing a hybrid role, more or less unconsciously in this most forgiving of organisations. Since the early 1990's I had found myself most drawn towards learning and teaching. An only passable accountant – I lack very much discipline – I was nonetheless almost obsessively disposed to enthusing and sharing and translating the very little I knew about accountancy and its place in business to those who would listen.

In the early 1990's and completely of my own volition I found myself standing up in front of engineers for a day and telling them about finance, how it works, what they needed to know to succeed, and how not to be frightened of accountants and accounting. Because many of them were frightened - and so it should be said, was I, although my fear was standing in front of highly intelligent men and women in the role of a teacher. It makes me happy now to think of the hundreds that sat in the rooms while I walked an increasingly familiar path through competitive positioning, bidding successfully, project accounting and financial reporting. I never went stale, which perhaps reflects the extent to which I too 'am in myself'. That same routine went to Belfast, Birmingham, Manchester, Leeds, Sheffield, Bristol, Dusseldorf, Berlin, Madrid, New York, Warsaw, Milan and every time the feedback was positive – I was rated as 'very good' or 'outstanding' as a presenter and my workshop would always be recommended to others. Perhaps not every time by everyone, but not too far off perfection.

This gave me the strength and the self-confidence to become a metaphorical thorn in the side of my transaction-centred leader, now anyway Group Finance Director, a role he richly deserved. And in any case I was surrounded by equally, if not more competent and ambitious colleagues who on accounting home turf would quickly identify my shortcomings. I had to develop a strategy that would propel me into the next stage of my perfect career, or as I much more honestly subsequently said to myself, to give me the space to breathe, the chance to teach, and for things to stay pretty much as they were.

### **The Man Who Fell to Earth**

This really was when Tony Fitzpatrick threw himself into my world.

One of the dull things – ‘bad’ would be too strong a term – is that accountants tend to judge all working people, from the starter to the board director, as if they are good or bad accountants. No, that is wrong. It is rather whether the individual will be more or less compliant with the accounting rules. If you defer and remain silent about the impenetrable vocabulary of accounting in action, then you are a good sort. If you challenge and ask why do we measure in this or that way, then you are viewed as a problem. Maybe this is the same with other professions, but I don’t think so. I used to be in awe of the company legal director for the way she could handle a tricky situation, as compared to my accounting colleagues and I. Quite slight, intense and with a trace of the west country in her speech, she could gut a case as clinically and cleanly as a fishmonger. In the process she would lay open to bright sunlight the entrails of stupidity that had brought the troubled engineer to her door. Yet she conducted herself without condemnation or judgement. And she was widely respected throughout the business as a result.

Tony Fitzpatrick was bad news for accountants.

You need to know what Tony looked and sounded like, because that was part of his transformational leadership style. Some years ago there was a television documentary about Tony’s work with the French architect, Jean Nouvel for a project in the financial district of Paris. Victor Lewis Smith was then the television critic of the London Evening Standard. He waxed enthusiastically about the programme but most tellingly described Tony as one of those characters out of Beano or Dandy, a sort of Desperate Dan with stubble so heavy you could almost imagine a magnet applied close to the face would move the whiskers. The face was thin as a walnut, the eyes always alive, and the smile always an anarchy of laughter lines. The teeth looked as if they should have all been knocked out long ago in a Poplar working class childhood but now still stood, reasonably white with the faintest trace of metal. The glasses were, of course, designed, but were clearly necessary. Tony wore Helly Hansen tops (cycling, outside work, was the passion of his life) for as many meetings and encounters as he could manage, and he managed a remarkably high level. Smartness would be a white shirt with a vividly coloured tie; indeed for a time, a bow tie. Also for a time, a beret was worn, and before I knew him, and a short time afterwards, big cigars were smoked. He said to me that once upon a time he was a heavy drinker – I am not the right person to make a claim like that to – and Tony’s idea of heavy drinking would, I suspect, be a good bottle of Barbera of an evening.

Tony had emerged from left field as a rapidly rising star in the organisation who had become a member of its main board some years previously. One thing people always underestimate in their understanding of organisational behaviour is the role that patronage plays in enabling success. We good middle class liberals would love to live in a healthy meritocracy, but even in the most open of organisations your patron is more influential than your skills. Tony's patrons were several, as may emerge later.

His left field was his geographic climb through the organisation. Like several of his key colleagues who are or were also in key positions in the organisation he had served an apprenticeship on the HSBC HQ building in Hong Kong, designed with the then Norman Foster & Partners, and reputedly one of the most expensive buildings in the world. As I understand it, he had moved his wife and young family to the colony and had lived and worked there for some years. Whatever the true position, he had built up a professional network, and had contributed to the engineering design of a range of landmark projects in south east Asia. By the time of his death he could lay claim to major buildings and infrastructure design in Asia, Europe and America.

I think it fair to say that of all the main board members, most of whom I knew personally, his ascent was mysterious. Of course there were regional leaders in Hong Kong, the USA and Australia who I would be unlikely to meet unless they visited the UK. As for the European contingent, I knew most of these guys pretty well. But Tony more or less erupted onto the scene. So, perhaps one of the sources of transformational leadership is to build alliances which are not routed in conventional geographical trajectories, but which jump track when necessary, and help build a portfolio of influence.

For example, I knew that Tony had played a key role in putting together a business plan for establishing the firm in New York, and that this had moved beyond a plan and into some fairly ugly scenes of implementation as the plan unfolded. Maybe I will return to the ugliness later. Hopefully I may not have to.

Seeing the New York business plan for the first time was also one of the first times I saw the way Tony approached written communication. This was generally via a big felt pen, even when he was typing a memo. He was unable to write quietly. One of the very few times he tore into me was over some facile comment I had made about a large loss making building project in Berlin (how many of those were there in the early 1990's post reunification?). I did not realise it at the time but he had the courtesy to telephone me first and to growl down the line that I had made a stupid error of judgement and that he was going to have to castigate me publicly. Sure enough, in the days when we sent paper memos to each other, my original was returned to me with red blood strokes all over it in his workman like, childlike hand. The other recipients I guess received their copies in black and white.

Tony could not stop living life, every mad second of it, to the full, with ultimately tragic results. Along the way he managed tragi-comedy too. Before I got to know him properly he had allegedly become so agitated waiting for his morning commuter train that he had managed to walk off the platform and broken his leg in a complex and painful way. I remember talking to him then on the telephone – something to do with the financial results of his design team, and asking him casually how the recovery was progressing. To my surprise it was almost as if we were old mates, and that no one had asked him such a serious question before, for he went into a long explanation of the

broken limb, of the titanium metal that had needed to be inserted, and that he was in considerable discomfort. This ability to talk plainly, openly and without any conceit was perhaps another quality that marked him out as a transformational leader.

I knew, and know, very little of Tony's background. As referred to above, he grew up in Poplar, one of the hard working class districts of East London. I know, from once seeing his birth certificate, that his father was a cabinet maker. I believe it was his mother's side of the family that came from Italy, and that as a child he would spend summers there. He was fluent in that language, and blustered through French. He emerged from Poplar into university and from there to the firm. His walnut face was matched by a short, very wiry frame. His nearly bald head could look outsized on the hunched shoulders. The way he walked out always gave the impression that he was about to burst into a run.

### **Accountant as Business Partner**

At that time, let's say 1994 or 1995, the firm was going through its usual self-doubt and rethinking of strategy. It has always fascinated me how champions of the limited liability corporation, usually the CEO or the Chairman, are so easily able to assert their confidence in the corporation, the idea that all the workforce are working towards one single purpose, that strategy is being achieved and that in a fiercely competitive, increasingly risky world, there is nothing to worry about. This is so far from the truth as to be beyond belief. A company, even its brand, is a useful fiction. With a company we have a veil. With a veil we have a secret life which gives us a licence to operate, more or less in line with some strategy set two or three years ago in another age. The reality of corporate life is a mess of meetings and politics and human frailties and loss of memory and occasionally triumph and often, sadly, mediocrity. These factors all get in the way of honest, useful work. And it is now well established that limited liability companies are shorter lived than they were a decade or two decades ago. Usual self-doubt and mistrust in managers is quite normal.

A small aspect of that self-doubt, and probably a reflection of management consulting thinking of the time was that the finance function, alongside other corporate services such as HR and Legal and IT needed to be 'devolved' or to be working as 'business partners' with those who really generated the wealth of the place. The bottom line was that there was not much of a bottom line. The firm's markets correlated nicely with those markets that were in recession, and accurately reflected the situation. A new Chairman – always a man – had to emerge with new ideas to radically transform the organisation, in the belief that the organisation ran along micro-economic tracks that were different to national and international macro-economic pathways. This new Chairman, another man who I had a great fondness for, had therefore produced a new set of commandments – the 12 key targets – which included a key target, target 7 from memory, that would ensure the firm had 'appropriate' central services.

Appropriate central services translated into a new headache for my transactional leader. Although formally regarded, as he once told me, the number two key role in the organisation after the Chairman, de facto his working life involved a significant rear-guard defence action against other main board members whose only expertise was in engineering and who were convinced that accounting represented an inferior professional qualification which any reasonably intelligent human being could grasp. My boss had to, as he saw it, mount a defensive campaign against those, malicious or otherwise, who implemented the Chairman's key targets in whatever way they thought

appropriate, no matter how demoralising or destructive the consequences. Of course in these skirmishes the Chairman remained aloof and impartial...

So it was, in various guises, and in more or less diplomatically phrased terms that the finance function (alongside all the other corporate services) came into sharp focus as yet another non-productive, non-fee earning overhead. 'Overhead' is a strange, Raymond Williams-type, key word(3). Its origins are quite obscure. They may be related to the office that would have been constructed in factories above the heads of the workers, where time keeping records such as clock cards might have been retained. In this guise the resemblance to Jeremy Bentham's 'panopticon' is attractive. Who knows? One thing's for sure, 'overhead' is in the same category as Williams's 'community'. Just as one would never dream of contemplating the opposite of 'community' so one would never imagine the idea of increasing 'overhead'. Overheads are only ever deployed in human discourse to be reduced, if not eradicated.

As the 'key target' manifesto came into corporate life – I was going to say 'corporate bloodstream' – but this simply undermines my view that corporations are not bodies, but poorly linked, sickly vehicles through which we might earn a decent living and enrich culture and society, my transactional leader was beginning to think about how to manage this shift in ideology and whether there were obvious actions he could take to demonstrate that via devolution of key staff from the finance function he was contributing towards key target 7 of 'appropriate corporate services'. I probably flatter myself that I may have been a very suitable candidate to do just that.

At the same time as the Chief Accountant was marshalling his response to key target 7, the adjectival directors of various line groups were asking themselves about the usefulness of the corporate service overhead and whether it did provide value for money or not.

Corporations, like preliterate cultures, generate their own creation myths, their own narratives, their own symbolic representations. These may be explicit, for example a key speech of the organisation's founder – think Warren Buffet, Jack Welch, Bill Gates, Richard Branson – or they may have been passed from mouth to mouth and exaggerated or distorted by employees at all levels of the organisation seeking to post-rationalise how it is that today 'we do things around here in the way we do'.

For the organisation I worked for two important drivers formed the implicit creation myth of the organisation. The first was the idea of fiefdoms of influence cross cutting any other planned mode of organisation; the second, that the London part of the business formed a self-perpetuating elite aligned to the greatest city in the world, and intolerant of any sense of other directions for business strategy and development apart from those emanating from this centre.

To be fair to the then Chair of the organisation, he passionately fought certainly the second of these implied creation myths. This extended, for example, to a ban on the word 'overseas' in corporate literature during his term of office. But here I am more concerned with the first of these drivers.

To do this I return to my assertion above about the distinction between what companies say over and over again to their investors, and the reality of what goes on behind the veil of corporation. For what it is worth, my long experience is that international organisations do what they have to do in compliance with central directions – and then do what they actually had already planned to do. This

is not to say that compliance is a trivial activity of loyalty and obedience. Considerable time, effort and resources will be expended on translating what the centre demands and then showing willing in meeting it. But more effort and passion will go into achieving implied goals at country, region, business segment or other level in the organisation. It was like this where I worked.

Certainly what was crazy at the time Tony took leadership of the London operation was that despite the dominant belief that London set the agenda for the rest of the organisation and that therefore a clear London agenda could be intimated, the reality was of London itself as a series of fiefdoms. Today (18 May 2013) I looked at a map of administrative regions in the Irkutsk area of Russia at around the turn of the nineteenth century. Of course what this shows is that around the areas of the densest populations the administration departments are many, and they are smaller. Further away, they are much fewer, and much larger.

So it was in London. Nearly a dozen design teams, each with their leader. Travel out to Bristol or Sheffield or Manchester and one design team with one leader. At that time Tony's mission was to break down those barriers, to unlock the cost that went with maintaining those barriers, and in the process to build a far more powerful design-centred business.

London was slow in waking up to this agenda.

People who live and work in London understand that it is the greatest city in the world. The wiser of them know that to paraphrase Churchill, London is a dreadful city, it is just better than any other city in the world. Its weather is just the positive side of gloomy, its bankers are a shambles, its built environment verges on Third World in parts, it has some of the worst pockets of poverty in the UK, it has had two eccentric and widely differing mayors. But it does have the most ethnically diverse population, it is home to many of the finest libraries, galleries and universities in the world, it possesses and implements a decent rule of law, and very occasionally on the right day and with the right light it is capable of stunning beauty.

Most Londoners are so in themselves they cannot recognise colonialism, imperialism or any other form of hegemony. And this was the case with the organisation that Tony was charged to take in hand. It consisted of about 500 people across two sites in London, and fledgling start-up businesses in Madrid, Dusseldorf, Berlin, Milan and Amsterdam. In total around 550 people. They were connected in to some of the finest architects in the world: Foster, Hadid, Hopkins, Koolhaas, Liebeskind, Nouvel, Piano, Rogers, Shuttleworth, Vinoly, as well as being contracted to corporate clients of the stature of HSBC, BAA, Merrill Lynch, British Land in the private sector and London Underground, the National Portrait Gallery and Tate Modern in the public. The organisation was centred around design teams of approximately ten in London, five outside London. Sometimes these would follow an engineering specialisation, sometimes simply a very strong personality. Collectively their financial performance was thought inadequate, this despite the fact that the majority of the then board of directors had built a significant part of their earlier career on the London campus.

Things shifted a gear in my life with a survey that the senior directors of the London operation had conducted into the state of corporate service provision from the perspective of junior and middle managers in the design teams. In that survey, from recollection, my name came up in person on two occasions with very positive connotations to the effect that if we can have devolved services, then

for finance it should be the like of Steve Priddy. I well remember the meeting chaired by Tony where with characteristic flourish he said, well it seems everyone's got to improve, but as for you, Steve, welcome aboard. The myriad management textbooks say that poor managers are incapable of giving positive feedback, or simply sincerely thanking staff for a job well done. Tony was never guilty of this, to your face, publicly, privately, verbally or in writing. He would stand by even the most outrageous remark he ever made, if he had made it. Off the record did not exist. The lashing he could give, as well as the fulsome praise to those who do not live easily with such praise, were legendary. I remember sitting in one design director's office who prided himself on his design flair and his close working relationship with one of the world's most famous architects and who was taking a grilling from Tony about the team's mediocre financial results. All around the office, like pictures of famous generals, were hung photographs and drawings of the current throughput of the group. The director made the mistake of challenging Tony's critique by waving a broad sweep around the room and saying, but Tony, look at the quality of the work we do, it is not simply about profitability. In response, Tony coolly looked around, homed in on one design and said, yes, maybe that I would credit as truly innovative, but the rest is what we should be doing all the time. Such outspokenness on a face to face basis was to me quite remarkable, and marked him out as a great leader. With hindsight and with my current intention of understanding leadership better I should have been more diligent in understanding what those on the receiving end of such exchanges felt, and more importantly whether it changed their behaviour. Perhaps later I might reflect on certain objective facts, to the extent that I remember them, as indicators of the impact he made.

An aspect of Tony's style of leadership was the speed and the clarity of his decision making. On one of those ubiquitous self assessment surveys he would surely be at the top right apex of the inverted triangle, in the red corner – if you are not with me, you are against me. He was a past master at the art of coarse language, a skill which is a delight to behold in the right hands. For Tony, this was gender specific – he would never be foul mouthed with women present, but to hear him in full flow with colleagues, makes me smile even now, ten years after his death. I remember him deliberately antagonising a former chairman who had a reputation for his clipped, almost military language and who outside work was known, unsurprisingly, to be a keen scout master. Tony had turned up, beret and all, to a review of the firm's operations in France which, almost from day one had not gone well. Apparently the Chairman had not expected him, and turned politely to ask why he was there. Totally non-plussed, he turned to the Chair and said, fair enough, fine by me, I'll fuck off then, plenty of other stuff to do. The Chair apparently, visibly winced. Equally funny was Tony in furious Italian berating his immaculately attired Milan based colleague and office leader in that country. He would become red in the face shouting and gesticulating and once after one of these tirades, when the correspondent had left, he said to me without any hint of embarrassment, Steve, that guy has as much commercial sense as my dick. I have rarely heard since such a wonderful control and delight in a leader's use of the force of foul language.

My devolved path away from finance was not a comfortable journey. Inevitably my transactional leader had many concerns about how this might play out, slightly out of concern for me, but more fundamentally in terms of organisation and control. He well understood that while the coming fashion for self-managing teams, and multidisciplinary working to generate innovative solutions might well be theoretically attractive, having to discipline and control an international team within constrained budgets demanded an altogether different approach. Given subsequent events, the measures he put in place that I often resented at the time, ensured my future gainful employment.

This devolutionary process illustrates some of the loose and deficient thinking in management theory. At that time “dotted and dashed” lines of responsibility became common currency, with no real idea of how these would work in practice. As one wise, very quietly spoken building services director said to me about dotted and dashed in another context, this is all very well, but in the end it is about who holds the purse strings. Alongside this there was the issue of who would conduct my performance appraisal, and more materially, who would recommend my level of salary year on year. As another, far more outspoken and abrasive director said to me, all I need to know is who I address my resignation letter to...

I worked with Tony over the next few years on this project. There was much love and guts between us. My diaries show the two of us as highly volatile, visceral individuals, falling in and out with one another, fierce and bloody minded in language, but also deeply in tune, deeply supportive, the one for the other.

### **Tony's Bridge**

Tony's biggest leadership challenge was the events that befell London's millennium footbridge in the immediate aftermath of its opening in June 2000 and how he responded in the way that we now know as a classical response to any crisis. I will begin with what was in my diary for those tumultuous months before reflecting on what the entries might mean in my search for the real qualities of leadership.

Monday 12 June 2000

The review was cancelled because of problems with the footbridge. It is moving far more than was expected. Saw RR-S at lunchtime who said it's perfectly safe but there will be some more tests to be done, and some damping measures will probably be required. If it all works and the publicity is handled carefully then it provides a great opportunity to improve the public perception of engineering and engineers

Tuesday 13 June 2000

An e-mail from Tony to the Executive which says we've made serious technical mistakes on the footbridge which have to be remedied. DVB said Tony was interviewed on Newsnight basically eating humble pie. So there's still everything to play for in terms of coming out as a technological triumph, but the costs could be enormous. It will damage our reputation in the short term.

Thursday 15 June 2000

Another roller coaster day with the footbridge. It's amazing how there's no such thing as bad publicity. Tony's self deprecating interview on Newsnight has gone down very well in the construction community. He said in an e-mail yesterday that a solution will be found within the month. And JGH came up with the brilliant idea of staff walking the bridge when the problem has been solved. So this could be the best publicity we've ever had

Friday 16 June 2000

Talked to MJS – a lot to do – he is my friend. I tell him, because I believe it, that Tony has led the bridge fiasco in an inspired fashion and in doing so has got good publicity for the business and for

Fitzpatrick, leadership and loss

what engineers do; and has also created breathing space to get things sorted...Uneventful journey reading a story in the Standard with front page coverage of the wobbly bridge and the firm mentioned three times

Wednesday 21 June 2000

Tony talked about the bridge. We are almost certain it works within the model we proposed and that model meets all design code criteria. Therefore we have made no errors. There is a meeting with the Client tomorrow where we will say this and agree the way forward. We have the moral high ground. It will cost us to repair in the end, though

Thursday 29 June 2000

Talked to Tony about cash flow – he's very downbeat about achieving target, then I ask him, curious and friendly, how the bridge press conference went yesterday.

He's depressed with himself. Says he slipped up on one question as to who will foot the bill for all this extra work. Says he knows our Client will be coming for us. But instead of giving a team vague response he talked corporately. We've done nothing wrong, we are prepared to be sued etc. Not good. I appreciate again the strain he must be under

Saturday 1 July 2000 – at a corporate party

Tony came and I let him/me down. Introduced him to D. as 'my chairman'. He said, why not my friend? He's right of course. ..So why do I find him so hard to relate to on a closer level?

Tuesday 25 July 2000

Tony says me only being allowed to be away for 24 hours shows how valuable I am...

Friday 18 August 2000

I continue to stay as close as I can to Tony. Though when I rang him today he sounded knackered after only a week back. I guess he knows the bridge makes or breaks him

Monday 4 September 2000

Depressing article on the bridge in the free press. Remedial work could cost up to £10m; if we had bothered to read a Japanese professor's paper in 1993 we would have known what to expect from peoples' walking forces

*At this time the firm's operations in Germany were in a parlous financial state and Tony was charged with sorting this situation out too...*

Monday 16 October 2000

Fitzpatrick, leadership and loss

More bad publicity on the bridge in the Sunday Times, echoed in the Metro. Liability for costs emerging as a big issue

Tuesday 7 November 2000

Strange e-mail message from Tony that he's not back in office until 20 November. JT won't say what is wrong. Worry it's personal but then worst thing to do would be to try to talk to him. Big publicity push on footbridge this week

Thursday 16 November 2000

Newsnight was coup de grace on a day when I started sinking. A story on the bridge which portrayed the firm as arrogant, inept, technically incompetent and afraid to speak up for itself. Couldn't have been much worse

Friday 17 November 2000

Wrote a blistering note about the feature to the three people who run the firm. RFE rang me and said there was a lot of anguish around the project, that the experts were charlatans or cranks, that our relationship with the Client was extremely fragile, that a press campaign was underway to tell the truth. And, without saying so, to mind my own business

Monday 27 November 2000

Tony called me from somewhere about 5pm. We talked for a couple of minutes – gently, affectionately. He'll be coming in three half days a week while he repairs himself. Implied this is the second time. Says he must restrict himself to the bridge and other technical issues. Says some kind things to me

Friday 2 February 2001

...went to see Tony who'd sent an enigmatic one liner about talking when I had a free minute. Knocked me totally sideways when he said he'd thought a lot over the last couple of months and was going to migrate to the USA with his family and run the American practice. We said nice things to one another. I nearly shed a tear. I've loved the man in my own strange way. Loved his stamina, his enthusiasm, his clarity of purpose, his intellect. He is a very special person and I'm proud I've worked with him

Friday 23 March 2001

A good discussion with MJS on m-bridge which finally gets us to the bottom of the financial outturn and helped me to inform Tony later in the day. Indeed parted on very warm terms with Tony after his call. I think he's actually done a very good deal. The construction cost will be met without limit by the insurers and benefactors. We have to meet any more of our own costs. Likely outturn loss is several million pounds. And the bridge re-opens in the autumn

Friday 6 April 2001

First thing saw Tony and gave him a little farewell present. Three Shostakovitch string quartets. He was tickled pink so it started my day very well

Monday 4 June 2001

AJ and I made our way to the Royal Academy of Engineering for Tony's talk on the bridge. A crowded hall, 90% male and average age over 60.

Good talk from Tony and PD. PD delivered the mathematics in his clear, studied way and even I understood a lot.

Good series of questions and comments afterwards. Feel good for Tony. It still nags me, however, that the work that was done observes and predicts but may not explain what's going on

The rest is history...

### **Reflections and Speculations**

The sociologist, Howard Newby produced his account of farm employees, "The Deferential Worker" in the 1970's, and followed it in short order with a study of their employers, "Property, Paternalism and Power"(4),(5). Remove the word property, and it is clear to me that leader and led are locked into a close embrace. Reading back the above diary entries now, ten years after the events, I am struck at how close I came to Tony, and indeed to the inanimate object that is a footbridge across the Thames. The latter does not surprise me since my intellectual trajectory has always accepted that so called inanimate objects can have social agency – a central tenet of so called Actor-Network-Theory(6).

But what is revealing, in my view, is the extent to which great leaders of the transformational kind have to weigh down on you with their physical presence, and how they do this with word, and body and gesture. In an age of very large and very complex corporations, operating throughout a range of media, this inconvenient truth cannot be denied. It is a severely limiting factor. It also points to the unsustainability of this leadership type. In crude terms, remove them from the physical context and the impact is severely reduced.

The second observation is the speed with which a great leader acts. Within days Tony was talking on Newsnight. His strategy, formed almost intuitively, was to establish several project teams, to brief them, and to set them to work in parallel seeking to understand the stock of already existing knowledge around the technical problem, the remedial actions necessary to mitigate its adverse effects, and putting in place a client relationship team to ensure communications remained open, transparent, and as much as possible, trusting.

Again, almost intuitively, as the leader of the recovery of credibility, he featured on key media sites to state that a problem existed, was recognised, and would be corrected, at any cost. At no point did he 'ask for his life back' even though this cost his mental health dearly, though thankfully, only temporarily.

My third observation is the credibility that Tony had, not only through our common employer, but pervasively throughout the property and construction sector. As noted above, Tony erupted into my

organisation as a serious candidate for Chairman of the main board almost from left field. But in the long grass of that left field he had become the centre of a formidable international network. He understood without particularly rationalising it, that business and commerce through the 1990's and into our decade was returning to levels of globalisation not witnessed since the late nineteenth century.

Tony also knew how to demonstrate his ability to work, and to be visible in that work. He maintained an office on the ground floor which was easy to enter, but could still be closed for the sensitive and confidential conversations. Classical music was not unknown; a training bike was there. And he kept and used the artefacts of his trade. He could as easily fall into a technical design issue as tackling a commercial negotiation, as dealing with disgruntled senior staff overlooked for promotion.

And he was not infallible – far from it. He made his fair share of bad decisions. But he always lived with their consequences.

The final observation I would make is that the distinction between transformational and transactional leadership forms holds very true for me, even more so while putting together this article. My former leader, Chief Accountant and subsequently CFO of the organisation was a great transactional leader. This is probably inevitable in the leadership of a well organised finance function which is, of course, centred on the recording of transaction. But in a multinational, multi million pound business it means much more than that. Just as with transformational leaders physicality of contact, the weight of presence, the requirement to demonstrate hard work – these are all qualities I would associate with the great transactional leader.

### **Aftermath**

Tony Fitzpatrick was killed in a cycling accident in the USA on 26 July 2003.

I am here now, bereft even after a decade without Tony. What many studies of leadership fail to face up to is what happens when great leadership passes and one works on with mediocre or worse, incompetent leadership. How can the deferential worker continue to flourish when there is nothing or no one to require deference? Then the act of working becomes an existential act – I work because I have to – Samuel Beckett's, I must go on. I can't go on. I'll go on.

At least I have attempted in this short memorial to bear witness to the two great leaders of my life.

This is for them.

Steve Priddy

In Siberia, and in England

July 2013

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- (2) 'Black eyed dog' – the title of one of the last songs written by the troubadour Nick Drake
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Centre For Progressive Leadership  
A White Paper

# Taking organisational complexity seriously

Chris Rodgers

June 2013

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## Abstract

Life in organisations is unavoidably messier and more uncertain than the formal strategies, structures, systems and processes imply. And yet most discussions of organisational management and leadership practice remain firmly rooted in mainstream presumptions of certainty, predictability and control. Complexity is too often consigned to the “too difficult” box.

Most managers find it highly liberating to discover why there is a mismatch between their everyday lived reality and what conventional management ‘wisdom’ suggests *should* be happening. Understanding the complex social reality of organisational life – *arising from their own and everyone else’s participation in it* - provides a crucial first step in releasing them from the suffocating grip of the dominant management discourse.

This enables them to reframe their task in ways that resonate much more strongly with their sense of *what’s actually going on; and with what they find themselves doing in practice*. And it helps them to participate more insightfully in the everyday conversations and interactions through which organisational outcomes – including those associated with a “progressive leadership” agenda - emerge in practice.

In setting out a view of organisational dynamics that *takes complexity seriously*, and identifying practical ways in which leaders might respond to this challenge, I also suggest that we need to think carefully about using systems-based approaches in an organisational context.

## 1 The Issue

“To better manage complexity, senior leaders must recognize how employees at all levels see it, and then learn what’s driving it. By doing so, companies can retain the kinds of complexity that add value, remove the kinds that don’t, and channel the rest to employees, at any level, who can be trained to handle it effectively.”

Burkinshaw and Heywood (2010)

The above extract is taken from an article published on the McKinsey *Insights & Publications* website. In it, the authors confidently set out their recipe for enabling managers to “put organizational complexity in its place”. As such, they treat as unproblematic the idea of talking about the inherent ambiguity, uncertainty and complexity of organisational life alongside the suggestion that, for example, appropriately trained employees can “manage whatever value-creating pockets of complexity their companies decide to maintain”.

This approach is typical of the way in which many academics and practitioners seek to incorporate the complex dynamics of organisation seamlessly into mainstream management thinking and practice. However, if we are to take organisational complexity seriously, we need to accept that we can’t predict and control what is going on in the ways that management orthodoxy suggests that we can – however sophisticated the structures, systems and technologies that we might put in place. It is not credible to say in one breath that the dynamics of organisation are complex and uncertain and then, in the next, to claim that the use of a particular approach to organisational management and people development will assure success.

It is, of course, a natural human desire to feel that we can control the course of events. Or that, if we can’t, those in authority have the capacity to do so on our behalf. But it does no favours to managers (or anyone else) to collude with this fiction. Claiming that specific concepts, tools or techniques – and/or a certain combination of personal attributes (in the above case, “ambidextrous capabilities”) - will make the unmanageable manageable simply perpetuates the myth. And it fuels unrealistic expectations of what those in formal leadership positions – from CEO to front-line supervisor - can reasonably achieve independently of their relationships with others.

Promising to give hard-pressed managers the ability to predict and control what happens and ensure success is highly seductive, of course. But any such promise is an illusion. It serves only to widen the gap between the currently dominant view of what those in formal leadership positions are *supposed* to be capable of doing and the practical implications of these dynamics for actual leadership practice and performance. And it is this mismatch between the ‘real-world’ messiness and uncertainty of everyday organisational life and the continued pursuit of the myth of rationality, predictability and control that is at the core of many of the current dysfunctions of leadership, organisation and society.

This also means that, if we are serious in our advocacy of a “progressive leadership” agenda, we must take account of the complex social dynamics of organisation through which the desired ideological shifts will be realised in practice – *or not*. As Collins (1998:195) puts it,

“... understanding that the social world is inherently complex and difficult either to comprehend or manage, must be the first step to understanding what can be”.

In this paper I set out a perspective on organisational dynamics and leadership practice which is rooted in people’s everyday lived experience of organisational life. As such, it privileges the ongoing conversations and interactions through which organisation is enacted ahead of the conventional focus on the formal ‘trappings’ of organisation (such as policies, systems and procedures, etc.). This opens up new possibilities for reframing our understanding and expectations of leadership in ways that resonate much more strongly with what’s actually going on.

## 2 The Complex Social Dynamics of Organisation

The inner workings of the various ‘physical technologies’ that we encounter each day in our organisations are beyond the understanding of most of us as users or beneficiaries of the increased functionality that these can bring. And yet we can say with confidence that these are *knowable*. Experts within the relevant organisations would be able to explain, with accuracy and precision, how the specific plant and equipment are supposed to work; how the various systems are intended to operate; which processes are designed to do what; and so on. However, when we add people into the mix, we enter uncharted – and *un-chartable* – waters. The process becomes unavoidably complex.

Organisations consist of countless people interacting with each other continuously, both within and beyond the imaginary confines of any formally established ‘organisational boundaries’. And people have a habit of not conforming to the machine-like assumptions that still govern mainstream thinking about organisational design, development, management, and operation. That is, they don’t participate in these processes in the neatly packaged, predictable and controllable ways that management orthodoxy suggests that they should. Even in what appear on the surface to be quite straightforward situations, such as two or three people interacting together, the ways in which things will turn out can never be known with certainty. And so, if we want to take this complexity seriously, we need a different way of thinking about organisation and the implications that this has for leadership practice.

### ***The ‘wiggly world’ of organisation***

Over 30 years ago, philosopher Alan Watts (2009:59) illustrated the world as a “wiggly” line. On top of this he drew a net, which “... ‘cut’ the big wiggly into little wiggles.” In this way, he argued,

man has sought to impose order on chaos. We can similarly describe the organisational world as 'wiggly'. That is, it too is *unavoidably* messy and complex. And, sticking with Watts's imagery, the conventional view of the manager's task can similarly be seen as one of seeking to 'catch' this 'wiggleness' in a metaphorical 'net'; woven from the familiar concepts, tools and techniques of conventional management practice.

The implicit assumption in all of this is that managers can choose the optimum way to manage the organisation. And that, having made that choice, the organisation will follow and the sought-after benefits will be realised provided that the decisions are implemented as planned and the prescribed procedures adhered to. In this way, the felt need for clarity, certainty, predictability and control will be achieved.

This perceived ability to predict and control outcomes, despite the acknowledged complexity and uncertainty, is further reflected in (*and hence reinforced through*) the language and practices that managers habitually use. Examples of this include such taken-for-granted notions as knowing which *levers to pull* and which *buttons to push*; using *scorecards* and *dashboards* to *steer* the organisation in the desired direction; *driving change* into the organisation *from the front* by using *linear n-step models*; ensuring *commonality* of goals and practices across the diverse areas of the business; designing and building a *shared culture*; identifying and importing other people's *best practices*; *getting the message across* so that everyone is '*on the same page*'; *leveraging* Big Data to *eliminate surprises*; *future proofing* the organisation against disruptive demands; claiming to base decisions on "*if you do this you'll get that*" '*evidence*'; *rolling out* centrally determined initiatives to *ensure organisation-wide consistency*; and so on.

And so managers continue to 'weave their nets' in line with this dominant narrative, which essentially positions organisational management as a scientifically rational practice. In doing so, it emphasises approaches that appear to offer accuracy and precision; intellectual rigour; structure and formality; impersonal language; procedural logic; physical detachment; matter-of-factness; abstract models; and a 'global' (e.g. 'organisation-wide') perspective. The basic proposition is that, if we do things better and get them right, the 'wiggleness' (seen through this lens as a sign of dysfunction) will go away – allowing us to get on with our sophisticated management task, free from the unwelcome and disruptive exigencies of everyday organisational life. Taken together, the 'net' that we weave from these various strategies, structures, systems, and procedures, etc. represents what we have come to think of as the 'legitimate', as-designed organisation. And it's on this that managers are encouraged to focus their attention.

But as Watts (2009:59) went on to say,

"... the real world slips like water through our imaginary nets. However much we divide, count, sort, or classify this wiggling into particular things and events, this is no more than a way of thinking about the world: it is never actually divided."

And nor is organisation. Or rather the *complex social process of human interaction* that we call organisation. This, too, 'slips through our imaginary nets' of carefully constructed strategies, structures, systems and so on. The everyday lived reality of organisation is also 'wiggly'. It comprises people interacting with each other continuously – making sense of what's going on, and acting into the world as they see it. They do so formally and informally; in structured settings and 'in the corridors'; by design and spontaneously; for 'organisationally legitimate' reasons and self-interestedly; with conscious intent and habitually; and so on. Some of these interactions occur in planned settings with structured agendas and people acting out their formal roles and relationships. Most though take place informally. These informal conversations might themselves relate to specific formal events (such as people agreeing positions in advance of a meeting or discussing what they really think about things around the coffee machine, during breaks in the formal proceedings). At other times, they will just reflect the general life of the organisation, such as informal working relationships, social cliques, gossiping, informal networking, political influencing, chance interactions, private one-to-ones, and so on. Although none of these informal arrangements are captured on organisation charts, reported in official documents or referred to in formal meetings, they are equally significant in shaping what actually gets done in organisations, how it gets done, and what outcomes arise in practice.

And so, despite our craving for clarity, certainty, predictability and control, the dynamics of organisation are unavoidably ambiguous and paradoxical, uncertain, unpredictable, and complex.

### ***Organisations as dynamic networks of self-organising conversations***

"Organization is conversation. That is to say, conversation does not just occur about organizations; conversations constitute organizations, Organization is not independent of conversation."

Richard Dunford and Ian Palmer – 1998:218

Everything that happens does so as a result of the everyday (essentially conversational) interactions of *interdependent* people. It's here, in their 'local'<sup>1</sup> conversations that people continually make sense of what's going on and take action (Weick, 1995). And it is through the widespread interplay of these local sense-making-cum-action-taking interactions that 'outcomes'<sup>2</sup> emerge and are recognised as such. This means that the essentially form-less, 'wiggly world' of human interaction leads to outcomes that are co-created by all of the people involved - both within and beyond the notional boundaries of the formally recognised organisation.

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<sup>1</sup> All interactions are local. That is to say, they take place one-to-one or between a small number of people. Such interactions might be geographically widespread (e.g. via a 'phone call or online) but the number of participants is necessarily limited in the moment of people's interaction. It's also important to recognise that these conversations take place throughout an organisation and address a diverse range of themes. The term "local" is not meant to convey any sense of hierarchy. Even those conversations that take place in and around the Boardroom, and which ostensibly relate to 'organisation-wide' matters, take place locally, as the term is used here.

<sup>2</sup> Organisation is the *ongoing process* of communicative interaction. As such, what we talk of as "outcomes" are simply transient points within this continuous flow of sense-making-cum-action-taking interactions that come to be recognised as worthy of specific recognition and comment.

Some of these outcomes enter the formal arenas of the organisation as formal propositions and eventually emerge as formally adopted strategies, structures, systems, and the like. In this sense, these come to represent the 'authorised version' of the organisational 'story', taking forward into new conversations those themes that have been given this stamp of legitimacy. In this way, the formal themes continue to influence interactions well beyond those in which they were originally formulated; carrying the 'weight' of formality and being 'given voice' (actually or by inference) by those in authority. In practice, the creation of this 'authorised version' of the organisational story is affected more by the complex political dynamics, ideological stances and personal identities of those involved, than by the rational analysis and systematic decision-making that is implied by conventional management wisdom. And, the effect that this formal design has on people's actual behaviour - and therefore on performance - depends crucially on how it is perceived, interpreted, evaluated and acted upon in countless other local interactions. Many of these interactions, and the themes around which people coalesce, remain 'in the shadows' – reflecting people's indifference or opposition to the official story, but without being openly acknowledged.

An important corollary to all of this is that it's not what managers settle upon and announce formally that determines what happens. It's how people *make sense* of what they see and hear, and how they find themselves acting, as they participate in this ongoing sense-making-cum-action-taking process. In social processes such as organising, it's the *meaning* of things that matters, not the things themselves. And meaning is socially constructed in the interactions between people (Luckman and Berger, 1991; Gergen, 2010). Every conversation is, in effect, a co-creation forum. And, as a further sobering thought for managers, the vast majority of these conversations take place in their absence.

So, whereas much of the focus of management theory and practice assumes that organisations need to be looked at in scientifically rational, formal, structured, impersonal, matter-of-fact, and 'global' terms, outcomes are ultimately determined by the psychosocial and processual dynamics of *real people interacting together on a continuing basis*. These dynamics are unavoidably political. That is, they always embody the differing interests, ideologies, identities, and so on of those taking part. Interactions are never neutral and matter-of-fact. This process is also informal, and much of it is hidden (i.e. not spoken about in the formal arenas of the organisation). Whilst a lot of organisational interactions appear to be structured, most of the significant exchanges occur spontaneously and are improvised between people – before, during and after these 'set-piece' events. And, far from being impersonal, emotion is always in play. So are the personal idiosyncrasies of the people involved. Ultimately, then, what matters are not the facts of a situation *per se* but rather people's interpretations of the situation. And these interpretations are co-created in the moment of people's local interactions.

Crucially, managers can't mandate or control this process. And nor can any other individual or group – however powerful they might appear to be in formal terms. But this does not mean that

people can simply do as they please. *Everyone is both enabled and constrained by their interactions with everyone else.* And these interactions reflect the constantly shifting patterns of power relations that are at play; including, of course, those that are institutionalised through formal role relationships, policies and procedures, etc.

### ***Sense-making as a patterning process***

It is also important to recognise that, whilst the detailed interactions and the actual outcomes that emerge are unpredictable, other aspects of the process are more amenable to what Richard Jenkins (2008) calls “everyday predictability”<sup>3</sup>. In particular, there is a generalised tendency for people to think and act in characteristic ways that reflect (and reinforce) the locally established patterns of behaviour and sustain their personal frames of reference<sup>4</sup> (Rodgers, 2006). This helps them to fit in, maintain important relationships, and be seen by personally significant others to act competently and ‘play the game’ (Culbert, 1996).

In other words, sense-making-cum-action-taking is a pattern-forming and pattern-reinforcing process<sup>5</sup>. This means that the more that we make sense of things in a particular way the more likely it is that we will continue to make sense in similar ways going forward. This process is self-organising and takes place largely unconsciously. It is, though, crucial to the way in which organisations work – both forming and being formed by people’s everyday conversational interactions. This is how organisational ‘culture’ and individual identity emerge, and how these are sustained and further strengthened.

It is important to recognise that this patterning is not stored anywhere or ‘programmed’ in any sense – such as in a disembodied ‘culture’. Or in “the system”. Rather it reflects a *tendency* to think and act in particular ways in given circumstances. This tendency is (re)created, reinforced (and potentially shifted) on each occasion, *in the moment of people’s interactions and through the sense-making narratives that flow from them.* Past sense-making-cum-action-taking conversations create expectancy that similar sense-making and action taking will continue into the future. This further reinforces existing patterns of understanding and the generalised tendency for people to respond routinely and habitually to the situations that they face - it just feels natural, with little or no conscious thought, to behave in certain ways within certain relationship contexts.

Without this patterning, we would have to think afresh before each interaction; making what we think of as normal life impossible. At the same time, the possibility always exists for ‘pattern-

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<sup>3</sup> “This, it must be emphasised, does not imply ‘objectively’ accurate predictability: it is, rather, predictability for practical purposes and, even more important perhaps, the comforting *sense* of predictability.” Jenkins (2008:150) [emphasis in original].

<sup>4</sup> Although I refer to this as a “*personal* frame of reference”, it is important to remember that this “... is continually formed and re-formed through our everyday interactions and experiences. In turn, this affects the way in which we continue to interact and make sense of our ongoing experiences.” (Rodgers, 2006:122).

<sup>5</sup> Analogies can be drawn here from the early work of Edward de Bono on the “mechanism of mind” and the self-organising, patterning nature of the brain.

shifting' to occur and novel responses to emerge, as people continue to construct the future in the currency of their present interactions. The balance of probability, though, is heavily biased towards continuity rather than change. That is, people's everyday interactions tend to reflect – and by so doing reinforce – the existing, culturally acceptable patterns, rather than opening up new possibilities<sup>6</sup>. And this means that pattern-shifting only tends to occur spontaneously when misunderstandings, mistakes, humour or other randomly occurring stimuli provoke new insights.

In light of the dynamics outlined above, nobody can predict or control what will flow from people's interactions, since everyone else is similarly participating in their own local, interactional exchanges and doing so in line with their own intentions, prejudices and assumptions. This is always the case, even though power relations are often significantly skewed in favour of those in formal authority.

To reiterate, then:

- some of the themes emerging from this sense-making-cum-action-taking process enter the formal arenas of the organisation as formal propositions and eventually become adopted as policy;
- others remain 'in the shadows' – stimulating and being taken up in yet more shadow-side conversations, through which people make sense of the world and decide how they will act; and,
- underpinning this process – both affecting and being affected by it – is the ongoing patterning of interactions that become taken-for-granted ways of thinking and acting.

In this way, organisation continues to (re)emerge, in a never-ending, self-organising process of conversational interaction.

### 3 From talking *in terms of systems* to talking *instead of systems*

As set out above, organisation is, first and foremost, a *relational* phenomenon – a continuously emerging and power-related process of *interdependent* people interacting together. As they do so, they both enable and constrain each other in ways that facilitate movement in certain directions and inhibit it in others. They do this both routinely and habitually, through the characteristic patterning of their interactions that has emerged over time, and also through their specific, in-the-moment responses to the contingencies of the situation in which they find themselves there and then.

Seeing organisations in these terms wholly encompasses the 'real-world' dynamics of organisation (or, more accurately, the *ongoing process* of organis-*ing*). And, since organisation (and personal identity) is continuously (re)constructed in the currency of present-day interactions,

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<sup>6</sup> The dominant narrative on organisational and leadership practice is one such pattern – a clichéd response to the complex social dynamics of organisation that I'm setting out to challenge in this paper.

everything necessary to judge what might be helping and hindering current practice and performance is present in those various conversations – or else is conspicuous by its absence.

This recognises that, although certain personal characteristics might well affect the local patterning of interaction, we are fundamentally *social* beings. As a result, ‘who we are’ and how we behave is largely shaped by the interactions that we have with other people – as, at the same time, ‘who we are’ and how we behave shapes those interactions (Jenkins, 2004; Lawler, 2008). Christian de Quincey (2005:6) puts it starkly,

“You cannot *not* be in relationship. It is a fact of life.”

So what about the formal ‘trappings’ of organisation – that is, the strategies, structures, systems, facilities and so on mentioned earlier, which become formally adopted as official policy? Where do these fit in? To begin with, these, too, are products of local conversational interactions, both formal and informal. As outlined above, these represent generalised and idealised statements of what those with formal authority have endorsed as the ‘legitimate’ way to proceed – ‘*imprints*’ of *the past conversations through which such decision-making was carried out*. But people always make sense of these and make use of them (or not) in the specifics of their own local situations. As such, these affect what happens only to the extent and in the ways that they are perceived, interpreted, evaluated and enacted by people in the currency of their local interactions – wherever, between whomever, and for whatever reasons these take place.

Although many of the formal artefacts that emerge from this process will survive over time, it’s their perceived meanings and *felt materiality* that are important to what happens in practice, not the fact that these continue to exist physically. Such meanings are similarly constructed within the currency of people’s ongoing, local interactions. They are not embodied in the ‘things’ themselves, but rather in the ways in which people take-up these ‘imprints of past conversations’ in their current conversational exchanges. It is in this ongoing negotiation of meaning that we find the essence of organisation.

As John Searle (1996:36) notes,

“It is tempting to think of *social objects* as independently existing entities on analogy with the objects studied by the natural sciences... In the case of social objects, however, the grammar of the noun phrases conceals from us the fact that, in such cases, process is prior to product. Social objects are always ... constituted by social acts; and, in a sense, *the object is just the continuous possibility of the activity*.” [Emphasis in original]

All of this means that there is no aspect of organisation (a “social object”) that exists in any way ‘outside’ or separate from people’s ongoing, local interactions (their “social acts”). There is no higher-level “system” determining what happens in the here and now of today’s real-world exchanges. Nor is it necessary (or credible) to imbue such imaginary constructions with the capacity to act in some way independently of those formative interactions in order to explain the more widespread dynamics. Reifying and anthropomorphising “the organisation” or “the system”

can easily divert attention from the dynamics of what's actually going on by providing the illusion of control (when things appear to be going well) or of impotence (when things go wrong).

A corollary of this is that it is not possible to take action on the organisation (or system) "as a whole" – a reality which runs counter to one of the central presuppositions of organisation development (O.D.). As set out above, change and performance emerge from local conversational interactions. And these lead to much more fragmentary patterns of response to formal statements of intent and formal interventions than is presumed to be the case in mainstream OD practice. Nor, in terms of organisational dynamics, do individuals act as 'parts' of a system. The fundamental dynamic is one of *interdependent* people interacting together on a continuing basis.

On a similar basis, there are no separate 'levels' of existence – such as the individual, the group or the organisation – that have the capacity to act as independent entities. As James Taylor and Elizabeth van Every (2000:171) note,

"There is no ontological difference between the macro and micro levels of organization..."

Individuals' identities are continuously formed and re-formed in the same process of ongoing conversational interaction in which teams come to be recognised as such, and through which (the ongoing process of) organisation emerges.

Drawing on his extensive development of George Herbert Mead's social conception of mind, Ralph Stacey (2012:99) similarly emphasises the "irremovable" *inter*-dependence of individuals:

"Individual selves are thus essentially social selves; the individual is the singular and the group or society the plural of interdependent people."

### ***The taken-for-grantedness of 'systems thinking'***

Those who view organisations in terms of systems take a contrary position, of course (see Bill Tate's, 2011 CPL White Paper, for example, for a well-constructed systems-based view). Not only managers, academics and consultants but also journalists, politicians, inquiry chairmen, and other commentators regularly refer to "the system", or "systemic failure" when pronouncing on events that hit the headlines. So seeing organisations as systems, which have the capacity to act in some way separately from the actions of ordinary people, appears natural and straightforward.

As a recent example of this, we can look at the public inquiry into "conditions of appalling care" at the Mid Staffordshire NHS Foundation Trust in the mid-2000s. In his covering letter to the Secretary of State for Health, which accompanied his report, Inquiry Chairman Robert Francis QC mentioned the word "system" or "systemic" 15 times. The existence of "the system" is taken for granted. And readers are left in no doubt as to his view that it played a central role in the events that occurred. In the Executive Summary he offers a damning indictment of its inadequacies:

“Healthcare is not an activity short of systems intended to maintain and improve standards, regulate the conduct of staff, and report and scrutinise performance. Continuous efforts have been made to refine and improve the way these work. Yet none of them, from local groups to the national regulators, from local councillors to the Secretary of State, appreciated the scale of the deficiencies at Stafford and, therefore, over a period of years did anything effective to stop them.”

And yet, despite what he sees as the abject failure of “the system” to ensure high quality patient care, Francis’s systems-based view of the world clearly remains undiminished – and probably unquestioned. The overwhelming focus of his recommendations remains on the introduction of yet more standards, rules, regulations, and mechanisms for controlling and scrutinising the actions of hospital staff. Also, despite his statement in the Executive Summary that the NHS is “a service staffed by thousands of dedicated and committed staff and managers”, his response to the localised wrongdoings in Mid Staffordshire is to recommend that his proposals be applied universally across the NHS. This is a classic systems-based response. According to Tate (2013:14), systems are:

“... mental constructs, practical ways of thinking about things in order to understand and talk about what is happening at a higher level than individuals and to engage in redesign.”

Consistent with this formulation, Francis recommends that the relevant authorities associated with the functioning of the NHS similarly engage in redesign of “the system”.

Earlier in the same paragraph, though, Tate seeks to address one of the central criticisms of systems thinking. That is, the idea that “the system” has properties and the capacity to act independently of human interaction. He explains,

“When we speak of a system embodying a position or taking action, we are using shorthand for *an aggregation of unidentifiable individuals dynamically engaged in something, the details of which are usually unclear in terms of individuals and who is saying or doing what.*” [My emphasis].

What I find most interesting in these two statements, taken together, is the parallel that I see with the opening extract from McKinsey. At one and the same time, there is both an explicit recognition of the complex dynamics at play (“unidentifiable individuals” who are “engaged in something”, which is “unclear”) and also a conviction that this continuously emerging social process can be conceptualised in some way as an integrated system that makes it amenable to rational “redesign”.

From a systems perspective and in popular discourse, the emergent patterning of day-to-day interactions and behaviours is thought of as being determined by “the system”, which acts in some way ‘over and above’ the day-to-day interactions of individuals.

But, as Ann Cunliffe (2009:59) points out,

“...it’s a bit of a cop out when organizational members say they can’t change things or deal with problems effectively because it’s ‘the system’. What is *the system*, who creates it, and who keeps it going? We talk and act ‘systems’ into being, and maintain their existence in our talk about them. This requires a shift in thinking, because it means seeing the world in social interactions and relationships rather than in structures and systems.”

Let’s return briefly to the case of the Mid Staffordshire NHS Trust. Patient care - whether good, bad or indifferent - is provided by clinical and support staff in the course of their everyday relationships with each other, the patients themselves, and others (such as managers) with whom they interact. The *non sequitur* in systems thinking is to maintain that, if you don’t accept the notion of organisations as integrated systems, all that you’re left with is a collection of autonomous or atomised individuals acting independently. This is not the case at all. As outlined above, people are social and relational beings. They are unavoidably interdependent; enabling and constraining each other, as they seek to go on together and to find their way forward into a future that is emerging from their own and others’ in-the-moment actions and interactions.

John Shotter (2012) talks of this in terms of “wayfinding” and argues,

“Instead of simple cause-and-effect processes working in terms of rule-governed ‘impacts’ occurring between objective entities, we need to think in terms of processes working in terms of tendencies, of incipencies that ‘point’ towards future states of affairs which do not yet exist, that have their beginnings in events which are not yet fully realized, actualized, or finalized.”

Rather than conceptualising organisation as an imaginary system of objective entities and seeking to act on imaginary wholes, we might choose instead to focus on the complex reality of the conversations and interactions in which we and everyone else are actually engaged. These are both products of, and contributors to, the contingent circumstances in which we find ourselves in the present. And these are also continuously influenced by our *re*-remembered recollections of the past; our presently constructed expectations about the future; and the habitual patterning of our thinking and behaviour that reflects our past sense-making-cum-action-taking conversations.

And so, in formulating his recommendations on the Mid Staffordshire NHS Trust, Francis might have chosen instead to take his “thousands of dedicated and committed staff” comment seriously. A better response might then have been to encourage, assist and enable those involved to explore their current experience of their individual and collective practice: the situational specifics and taken-for-granted patterns of thought, feeling and behaviour that are organising that practice and which might tend to undermine the dedication and commitment that has long come to be associated with “the caring professions”.

This is neither to ignore the personal accountability of individuals to behave ethically as they participate, nor to deny the impact of formally adopted policies, systems and procedures on the ways in which people construct their role. But, as outlined above, practice is a relational endeavour. And it’s in the detail of those (inter)relations that ethical practice is established and

sustained – or not. And it's through those same interactions that people perceive, interpret, evaluate and act upon (or not) the myriad policies, systems and procedures that formally circumscribe that practice. Simply 'adding more hairs' to "the Giant Hairball"<sup>7</sup> of third-party rules and regulations that are already choking 'the patient' deflects attention away from those human-to-human interactions in which "conditions of appalling care" (Francis, *ibid*) rather than the virtues of humanity have become the norm.

Similar dynamics are at play, and parallel conclusions can be drawn, in the various "scandals" that dominate the press and airwaves at the opposite end of the private-public spectrum of institutions, such as in the banking industry or other high-profile corporations.

Although failures in "the system" are similarly cited as contributing to the problem, the focus here usually shifts to the high-profile individuals involved. Responses focusing on either or both of these two 'poles' – the 'first person' individual or 'third person' system – again fail to recognise the relational (i.e. complex social) nature of human dynamics. As a result of a number of recent reports, the pressure is on to apply substantial financial penalties and criminal prosecutions to those directors who are in post when their organisations are judged to have failed.

Given the high salaries that senior directors tend to be paid for their supposedly single-handed orchestration of an organisation's success, such a draconian response to their perceived "incompetence" when in charge might well be considered to be fair. It is certainly a popular proposal. If you're prepared to take the money when your leadership brings success, then you should equally be prepared to lose it (as well as your job and, in some cases, your career) if and when your decisions cause the enterprise to fail.

But therein lies the rub. All of this is predicated on the basis that the success (and by inference failure) of a business or public institution can be attributed to the decisions and actions of a single individual within that organisation – or to those of a small cadre of senior people. And this exposes the poor grasp that many of those sitting in judgement seem to have of the complex social dynamics of everyday life, as set out in this paper.

There is rarely anything in their analyses or proposals that suggests that they recognise these dynamics. Arguably it's their failure to understand the implications that these have for leadership practice, policy making and governance that might justifiably warrant the terms "incompetence", "self-delusion" and "toxic misjudgement" (to appropriate just three of the phrases used by the Parliamentary Commission on Banking Standards (2013) to describe the actions of the three ex-HBOS directors). "Everything," as Duncan Watts (2012) says, "Is obvious – when you know the answer".

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<sup>7</sup> Gordon Mackenzie (1998:32) introduces the Giant Hairball metaphor to describe a corporate world which is "honeycombed with ... established guidelines, techniques, methodologies, systems and equations." These, he argues, create an "inexorable pull of Corporate Gravity ... toward the tangle of the Hairball, where the ghosts of past successes outvote original thinking."

In his initial Easter message, the new Archbishop of Canterbury, Justin Welby (2013), commented on the folly of the “hero culture”, which he claimed was setting people up to fail. And his comments fit well with what has happened here. Not so long ago the three ‘villains’ of the piece were lauded for their supposed accomplishments and abilities, which were considered to be exceptional. Andy Hornby, for example, who was CEO at the time that the bank was taken over by Lloyds TSB, once came top of 800 students in his MBA class at Harvard (surely a good enough reason to ban MBA graduates from holding office!). At the time of his appointment, he was gushingly described – by politicians, financial insiders, and media commentators alike - as “The Golden Banker”. And it is fair to say that amongst all of those who are currently taking a ‘holier than thou’ stance on the affair, he was lauded as a model businessman. The same goes for the others ‘in the dock’. They were considered to be stars of their profession.

So how can it be that these one-time heroes of the financial world now merit such public denigration? How indeed?

Yannis Gabriel (1999:288) echoes the Archbishop’s comments when he suggests,

“We must recognize that, like the rest of us, managers are most of the time confused, erratic and irrational – they deserve neither exorbitant praise for success nor total vilification for failure.”

However, this view has no place in the popular narrative on leadership, which has been constructed and subsequently buttressed by powerful voices in academia, politics, the business press, the major consulting firms, and practitioner institutions.

## **4 Implications for Leadership Practice**

The central theme of this paper is that, however well – and in whatever way - managers formally seek to plan, organise, co-ordinate and control events, it is the widespread patterning of people’s everyday conversations and interactions that will determine what happens in practice. And that helping managers to recognise the complex and uncertain reality of organisational life is an important first step in releasing them from the suffocating grip of the dominant management discourse.

Surely, it might be argued (and often is!), by denying that there are objective entities on which we can confidently act to bring about change and realise desired performance objectives, we are neutering managers. According to management orthodoxy, position-based leadership<sup>8</sup> is about working to optimise current performance; set out the required conditions for future success; and deliver the intended benefits. And this requires leaders and others to be able to act in line with

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<sup>8</sup> I’m making no distinction here between leadership and management, or between leaders and managers. I tend to agree with Henry Mintzberg (2011:8), who says, “Frankly I don’t understand what this distinction means in the everyday life of organizations. Sure, we can separate leading and managing conceptually. But can we separate them in practice? Or, more to the point, should we even try?”

evidence-based prescriptions (as they might reasonably do if they were dealing with the non-social world), seemingly secure in the knowledge that their practice is in line with the best available.

However,

... if self-organisation just happens (even in a so-called “command and control” regime) and this is not within the gift of managers to ‘switch on and off’ at will

... if concepts, tools and techniques cannot guarantee particular outcomes – even when managers ‘do the prescribed things better and get them right’

... if the formal trappings of organisation only meaningfully exist to the extent and in the ways that these are taken up in people’s everyday interactions, and

... if outcomes are determined primarily by the themes that emerge and become widely taken up in these local conversations...

Where does this leave us in terms of leadership practice?

### ***Helping managers to ‘see better’***

In my own consulting practice, I don’t find that managers are fazed by this at all. In my experience, they find it highly liberating to understand why there is a mismatch between their everyday lived reality and what conventional management ‘wisdom’ suggests *should* be happening. When prompted, they recognise it as normal that they are both ‘in control’ (i.e. formally in charge and having the authority to command certain things to happen) and, *at the same time*, not in control (either of the shadow-side conversations or of the outcomes that ultimately emerge). This raised level of awareness then opens up new ways of understanding their practice. It helps them to make better sense of *what they’re invariably already doing*. And it enables them to reframe their task in ways that resonate much more strongly with their sense of *what’s actually going on*.

If I’m speaking for the first time to managers about the complex social dynamics<sup>9</sup> of organisation (whether CEOs or first-line supervisors), I begin by helping them to recognise and reflect on this fundamental paradox of leadership practice. This sometimes comes as an uncomfortable realisation for them, given the conventional view of leadership as one of being ‘in control’. But this feeling is usually quickly supplanted by an expression of relief that what they understand intuitively, and how they operate in practice, actually makes sense. It legitimises their lived experience and gives them a way of talking about it in a meaningful way. We then go on to talk about how they might actively engage in these ongoing conversational dynamics with the

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<sup>9</sup> As a point of detail, I never feel the need to refer to the “complex social dynamics” of organisation in these situations. What we’re talking about is the everyday conversations and interactions through which whatever happens, happens.

intention (though not the certainty) of bringing about beneficial changes in performance. They are, of course, unavoidably participating in these interactions – even if they do nothing. So this is more about them participating in a deliberate, informed, and aware way.

Nobody has seen this as a counsel of despair! Or taken it as an excuse for inaction. On the contrary, they recognise that their leadership contribution, individually and collectively, is crucial to what happens in practice. At the same time, they come to see this contribution differently. In particular, for leaders, talk *is* action (Rodgers, 2006:53). Or, as I tend to say these days, the conversations *are* the work (after, Kelly, 2007). This suggests that those in formal leadership positions, from CEO to front-line supervisors, would do well to:

- Shift the emphasis of their communication towards more active and informed participation in the local sense-making-cum-action-taking conversations through which outcomes emerge. That is, providing *real* vision - helping people to 'see better' (Rodgers, 2006) in the light of actual events, rather than viewing their role as one of "getting the message across".
- Recognise that, in their formal leadership roles, they can't *not* communicate. That is to say, everything that they say and do – *as well as everything they don't say and don't do* – sends 'involuntary messages' to people about what's really important, how to behave, and so on. These 'messages' provide powerful inputs to the dynamic network of self-organising conversations through which others make sense of the world and decide how they will act.
- Accept that, while they can act with deliberate intent in pursuing a particular agenda, everyone else will be doing the same in relation to their own needs and understandings. What happens in practice will therefore emerge from the widespread interplay of these myriad intentions. And this means that neither they nor anyone else can predict or control the outcomes that will result.

This reframes the role of "the effective leader [as] a skilled participant in the ongoing ordinary politics of everyday life" (Stacey, 2010a:xi).

### ***Enabling performance***

In relation to day-to-day practice, the focus is on today's conversational interactions through which organisation is enacted – both in terms of the current reality and people's present construction of the emerging future. The emphasis is both on actively participating in joint sense-making conversations around important emerging themes and on seeking to understand the dynamics of those interactions in which the leader is not directly involved. In the latter case, important questions would relate to how well-connected the leader is to the natural conversational networks; how tuned-in he or she is to the themes that are organising the conversations within them; and how his or her own behaviour is being interpreted and acted upon by others.

Enabling others through conversation is about jointly making sense of the whys, whats and hows of performance in the midst of its emergence. These are *ongoing*, '*work-in-progress*'

*conversations*: Sometimes planned, at other times spontaneous. And the sought-after ‘outputs’ are not action plans but rather people who have been so immersed in the process that they are better placed to anticipate and respond to events that actually emerge, rather than to those that might have arisen if the real world had been kind enough to conform to the planning assumptions.

Conceptualising organisations as dynamic networks of self-organising conversations (Rodgers, 2006) carries with it the recognition that the conversational process (and hence organisation) is boundaryless. That is to say, the conversations through which organisation is enacted are not limited in any way by the formally established structures and arrangements that conventionally define the scope of companies, public institutions, associations, and other such legal entities.

In their HBR article, Larry Hirschhorn and Thomas Gilmore (1992) talked about the then popular *design notion* of “the boundaryless company”. In response, they argued that psychological boundaries would need to be constructed in place of those that had previously existed in the formal structure. Although I’m suggesting that boundarylessness is a *natural dynamic* of organisation, rather than a design choice, the ‘psychological boundaries’ to which Hirschhorn and Gilmore draw attention have some practical merit in the context of the complex social dynamics of organisation:

“These new boundaries are more psychological than organizational, And instead of being reflected in a company’s structure, they must be ‘enacted’ over and over again in a manager’s relationships with bosses, subordinates, and peers.” (Page 5)

In brief, the boundaries that they suggest as being important are:

- the **authority** boundary – “Who is in charge of what?”
- the **task** boundary – “Who does what?”
- the **political** boundary – “What’s in it for us?”
- the **identity** boundary – “Who is and isn’t us?”

### ***Towards more informed participation***

The focus, then, is on what is emerging within people’s ongoing interactions; what habitual and contingent themes are organising these conversations; and how the leader is participating in them. It’s here, in the specific local context, that practitioners can research and develop their own and others’ practice in the midst of their ongoing interactions - drawing out the contextual factors, dominant conversational themes, prevalent behavioural patterns (both characteristic and unexpected), and governing assumptions:

- that are organising people’s interactions, and enabling and constraining their practice;

- out of which local and more widespread outcomes are emerging; and
- which point to potentially beneficial shifts that might be made in their current sense-making-cum-action-taking conversations.

This recognises that all that anyone can ever do is to ‘act into’ the future as it is emerging - facilitated by a reflective and reflexive approach to their own individual and collective practice. As Douglas Board and Rob Warwick conclude (2012:13) in their CPL White Paper on the social development of leadership and knowledge,

“Developing the practice of leadership needs to be done within the experience of practice. Abstract ideas of leadership traits, models and stories of great people have their place, but these are secondary to what people do in the dilemmas that they face as they work within a context that deeply matters to them.”

To do so requires the application of what Stacey (2012) calls “practical judgement” or others (such as Keith Grint, 2007, and Bent Flyvbjerg et al, 2012) call “practical wisdom”, after Aristotle’s notion of *phronesis*. This (again using Aristotelean terminology) is in contrast to the usual focus of leadership development on *episteme* (universally applicable, context-free and scientifically derived knowledge) and *techné* (reflected in the tools and techniques of management practice). *Phronesis* is about pragmatically applying expert judgement in the specific circumstances one is facing, as derived from practical experience.

As Chris Mowles (2011:265) sums up this general position,

“... there is nothing more practical for a manager to be doing than to pay close attention to how they are working with others in everyday work situations; to find time to reflect with colleagues on how they are working and thinking, and to have the courage to stay engaged with each other as they negotiate how to go on together.”

## 5 Shifting the Patterns

If the themes set out in this paper better reflect people’s actual experience of life in organisations, why is it, as Stacey (2010a) asks, that we continue to talk, explain and prescribe on an intellectual basis which completely contradicts that experience? And, against this background, can anything be done to ‘shift the patterns’ to ones which might be more helpful?

First of all, this messy reality means that there are no simple, if-you-do-this-you’ll-get-that formulae (Rodgers, 2010). Nor, despite the rhetoric, is it possible for consultants and others to provide evidence which demonstrates that a generally applied approach will ‘work’ at this *specific time*, in this *specific situation*, with these *specific people*. Inconvenient though this might be, in a world that craves clarity, certainty and proof, the craving does not make these socially complex and uncertain dynamics of everyday interaction disappear (Rodgers, 2011).

And so, if we're interested in the emergence of "progressive leadership" practice, which also takes seriously the complex social reality of day-to-day organisational life, we need to pay attention to the everyday conversations and interactions through which organisation is enacted and through which ideologies emerge, become established, and – potentially – change. As *active participants* in this self-organising process of conversational interaction we might then seek to stimulate the emergence of informal coalitions of support around new ideas, new perspectives and new ways of working.

The following brief statements attempt to identify some of the different patterns of talk and action that might become evident, if the currently dominant conception of leadership practice were to be supplanted by one which more closely reflected the complex social reality of organisational life.

### ***From elite practice to emergent property***

Leadership would be recognised as an emergent property of *people in relationship*, not as an elite practice confined to those at the top of organisations (and of wider society). That is, it would be understood as a complex social process enacted by many people in the normal course of their everyday interactions; rather than as a rational, scientific endeavour practised by a few gifted and formally appointed individuals.

As Sven-Erik Sjöstrand et al (2001:16) put it,

"Leadership [is] a kind of flow or flux in people's variously patterned relations and interactions."

This is not fundamentally about a manager formally delegating or distributing leadership throughout the organisation as a design choice. It is a natural dynamic. Collective action is 'mobilised' through the coalescing of people around one particular construction of events rather than another. This mobilisation would be the emergent outcome of actions taken by many people through their local interactions - actions intended to initiate, support, frustrate or overthrow new ideas, new perspectives and changes in practice.

### ***From controlling to contributing***

As Yiannis Gabriel (1999:284) points out,

"While politically and culturally expedient, the myth of management control, like all illusions, fulfils vital psychological needs – fulfilling in fantasy wishes that cannot be fulfilled in actuality and reducing anxiety."

However, those in formal leadership positions (and those who judge and comment on their performance) would not seek to fuel this myth. They would understand that no individual or group – however powerful they might be in formal terms – is able to predict or control organisational outcomes. As powerful participants in the ongoing process of social interaction, they contribute to those dynamics and outcomes in important and influential ways – whether intentionally or not.

But they are not *in control* of them. Their position would be recognised as one of contributor to, rather than controller of, overall performance.

### ***From certainty to curiosity***

The search for, and expectancy of, certainty and predictability would be replaced by the valuing and practice of curiosity. This suggests a preference for leading through questions, rather than a presumption that the leader's role is to provide all of the answers; the capacity to embrace uncertainty and ambiguity, and to accept a position of 'not knowing'; a focus on noticing and exploring underlying patterns of thinking, feeling and behaving; and the ability to articulate these in ways that resonate with relevant others.

Helping people (including themselves) to overcome the anxiety of not knowing and to go on together despite the complexities and uncertainties would be another exemplar of good leadership practice. As Stacey (2010a:216) again says,

"The leader is recognized as one with the courage to carry on interacting creatively despite not knowing."

### ***From diagnosis to dialogue***

The currently dominant view of leadership practice is based on a rational-scientific model of organisational dynamics. This assumes that strategic and operational challenges are best dealt with via expert diagnosis (the leader's own and that offered by specialist advisors).

Acceptance of the complex social reality of organisational life would see this as problematic. Diagnostic surveys, investigations, and related techniques are based on "if you do this, you'll get that" logic and objective analysis of 'the facts'. And thinking and doing are thought of as separate and sequential acts. But knowledge in a social process is co-created through the everyday conversational interactions that take place locally – between specific people, at specific times and in specific circumstances. Such interactions always reflect differing interpretations, ideologies, interests and identities, etc. And thinking and (inter)acting are intimately interwoven, in what I call "sense-making-cum-action-taking". So dialogue is as much about what people *do* as it is about what they *think*.

Encouraging and participating in meaningful conversations around such questions as, who we are; what we are doing; how we are going about it; why we think that we are doing what we are doing, and in the way that we are doing it; what this might mean; and what we might usefully be doing instead, would become the focus of everyday leadership practice. Formal, structured diagnosis of issues relating to the various 'technologies' that might be helping and/or hindering what is going on would still have an important part to play in the broader meaning-making process. But organisation is enacted through *people in conversation*. It is a 'contact sport'. It can't be reduced to an arms-length task - using questionnaires; dashboards; scorecards; systematic, step-wise processes; and other diagnosis-based tools and techniques.

### ***From standing out to standing in***

Today's conception of organisational leadership assumes that this is provided by someone (or a cadre of people) with outstanding ability - individuals who 'stand out' from the crowd in terms of their intellectual capacity, charisma, vision, courage, risk appetite, or whatever the particular perspective prescribes. It is supposedly exercised by standing apart from the minutiae of the action, to see and address the "big picture" from a position of objectivity. Instead, a central element of the formal leadership role would be seen as one of 'standing in' – that is, "actively participating in the conversations around important emerging issues" (Stacey, 2010b). This means paying attention to what's going on in the detail of the day-to-day conversations and interactions *that comprise the organisation*. The aim would be to seek to shift the patterns and content of interactions in ways that were judged to be organisationally beneficial from the perspective of involved participant rather than external, objective observer.

### ***From individual dynamism to interactional dynamics***

"Success" and "failure" would be recognised as emergent properties of the complex social process of people interacting with each other in the normal course of everyday organisational life. Those in formal leadership positions would contribute to these perceived outcomes by actively participating in those interactions and seeking to influence them in organisationally beneficial ways. But the notion that organisational performance could be attributed to the dynamism of all-powerful individuals would no longer be seen as credible.

This realisation would also have usefully called into question the ways in which those in formal leadership positions (and, especially those 'at the top') are recruited, remunerated and developed. In particular, it would have replaced the current preoccupation with the traits, styles, competencies and so on of individuals who occupy formal leadership positions (i.e. on the so-called 'best practice' attributes of individual actors).

### ***From colluding to confronting***

There would be an increasing tendency for leaders, other employees, developers, and commentators to confront rather than collude with the basic myths that sustain current management orthodoxy.

A central illusion, that an organisation's fortunes can be assured if managers take action in line with the latest 'recipe for success', would be less in evidence than at present. The tendency instead would be for people to confront rather than collude with policies and practices that run counter to their lived experience. And this would also extend to the surfacing and exploration of other shadow-side themes and behaviours that were organising people's everyday conversations and interactions – including the contribution that they themselves were making to the patterning of thought and action that was emerging.

The real challenge for those in formal leadership positions, and those who advise them, would be seen as one of encouraging, assisting and enabling people to survive and thrive in a world that is - *unavoidably* - socially complex and uncertain.

### ***From evidence-based practice to practice-based evidence***

It would be recognised that you can't put an organisation in a test-tube! It isn't possible to link specific interventions to organisational outcomes - either before *or after* the event. Nor is it possible to carry out 'experiments' in limited settings and expect the repeatability and/or scalability of these to be unproblematic. The complex social dynamics of organisational life make the relationships between cause and effect untraceable. And these also place a premium on the *unique* contextual factors (i.e. interactional dynamics) that are 'in play' at any time.

Deciding the validity and efficacy or otherwise of a particular action (whether a formal development initiative or an aspect of everyday practice) would therefore be understood to be a subjective and interpretive task. That is, it would rest on such questions as:

- What is it that we think we are doing? And why do we think that we are doing it?
- Does what we and others are doing seem to make sense - and does it 'feel right' - *at this time, in this place, and in these circumstances?*
- What evidence of 'success' and 'failure' are we seeing in our *actual practice*, as the patterns of our actions emerge over time?
- How does what we and others are doing *in practice* 'stack up against' what we thought we were setting out to do?
- What novel and/or repetitive themes are evident in our ongoing interactions, as we move forward together - opening up new possibilities and/or constraining movement?
- Does what we are doing appear to be useful to us *at this time and in this situation?*
- And what do we think that all of this means in terms of what we might continue to think and do going forward?

In the social context of organisation, it would be accepted that the success (or otherwise) of such interventions would only become evident as 'outcomes' emerged and came to be recognised as such. And that, even then, what constituted "success" or "failure" would be a matter of interpretation and social construction. In essence, that the 'evidence' of the worthwhileness or otherwise of any changed way of working only emerges in the midst of its practice.

## **6 Can such a shift be achieved?**

My aim in writing this paper is to get managers, other practitioners and those who judge and comment upon their practice to take complexity seriously. And, in so doing, to challenge the assumptions of rationality, predictability and control on which conventional management 'wisdom' is based.

If a sufficiently powerful coalition of support were to grow up informally around themes such as those set out above, these might emerge from the shadows and enter the mainstream. If not, the

tendency would remain for current patterns of behaviour to persist – and, with them, the dysfunctions of leadership that the Centre for Progressive Leadership is seeking to address.

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## A note on the Nature of Leadership

This note has been written as an outcome of taking part in the Expert Panel on *Management and Leadership in the Emerging Economy* brought together by the Management and Enterprise National Training Organisation at Birkbeck College, London, on 21<sup>st</sup> September 1999, and in the *Leadership Forum* held at the Leadership Trust at Ross-on-Wye on 5<sup>th</sup> October 1999.

Discussions at both meetings tended towards higher and higher levels of abstraction and were inclined to focus on the problems of leadership in the future rather than attacking the basic questions about the nature of leadership. For example the constructs of *trust*, *adaptability*, *balance* and what Warren Bennis at Ross termed *alignment* took up much discussion time. It was not made clear whether these phenomena were qualities or behaviour and where they resided. It was pointed out that *trust* could either be something that a leader generated and could lose through inappropriate behavior or something a follower gave once a leader had displayed the kind of behaviour that generated *trust*. Then *adaptability* and *balance* appeared to be regarded as something a leader could achieve by responding to information that was emerging during a leadership event, *ie* an outcome rather than a characteristic of a leader or a situation. It was pointed out that the trouble with *alignment* was whose values or objectives should be aligned and with what? However the point given emphasis by Warren that received most agreement was that managers who aspire to be leaders really have to want to lead to be able to become effective and to maintain effectiveness over time. What they need to *be*, to *know* and to *do* was not resolved at these meetings!

It seems clear from these discussions and the recent published literature that we are still a long way off consensus as to the exact nature of leadership. There would appear to be a strong tendency to regard leadership as a 'thing', just waiting for a psychologist to discover exactly what it is or a sociologist to find out where it is! This is perhaps comparable to earlier atomic research, it was known that there must be something making up matter and it needed some serious research effort to find out exactly what it was. When this was mainly achieved enormous practical results followed, sadly some of them very unpleasant. One gets the impression that much of current leadership research is set on this course, and with similar outcomes envisaged!

There is also a strong tendency to regard leadership as a *single thing*. Probably made up of many components but somehow coming together, like a christmas pudding, into a magnificent object to be experienced and admired. Consequently it is also seen as a *good thing*, unless it is applied by

unscrupulous or evil manipulators. The purpose of bringing us together at these meetings seemed to be to somehow work out how the world can get more of it, whatever it is!

I think this approach to trying to understand leadership is misguided. Just because leadership can be observed when it is present and noticed when it is absent it cannot necessarily be given the status of an object. It cannot be touched, measured, stored or bought. In these respects it is similar to a *rainbow*. It can be seen in many variations, according to the situation, admired and regretted at its passing. As there are many different kinds of rainbow so too there are many kinds of leadership. There has existed for a long time the famous four-way classification of leadership styles, with the addition of the infamous WIB, also the nine box grid and all its derivatives. However an important piece of research yet to be done is to derive a comprehensive and precise classification of different kinds of leadership. It would then be extremely fruitful to discover if there was a common core to all leadership activity, that all leaders have to be or be able to do. Alternatively, it may be that situations and followers are so different that there is a range of leadership behaviours that are specific to particular situations, such as in an 'emerging economy' or 'new technology', and none applicable to all. The resolution of this issue, perhaps beyond all others, would help us to progress our understanding of the nature of leadership.

Many of the greatest components of human life can also be seen as 'rainbow concepts'. *Love, beauty, freedom* and even *motivation* and *intelligence* are all highly valued, admired when present and deeply missed when absent. What they, and leadership, all have in common with a rainbow is that they are an outcome of interactions. We now know that a rainbow is light interacting with droplets of water. Get the angle of interaction right and a rainbow is seen and as we understand the nature of light and the function of prisms, we can explain a rainbow. But how about *love, beauty, freedom* and *leadership*? They are interactions between people; and people and situations. So to explain them we need to understand what is inside people and the situations in which they find themselves. A great deal of useful work has already been done on leaders' and followers' traits and qualities, *ie* their *capacities, inclinations, values* and *needs*. A fair amount has been done too on different leadership situations *eg* military, government and business. What is in short supply is work on the interactions, the process that pulls these components together, *ie* research towards a model or a process that would enable us to get the interactions *right*. One of the major flaws in many of the current process descriptions of leadership is bringing *purpose* into the model. It is difficult enough trying to describe and explain the process without trying to tie it into the achievement of certain objectives. The tools and techniques of any task can be studied and taught to be carried out correctly without recourse to their ultimate use. How they are then put together into a craft or a game is another,

separable, issue. Perhaps the study of *purpose* can be left to the management theorists and the process of leadership to the empiricists!

So where does this analysis lead us? An approach to the problem of getting the interactions between people and situations *right* has been lurking in the literature for decades but its complexity and power has not been generally recognised. Rainbows are relatively simple interactions and lent themselves to a simple explanation. Also in human life there are other, complex, interactions that are also admired and valued. Such as those between people and tools, musical instruments and even balls! These interactions are called 'skills', graded sequences of actions directed to a purpose, and where timing is more important than time. There is a large body of research findings on the nature of skills and how they can be inculcated. The management literature abounds with references to skills. There are many books on management with 'skills' in their title. They are mainly collections of techniques that effective managers need to be able to do and would provide a useful foundation on which the more complex skill of leadership could be built. It is the main point of this note that it is about time that really serious research effort is put into the theoretical and practical implications of defining leadership as nothing more, nor less, than a magnificent human skill.

So what needs to be done? All skills are made up of three components-

*Cognitive ----- Perceptual ----- Motor*

The leadership literature displays that a considerable amount of research has been done on the *cognitive*, ie what a leader needs to know or even be! A fair amount has been done on the *perceptual*, ie what a leader needs to see, hear, sense, have 'vision' with different kinds of followers in different kinds of situations. However relatively little systematic work has been done on the *motor*, how a leader behaves, sounds and looks. These are the so-called 'micro-processes' of leadership and are a neglected field, but for some notable exceptions, by both researchers and practitioners alike.

The question needs to be raised, why the neglect?

Perhaps one explanation is market forces. Managers who aspire to be called leaders appear to prefer a quick fix, a secret formula or a magic potion. The suggestion that the key lays within themselves and they would have to spend as much time and effort on it as they do learning how to interact with a golf ball or a yacht is not to their liking. I have heard many senior managers say that they would not be in the position that they are if they did not have sufficient of this skill already. This is sad as skills- learning how, unlike knowledge- learning about, can only be acquired by people who want to acquire them and they can only be acquired over time with the help of coaches. This is time-consuming, expensive and labour intensive to teach. So, as was pointed out earlier, a person really has to *want* to become an

effective leader if they are going to expose themselves to the self-awareness and the feedback that it requires. Hence the unattractiveness of this 'skills approach' to leadership to managers, academic researchers and business schools, with the notable exception of the Leadership Trust. This operational phenomenon will also have to be addressed in future leadership research.

This could be the first topic arising from this note that needs to be discussed — why is a skills approach to leadership so unpopular? It has been around for a long time in one form or another. Is it naïve? Too simplistic? Too technical? Unexciting? Too threatening? It is certainly not what the market wants and it is probably not rich enough in its theoretical content to warrant a high RAE rating. Nevertheless it appears to have the potential to pull together a great deal of the more significant research findings, at least to illuminate the complexity of a very elusive concept. Further, by using the existing research base on the nature of skills, it provides a solid theoretical and practical foundation on which to build leadership training. The abstract concepts of *trust, adaptability, balance and alignment* can be attacked by the established techniques of skills analysis. Far more difficult than analysing routine tasks or even the swing of a golf club, but nevertheless the exercise would establish whether or not such notions have any real claim to existence. What would be established is a catalogue of essential behaviours for leaders that would be trainable. Those that were critical but not trainable would then be the province of the management selector rather than the leadership developer. The elusive solid core, the essential components, of all leadership is beginning to emerge from taking this approach. Work at Bradford suggests that this may be made up of the verbal behaviour required for *collecting information, giving information, influencing behaviour* and *handling emotion*. Such a 'micro-approach' does not deny the relevance to leadership of the more 'macro-concepts' of *qualities* and *purposes*, but it does move the emphasis away from discussions of the abstract to considerations of the trainable.

What is the alternative that would help to break the merry-go-round that seems to be the characteristic of contemporary leadership research?

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## **A New(ish) Approach to Team Building**

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As the recent BBC programme *The Apprentice* programme (first shown 5<sup>th</sup> June 2013) has shown us, team building is very much alive and kicking. However, as the programme showed, operating in teams can be both rewarding and frustrating in equal measures. To say that teams have been the focus of almost countless articles, books and other discourse is almost a given point (e.g. Guzzo & Shea 1993; Hackman, 1987) with a quick internet search using the term producing in excess of four billion entries! Teams have received an increasing amount of attention particularly over the past few decades as organisations have come to rely on team-based arrangements to increase and improve quality, productivity and customer service (e.g. Swezey & Salas 1992; Tannenbaum, Salas & Cannon-Bowers, 1996). Senge points out that increasingly teams are being seen as the cornerstone of organisational development. He describes a team as '*the fundamental learning unit of an organisation*' (1990:10). Groups rather than individuals often make strategic decisions and organisations are spending ever more resources in developing team skills in individuals in the hope that this will transfer through to organisational capital. As organisations have moved towards decentralisation, empowerment, and the use of outside agencies to deliver non-core activity, teams have become increasingly important in making critical decisions essential to organisational survival (Guzzo & Salas 1995). However, this plethora of comment has often clouded the investigation into how teams operate as the definitions of the word '*team*' and '*team work*' are still argued over by researchers.

This uncertainty is reflected in three emerging social trends; the first is the changing nature of work driven by the rise of the 'knowledge worker', first named by Drucker (1969) and Atkinson's (1984) 'peripheral staff'. These individuals, due to their skill set, own the means of production as companies move from manufacture to 'mentofacture' (Burgoyne & Roe, 2007). This means they can manage their own control systems and networks, hence undermining the structures generated by organisations designed to control and guide its workforce.

Secondly, the arrival of relatively cheap information technology systems has presented organisations with a dual challenge and opportunity – to manage information and knowledge effectively and efficiently whilst ensuring the workforce remain committed to the central philosophy of the organisation (Buchanan & Body, 1983, Walton & Susman, 1987, Zuboff, 1988). This has meant workers no longer need to be housed in expensive real estate or occupy capital resources such as computer systems and desks. The attendant support staff such as human resource managers and call centres can be remote from the headquarters. Workers can operate remotely using text, video and telephonic links. Of course the disadvantage of such networks is the reduction in control and influence over such distant workers experienced by organisations using these systems (Symons, 2003).

Thirdly, the nature of competition between organisations is both more complex and transitory. Examining the web that is global car manufacturing is instructive as we see organisations that were once competitors collaborating in some markets whilst competing in others; sharing technology such as engines in one model whilst trying to defeat in another. For example, Volkswagen produces six different brands and Fiat at least four, including Ferrari, Maserati and Alfa Romeo.

Coupled with this complexity is the challenge of even deciding on exactly what a 'team' is. Guzzo & Dickson recognise that teams often exist within a larger organisational context and see a team as:

*'made up of individuals who see themselves and who are seen by others as a social entity, who are interdependent because of the tasks they perform as members of a group, who are embedded in one or more larger social systems (e.g. community, organisation), and who perform tasks that affect others (such as customers or co-workers)' (1996: 308-309)*

This theme of psychological recognition is picked up by Schein in his definition of a team as 'any number of people who interact with one another, are psychologically aware of one another, and perceive themselves to be a group' (1994:145) and McFletcher's (1996) view 'a group of individuals who share work activities and the responsibility for specific outcomes.' Alternatively, Lewis (1993) rather loosely defines a team as 'a group of people who are committed to the attainment of a common objective, who work well together and enjoy doing so, and who produce high quality results'. Salas *et al.* (1992) try to define this 'group boundary' by stating a team is;

*'a distinguishable set of two or more people who interact dynamically, interdependently and adaptively towards a common and valued goal, who have each been assigned specific roles or functions to perform, and who have a limited life-span of membership.'* (1992:4).

Whilst the approaches pioneered by Tuckman (1965) and Belbin (1981) are very familiar, an alternative approach designed to help to understand why some work based teams perform differently to others despite using such frameworks as described by Belbin (*op cit*), Tuckman (*op cit*) and Clutterbuck (*op cit*) is known as Team Mental Model theory. This relatively new approach suggests teams which share a common understanding of certain key issues relating to the task, the environment, their own processes and values, and have an understanding of how each individual member thinks, perform better than groups with heterogeneous understanding. This concept has become known as 'shared team mental model' theory (Cannon-Bowers *et al.*, 1990, 1993; Roe, 2004) and is based on the work of Kelly (1955). This approach has been tested in various laboratory experiments and in command and control teams such as those in military settings or highly time-pressured environments such as those in A & E operating theatres. However, critics of this approach point to a lack of 'real world' testing and a lack of intellectual rigour in defining the concept.

The roots of Team mental Models emerge from considering what are teams 'constructing' when engaged in team building? Casey, although challenging the whole 'team building' construct, began to explore this theme to explain what was happening when individuals make statements like this:

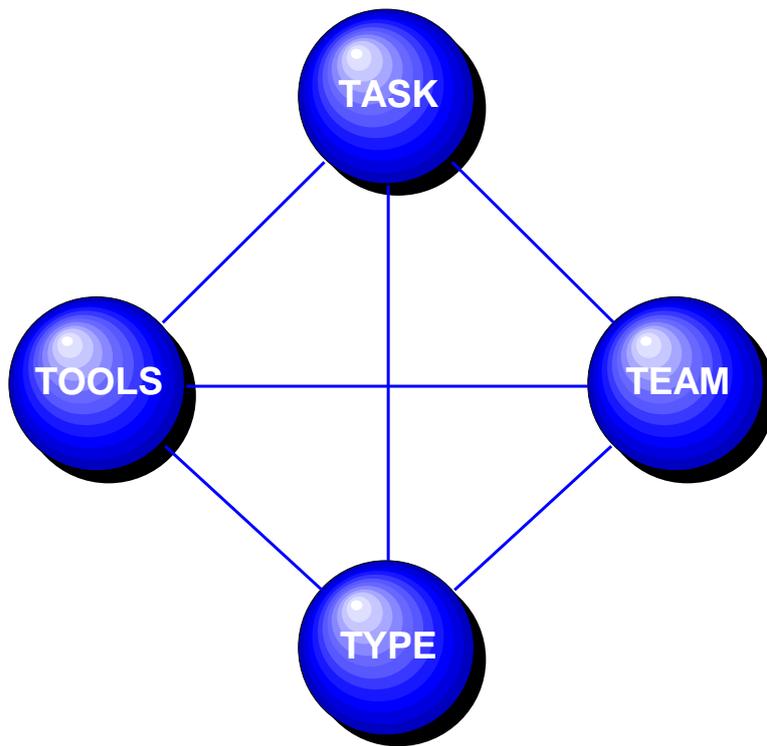
*'We are a very tight group, a very humble group I like to think. But within the camp we have a lot of faith in each other. I look around the huddle before a game and I think 'I'm glad he's on our side'. That goes for every player. I've got a lot of faith in the guys around me and I've got that faith because I see the way they work day in, day out.'* Tom Wood, England Rugby

Captain ahead of the Grand Slam decider against Wales April 2013 (The Times Newspaper, 21<sup>st</sup> April 2013)

The starting point for an explanation begins with prior exposure to the concept of the Learning Organisation. Whilst this term has been derided for a lack of operational rigour, at least intellectually the model proposed by Senge (*op cit*) and Burgoyne *et al.*(1994) among others, makes some interesting challenges to how organisations are conceptualised. Amongst these perspectives is the view proffered by Senge that teams can learn and when they do the intelligence of the team exceeds that of the individual members. Drawing on broad analogies between the world of quantum physics and organisations, his approach was one of the whole organising the parts in contrast to the generally accepted proposition that individual components work together and ‘generate’ an organisation. Using this as a starting point researchers such as Blickensderfer *et al* (1997) began by exploring the general idea of the team as a cohesive biomass and to ascertain if theories applied to individual cognition could be applied to teams.

Early researchers in this field such as Rouse *et al.* (1992), Cooke, (2002), and Klimoski & Mohammed (1994) focussed their research on highly structured teams operating in fast paced environments, such as military command teams driven by the general thesis ‘*that team effectiveness will improve if team members have an adequate shared understanding of the task, team, equipment and situation*’ (Mohammed & Dumville, 2001:89). To place this theoretical concept into a testable model Figure 1 was proposed as a starting position (Roe, 2004). This model attempts to identify the component parts of a team mental model – in other words what exactly do the team member have to share and agree in order to generate a cohesive approach to problem solving. The model suggests there are four key nodes each linked dynamically so there is both flex yet bonds that need to be maintained.

Figure 1: Four 'T' Team Metal Model



Source: Roe (2004)

### A. Task

This portion of the model considers the nature of the problem in hand. It asks the team to establish the true nature of the challenge, the limitation and measures associated with success. It is here the team needs to ensure there is sufficient clarity to enable 'success' to be declared after a given event has occurred. It is important this first step is carried out as without agreement on why the team is in place no other coherent activity is possible. However, this is not to say the task is necessarily output driven. For example, Japanese management will view the activity of 'decision making' very differently from an equivalent Western audience. The Japanese style is to agree on the decision making process, the 'how' of a decision is to be made and the context that decision is to be set into. The Western style is to focus much more on the outcome, the 'what' of the decision. It is largely irrelevant, when using this model, as to the particular approach used. What is important is that the task is clarified as this will influence the remaining parts of the model. Again this clarity does not need to be in the format 'achieve X by Y date'. It may be merely to 'explore', to think about, and to conceptualise but whatever the task and however it is important it is defined – even if that definition is itself flawed.

### B. Tools

This domain is concerned with the resources needed to achieve the task. Whilst these resources may be physical in nature, such as computer hardware or software, they may be of a more intangible nature such as knowledge and skill. It is this component that seems to be missing from many other

models and yet it is an essential element of any team/task operation. An orchestra cannot play without its instruments and neither is it complete without the percussionist! This part of the model brings the context of the particular task into much clearer focus by demanding the team or leader understands the requirements of a particular task and associated machinery. It is an area especially relevant in a world dominated by technology and its associated paraphernalia. No organisation contemplating operating as a network or virtual organisation can afford to ignore the demands the technological component of such a strategic decision. The machinery necessary to enable a team to achieve its task must be an essential element of any description of that team.

### **C. Team**

This domain is concerned with the 'how' of team processes. In this area are the procedures and processes that are to govern the interaction between team members – the intra-actions. The challenge for many teams is to make explicit and understood by all is the implicit and unspoken expectations of individuals as to how the team will operate. Many teams begin with loose tacit understanding of individual expectations of what and how the team will work and the individual contribution towards the desired end state. Whilst this understanding may also be articulated verbally, it is too often left unclear and without any mechanism through which progress can be measured. The difficulty arises because the team value set is typically made up of 'soft' values such as 'trust'.

### **D. Type**

Type relates to the individual skills, attitudes and motivation needed to achieve the task. As well as technical skill, this domain requires the understanding of behavioural and psychological processes that enable individual members to see their own agendas being further by a collective achievement.

As with other models using a similar systemic approach (see e.g: McKinsey 7 S, Adair 1986) the real value lies in not simply considering the individual components but the dynamics between each domain. At its simplest level this approach entails linking two domains to ensure a match between the elements in each.

### Task - Tools

The link between the Task and the Tools asks the user to not only consider the nature of the task confronting the team and the available resources to complete the task but also what resources will be needed in the future as the task evolves over time. This area is the easiest (but flawed) area for teams to blame as an excuse for poor team work – anyone can suggest the reason they failed to achieve was through lack of resource.

### Team – Type

This dynamic probes the relationship between the type of individual needed to deliver the processes and procedures identified in the team domain. Casey's argument for higher level skills and Clutterbuck's approach in establishing team values need to be linked together. Individuals capable of developing and using the requisite degree of emotional intelligence need to be available to the team if the team need a particular level of cognitive ability.

### Tools – Type

The question to be answered here is concerned with the level of competence or potential for Type individuals to cope with the required level of tools either currently available to achieve the task. For example, the orchestra example quoted earlier needs individuals competent in a range of musical instruments to play a symphony. Individuals with the necessary skills will be needed to fulfil specific roles within the whole orchestra. These technical competencies will need to be current and displayed at a sufficient level of ability to meet the task demands. A glance towards the future may be necessary if the scope of the task allows, however it is important to ensure current tasks are achieved before moving on to longer term goals.

### Task – Type

Individuals selected for a particular task must be able to comprehend the nature of the task set before them at an individual level initially. Their part in the whole task needs to be grasped by individuals if the team is to succeed. Whilst this contribution may evolve over a period of time (and move outside the individual's competence) at least in the beginning each individual should be capable of contributing towards the end goal.

### Task – Team

This link needs the team's processes and procedure to at least match the demands of the task. 'Requisitness' is the key here as more complex tasks require more complex systems to govern the activity surrounding the task. The ability to manage information and knowledge also increases as the task complexity increases. This means the team systems need to be capable of matching the task demands.

### Tools – Team

Finally the relationship between the tools needed or available and the procedures and control mechanisms designed to assist with the deployment. Again this is an area of potential conflict as 'jobsworth' and gatekeeper mentality can set in as procedures originally designed to assist become barriers to timely deployment. The great bureaucracies along the Sloanist models created efficient, if not effective, methods for controlling group resources.

The approach of team mental models is being explored further (Burgoyne, Beech & Roe, 2012, Roe, 2012) and it does offer a useful way forward as the working environment evolves as a result of technological innovation and societal change. Being able to examine and consider now not only what is being built when trying to develop teams but also how this can be achieved, analysed and measured may be a significant step in organisational development.

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## **Managing relational ambivalence in an ambiguous business environment**

By David Shaw and Kyle Ingram

(A note prepared for the All Party Parliamentary Group on Management from the University of Greenwich Business School Leadership & Organisational Behaviour Research Group)

### **How relational ambivalence threatens high performance**

Effective management is increasingly recognised as requiring successful management of ambiguity, where apparently contradictory management actions are implemented at the same time (Sanchez-Runde & Pettigrew, 2003). Pettigrew (2012) argues that effective managers act on an enterprise-wide scale, that such holistic action inevitably gives rise to ambiguity, and that attempts to simplify management by taking individual initiatives in isolation from each other are the hallmark of low-performing organisations. Managers in successful companies centralise some activities while decentralising others, organise some activities in informal networks while organising others in formal hierarchies, and form collaborative relationships between business divisions on some issues while promoting competition between them on others. Effective managers are managers who are good at managing these “dualities”. Pettigrew (2012, p.1311) refutes traditional assumptions that management can be a linear sequence of planning and implementation and asserts that “attempting to carry out a given strategy ... invariably leads to its reformulation”. Effective managers are managers who are able to “transform ... strategy through use”.

Meanwhile research by the University of Greenwich Business School has been highlighting the serious impact of ambivalent relationships between employees and their managers on employees’ organisational citizenship behaviour, i.e. their willingness to make discretionary contributions to the success of their organisations that go beyond their formal roles. It is well-known that employees are liable to respond to poor relationships with their managers by leaving their organisations, while good relationships encourage organisational commitment. Feldman (1976) for example has pointed out that good employee-manager relationships, facilitated by supervisors with well-developed social skills and sufficient time to spend with their employees, help engender the employee commitment upon which organisational success depends, whereas poor relationships are associated with absenteeism and high turnover. Research into relational ambivalence, however, where the employee’s relationship with the manager is one of mixed feelings, is relatively novel. Ingram (2013; 2014) shows that vacillation and unpredictability in the employee-manager relationship has decidedly negative effects on employees’ organisational citizenship behaviour, including employee turnover. These research findings lead to a significant dilemma. The process scholars say that effective managers must be able to act in seemingly contradictory ways and constantly to be ready to change their strategic course. At the same time such managerial behaviour would appear to be a recipe for relational ambivalence between employees and managers, and thus for

undermining the organisational citizenship behaviour upon which high performance depends. We believe that this highlights a new and impactful “duality” that today’s managers need to be able to manage, i.e. to pursue ambiguous and changing strategies while maintaining clear and consistent relationships with their employees.

### **Some implications for management capabilities**

Despite the evidence that management of holistic organisational change on an enterprise-wide scale is the most effective way of raising performance, Pettigrew & Shaw (2000) point out that in a survey of European companies fewer than 5% could claim actually to be doing this. It is at least plausible to suggest that the reason for this is not that managers are blind to the benefits but that the challenges involved in it are too great for most managers. One of the key challenges is how to do what is necessary to maintain positive organisational citizenship behaviour among employees while managers’ actions are liable to engender feelings of ambiguity and unpredictability. If managers were better at coping with this new duality, managing ambiguity and change while maintaining clear and consistent relationships with employees, they might unlock this capability to manage enterprise-wide change successfully.

Smircich & Morgan (1982) have identified the management of meaning as a key leadership capability. Events in the life of an organisation do not determine people’s reactions to them in themselves. Significant events are subject to interpretation, and the way in which people act depends on the way they interpret them. It is the privilege of managers to have opportunities to manage the meaning of events for their employees. These are opportunities for managers to communicate the logic that underlies the apparently contradictory initiatives that they take, and the consistency of approach that underlies their reformulation of strategies. The way in which managers exercise this privilege is a key factor in the occurrence of relational ambiguity. Smircich & Morgan illustrate the way in which employees may perceive an incident such as a manager’s expression of bad temper as acceptable and indeed beneficial in underscoring a particular organisational priority, or alternatively as wholly negative, depending on the circumstances. Managers need both sufficient emotional intelligence to manage their behaviour in such a way as to exert appropriate influence on their employees, and the resilience to be able to exercise that emotional intelligence in practice in the presence of potentially chaotic and troubling events in the life of their organisation. If managers are to cope with this new duality they need both emotional intelligence and resilience. Action to raise the performance of managers requires action to increase the proportion of people with these abilities in senior positions.

The capability to lead complex, enterprise-wide change cannot be developed quickly. It flows from an individual’s deep, personal background. A survey conducted by the Chartered Institute of Personnel and Development (2003) found that despite the availability of many potential sources of learning about organisational change such as the experience of other organisations, training courses, publications and management consultants, none of these had much influence on the way in which managers set about organisational change. By far the biggest influence on the approach taken was senior managers’ own prior experience of managing change, whether with their current or their previous organisations. The message is clear. If senior managers have acquired strong and wide-ranging experience of managing

change effectively they embody a powerful capability to lead complex, enterprise-wide change and thereby to raise performance. Equally, if senior managers do not have this prior experience, the narrowness of their experience will limit their organisation's options for leading holistic change and raising performance. We see the development of emotional intelligence and resilience as a fundamental part of this. The ability to manage this new duality is not to be acquired through management books, training courses, coaches or any means other than acquisition of, and reflection upon, deep experience.

So what are the implications for the action that organisations should take? The lessons of process scholarship should lead them to be wary of "quick fixes". They should set about developing a senior management team that has the emotional intelligence and the resilience to manage the ambiguities and unpredictability of enterprise-wide organisational change while at the same time communicating to their employees a consistent logic that should underlie the apparent contradictions and unpredictability of their actions. They should seek to create a team of senior managers whose prior experience equips them with a wide repertoire of capabilities in managing change. This endeavour should guide their whole approach to talent management and selection for senior management positions. Research into this new field of relational ambivalence between employees and managers will continue with a view to deepening our understanding of the phenomenon and better informing management practitioners.

## **Conclusion**

New research into relational ambivalence between employees and managers highlights a key constraint on managerial performance. Its incidence is a key factor that prevents managers from implementing holistic, enterprise-wide change that has been shown to produce superior performance in those few companies that succeed in achieving it.

We believe that there is a new "duality" that today's managers need to be able to manage, i.e. to pursue ambiguous and changing strategies while maintaining clear and consistent relationships with their employees.

This requires managers to be able to manage the meaning of organisational events for their employees. This is a scarce capability that depends on managers having highly developed emotional intelligence and a high degree of resilience.

Managers develop these capabilities through acquisition of, and reflection upon, deep, personal experience. Organisations need to address this requirement through their long-term approach to talent management and selection for senior management positions.

Research into this novel area of research will continue, deepening our understanding of the issues and informing management practice.

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## Management short term pressures

Having been in management for over 35 years, in four business sectors and several companies – in both boom & bust conditions I have seen first hand several similarities that point towards ‘short term’ solutions rather than taking the long term view being the norm.

Financial pressure (in private sector) to ‘achieve’ bottom line growth (at all costs) does not lead to a sustained investment in people (training / development / career progression) or infra structure. With a growing change to performance related pay reviews (including the imposition of zero pay rises for failing to meet annual targets - which are passed down rather than negotiated / agreed) there is a tendency to cut costs and corners. This focus is too short term to enable businesses to grow in a sustainable manner. Managers are either de-motivated and leave or use their perceived success to gain internal or external promotion.

Good talent is stifled rather than nurtured. Hopefully those who ‘move on’ will have learnt to pick the right sort of organisation for their talents – at worst they fail to achieve their full potential and are put off being managers.

Those who do progress within the same company have learnt that ‘results’ are everything which is a dangerous view – in the long term businesses or managers that rely on ‘cost cutting’ or lack of investment as their main strategy are unlikely to build a business for the future.

Those who use their short term success to move to a different organisation likewise take the same management style with them, thus spreading the culture even further.

Of course managers and businesses need to control costs and avoid waste but too often this is the main option taken.

Equally chasing sales, at all costs, is a risky strategy – Banks miss selling to achieve a hefty revenue gain has come back to haunt us all. Not only destroying the public’s confidence but internationally damaging the UK’s reputation. I have been involved in tendering for commercial contracts and been amazed the winners have quoted well below costs. Serco and G4S have recently had major issues due to this, as have train operators who again just chase revenue.

In my career I have seen many financial plans where the targets for the next twelve months have been set at 10% revenue growth, an expected increase in gross margin % and an increase in net margin %. I question that this is realistic or achievable.

All looks fantastic ‘on paper’ but where is the logic? I’ve often wondered why 10% is such a common figure. If the plans were based on facts, logic, in depth analysis and market research would they really be 10%?

We’re all target driven but I have rarely seen any ‘facts’ behind the setting of such. It’s once the targets are set – passed down to lower levels that the reality hits home (especially where the future of employees and their pay rises are affected).

I've seen companies start from the bottom to build the plans for the coming year but change them so they meet the companies required growth targets. This is a total waste of every ones time & efforts. It also has a very big impact on employee engagement and motivation.

Employee Engagement has been heralded as a great way to increase productivity and profits but to be effective it needs time, effort & resources from the very top down. Too often it is seen as a tick box exercise by HR departments or like training a casualty of cost cutting. True implementation of an employee engagement programme takes several years to implement and even longer to see significant shifts in attitudes of employees. Again this shows the 'short term' policies being pursued rather than the long term strategy.

I've seen few companies measuring 'staff retention' – this is possibly the cheapest (and total honest) measure of employee engagement. I remember joining one company where the staff turnover was measured and stood at over 25% per annum. That spoke volumes and became a key focus area, after much effort & investment it fell to zero (and did so for my last 3 years there) – as a by-product the revenue / margin / customer retention / profits all grew – I'd like to think the two were related.

We need a change in attitude in the UK where management is seen as a highly professional role, where integrity is seen as a virtue and ethics are valued as highly as profitability. Until attitudes change we'll continue to focus on the short rather than the longer term.

We need to preach that performance related pay should concentrate on the long term prospects of the business not just last year profit & loss account. We should never forget the power of targets and what gets measured (it's our job to ensure we measure the right things).

We need managers (at all levels) to constantly (daily / weekly / monthly) answer the following questions:

What have I done today to improve our customer service? (Or if you want to be totally honest make it worse?)

What have I done today to help my staff in their job? (Or if you want to be totally honest make it worse?)

What have I done today to ensure the future of this business? (Or if you want to be totally honest – what have I done today for the short term that may be to the detriment of our long term future?)

I maybe 'over the top' with the today in the above questions but if we're serious about improving UK businesses for the future it has to be a complete mind change not just lip service.

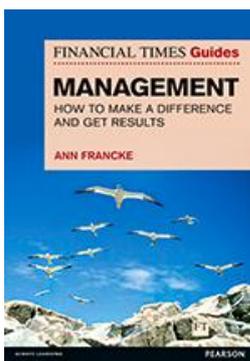
John W Stephens (December 2013)

Author: Dr William Tate, The Institute for Systemic Leadership

## **Forward to Basics: A New Primer** **Bringing a fresh look to the building blocks**

### **We need to talk about ‘management’**

- If we are to construct options for the future in contentious territory, we first briefly need to establish a sound footing in how we use the language of management and leadership.
- Managers’ professional field of practice, as well as their skills, qualities and qualifications, are expressed by the nouns ‘management and leadership’. But managers don’t *do* management and leadership as such, certainly not alone: what they personally do is ‘manage and lead’ – verbs that actively denote managing and leading. The problem with using nouns formed out of verbs (called ‘nominalisation’) is that they cloud agent behaviour concerning who is doing what.
- This grammatical nicety matters because using ‘management’ to mean what the individual manager does collides with two other uses of the term ‘management’: first, management as an organisation process or system that involves several people, including other managers, interacting with various policies, procedures, targets, etc. (e.g. management of a hospital’s beds and waiting list); and secondly, management as a position in a hierarchical structure.
- Managers who hold positions of authority get referred to as ‘the management’ (or at a senior level as ‘the leadership’). But that doesn’t say anything about what they do or how well they do it; it is simply hierarchical.
- When people blame ‘management’, it may be unclear what or who they believe was faulty? If it’s a ‘who’, precisely who? ‘Management’ hides the parties behind an anonymous mask.
- Position, abilities, roles and activity are all different though related aspects of management. Distinguishing more clearly between them helps build understanding.
- Books and other sources of advice would be clearer if they referred to the ‘MANAGING’ that individual managers do – if and where that is its purpose.



(EXTRACT FROM A BOOK’S PROMOTIONAL MATERIAL)

‘We’ve all worked for bad bosses, and know that they can make life miserable. Equally, I hope you’ve worked for good managers who have inspired you. This book is about how to recognise the difference between good and bad management and develop your skills as a good manager.’

- The habit of nominalisation of “management” dies hard, especially when it sounds more impressive and implies that an organisation-level outcome will result from individual action. But this connection is more tenuous in practice than it sounds. Development interventions and campaigns frequently fall into this trap: assuming that the individual can deliver the change that the organisation needs.

### **Developing the foundation stones**

- Research shows that businesses cannot successfully delegate to individual managers the responsibility for how well the organisation’s management process works as a system. No amount of training of individual managers’ skills, or specification and assessment of individual competencies, or use of psychometric measures of personality, can bridge the system management gap. Something more is needed to elevate the action of managing to that of ‘management’. This something reaches deeper than managers’ skills and behaviour, and the key is to be found in organisation factors that surround the managers.
- Yet most advice on management is still concerned with what independent managers should do. Such advice implies that if all managers follow best practice, then all will be well for the organisation as a whole (even for UK Plc). Such hope is misplaced. It overlooks a crucial organisation dynamic: it neglects the way the management process behaves as a system. How it works depends on the relationship and interconnections between component parts. And the parts include, but are more than, other individuals. This enveloping system is different from but feels somewhat akin to culture, raising the challenging question of where responsibility sits for improving organisation dynamics, phenomena and holistic success if it doesn’t sit with individual managers.
- Advice at the individual manager level may be limited to the manager’s relationship with members of staff and colleagues, exhorting context-free timeless truths about people management. Responsibility for that relationship may wrongly be assumed by the employer to rest in just one of the parties – the manager. The manager will often think differently. And wider issues of the manager’s *role* (rather than abilities and behaviour patterns) may receive less attention.
- The question of managers’ purpose and role, what they are expected to use their skills and qualifications to achieve for their employer, is often less discussed. Is it, for example, to run a departmental function effectively and efficiently, or is it to challenge the status quo by asking questions such as ‘why are we continuing to conduct this procedure this way?’. Should managers be employed to make the way the work works better for the future as well as delivering today’s operation according to today’s rules? How reforming does an organisation need its managers to be, and are they encouraged and permitted to perform such a role? And when does such a future-oriented improving role draw upon and justify the label ‘leadership’ rather than ‘management’?
- Responsibility for those big management/leadership culture and system questions rests – at least in part – at the door of other individuals, especially

senior leaders. But at some level 'the way the system works' becomes so pervasive that no one feels able practically to own and accept its challenges as their responsibility. And the governance implications usually go begging.

- Organisations' most important management challenges are systemic: banking sector mis-selling, Stafford Hospital abuse, poor police handling of indiscipline, local authority financial pressures. These require improvement in the way their management and leadership systems work. Seeing, understanding and directly acting on these systems is required if they are to be improved. In the widely used metaphor, it's like needing to notice and tend to the fishtank as well as the fish; fixing the fish doesn't fix a fishtank that's become toxic.
- At a level up from individual managers and their jobs are system properties that comprise a manager's enveloping context, the intention being to channel and combine efforts and outputs to beneficial effect. Among other things, these systems are responsible for most of what managers are called upon to do, what they choose to do, what they are allowed to do, and what happens when they do do.
- In network terms, trying to bring about system change by regarding it as an individual manager responsibility confuses nodes with their interconnections. In development terms, what usually needs most attention is what is going on *between* managers (both colleagues and hierarchically) and what is going on *around* managers – how they connect with such system things as targets, incentives, protocols, rules, power structure, etc. If an organisation is to improve and become better led as a whole, these social and system forces must be recognised as more powerful and influential than the individual manager's skills, behaviour and personality. When improvement in 'management' is needed it is this systemic context itself that must be targeted for change.

### **When managers need to lead rather than manage**

- Managing is the job of a manager, can be and often is specified. Such activity is unavoidable if managers are to keep their job. In contrast, leading is often unspecified other than in positional terms; e.g. 'provide project leadership to ...'. Leading is discretionary, political, risky and lacks agreement on what it is. And leading is less amenable to training than is managing. People will acknowledge that they are being managed more readily than they are being led.
- A manager is usually left fairly free to work out what leadership means and to choose whether to and when to don the appropriate hat. More than the individual's personal qualities, it is the context and what surrounds the manager that largely determines whether and when the manager chooses to take a lead. The safe default for a manager is to manage, not lead.
- Leadership is a relational phenomenon. It happens in the engaged space between people, not inside any one of them acting independently and alone. Leadership is thus an 'emergent' property of that relationship. In a different relationship the expectation and the assumed need for leadership will be

different, the leadership behaviour displayed will be different, and how such leadership is assessed will be different. The assessed quality of a manager as a leader lies in its perception: it is not an assessable or constant truth.

- Much of what a manager does is grandly called leadership but it is actually good managing that derives from having positional authority.

### **What problems arise from the above?**

- As we have seen, the word 'management' spans different spheres of interest in the life of an organisation and how well it functions. The word is used for what is going on in individual managers as they do their job, as well as what is going on at an organisational level and how it behaves as a system. The individual level is about a manager's actions, qualities, behaviours, skills, competence and qualifications. The organisation level is about processes, measures, controls, activities, arrangements, structures, relationships, collective behaviour and outcomes.
- The organisation surrounds managers with an appropriate environment so that they can perform as managers, and it adds value and synthesises their individual work to capitalise on their managerial efforts. It is when the management environment is inappropriate that we become most aware of the context's deep impact on individual managers' behaviour.
- Loose use of 'management' runs the risk of distracting us from the systemic perspective and the need to act on the system. By appropriating the word 'management' for what the individual does we risk overlooking what surrounds managers if they are to be free to manage purposefully and in an integrated way that enables the organisation as a whole to be effective, well managed and led.
- The upshot is that many organisations underplay their synthesising management role where they can add strategy, direction and integrating value. Instead they analyse the poor managers to death using reductionist thinking based on the outdated metaphor of the organisation as a physical machine. That is, HR breaks down the organisation and its people into the smallest parts, seeks parts that are defective or broken, fixes them via training and development, stands back, and assumes that once the parts are fixed, the whole mechanism will perform correctly.
- This Cartesian-Newtonian paradigm – named after René Descartes (1596-1650) and Isaac Newton (1643-1727) – gave rise to the *scientific management* way of thinking, organising and managing. But this model began to lose favour in the mid-1900s when it was realised that organisations were complex, social, political, organic systems. The 'new sciences' of systems thinking and complexity gradually gained prominence and began shaping an alternative paradigm. This new way of thinking recognises that organisations are unpredictable and uncontrollable at an individual level, with cause and effect linked only loosely. Yet the individual-focused, micro-managing, atomistic, hierarchically instrumentalist, mechanical myth remains. Power and human

nature have ensured that this mindset still holds sway for many. It costs organisations dearly and undermines attempts at modernisation.

- Many organisations end up with grotesque, highly detailed and bureaucratic specifications of what the ideal manager is required to have and do (qualities and behaviours), detached from the real organisation dynamic that either frustrates or enables them to perform. But it is usually the dynamic that is inherent in the organisation context that needs the greater improvement attention. Such obsession with the small print of individuals' make-up is a huge misdirection of energy – by professional institutions, business schools, publishers and businesses alike.
- If organisations and managers become aware of the clash between the old and new worldviews they may recognise the need to modernise and change their concept of management and organisation. But the managers who have most authority to lead change are usually those who are most steeped in and vested in the traditional concept, values and beliefs. Even wise managers who can overcome personal hesitation have no choice but to work with the system to change the system. Hence the system's in-built tendency favouring the status quo.

### **What can we do to improve management and leadership?**

1. If it is to be the main strategy for improving the system's performance, abandon the idea of generic management skills training for individual managers. Instead, work on the system and the interconnections. For example, get people together to ask them how the system is getting in the way of them doing their job, and how it can be improved, refashioned and re-purposed.
2. Don't conflate *leadership development* with *applied leadership activity* (as most studies into improving leadership do; e.g. Council for Excellence in Management and Leadership). There are other ways of improving leadership than through development activity. First stop wasting it.
3. Ensure that the actions that managers take, and what the organisation does in the name of 'management', is a pulled response to people's needs, and is not what 'management' or HR wants to push on them regardless of their needs and wants.
4. Recognise that leadership is a strategic safeguarding and governance-related activity, ensuring that tomorrow works better than today. The more senior the managers' position, the more time they should spend on safeguarding the future using their leadership role. This is the most important thing that leadership capability can be used for.
5. By contrast, delivering against today's short-term needs is mainly a management activity. It links cause and effect more closely than does leadership. And it will usually be less contentious because it doesn't pose such a strong challenge to the status quo.

6. Weaken strictly hierarchically-based authority and grade-based involvement in decision taking.
7. Expand the population from which you want managers to take on a leadership role when it is called for. Let them loose to use it. Don't rule out anyone from being able to display leadership qualities and activities.
8. Spend more time managing what surrounds people in their work and less time in managing the individuals and their detailed work. If given a worthwhile and interesting job, the right context and a healthy environment, most people can largely manage themselves. Semi-autonomous self-managing teams are an alternative to strong hierarchical management control.
9. Recognise that the organisation's success comes from what is happening between people as much as what is happening within them. Improved system performance is informed by socially conscious disciplines as well as and possibly more so than psychological ones. Therefore, manage the spaces and gaps in the relational networks. Prompt and value conversations more than individual competence. Lighten the protocols that govern access and exchange.
10. Engage multiple perspectives when problems are complex or 'wicked'. And get help in identifying the right questions before deciding who can help with answers. Don't assume that it is your job to tell people the answer. Once leaders step into the management system as an assumed super-manager, they forfeit their authority and undermine their ability to perform a governance role on the system. Their ability to ask the appropriate questions of the system is compromised, both because they are personally involved in providing everyday answers and because they lose the objectivity that comes from an external stewardship perspective.
11. Don't just make managers accountable by telling them that they are accountable and by giving them responsible jobs: hold them to account practically for getting things right as far as possible, including improving the system, and do this at a management team level when appropriate.
12. Focus performance management energy on the system's workings and performance and how to improve it, as opposed to judging individuals using hierarchical authority. Allow the system to enter into conversations about improving performance.
13. Make appraisal more systemic by considering (i) how managers achieve things jointly with other managers, (ii) how they make it easier for other managers to be successful, (iii) how they improve their workers' environment in systemic terms, (iv) how they lead by challenging the status quo to make tomorrow better than today, and (v) how they seek and achieve continual improvement in their bit of the organisation.
14. Make the act of continually improving count for more than hitting fixed and arbitrary levels of attainment such as numerical targets. Improvement is more important to quality than achieving targets because it doesn't matter where you start, and there is no end. It is less hierarchical, less instrumental, and avoids the problem of gaming the system to achieve someone else's view of what matters

and thereby collect personal rewards or avoid punishment, often at the expense of something else that is important.

15. Ensure that the role of specialists, inspectors, regulators, auditors, etc, is to work with, support and help managers and their organisations improve rather than to police them, measure them, catch them out and humble them.

© Dr William Tate, DProf., MA, FRSA, FCIPD, MCMI, 27 March 2014  
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Author: Colin R. Tuckwell

## **Developing the UK's Strategic Leadership and Strategic Management Capability as a Major Contribution towards Improved Economic Development.**

### **1. UK's Strategic Leadership Skill Deficit**

As a leading developed economy the UK's economic future is tied inextricably with the skills and abilities of its people, not least its leadership cadres. These skills will be the key source of direction, structure, motivation, co-ordination, synthesis and sustainability of British economic endeavour in the foreseeable future.

However, mature and intuitive leadership and strategic management skills are highly scarce in the United Kingdom (UK). It can be no coincidence that the country has no established definition, framework and deontology for the development and practice of some of the most demanding, sophisticated and long-to-nurture skills our society needs for best functioning. **This paper discusses the paucity of highly mature UK strategic management capability and ways of addressing it.**

Management capability is very widely recognised as a major contributor to the industrial and wealth development of the 20<sup>th</sup> century. Until the 1970's the industrial environment and societies were relatively slow-moving, and even leading nations were still significantly industrially rather than service-based. Today's world and its demands are largely unrecognisable from then. So, too, is our knowledge of leadership, human development and strategic management. Prospering organisations today have to be highly competitive and able to respond to a wide-range of pressures and influences, as emerging countries such as China, Brazil and India with major populations, achieve in 30-50 years what took our nation some 150.

**Notwithstanding the UK's major changes over the last few decades its development frameworks for managers and leaders have moved forward in only very limited ways, and have not responded to today's needs.**

Some of the areas for which effective business leaders' need knowledge and intuitive experience today were little or unknown and very different thirty to forty years ago include:

- Leadership – shaping the future in an highly uncertain world, synthesizing an organisation's capabilities to create sustained value, managing people and structures their tension and conflicts to creative and collective

common benefit, creating clear focus, responsiveness and adaptability within an organisation

- Learning, mental models, cerebral neurology and human development
- Inter- and intra-personal and other aspects of human intelligence
- Market structures, economic development, value chains and competitive differentiation
- Rapidly changing customer and market demands
- Strategy and strategic development
- Organisations as a changing bio-system, their culture, design and development
- Human psychology, stakeholder engagement, motivation, managing change
- Communicating with multiple audiences using multiple media
- Technology – life-cycles, disruptive and innovative capacities, economic frameworks, associated mathematics of evolutionary pathways, chaos theory
- Mass data – its effective structure, processing, usage and deployment as a strategic resource
- External environment including global competitive dynamics, adaptability, and responsiveness to “black swans”
- International cultures, including their interaction as competitors in the market place, underpinned by different economic and financial system models.
- Functional management – market / product technical issues, marketing, operational and supply chain management, finance, people management
- Continuous improvement.

### **Case One – British Cycling**

The British Cycle Federation was formed in 1876. Until the 1990's Britain's international standing in cycling was very modest, with little competitive success in any major international events, and limited cycling activity. Public interest in cycling generally declined and UK's mass cycle production industry atrophied. Developments introduced by dedicated leaders within the sport in the late 1990's created capability which by the 2008 Beijing Olympics was world-leading. Strategic leadership, detailed technical knowledge of the machines and human performance, continuous improvement, collaboration, effective team-work and supportive finance had created a framework of success which continues and is extending its wider economic benefits six years later.

## **2. Current Development of Leadership and Strategic Management Capability**

Notwithstanding the vastly more complex world today and its huge demands on organisations' leaders, UK's public debates on organisational leadership and approach to developing senior business people have not fundamentally changed during the working lifetime of anybody born in the last seventy years.

This is a major competitive oversight given the nature of the world economic evolution and how the UK now has to earn its living. **The gap in skills development for our most senior roles needs addressing with urgency and continuing endeavour if the country wishes to come close to fulfilling its economic potential.** Otherwise we risk being on the wrong side of Peter Drucker's prediction on evolving knowledge-based economies – “there will be no ‘poor’ countries, only (relatively) ignorant (ones)”.

Senior executives and leaders need a broad skill set – Drucker again “management (as a discipline) is primarily about making knowledge effective” - honed in practice to a level of intuitive and virtuoso capability, across wide areas of technical, commercial, human, social and societal knowledge. This need is poorly reflected in the main, historical development structures for managers and leaders, who largely evolve to senior positions through the “silos” of their first profession, with many being weakly-informed of much of the wider nature of organisational, business, human and societal life when they are beginning to take responsibility for wider business and organisational decisions.

The main professions that develop functional skills for business management in the UK are:

**Accounting** – there are more than 250,000 qualified accountants in the UK, by far the largest professional background of qualified people in business. The different bodies' professional examinations are predominantly developing technical skills, and then largely at a conceptual level, for roles in accounting. They are not adequate preparation for knowledge needed for financial directorship. The further conceptual knowledge for finance directors – such as corporate financial strategy, national and international financial markets, advanced financial theories – are in fact more deeply covered by business schools.

The accounting syllabuses do not directly deploy action learning - essential for practical application of studied learning and personal effectiveness in organisational life – nor offer insights on developing these skills for future personal development. Broader management topics are covered to a level of creating awareness, but are very narrow in their exposition of even respective seminal sources.

The accounting bodies' Continuing Professional Education activity is a mix of technical accounting up-dates and “tasters” for some wider management topics. It would not be adequate for evolving highly competent Finance Director skills for example, nor, of course, wider general and strategic management skills.

Far more Chief Executive Officers (CEOs) in the UK have an accounting background than any other, with many stepping straight from a Finance directorship to the wider CEO role.

**Marketing and Personnel Management** – these professions bodies can be considered analogous to the accounting bodies in their respective arenas, although the numbers of bodies and members is significantly fewer. Their formative structures develop the conceptual knowledge for individuals to build upon in working as increasingly senior practitioners in their functional areas. As with accounting there is limited conceptual learning on broader topics of organisational management, strategic development, leadership or governance. Very many fewer marketing and personnel professionals serve on company boards than accountants.

**Operations Management, Technology, Supply Chains** – there are no authoritative UK professional bodies that direct lead and co-ordinating the professional development of knowledge and skills for these essential functional areas within corporate life. Although engineering bodies play an important role in the development of knowledge relevant in these areas the lack of specific professional status reflects that these areas of management have only come to the fore in the last thirty years, as well as a possible innate British prejudice against “trade” and manual work. Process design, for example, would have been understood by few managers in any industry in the 1970s. The subsequent widely communicated seminal work of Deming and Juran with Japanese industry has not been enduringly embraced by UK management development bodies. Notwithstanding, engineering is the second most common professional background for UK quoted company CEOs – some 20%.

**Strategic Management and Organisational Leadership** – there is no authoritative professional body to support the formative and life-long professional development of UK people in these areas.

Organisations offering professional broader qualifications for managers and directors are the Institute of Directors, which has circa 1,000 Chartered Directors, the Institute of Management and Leadership (part of City and Guilds) with *N* members with a Level 7 qualification (Masters degree equivalent) and the Chartered Management Institute with *Y* Chartered Managers (also a Level 7 qualification).

**Narrowness of development background is found to be highly limiting and injurious of economic performance by what we now know of human development.** Our skills and capability form throughout our lifetime as the brain’s neurological network of pathways develop through life’s activities, including work. To become intuitive and expert in a complex arena people need to spend significant time within it. But too long spent in narrow areas – “silos” - deepens and reinforces the associated patterns of thinking and limits the brain’s broader development, creative capability, our adaptability and our ability to relate broadly to other people of different backgrounds and experiences. Having large numbers of people in senior roles with this sort of personal evolution increases the fragility of the economy.

The main source of a broader conceptual education in strategic and general management in the UK is business schools. Of low numbers in the 1960's, the UK now has over 100 business schools, 21 with the EQUIS (European) accreditation, 18 (of 58 schools world-wide ) having triple-international accreditation. Increasingly though the UK's business schools are global providers, with only small proportions of the leading schools' full-time students being British.

Post-graduate education has seen strong growth in the UK since the 1990s, when only 4% of the working population had qualifications higher than a first-degree. Today over 11% (2.1 million people) have such qualifications. Business management is the most widely studied subject. Whereas until the early 1990s only 1000-2000 Britons were obtaining Master degrees or equivalent in business studies each year, today that figure is some eight to ten times higher – published figures are not easily available, but the Higher Education Policy Unit / British Library report of January 2010, suggests

this scale of current learning on post-graduate business courses. The report also suggests that the age range of people studying all post-graduate subjects is spread across a wide age range. The largest group is in their 20s and they made up the large majority of the 76,000 full-time first year post-graduate students (median age 24) in 2007-8. Those electing part-time study were 104,000, with a median age of 33 and numbers high throughout people 20s, 30s and 40s.

In its report of September, 2007 on “The Value of Management Qualifications” the Management Standards Centre of the Chartered Management Institute found that employers appreciated the ability of people with business masters degrees highest amongst those able to improve productivity. Notwithstanding this there is continuous pressure on business schools to make their syllabus relevant to changing business needs. It is well acknowledged that their programmes are limited in the materials directly drawing on small and medium-sized organisations (SME) experiences.

**The strong increase in people extending their personal development for longer periods of their careers is a trend that offers the UK a significant pathway to improving its economic performance and reducing our economic fragility.** Frameworks to support these people in continuing to gain benefit from their dedication will benefit them, their organisations and communities and the UK economy as a whole.

The scale of the improvements still needed in developing our senior leadership cadres is pinpointed in the Department of Business Innovation and Skills report on “Leadership and Management – the Key to Sustainable Growth” in July 2012. It quotes Bloom and Van Reenen's research on management practice by country. The UK scored mid-ranking in line with France and Italy but well behind USA, Japan, Germany, Sweden and Canada. The report was particularly concerned about the quality of UK management in medium-sized organisations.

## Case Two – Corporate Boards’ Strategic Leadership Capabilities

“An appropriate balance of skills, experience and independence” is an “essential feature of UK corporate governance” states the Financial Reporting Council (FRC) – October 2010. FRC also indicates that the 2006 Companies Act “means the Board must ensure the business is sustainable .....in setting its business model and strategies”. “The effectiveness with which the Board discharge their responsibilities determines Britain’s competitive position”.

There is little authoritative collated information on the skills, capabilities and development pathways of people who are responsible for UK organisations’ stewardship, but significant anecdotal evidence and some academic research that informs tangentially. Occasional commercial research also gives insights to lack of experts of specific skills – “only five of 595 FTSE 50 Board members is an HR Director” HR Recruiter Ortus May 2012 – or diversity – “few women on Boards”, inter alia the Davies Report, February 2011. However the Leitch Report of 2006 on “Prosperity for all in the global economy – world-class skills” was all but quiescent on senior management and Board capabilities. The Department of Business Innovation and Skills report of July 2012 “Leadership & Management in the UK – The Key to Sustainable Growth” drew attention to the low proportion of business managers with professional qualifications and leadership training compared to other professional groups.

Andrew Kakabadse – Emeritus Professor Cranfield School of Management, Professor of Strategic Leadership, Henley - has the world’s most extensive and current research database into Board skills and capability. In “Leading the Board” (2008) he writes that to be world-class Boards need, among other fundamental attributes, *Clarity of Purpose – (but) 85% of UK (quoted-company ) board directors cannot clearly identify .....how their business is differentiated from the competition...or its competitive advantage.*

The limited detailed understanding of strategy and strategic development in most Boards is collaborated by informal research among long-standing Board mentors, who consider only about 10% of quoted Board directors capable of effectively leading a discussion on their organisations’ competitive positioning.

Major corporate failures also confirm the thesis. Most of UK’s larger banks have destroyed much of shareholder value during the last two decades, largely through a lack of understanding of their business models and risks in their wider value chains. During this time, one of them, as a client, had only two executives who fully understood the overall implications of their money market activities for their balance sheet and associated risk management. The Corporation of Lloyds suffered a similar fate in the 1980s with a lack of understanding of its wider market-place. Leading businesses also not infrequently destroy much of their value by ill-advised acquisitions and / or an inability to integrate new subsidiaries – GEC-Marconi, RBS, Lloyds Bank, British & Commonwealth, Ferranti, Cedant, RSA, Willis, Co-op Group just a few examples.

Recent, as yet unpublished, research of leadership best practice among the world’s largest companies shows that those creating greatest sustainable value have Boards that are fully engaged in the shaping and delivery of their organisations’ overall strategic development, including defining culture, leading by example, mentoring executives and ensuring an ethos of stakeholder engagement and continuous improvement permeates the organisation.

There is limited independent research and information and knowledge available on the economic benefits of matured and virtuoso strategic leadership and strategic management skills.

As Pascale indicated in “Managing on the Edge” 1990, maintaining the high performance of organisations is difficult. Reviewing the performance five years later of the 43 firms most lauded in “In Search of Excellence” (Peters and Waterman 1982) he indicated 14 (33%) as continuing “excellent”; 10 (23%) as “solid, but no longer leading” their field; 11 (26%) as “weakened” competitively; and 8 (19%) “troubled”.

Kotter and Heskett published in 1992 research covering nearly 200 large organisations. In “Corporate Culture and Performance” they found those companies where managers “almost all share a set of relatively consistent values and methods of doing business” – termed “strong cultures” - performed only modestly more effectively than those with less “strong cultures”. They concluded from their work “strong cultures” can help performance but only if (the) resulting actions fit an intelligent business strategy for the specific environment in which the firm operates”. Furthermore they concluded that “contextually or strategically appropriate cultures will not promote excellent performance over long periods unless they.....help firms to adapt to a changing environment”, **Those few companies that had succeeded in establishing adaptive, stakeholder responsive cultures on average “seem to be out-performing most others by a considerable margin”.**

Kim and Mauborgne in “Blue Ocean Strategy”, 2005, found that among 108 business launches 15 **companies that created markedly differentiated and distinct products and services** and avoided direct competition **on average performed 400% better in terms of revenue generation and 1000% better on profitability** than the 93 that offered “incremental improvements”, competing directly within existing markets frameworks.

Michael Porter, has researched and produced seminal works on the strategy of businesses, nations and regions since the late 1970's. Competitive advantage has been one of his leading areas of focus. **“The imperatives of competitive advantage constitute a mindset that is not present in many companies”** he wrote on the topic in 1990. **Those (few) leaders that are most effective, however, “energise their companies to meet competitive challenges, to serve demanding needs and, above all, to keep progressing...working hard to improve the competitive environment”.**

### **Case Three - ARM Holdings plc - [www.arm.com](http://www.arm.com)**

Founded in 1990 ARM is now ranked in the top 40 among the FTSE 100 companies. It is a semi-conductor and software design company, competing in highly demanding and fast moving global market-places. Microsoft's latest operating software is based on ARM architecture. It has market-leading positions, too, in smart-phone and tablet applications.

The company synthesises deep technical knowledge and broad business capability, including strong and broadly-based strategic management skills. It recognises investing in highly able people and their development as a key driver for the sustainability of the business and its growth.

ARM's market capitalisation is currently around £14bn with a price / earnings ratio of some 30. The key attributes supporting the valuation are the quality of people, management and strategic leadership, strongly differentiated business model and products, market relationships, innovative capability and investment in development. Finding and developing talented people to maintain the organisation's competitive advantage is seen as a cardinal role for the organisation as a whole and its CEO particularly.

### **Case Four – Deutsche Auslandshandelskammern (AHK ) - [www.ahk.de](http://www.ahk.de)**

Germany's has been among the three largest exporting economies for decades. Currently only China and USA challenge it in absolute size, although the Germans per capita exports out-strip China's around 15 times and the USA some four times. Only Netherlands and Belgium among the top ten exporting nations have a higher per capita performance. The UK per capita export performance is close to 2.5 times less than Germany's.

Strongly supporting the export performance is AHK (Overseas Chambers of Trade). AHK officially represents German economic interests abroad in conjunction with the federal government and its embassies. AHK is the overseas arm of the 80 indigenous local Chambers, which most German businesses are legally required to join, and their umbrella organisation - DIHK. As such AHK is extensively recognised as a "go to place" on exporting by much of industry and commerce.

The AHK's support to existing and aspirant exporters across the whole of the German economy is a holistic offering in 80 countries, with tailored market assessments reflecting both countries' macro-economic development and local market conditions relevant to market entry, products and services, including distribution channels and prospective value chain relationships. Further comprehensive entry and development support is offered to businesses researching, establishing and operating abroad as their interests evolve.

The German's success as the leading nation for trade fairs, with over 60% of today's major international fairs taking place in their country – Messen [www.messen.de](http://www.messen.de) – is another strong indicator of the strategic and well-organised approach they have to international business development.

We now live in a world that has been changing increasingly rapidly since the 1970s, with that pace continuing to accelerate as key drivers like technology, demographics, education and global wide economic development interact.

**That change demands adaptability and continuous, life-long learning of organisations, people and nations for those hoping to be maintain well-being. That culture is not yet widely prevalent in the UK, but the dynamic international economy demands it. This is the prime basis for suggesting the country now needs a national professional framework for current and aspiring senior managers and leaders.**

Each nation has its own characteristics that are reflected in the structure, approach and evolution of its economy. The UK's recognised strengths, for example, in consumer and services sectors reflect both its early (de-)industrialisation and weakening competitiveness in various sectors where strategic leadership, productivity and technical capability were relatively weak.

Such dangers of weakening competitiveness for the UK economy are far from past, and with the pace of change, are probably ever more present. For example, the Department of Business, Innovation and Skills Paper (No.18) on "Industrial Strategy: UK Sector Analysis" of September 2012, Banking and Insurance were shown as the sectors with the highest revealed comparative advantage to emerging economies; constitute some 10% of the UK's economic value-added; and are among the strongest exporting sectors. These sectors have long-standing frameworks for people to develop technical knowledge, but unlike the examples of law, accounting, teaching, actuarial science, medicine and driving and flying transport vehicles they are not compulsory for people to practice their trade.

By extension there is no framework in these sectors for senior management to develop general and strategic management and leadership skills. Reflecting the scarcity of strategic leadership skills, many of the businesses in these sectors show little differentiation from competitors, have regularly fallen foul of "scandals" through product "push" rather than value-add approaches to distribution of services in the twenty-five years since the Financial Services Act's introduction and have in this time tended on balance to deplete shareholder value rather increase it.

The paucity of long-matured, intuitive strategic leadership capability is widespread in the UK's Boardrooms and management echelons, including in some of our most internationally competitive sectors. Significantly about half of CEOs in larger companies have an accounting and finance background, many without any wider education or experience in strategic or general management. There can be little doubt that this relative narrowness of people's work experience and neurological development limits the capacity of the UK's economy to evolve competitively, whilst making it more fragile and slow to adapt.

**There is no direct assessment of the potential value of a mature body of strategic and general management capability working in the UK's organisations and Boardrooms. Leading research sources such as the work of Kim and Mauborgne and Kotter and Heskith previously mentioned could suggest a - cautious - 25-50% increase in economic value-added within two decades. This seems a broadly viable view from empirical evidence of observing, advising and working with companies serious about the deployment and development of these skills, compared with similar involvements with those not.**

Tangentially, studies of improvements in East German productivity after 1990's *Weidervereinigung* show the East's 35% immediate loss of GDP on reunification was largely recovered by 2000 although productivity differences still persist (inter alia - Siepe, University of Ulm, 2011).

The Office of National Statistics 2013 – UK Business: (Firms) Activity, Size and Location - published the Firms and Employees data in two left hand columns of the table under. The three right-hand columns offers a broad estimate of those current and evolving executives and leaders requiring strategic management and leadership skills for the Firm's to achieve highly effective organisational performance. The estimates are intentionally cautious.

Firm's Employees Source: ONS 2013	Total Firms' ('000)	Prospective Managers skilled in Strategic Management per firm total ('000)		Prospective Directors / Board Members skilled in Strategic Management per firm total ('000)		Prospective Total People skilled in Strategic Management Per firm total('000)
20-49	145.6	-	-	2	291	2 291
50-99	50.1	-	-	4	200	4 200
100-249	26.7	6	160	4	107	10 267
250-499	7.6	12	91	6	46	18 137
500-999	2.8	20	56	8	22	28 78
1000+	1.3	50	65	8	10	58 75
Totals			372		676	1048

Our current national cadre is grotesquely short of this level of capability. But things have been changing, albeit somewhat slowly, since the 1990s. The pace of change has quickened further since 2000, and one benefit of the economic hiatus of the last six years has been exposing the weaknesses and fragility of the UK economic structure and our low historic investment in human capability and able leadership.

## Case Study Five – Personal Stories of High Potential People

Claire is 39, an experienced HR professional with experience in energy, financial and business services sectors. In 2007 she completed a part-time MBA at a leading UK business school, part-sponsored by her employer. She and her partner have two children, born in 2009 and 2011. She returned to full-time work in late 2012, in a new role as Head of Strategic HR at her FTSE 100 employer. A major initiative she is currently leading is to define the organisation's requirements for people resources in order to support corporate strategic development. She has been surprised by the organisation's ill-preparedness to furnish the information she and her team of two secondees need. 'The global line functions don't readily relate to each other. They have wholly different pictures of the organisation and the purpose within it of their roles. We say we have a strategy for the business, but in practice the organisation is solely focused on delivering the next financial results'. At a personal level Claire next wishes to broaden her work experience into marketing but is ambivalent about whether her employer has the culture that will facilitate her continuing self-development. There is no structured leadership development framework, and notwithstanding her role, she thinks the organisation would need at least five years to deploy one effectively. She considers that it is probably time to broaden her experience with another employer, but experience tells her there are few 'headhunters' with the service or interest in helping outside of a transactional relationship.

Graham is a civil engineer with construction, telecommunications and business services experience. He has an accounting qualification, and has experience in finance and operational management. He was appointed Head of Strategy at an international real estate business after a full-time MBA at a continental European business school. Made redundant at the time of a merger in 2009, he spent 40 months looking for his next role, whilst doing advisory work to maintain income. Appointed in 2012 as the first Head of Strategy to a UK headquartered FTSE 50 company he is finding much of his role is developing senior colleagues' broader understanding of the organisation's market environments, the competitive dynamics that characterise them and distilling together the appropriate future direction for their global business. 'Without the CEO's support I would not have a role for long. Our colleagues are too pressurised on day-to-day issues to think much about the future. The Board doesn't seem to have anybody other than the Chair who thinks long-term either'. At 45 he thinks he would be ready for a CEO role after a successful period in his current job. 'That would be in an environment that had a longer-term perspective in addition to an appropriate focus on the shorter term. Just driving for short-term (profit) maximisation is limiting for everybody, and I would not want a role like that'.

Li, 34, was until last December a PhD student at a leading UK business school, where he researched the value chain of a global (consumer) manufacturing sector. Britain has manufacturing capacity of both Asian and continental European businesses, but has long ago not been the headquarters of a major sector player. Li has travelled widely in his research and interviewed over 200 managers and leaders to understand the structures, processes, relationships, economic environment and competitive dynamics of the sector. He speaks Cantonese, Mandarin and English and is learning Spanish. He has found the pace of change in the sector is so fast that organisations are challenged to maintain a coherent picture of their own evolving market places and the organisations within it. The majority are setting up subsidiaries, led by high potential next generation leaders, to grow innovations that are evolving within the dynamic environment. "Some resultant products are on sale in some countries, I don't yet see in the UK". Li wishes to stay in Britain to develop skills in operational and strategic management, but is finding opportunities to share his knowledge and build upon his existing skills very scarce. 'Headhunters don't seem interested because I've not work in an UK organisation. I don't have an extensive personal network and my academic supervisor being German has more contacts in continental Europe. I may find it easier to move to somewhere else in Western Europe or Asia, but I'm not ready to go back home for at least five years'.

Peter, late fifties, is an organisational development professional who has recently reduced his working week to 25 hours as he moves towards "retirement". A first degree in French and Spanish, he was naval officer who took an MBA at a leading UK business school in the mid-80s, before joining an American technology company as part of their organisational development team. More interested in smaller organisations he found a niche but global organisational development advisor serving SMEs. For twenty years he was Chief Operating Officer, but more recently has been mentoring his successor and leading ad hoc development projects. 'I'd like to take my knowledge and experience and work with one or two high potential SMEs, maybe as Chair, say for a two-three days a week. But those opportunities are surprisingly rare. I'm well networked, grew up with others who are well networked, but most SMEs aren't serious about organisational development (OD). Those that employ people in quasi-OD roles are using them to handle all the difficult day-to-day management issues nobody else has the skills or desire to handle. Hiring-and-firing, training, conflict handling, out-sourcing, contract negotiations, customer complaints, mediations and regulatory relationships, that sort of stuff. Developing mind-sets in any way towards longer-term direction and skills development is really tough. Will I find a Chair role that suits? Maybe not, but life has many other opportunities'.

## 5. Moving Forward - Some Thoughts on What is Needed

The UK has a major challenge in developing effective leadership capability relevant to the 21<sup>st</sup> century throughout its economy. In our ever-changing world, this will be an endless, evolving journey, rather than a trajectory to a given point.

In submitting this analysis to the All-Party Group we would highlight significant facilitators and supports that will aid the major improvements needed.

### *j) Culture and Ethos*

Business is the source of a nation's income and wealth. Since the 1950s the most developed countries' economies have experienced fundamental structural change, such that they have become predominantly service-based. Continuing and increasing change will demand that employees of all organisations will need to be adaptable and willing to learn new capabilities throughout their lives. This will apply to leaders and senior employees probably even more than anybody else. Change has become endemic within the last three decades, and our understanding of what makes for effective management and human development mushroomed. Very detrimentally the country's structures for developing managers have advanced little, and failed to effectively incorporate large areas of highly relevant best practice knowledge.

The days of obtaining a professional qualification in early adulthood as a sure passport to a senior, secure "job for life" are long past. Leaders not learning and highly adaptable at a personal level are certainly destroying value in their organisations and limiting their businesses' and colleagues' potential.

The increase in people undertaking post-graduate studies since the 1990s is a strong indication that many Britons do understand the importance of on-going self-development for their economic well-being and personal fulfilment. **This need for on-going learning and self-development needs to become a public strand of the UK culture. It is not at present, merely to many people's great credit, a private one.**

Media organisations are a key influence on the nation's public ethos, and would be highly valuable partners in further developing Briton's consciousness and motivation for life-long learning. With over 2 million post-graduates and many other graduates

and senior technicians in the workforce there are very significant niche segments for the media to define and serve, whilst helping to support people in their continuing self- and professional- development. Equally the communication media have a major contribution to make to raising the quality of information, analysis and national debates in areas of importance to the UK's economic development.

### ***ii) Immature and Fragmented Capability Development Structures***

The UK has fragmented, non-collaborative development and support structures for developing senior management and business leadership skills. Since the 1980s there have been large volumes of seminal works on the strategic development of organisations, communities, regions and nations. We now know the neurology behind our learning and development, and that this can evolve productively throughout our lives.

The concept of “born to lead” probably still predominant, and even viable, in the early 1970s is preposterous in today’s world. The skills and capabilities that leaders need to acquire are demanding and well understood. As a nation we have poor and limited data either on the numbers of people with these skills or on the capabilities and development needs of people currently in senior leadership roles.

The UK development infrastructure for those seeking to enter senior manager and leadership roles has changed little in the last thirty years and still largely reflects the “silo” pathways that predominate career paths for many people. Increasingly this approach will add to the fragility of people in their careers, of organisations and the economy as a whole.

**There is an urgent need for the country to create a more holistic framework for developing current and aspiring senior managers and leaders.** Much of the capability and materials for this exist and are in active use. However too many entities have narrow, partial elements of the whole that is required, and their behaviours are predominantly competitive and excluding rather than the open and collaborative that is needed to better serve the wider economy and public good.

**Business schools and professional management bodies need leadership, guidance, encouragement and incentive to develop a networked, national infrastructure to the strategic management and leadership capabilities the nation needs.** The example in case study four of Germany’s Auslandshandelskammern is one of a world-class national network with long years of continuing success. It has, though, as yet to effectively define and implement an approach to enable digital connectivity to further improve its services and capability.

### ***iii) Understanding the Development Needs of Current and Prospective Senior Managers and Business Leaders***

Understanding end users, clients and customers and their evolving needs is the best starting point for any entity wishing to provide. Too much of Britain’s economic infrastructure structure is built from a mentality of provider knows, and implemented through “product / service push”. That creates both errant frameworks, errant behaviours and the alienation of the very people most key to the enterprise.

Any network developed for improving senior management and leadership capability must be open to continuous dialogue with existing, aspirant, prospective and recently retired senior organisational leaders and business executives. **A permanent research programme that understands the current and evolving support and development needs** of the population served will provide essential information for improving and evolving the network to meet individuals' and organisations' needs.

#### ***iv) Practical Application of Knowledge / SMEs***

**Learning is richest in the practical application of ideas and concepts to situations and circumstances that are specific to individuals and their organisations.** Organisations have knowledge of their specific situations, including their future direction. However only some larger organisations have the organisational development insight and understanding of how new capabilities can help differentiate a business and ensure its improved performance and productivity.

Few service organisations to SME businesses offer organisational development capabilities in the market place either. Those SMEs within a value chain of a successful larger business may be better placed, but generally there is immature infrastructure needing significant development.

There is a particular need to develop SME relevant materials and action-learning frameworks for applying new knowledge as part of an evolving network for senior management and leadership development, including those for family businesses, which make up some two-thirds of UK's private sector businesses.

**Professional and management development organisations can aid the economic development significantly by improving and extending their offerings to incorporate action learning frameworks relevant to individuals and their organisations.**

#### ***v) Reflected and Self-Directed Learning***

The more effective senior leaders will be reflective and self-directed learners able to define and transcend their organisations context, use organisation tensions and conflicts to creative effect and guide and facilitate the development of their organisations through the deployment of their mature emotional intelligence. People who do so usually take a long-time to evolve to this level of sophistication. **Earlier, formal learning needs to support people in their quest towards this level of self-directed maturity.**

As they step down from mainstream corporate life people with this level of capability could help current and prospective leaders evolve such more quickly.

### ***vi) Working Life-cycles and Mentoring***

Part of the solution to improving the UK management and leadership capability may lie in understanding the changing life cycles of work. The “baby-boomer” generation recently commencing retirement is better educated and healthier than any previous. Some 5% of them have post-graduate qualifications and work experience in deploying such skills. Among their numbers are highly experienced managers and other professionals with the intra- and inter-personal skills to become mentors in their later working years.

A specific example in the public arena may be instructive. Business schools are not very active and provide little infrastructure for experienced alumni to support and mentor more recent graduates shape their career path or gain advice on their handling issues current role. Within larger businesses effective succession planning could see **those moving towards a reduced work involvement (once known as retirement) developing expertise in coaching and mentoring as they hand on management and leadership roles to others.**

### ***vii) Seminal knowledge and maintaining best practice capability***

Although there has been an extrapolative increase in seminal work from academia on leadership and strategic management in the last thirty years, much of this knowledge does not inform practitioners’ work. Few organisations have formal continuing professional development frameworks for their leaders and senior staff. Neither do business schools or professional bodies provide formal frameworks support alumni and members to ensure their knowledge and capability is informed by current best practice. Business schools need this knowledge for them to remain relevant to their market-places and could share it with a wider network, including their alumni and professional bodies.

### ***viii) Annual reports and audits***

Part of the reason for accountants’ predominance among professionally qualified managers is the legal underpin to their services, reflected in the linkage by which the oversight of UK Corporate Governance is with the *Financial Reporting Council*. Companies annual with its associated auditors report predominantly focus on financial and control matters – themselves largely left-brained activity, using cerebral regions not active in facilitating holistic pictures, innovation, people skills or emotional intelligence development, for example.

**There may well be a strong case to legally facilitate a healthier, more rounded business focus within the annual report.** Requiring historic performance information (against previous plans) and future (range) projections relating on both quantitative and qualitative matters – for example share price, corporate beta, the relevant business environments, the company’s position within it, its value-chain, strategic development, adaptive capability, risk management and profit and market capitalisation (for public),

valuation including method for privates – would “raise the bar” significantly for all involved. It would require Board, senior managers and auditors to consider bringing in wider business capability when reporting, as well as being educative for the report producers and readers, including staff, service providers, regulators, customers and other stakeholders.

Such reporting would also facilitate better communication and engagement with stakeholders, essential in today’s connected world if stakeholders are to be motivated rather than alienated.

### ***ix) Information and Research***

This paper and its analysis are both weaker and less insightful than they might be because of limited information available on strategic leadership and strategic management capabilities within the UK. It is probable only a small minority of businesses have effective strategies that clearly define their organisation’s context, its development goals and how these lead to sustained competitive advantage and value creation. Or have the skills and capability to develop and implement them. The Financial Report Council calls for an appropriate balance of skills and experience in UK Board rooms. The UK has a long journey of skills development until the “appropriate balance” will get close to facilitating optimal economic performance in our companies.

To help facilitate the improvement of capability the UK needs to know its “starting point”. For business schools and professional bodies this would be basic information to help them define their markets and their more propitious development arenas.

Again, collaboration, possibly including Government and the Office of National Statistics, **to define and undertake focused research on the current status of strategic management activity and capability in the country is likely to provide early mutual benefits.**

### ***x) Rejuvenating Key but Ossified Economic Sectors***

In our highly dynamic world only competitive and adaptable organisations will maintain their economic performance for significant periods. Within highly developed economies there are structurally highly mature sectors, key to the nation’s performance, that have reached states of creative passivity or sclerosis and high fragility as the sector structure life cycle moves into the arenas of scale dysfunctionality, bureaucratic inertia, exploitation of oligopolistic supplier power, customer irresponsiveness, widening depletion of their own business’ value, limiting other businesses’ value-adding potential, legacy systems, and sheer human moroseness.

Michael Porter’s work on regional and national competitive advantage considers strong and effective support industries an essential component of a healthy economy, with their services responsive to regional specialisations,

clients' / customers' changing needs and highly adaptable to forever changing circumstances and competitive dynamics. He also considers sophisticated and demanding customers an essential element in the economic development equation, seeking ever-improving services to improve their own organisations' performance.

With, for example, over 11% and rising of its workforce post-graduates a strong body of sophisticated customers will continue to grow and exist on the demand side. **There is an evolving role for modern Government to proactively investigate and facilitate the correction of supply side blockages by ossified sector structures and skills in order to aid greater market responsiveness and more dynamic and less fragile economic development.**

Submitted by (names in alphabetic order)

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## Building a Powerful and Resourceful Management Mind across the UK



### Introduction

Thank you for the opportunity to contribute with passion, insight and a desire to make a difference within the UK Management space. Initially I was not going to respond, until I noticed the wording “provocative” in the text. This gives me hope that we are considering looking at a countrywide critical issue from **many different perspectives** and hopefully domains of knowledge. **If we do not, we will not change what we have created!**

Just before I was 50 I came to a point where I realised my industry and society was no longer how I had framed it, I did not have an answer, I did have a question. My early education was via an apprenticeship with Marconi Instruments in the 70s. I have had a great career in hi tech electronics industry working globally. I decided to explore the questions I was holding, via an MBA and then an MSc in Coaching and Behavioural Change at Henley Business School (2006 – 2012).

At the end of these studies, I knew there was something still missing in the new landscape that was forming as I perceived and engaged with the world. I have been processing what I have reviewed in > 500 books, > 300 reports and journals, and explored aspects of my new insight with more than 1,200 individuals over the past four years. **The answers** I believe to some of the very challenging questions we hold regarding UK management is all around us, already researched and written down. **If only “we” were able to see the answers that are already with us!**

### Point 1:

#### **Why is it we seem to miss the very answers we seek?**

In my opinion it is as a direct result of our silos of knowledge. Our culture and ‘system’ encourages specialisation within a domain of knowledge. This is critical as without this focus we would not make the profound breakthroughs that we achieve every year, making the positive impact on society. This intense focus alone has a price to pay. **While we deep dive in a particular domain of knowledge, we are not able to see if connections across domain knowledge can provide new insights.** We can bring cross-domain insights to address some of our on-going problems and challenges.

**Point 2:****Why are People missing from the picture?**

As part of my recent MSc studies into behavioural change, I researched “Resistance to Change, from a Leaders’ Perspective” across private and public sector. What became very clear, different leaders perceived ‘Resistance’ VERY differently. Some see it as, “Well people are always Resistant” and other perceive this as valuable data, thinking “I wonder what we have missed, our staff are holding back for good reason, we just have missed what that is”. The research findings were recently presented at the Association for Project Managers (apm), and the feedback and new insight regarding the ‘people’ and adult development piece shared was received with significant positive feedback from over 200 participants.

If the group wants to see evidence of how we seem to miss the ‘people’ piece, look at the Prince2 documentation, search for the word behaviour or people. You will see through government-funded documentation and practitioner training, that we are “training” people who specialise in change, **NOT to pay attention to the people dynamic.**

**Point 3****How come some people get the ‘people’ piece in organisations?**

The People and Group dynamic, is covered well in Adult developmental theory and leadership performance research. Many source references available if of interest.

Interesting reflection, none of these were covered in my two Master level courses! I discovered them myself, post graduation. I started to wonder if this was a HBS issue, then came across this paper. “Bad Management Theories Are Destroying Good Management Practice” (Sumantra Ghoshal 2005). Now I realised that our own Business Schools also are suffering from the Silo phenomena. A Systemic weakness in adult education, no wonder we have so many problems. I suspect this is even more of an issue in many (not all) practitioner targeted training that is offered in the UK market. Would be interesting to see what ILM covers on Adult Developmental Theory and Leadership Performance research.

**There is sound theory and practice out there; the place to look is NOT always in the traditional domain of knowledge however. Many more references available...**

**Point 4**

**Our society continues to fall back to the "BLAME" game.**

Now here is a curious thought. We know for a fact, that "BLAME" creates fear as someone is under psychological threat (however tough the exterior may seem). Threat will force a defensive response, as we are human after all, we are programmed to survive. We know from many practitioner studies, academic research and accepted domain knowledge that "learning" is directly impeded if someone is under threat. We need to get the balance right regards accountability/responsibility and our "blame" culture at the national level. This is **directly damaging our business; we talk ourselves into unproductive learning contexts**. We celebrate the ritual 'hanging' and miss the point we have failed to learn, so we will repeat the same pattern probably within an 18-month period. **Within the UK, we have a pattern of satisfying the mob's demands and miss the REAL learning point!!!**

**Point 5:**

**NOT just another Leadership/Management training course is needed.**

This is about helping people understand how they can, "**learning how they uniquely learn**". Learning as adults is very different to our late teens and early 20s. This is not about intellectual capability; it is about a level of self-understanding and self-management. By understanding ourselves, and learning to manage ourselves, **we increase our capacity to understand and manage others**. Chinese proverb: *Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime.* **And sometimes we need to change where we fish, to respond to the changing environment, otherwise we will starve!**