– CHAPTER 3 –

Managing human resources

"Retain the best people one at a time, one day at a time, on the basis of an on-going negotiation with each individual on their own unique terms."

Bruce Tulgan

"Companies tend to die early because their leaders and executives concentrate on production and profit, and forget that the corporation is an institution – that it is a community of human beings that should be in business to survive, and not to die after a while."

Arie de Geus

"How come when I want a pair of hands I get a human being as well."

Henry Ford

"The micro-division of labor has fostered a basic distrust of human beings. People weren't allowed to put the whole puzzle together. Instead they were given small parts because companies feared what people would do if they knew and saw the whole puzzle. Human assets shouldn't be misused. Brains are becoming the core of organizations – other activities can be contracted out."

Charles Handy

"Amazing things happen when you make people feel they are valued as individuals, when you dignify their suggestions and their ideas, when you show your respect for them by allowing them to exercise their own wisdom and judgement and discretion."

Herb Kelleher

"Your most precious possession is not your financial assets. Your most precious possession is the people you have working there, and what they carry around in their heads, and their ability to work together."

Robert Reich

What managers do

DAVID W. BIRCHALL

What is the job of management? How do – and should – managers spend their days?

Throughout the 20th century researchers and observers were eager to know more about what managers actually do. There is an assumption that if we can establish what particularly successful managers do, we can then encourage and train others to emulate this behavior and also be more effective as managers. Even now, in the 21st century, solutions to the managerial imponderables are difficult to find – despite decades of intensive research and observation.

In fact, the legacy of early management thinkers remains deeply embedded in many of our organizations and managerial practices. For all its high technology and modernity, management today owes much to the work of people at the end of the 19th century. Their classical studies of management were based more on observation and reflection than research. Frederick Taylor (1856–1917) was one of the first to write about management, advocating what was then termed a “scientific approach.”

Early management theory

Taylor’s book *Principles of Scientific Management* was published in 1911.[1] Its contribution to management thinking and practice has to be put in the context of the industrial times in which he lived. Much of the labor entering the newly established factories was untrained and unused to any form of industrial work. Taylor advocated the subdivision of work into simple jobs. Management could then devote its energies to understanding how best to do the primary tasks: the scientific selection and training of the workers, motivating them to perform in accordance with management’s principles, and planning and controlling the productive activity. Taylor’s pioneering work focussed on the level of supervisor and foreman rather than more senior levels of management.

Recognized as the “father of work study,” Taylor’s principles have been widely adopted and, even now, are still applied in many organizations involved in mass production or mass processing of paper work.

Frenchman Henri Fayol (1841–1925) took another approach. In *Industrial and General Administration* (1916),[2] Fayol enunciated five elements (together with 15 principles) of administrative management: planning, organizing, co-ordinating, commanding, and controlling. These elements have been widely disseminated to generations of managers and formed the basis of later writings. In 1937 Luther Gulick modified the list to include staffing, reporting, and budgeting.[3] And in a 1931 study of the state, the Roman Catholic Church, the military, and industry, Mooney and Reiley advocated four main principles:[4]

1. the co-ordination principle, which directed attention to the unity of action toward a common purpose;
2. the scalar principle, which defined the hierarchical flow of authority and the definite assignment of duties to subunits of an organization;
3. the functional principle, which stressed the need for specialization of duties;
4. the staff principle, which answered the need for advice and ideas by line executives.

As with Taylor, these ideas very much reflected the times in which the writers lived and worked. Dominant in their thinking was a strong expectation of respect for authority among the management classes, a lack of training and development for the workforce, the influence of a bureaucratic model of organization, and the relatively inward-looking nature of the managerial role.

Generally operating in a suppliers' market, organizations were not under great pressure to change other than to improve profitability for shareholders by carefully planned productivity improvement. Labor was in plentiful supply and there was little government intervention regulating the employment contract, allowing employers to hire and fire at will.

As a result, it would be easy for today's managers to dismiss these theories. Taylor in particular has been routinely castigated for many years. The world of paper-pushing bureaucracy and harsh manual labor is far removed from modern reality. But although the context has changed, many of the ideas of scientific management remain in place. Taylorism lives on in highly functionalized organizations intent on relentless supervision rather than empowerment.

Since these writers, there has tended to be greater emphasis on the human aspects of the managerial role and on leading rather than commanding. For example, American political scientist Mary Parker Follett (1868–1933) believed that in a democratic society the primary task of management is to create a situation where people readily contribute of their own accord. She repeatedly emphasized the need for managers to learn from their own experience by systematically observing, recording, and relating to the overall situation. She saw the manager as responsible for integrating the contributions of specialisms such as marketing, production, cost accountancy, and industrial relations so that they contributed effectively for the benefit of all.

In 1953 Louis Allen was sponsored by the National Industrial Conference Board in the US to investigate what management methods were most effective, which new management techniques had proved most effective, and what companies should do to manage more effectively. This was the managerial equivalent of seeking the Holy Grail.

Allen continued the original research over a 15-year period and in his 1973 book *Professional Management* put forward four functions of management based on a belief that managers think and act rationally: planning, organizing, leading, and controlling.[5] He broke these functions down into 19 management activities:

1. **Planning function** – forecasting, developing objectives, programming, scheduling, budgeting, developing procedures, and developing policies.
2. **Organizing function** – developing organization structure, delegating, developing relationships.
3. **Leading function** – decision making, communicating, motivating, selecting and developing people.
4. **Controlling function** – developing performance standards, measuring, evaluating, and correcting performance.

These and similar ideas about the nature of managerial work have been influential on later researchers, but more importantly on those actually managing organizations. However, these formulations of management work are not without their critics.

Generally, they are seen as focussing on a rational view of organization that tends to omit the human and political side. Also, in the main, they lack support from empirical studies. They attempt to produce a general theory of management work while disregarding the diversity of such work in different types of organization and in different functions, such as marketing, production, or finance. They are based on observations of a particular society that is greatly different from many of those in which we now live. Probably most importantly, they focus on what it was believed managers *should* do rather than what they *actually* do, and they fail to give any priority to the various roles or to relate them to superior performance.

Despite these limitations, the propositions may still have some validity in certain types of organization, though interpretation of meaning and translation into action is probably much different from that intended by the original authors.

Empirical studies

In recent years, studies have rigorously attempted to research what managers actually do by undertaking empirical work. Just as the early writings of management theorists have inherent weaknesses, so do these later studies. Nevertheless, several research approaches have merit.

Many studies have relied on questionnaires asking managers about their work and the emphasis placed on various activities. Others have requested that managers complete diaries detailing their activities or used direct observation with the researcher present throughout the manager's working day. These observation studies have employed a variety of approaches: activity sampling, critical incident, sequence of episodes, unstructured and structured observations.

The model, explicit or implicit, always limits questionnaire studies. So if the investigator were influenced by classical management theory, the survey questions would reflect this theory. Diaries, while useful in giving an impression of the work carried out, suffer from the unreliability of managers when recording activities and the difficulties of then classifying their records.

Observational studies are usually confined to a small sample that cannot claim to be representative of management generally. In the case of observation, it is not always possible to see what a manager is doing because so much activity is cerebral, and it is particularly difficult to interpret the purpose of much of the observed activity.

Many of these studies have contributed more to our understanding of the characteristics of managerial work than to the actual content of the manager's job. They have revealed that much management time is spent with other people. In 1964 an early study of this type reported that 20 percent of managers' time was spent with superiors, 33 percent with peers, and 50 percent with subordinates. Fifty percent of the activities were planning or programing, 20 percent were dealing with technical matters, and 10 percent with personnel administration.[6]

Probably the most influential and widely cited observational study is that of five chief executives in the US undertaken by Henry Mintzberg. In *The Nature of Managerial Work*, published in 1973, Mintzberg claimed:

1. There is a similarity in managerial work whether carried out by the company president, the health service administrator, or the general foreman. He categorized it into 10 basic roles and six sets of work characteristics.
2. While differences exist arising from functional or hierarchical level, the job can largely be described according to common roles and characteristics.
3. The managerial job is made up of regular and programmed duties as well as non-programmed activities.
4. The manager is both a generalist and a specialist.
5. The manager is reliant on information, particularly that which has been verbally received.
6. Work activities are characterized by brevity, variety, and fragmentation.
7. Management work is more an art than a science, reliant on intuitive and non-explicit processes.
8. Management work is increasingly complex.[7]

Mintzberg's model of managerial work identified three overall categories and specific roles within each:

1. Interpersonal category.
   a. The figurehead role where the manager performs symbolic duties as head of the organization.
   b. The leader role where the manager establishes the work atmosphere and motivates subordinates to achieve organizational goals.
   c. the liaison role where the manager develops and maintains webs of contacts outside the organization.
2. Informational category.
   a. The monitor role where the manager collects all types of information relevant and useful to the organization.
   b. The disseminator role where the manager transmits information from the outside to members in the organization.
   c. The spokesman role where the manager transmits information from inside the organization to outsiders.
3. Decisional category.
   a. The entrepreneur role where the manager initiates controlled change in their organization to adapt to the changing environment.
   b. The disturbance handler role where the manager deals with unexpected changes.
   c. The resource allocator role where the manager makes decisions on the use of organizational resources.
   d. The negotiator role where the manager deals with other organizations and individuals.

While it proved highly influential, this research is also not without its critics. Later researchers have experienced difficulties in categorizing their observations according to the Mintzberg framework. A focus on individual activities is also criticized as likely to lead to failure to understand the big picture. Other descriptors are seen as equally valid: later in the 1970s researchers carried out a factor analysis of data collected against the Mintzberg framework and derived six factors:

1. Managing the organizational environment and its resources;
2. Organizing and co-ordinating;
3. Information handling;
4. Providing for growth and development;
5. Motivation and conflict handling;
6. Strategic problem solving.[8]

This research went on to study managerial effectiveness in two organizations. It reported that the managerial behavior resulting in effectiveness varied between the two organizations, suggesting that the context in which managers are working will determine the work activities required for success.

While much of this early research has been influential in how managers view their role within the context of organization design, it is based on observation of organizations that were operating in an environment much removed from the situation now facing many businesses. Numerous studies were undertaken in the US at a time when it was the most powerful manufacturing nation. The threat of Japanese manufacture and service industry had not dawned on the average American. Customer focus, total quality management, just-in-time, distributed computing, empowerment, key organizational competencies, partnership sourcing, and continuous change and improvement were not yet articulated as concepts. Strategy formulation was still the exclusive domain of executive management and execution the province of middle management. Much of the research was based on observing the way managers function in their world, rather than looking at changes taking place and how they might affect the way management might be carried out in the future.

Management work in the modern organization

Over 700 managers, in a variety of organizations and at all levels of management, were surveyed at the Singapore Institute of Management at the beginning of the 1990s. From factor analysis, five "mega-components" of management work were identified:

1. goal setting and review;
2. creating a conducive working environment;
3. managing quality;
4. relating to and managing the external environment;
5. managing performance.[9]

The strongest contributing factor to the mega-components was "managing organizational climate," which focussed on encouraging and supporting employee involvement and contribution. The second most dominant was "organizational work control," which combined with mega-component number five and dealt with the importance of policies and procedures in ensuring the smooth functioning of the work organization. The strategic aspects of the work are reflected in analysis of the external environment and goal setting and review.

Clearly, there are differences in management practices in Singapore compared with Western management. However, the expressions used to describe the components reflect the current management agenda, including quality and performance management, and the underlying factors bear a similarity to those identified by earlier researchers such as Mintzberg.

How do managers do what they do?

Clearly, understanding what managers do is important when trying to understand how organizations function and how one might go about training managers to achieve high performance levels. However, these various studies tell us little about the attributes needed for superior performance. More recent research has focussed on the key competencies required for superior managerial job performance.

The roots of much of this work can be traced back to the extensive work done by Richard Boyatzis for the American Management Association.[10] This study, published in 1982, involved over 2,000 managers who held 41 different jobs in 12 different public and private organizations. The researchers set out to develop a generic model of managerial competencies applicable in different contexts and organization types.

Boyatzis defined job competency as an underlying characteristic of a person that results in effective and/or superior performance. The underlying characteristic may be a motive, trait, skill, aspect of one's self-image, or a social role, but it is manifest in an observable skill. The resulting model comprises 12 competencies in six clusters (see Table 3.1).

Table 3.1: *A competence framework*

Cluster	Competency	Threshold competency
Goal and action management	■ *concern with impact* ■ *diagnostic use of concepts* ■ *efficiency orientation* ■ *proactivity*	
Leadership	■ *conceptualization* ■ *self-confidence* ■ *use of oral presentations*	■ logical thought
Human resource	■ *managing group process* ■ use of socialized power	■ accurate self-assessment ■ positive regard
Directing subordinates		■ *developing others* ■ spontaneity ■ use of unilateral power
Focus on others	■ *perceptual objectivity* ■ self-control (trait) ■ stamina and adaptability (trait)	
Specialized knowledge		■ specialized knowledge

Note: Italics for the most relevant to executive levels of management; self-control is a competency for entry-level jobs only

Work investigating the competencies of successful senior managers carried out by the Northern Regional Management Centre for the Management Charter Initiative

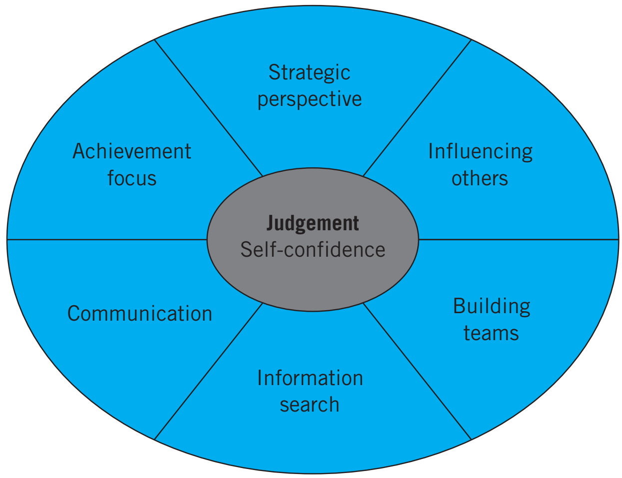

Figure 3.1: *Personal competencies*

in the UK developed the personal competence model shown in Figure 3.1. Each competence is made up of key behaviors demonstrated by managers through a process of "behavioral event interviewing," a technique used earlier by Boyatzis. In their report to the MCI, the researchers emphasized that one particular competence may be dominant in any one particular situation or event, but that it will usually be supported by other competencies. They also point out that effective managers will be those who use judgement to apply the appropriate competence at the right time.

Competence in itself does not result in high performance. The theory of motivation evinced by Porter and Lawler in their 1968 book *Managerial Attitudes and Performance*[11] suggests that performance will result only where the person has opportunities to perform and the motivation to do so in addition to the skills (or competencies) required by the job. In addition, if the goals for the task are not clear, the combination of motivation, opportunities, and competencies will still not result in high performance levels.

Rosemary Stewart in *Managers and their Jobs* found that managers with the same job requirements will use their time and energies differently.[12] Given each person's unique combination of competencies, knowledge and understanding, and aspirations, it is not surprising that managers operate differently in seeking to achieve the same organizational goals. Each will accommodate to the job as well as modify the job to suit themselves.

The benefit of competence models is as much to assist managers in self-assessment and the identification of development needs as in recruitment and allocation of managers to organizational roles.

The research available gives some idea of the work carried out by managers as well as the personal competencies required for effective performance at senior levels. Yet it has become clear that there is no one best theory of management work and managerial competencies. Applied to any one organization, the models inevitably appear deficient. In attempting to develop a universal theory, the investigators have had to compromise and overlook industry or organization-specific requirements.

Additionally, much of the research is based on current practice and may well not reflect what managers will be doing, nor how they will be doing it, in the future.

So managerial philosophies can be seen to vary over time. Our starting point was the philosophy based on the scientific model, widely attributed to Taylor, that assumed workers to have low skills, not to be trusted, and wanting to minimize their contribution while maximizing pay. The resulting management policies are summarised in Table 3.2. This model is based on a contract with labor – the transaction – and the need to ensure compliance. The Human Relations philosophy puts the worker more central to the organization but is also based on an assumption of limited worker capability. Creed and Miles (1995) suggest that the human resources school argues that most organizational members share not only managers' needs to belong and be recognized but also their desires for achievement. This view reflects the shift in the nature of work from highly repetitive and simplified assembly or office work to the more knowledge-based with its higher demands placed on workers as well as the move to greater use of information and communications technology to distribute work and workers. Managers in this model are seeking to work in partnership with their staff with implied higher levels of trust. While the management functions identified earlier still have to be undertaken tasks are being more widely distributed. In consequence further changes are taking place in the roles managers perform and the way in which managers are expected to carry out those roles.

Table 3.2: *Changing philosophies of management and their interpretation*

	Traditional Model	**Humans Relations Model**	**Human Resources Model**
Assumptions	Most people have an inherent dislike of work.	People like feeling useful and important.	People want to be involved in determining goals that are meaningful.
	Workers are more motivated through their pay packet than the nature of what they do to earn it.	People want to belong and be personally recognized.	Most people have creative powers beyond their current job's demands, are capable of greater self-management and self-control.
	’	Money is less important as a motivator than the sense of belonging.	

Table 3.2: *Changing philosophies of management and their interpretation (continued)*

	Traditional Model	Humans Relations Model	Human Resources Model
Policies	The manager's basic job is to closely supervise the workforce.	The manager should focus on making workers feel useful and important.	The manager should create a climate where staff can use their own and the team's full potential.
	The overall activity should be broken down into simple, easy-to-learn tasks.	Regular communications with subordinates.	Encouragement of staff to accept new challenges and develop new competencies.
	Detailed processes and procedures, based on best practice, should be strictly enforcedly by management.	Staff should be allowed a degree of self-control on routine matters.	Staff should be encouraged to participate in the overall activity.
Expectations	People will tolerate work if the pay is fair and the manager is decent.	Involvement in routine decision making will satisfy staff needs.	Increasing staff influence, self-direction, and self-control will result in greater efficiency.
	Simple tasks and close monitoring will result in satisfactory output.	Staff will be generally compliant if these needs are met.	Overall satisfaction will also improve.

Source: Developed from Creed and Miles (1995)

The changing world of organizations and its impact on management

The last few years have probably seen changes in the organization and management of work as dramatic as at any period since the emergence of the large corporate entity. Depending on the background of the commentator, the explanations for radical change will differ. There is no doubt that factors such as global competition, the convergence of information and communications technology, and the emergence of the digital economy, recession in most Western economies in the 1990s, the emergence of customer power, and changing political philosophy have all contributed to the changes.

As a consequence, it is clear that much of the work undertaken by middle management no longer requires the considerable number of layers of management that has for so long been a feature of the large organization. In part this results from a recognition that front-line employees, with proper training and support, as well as the support of powerful IT systems, may be capable of dealing directly with the customer and responding on behalf of the organization to the specific needs of that customer.

If one accepts that there is much unrecognized talent at the point of contact with the customer and that empowerment is an appropriate strategy, it follows that there is less need for immediate supervision. The employee dealing directly with the customer now takes the queries and decisions previously taken by the supervisor. So a task that used to take up a great deal of management time in hierarchical structures is now possible with minimal intervention.

The impact of modern technology on lower and middle managers can be compared to the effects of the introduction of automated production processes on shopfloor workers. In both cases, a large proportion of the workforce was no longer required.

Many organizations, when in the process of empowering their front-line staff, have reassessed the role of first-line management. Rather than the traditional supervisory role of allocating work, determining how it should be done, and ensuring progress, the first-line manager in many organizations has become a facilitator. The manager has more of a support role, assisting staff in meeting customer needs, training and developing staff, and counseling them.

Another change affecting management has come about because the complexity of the design of many products and services is increasing, pressures are growing to compress the time from concept to market, and in many industries the costs of developing new products are proving beyond the capability of any one organization. Companies that were previously in competition are having to combine resources in order to share the costs and risks of new product development. In many cases, duplication of effort in the various organizations has been eliminated, with resulting reductions in employee and management numbers.

Companies previously adopted a policy of vertical integration to control the production processes through to market, but many are now changing their approach to one of specialization in areas within their supply chains where the potential for added value is greatest. Each organization will then form new relationships with suppliers and customers in order to protect its position and develop a strategic advantage through its unique supply network or constellation.

Concentration on core activities has led organizations to divest those parts not seen as central to their strategy or have them undertaken by other companies. This reduction in size has resulted in a need for fewer managers, particularly in support functions. Then, as these support functions have themselves been reviewed and deemed no longer central to the strategy, they in turn have been outsourced.

Work previously undertaken in functional departments has become too complex and specialized for organizations to carry the numbers of technical specialists needed to deal with the business problems encountered. So there is a strong move toward the use of consultants, whether legal, marketing, or management. The use of external consultants may well be more cost effective than retaining in-house staff. In addition, it allows companies to choose the most appropriate skills available, with the prospect of appointing someone whose knowledge base is up to date through exposure to the way similar problems have been tackled in a variety of situations and organizations. This broad exposure can have additional benefits in making sure that the organization does not take an insular view. This again reduces the need for managers, particularly in functional departments.

Much of an organization's work is now carried out in projects. Some industries, such as construction, have for many years used subcontracting as the basis of project sourcing. Other sectors have been slower to adopt this approach but now it is widespread. Projects may be managed internally and sourced from a range of outside providers, or outside contractors may be appointed to manage the total project on a turnkey basis. Again, this policy enables the organization to utilize the most suitable resources rather than retaining internal staff with less specialized expertise to do the work.

By concentrating on a focussed core activity and keeping employment levels to a minimum, the organization is able to manage its lower number of direct employees more effectively. Given the greater dependence on this group of key personnel – sometimes called "gold-collar" employees – they are likely to be well rewarded and well trained. If this is not the case, they are likely to see the alternative of being a contract employee as financially rather more attractive and no more risky than being directly employed.

Companies are seeking ways of maintaining commitment and contribution without any guarantee to employees of a job for life. With no long-term security, employee expectations of immediate rewards are higher than would have been the case in the large bureaucracy of the 1970s and 1980s with its "job for life" policy and generous pension provisions.

There remains a shortage of first-class personnel in many professional areas, including management. Numerous managers who have left the umbrella and safety of the large corporation have found that their new lifestyle has not left them disadvantaged, financially or otherwise. Their example serves to unsettle the corporate man or woman who is committed to the organization but realizes that the company has dispensed with the services of a large number of their colleagues.

In addition, as business becomes more global, the economics of sourcing activities change. Certain types of work can easily be transferred to areas where labor costs are significantly lower or for political reasons. The economics of production may be distorted by tax breaks and other financial incentives. With companies increasingly thinking on a global scale, they also need their managers to have a range of new skills and aspirations. Some will not be able to adjust, and others will have to make way for managers from other national backgrounds in order to achieve the organization's desire to become truly international.

As organizations attempt to become more customer facing, they depend more and more on having excellent front-line staff who can offer high levels of customer service and provide information about changing customer needs and the impact of competition in the marketplace. Partly as a result of this change, the role of senior executives is also changing. They need to involve people at all levels to ensure that they remain in touch. They also have to win the commitment of staff to the organization's mission and strategy. More emphasis is being put on a manager's ability to gather views from a wide range of stakeholders and integrate them into a shared vision, mission, and strategy. There is also an emphasis on the strategic leadership role, translating strategy into action, and developing strong core values. Just as the focus at lower levels of management has moved more to counseling, senior executives are having to pay much more attention to the development of their successors. It is also important for them to help create a learning culture and a learning organization.

Probably the greatest contributory factor to the reduction of management in organizations is the realization that managers are a highly expensive resource – the more senior, the greater the cost. Many organizations have recognized that they can have greater control over their costs if they employ consultants as and when necessary to carry out special assignments previously undertaken by in-house management, without the on-going expensive overhead of the employee. In a fast-changing world, flexible employment contracts are attractive to employers for work that is non-standard and not a core activity.

We are seeing the realization of what Charles Handy calls the "shamrock organization."[13] This comprises a central core with a lean organization, supported by a network of suppliers for non-core activities and a network or peripheral staff brought in to carry out specialist and project-based activity.

New roles for a new era

Despite all these changes, the general principles of management espoused by the early thinkers still seem remarkably robust. However, three vital differences are apparent in how work is undertaken.

First, management is no longer the sole prerogative of an elite group called "managers." The functions of management are being much more widely shared within an enterprise. Second, while goals and a clear sense of direction remain fundamental, who decides and agrees those goals and the strategies for their implementation are very different from those in earlier times. Third, organizations still need leadership and direction, but the style of approach required is changing as organizations become much more open and responsive to customer needs.

Nevertheless, there is still a need for management and a role for managers. They are likely to fall into two broad categories:

1. Those managing within the smaller corporate structure or in organizations servicing the corporate. Some of the latter companies will have been created specifically for the purpose, and in seeking to widen the base of their business they will probably be highly entrepreneurial.
2. Independent or networked managers providing specific services to both of the other groups.

Those managers wishing to stay within the larger corporate structure will have to be prepared for continual change, at both the organizational and personal level. In order to remain useful to the organization, they will have to adapt quickly to the business's changing needs. The more successful managers will be those who anticipate the direction of changes and prepare themselves for new roles and ways of working. Organizations will have to be prepared to invest more resources in the development of key managers, but those managers will also have to be more proactive in demanding and using opportunities for personal development.

Much of that development may well come through non-conventional methods such as distance learning, mentored on-the-job learning, secondments, and project assignments. Distance learning will become available "on-tap" for many more managers at a time and place to suit their personal needs. Consequently, more development will be delivered on a "just-in-time" basis, when managers are confronted by a particular problem. Managers will also put emphasis on gaining qualifications to demonstrate their competence and on ensuring their marketability outside the organization, so the qualifications deemed important will reflect capability rather than academic achievement.

Rewards will have to be commensurate with risks. Since increasing length of service makes alternative employment more difficult to obtain, companies may have to pay a premium to retain the people they want.

Managers will have to develop new frameworks to guide their actions in a rapidly changing business environment. For example, the emphasis on core activities and outsourcing requires managers to exercise rather different skills to those required in the effective management of direct employees. Managing contractors and contract staff in new-style partnership arrangements demands a non-adversarial framework or conceptual model. Getting the best out of these suppliers depends on more subtle approaches to relationship building and management, as well as high-level commercial skills. Managers will have to be capable of developing these new models, internalizing them, and adjusting their behavior appropriately.

Many managers will find themselves managing people who spend much of their time outside the office. Employers will accept more flexible ways of working for managers and their staff and be concerned more with work outputs than the management of the input. Such work arrangements are based on trust, performance measurement, and individual appraisal. Managers will have to adjust their ways of both thinking and working in order to make these new arrangements work.

Those managers in the peripheral workforce will have to spend considerable time networking. This will no longer necessarily be playing the internal political games of a large organization to promote their own career but to maintain a number of contacts to generate consultancy assignments. So they may well have to develop networking skills as well as competence in marketing and sales.

Delayering and the introduction of budgetary responsibility even for junior managers have resulted in considerable levels of responsibility at a relatively young age and with relatively limited experience. More far-sighted companies are investing considerable resources in training new entrants to cope with these new demands.

It is important for new entrants to get a breadth of experience at an early stage, probably by transferring laterally between functions or product divisions. By doing this they can prepare themselves for more senior levels or alternatively for a career as a consultant. Traditionally, the latter has been used as a path to senior positions in organizations and it may well prove the ideal route for aspiring executives.

The nature of many consultancy assignments will be political. A consultant needs to be able to enter an organization and quickly assess the sources of power and influence and how they might affect the outcome of the assignment. The skills required may well be different to those that led to a reasonably successful career in a large organization.

Some consultants will spend part of their time as interim managers, standing in before replacements are found for those who leave or to cover for illness. Others will specialize in turnarounds, spending relatively short periods in any one business. The consultant may be called on to carry out specific investigative work, although many organizations are equally concerned about implementation. In such cases the assignment may include the development of a strategy for implementation and then a contribution to the process, for example through running training and development programs. Again, the skills needed to design and deliver a development program are outside the range of experience of most corporate managers.

It is obvious from this discussion that independent managers will have to devote a large amount of time to updating and self-development. This will be achieved partly through experience on assignments of different types and in varying contexts. It will also require a concerted effort to read widely in order to maintain understanding of broad business developments as well as of the specialist areas of expertise being offered to clients. Research skills will be important to keep adding value for clients. The choice of clients will also be important to the consultant, as the key to future success will be an impressive client list along with personal recommendations resulting from high-quality delivery.

The new generation of manager: the all-rounder

One thing is certain about the new style of manager – they will be much more competent in a broader range of activities. They will possess a broad understanding of business principles and a range of competencies, some of which will be at a high level.

There will be a particular requirement to understand how technology can be applied to move the business forward, as well as to have personal competence in the use of technology to aid managerial effectiveness. It will be less important for the manager to have computer literacy skills than competence in recognizing how IT can assist in the management process and then deploying it effectively.

So how will IT change the way managers work? We have already seen the widespread adoption of tools such as spreadsheets. However, in many ways the spreadsheet is fairly unsophisticated. Expert systems will be used increasingly in executive decision making, which will create problems for those who have difficulty understanding not only the opportunities that expert systems offer but also their limitations.

Managers will make more use of international data sources in decision making. For the consultant with a particular expertise, electronic networks will enable services to be sold and provided globally. Networks such as the Internet also enable managers to keep in touch with the latest thinking in their area of expertise, something vital to the success of the independent consultant but also the corporate manager who wants to keep ahead of the demands of their job and build their reputation and career.

Probably the fastest-growing application at present is groupware. Using electronic networks, this has been designed to enable teams of people to work more effectively, particularly where time and distance separate them. It can facilitate the operation of distributed teams and virtual organizations, whether for a specific project or for an on-going business venture. The potential is considerable, although the barriers to making its application effective are equally significant.

Electronic communication is a new art form and managers currently have a clear preference for face-to-face meetings rather than remote communication. This is largely because they can pick up cues from body language and other non-verbal signals. They also use these opportunities to pick up other information peripheral to the meeting, but vital to their role and position in the company. Electronic meetings preclude much of this information.

Managers without this source of information often feel naked and politically exposed. The reality is that the technology is here to stay and managers will have to adjust. If they need other kinds of information they will have to find new ways of obtaining them. It may well be the case, however, that managers will have more time to concentrate on their main purpose – establishing goals and managing complex organizations to achieve them.

Possibly the greatest potential lies in releasing the organization's creative capabilities. The traditional bureaucracy did not welcome creativity. Ted Levitt, in a classic 1963 article in the *Harvard Business Review*, wrote: "One of the collateral purposes of an organization is to be inhospitable to a great and constant flow of ideas and creativity ... The organization exists to restrict and channel the range of individual actions and behavior into a predictable and knowable routine. Without organization there would be chaos and decay. Organization exists in order to create that amount and kind of inflexibility that is necessary to get the most pressingly intended job done efficiently and on time."[14]

Many companies are still working to this model. However, those that are moving toward being customer focussed are endeavoring to harness the creativity of all stakeholders, including all employees as well as those in interfacing organizations such as customers and suppliers. Managers have a key role to play in this process by fostering an innovative climate and encouraging risk taking.

The companies that will be successful in the new millennium are those that innovate in order to get ahead of their competitors. They will be innovating in a number of areas, including:

- challenging existing business assumptions to identify the customers and products/services they most want to have;
- identifying and developing new methods of delivery, e.g. e-commerce;
- product/service improvement;
- new products and services;
- identifying, attracting, and looking after external and internal customers more effectively by building stronger customer relationships;
- doing whatever they can to increase efficiency and/or reduce costs.

Research at Henley Management College in the UK has led to the formulation of eight working hypotheses that form the basis of critical success factors leading to the innovative organization:[15]

- situational empowerment;
- remuneration systems that reward trial and error;
- clear understanding of customers' needs and external changes, well articulated within the organization;
- a mixture of training for innovation and change as well as specific skills, both "hard" and "soft";
- top executives' internal focus of control should be such that executives are convinced of their own ability to influence their situation;
- an innovation fund that at least matches competitors';
- explicit targets for innovation;
- high-quality managers.

Executive management has to create a vision of where it wants the organization to go and then agree an appropriate strategy for getting there. For many this will lead to a streamlining of the organization to increase its focus and long-term profitability. Middle management, in particular, will be a continuing target for change. Some organizations may well have already introduced the type of changes in the way management is undertaken that are identified above, but many have still to follow.

The primary stimulus will be corporations rather than governments or individuals themselves. These corporations will be responding to market pressures, reacting to global competition, and seeking ways of doing what they can best do, but doing it much better.

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Leading the democratic enterprise

LYNDA GRATTON

[Over the last decade the forces of globalization, competition, and ever more demanding customers have made many companies flatter, less hierarchical, more fluid, and more virtual. This provides us with fertile ground on which to create a more democratic way of working. Democratic enterprises require leaders to take on radically new roles.]

Leaders are faced with day-to-day decisions that subtly shape the context and processes of organizations. At the same time, they are called on to create and articulate a sense of the longer-term purpose and goals of their company. In making these day-to-day decisions and in articulating their view of the future they are inevitably making constant reference to their own assumptions and their theory of the firm. In particular, they are influenced by their personal beliefs about the nature of people and personal philosophies about the nature of the competitive environment. These are based on past experiences, biases, and personal views. Leaders may be operating a philosophy at a purely personal and tactical level, not amenable to others. But whether they choose or are able to articulate these personal theories, they exist as a coherent set of beliefs.

The first role of the leader in the democratic enterprise is to create and communicate a philosophy that embraces the notion of individual autonomy. They do this primarily by engaging those around them in a conversation and debate about the company that has both intellectual rigor and insight.

Champion of individual autonomy

The relationship BP Amoco (BP) CEO John Browne seeks to create between the individual and the organization is reflected and made apparent in a myriad subtle ways. In the democratic enterprise, the autonomous individual becomes so through a process of creating intellectual, emotional, and social capital within a learning frame of self-reflection, awareness, model building, and choice. The way in which Browne relates with his senior team sends subtle messages within the company about the role of intellectual curiosity, the importance of conversation, and the means of engagement.

Browne and his colleagues were described by the *Financial Times* as "an unusually active and well-financed university faculty – earnest, morally engaged and careful of other's sensibilities." As Browne comments: "This company is founded on a deep belief in intellectual rigor … Rigor implies that you understand the assumptions you have made – assumptions about the state of the world, of what you can do and how your competitors will interact with it, and how the policy of the world will or will not allow you to do something."

Browne's appetite for knowledge is insatiable and he himself is a creator of knowledge, building a model of the role of the CEO and of the structure and aspirations of BP that he articulates. By engaging in conversation and knowledge creation on his own behalf he sends a clear signal about the appropriateness of these activities. At the same time this striving toward individual autonomy is something he reinforces in the way the senior team works together.

This is how he describes his relationship with deputy CEO Rodney Chase: "Rodney and I have worked together since 1984, and we have worked close up the ranks and it is a very close relationship. You would think that we would be so familiar with each other that we would know the way each other think but it is actually the reverse. We challenge each other very hard, in a very appropriate way, but it is the purpose of the relationship to get a better result, and we do that. And that, in turn, encourages others to do that."

The intellectual curiosity he displays legitimizes intellectual curiosity in others – curiosity both about themselves and about the corporate community. What Browne and his team have done at BP is to elevate the importance of intellectual discovery and the creation of self-awareness and autonomy.

Taking the lead in mentoring and coaching

This legitimization of rational and emotional conversations and support of reflection creates an environment in which individual autonomy can flourish. For Rajat Gupta, managing director of consulting firm McKinsey, this relentless building of human capital is tied closely to the individual's attitude to their self-development: "If you are an industry leader, you are there for three to five years: this is not a lifelong position. I do not have a discussion with the head of the London office about this. It is an obligation for industry leaders to give leadership opportunity to other people."

The same is true at financial services group Goldman Sachs, where choices and support for mentoring and development are seen to be crucial to the culture of the firm and are assigned importance from the very top of the organization. The leadership history of Goldman Sachs, from the days of Marcus Goldman and Sam Sachs, has demonstrated a clear belief in the need for the leaders of the firm to actively engage in supporting each one of their talented employees to become the best they could be.

Stephen Friedman, co-leader in the period 1990–94, says: “Our success is directly related to six things – people and culture, culture and people, people and culture.”

Across the history of Goldman Sachs, the actions of the senior team continuously reinforce the relentless building of human capital. This is demonstrated most clearly by the way in which the leaders of the firm choose to spend their time, perhaps their most valuable commodity. Each one of the leaders of Goldman Sachs spends an enormous proportion of their time in supporting, evaluating, and coaching other members of the firm.

Their dedication to this is far beyond that associated with other leaders in the financial sector. Every year each vice-president will participate in a series of in-depth performance and coaching conversations and from these conversations prepare performance review documents for between 50 and 60 people. They will take part in between 15 and 30 conversations with prospective new hires. They will be members of the “cross-ruffing” teams (responsible for the selection of partner managing directors) for up to eight people. At each step of the creation of human capital the time involvement is substantial. Members of the cross-ruffing teams speak with the colleagues of those nominated, prepare a detailed report on the nominee, then participate in the various meetings at which selection decisions are made.

Successive leaders at Sony have also actively and publicly engaged in building human capital. Founder Masaru Ibuka initiated *Sony juku* in which 20 middle managers, typically in their mid-30s, worked closely with him. In small taskforces they identified an organizational challenge and worked with him to develop a set of organizational actions. From this beginning successive leaders have given their time and energy to supporting the development of others.

At BP each member of the executive typically coaches and mentors up to 10 group vice-presidents. Chase, deputy CEO of BP, describes it this way: “I gossip with them about what is really going on within the inner cabinet; I share confidences; I tell them about my discussions with John Browne. I build trust with them. I agree with them what their weaknesses are and agree to work with them. You have to take the time to engage them with examples that will make them broader and wiser. To develop their sense of responsibility for the firm; who they are developing. The greatest pleasure I get is the development of talent.”

By engaging in a deep conversation about strengths and weaknesses Chase is supporting the creation of self-awareness and understanding. And by engaging in this way, Chase and the executive team are ensuring that this “talking partner” becomes a model for relationships and conversations across the corporation. In turn, the group vice-presidents coach the business unit heads, as they in turn coach their executive teams.

2

Supporter of choice and variety

Autonomous individuals are crucial to the Democratic Enterprise but this is only part of what is required. These autonomous individuals need the possibility of exercising choice in order to become the best they can be and, by doing so, to build the potential of the whole organization.

Leaders play a crucial role in supporting choice and variety. Alternatively, they can play a crucial role in blocking them. Letting go, trusting order to emerge from chaos, can be tough for leaders more familiar with command and control. In pioneering companies the leadership teams played a number of distinct roles in facilitating choice and variety. Leaders actively supported widening variety and enabling people to exercise choices. Next, they pioneered the technology and mind-set of an information-rich environment to enable people to understand the basis on which choice could be made. And finally, in some cases, they were active role models in constructing lives of choice.

Widening the latitude of discretion

The day-to-day behavior of leaders sends out pervasive messages across an organization about what is valued. Leaders in pioneering companies supported choice and variety in many subtle ways. Perhaps most importantly they sent out clear messages that people were free to choose. They did this by encouraging people to take roles and responsibilities that were far from their current capability and by maximizing the latitude of discretion within which people worked.

Gupta speaks for many of these leaders when he says: "Each associate at McKinsey must have the freedom to follow their own passions, to have the opportunity to have multiple careers within a career. In McKinsey … everyone needs to learn how to say yes to opportunities which expand their competencies and knowledge."

Pioneering technology and information

The technology that supports the delivery of employee choice is built from employee portals and significant investments in software. At a time when much IT spending has been directed at distribution and systems integration, employee portal investments are often seen as second order. Not so in many pioneering companies where the leadership team personally championed the resources required to speedily embed the technology.

David Reid, deputy chairman of Tesco, ensured his team developed some of the most sophisticated technologies to support consumer insight and choice. As he comments: "We spend a lot of time trying to understand customers. We take that understanding and translate it into detailed plans to add value for customers. We value data-mining skills so strongly that the company we engaged to do the analytical work is now a subsidiary of Tesco."

The executive board was then concerned that it knew more about Tesco's customers than it did about its employees. That was the impetus to creating the technologies, methodologies, and resources that supported the employee insight unit. This investment enabled the technologies and data mining developed for customer insight to be leveraged to learn more about employees and was the basis for groundbreaking employee profiling work.

At BP Browne's support came through a technological platform capable of unifying the different heritage companies of the group. From the end of 1999 he insisted the company put substantial resources behind stitching together the 275 human resource intranet systems it had developed and inherited. As Dave Latin, who managed the project, commented: "Following the mergers we saw this as an opportunity to simplify. What got the board excited was the aspiration that e-HR could touch each of the 100,000 employees and cause a shift in behavior." Browne's championing of the company intranet enabled a much deeper sharing of information and the creation of choice and variety.

These technological platforms have no impact on the creation of the Democratic Enterprise unless they are the conduit that enables meaningful information to be shared. In many of these companies the leadership team plays an active role in the technology of meaningful information.

Rodney Chase comments: "One of the most pressing reasons to create a dialog… has been the rise of connectivity within the space in which BP operates. There are people who by dint of communications, flexibility, and immediacy have the capacity to find things out and transmit the information instantaneously … It is palpable, it is very real, and it is expressed with great frequency. For a global institution we are very nimble. How does it happen? I have no idea. It is some combination of informal word of mouth ... informal networks based on career friendships or based on professional groupings, or based on clubs on the intranet. If you've got an important message that needs to get out in the firm it will happen in 24 hours. And you can be certain that every thinker in the organization will have heard about it and will be thinking about it. It means that the forces of inertia have been largely swept away."

Constructing lives of choice

Employees look to their leaders for guidance on how they themselves should behave. Leaders who ignore the diverse needs of members of their team or who reinforce "presenteeism" are a significant barrier to the creation of the Democratic Enterprise. Pioneering leaders supported choice and variety in many subtle ways: by what they said and by their actions. Many have actively demonstrated conscious choice in the ways in which they have configured their roles or in the breadth of projects and jobs with which they have been involved. A few have become role models for location or time choice.

As one of the senior team at BP reflects: "About 12 months ago I came to the realization that something had to give. The only possibility was to leave the organization. Following the BP brand launch, I said to myself, there is another possibility – I can work fewer hours and it will be OK for me to do so. And that is what I am doing. Twelve months ago if you had asked if that was possible, I would have said absolutely not."

The same is true of a small number of managers at BT where location choice and job sharing have been pioneered by members of the senior team. These tend to be highly idiosyncratic choices rather than main stream. But, by doing so, the members of the team are showing that variety is tolerated and in some cases actually celebrated.

Architect of shared purpose

Perhaps more than any other aspect of the creation of the Democratic Enterprise, it is in the creation of a shared destiny that the role of the leadership team is most vital. Without this, independent people simply go their own way. It is this sense of purpose and of shared destiny that stops employees from exploiting the choices they have by building and leveraging their own asset base at the expense of the performance of the organization.

It is the leader's capacity to instil purpose that stops each employee behaving as an autonomous asset maximizer, working individually with no collective responsibility. In the bureaucratic principles on which many contemporary organizations were built, providing employees with limited freedom of choice minimized the potential for the exploitative individual. With democracy and enhanced choice the leader plays a key role as the integrator, the force operating against random drift.

In the leaders of pioneering companies there is a subtle balance between the "hard" of clearly articulated business goals, and the "soft" of strong relationship ties based on trust and respect. The leaders acted as forces of integration by the "soft" of purpose, trust, and relationships, and the "hard" of performance management.

The soft integrators

Many of the leaders used a sense of shared purpose, of common good, to act as an integrating force. John Thornton, president and co-chief co-ordinating officer of

Goldman Sachs says: "I believe that anyone with any depth and any talent has to ask the question, 'what am I doing with my life?' The purpose of my life is to use my talent for some larger and better purpose. I believe that some form of that sentiment is what motivates most highly talented people."

These "soft" integrators were also created through the manner in which the leaders of these companies built trust across individuals and teams and the manner in which they shared power. For Sony CEO Nobuyuki Idei it was his absolute clarity of the goals of the business that created the space in which experimentation could take place. Idei's was a vision of the digital universe: "We have to shift our thinking toward developing, along with the PC and software industries, what in effect are audio/visual-orientated computers and components and the software to play on them. If we can do this, I believe Sony can become the master of the digital universe."

The rigors of such "line of sight" thinking are the performance bonds that tie employees together in a sense of common purpose. But leaders can also create shared destiny by forging relationship ties. The assumption is that individuals are more likely to create choices which are mutually beneficial rather than exploitative when they like and trust their colleagues. Trust is built over time through co-operative and collaborative behaviors and with practices and procedures that are fair and just.

The leader plays a key role in reinforcing relationship ties by being seen to build deep, discursive relationships with their colleagues. Cultures of trust arise when employees are treated with respect and in a just and fair way. Certainly, with regard to justice and fairness, employees are sensitive to the procedures that frame the resource allocation of choice, as indeed they are sensitive to outcomes.

However, at the heart of perceptions of justice and fairness is not the "what" but the "how." Those who lead transformation are aware that the hard wiring of technology and goal setting sets the context; but that's not enough. Negotiating choices one at a time is troublesome. What matter most are the day-to-day experiences of employees. Are they treated as individuals with dignity? Are their choices respected? Leaders play a crucial role in setting this context. They profoundly understand that fair decision making and strong bonds of friendship can bridge the differences in interests and values between employees.

In pioneering companies the leadership team played a key role in building relationships and trust. At BP the relationships between the members of the senior team acted as a model for others. At Goldman Sachs relationships within the organization are one of the key "soft" integrators that hold the company together. Much of the lengthy selection of young associates and partner managing directors is aimed at ensuring only relationship-oriented people get to join the company and then to progress within it.

As vice-chairman Bob Steel comments: "We work collaboratively better than anyone else does. We are collaborative, secure people who are comfortable being collaborative. We enjoy affiliation and being part of the team. Even as children in a sandbox we would have wanted to build a road together."

The hard integrators

A common sense of purpose is a crucial leadership capability. At the same time, leaders drive the articulation of the business goals. The leaders of these companies created a sense of shared destiny by unambiguously and rigorously articulating the short-term and longer-term goals of the business. In each of these pioneering companies the leadership team drives the goals of the business with absolute clarity.

At BP, Browne and his team periodically review the performance of each of the business unit managers and agree on the next targets. According to Chase: “The actual performance contract is relatively simple, a few financial goals – profit before tax, cash flow, investment, return on invested capital – I have never seen more than four. Then there are two or three high-level non-financial targets. Once the contract is decided, people are free to achieve them in whatever way they find appropriate.”

Browne, Chase, and the executive team meet each business unit leader quarterly to review progress and agree goals. By building a shared sense of purpose they create a “line of sight” in which every employee understands exactly what is expected of him or her. Moreover, these performance expectations are articulated primarily as outcomes, so while the “what” is clearly articulated, there is space around the “how.” These broad business goals set the parameters and create the frame within which choices can be made. These performance contracts clearly and unambiguously articulate the accountabilities and obligations of every employee as a member of the corporation.

The same is true at McKinsey, where there is a clear alignment of accountabilities and obligations. Between 1996 and 1997 Gupta initiated a strategic review of the firm that looked at how to continue to recruit and retain the most talented people. From this came a clearer articulation of what he terms “self governance”: “We would be a client service firm and nothing else; that we would demonstrate true commitment to our people; and that we would remain a partnership.”

The HR role

The leadership role is crucial in the championing of individual autonomy, in the support of choice and variety, and in the creation of a shared sense of destiny. At the heart of the Democratic Enterprise is a subtle and articulated belief about people and assumptions about their behavior and development.

This focus on the human side of the enterprise places a particularly key role in the hands of the human resource function. In each pioneering company the members of the HR function played key roles as business champions and employee advocates. More specially, they developed the techniques and processes to create insight about employees; they built trials and experiments that enabled them to create variety and test the benefits in a relatively low-risk environment; and they began the process of structuring the HR function around choice.

Creator of employee insight

The capacity of leaders to make realistic and accurate judgements about people requires depth and breadth of information. The leadership teams need to understand what motivates individuals and build a picture of their capacity to exercise choice and the most appropriate choices for them. The creation of this information lies within the domain of the HR function.

Major interventions undertaken by Tesco and BT began with the HR team presenting insights about present and future employees to the executive committee. At BT, successive employee surveys showed that people increasingly felt under stress, that their work and life were out of balance, and, as a result, many would not take more responsibility. When the HR team presented this to BT's executive committee it created an opportunity for the executive team to have realistic and sensible discussions about the engagement of employees and the factors, such as stress and work imbalance, denuding this engagement. Moreover, when the HR team went on to commission a study about the future of work it became clear that these issues would increase rather than decrease.

At Tesco, access to reliable and timely information about employees gave the senior team the opportunity to have a realistic conversation about employees. What emerged from initial employee surveys was an understanding that the axis of the company had tipped toward the needs and aspirations of customers without a similar appreciation of the needs and aspirations of employees.

This was one of the key drivers behind the creation of the employee insight unit. In their presentations to the Tesco board, the unit used statistical modeling and data-warehousing capabilities to present a complex and comprehensive view of employees. The sophistication and depth of this data enabled Tesco to make hard choices about where resources could most usefully be deployed.

In both of these companies employee insight was created using highly sophisticated employee survey analysis techniques, through focus groups, and the use of data warehousing to integrate data on 360-degree feedback with leaver data and performance measures. Clearly the capacity to create such a depth of employee insight is crucial to steering the course of the Democratic Enterprise.

Builder of trials and experiments

When we consider the history of choice in pioneering companies, many began one or even two decades ago as specific projects or trials. The BT location and time flexibility trials began in the 1980s; the BP open internal labor market began at about the same time.

Such trials serve a number of important functions. Perhaps most importantly they allow experimentation to take place at the periphery of the organization. This creates the variety that is so important to the evolution of self-organization. Through trials and experiments, the HR and leadership teams are in a stronger position to make accurate evaluations and to take a bet on what will work best.

For the HR team at BT, the development of location and time flexibility that was so important to them at the beginning of the new century began 10 years earlier as a series of discrete trials. These trials enabled the team to monitor the problems as they emerged and to take "before" and "after" measures of key variables such as performance, commitment, and satisfaction with work-life balance. As a result the team understood that technology could be a major problem and were able to specify the commitment in technological development imperative if these trials were rolled out.

The clear measure of outcomes also enabled the team to write a detailed brief about the potential business savings and the costs of location and time flexibility. The results of these trials formed the basis of the business case to show the impact on employee engagement and output by building greater choice and variety.

Structuring around choice

Academics Joseph Pine, Don Peppers, and Martha Rogers argue in their analysis of mass customization that there are two paramount roles in the process of customization: that of customer manager and that of capability manager. The role of the customer manager is to profile, understand, and act as the champion for specific groups of customer. The role of the capability manager is to manage the product options and choice of the consumer. By doing so they are more able to take a detailed view of the needs of the marketplace and to ensure that the voice of various customer groups is not drowned out. Increasingly consumer-oriented companies are adopting this model to structure their resources.

Apply these roles to the creation of choice and variety, and the role of the customer manager becomes that of *employee manager*. This role oversees the relationship with the employee, is responsible for the portfolio of employees with similar needs, and also for understanding the performance equation for each employee.

To do this, employee managers must know the preferences of employees and be able to help them articulate their needs. They serve as the gatekeepers for all communication to and from each employee. At the moment the only employee groups to have discrete representation in most HR functions are the small percentage of employees who are deemed to be high potential. Building from experience in the marketing function, these foci of attention should be on other employee groups: young parents who want to balance life and work and older people who are still committed and excited by their work. At Tesco there are five categories from which discrete employee management roles could be created. These managers champion the employee group they represent and ensure their needs are heard.

In addition, companies need *capability managers*, each of whom executes a distinct process for fulfilling each customer's requirements. The head of each capability ensures that appropriate capacity exits and that the process can be executed reliably and efficiently.

Employee managers must know what capability managers can provide and must take the lead in determining when new capabilities may be required to meet employee needs. For their part, capability managers must know what employees require and be able to figure out how to create it.

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Succeeding at succession

DES DEARLOVE AND STEVE COOMBER

Despite the growing attention on succession planning, very few organizations manage a successful transition from one leader to another. Why do so many companies drop the CEO baton?

An often under-appreciated task of any corporate leader is to ensure a smooth transition for his or her successor. A fumbled succession can damage staff morale and organizational performance. The early departure of a replacement can also prove costly in severance pay and tarnished reputation. Yet despite increasing attention on the issue, companies still struggle to get succession planning right.

Richard Thoman lasted just over a year as CEO of Xerox, taking the tiller in April 1999 and relinquishing it in May 2000. (During his brief watch, the market capitalization of Xerox fell by around $1,000 million – 45 percent.) Other recent short-lived successions include Robert Nakasone who became CEO of Toys R Us in 1998, and left just 18 months later; Gregory Wolf who lasted less than two years as CEO of Humana; and M. Douglas Ivester, who took charge at Coca-Cola in October 1997 and was shown the door in February 2000.

Warren Bennis of the University of Southern California believes that the growing number of CEO failures is directly linked to poor CEO succession planning. Professor Bennis acknowledges that other factors including shareholder impatience may be contributing to CEO failures, but believes the root of the problem lies with how boards appoint successors. "I am certain that it's the selection process that's at fault, not the lack of forgiveness of the shareholders," he says. "Boards that go into rhapsodic overtures about leadership never really define what they mean by that word, nor do they pay enough attention to the human factor."

The human factor

Human factors appear to be the nub of the problem. Most bungled successions can be traced to five all-too-human failings. First, boards frequently fail to define or adhere to an objective set of selection criteria, allowing themselves to be swayed by force of personality. M. Douglas Ivester, for instance, was ousted from the CEO job at Coca-Cola in 2000 after a series of misjudgements. Professor Bennis surmises that the aura of his predecessor, Roberto Goizueta, dazzled the board into doing only a cursory vetting of his nominated successor. "Did the board really take a serious look at his capacity to work with people, to thoroughly examine his relationship with his peers and direct reports? I doubt it," says Bennis.

The second factor is what may be called the Thatcher phenomenon. The leader just doesn't know when to call it a day. Many incumbent leaders are reluctant to give up the reins of power, either hanging on too long or trying to foist like-minded successors onto their boards. "There is a benefit to having an orderly succession process and not staying until the board of directors forces you to leave," says Michael Critelli, CEO of mail and document management company Pitney Bowes. "Beyond a certain length of time you get to believe that you can't be replaced so it is best to leave when you are still on top and still fresh."

The third obstacle to a successful succession is that all too often the process is overtaken by events. Short-term concerns are frequently allowed to dictate the succession timetable, with the decision driven by external pressures rather than the needs of the organization. Fourth, boards have a tendency to appoint a safe replacement, rather than someone who will question their own role. In selecting someone who will give them an easy ride they put their own interests above those of the organization. Finally, many organizations don't look beyond the most visible senior management candidates, and therefore fail to identify potential leaders from the next generation of leaders.

Add to this the usual heady mix of executive egos, organizational politics, and greed and you have a recipe for trouble. What works in one situation can backfire badly in another.

William Byham, president and CEO of Pittsburgh-based HR consultancy Development Dimensions International, which specializes in leadership selection, believes the problems with succession planning are deeply embedded in many organizations. "In traditional succession management, senior managers spend an inordinate amount of time considering and naming potential replacements for themselves and their subordinates. Labels such as 'ready now' or 'ready in two years' are often applied. These systems are often very expensive, forms driven, bureaucratic, and out of touch with organizational strategy. Most importantly, the majority are inaccurate – fewer than 30 percent of senior positions are filled by these hand-picked back-ups."

The right way

Some companies seem to have mastered the art of succession. For companies like GE, for example, succession planning comes naturally. It is viewed as part and parcel of executive leadership. Jack Welch's handover at GE was in many ways an exemplary succession – though not without hitches. GE prides itself on the bench strength of its executive pool. The CEO job was always going to go to an internal candidate. Welch's retirement was meticulously planned and minutely observed, with media speculation focussing on three internal front-runners. In November 2000, Welch finally ended the agony by naming Jeffrey Immelt, the former head of GE's medical systems, as his replacement. Welch stepped down as CEO in September 2001.

Given his phenomenal success it would have been easy for Welch to stay on as CEO. But he was wise to the temptation. Asked whether he thought retirement at 65 was outmoded, Welch replied: "If I had been in this job six years, seven years, it would be totally outmoded. I feel great. I have more ideas than I ever had. But I've been here 20 years and an organization needs vitality. And while we've created a lot of vitality below it, this next change will create a lot more vitality because I'll go and some people will leave. We'll get filled in. It will create another fertilization of the company. So 20 years is why I'm leaving, not because I'm 65."

Others also benefitted from GE's rigorous succession planning. Robert Nardelli, former head of GE Power Systems, who had been passed over for the top job at GE, was appointed CEO of Home Depot, succeeding the company's co-founder Arthur Blank. This highlights an important aspect of the succession conundrum: different stages in a company's development seem to require different styles of leader. Nardelli was deemed wrong for GE, but right for Home Depot as it seeks to move out of the shadow of its founders. Bernard Marcus, Home Depot's chairman, explained that his appointment was a result of a 10-year evaluation process. In the end, the top half dozen Home Depot executives came to acknowledge that they were not quite ready to fill the founders' shoes. Nardelli was seen as someone who would allow the in-house talent to mature.

Homegrown talent

The merit of internal versus external candidates is a topic of on-going debate in CEO succession. The only area of consensus is that, again, different circumstances suggest different solutions. A company humming with self-confidence is more likely to favor an insider, while an organization in crisis, or seeking to widen its executive gene pool, is more likely to look elsewhere.

Research by the headhunter Spencer Stuart indicates that internal CEO appointments are still more common, but external appointments are increasing. Bringing in a CEO from outside can be spectacularly successful. The much quoted example is Louis Gerstner, who turned IBM around in the 1990s. But the temptation to import outside expertise and wisdom, while increasingly strong, can also backfire.

The computer company Apple is a case in point. After its first flush of success it brought in John Sculley from Pepsi to enable it to make the next leap forward. Sculley then usurped Apple CEO and co-founder Steve Jobs. Sculley was himself deposed in 1993 after a disastrous period that saw Apple's market share plummet from 20 percent to just 8 percent. Two CEOs later, Apple's market share had fallen to 4 percent and the CEO at the time Gil Amelio invited Steve Jobs to help. Soon after, Amelio departed. Jobs remains as CEO, and Apple is now making steady progress.

Gurnek Bains, managing director of the UK-based business psychology consultancy YSC, has researched the issue of internal and external successions. "We have talked to search companies, analyzed the literature, and drawn on our own database of CEOs," he says. "Our conclusion is that high-performing companies grow their own talent. People who head up high-performing businesses really know the business inside out and tend to have been there for a long time. In contrast, a high proportion of unsuccessful CEOs have been transplanted from one company to another."

The message is that success in one place cannot be easily replicated in another. "Success is rooted in context," concludes Dr Bains. "So, highly successful executives with one organization often find it difficult to repeat the success elsewhere."

It's a message Southwest Airlines took on board when it was planning the succession of Herb Kelleher, the company's colorful and long-standing president. Kelleher stood down in June 2001. He was succeeded by a homegrown leadership double act. Colleen Barrett, a 30-year Southwest stalwart and formerly EVP-customers and corporate secretary, became president and chief operating officer, with vice-chairman James Parker, the company's former VP-general counsel, taking on the CEO mantle. Kelleher remained as chairman.

Barrett, credited with being the architect of Southwest's customer-focussed culture, concentrates on the day-to-day running of the airline. She has worked with Kelleher since 1967, and she has broad experience in all aspects of the business. Parker, who joined Southwest in 1986 (and has worked personally with Kelleher since 1979), concentrates on the financial and legislative aspects, and provides the company's public face.

Kelleher is not an easy act to follow, a point Parker acknowledges. "Comparing me to Herb is like comparing a 40-watt light bulb to the sun," he has quipped. Changing a light bulb is relatively easy, but with successful CEO successions it is illumination that really counts.

Passing the CEO baton: The Westfield Group

Westfield Group is a private financial services company with a 150-year history. It started life in 1851 as the Ohio Farmers Mutual Fire Insurance Company. Today, it employs 2,300 staff, with 20,000 independent insurance agencies. Cary Blair recently celebrated 41 years with the organization. Now 63, Blair has been CEO for over a decade and has been planning his succession for the past four years.

"Part of good board governance is making good plans and identifying candidates for succession," he says. "I've been CEO for 11 years and that's long enough. It's a stressful job but getting the board involved with the succession process is not an easy task either. First of all the CEO has got to get him or herself mentally prepared, but then you've got to engage your board in it."

Westfield has followed a structured process that began with the identification of a competency model for the next CEO. The process was facilitated by an outside consultant, corporate and executive performance expert Dr Mark Otto, who worked with the board and the senior management team to develop a formal competency framework.

Cary Blair explains: "We asked ourselves what the next CEO in this changing business environment should be like. What sorts of skills or competencies should he or she have? Even though you know you're not going to get all of these competencies in one candidate, nevertheless you should be able to identify what you want. "We got into skills sets and we got into innate qualities that you can't train for. We talked about language skills – should the next CEO in a global society have multiple language capability? We talked about the global mindset and those sorts of things."

As well as skills set, the process identified some innate qualities that could not be trained, including leadership style. "If you think about a leader who identifies with external or internal stakeholders, we wanted a CEO to have probably a little bit more external stakeholder focus than internal. We even talked about the spouses and their role in the organization. We thought we needed a corporate cheerleader in the organization, someone to meet the press and be constantly involved with big customers. That's all style of leadership, that's not education or basic skills sets," says Blair.

Another important issue Westfield considered was the need for a balanced team at the top. If someone with an operational background was to be CEO, they would require a close relationship with someone with a strong financial background, and vice versa.

Passing the CEO baton: The Westfield Group (continued)

Westfield's new CEO was named at the beginning of 2003. "It's been about a four-year process," says Cary Blair. "We've used board retreats – full-day sessions two or three times a year – that talk about key issues including succession, and assess the candidates' skills and what sort of progress are they making. I've been very careful to talk to the candidates about their pluses and minuses. They are very aware of the process. I talk to them at least once a month about the issues. That's a sit-down discussion. And they may be involved in some scenario planning and visioning exercises, so we see how they are doing there. That's good practice, because the toughest thing about the CEO role is visioning. It is probably the number one skill I would require in a good CEO."

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Commentary

When employees attack

Workplace violence is a significant and growing problem in business. We've all seen the shocking headlines. In August 2003 a disgruntled ex-employee gunned down and killed six people at an auto parts warehouse in Chicago. In July 2003, an employee at a Lockheed Martin plant in Meridian, Mississippi, shot 14 co-workers, killing six. The list goes on.

Media coverage of workplace shootings barely scratches the surface of workplace violence. It is not just violence perpetrated by employees; the violence can come from co-workers or from people external to the organization. Definitions of workplace violence vary. The US Occupational Safety and Health Administration (OSHA) defines workplace violence as violence or the threat of violence against workers. Not just physical violence but also verbal assaults. OSHA estimates that 2 million Americans are the victims of workplace violence each year.

Hard data on workplace violence is unavailable for many countries. What evidence there is suggests that it is a global phenomenon. In the UK the Trades Union Congress puts the number of employees attacked in the workplace at 1.3 million a year. *Violence at Work*, published in 2002 by the Finnish Institute of Occupational Health, reported that 78 percent of workers in South Africa had experienced bullying at work. It also reported a high incidence of workplace bullying in Japan.

One reason suggested for the prevalence of workplace violence is a causal relationship between rising stress levels and violence at work. An economic downturn, increased layoffs, increased workloads, longer working hours, tougher deadlines, and increased competition – are all factors that add to stress levels. "Worried at Work: Mood and Mindset in the American Workplace" a 2003 survey by CIGNA Behavioral Health, revealed that 44 percent of those surveyed thought their job was more stressful than the previous year. Research from Kenan-Flagler business school in North Carolina reported in 2000 that 12 percent of people had left jobs to avoid unpleasant people at work, and 45 percent were considering leaving.

The good news is that there are several steps companies can take to reduce violence in the workplace. If violence is usually the result of severe stress, then detecting the behavioral changes leading up to the outburst of violence, and eliminating the causes of stress in the workplace, can reduce the violence itself. Employee screening, training, workplace analysis, and hazard prevention are some of the tools companies can employ to help minimize the problem.

Employee screening may be constrained by legal considerations but companies may still ask questions covering matters such as an applicant's prior violent behavior. Psychological and behavioral profiling are useful. A detailed analysis of the workplace and working environment may reveal areas that need improving. The effects of the working environment on the employee are not always obvious. A study by Cornell University in 2002, "Stress and Open Office Noise," reported that employees exposed to constant low-level office noise such as the hum of photocopiers, computers, and lighting had increased levels of stress hormones compared with workers in a quiet office.

Besides the obvious physical and psychological effects violence in the workplace has upon employees, there are wider implications for corporations, not least the potential cost in lawsuits and compensation as well as the negative effects on employee morale, adverse publicity, and detrimental impact on productivity. The Workplace Violence Research Institute estimates the cost to US business to be in excess of $36 billion. Make no mistake: whether it is verbal abuse, desk rage, or homicide, violence in the workplace is bad for business.

The management of humor and the humor of management

DAVID L. COLLINSON

There is growing interest in the corporate construction of workplace humor and its underlying functionalist assumptions. But the meaning and consequences of humor can often be much more ambiguous and problematic than is frequently appreciated.

A burgeoning literature now exists that analyzes what managers and leaders do. Typically, leadership and management are viewed as highly rational processes, concerned with "serious" workplace issues like strategy, decision making, and the effective exercise of power and control. In this rather somber context humor, joking, and laughter would seem to be inappropriate and out of place. Jocularity appears frivolous and unproductive, typically viewed as leisure and pleasure rather than work and toil.

Throughout the ages leaders and managers have frequently tried to retain a somber demeanor for themselves and a serious organizational climate for subordinates. In their concern with social control, they have sometimes viewed jocularity as uncivilized or dangerous and have sought its censorship through exhortation or legal imposition, or both.

In contemporary organizations there has been a growth of interest in humor as a tool for increasing employee motivation. Leaders and managers have identified a positive connection between employee humor, laughter, and productivity. There is a growing belief in the value of jocularity as a medium for communicating sometimes quite serious messages. Management training programs frequently utilize humor in conveying their messages. Selectors increasingly evaluate job-seekers for their sense of humor. Similarly, research suggests that in practice it is managers and leaders who most frequently use humor. Joking is often the prerogative of those in authority, and leaders can use humorous situations to facilitate their exercise of power and control. Conversely, in the presence of superiors, subordinates tend either to refrain from joking or to make their humor non-threatening.

In the United States a significant number of so-called "humor consultants" encourage managers and leaders to recognize the workplace benefits of laughter and frivolity. Writers and consultants have promoted the view that leaders should use humor to solve problems, exercise discipline, and defuse tense situations. They suggest that jocularity can foster divergent thinking, creative problem solving, and a willingness to take risks, while also humanizing the hierarchy by making leaders more approachable, making difficult messages more agreeable, and providing a discreet way of sanctioning deviant behavior. Equally, writers have argued that humor can revitalize corporate cultures and build momentum for organizational change.

Management writers like Insead's Jean-Louis Barsoux recommend that leaders and managers encourage subordinates' oppositional humor, no matter how critical this may be. They subscribe to a "safety-valve" theory of humor that views employees' oppositional joking as a way of "letting off steam" without threatening the status quo. From this perspective, a humorous managerial response to employee satire affirms leaders' power because it implies that those in authority are strong enough to tolerate criticism. This view interprets employee resistance in a similar way to that of the dissenting voice of the court jester. Able to speak the unspeakable, the jester's nonconformist clowning reduced hostility and social tension. The jester's very existence implicitly affirmed the ruler's tolerance. Similarly, others contend that those employees who take on the role of "organizational fool" and operate as a questioning truthsayer are able to moderate leaders' tendencies toward narcissism and hubris. The fool's humor is more easily accepted because it is articulated through a self-deprecating kind of teasing.

This view of subordinate humor as a conservative safety valve that inverts the usual power/status hierarchy was also evident in the medieval culture of the carnival. By temporarily inverting prevailing hierarchical relationships, the carnivalesque culture of laughter could be seen as a subversive satirizing of authority by those in subordinate positions. Yet its temporary nature had the broader effect of reinforcing the status quo. A present-day example of this temporary inversion is the office Christmas party where subordinates can take the opportunity to lampoon their seniors.

A number of corporate leaders have deliberately tried to generate a carnivalesque culture within their organizations. In the US, Southwest Airlines actively rewards employees who use humor at work. In the UK the National Health Service created a Laughter Clinic in 1991, and professional comedians act as jesters to the sick and elderly. It is also increasingly common for managers to encourage employees to wear silly hats or pajamas on special "dress-down days." Typically, these "fun days" are organized toward the end of the working week to improve productivity when motivation might otherwise be flagging and absenteeism increasing.

Timing

But why humor? And why now? While job insecurity and workplace stress would seem to make the corporate manufacture of laughter superficial and irrelevant, managers may be attracted to claims that humor can raise employee morale, create a sense of community, and improve both productivity and customer satisfaction.

Certainly, a number of studies suggest that laughter may have positive medicinal effects. Research suggests that laughter can reduce stress and pain, lower blood pressure, and massage the heart, lungs, and other vital organs. It has been argued that laughter enhances respiration and circulation while lowering the pulse-rate and increasing oxygen flow to the muscle tissue. Equally, studies suggest that it can boost the auto-immune system by triggering the release of the antibody, immunoglobin A; a chemical that identifies viruses, bacteria, and potentially cancerous cells, enabling white blood cells to destroy them.

This growing managerial interest in humor also appears to be compatible with the typical dynamics found in many, if not most, workplace cultures. Organizations constitute fertile sites for the emergence of laughter and jocularity. Inconsistencies, paradoxes, and contradictions in workplace practices can be ideal source material for irony, satire, and sarcasm. Humor is indeed a pervasive feature of organizational life, being present virtually everywhere that people congregate to earn a living. Joking dynamics have been recorded in a great variety of organizations, from slaughter houses and betting shops to breweries, and in a large number of occupations from accountancy and banking to selling. Manual work is the most frequently cited setting for humor. Subordinates often deploy humor as a "survival strategy" in coping with deskilled work, high-pressure incentive schemes, and physically dangerous tasks. Far from being austere, impersonal, and somber bureaucracies (as much organization, management, and leadership theory would have us believe), workplaces are frequently characterized by extensive joking relationships.

The *fun*ctionalist legacy

Perhaps the most influential perspective within humor studies is that of the social anthropologist A.R. Radcliffe-Brown whose functionalist approach crucially informs the current interest in the motivational value of humor. Radcliffe-Brown argued that joking relations in tribal societies were vital to social order because they reduced tension and conflict, particularly between those individuals who have competing interests but who must also co-operate to accomplish certain tasks. In his view, the joking relationship was a "peculiar combination of friendliness and antagonism … the relationship is one of permitted disrespect." Radcliffe-Brown found that teasing was especially likely between a husband and his wife's brothers and sisters. This sham conflict of permitted disrespect was an important means of sustaining social stability.

As a theory, functionalism has been criticized for its preoccupation with the regulated nature of social life and its alignment with the interests of the powerful.

Radcliffe-Brown's research was based on a specific kind of tribal kinship relationship. Attempts to transpose his findings to quite different empirical settings may be too great a stretch for the original research. In contemporary Western organizations joking relations are often characterized by much more aggressive teasing that can lead to dysfunctional feuds.

In practice, manufactured joking relations are likely to be much more ambiguous and potentially more destabilizing than management writers, humor consultants, and functionalist theorists recognize. The classic case of leadership humor backfiring is that of Gerald Ratner, the head of the family-owned UK jewelry chain Ratners, which he had established over a 20-year period. In 1991 Ratner's was the largest jewelry chain in the world, with 2,500 outlets, a stock market value of £650 million, and a profit in 1990 of £120 million. Gerald Ratner was the managing director, earning £600,000 a year. However, in an Institute of Directors speech to 6,000 businesspeople at the Albert Hall, Ratner joked that some of the products sold in his jewelry stores were "total crap." Heavily criticized by the tabloid press, Ratner was forced to resign in 1992, and eventually the company had to be sold off.

Leadership and management humor may also encourage subordinate resistance. For example, employees may refuse to respond to leaders' humor. In my study of a UK engineering factory, shop stewards refused to engage in the informal, joking relations encouraged by the new US senior managers. Employees can also resist by rejecting the artificiality of manufactured happiness and the corporate smile that is central to customer care. For example, airline attendants may engage in "surface acting" by smiling "less broadly with a quick release and no sparkle in their eyes." Insurance salespeople may resist managerially prescribed standard jokes because customers dislike their insincerity. Hence, in seeking to manufacture humor, leaders may actually suppress it.

Research also suggests, however, that leaders can become the objects of followers' irony and sarcasm. Much contemporary joking at work may constitute a satirical debunking of the pretensions of those in positions of power and authority.

There is a long tradition of lampooning religious leaders, monarchs, and politicians through popular satire and cartoons. Wit has been used as a weapon in various countries, particularly where groups are oppressed within authoritarian regimes. The satirical debunking of leaders is also a common feature of more liberal societies where, historically, the adult cartoon has been influential in providing humorous social comment and critique.

Humor can be extremely damaging when it is the vehicle for expressing prejudices or when it is used as a form of harassment. For example, before and during the Second World War, the Nazis used anti-Semitic cartoons portraying Jews as either manipulative capitalists or subversive Communists. Similarly, numerous studies describe how men managers use sexual innuendo, "off-color" jokes and patronizing flattery in everyday interactions with female employees. In a number of recent cases employees' Internet use has also involved potentially offensive sexual joking and this has resulted in dismissals. Sexual joking can have negative consequences in customer relations too. There are a growing number of anti-discrimination lawsuits claiming that sexual joking in the workplace is a form of sexual harassment. Research suggests that some managers prefer to turn a blind eye to such oppressive humor, but their failure to intervene may result in negative publicity and costly court cases for the organization.

Humor in the workplace can be a highly positive and creative feature of organizational life, enhancing dialog, communication, and teamworking. But it can backfire. In particular, managers' attempts to manufacture humor may generate employee resistance or offer an opportunity to express pent-up resentment. Equally, oppressive forms of joking, whether perpetrated by managers or subordinates, can result in lawsuits. Hence, while it might generate stability and a sense of belonging, workplace humor can have highly disruptive effects. In seeking to construct "a fun workplace," leaders' and managers' joking practices may inadvertently have the opposite effect.

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Recruiting, selecting, and compensating board members

CHARLES H. KING AND CAROLINE W. NAHAS

Changing expectations of corporate boards – not to mention stricter regulation and greater media attention – means that recruiting, selecting, and compensating board members is now an important part of the corporate agenda. As in all aspects of corporate life, successful board recruitment hinges on maintaining realistic expectations.

The first few years of the 21st century brought nothing but turbulence to corporate boardrooms. Maddening volatility in the markets, a sharp decline in investor confidence, intense scrutiny of financial reporting practices, and many high-profile corporate collapses laid the groundwork for reform. For both better and worse, in the United States, Sarbanes-Oxley emerged and the forms and functions of corporate boards will never be the same.

Change was clearly overdue in one area, board recruitment. Historically, the search for new directors was led by the chairman/CEO, who often acted as the critical first screener. He or she would identify a few "good" candidates, meet with a limited number, and pick personally acceptable options; then let a board committee make the final decision. While there was nothing inherently wrong with that streamlined approach, it certainly didn't communicate independence and objectivity, nor did it look like the board had done a full and proper job.

In recent years, many boards have become far better at candidate identification and selection. Still, they tend to make three important miscalculations: underestimating the degree of difficulty of the task; ignoring the limited supply of, and great demand for, top talent; and over-estimating the attractiveness of the opportunity.

Finding a winning team

If assembled properly, a board of directors is the best bargain in modern business because it represents a cadre of expert consultants to management, with a level of talent and experience the company could never hire on a *per diem* basis. The right directors can make a huge difference in a company's performance, but getting a winning team requires a disciplined approach.

How do boards find the A-list talent they need for sound corporate governance? Ideally, recruitment is led by a strong, organized nominating committee, which has the full faith and backing of the chairman, CEO, and other key directors. The committee also needs a common commitment to board balance and to finding the best people through a thorough, transparent process. Great recruiting happens only when people are personally engaged and passionate about the work. Anyone involved in a search must be fully prepared and able to answer any question about the company, a director's role, board dynamics, and expectations.

The first step is to define the characteristics required in a good director for this specific board. That requires a clear-eyed review of company needs from many standpoints. Where is the business going in the short and long term? What are the most pertinent performance objectives? What types of people already serve on the board? That data is overlaid on the current directors, producing a human gap analysis and a profile of the ideal candidate(s). A simple matrix reveals, for example, the voids in CEO or operating experience, industry or functional expertise, or diversity/gender representation.

With a well-defined director specification in place, the corporation must cast the widest net possible to find true "impact players." Previously, board recruitment relied too heavily on the personal networks of the current board and senior executives. Today, a database of thousands of names is the standard starting point and that must be augmented by original sourcing of good prospects. Candidate identification is an incredibly research-intensive process, with lots of blocking and tackling involved. One common pitfall to avoid is star shopping – compiling a list of marquee names, without really knowing the individuals, their specific skills, and personal styles. In most cases, 120 days is a reasonable length of time for a search, with 90 days clearly falling in the category of fast track. The timeline varies for many reasons, but the biggest problem is calendar crowding. Often, busy executives have extensive scheduling conflicts.

A solid slate of candidates can be assembled within 30 days, but then the nominating committee must thoroughly review the list, discuss and prioritize it, and conduct interviews. Because of the ferocious competition for "A+" and "A" leaders, the greatest difficulty in any director search is simply attracting their attention. Facing greater demands from their own companies and a heightened level of accountability in board service, quality people are not inclined to take on any additional responsibilities – unless there is a huge upside potential for themselves or their businesses.

Many companies envision a board comprised of brilliant sitting CEOs from non-competitors. Given the current business landscape, that is not only unlikely but unwise. To achieve a balanced and effective board, consider taking a "tapestry" approach that integrates sitting chief executive officers with recently retired CEOs, international operating executives, presidents of large and complex divisions, people with functional expertise, partners retired from major public accounting firms, association or nonprofit executives, business-savvy academics, and/or senior consultants.

It is important to look for proven leaders who have effectively addressed the kinds of issues and opportunities the corporation is facing. Good candidates must have a well-developed appreciation of group dynamics and a reasoned point of view that can be expressed forcefully, but not abrasively. And, for the foreseeable future, financial acumen is a very desirable quality. To secure one top-drawer director, the nominating committee will need to consider 15–20 qualified candidates. Contacting and evaluating candidates must be done systematically because every top person requires a precisely tailored approach. The initial point of contact can range from the recruiter to the chair of the nominating committee to a board member acquainted with the prospect. Face-to-face meetings with board members are an essential part of learning more about the person and of sharing company strategy and board expectations.

No matter how persuasive the candidate or how sterling his or her pedigree, the best approach is to trust but verify. Reference checking is a crucial and time-consuming part of the exercise, often done best by a third party who can pose delicate questions without seeming to snoop. Some of the more reliable information sources are directors or executives with whom the candidate serves elsewhere. Does he or she understand the business, take the role of director seriously, ask good questions, offer relevant insight, do a fair share of work, not hold a grudge, listen to peers, and in general make the organization better?

The most devastating consequence of choosing poorly is the least obvious. A bad selection represents a wasted opportunity to add someone of genuine value. Since most boards do not have term limits, the company must assume it will live with a director for a very long time. Clearly unproductive board members aren't allowed to languish any more, but it is not easy to replace one. That can have a negative effect on group dynamics and distract the board from more pressing matters. There is no magic formula for compensating directors, but there is a fundamental principle. It has to be fair – both to the person contributing valuable time and to the corporation. A-list people don't serve on boards for the money. They usually want three things out of their involvement: to make a valuable contribution, learn something useful, and associate with other interesting people. If a candidate's first question is some form of "what's the comp package?," you probably want to look elsewhere.

In general, excessive board compensation is a thing of the past. Companies striving for fairness and balance usually arrive at around 50 percent cash and 50 percent stock, so directors benefit from strong corporate performance but not excessively. It is not uncommon, however, for directors in critical, time-intensive roles such as audit committee chair to be compensated more than their peers.

If a company conducts its own director search, it can be difficult to maintain a truly independent process, or the appearance of one. However, if the corporation uses an executive search firm, the result will be only as good as the consultant leading the search.

Boards that do their own recruitment must clearly acknowledge the limits of their reach and research. Recently, a client engaged us after trying and failing on a crucial search. The company wanted an African-American with a PhD in thermal chemistry who was not an academic – a microscopic needle in a field of haystacks.

An outside firm creates a useful buffer between the company and the candidates. Professional recruiters can manage candidate expectations, so the organization won't alienate the unsuccessful candidates. With, say, five finalists for one position, no one wants to lose – and this caliber of person isn't used to coming in second. Also, search professionals can help a board realistically assess its current situation, do a thorough needs analysis, and share best practices of other high-performance boards.

Attractive candidates have a shelf life, so a company must be prepared to move quickly after completing its due diligence. On the flip side, persistence can pay off. In one instance, the perfect candidate was not interested at first, but the executive recruiter, chairman, and CEO maintained contact over the next two years. A relationship of trust developed and finally the board secured exactly what it needed.

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Non-coercive thinking

HENRI J. RUFF

In many political and business situations logic is used not to make better decisions but to coerce opponents into accepting a particular point of view. Other methods of decision making may exclude fewer people and consequently prove more productive.

2

Rational thought is one of the cornerstones of modern management. Yet, in an increasingly diverse business world, logic can be used to bully others into accepting a particular view of the world. Global business and politics require us to find new ways to foster dialog without alienating others.

Our obsession with logic dates back to the Ancient Greeks. Since Socrates' day our cerebral grasp of everything surrounding us, and our efforts to persuade others of our own interpretation or understanding, has been a process of rational thought. Rational argument in search of objectivity relies on the ability to dismiss the opposing case by means of an unrelenting series of incisive questions. Coercion is a legacy of Socratic thought.

Robert Nozick (1938–2002) has probably done more than anyone else to draw attention to the characteristically coercive nature of rational thinking. Nozick was one of the most creative philosophical voices among the chorus who defend personal freedom and the virtues of the marketplace. A graduate of Princeton, Nozick became a full professor at Harvard at the early age of 30. He made a particularly significant contribution in the field of theories of rational choice in *The Nature of Rationality* (1993), and objectivity in *Invariances: the structure of the objective world* (2001). But perhaps the greatest lesson managers and students of organizational behavior can learn from him is his non-coercive approach.

As Nozick puts it, traditionally philosophical argument is an attempt to get someone to believe something. A successful argument compels or propels someone to that belief. The speed and elegance of that journey constitutes the strength of the argument. This strength underscores the coercion required to influence, persuade, or cajole someone to accept the argument whether or not they want to believe it.

This coercion also rests on a scheme of penalties. Anyone not prepared to accept the position that the force of logic drives them to, runs the risk of being labeled irrational. This aspect of coercion plays upon our emotions for its effects. It ostracizes irrationals, banishing them to the nether-world of the uncomprehending. They become outcasts unless they recant. Rationality is an unforgiving deity.

Freedom of choice

Against this background, Nozick's starting point is to wonder whether it would not be better if arguments left individuals with their dignity intact. This might come about in a number of ways. The root of it, however, lies in the personal freedom to choose, or at least some semblance of choice. If people perceive themselves as having some choice about which arguments they are prepared to accept, they are likely to do so mainly on the basis of their own values and beliefs. In this way they are left with a sense of not having been coerced.

Whether addressing the board of directors, or the layers of the executive, or their consultant advisers, Nozick points to a "road less traveled." Practitioners following this road in business and public service stand to benefit from the disarming eloquence of non-coercive logic in striving for objectivity, excavating root causes, exploring cogent options, and avoiding flawed decisions.

To an extent this already happens in practice. For example, the currently fashionable "menu" approach may have come from the restaurant world, but it can now be found wherever decisions are made. For example, consider the recent but growing trend toward "off shoring" call-centers, often to countries such as India.

The coercive approach would be to make, justify, and explain such a decision to offshore on the basis of the singular logic of cost effectiveness. Objections and objectors would be handled in a dismissive way, emphasizing the inevitability of the trend, and the absence of any viable alternatives. Conversely, the non-coercive approach would be to explore and debate among stakeholders a menu of options and their respective consequences. The aim would be to arrive at a consensus decision, justifying the decision on the basis of a majority view. The non-coercive voice explains and expresses that consensus decision differently and selectively according to the various stakeholders being addressed.

There are many situations in business where non-coercion could usefully be put into practice. Conflict-resolution can be based on non-coercive systems such as mediation or arbitration, rather than the adversarial approach which characterizes the courtroom or the battlefield. Likewise, in the learning world, the Didactic – lecturing – and Socratic – questions and answers – approaches are giving way to the Facilitative – independent learning – approach.

In Facilitative, or Reflective, learning greater understanding is achieved in a non-coercive way by whetting the student's "appetite" rather than the "force-feeding" or "spoon feeding" which characterizes the coercive Didactic and Socratic approaches respectively. Likewise, scenario analysis, and its simpler form of "brainstorming," rests upon a non-linear scheme of exploring the likely, the unlikely, and the unthinkable as a means of mapping possible and plural futures. This is in contrast to coercive historical trend analysis whereby the singular future bears many of the hallmarks left by past imprints.

The non-coercive way does not rely on the force of jealous logic. Instead, it relies on individual acceptance and ultimately mutual agreement. Freedom to accept the argument that accords with one's own values and beliefs is a pre-requisite for the proper functioning of the non-coercive approach. That freedom to choose what is acceptable in an argument may be hard-fought. Alternatively, it may be benignly bestowed upon us by those in a position to do so.

If that freedom has to be hard-fought, then a degree of belligerence is common to both the coercive and non-coercive approach alike. Similarly, the non-coercive approach to argument may be as manipulative as the coercive approach. Regardless of how freedom is achieved, it is clear that even the semblance of that freedom is seductive. Like temptation, seduction is as manipulative as it is difficult to resist.

Forced to think again

The non-coercive approach is not intended to rescue the feeble or faint-hearted, who are less than able to stand up to combative argument. Nozick, himself, was an original thinker. His work was stylish and robust. From his graduate days at Princeton he earned a reputation as "the visiting professor's ordeal." Yet in his writing as much as his lectures, the tone of quiet confidence that comes with the non-coercive style was pervasive. This empowered him to lay bare the gaps or weaknesses even in his own argument, and to offer an open invitation to others to bridge the gaps, and correct the weaknesses. The non-coercive approach is inviting whereas the coercive approach is dismissive.

Nozick is not without his critics, though their focus rests on his first and best known book, *Anarchy, State and Utopia* (1974) rather than his championing of the non-coercive approach. Broadly, his critics form along two flanks, one philosophical and the other political. The former argue that much of his theorizing on freedom, which also underpins the non-coercive approach, rests on fairly restrictive assumptions. The effect of this is to make his analysis only remotely useful to practitioners. The second flank, somewhat misguidedly, regards his philosophy as right-wing.

He grew up in Brooklyn as a socialist and a member of the radical left as a student. It had been arguments with people of the right that encouraged him "to take libertarianism seriously enough to refute it." He also chided self-serving conservatives who were highly selective in extolling the virtues of his work. For example, the emphasis on personal freedom provided philosophical support for the policies of Ronald Reagan and Margaret Thatcher. Similarly, there was resonance with the right-wing when

Nozick equated taxation to forced labor. Yet they would baulk at some of Nozick's other arguments in favor of legalizing hard drugs and prostitution.

Consistent with the tenor of Nozick's thesis, he is not out to convince us of the virtues of the non-coercive approach. As Nozick says, "My thoughts do not aim for your assent – just place them alongside your own for a while." Its real value lies in promoting an intellectually mature approach by a process of reflection. Nozick regards this process of reflection like an on-going journey. As a fellow traveler, Nozick would encourage us to have more ideas as the journey progresses. These ideas will be our own, not his, nor anyone else's.

Nozick's approach appears both disarming and charming at the same time. If you are *not* convinced of the virtues of the non-coercive approach, Nozick would no doubt have been delighted. No compulsion, no coercion.

RESOURCES

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Essentials

MANAGING HUMAN RESOURCES

Broadbanding

Popular in the 1990s, broadbanding was seen as an antidote to the demise of regular promotions and salary increments associated with the traditional career ladder. It involves a compression of the traditional hierarchy of pay grades into a fewer, wider bands, which provide a more flexible and less hierarchy-driven reward system.

Broadbanding originated in the US and was heavily influenced by the pioneering efforts of the General Electric Corporation. It became more established outside GE in the late 1980s as a result of the move to flatter management structures. Indeed, many argue that the switch to broadbanding is a necessary step to support a delayered organization, as a failure to tackle pay will otherwise demotivate employees who have fewer opportunities for promotion.

If there appears to be no reward for their efforts, there is a risk that people will feel disinclined to develop, expand, and innovate. Broadbanding is supposed to mitigate this problem. It allows employees to enjoy salary increases without being promoted to a more senior position. So, for example, a pay increase could result from a sideways move or from developing new skills in their existing job. By focussing attention on career development, continuous improvement, and role flexibility, broadbanding encourages a less rigid interpretation of career progression and provides a sense of direction and achievement. It can also be used to highlight the skills and competencies the organization identifies as important to its future.

Multinationals such as Glaxo Wellcome, IBM, and British Petroleum have already introduced broadbanding pay systems and other employers seem likely to follow suit.

Downsizing

Downsizing is the *bête noire* of management thinking. It reached its height during the recession of the early 1990s. It advocated a wholesale reduction in staffing levels as the key to greater efficiency and improved financial performance. Originally intended as the antidote to the growing bureaucracy within large US organizations, downsizing became a flag of convenience for many organizations looking to boost profits by cutting headcount.

Downsizing was a natural extension of the prevailing ideology of the time. In the 1980s market forces were elevated to the status of elemental forces. Downsizing was pursued with such vigor and disregard for the human cost that its victims and survivors alike came to regard it as little more than a cynical exercise. In many cases where companies downsized, corporate income rose significantly while conditions for many working families continued to stagnate or decline. At the heart of the downsizing movement was the assumption that the sole purpose of companies was to increase the wealth of shareholders.

Downsizing was in keeping with other changes taking place in the business world in the late 1980s and early 1990s. Probably the most significant is the trend toward *delayering*. Much of the restructuring over recent years has involved cutting out layers of middle management "fat" to create "lean" management structures. American economist Robert Topel estimates that in the US alone, more than 12.2 million white-collar workers lost their jobs between 1989 and 1991 and another 3 million since then.

Public anger at seemingly unnecessary corporate blood letting led to downsizing being reinvented in the more politically correct guise of "rightsizing." No one was fooled. Much of the damage, anyway, has already been done. Many companies have lost some of their most experienced middle managers, whom some commentators believe contain the "corporate memory." An optimistic view of the downsizing binge would be that it may have been a painful but necessary step toward the re-evaluation of the fundamental purpose of business in society.

Empowerment

Empowerment is one of the most overused (and misused) words to enter the business lexicon in recent years. As the term suggests, it is all about empowering workers – providing them with additional power. Logically, that means the power to make decisions and pursue the best interests of the organization.

In theory, empowerment is all about the removal of constraints preventing an individual from doing their job as effectively as possible. The idea is to cascade power – especially discretionary decision-making power – down through the organization, so that the people performing tasks have greater control over the way they are performed. Worthy as that aspiration may be, often it fails to translate into practice.

The origins of the empowerment movement date back to the 1920s and the work of Mary Parker Follett, the forgotten prophet of modern management theory. Follett criticized hierarchical organizations; she detested the "command and control" leadership style, favoring instead more "integrated" democratic forms of management. She thought that front-line employee knowledge should be incorporated into decision making.

The work of Follett has found a modern-day echo in that of another woman, Rosabeth Moss Kanter, who has championed empowerment in recent years. *Change Masters*, the book that helped establish Kanter's reputation, also helped establish the concept of empowerment and greater employee participation on the corporate agenda. "By empowering others, a leader does not decrease his power, instead he may increase it – especially if the whole organization performs better," Kanter observed in 1997.[16]

But early signals of the empowerment revolution came from Japan. In 1979, Konosuke Matsushita of Matsushita Corporation gave a presentation to a group of American and European managers. Describing the commercial battle ahead, he quietly explained: "We are going to win and the industrial West is going to lose. There's nothing you can do about it, because the reasons for your failure are within yourselves. Your firms are built on the Taylor model: even worse, so are your heads. With your bosses doing the thinking while the workers wield the screwdrivers, you're convinced deep down that this is the right way to run a business."

His point was that when a Japanese organization of 100,000 employees was in competition with a Western one of the same size, the Japanese firm would win because it utilized and empowered the brainpower of all 100,000 people, whereas the Western company used only the brains of the 20,000 or so people called managers.

The message was clear – but it took several years and a great deal of painful learning before its implications dawned on Western companies. With typical gusto they seized on empowerment as the answer to all corporate woes. But what they didn't realize was that it is a lot easier said than done. For one thing, simply telling people they are empowered to make decisions does not mean they have the necessary support to do so. Decisions require resources (money, staff, etc.), authority, and information. In many cases, companies that talked about empowerment failed to provide these or to consider the implications for training and rewarding their newly empowered workforces.

But there is another problem. In organizations where operational decisions have previously been made by middle managers and supervisors, it is unrealistic to expect them to give up that power overnight or for employees lower down to be ready to accept it.

In addition, the downsizing bandwagon saw many companies stripping out layers of middle managers – the very people who were supposed to cascade decision making under empowerment. Not surprisingly, many empowerment initiatives were simply stopped in their tracks by middle managers who had no desire to give up their power at a time when they already felt threatened by redundancy.

In other cases, the wholesale removal of middle management meant that the transfer of skills required to make empowerment successful simply didn't happen. In the most extreme cases, this created a decision-making vacuum at the heart of the organization, with no one prepared to pick up difficult issues.

Those organizations that have made empowerment work have discovered that it requires a fundamental re-evaluation of the role of managers within the organization – as facilitator, coach, and mentor, rather than decision maker, boss, and police officer.

Follett, Mary Parker

American political scientist Mary Parker Follett (1868–1933) was ahead of her time. She was discussing issues such as teamworking and responsibility (now reborn as empowerment) in the first decades of the 20th century. Follett was a female, liberal humanist in an era dominated by reactionary males intent on mechanizing the world of business.

Born in Quincy, Massachusetts, Mary Parker Follett attended Thayer Academy and the Society for the Collegiate Instruction of Women in Cambridge, Massachusetts (now part of Harvard University). She also studied at Newnham College, Cambridge in the UK and in Paris, France.

The simple thrust of Follett's thinking was that people were central to any business activity – or indeed, to any other activity. She said: "I do not think that we have psychological and ethical and economic problems. We have human problems, with psychological, ethical, and economical aspects, and as many others as you like."

In particular, Follett explored conflict. She pointed out three ways of dealing with confrontation: domination, compromise, or integration. The latter, she concluded, is the only positive way forward. This can be achieved by first "uncovering" the real conflict and then taking "the demands of both sides and breaking them up into their constituent parts." "Our outlook is narrowed, our activity is restricted, our chances of business success largely diminished when our thinking is constrained within the limits of what has been called an either-or situation. We should never allow ourselves to be bullied by an 'either-or.' There is often the possibility of something better than either of two given alternatives," Follett wrote.

Follett advocated giving greater responsibility to people, at a time when the mechanical might of mass production was at its height. She was also an early advocate of management training and that leadership could be taught. Her work was largely neglected in the West, although not in Japan, which even boasts a Follett Society.[17]

Herzberg, Frederick

It is astonishing how little time is spent by management researchers actually talking to people in real situations. The strategist Henry Mintzberg is a notable exception to this, as is Frederick Herzberg (born 1923). In the late 1950s, as part of their research, the clinical psychologist Herzberg and his colleagues asked 203 Pittsburgh engineers and accountants about their jobs and what pleased and displeased them.

This approach was hardly original, but Herzberg's conclusions were. He separated the motivational elements of work into two categories – those serving people's animal needs (hygiene factors), and those meeting uniquely human needs (motivation factors).

Hygiene factors – also labeled maintenance factors – were determined as including supervision, interpersonal relations, physical working conditions, salary, company policies and administrative practices, benefits, and job security. "When these factors deteriorate to a level below that which the employee considers acceptable, then job dissatisfaction ensues," observed Herzberg. Hygiene alone is insufficient to provide the "motivation to work." Indeed, Herzberg argued that the factors that provide satisfaction are quite different from those leading to dissatisfaction.

True motivation, said Herzberg, comes from achievement, personal development, job satisfaction, and recognition. The aim should be to motivate people through the job itself rather than through rewards or pressure.

After the success of his 1956 book *The Motivation to Work*, there was a hiatus until Herzberg returned to the fray with an influential article in the *Harvard Business Review* in 1968. The article, "One more time: how do you motivate employees?," has sold over 1 million copies in reprints, making it the *Review*'s most popular article ever. The article introduced the helpful motivational acronym KITA (kick in the ass) and argued: "If you have someone on a job, use him. If you can't use him get rid of him." Herzberg said that KITA came in three categories: negative physical, negative psychological, and positive. The latter was the preferred method for genuine motivation.

Herzberg's work has had a considerable effect on the rewards and remuneration packages offered by corporations. Increasingly, there is a trend toward "cafeteria" benefits in which people can choose from a range of options. In effect, they can select the elements they recognize as providing their motivation to work. Similarly, the current emphasis on self-development, career management, and self-managed learning can be seen as having evolved from Herzberg's insights.

Interim management

It is hard to pinpoint exactly when the first interim manager emerged, but most commentators agree that the practice started in the Netherlands in the mid to late 1970s.[18] At that time, it was seen as a way to get around the strict Dutch labor laws, which meant that companies taking on full-time managers incurred substantial additional fixed costs. The opportunity to take on executives on a temporary basis was therefore seen as an ideal way to add additional executive resource without the negative effects.

Since then, the practice has spread to other countries. Interim management is seen as one solution to corporate crises and other managerial resourcing issues. It entails hiring highly qualified, highly experienced freelance executives and dropping them into a business dilemma, with a specific brief and a limited length of time to implement it.

Such appointments can actually reassure investors. In September 1996, for example, PepsiCo Inc. appointed Karl von der Heyden to be chief financial officer (CFO) and vice-chairman for a year. A former chief of RJR Nabisco, his main role at Pepsi was to help chart strategy in the wake of a string of operational problems that had plagued the company and to find a "world-class" CFO to succeed him. Wall Street clearly approved of the idea: when the announcement was made Pepsi shares promptly jumped 50 cents to $29.50.

Today, the use of interim managers – also known variously as "transition managers," "flexi-executives," "impact managers," "portfolio executives," and "Handymen" (after management guru Charles Handy, who was one of the first to advocate flexible working patterns) – is establishing itself as a key strategic resource for companies.

In her 1998 book *Strike a New Career Deal*, Carole Pemberton explains the rise of interim management as follows: "An organization seeks help because there are major projects where it does not have sufficient in-house expertise, but where once the change has been introduced, the job can be managed internally. They [the top management team] know that they are getting an individual who has not only done the job before but will probably have done it for a far larger enterprise."

Scenarios where an interim manager might be considered could include any of the following:

- implementation of systems, particularly new or updated high-tech installations;
- helping companies to take advantage of expansion or new opportunities;
- an underperforming company, one in dire need of reorganization, preparing a subsidiary for sale;
- the sudden or unexpected departure or illness of a senior executive.

The wider strategic significance of the interim management concept is becoming apparent. It is very much in tune with other employment trends. According to *Fortune* magazine, for example, one in four Americans is now a member of the contingent workforce, people who are hired for specific purposes on a part-time basis.

There is little doubt that interim management is a timely addition to the corporate resourcing armory. Interim managers are ideally matched to the changing business environment that companies now face.

Jaques, Elliott

The Canadian-born psychologist Elliott Jaques (1917–2003) plowed an idiosyncratic furrow throughout his career. His work was based on exhaustive research and was generally ignored by the mass managerial market.

Jaques is best known for his involvement in an extensive study of industrial democracy in practice at the UK's Glacier Metal Company between 1948 and 1965. Glacier introduced a number of highly progressive changes in working practices. A works council was set up and no change of company policy was allowed unless all members of the works council agreed. "Clocking on," the traditional means of recording whether someone had turned up for work, was abolished.

The emphasis was on granting people responsibility and understanding the dynamics of group working. "I'm completely convinced of the necessity of encouraging everybody to accept the maximum amount of personal responsibility, and allowing them to have a say in every problem in which they can help," said Jaques.[19] The Glacier research led to Jaques' 1951 book, *The Changing Culture of a Factory*.

Later, in *The General Theory of Bureaucracy* (1976), Jaques presented his theory of the value of work. This was ornate, but aimed to clarify something Jaques had observed during his research: "The manifest picture of bureaucratic organization is a confusing one. There appears to be no rhyme or reason for the structures that are developed, in number of levels, in titling, or even in the meaning to be attached to the manager-subordinate linkage."

His solution was labeled the *time span of discretion* which contended that levels of management should be based on how long it was before their decisions could be checked, and that people should be paid in accordance with that time. This meant that managers were measured by the long-term impact of their decisions.

Kanter, Rosabeth Moss

Born in 1943, Rosabeth Moss Kanter has a perspective that is resolutely humane. For someone who tends to the utopian, however, she is a diligent and persuasive commentator on industrial reality.

Now Class of 1960 Professor of Business Administration at Harvard Business School, Rosabeth Moss Kanter began her career as a sociologist before her transformation into international business guru. Her first book, *Men and Women of the Corporation* (1977), looked at the innermost workings of an organization. It was a premature epitaph for company man and corporate America before downsizing and technology hit home.

Kanter has mapped out the potential for a more people-based corporate world, driven by smaller, or at least less monolithic, organizations. She introduced the concept of the post-entrepreneurial firm, which manages to combine the traditional strengths of a large organization with the flexible speed of a smaller organization.

Key to this is the idea of innovation. This has been a recurrent theme of Kanter's since her first really successful book, *Change Masters*, subtitled "Innovation and entrepreneurship in the American corporation." In the book she defines change masters as "those people and organizations adept at the art of anticipating the need for, and of leading, productive change." At the opposite end to the change masters are the "change resisters," intent on reining in innovation.

Change is fundamentally concerned with innovation (or "newstreams" in Kanter-speak). The key to developing and sustaining innovation is, says Kanter, an "integrative" rather than a "segmentalist" approach. (This has distinct echoes of the theories of that other female management theorist, Mary Parker Follett, whose work Kanter admires.) American woes are firmly placed at the door of "the quiet suffocation of the entrepreneurial spirit in segmentalist companies."

Kanter was partly responsible for the rise in interest – if not in practice – of empowerment. "The degree to which the opportunity to use power effectively is granted to or withheld from individuals is one operative difference between those companies which stagnate and those which innovate," she says.

The Managerial Grid

The Managerial Grid was invented by Dr Robert R. Blake and the late Dr Jane Mouton. First published in 1964, it seeks to identify an individual's management style.

Crude as it is, the Grid helps people who are not conversant in psychology to see themselves and those they work with more clearly, to understand their interactions, and to identify the sources of resistance and conflicts. It arose out of Blake's experience working as a consultant with Esso (Exxon), where he observed the effects of different managers' personalities in a traditional corporate environment. The Managerial Grid was a way of characterizing managers in terms of their orientation toward employees (people skills) and production (task skills). This became a three-dimensional model with the addition of motivation as a third axis.

With the Managerial Grid, concern for production is represented on a 1 to 9 scale on the *x* axis (horizontal axis). Concern for people is represented on a 1 to 9 scale on the *y* axis (vertical axis). So a score of 1 on the *x* axis and 9 on the *y* axis would be designated by the co-ordinates 1,9, and indicates someone with a low concern for people and a high concern for task completion. The Managerial Grid argues strongly for a 9,9 management style. The team-builder approach in most cases, it is argued, will result in superior performance.

Motivation is the third dimension, running from negative (motivated by fear) to positive (motivated by desire). This is indicated by a + or – sign. According to Blake: "The negative motivations are driven by fear, the positive ones by desire. The 9,1 corner, for instance, is down to the lower right – very high on concern for production, little or no concern for people. At that corner, 9,1+ illustrates the desire for control and mastery. At the same corner, 9,1– represents a fear of failure. These two work together. If I need control I rely to the most limited degree possible on you, because you're liable to screw up and the failure will reflect on me."

What the third dimension does is clarify the emotional driver underlying the grid style. So, for example, 1,9+ describes a "people pleaser" who cares little for production, and operates wholly from a desire to be loved. On the other hand, 9,1– describes a whip cracker who cares little about people, and operates in fear of something going wrong.

More sophisticated analysis using the Grid also takes account of the reaction of subordinates. Blake and Mouton identified additional management styles that combine various Grid positions. The "paternalist" style combines the whip cracking (1,9) and the people pleasing (9,1), depending on the response of the subordinate. A subordinate who co-operates, for example, is rewarded with a "people-pleasing" relationship; one who doesn't is subjected to the whip. The "opportunist" manager, on the other hand, is a chameleon, taking on whatever Grid style seems appropriate for the interaction of the moment, never revealing their true feelings.

Mouton died in 1987, but Blake, along with various co-authors, has explored the Grid and its uses in a steady stream of work. Probably the most useful for executives who want to explore the usefulness of the Grid idea is his 1991 book *Leadership Dilemmas – Grid Solutions* (written with Anne Adams McCanse).

Maslow's Hierarchy of Needs

One of the best-known theories explaining the actions of people is that of behavioral psychologist Abraham Maslow (1908–70). In his book *Motivation and Personality*, published in 1954, Maslow hypothesized that people are motivated by an ascending scale of needs. When low-level needs are satisfied, individuals are no longer motivated by them. As each level of needs is met, individuals progress to higher-level motivators. Maslow's Hierarchy of Needs has been used ever since to underpin a variety of people management techniques, especially approaches to motivation.

Maslow asserted that people are not merely controlled by mechanical forces (the stimuli and reinforcement forces of behaviorism) or unconscious instinctive impulses as asserted by psychoanalysis, but should be understood in terms of human potential. He believed that people strive to reach the highest levels of their capabilities. Maslow called the people who were at the top "self-actualizing."

Maslow created a hierarchical theory of needs. The animal or physical needs were placed at the bottom, and the human needs at the top. This hierarchical theory is often represented as a pyramid, with the base occupied by people who are not focussed on values because they are concerned with the more primal needs of physical survival. Each level of the pyramid is dependent on the previous level. For example, a person does not feel the second need until the demands of the first have been satisfied.

There are five basic levels in Maslow's Hierarchy of Needs:

- *Physiological needs*. These needs are biological: oxygen, food, water, and a relatively constant body temperature. These needs are the strongest because if deprived of them, the person would die.

- *Safety needs*. Except in times of emergency or periods of disorganization in the social structure (such as widespread rioting), adults do not experience their security needs. Children, however, often display signs of insecurity and their need to be safe.
- *Love, affection and belongingness needs*. People have needs to escape feelings of loneliness and alienation and give (and receive) love, affection, and the sense of belonging.
- *Esteem needs*. People need a stable, firmly based, high level of self-respect and respect from others in order to feel satisfied, self-confident, and valuable. If these needs are not met, the person feels inferior, weak, helpless, and worthless.
- *Self-actualization needs*. Maslow describes self-actualization as an on-going process. Self-actualizing people are devoted, and work at something, some calling or vocation.

This, Maslow said, explained why a musician must make music, an artist must paint, and a poet must write. If these needs are not met, the person feels restless, on edge, tense, and lacking something. Lower needs may also produce a restless feeling, but the cause is easier to identify. If a person is hungry, unsafe, not loved or accepted, or lacking self-esteem, the cause is apparent. But it is not always clear what a person wants when there is a need for self-actualization.

Maslow believed that the only reason people would not move through the scale of needs to self-actualization is because of the hindrances placed in their way by society, including their employer. Work can be a hindrance or can promote personal growth. Maslow indicated that an improved educational process could take some of the steps listed below to promote personal growth:

- Teach people to be authentic; to be aware of their inner selves and to hear their inner-feeling voices.
- Teach people to transcend their own cultural conditioning, and become world citizens.
- Help people discover their vocation in life, their calling, fate, or destiny. This is especially focussed on finding the right career and the right mate.
- Teach people that life is precious, that there is joy to be experienced in life, and if people are open to seeing the good and joyous in all kinds of situations, it makes life worth living.

Maslow's work can be regarded as utopian, but it was undoubtedly a powerful argument for more inclusive and humane thinking to be applied in the workplace.

Mayo, Elton

The Australian Elton Mayo (1880–1949) had an interestingly diverse career, although he remains best known – if known at all – for his contribution to the famous Hawthorne experiments into motivation.

The Hawthorne Studies were carried out at Western Electric's Chicago plant between 1927 and 1932. Their significance lay not so much in their results and discoveries, although these were clearly important, but in the statement they made – that whatever the dictates of mass production and Scientific Management, people and their motivation were critical to the success of any business; and in their legacy – the Human Relations school of thinkers which emerged in the 1940s and 1950s.

Mayo's belief that the humanity needed to be restored to the workplace struck a chord at a time when the dehumanizing side of mass production was beginning to be more fully appreciated. "So long as commerce specializes in business methods which take no account of human nature and social motives, so long may we expect strikes and sabotage to be the ordinary accompaniment of industry," Mayo noted. He championed the case for teamworking and for improved communications between management and workforce. The Hawthorne research revealed informal organizations between groups as a potentially powerful force that companies could utilize or ignore.

Mayo's work and that of his fellow Hawthorne researchers redressed the balance in management theorizing. The scientific bias of earlier researchers was put into a new perspective. Mayo's work served as a foundation for all who followed on the humanist side of the divide.

Packard, David

David Packard (1912–96) was one half of the partnership that created one of the business and management benchmarks of the last century. In 1937, with a mere $538 and a rented garage in Palo Alto, California, Bill Hewlett and David Packard created one of the most successful corporations in the world. "We thought we would have a job for ourselves. That's all we thought about in the beginning," said Packard. "We hadn't the slightest idea of building a big company." That garage was the birthplace of Silicon Valley.

Hewlett and Packard's legacy lies in the culture of the company they created and the management style they used to run it, the HP way. From the very start, Hewlett-Packard worked to a few fundamental principles. It did not believe in long-term borrowing to secure the expansion of the business. Its recipe for growth was simply that its products needed to be leaders in their markets. It got on with the job.

The company believed that people could be trusted and should always be treated with respect and dignity. "We both felt fundamentally that people want to do a good job. They just need guidelines on how to do it," said Packard.

HP believed that management should be available and involved – Managing By Wandering About was the motto. Indeed, rather than the administrative suggestions of management, Packard preferred to talk of leadership. If there was conflict, it had to be tackled through communication and consensus rather than confrontation.

While all about were turning into conglomerates, Hewlett and Packard kept their heads down and continued with their methods. When their divisions grew too big – and by that they meant around 1,500 people – they split them up to ensure that they didn't spiral out of control.

They kept it simple. Nice guys built a nice company. Their values worked to save the company when times were hard. During the 1970s recession, Hewlett-Packard staff took a 10 percent pay cut and worked 10 percent fewer hours. Commitment to people clearly fostered commitment to the company.

Packard retired as chairman in 1993. On his death in 1996, the company had 100,000 employees in 120 countries with revenues of $31 billion.

Peters, Tom

In 1982, Thomas J. Peters and Robert H. Waterman's *In Search of Excellence* was published. This marked a watershed in business book publishing. Since then, the market has exploded into a multi-million pound global extravaganza. And, in parallel, the management guru industry has burgeoned.

Tom Peters (born 1942) was born and brought up near Baltimore. He studied engineering at Cornell University and served in Vietnam. He also worked for the drug enforcement agency in Washington. Peters has an MBA and PhD from Stanford, where he encountered a number of influential figures, including Gene Webb and Harold Leavitt. After Stanford he joined the consultancy firm McKinsey & Company. He left the firm (prior to the publication of *In Search of Excellence*) to work independently.

Tom Peters was both a beneficiary and the instigator of the boom in business books and the rise of the guru business. He was, in effect, the first management guru. While his predecessors were doughty, low-profile academics, Peters was high profile and media friendly. A business sprung up around him. First there were the books, then the videos, the consultancy, and the conferences. The medium threatened to engulf the message.

Peters' critics suggest that while he may have raised awareness, he has done so in a superficial way. He has pandered to the masses. Although his messages are often hard hitting, they are overly adorned with empty phrase making – "yesterday's behemoths are out of step with tomorrow's madcap marketplace" – and with insufficient attention to the details of implementation.

Over the years, the message has been radically overhauled. Peters' ideas have been refined, popularized, and, in many cases, entirely changed. What he celebrates today is liable to be dismissed in his next book. His critics suggest that Peters vacillates as readily as he pontificates.

In Search of Excellence celebrated big companies. Its selection of 43 "excellent" organizations featured such names as IBM, General Electric, Procter & Gamble, Johnson & Johnson, and Exxon. The book presented, on the surface at least, the bright side of an American crisis. The Japanese were seemingly taking over the industrial world, unemployment was rising, depression was a reality, and the prospects for the future looked bleak. The management world was ready for good news and Peters and Waterman provided it.

For such a trail-blazing book, *In Search of Excellence* is, in retrospect at least, surprisingly uncontroversial. Peters and Waterman admitted that what they had to say was not particularly original. But they also had the insight to observe that the ideas they were espousing had been generally left behind, ignored, or overlooked by management theorists.

Peters and Waterman's conclusions were distilled down into eight crucial characteristics. These have largely stood the test of time:

- a bias for action;
- close to the customer;
- autonomy and entrepreneurship;
- productivity through people;
- hands-on values driven;
- stick to the knitting;
- simple form, lean staff;
- simultaneous loose-tight properties.

Two years after *In Search of Excellence* was published, US magazine covered its front page with a single headline: "Oops!" It then went on to reveal that the companies featured in *In Search of Excellence* were anything but excellent. The article claimed that about a quarter of the "excellent" companies were struggling. The single and undeniable fact that the excellent companies of 1982 were no longer all excellent two years later has continued to haunt Peters. "We started to get beaten up. When the magazine ran the *Oops* story it was a bad week," says Peters. "I was certain the phone would stop ringing. I wouldn't disagree that I had been on the road too much and in that respect it was a great wake-up call."

Peters' next two books carried on in much the same vein. *A Passion for Excellence* (1985) emphasized the need for leadership. Co-written with Nancy Austin, it was hugely successful but added little in the way of ideas. His next book, *Thriving on Chaos* (1987), was an answer to the big question: How could you become excellent?

Thriving on Chaos opened with the bravado proclamation: "There are no excellent companies." This is probably the most quoted single line from Peters' work – either used as proof of his inconsistency, as evidence that he learned from his mistakes, or as a damning indictment of his propensity to write in slogans. *Thriving on Chaos* was a lengthy riposte to all those critics who suggested that Peters' theories could not be turned into reality. Each chapter ended with a short list of suggested action points. "*Thriving on Chaos* was the final, engineering-like, tidying up," says Peters. "It was organized in a hyper-organized engineering fashion."

The major change in Peters' thinking occurred at the beginning of the 1990s. In effect, he dismissed the past and heralded in a brave new world of small units, freewheeling project-based structures, hierarchy-free teams in constant communication. Big was no longer beautiful and corporate structure, previously ignored by Peters, was predominant.

Peters did not mean structure in the traditional hierarchical and functional sense. Indeed, his exemplars of the new organizational structure were notable for their apparent lack of structure. And herein lay his point. Companies such as CNN, ABB, and Body Shop thrived through having highly flexible structures able to change to meet the business needs of the moment. Free flowing, impossible to pin down, unchartable, simple yet complex, these were the paradoxical structures of the future. "Tomorrow's effective organization will be conjured up anew each day," Peters pronounced.

Key to the new corporate structures envisaged by Peters were networks with customers, with suppliers, and, indeed, with anyone else who could help the business deliver. "Old ideas about size must be scuttled. 'New big,' which can be very big indeed, is 'network big.' That is, size measured by market power, say, is a function of the firm's extended family of fleeting and semi-permanent cohorts, not so much a matter of what it owns and directly controls," he wrote.

Examining his output, Peters is engagingly candid. "My books could be by different authors. I have no patience with consistency so regard it as a good thing. I consider inconsistency as a compliment."

To Peters the moment is all important. If what he sees and what he thinks run totally counter to what he has previously argued, it is simply proof that circumstances have changed. (Not for nothing did Peters name his boat *The Cromwell*, inspired by Oliver Cromwell's comment, "No one rises so high as he who knows not whither he is going.")

Indeed, what distinguishes Peters – and partly explains his success – is that he is not shackled to a particular perspective. While Michael Porter covers competitiveness and Rosabeth Moss Kanter human resources, Peters stalks restlessly from one issue to another. He has also proved remarkably adept at picking up ideas at exactly the right time. He has moved with the flow of ideas, but has always managed to be ahead of the tide.

If there is a consistent strand through his work, Peters believes it is "a bias for action." Forget the theorizing, get on with the job. This is a message that leads academics to shake their heads at its simplicity. With managers, however, it appears to strike a chord.

Psychological contract

During the stable 1950s and 1960s, the careers enjoyed by corporate executives were built on an implicit understanding and mutual trust. Influenced by their parents' hardships in the 1930s to value job security, and by their parents' military service in the Second World War to be obedient to those above, the term "organization man" or "corporate man" was invented for this generation.

Implicit to such careers was the understanding that loyalty and solid performance brought job security. This was mutually beneficial. The executive gained a respectable income and a high degree of security. The company gained loyal, hard-working executives. This unspoken pact became known as the psychological contract. The originator of the phrase was the social psychologist Ed Schein of MIT. Schein's interest in the employee–employer relationship developed during the late 1950s. He noted the similarities between the brainwashing of prisoners of war that he had witnessed during the Korean War and the corporate indoctrination carried out by the likes of GE and IBM.

As Schein's link with brainwashing suggests, there was more to the psychological contract than a cozy mutually beneficial deal. It raised a number of issues. First, the psychological contract was built around loyalty. While loyalty is a positive quality, it can easily become blind. What if the corporate strategy is wrong or the company is engaged in unlawful or immoral acts?

The second issue was perspectives. With careers neatly mapped out, executives were not encouraged to look over their corporate parapets to seek out broader viewpoints. The corporation became a self-contained and self-perpetuating world supported by a complex array of checks, systems, and hierarchies.

Clearly, such an environment was hardly conducive to the fostering of dynamic risk takers. The reality was that the psychological contract placed a premium on loyalty rather than ability, and allowed a great many poor performers to seek out corporate havens. It was also significant that the psychological contract was regarded as the preserve of management. Lower down the hierarchy, people were hired and fired with abandon.

The rash of downsizing in the 1980s and 1990s marked the end of the psychological contract that had existed for decades. Expectations have now changed on both sides. Employers no longer wish to make commitments – even implicit ones – to long-term employment. The emphasis is on flexibility. On the other side, employees are keen to develop their skills and take charge of their own careers. Employability is the height of corporate fashion.

The new reality of corporate life means that the traditional psychological contract between employer and employee is unlikely to return. But in any employment deal, each side carries expectations, aspirations, and an understanding of the expectations and aspirations of the other side. The challenge is for both sides to make the new psychological contract an explicit arrangement.

Schein, Edgar

Social psychologist Ed Schein (born 1928) has eschewed a high media profile during a lengthy academic career. Yet his work has exerted a steadily growing influence on management theory, particularly over the last 20 years. His thinking on corporate cultures and careers has proved highly important.

Schein joined MIT in 1956 and initially worked under the influence of Douglas McGregor. He has remained there ever since.

Schein noted the similarities between the brainwashing of prisoners of war and the corporate indoctrination carried out by the likes of GE at its Crotonville training base and IBM at Sands Point. "There were enormous similarities between the brainwashing of the POWs and the executives I encountered at MIT," says Schein. "I didn't see brainwashing as bad. What were bad were the values of the Communists. If we don't like the values, we don't approve of brainwashing." From this work came Schein's 1961 book, *Coercive Persuasion*.

The ability of strong values to influence groups of people is a strand that has continued throughout Schein's work. As he points out, recent trends, such as the learning organization (championed by his MIT colleague Peter Senge), are derivatives of brainwashing – "Organizational learning is a new version of coercive persuasion," he says.

The dynamics of groups and Schein's knowledge of brainwashing led to a developing interest in corporate culture, a term Schein is widely credited with inventing. His work on corporate culture culminated in the 1985 book *Organizational Culture and Leadership*. He describes culture as "a pattern of basic assumptions – invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration – that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems."

These basic assumptions, says Schein, can be categorized along five dimensions:

- Humanity's relationship to nature – while some companies regard themselves as masters of their own destiny, others are submissive, willing to accept the domination of their external environment.
- The nature of reality and truth – organizations and managers adopt a wide variety of methods to reach what becomes accepted as the organizational "truth," through debate, dictatorship, or simple acceptance that if something achieves the objective it is right.
- The nature of people – organizations differ in their views of human nature. Some follow McGregor's Theory X and work on the principle that people will not do the job if they can avoid it. Others regard people in a more positive light and attempt to enable them to fulfill their potential for the benefit of both sides.
- The nature of human activity – the West has traditionally emphasized tasks and their completion rather than the more philosophical side of work. Achievement is all. Schein suggests an alternative approach – "being-in-becoming" – emphasizing self-fulfillment and development.

- The nature of human relationships – organizations make a variety of assumptions about how people interact with each other. Some facilitate social interaction, while others regard it as an unnecessary distraction.

These five categories are not mutually exclusive, but are in a constant state of development and flux. Culture does not stand still.

Key to the creation and development of corporate culture are the values embraced by the organization. Schein acknowledges that a single person can shape these values and, as a result, an entire corporate culture. He identifies three stages in the development of a corporate culture: birth and early growth, organizational mid-life, and organizational maturity.

More recently, Schein's work on culture has identified three cultures of management that he labels "the key to organizational learning in the 21st century." The three cultures are the operator culture ("an internal culture based on operational success"); the engineering culture (created by "the designers and technocrats who drive the core technologies of the organization"); and the executive culture, formed by executive management, the CEO, and immediate subordinates. Success is related to how well the three cultures are aligned. It is a precarious balance, easily disturbed. For example, when executives move from one industry to another, cultures are often pushed out of alignment.

Another focus of Schein's attentions in recent years has been the subject of careers. He originated key phrases such as the psychological contract – the unspoken bond between employee and employer – and career anchors. Schein proposed that when mature we have a single "career anchor," the underlying career value that we could not surrender. "Over the last 25 years, because of dual careers and social changes, the emphasis of careers has shifted," he says. "The career is no longer overarching. It is probably healthy because it makes people more independent. Lifestyle has become the increasingly important career anchor."

Succession planning

Succession planning is all about having able understudies in place to step into key positions when they become vacant. Although it is often associated with senior management roles, it is a key issue running right through an organization.

In recent years, it has become increasingly evident that the transfer of power from one leader to the next can have a major impact not just on morale and business performance but also on a company's share price.

Until very recently, most companies of any size created succession plans for senior posts, and development plans for key individuals in order to ensure that there was a ready supply of individuals prepared for the top jobs in the future. Usually, this involved accelerated or "fast-track" programs for so-called high flyers – graduates and other high-potential recruits. How appropriate the whole concept of succession planning is in leaner corporate structures is unclear, however. The problem with traditional succession planning – and fast tracking in particular – is that it creates an expectation of upward progression, even though in today's leaner management structures there are far fewer rungs on the corporate ladder. It also fails to take account of non-managerial roles – in particular, knowledge workers in creative roles, who may be vital to the future of the business. The question here is how you retain a brilliant research scientist or software designer who has no desire for promotion.

In effect, then, traditional fast tracking and succession planning are likely to be less effective ways of retaining talent in the future. More flexible approaches will be required, customized to suit employees, their families, and the changing skills mix of the organization.

In recent years, there has also been considerable debate about the best way to handle the transfer of power from one CEO to the next. Certain organizations pride themselves on promoting from within and have a long history of grooming insiders for the top jobs. The best scenario, they believe, is a seamless succession, where the baton is passed from one executive to the next with virtually no interruption to the momentum and style of the business.

Other companies prefer a different succession strategy. Rather than anoint a new CEO in advance, they prefer a Darwinian approach, aiming to create a strong, highly motivated cadre of senior management from which the new CEO will "emerge" when the time is right. Cometh the hour, cometh the man (or woman).

But the "succession of the fittest" approach also has some drawbacks. It encourages political intrigue, as senior managers jockey for power to the detriment of the business. A homegrown CEO isn't always the answer, especially when a company is in trouble. Sometimes a new broom is required. There is also a school of thought that says regular injections of new blood are necessary to add diversity to the corporate gene pool. Either way, the solution is to bring in an outsider.

An external appointment at the top, on the other hand, can drive a coach and horses through the succession plan lower down, especially if the incoming leader brings their own team with them or slashes the management development budget. Such a short-sighted approach can leave holes in the succession plan further down the road, dooming it to failure.

Perhaps the thorniest succession issue of all involves a small group of business leaders – Bill Gates and Richard Branson among them – who are genuinely irreplaceable. These people play such a dominant role in the company that they come to be viewed as inseparable from it. The difficulty then becomes, what happens to the business when they go?

The current trend appears to be that many organizations are actively reinstating succession planning. How appropriate such plans are to the needs of "high flyers," to other employees, and to the organizations themselves is questionable.

Theories X and Y (and Z)

Even though he died over 40 years ago, Douglas McGregor (1906–64) remains one of the most influential and most quoted thinkers in human relations (what was known in the 1940s and 1950s as behavioral science research). His work influenced and inspired the work of thinkers as diverse as Rosabeth Moss Kanter, Warren Bennis, and Robert Waterman. Most notably, McGregor is renowned for his motivational models, Theories X and Y.

These were the centerpiece of McGregor's 1960 classic, *The Human Side of Enterprise*. Theory X was traditional carrot-and-stick thinking built on "the assumption of the mediocrity of the masses." This assumed that workers were inherently lazy, needed to be supervised and motivated, and regarded work as a necessary evil to provide money. The premises of Theory X, wrote McGregor, were "(1) that the average human has an inherent dislike of work and will avoid it if he can, (2) that people, therefore, need to be coerced, controlled, directed, and threatened with punishment to get them to put forward adequate effort toward the organization's ends, and (3) that the typical human prefers to be directed, wants to avoid responsibility, has relatively little ambition, and wants security above all."

McGregor lamented that Theory X "materially influences managerial strategy in a wide sector of American industry," and observed, "if there is a single assumption that pervades conventional organizational theory it is that authority is the central, indispensable means of managerial control."

The other extreme was described by McGregor as Theory Y, based on the principle that people want and need to work. If this was the case, then organizations had to develop the individual's commitment to their objectives, and then to liberate their abilities on behalf of those objectives. McGregor described the assumptions behind Theory Y: "(1) that the expenditure of physical and mental effort in work is as natural as in play or rest – the typical human doesn't inherently dislike work; (2) external control and threat of punishment are not the only means for bringing about effort toward a company's ends; (3) commitment to objectives is a function of the rewards associated with their achievement – the most important of such rewards is the satisfaction of ego and can be the direct product of effort directed toward an organization's purposes; (4) the average human being learns, under the right conditions, not only to accept but to seek responsibility; and (5) the capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population."

Theories X and Y were not simplistic stereotypes. McGregor was realistic: "It is no more possible to create an organization today which will be a full, effective application of this theory than it was to build an atomic power plant in 1945. There are many formidable obstacles to overcome."

The common complaint against McGregor's Theories X and Y is that they are mutually exclusive, two incompatible ends of an endless spectrum. To counter this, before he died in 1964, McGregor was developing Theory Z, a theory synthesizing the organizational and personal imperatives. The concept of Theory Z was later seized on by William Ouchi. In his book of the same name, he analyzed Japanese working methods. Here, he found fertile ground for many of the ideas McGregor was proposing for Theory Z: lifetime employment, concern for employees including their social life, informal control, decisions made by consensus, slow promotion, excellent transmittal of information from top to bottom and bottom to top with the help of middle management, commitment to the firm, and high concern for quality.

360-degree feedback

The annual appraisal was once a bureaucratic chore to be completed as speedily as possible. Every year, at an appointed hour, a manager sat in an office with his or her boss. The manager's performance over the previous year was discussed and dissected. The manager emerged from the room and headed back to his or her desk, until the next year. The traditional form of appraisal may linger on in some companies; in a fast-growing number, however, the annual ritual has been reinvented.

Appraisal's *raison d'être* is straightforward: to improve an individual's – and, therefore, an organization's – performance. To do so, the appraisal has to be responsive to individual needs and be available to individuals throughout the organization. As a result, the modern appraisal tends to be flexible, continuous, revolves around feedback, involves many more people than one manager and a boss, and seeks to minimize bureaucracy.

Appraisal is now seen in the broader-ranging context of "performance management." This means that it must embrace issues such as personal development and career planning, in addition to simple analysis of how well the individual has performed over the last year. Extending the range of this approach is the increasingly fashionable concept of 360-degree feedback. This involves a manager's peers, subordinates, bosses, and even customers airing their views on the manager's performance, usually by way of a questionnaire.

The attraction of 360-degree feedback is that it gives a more complete picture of an individual's performance. Different groups see the person in a variety of circumstances and can, as a result, give a broader perspective than that of a single boss. This, of course, relies on a high degree of openness and trust, as well as perception.

To ensure that comments are made as honestly as possible, without fear of sanction, anonymity is the almost universal rule. Inevitably, however, the truth can become clouded by prejudice and politics. People can be incredibly sycophantic or completely negative. Perceptions and the objectivity of the data can also be affected by prejudices and other influential factors.

An additional danger is that if managers are to be judged by subordinates, their motivation will be to be liked. Good management isn't necessarily about being liked, so there is the risk of management by popularity. Perhaps more significant is that, for traditional managers, 360-degree feedback can be a highly disturbing experience. Managers are not renowned for their willingness to contemplate their weaknesses. Counseling and support are often necessary if the experience is to be a positive one.

More mundanely, actually running 360-degree feedback programs is demanding and time consuming, which means it is common for companies to bring in consultants to run their programs effectively. It also means that 360-degree feedback largely remains the preserve of a small number of senior managers. The logistics of expanding the concept to others in the organization are usually not persuasive.

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