Leadership & Transformation

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Sarah Miller Caldicott (Chicago)

The Bankruptcy of Leadership
Sebastian Gavor (Accra)

Leadership Development in Africa
Lex Lindeman and Dr Paul Rono (Nairobi)

Transformation Through People
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The Bad and
The Ugly

Rebuilding Broken Business Models
Professor Donald Sull (London)
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At the dawn of a new decade, analysts, practitioners, and academicians have found common ground in the need to deliver future economic stability and growth. Many have dusted and brought back the old cliché of ‘thinking out of the box’.

“What box?” One might ask; for if you think ‘outside the box’ your construct is relative to ‘the box’. As Einstein puts it, “our observations are always shaped by the theory through which we see”. What if there was no box!

Many have referred to events of the past year as largely unprecedented; the global economic landscape has changed to levels not previously foreseen, the balance of power has shifted, the political dynamics has been raised to new levels, and even the pattern of global and regional weather has changed! If the nature of the problem is unprecedented, surely our approach to the solution must be unprecedented.

Organisations often succumb to what has been referred to as ‘active inertia’ - they respond to disruptive changes in the environment by accelerating activities that worked in the past. Managers take actions in the present that lock their trajectories in the future based on their experiences of the past, and some ‘newly found’ creativeness that is ‘out of the box’.

In many of our international leadership events, we spend considerable time on reverse stress testing, exploring ‘why visions fail’, ‘why good leaders become toxic’ and ‘why good companies go bad’. After many mind mapping and brainstorming attempts, people have often concluded by stating the ‘unknown unknowns’.

Recognising the challenges involved with dealing with the unknowns, one could put in place a robust risk management framework with intelligent hard and soft data capture to provide strategic navigation into the future. Indeed such frameworks can themselves become blinders, especially if the focus on critical issues and probabilities obscure peripheral vision into emerging threats and opportunities.

Boards and Management now need to push further on enabling creativity, innovation and improvisation in such a way that front line managers are less driven by rules and

**Together for a brighter ‘imaginative’ future…**
frameworks, but by imagination. As a veteran of strategic performance and risk management, I find myself often biting my tongue when I encourage managers to be sufficiently brave and bold in stretching their imagination. After all, as JFK said, ‘it is better to try and fail, than to fail to try’. We cannot see what we are missing if we do not know what it is that we do not know.

How far, however, should Boards encourage such imagination to stretch? Especially knowing that by sticking simply to what we can measure, we come to imagine a small and constrained world in which we are prisoners of a ‘reality’ that is in fact an edifice constructed around ourselves and environment. Certainly, a trajectory based on an analysis of the past is simply an extrapolation, and nothing more! Charles Sanders Peirce, in the late 19th Century pointed out that no new idea in the world was ever produced by inductive or deductive logic. To successfully develop a culture of innovation in both the private and public sectors, you need to allow for ‘crazy’ type imagination. I recently asked a group of executives and Board members at a leadership workshop to come up with an idea that is both bizarre and impossible. Time after time, they came back with suggestions that were simply an extension of the knowns. To successfully utilise that part of the brain that is suggested to produce creativity, we have to see Leadership as more of an art than a science.

In this edition of Leadership & Transformation we are again pleased to present you with a collection of highly intellectual contributions that have been clearly presented to allow for practical application across the private and public sectors, and across industries. They are further enriched by illustrations and case studies of leadership and transformation in action; after all, that is the whole point. Please do send us your feedback, comments, or even personal contributions. Happy reading…
Having a vision for change is not enough; understanding the change process and providing effective leadership for its successful accomplishment is key. Leading transformation, especially in large organisations, involves appropriate negotiation, building consensus, analysing complex and ambiguous situations, thinking innovatively and communicating effectively.

People often think of the armed forces as rigid, highly regimented and hierarchical organisations. However, in the military, as in any other organisation, giving the order might be the easiest part; execution is the real game! The hierarchy starts with the leader who provides the vision, wisdom and motivation. Leadership means forming a team and working towards common objectives that are tied to time, metrics and resources.

According to Senator Ike Nwachukwu, “Leadership is also about engagement. As a retired Military General, I can challenge the misconception that military is all about authoritarianism and dictatorship and not about consultation and engagement”. He further explained that “Leadership is about setting clear direction, knowing how to use the resources – human and material, available to you and employing the right people that can successfully articulate, cascade and deliver the vision.

According to him, gone are the days when leaders stay in mansions behind the lines and dictated impossible orders to troops on the battlefield. He said a successful military strategy works on a combination of careful briefing to establish a clear understanding of the mission objectives and then a delegation of responsibility right down the chain of command.

In the military, the leader combines the different aspects of command to inform a strategic option. The leader then makes informed decision and gives the execution order. Supporting commander, commanders of units and battalions will then align with the common purpose, vision, strategy, and direction, regardless of individual views about the strategy.

The purpose of the commander and the staff is to do the planning and then motivate the execution. To successfully deliver a mission, there must be a good alignment between leadership ability, delivery capabilities and engagement with the team. Leadership must be inclusive but firm! The moment the order is given, the commanding General must be strong enough to ensure that the order is executed.

Managing expectation is another critical factor in leading successful change. This involves a change—leader seeking out and building effective communication bridges to all stakeholders, and then using those bridges to understand and to help the constituents understand their roles in the change process. This goes beyond the simple perspective of communicating the vision, to a complex system of consistent and conscientious communication that evolves as the change initiative progresses”.

Senator Nwachukwu is Chairman of the Board of Directors at NAHCO plc.
Leadership is...

...Understanding times, seasons and trends and knowing actions to stay ahead of the game.

Professor Richard Scase

Leadership Beyond Visioning UK
Jumeirah Carlton Tower
Knightsbridge, London
22nd – 26th August 2011
Fee: £1,990

Professor Scase, world’s leading forecaster on global trends speaks on ‘global trends and leadership actions' at the Leadership Beyond Visioning programme in London.

“The faculties were able to shape my thinking on performance gaps and opportunity gaps, which is great!
Every leader would benefit from a course of this nature.”

MD, Finance/Banking

“I discovered more of the unknown unknowns in Leadership…The programme was intellectually engaging and provided the right tools to translate visions into actions and outcomes”

Government Senator

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The world economy was hit by an unprecedented financial and economic crisis in 2007-2009 and this crisis led to the collapse of many world renowned financial institutions and even caused an entire nation to be rendered bankrupt. In Nigeria, the economy faltered and the banking system experienced a crisis in 2009, triggered by global events. The stock market collapsed by 70% in 2008-2009 and many Nigerian banks had to be rescued. In order to stabilize the system and return confidence to the markets and investors, the Central Bank of Nigeria (CBN) injected N620bn of liquidity into the banking sector and replaced the leadership at 8 Nigerian banks. Since then, the sector has considerably stabilised.

The Nigerian economy has huge potential for growth. To realise that potential, it is imperative that we learn lessons from the crisis and take steps to not only fix the problems, but also introduce measures to establish financial stability, enable a healthy evolution of the financial sector and ensure the banking system contributes to the development of the real economy. The country, like many others hit by financial crises, is already feeling the pain of financial meltdown, most evident in the slowdown of credit to the economy. This is a natural consequence of bad lending decisions by banks.

WHAT WENT WRONG?

The Nigerian banking sector witnessed dramatic growth post-consolidation. However, neither the industry nor the regulators were sufficiently prepared to sustain and monitor the sector’s explosive growth. Prevailing sentiment and economic orthodoxy all encouraged this rapid growth, creating a blind spot to the risks building up in the system.

Prior to the crisis, the sentiment in the industry was that the banking sector was sound and growth should be encouraged. However, this sentiment proved misplaced. I believe 8 main interdependent factors led to the creation of an extremely fragile financial system that was tipped into crisis by the global financial crisis and recession. These 8 factors were:

- Macro-economic instability caused by large and sudden capital inflows
- Major failures in corporate governance at banks
- Lack of investor and consumer sophistication
- Inadequate disclosure and transparency about financial position of banks
- Critical gaps in regulatory framework and regulations
- Uneven supervision and enforcement
- Unstructured governance & management processes at the CBN/Weaknesses within the CBN
- Weaknesses in the business environment.

Each of these factors is serious on its own right. Acted together they brought the entire Nigerian financial system to the brink of collapse. I will now discuss them in turn.
The huge surge in capital availability occurred during the time when corporate governance standards at banks were extremely weak. In fact, failure in corporate governance at banks was indeed a principal factor contributing to the financial crisis. Consolidation created bigger banks but failed to overcome the fundamental weaknesses in corporate governance in many of these banks. It was well known in the industry that since consolidation, some banks were engaging in unethical and potentially fraudulent business practices.

Governance malpractice within banks, unchecked at consolidation, became a way of life in large parts of the sector, enriching a few at the expense of many depositors and investors. Corporate governance in many banks failed because boards ignored these practices for reasons including being misled by executive management, participating themselves in obtaining un-secured loans at the expense of depositors and not having the qualifications to enforce good governance on bank management. In addition, the audit process at all banks appeared not to have taken fully into account the rapid deterioration of the economy and hence of the need for aggressive provisioning against risk assets.

Bank boards are hardly the only ones to blame for failure to deal with the sudden surplus in capital. A lack of investor and consumer sophistication also contributed to the crisis by failing to impose market discipline and allowing banks to take advantage of consumers. Investors, many new to investing, were unaware of the risks they were taking and consumers were often subjected to poor service and sometimes hidden fees. Nigeria does not have a tradition of consumer activism or investor protection and as a consequence many Nigerians made investments without proper understanding of the risks. The limited consumer protection framework did exist in Nigeria. However, the framework was inadequate and as a result consumers’ rights were not sufficiently protected.

Given the low sophistication among many consumers and investor, inadequate disclosure by the banks was another major contributing factor to the crisis. Bank reports to the CBN and investors often were inaccurate, incomplete and late, depriving the CBN of the right information to effectively supervise the industry and depriving investors of information required to make informed investment decisions. The CBN did not act to enforce the data quality in banks to ensure their reports were accurate. The CBN’s internal reporting system could not serve as an effective warning system for bank surveillance.

In addition, banks made public information on their operations on a highly selective basis and investors were unable to make informed decisions on the quality of bank earnings, the strength of their balance sheets or the risks in their businesses. Without accurate information, investors made ill-advised decisions regarding bank stocks, enticed by a speculative market bubble which was allegedly partly fuelled by the banks through the practice of margin lending.

Some banks even engaged in manipulating their books by colluding with other banks to artificially enhance financial positions and therefore stock prices. Practices such as converting non-performing loans into commercial papers and bank acceptances and setting up off-balance sheet special purpose vehicles to hide losses were prevalent.
Leadership and culture issues included an apparent lack of political will to enforce the sanctions for infractions and a belief, supported by the IMF that the sector was sound and that growth was a healthy development blunted the understanding of the real risks threatening the economy and the banking system.

BUSINESS ENVIRONMENT

Finally, a lack of a sufficiently developed infrastructure and business environment has had a negative influence on the banking industry. The legal process, an absence of reliable credit rating agencies and poor infrastructure all contributed to non-standard banking practices. Nigeria’s legal process is long and expensive and banks seldom pursue borrowers in court. Few banks were able to foreclose on borrowers and this led to borrowers abusing the system. Basic lack of credit information on customers, largely because there is no uniform way to identify customers, has held back the development of credit bureaus and hampered customer credit assessment at banks, increasing the stock of bad debt in the system.

REFORM PROGRAM

BLUE PRINT

The blueprint for reforming the Nigerian financial system in the next decade is built around 4 pillars.

- Pillar 1
  Enhancing the quality of banks
- Pillar 2
  Establishing financial stability
- Pillar 3
  Enabling healthy financial sector evolution
- Pillar 4
  Ensuring the financial sector contributes to the real economy

In many areas, CBN needs to take the lead in implementing reforms; in other areas, CBN needs to play a key advocacy role.

ENHANCING THE QUALITY OF BANKS

The CBN will initiate a 5 part programme to enhance the operations and quality of banks in Nigeria. The programme will consist of industry remedial programmes to fix the key causes of the crisis. It will also include implementation of risk based supervision, reforms to regulations and regulatory framework, enhanced provisions for consumer protection, and internal transformation of the CBN.

In order to address failures of corporate governance in the industry, the CBN will establish a specialist function focusing on governance issues to ensure governance best practices are embedded in the industry. The reform programme will strengthen corporate governance in both banks and the CBN, embedding a culture across the industry that good governance is good business. A remedial programme will be launched to implement and monitor a new set of corporate governance guidelines incorporating a range of reforms. The reform measures will include updated corporate governance statements prepared by the banks and establishment of mandatory board committees and a definition of their responsibilities. Reform measures will also include education of board directors on their responsibilities and on the unethical and allegedly fraudulent activities and the penalties they carry.

The reform programme will also include measures to transform the CBN itself in its fifth and last part. Core to transforming the CBN is Corporate Governance within the CBN.
Board agendas, processes and procedures will be structured and institutionalised to ensure good governance is not dependent on the leadership of the Governor. The organisation structure within the CBN is already being streamlined to enable the CBN to better supervise and regulate the industry. In addition, the CBN will deploy a stronger management information framework to effectively supervise the industry.

**ESTABLISHING FINANCIAL STABILITY**

The second and very crucial pillar in our four pillar reform program is establishing financial stability. The key features of this pillar centre around strengthening the financial stability committee within the CBN, establishment of a hybrid monetary policy and macro-prudential rules, development of directional economic policy and counter-cyclical fiscal policies by the government and further development of capital markets as alternative to bank funding. Nigeria can only improve its economic performance if it deals squarely with two fundamental issues:

- Volatility and instability caused by over-reliance on oil and sub-optimal management of oil revenue
- Ability of the non-oil real economy to productively absorb investment and debt

While the CBN is a critical player, success will require co-operation from many players in the economy and specifically fiscal policies that address these two fundamental issues. Nigeria’s economic performance falls short of its potential, although GDP per capita has risen in recent years. While oil should provide significant benefits to the economy, the reality is Nigeria will not progress, and will be subject to further financial crises, unless it addresses the fundamental volatility induced by oil dependence. We need to deal directly with the fundamental economic volatility related to the dominant role of the oil sector. We need to make better use of our oil endowment by harnessing it for strategic investment purposes. We also need to ensure lending and investment get to the real economy, especially its priority sectors, instead of being used to inflate financial asset bubbles.

We need to carefully evaluate the most up-to-date evidence in developing economic policy. A more interventionist, directional economic policy stance should be adopted by Nigeria.

**ENABLING HEALTHY FINANCIAL SECTOR EVOLUTION**

I will now talk about the third pillar of our reform blueprint – enabling healthy financial sector evolution. Some of the areas that fall under this include banking industry structure, banking infrastructure such as credit bureaus and registrars, cost structure of banks, and role of the informal economy. Let me start by saying that consolidation is not an end in itself in terms of banking industry structure. An examination of four countries that successfully navigated their banking crisis (Brazil, Turkey, Indonesia, Malaysia) shows there are many eventual banking industry structures that can serve Nigeria well. However, all of them have several common patterns. For example – the Central Bank or the apex regulator in each of these countries played an important role in determining the ultimate structure of the banking sector. Also, foreign ownership played an essential role in raising standards in the industry.

The creation of the Asset Management Corporation will provide the first step towards resolution of the non-performing loan problem in banks and eventually facilitate further consolidations. I should also mention that we are reviewing the basic one-size-fits-all model of banking that has emerged since consolidation. We will continue to ensure that our banks are well capitalised but bear in mind that required capitalisation is always relative to risk profile.

**ENSURING THE FINANCIAL SECTOR CONtributes TO THE REAL ECONOMY**

The last and final pillar of our reform blue print is ensuring that the financial sector contributes to the real economy. Rapid financialisation in Nigeria did not benefit the real economy as much as had been anticipated. To ensure the financial sector contributes to the real economy, the following areas need further consideration –

1. Leveraging the CBN Governor’s role as advisor to the President on economic matters to ensure that the financial sector contributes to the real economy
2. Taking the lead in measuring more accurately the relationship between the real economy and financial sector and the transmission mechanism
3. Evaluating continuously the effectiveness of existing development finance initiatives such as agriculture credits and import-export guarantees
4. Taking the public lead in encouraging examination of critical issues for economic development (impact of infrastructure such as power, port and railways)
5. Leading further studies on the potential of venture capital and private public partnership initiatives for Nigeria
6. Cooperating with a state government to run a pilot programme in directing the financial sector’s contribution to the State’s social economic development.

**CONCLUSION**

Nigeria’s economy in 2009 is like a structurally-compromised ship in a storm. This is partly due to inherent economic weaknesses. Financial sector and overall economic success will require the CBN and Nigeria to do a lot of heavy lifting in many policy areas. Rapid financialisation is not just a risky growth strategy; it is also a lazy way of growing an economy. A sustainable growth path can be achieved only through substantial and fundamental economic reform. This includes ensuring that physical and institutional infrastructure is of a scale and quality required. It also calls for political will to act to reduce corruption and uphold the rule of law.
“A hundred years from now, it will not matter what kind of car I drove, what kind of house I lived in, how much money I had in the bank... but the world may be a better place because I made a difference in the life of a child.”

Forest E. Witcraft

For every child, three important institutions play vital roles in shaping its attitude and future prospects. These are the family, the school and the community. It is these institutions that socialise, inculcate values and norms, as well as anchoring the child for a firm and glorious future. It is no doubt that education can be the change agent in everyone’s life. However, this is predicated on quality education that imparts vision. It is the kind of education that teaches the students how to think and not what to think. One institution that have excelled over the years in the business of giving quality education, transforming lives and building the future is Alpha Beta Educational Centre, Accra, Ghana. Transforming lives and inculcating the values of excellence, perseverance and integrity are some of the affirming realities of the centre.

In 1988, Sammy and Florence Adjepong began a Montessori Learning Centre in their home in Dansoman, a suburb in the outskirts of Accra Ghana with a vision to help lay good foundation and transform the lives of little children. Today, 22 years after, many lives have being transformed and Alpha Beta Education Centre is still in the business of making a difference through the provision of excellent and quality education.

Alpha Beta Educational Centre is a group of schools comprising the Nursery, Primary and Secondary arms. The owners of the school have a vision to establish a tertiary institution in a near future. The school presently enjoys towering popularity and a high demand for admission due to its high academic and moral standards. Its unique approach to learning has earned the school many honours at the local, state and national level. Early this year, The British Council in Accra gave the institution with “The Most innovative and Resourceful Private School of the Year 2009” award. But that’s not what keeps Alpha Beta going. It is the desire to help kids succeed, promote civic responsibility and character and build students into responsible citizens and enviable change agents.

From cradle to adolescent, through a holistic educational development approach, the institution seeks to give a leading edge to its students and develop in them self-driven desires, skills and the capacity to meet the challenges of an emerging world. It also helps expose children to a rich and varied teaching and learning environment which seeks to broaden their outlook, encourage the best examples of Christian morality and service to others. In line with its 20th anniversary celebrations: ‘making a difference’, the Centre has in its own way touched many lives and made a difference. Alpha Beta Education Centre has been involved in lots of corporate social responsibilities in Ghana. They have consistently supported various children in the countryside Orphanage at Bawjiase, the Ghana State School for the Deaf, the Ghana School for the Blind and the School for the Blind at Akropong. The Institution has also helped to build, equip and staff a modern community library and also rehabilitated the Zamrama line, one of the access roads to the school area in Accra. These charitable gestures are in line with the institution’s vision to positively touch lives and impact the community.

But the journey to the top has not been an all fair weather affair. When Mrs Adjepong and her husband decided in 1986 to return home from a blossoming career in England, that decision was not an easy one. It was a step from the known to the unknown. According to her, it has been a journey of faith. She said ‘it has taken years to get from our humble beginnings to where we are today. it has been years of hard work, of strategising, of trials and failures; always moving towards achievement and victory, never giving up, never loosing hope and always having the faith that we are going to make it, no matter what’.

For many years to come, the contributions of Sammy and Florence Adjepong, founders and coordinators of Alpha Beta College, will remain appreciated not only for their role in elevating the academic landscape of Ghana, but much more for building the future and bringing positive transformations to many lives.

Mrs Florence Adjepong Proprietor of Alpha Beta Education, Accra
Leadership is...

...Influencing, motivating and enabling others to perform for the benefit of the whole.
*Carol Anne Slater*

“...The Dubai training was highly interactive with participants actively engaged to make it worthwhile... The organisers and facilitators went the extra mile to address our learning objectives.”

**Director, Central Bank**

“...My company has greatly benefited from this programme and we have been pleased to partner with TL First for further development programmes for our Board and Senior Management.”

**MD/CEO, Aviation**

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Leadership Beyond Visioning UAE

Renaissance Dubai Hotel
Salahuddin Road, Deira, Dubai,

26th – 30th April 2011 (1 week)
Fee: £1,990

14th – 25th November 2011 (2 weeks)
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THE GOOD
THE BAD
&
THE UGLY
Most companies are suffering in the downturn, but they are not all suffering in the same way. For some firms the downturn is their only problem – a serious one to be sure, but also transient. For others, however, the recession reveals more fundamental structural problems with their business model or ability to execute. For these firms, the recession is a challenge, but not the root cause of their woes. Before setting a course of action, managers must assess whether their situation is good (strong execution on sound business model), bad (poor execution of good business model), or downright ugly (business model is broken).

For many good companies, the downturn is a cause of declining financial performance. These companies are executing well against a sound business model, but still experience profits and cash flow declines in the face of tough market conditions. The downturn has been particularly hard on firms exposed to the US real estate, such as banks, construction firms, real estate developers, as well as well run operations, like Cemex, that borrowed too much during the boom. Good firms facing hard times should weather the downturn with minimum damage, and position themselves to thrive when the economy rebounds.

For many good companies, the downturn is a cause of declining financial performance. These companies are executing well against a sound business model, but still experience profits and cash flow declines in the face of tough market conditions. The downturn has been particularly hard on firms exposed to the US real estate, such as banks, construction firms, real estate developers, as well as well run operations, like Cemex, that borrowed too much during the boom. Good firms facing hard times should weather the downturn with minimum damage, and position themselves to thrive when the economy rebounds.

Your firm is good when it is among the leaders in its industry with multiple competitors and by multiple healthy measures (e.g., revenue growth, profitability, value creation, low costs). Examples are: Accenture, Reckitt Benciser, Wal Mart, Toyota, Samsung Electronics and Nokia. Good companies know how to capitalise in a downturn, they seize market opportunities ahead of well-run competitors; make ongoing operational improvements; invest for the long term; look for bargain acquisitions, inject urgency to make necessary changes; prune costs that sprouted like weeds; and they don’t panic.

Bad companies struggle because of poor execution of a sound business model. GM pursued the same strategy as Toyota, but did so very poorly. GM founded Saturn in 1985 to produce high-quality small cars that could compete with offerings from Toyota and Honda, a sound strategic decision marred by dreadful execution. The downturn is proving particularly painful for companies that were struggling with execution during the boom. The good news is that leaders can use the downturn to make difficult organisational changes that can help their company to execute more effectively.

Your company is bad when competitors who follow the same business model as your firm are successful; you’re losing global market share over time; there is a large gap between your firm’s performance and leading rivals on operational, financial, innovation, brand, and other measures; your company is repeatedly too late in seizing market opportunities; top management switches from one strategic initiative to another without effectively implementing any of them. Examples are: Sears, Kodak, Sun Microsystems, Motorola, BT, Gap, UBS, Philips Electronics and Heinekin. Downturn provides significant challenges for bad company - they need to initiate or accelerate transformation to improve execution; force hard choices throughout the organisation to increase focus; instil processes to ensure ongoing cost discipline; link layoffs to individual performance to cull out underperformers; forge cadre of key managers to work as a cohort to improve execution; cull corporate priorities to a handful that guarantee execution; change compensation system to reward performance.

Ugly firms face the most daunting challenge of all, because their business model can no longer create value. No amount of good execution can compensate for a broken business model, although it may ensure that a well run company is among the last to fail. Business models typically go bad over extended periods of time, as a firm’s ability to create value erodes gradually, culminating in a sudden collapse. By the time a business model has collapsed, it is easy to identify the firm as broken, almost impossible to fix. You know your company is ugly when all others in your industry are in serious
BUSINESS MODEL DRY ROT

Broken business models are easy to identify after companies have collapsed, but at that point there is little managers or owners can do to revive them. It is better to change a broken business model earlier, when the early symptoms of decay appear. The gradual decline of a business model is often followed by an abrupt collapse. The decline and fall of an outmoded business model resembles the slow advance of dry rot. Dry rot is the deterioration of wood, in a building for example, which occurs when a fungus eats away at the cellulose that gives wood its hardness. The decay proceeds imperceptibly over time as the fungus erodes the timber’s solidity. In the advanced stages of dry rot, a wooden building can appear perfectly sound, but remains susceptible to collapse at any moment.

A firm’s business model is based on its ability to create value: producing goods or services that customers will pay for than the costs of all the inputs (including the capital) required to produce it. Business models typically decay slowly over years or decades. The shift to digital data first emerged as a potential challenge for the newspaper, publishing, and music industries in the late 1970s. Decline sets in when external shifts undermine a business model’s ability to provide goods that sell for more than the costs. Often an exogenous change reduces customers’ willingness to pay. The Internet has sharply reduced consumers’ readiness to shell out cash for news; the rise of low-cost carriers such as Easyjet and Southwest Airlines have increased travellers’ price sensitivity; governmental initiatives to control health care costs and the end of patent protection for blockbuster compounds put downward pressure on prescription drug prices; the rise of netbooks caps how much Microsoft can charge for its software.

The decline tends to unfold gradually over time for several factors: Customer inertia: Customers rarely switch en masse to a new product or service, but rather migrate over time. Competitive build up: Rivals require time to work out the kinks in their own business model, build awareness of their offering, and achieve economies of scale. Wal-Mart needed decades to build out the logistics and IT infrastructure required to scale its business nationally. Emergence of supporting infrastructure: No company is an island; a firm’s ability to create value depends in part on an ecosystem of specialised suppliers, distributors, technology infrastructure, producers of complementary products, lobbying groups, etc. E-commerce was not viable as a mass market business prior to widespread Internet connections and secure on-line payment options. Incumbent responses: Existing firms can extend a flawed business model through incremental improvements that buy time even if they cannot prevent inevitable collapse.

While the decline is gradual, the fall, as we have seen in the music and newspaper businesses can be quite abrupt. Again several factors contribute to rapid disintegration and sometimes bankruptcy. During the period of decline, firms draw on their reserves of slack resources, by depleting their war chest of cash, taking on long-term debt, and divesting profitable subsidiaries to raise funds. To scrimp on costs, managers often cut corners on things that decrease the quality of the customers’ experience, further reducing their willingness to pay—think of your last flight on a US airline for example. As Geoffrey Moore has demonstrated, the majority of adopters often switch to a new product or service long after innovators do, and sometimes do so as a herd. A downturn can trigger a collapse, when customers are more willing to shop around for alternatives that provide better value for money.

Five symptoms of business model dry rot When detected and treated early enough, it is possible to migrate away from a failing business model. Not easy to be sure, but possible. The first step in treating corporate dry rot is detecting it early. The decline of business models resembles the process of dry rot, which eats away at a building’s timber, such that it looks solid but is in fact susceptible to collapse. Business models decline when they no longer create economic value, and this decline typically occurs when customer’s willingness to pay decreases. Thus the main indicator of decline is falling prices exceed reductions in costs to produce the good. Slipping prices are the best, but not the only indicator of dry rot. Below are five symptoms to help you assess whether your company’s business model may be at risk of decline:

1. Actions that used to work no longer do. One sign of a broken business model is that activities which worked in the past no longer produce the same result, even when executed well. Pharmaceutical companies continue to conduct large scale research, and yet produce precious few breakthrough drugs. Einstein defined insanity as doing the same thing over and over and expecting different results. Another form of insanity occurs when external circumstances shift, yet managers do the same thing over and over again and expecting the same results.

2. Your least sophisticated customers are your best customers. The most demanding customers are often the first to migrate away from a business model that no longer creates value. For professional service firms, including law firms, investment banks and executive education providers, an exodus of discerning clients and an increased reliance on less prestigious firms often indicate creeping dry rot. If technology-savvy young users avoid your product- eg, newspapers, CDs, land line phones, etc., you have a problem.

3. Customers would switch if they could. High switching costs prevent customers from abandoning a supplier even
if they are dissatisfied with the offering, a more attractive substitute arises, or competitors offer better terms. Microsoft’s dominant position in Windows and Office prevent users from switching easily, even though some find the company’s software complex, slow, and annoying. Business history shows that switching costs buy a company time, but never last forever.

4. We would do things very differently if we started from scratch today. A good measure of whether a business model has outlived its usefulness occurs when new entrants eschew incumbents’ recipe. No new entrant to the airline industry, for example, would replicate the legacy carriers’ hub and spoke route network or mimic their labour relation practices. In the absence of new entrants to their industry, executives can imagine how they would start a greenfield operation. The differences between the new and old models often bring into sharp focus what is not working for established players. Identifying gaps does not make them easy to close, but a gap analysis can focus management on the right issues and clarify the extent of problem.

5. We have to tell customers what they should want. Managers locked in an outmoded business model often find themselves telling customers what they should want – typically what the company provides. Several years ago, I invited a senior executive from a large mobile phone company to class. I asked the students how many owned one of the company’s phones. Only two did, with the vast majority of the class preferring a Nokia phone. The executive proceeded to lecture the students on how they should stop focusing on “cosmetics” and make their decision based on the technical criteria that his company emphasized. Wrong answer!

IDENTIFYING DRY ROT IN YOUR INDUSTRY

The downturn has exposed flaws in business models, such as newspapers. Identifying basket cases after they have collapsed is easy, but by then it is too late to save them. The trick is to spot the weak spots in a damaged business model before it collapses, while management has the resources and time to fix it. Long immersion in an industry can blind executives to flaws in their strategy and business processes. Below are a few examples of industry sectors where business models that look healthy collapse from dry rot in the future:

Pharmaceuticals

Spend billions on large R&D labs that produce me-too products. Invest additional billions on an army of salesmen who pester busy doctors to peddle their wares. Charge exorbitant prices in the face of ineluctable pressure to cut medical costs. When this doesn’t work, merge with competitors suffering from the same problems, adding all the complications of a large merger. Hope for the best.

Book publishing

Pay authors large advances without a clue whether a book will sell. Kill acres of trees, cover them with ink, convert them into expensive inventory, ship by the truckload into an inefficient distribution chain. If book sells well, run out of stock and miss sales. If it sells poorly, collect unsold copies and pulp them. Congratulate yourself that you are not in the music business. (do you think its a coincidence that “kindle” means to set fire to inflammable material, like books?)

Emerging market conglomerates

Spread limited cash, managerial talent, and attention across several unrelated businesses, thereby ensuring you will not achieve global scale in any of them. Ignore evidence that emerging market companies that have succeeded globally, including Mittal Steel, AmBev, Bunge, and Cemex, have focused on a key business. Lobby government for protection.

All brokers (e.g., travel agents, real estate agents, speakers’ bureaus, stock brokers)

Sit by phone, take orders, impose yourself between buyer and seller, complicate simple things to appear knowledgeable, serve as a go between to look busy, pretend to listen to what customer wants then peddle whatever you have in stock. Charge high fees. Whenever possible, use industry jargon and speak authoritatively to convey an aura of expertise. Ignore how the Internet eliminates the information asymmetries that justified your role in the past.

Law firms

Hire a host of highly-trained, expensive attorneys. Bill by the hour to encourage senior partners to generate busy work to boost billable hours. Resist opportunities to automate routine activities by embedding them in software or outsourcing them to low wage countries. Encourage colleagues to join clients as corporate counsel, so they can keep the chief purchasing officer from scrutinizing your fees.

Fast moving consumer goods

Invest heavily to build brands. Hire high-priced marketing executives who wear fancy clothes and speak fast. Distribute your products through powerful retailers, like Wal-mart and Asda, which demand price concessions, promote house brands and generics, and copy any new products you introduce. Try to outrun price reductions through innovation. Ignore reality that most product innovations fail to create value, and all your competitors are doing the same thing.
Very few people agree on the meaning of leadership. Everyone has a slightly different list of traits leaders must have to be effective. However, no one questions a deeper premise: that leadership means being in charge of a group and taking it on a journey to achieve the leader’s vision. The debate is always about what sort of person it takes to occupy such a role.

This fundamental assumption needs to be challenged. It may work well enough in small, relatively stable groups but is out of date in dynamic businesses that compete through rapid innovation. In this context, leadership needs to be recast as a non-positional, occasional action that anyone can take and which can be bottom-up as well as top-down. Clearly, if leadership can be shown bottom-up, it cannot entail a lower level employee actually taking charge of the senior executive team. For a knowledge based economy dominated by what Richard Florida calls the creative class, we need a new understanding of leadership.

Leading by Example

Conventional leadership theory tells that leaders are in charge of groups. In order to break the stranglehold of this notion we only need to take a close look at how leading by example works. Any employee can show leadership by example just by behaving in an exemplary manner. For instance, a new customer service associate might show such stellar customer service that others follow suit. This person might have no interest or talent to be a team leader, even informally. Leading by example does not entail taking charge of a group. It simply shows the way for others.

This fact about leading by example is even clearer if we look at how groups show leadership to other groups. Consider the following:

- Apple shows leadership in the mobile phone industry by introducing desirable products.
- Some of Jack Welch’s ideas such as the need to be first or second in a market were copied by other organisations all across the globe. GE thus led by example.
- If a country adopts novel green practices and another country follows suit, the former has led by example.
- There is also market leadership and leadership in sports.
Leading by example across groups clearly does not involve the leader being in charge of those who choose to follow. This means that being in charge is a special case of leadership, an application, not the main paradigm or the only way to show leadership.

Promoting a Better Way
Leading by example is only one way of showing leadership without being in charge of followers. But leadership can be shown when people actively champion a better way. Here are some examples:

- Martin Luther King Jr., Gandhi and Nelson Mandela all had a leadership impact on their respective Governments when they advocated change. None of them was even a member of the target Governments let alone in charge of them.
- When green leaders such as Al Gore promote greener practices and individuals or communities around the world adopt his recommendations, he has shown leadership by advocating a better way.
- When a front line knowledge worker advocates a new product or process to senior management and is successful, bottom-up leadership has been shown.

Again, leadership is possible without being in charge of followers, even informally.

Leadership Redefined
Leadership occurs whenever the actions of one party are followed by another. Groups can show leadership as well as individuals. Leadership thus means showing the way for others either by example or by overt promotion of a new direction. A critical advantage of leadership so conceived is that we now have the key to separating leadership from management. This is because those showing leadership as outsiders to the target group have nothing to do with execution, with getting anything done through people. Their leadership ends when the follower group or individual takes action. Thus, management is a separate phase from leadership and may be undertaken by another party.

If this sounds strange, consider what it means to say that leadership is an influence process. This is a widely held belief but when looked at closely, we have to note that all influence works in a similar way. When a car salesman sells you a car, he stops selling once you sign on the dotted line. When you succeed in persuading your son to eat his broccoli, you don’t keep harping on it once he starts eating. When CEO’s promote a new vision, they turn their attention to other matters once everyone has got on board. Thus, all forms of influence, not just leadership, stop once the target party starts to act as desired. Why should you accept this reworking of leadership? Well, unless you want to say that market leadership or other forms of leading by example don’t really count as leadership, then we need a definition that covers all cases. Saying that leadership simply means showing the way for others does the trick and it also liberates us from the notion that leadership necessarily entails being in charge of followers.

The Truth about Being in Charge
When individuals lead a group to a new destination they are really wearing two hats. They show leadership when they sell the tickets for the journey but they then don a management hat when they drive the bus to the destination. This doesn’t mean that leadership always comes to an end when the journey starts. The tickets often need to be resold when the passengers question the merits of a particular journey. But this doesn’t invalidate the point that leadership and management are separate actions.

Benefits of Leadership Redefined
Our fixation with group leadership is disempowering and disengaging for everyone else in the group. Restricting leadership to being in charge means that it can flow only in a downwards direction, thus concentrating too much power at the top. Our conventional understanding of leadership is totally in line with the old myth of the organisation-as-person where the ‘head’ thinks and the ‘hands’ act. Large organisations are poor at innovation and employee engagement because ownership for direction is all at the top. In The Leadership Challenge, Kouzes and Posner tell us that all their thinking of leadership is based on the metaphor of a journey. But this image can make employees feel like passive participants on the journey, like going on a tour and being in the hands of a tour guide.

Leadership redefined is liberating. Everyone with a better idea and the courage to advocate it can show leadership. Martin Luther King Jr and Gandhi had very different personalities and leadership styles. King was a brilliant orator while Gandhi was a quiet, non-violent protester. But they both had the courage to risk their lives for their principles. They both challenged the status quo. King influenced the Supreme Court to outlaw segregation on buses while Gandhi influenced the British to grant independence to India.

We need to encourage this rethinking of leadership if we want to fully engage employees and stimulate more rapid innovation. On the one hand, this change in perspective is simple and it follows logically from looking at how leadership can be shown by people who are not in charge of followers. On the other hand, this shift in thinking has profound implications for leadership conventionally conceived. Also, management needs to be upgraded so that it is seen as a more engaging, facilitative, nurturing and developmental function rather than as a controlling one. This is because leadership reinvented doesn’t actually supervise the work of others. This is what management does.

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Leadership Development in Africa

Lex Lindeman

Dr. Paul Rono
The leadership and philosophies of African political leaders have affected institutions and companies in various African countries for many years. For example, charismatic leaders were believed to be those who have the natural capacity and personality traits or qualities to lead. Hence, leaders were said to be born or natural “great men.” Traditionally, leadership was said to be an attribute of personality. Born or charismatic leaders become real leaders because they have such personality qualities but also: ambition, patience, pride, humility, wisdom, friendliness, dependability, force, endurance and, of course, managerial competencies.

Modern Functional Leadership is essentially to facilitate the interaction within a group to achieve preset goals, to realize the organization’s strategic objectives. Such functional managers or leaders are usually nominated, appointed and selected from among equals. If people utilize proper and effective managerial tools and motivation, performance and effectiveness increase considerably. Of course, this is also applicable to African managers and leaders acquiring or possessing modern functional leadership skills in a target achievement and ‘productive’ environment.

Successful Leadership Behaviour
The elements enumerated above are essential to successful leadership behaviour. The successful leader is:

- Sensitive to the feelings of others, helpful, responsive and friendly.
- Loyal to his ideals and ideas and respectful of the beliefs, rights and dignity of others.
- Strong in his/her feelings of self-confidence and ability to identify easily with co-workers and supervisors.
- Enthusiastic when informing others about the introduction of a strategic program.

- Takes interest in improving the group and get work done and avoids envy and jealousy.
- Endeavours to give others the benefit of doubt, or advantages and firm but not proud or stubborn in making judgments and decisions. They are sincere and straightforward.
- Embraces change in their departments and does not avoid reasonable risk taking.
- Manages individual performance and steers their subordinates on a regular basis.

Successful African Leaders Competencies
The modern African leader or manager should be more ‘democratic’ in his/her relations with subordinates and at the same time maintain the necessary authority and control in the organisation or institution for which he/she is responsible. The somewhat less modern African leaders rely on collective accountability. Good (thus effective) leaders inspire people/staff to perform optimally if necessary individually or as a team. The best African leaders, despite their many differences in personality, practice certain principles like delegation, creativeness, networking, individual accountability and decision-making.

What Effective Leaders Do
- Take an interest in employees and communicate clearly and transparently.
- Keep morale high, encourage team spirit; give a feeling of being respected and being needed. They awaken enthusiasm and motivation.
- Use commands sparingly; avoid giving orders such as, “Do this!”, “Stop this,” or “Do it this way.” They request, not demand.
- Show respect and faith to subordinates. They show the same consideration they would like to receive and take interest to others.
- Welcome suggestions and prompt employees to think creatively. They avoid the phrase: “Yes but …” which generally is considered as a: “No!”
- Handle grievances fairly. They act impartially, no favouritisms when assigning work.
- Express approval, show appreciation and complement, but they allow a certain level of mistakes to be made.
- Create highly productive teams, delegate tasks wisely, and step aside.
- Develop people to enable and prepare them to achieve more challenging goals.

Characteristics of Effective Leaders
The nature and style of functional (managerial) leadership greatly influence job satisfaction and motivation. Effective leaders show consideration for employees and enable them to have a sense of participation in decisions that affect them and they will have the following characteristics:

- Sensitivity to the individual problems people face on the job.
- Availability and openness to people in need of help.
- Sympathy with adverse conditions in the work environment.
- The ability to establish more than a boss-worker relationship.
- Above all delegate challenging tasks to their subordinates.

Highly productive leaders tend to spend more time to:

- Motivate and inspire their employees and provide structure.
- Keep employees informed.
- Get ideas and suggestions on important matters before going ahead.
- Try out new ideas with them.
- Show consideration for their needs.
- Coach their workers individually.
- Develop and train employees for increased responsibilities.
Management and Leadership Development

Managers want to be more effective in their leadership role. Some think they only need to learn techniques, others assume that they can learn a magic formula or foolproof method. Effective functional leadership implies an intensive development process. Some of the ability comes as a result of experience, some by learning from mistakes, by profiling from the experience and mistakes of others, from personal insights and by learning managerial skills.

To become truly effective, African managers and leaders will have to be developed through sustainable leadership competency programs that offer training with a difference. These development efforts should be highly interactive, aimed at leadership and managerial competencies such as delegation and responsibilities acceptance. These customized interventions are generally short (maximum 4 to 5 days) followed up and coached by their superiors, i.e. the participants should be given room to ‘experiment’ with their newly acquired skills.

In Summary it is for certain that African countries will grow and develop in the coming years; look at the example of the pace of growth of mobile phone networks and coverage. Efficient infrastructures, systems and processes are put in place. However, just this is not enough; Inspiring Functional Leadership is an absolute necessity for growth. Sustainable investment in the modern development of African managers and leaders is primordial. In order to accelerate and maintain growth in Sub-Saharan Africa we must put in place the right learning work environment and formal, high-impact development possibilities.

Previously we explored the characteristics of effective leaders and the way to develop them. One of the important competencies of effective African leaders is delegation. In many African public and private companies, management asks us to focus on delegation during workshops we conduct for their staff. It seems to them that African managers especially, need to learn to delegate more than they do already.

Delegation

The main purpose of delegation is to make organisations possible. Just as no one person in an organisation or enterprise can perform all tasks necessary for the accomplishment of group purpose; so is it impossible, as an organisation grows, for one person to exercise all the authority for making decisions. If managers delegate poorly it will cause frustration, de-motivate and slow up decision making, and the manager will have no time for his or her subordinates. Good delegation will save time, ensure a better distribution of workload, and ultimately lead to better decisions. And, effective delegation will help to develop, empower and motivate subordinates.

Why Managers Don’t Delegate

Some managers think that no one else can do the job the way they want it done, how they want it done and when they want it done. They think it’s easier and more efficient to do it on their own, and they believe that they can do it better than their employees. These assumptions are incorrect! Managers are not sure how to do delegate correctly. Here are some of the excuses I’ve heard over the years:

- “My team members lack the experience.”
- “It takes more time to explain than to do the job myself.”
- “A mistake by a team member could be costly for my project.”
- “My position enables me to get quicker action.”
- “There are some things that I shouldn’t delegate to anyone.”
- “My team members are specialists and they lack the overall knowledge that many of my decisions require.”

I came across this small quote in the New African, June 2009 by Akua Djanie: “I don’t know what it is about Africans, but we are afraid of, and shy away from, the idea of delegating someone to take our place when we are unavailable, is it because we think the person we delegate to will do a better job than us? Is it because we want to be seen as the one in charge, the one that can make or break the company, the project or the team? It is unbelievable, but from our post offices, to our small-scale businesses and to the multinationals, it seems that everyone in Africa is scared to delegate.

Delegation shows the effectiveness of teamwork, because no matter how capable someone is at their job, no person is an island. And no project or company can function with only an individual. What delegation shows is that even if a particular person is unavailable, the project, team or company can still proceed because that person has put mechanisms in place to ensure the smooth running of operations. So rather than see delegation as a threat to their positions, Africans should embrace as a strength delegation. It simply does not make sense for everything to come to a standstill because one person is not available or one person is trying to do everything by him or herself.” But delegation is not only an issue in Africa; in institutions in the rest of the world, managers struggle with the same issues.

The Organisation

Every position in a formal organisation has a specified set of tasks or “position responsibilities, authorities and accountability.” Tasks should be delegated (assigned) to the lowest level in the organisation at which there is sufficient competence and information for effective task performance. The three concepts of responsibility, authority, and accountability are the major variables in the theory of delegation:

- Authority: Superiors delegate authority – permission and encouragement to take action – but they do not delegate responsibility, which they share with their subordinates. Thus responsibility, as accepted by the one to take action exists and is shared from the point of acceptance upward, level by level, to the top of the organisation.
- Responsibility: Responsibility is an obligation owed and cannot, therefore, be delegated. No superior can escape through delegation, responsibility for the activities of subordinates, for it is he who has delegated author-
Delegation is a powerful management tool. Some advantages of delegation include:

- Efficiency: The more a superior is able to delegate, the more time he has for thinking, planning, etc.
- Better Decisions: The person who is close to the scene of action should be better able to make decisions than a distant superior.
- Initiative: Delegation encourages initiative on the part of subordinates so that the organisation can use their skills more fully. Initiative in turn improves morale, because people take increased interest in their work if they are given an opportunity to use their own judgment.
- Timeliness: Delegation improves timing of decisions, because it minimises the necessity for sending recommendations up the chain of command to decision makers several levels above the point where the recommendations were initiated.
- Speed: A do-it or-else order eliminates the time-consuming dillydallying of feedback. But speed may cost accuracy and morale.

Many managers will find a ‘good’ reason not to delegate; here are some pretexts which can be found in any work environment:

- The need to be needed: A superior who has an intense desire to make or keep subordinates dependent will find it difficult to give sincere recognition for job achievement by them.
- Fear of losing control: When superiors delegate, they run a risk of the subordinates not doing the job well, and losing control of the performance for which he is accountable.
- Fear of surrendering authority. Whenever you delegate, you surrender some element of authority (not responsibility)! This is inevitable. By effective delegation, however, you get the benefits of adequate time to do YOUR job really well.
- Perfectionism: Just as you have to develop staff to do jobs quickly without your involvement, you will have to let people make mistakes, and help them to correct them. Most people will, with time, learn to do jobs properly.
- The Desire for Reward: Many managers enjoy the rewards and self-fulfilment associated with achievement of doing work. Delegating to subordinates necessarily means that the subordinates will get the reward.
- Fear of Competition: Other managers are afraid that if they assign work, and their subordinates develop, they will someday outperform them, overtake the manager in the hierarchy of the company.
- It’s a Effort: Delegation takes time. In the early stages, managers need to invest time in training their people to take over tasks. When coaching and checking are taken into account, it may even initially take longer to achieve the desired outputs. In time however, with the right people, your coaching investment will pay back handsomely.

It is common for people who are newly promoted to managerial positions to have difficulties delegating. Often they were promoted because they were good at what they were doing. This brings the temptation to continue trying to do their previous job, rather than acting as a manager, and focus on developing their new subordinates.

### How to Overcome Weak Delegation

1. Define assignments in the light of expected results.
2. Select the right person to which to delegate.
3. Open up the lines of communication with your subordinates for consultation and counselling.
4. Establish proper controls for the correct use of authority.
5. Reward effective delegation and successful assumption of authority.
6. Be willing to give other people’s ideas a chance (never say: “Yes but…..”). This means NO!
7. Be willing to release the right to make decisions (we call this empowerment).
8. Allow others to perform even though they make mistakes.
9. Trust your delegated junior: Delegation implies a trustful attitude between the two.
10. Establish and use broad controls. Responsibility is not delegated, hence the need for you to establish a means of feedback to assure yourself that the authority delegated is being used in support of the organisational objectives.

### Conclusion

As I said earlier, delegation is a global problem. But a very positive aspect is that Africans are very keen to learn and to try things out. This attitude toward change allows Africans to learn to adopt delegation faster and easier. Studies show that Africans are ready to accept delegation of duties more easily than in the western world. Many managers in Africa learn easily to delegate and delegation is readily accepted, respected and honoured. Demonstrate how important the jobs, the expectations, the goals and tasks are, and the African is keen to accept. Mike Boon (2007) stated that accountability is one of the key areas that must be stressed when delegating tasks to an African manager: “Through this accountability, they become leaders and others will follow them.” When a manager or leader encourages accountability through delegation, the result will be growth and progression.”

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In an era where the pace of economic slowdown is having a profound effect on organisations, coping with change remains a strategic priority. Leaders, Executives and the Board are realizing that enhancing organisational flexibility is a key response to ever increasing turbulent environments. Organisations are finding out that responding to unpredicted changes in their marketplace is crucial. In fact, many organisations are not merely seeking to improve or amend their structures and processes but are looking to fundamentally transform their businesses. Recent press has shown how capital markets mercilessly punish those who fail to respond.

E-business continues to present significant opportunities to strategists, and organisations operating in digitised environments have to develop formal organisational structures that are both flexible and reliable. However, a critical assumption is that e-business encompasses e-commerce, and goes far beyond e-commerce to include the application of information technologies for internal business processes as well for the activities in which a company engages in commercial activity with suppliers and customers.

The ability to adjust e-business processes to customer preferences (flexibility) has become a necessity for online systems. Despite the growing interest in e-business flexibility the academic and practitioner literatures have not kept pace with organisational developments. In this article, I report on empirical research that makes a contribution to this line of enquiry. My sampling frame was drawn from the FTSE 350, which is market capitalization index of weighted stock consisting of the largest 350 companies who have their primary listing on the London Stock market. To achieve a sampling frame of 1,000, 750 firms were carefully selected from the Hoovers database, so that they would complement the profile of the FTSE 350.

The lack of organisations pursuing an e-business strategy was a major barrier. Questionnaires were mailed to a senior manager who had responsibility
for e-business initiatives. All organisations were contacted first to establish if they had appropriate e-business strategy experience and assess their willingness to complete the questionnaire. The lack of an appropriate e-business strategy and the confidentiality requirement of some of the targeted organisations, led to ninety-three (93%) usable replies being received in total.

Principal components factor analysis with varimax rotation revealed seven key factors that enhance organisational flexibility in digitised environments.

1  **Network level strategy decision making and intelligence**

The number of organisations using network level strategies as part of their e-business strategy continues to increase. Network level strategy highlights a shift in inter-organisational relationships. Organisations that use to compete with each other are now being forced to cooperate. Network level strategy operates at a higher level of strategy than corporate level strategy. This differing perspective now impacts how information is exploited, how consequent organisational decisions are made and managed throughout the organisation, and across alliances.

2  **Enterprise wide change management**

This factor deals with the management of organisational change by ensuring rapid and successful implementation of good change management practices. In order to migrate successfully into a digitised organisation, firms need to bring together, people, process, and technology to address all aspects of change management successfully.

3  **Organisational learning**

Knowledge (and the ability to capitalise) affects an organisation’s ability to respond effectively to its environment. People throughout the organisation (at all levels) must be motivated and encouraged to develop, share and exploit knowledge to enable a true culture of learning to be established. Management should not be the sole beneficiaries who capitalize on knowledge for organisational success.

4  **Process-oriented agility**

Phillips* sees e-process models as a way of creating the new internal processes that leverage e-business opportunities. Successful organisations identify critical processes within the organisation and gather knowledge about them as a basis for improvement. Investment decisions should be based on developing organisational processes that help achieve strategic aims. Then IT systems can be put in place to support and facilitate these processes, and the organisation can structure in a manner that optimally supports the effective conduct of processes.

5  **E-business information management**

This factor addresses the technology and infrastructure aspects that support organisational learning, knowledge sharing and exploitation in an e-business environment (issues such as interoperability of knowledge management systems and their integration into the wider organisation). Many organisations complain that their existing information management system does not provide them with the adequate ‘hard data’ required for their strategic decision-making.

6  **Leadership of transformation**

The leadership of organisational change in the e-business environment may involve releasing control and empowering staff to make changes. E-business leadership should not be abdicated and leaders must continue to assume responsibility for performance. Organisational change that only considers higher levels of the organisation will not be effective. Successful organisations appoint strong leaders to champion organisational change and encourage staff to ‘buy in’ to the process. Network technologies make information more accessible such that operations become less opaque, resulting in leadership decisions becoming more transparent.

7  **Knowledge exchange meetings**

To achieve success, an organisation must ensure that staff are knowledgeable about its corporate strategy in a proactive manner. As organisations evolve along the e-business path, e-business network communication technologies can be useful. For example, meetings could use network communication technologies to support the process of organisational learning and supporting formal and informal communication across the organisation. This is critical to supporting the key activity of organisational learning (and knowledge dissemination) within the organisation and facilitating flexible responses to business needs/environmental demands.

These factors describe an organisation’s ability to be effective in an e-business environment, with emphasis on both change management and organisational processes. More specifically, the seven factors can provide Leaders, Executives and the Board with some assistance in being successful in an e-business environment. A number of issues associated with human factors, people and culture, were identified from the study as being the most important to address. Interestingly, leadership of transformation was only one of the seven key factors. This clearly indicates the need for a greater holistic approach when coping with the challenge of organisational flexibility.

To achieve effective organisational change will require genuine ‘buy in’ from the people involved in, and affected by, the change process; both the end-users of the new technology, and key organisational figures who lead on the necessary changes. They must understand what the changes mean and why they are necessary.

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What is happening?
Over the last year or so many of you may have heard the phrase “extend and pretend” countless times. This is a situation where lender(s) agree to extend maturities and/or amend covenants on a debt instrument to a borrower to avoid an event of default occurring in the (vain?) hope that:
- operating performance of the company will return to health
- the market will once again be prepared to refinance deals on high leverage multiples.

There is also a question of whether some banks are acting out of political expediency (and there is certainly anecdotal evidence of governmental influence over hitherto commercial credit decisions). The two issues we need to look at are firstly the potential size of distress in the European loan markets and secondly to consider whether “extending and pretending” will help companies and banks swim through the economic turmoil we are facing, or whether the delay is storing up potentially larger and more insurmountable problems for the future.

How big is the Problem?
For the period up until the first half of 2007 there had been a very significant cyclical upturn in US and European syndicated lending, with overall primary loan volume growth of over 2.5 times between 2003 and 2007. This growth was particular focused on M&A (merger and acquisition) and leverage financing, as can be seen in the following two charts:

**Primary Loan Volume (US$Bn)**

![Primary Loan Volume Chart](chart)

Under current conditions of limited supply or indeed the total exclusion from the credit market for some companies, then the ability for these more highly leveraged borrowers from the boom era to repay, refinance or re-profile their debt obligations must be strongly questioned. This is only part of the problem since more companies will also face deteriorating operating performances and real liquidity crunches.

The Refinancing Cliff
As an illustration of the refinancing cliff the market is facing over the coming years the following chart is particularly interesting in terms of the sheer size of the refinancing requirement and the question of who will provide that funding. During the boom period up to the first half of 2007 over half of all European leveraged lending was funded by institutional investors, particularly through CLOs and much of this market has gone away due to forced liquidations for Market Value CLOs, liquidations or redemptions for Macro/Credit Hedge Funds, redemptions for TRS/Repo Financed Funds as well as for Unlevered Loan Funds which leaves Cashflow CLOs.

**Maturity Schedule of European Institutional Loans by Par Outstanding**

Clearly, without a significant turnaround in market appetite for lending or of the emergence of trade buyers of leveraged companies over the next couple of years, a wall of distressed debt will quickly build up. This will impact market sentiment both in the primary and secondary markets across Europe and America and lead to further pain on the already stretched capital of banks as they mark down the values of these loan assets.
Capital losses. A TRS is similar to a plain vanilla swap except the deal is structured such that the total return (cash flows plus capital appreciation/depreciation) is exchanged, rather than just the cash flows.

Unlevered Loan Funds avoid leveraging up the CLO with debt and tend to be made up of long-only investors.

Cashflow CLOs are transactions in which the repayment of the CLO debt securities depend on the cash flow from the underlying loans.

**Moody’s Global 12 month trailing speculative grade default rate since 1920 (%)**

Source: Moody’s and Bloomberg

**The Conclusion – Another Crash?**

So, a picture of increasing levels of distressed debt in the market can be expected over the coming years. This conclusion is hardly rocket science, but then again nor was the prediction made by us that there would be a market crash by 2007. Clearly few wanted to hear such an irksome message when profit targets were to be made (to paraphrase, ‘hear no warnings, see no warnings, speak no warnings!). This is once again a time when players in the market need to sit up and prepare themselves for significant levels of restructuring and credit provisioning. You may ask why that is the case and in the next paper I will address this question by considering:

- impact from delaying a restructuring
- disconnect and lack of trust between management, owners and lenders (and indeed between different categories of lenders)
- the sheer volume of work and due diligence to be undertaken
- complexity and cross-border nature of many transactions.

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The Crucial Role of Leadership in Meeting the Challenges of Change

One of the most important factors, in managing change effectively, is the nature of leadership exercised. Much has been written on the subject of leadership, but most of it has emanated from US studies of ‘distant’ leaders (e.g. CEOs). We undertook research into the nature of ‘nearby’ leadership (day-to-day behaviours of line managers), across public and private sector organisations, since such behaviours must be embedded in the organisations’ culture if effectiveness is to be sustained. This paper describes the findings from our major investigation, involving many thousands of male and female managers and professionals, which resulted in a new model of leadership of a very different tenor to the dominant US ones.

It also describes how we have used the 360-feedback instrument developed from the research—the Transformational Leadership Questionnaire (TLQ)—to support culture change programmes, and the major barriers to the effectiveness of such interventions.

The one indisputable fact that characterises organisational life is that change is inevitable. Furthermore, increased competition, resulting in leaner organisations and the constant drive for improving efficiency, places greater pressures on employees. Organisations need to pay attention to the factors that affect individuals’ ability to cope with change and the impact of such processes on the performance and psychological well-being of staff. Lack of such attention will have repercussions on outcomes; such as increased absenteeism and turnover, which are, in themselves, financially costly to the organisation (e.g. CBI, 1999). The resulting damage caused by the high levels of stress to the affected individuals is potentially incalculable. It makes considerable sense then, for organisations to take heed of the research findings in relation to factors that affect success in handling the human consequences of organisational change.

Psychologists have identified some of the factors that affect individuals’ responses to change, important among which is the belief that one can accomplish change successfully, referred to as a
sense of self-efficacy, and an opportunity to participate in the change process (Armenakis, Harris, and Mossholder, 1993). Researchers such as Prochaska et al. (1994), have emphasised the importance of organisations enabling employees to recognise the benefits that change can bring, while other writers stress the need to appreciate the risks of not changing (e.g., Armenakis et al., op cit; Beer, 1980; Spector, 1989). In their longitudinal study of variables affecting readiness for change, Cunningham and colleagues (Cunningham et al., 2002), cite a range of studies that have identified workplace contributions to readiness for organisational change, including feeling empowered in one's job, believing one possesses the skills, attitudes and opportunities to manage change, which in turn affect work-related self-efficacy, and social support.

In their own longitudinal study of a range of professional and non-professional hospital staff, Cunningham and colleagues (op. cit.) found that staff who occupied jobs which provided higher decision latitude and control over challenging tasks, reported a higher readiness for organisational change, as did staff in jobs which enabled individuals to actively contribute to the solutions of work-related problems. They also found that individuals who perceived that they received higher social support also reported lower emotional exhaustion scores. Staff who were more confident with their ability to cope with job change, reported a higher readiness for organisational change, participated in a greater number of re-design activities in the following years, and felt they had made a greater contribution to organisational change at Time 2. In conclusion, they state: “This study suggests that active involvement in organisational change, reducing barriers to participation (e.g., shift-working), and building problem-solving strategies, and enhancing workers' perceptions of their ability to cope with change (change self-efficacy), should both enhance commitment to re-design, and reduce the stress of organisational change” (Cunningham et al., 2002, pp. 389-390).

While studies such as those cited above offer invaluable advice to organisations, our particular focus is on how organisations can create cultures that encourage and reinforce the conditions best suited to dealing with change in a way that both benefits the organisation, by sustaining high levels of performance and the (well-being of the) individuals who work in it.

### Adaptive and Non-adaptive Organisations

US Professor Bernard Bass considers organisational culture to be like “the ‘glue’ that holds the organisation together as a source of identity and distinctive competence” (1998, p.62). He goes on to argue that the culture can be analysed in terms of the extent to which an organisation is ‘transformational’ or ‘transactional’, and to point out that: “The founders’ and successors’ leadership shape a culture of shared values and assumptions, guided and constrained by their personal beliefs. The organisation’s survival depends on how well those beliefs match up with the organisation’s continuing opportunities” (1998, pp. 62-3).

Consistent with the view expressed by US scholar Ed Schein (1985), Bass sees organisational culture and leadership as interacting with each other, with norms—which are important in times of crisis, in providing role models, and inspiring others to become involved—developing in accordance with what leaders stress as being important. However, the culture of an organisation affects its leadership as much as leadership affects the culture. Thus, as we shall see, the culture that leaders establish may, in fact, limit their range of actions.

At times when an organisation (or team or department) is becoming established, and during periods of relative stability, a strong organisational culture can be a source of strength. However, the extent to which a strong culture enables an organisation to be successful depends on external factors, particularly whether it enables the demands made on it to be met. This means that, in order to achieve success, having a strong culture may have to be balanced against being adaptable and responsive to change. Thus, when an organisation’s culture fits with the demands on it, the organisation is likely to be effective. However, when demands change (e.g., available personnel, the economy, government, markets, suppliers, technology), a strong culture may be unable to match the external changes (Bass, 1998). It follows that what is required is a strong organisational culture balanced by adaptability and flexibility.

According to Kotter & Hesketh (1992), “only cultures that can help organisations anticipate and adapt to change will be associated with superior performance over time” (1992, p. 44). The same authors talk about an “adaptive culture”, which can be equated to a ‘transformational culture’ (Avolio & Bass, 1991), and identified the assumptions underlying a culture that is adaptable as:

- people are trustworthy and purposeful that complex problems can be delegated to the lowest level possible
- mistakes can be the basis of doing a better job rather than retribution.
- Transformational leaders were seen as those who:
  - articulate a strong vision and purpose to followers
  - align their followers around the vision and empower them to take responsibility for achieving parts of the vision
  - accept responsibility for their followers’ development, taking on a teaching role when necessary.

To this, Burns (1978) would add that a transformational organisational culture is characterised by:

- a sense of purpose and feeling of family
- long term commitments
- mutual interests, a sense of shared fates and interdependence of leaders and followers with leaders
- serving as role models, mentors and coaches
- working to socialise new members into a transformational culture
- contributing to the development of shared norms that are adaptive and which change in response to changes in the external climate in which the organisation finds itself.

In an organisation which is moderately adaptive and non-adaptive, a strong organisational culture is likely to be a strong sense of belonging and mutual trust; values, vision and fulfilment, will be frequently discussed. Such an
organisation is more likely to be innovative and to be able to adapt to changing circumstances, and to encourage empowerment and autonomy. Leaders who create or build such cultures are likely to have a strong sense of purpose, a clear vision, and take responsibility for developing and valuing staff’s contributions, whilst encouraging questioning of the status quo.

In contrast to a transformational culture, Bass sees a transactional culture as one that concentrates on:
- explicit and implicit contractual relationships, with job assignments accompanied by “conditions of employment, rules, regulations, benefits and disciplinary codes” (1998, p. 65)
- extrinsic motivation, based on the exchange principle of trade-offs between rewards for effort and avoidance of disciplinary action
- commitments that are short-term, with self-interest being underscored
- workers who work independently, and only cooperatively when self-interests are being served
- discouragement of innovation and risk taking.

Organisations that are highly transactional, and also low in transformational characteristics, will be characterised by rules, regulations, rigid structure, explicit contracts, and controls. They are likely to foster self-interest at the expense of co-operation and collaboration amongst staff; goals are likely to be short term, and staff likely to feel they have little opportunity to use their discretion and are more likely to feel controlled, and perhaps exploited. Individuals in a leadership position who create or reinforce such organisations, reflect the transactional behaviours of contingent rewards, or sanctions, in return for staff performance. Alternatively, they may adopt a management-by-exception style, and are likely to maintain organisational status quo, discouraging creative thinking and challenges to traditional ways of operating. Their staff will consequently feel disempowered, under-valued, and more stressed (Bass, 1998a).

Evidence gathered by Bass and co-workers indicates a transformational culture is more successful than a transactional one when measured in terms of organisational vision, information sharing, quality assurance, customer satisfaction, and working with others (Avolio and Bass, 1994).

### Organisational Culture and Leadership

As is alluded to above, it has long been recognised that the best predictor of an organisation’s culture—i.e., the way we do things around here—includes the way people are treated, for example, whether they are empowered, encouraged to use their discretion, provided with opportunities to express their views; supported in implementing their ideas, suggestions, and problem-solving strategies, or not, is determined by the behaviours of those occupying senior management positions (e.g., Schein, 1985; Bass and Avolio, 1993). Schein has stated that the single most important responsibility of any manager is to create the appropriate organisational culture.

This returns us to the nature of leadership, there is a wealth of literature, spanning decades of research, on the nature of leadership, or what characterises those individuals who have the greatest positive impact on the performance and well-being of the staff whom they manage, and on organisational performance (see Alimo-Metcalfe and Alban-Metcalfe, 2002a for a recent review). Notions of leadership have changed, as the circumstances in which organisations operate have changed fundamentally, from the relative stability of the 1950s and 1960s, to the radical changes facing organisations as a result of major advances in technology, global economic, social, political and other factors impacting society in the 1970s and beyond. In the late 1970s and early 1980s, models of leadership shifted from focusing simply on balancing the need for concern for people, and the need for concern for task/production, known as the ‘situational’ and ‘contingency’ models, to the ‘new paradigm’ models, which sought to understand the characteristics of leadership as essentially dealing with the increasing magnitude, nature, and rate of change. Models included in the ‘new paradigm’ category, include those of charismatic leadership (House 1977; Conger, 1989), visionary leadership (Sashkin, 1988), and transformational leadership (Bass, 1985; Bennis & Nanus, 1985; Tichy and Devanna, 1986). These described the notion of the leader as someone who, by defining an organisation’s mission and the values that will support it, defines organisational reality. Thus, in the ‘New Leadership’ approach, leaders are seen as managers of meaning, rather than simply in terms of participating in an influence process (Bryman, 1996). Modern writers now refer to earlier notions of leadership, as models of ‘management’, or ‘transactional leadership’. Such approaches are effective in maintaining the ‘status quo’, and leaders adopting a transactional style, essentially exert their influence over their staff by reinforcing their behaviours either positively, or negatively, depending on whether staff perform according to the ‘leader’s’ expectations and desires, or not. However, such forms of influence are, clearly, limited to the manager’s ability to reward/reinforce, and do not address the need to cope with constant change. Neither do they explicitly address the ethical dimensions of leadership.

Modern writers stress the importance of managers having the ability to exhibit both forms of leadership, namely, transactional and transformational (e.g. Bass, 1998; Kotter, 1990). However, in reviewing studies which have used the instrument developed by Bass & Avolio (1990), the Multi-factor Leadership Questionnaire (MLQ), Bass has concluded that, in general, transformational leadership is more effective and satisfying than transactional leadership, citing numerous studies which provide evidence of the superiority of the transformational approach over the transactional approach used alone (Bass, 1998).

Findings include those that show that managers perceived as predominantly transformational in their style of leadership, have staff with higher levels of motivation, job satisfaction, and performance, than managers with a predominantly transactional style. He also provides evidence for the association between transformational leadership and team
performance and creativity, and organisational performance (see Bass, 1998). Bass asserts that, while context and contingencies are a source of variance, the fundamental phenomenon transcends organisations and countries (Bass, 1997, 1998).

While we deeply respect the work of such US leadership scholars including, importantly, Bass, we became concerned with several aspects of the ‘charismatic—transformational’ models; in particular, how they were developed. In brief, our concerns were that they were:

- dominated by studies of leadership conducted in US organisations
- often based on data collected in military and commercial organisations
- largely influenced by observations of top managers, or ‘distant’ leaders
- based on predominantly, if not solely, studies of men
- based on studying only, or predominantly, white managers
- developed by focusing on the ‘leaders’ themselves.

We wished to undertake an investigation of the nature of leadership, which was inclusive of gender and ethnicity, based on the perceptions of the recipients of leadership (namely, the staff whom they manage), and based on ‘nearby’ or day-to-day leadership behaviours, as opposed to notions of ‘distant’ leadership. Our investigation, which spanned over 3 years, began by adopting the repertory grid technique, developed by George Kelly (1955), to elicit ‘constructs’ of leadership perceived in line managers/ bosses, from male and female managers and professionals at various levels, across a range of organisations in the UK public and private sectors, and included individuals from a variety of different ethnic groups. The 2,000+ constructs elicited were content analysed and a pilot questionnaire was developed, that included around 200 statements describing a manager’s behaviours, and which was distributed among over 600 organisations (Alimo-Metcalfe and Alban-Metcalfe, 2001, 2002, 2005).

Responses were received from over 4,000 managers’ rating their line manager anonymously. Factor analyses of the responses identified 14 dimensions of ‘nearby’ transformational leadership.

The dimensions identified are described in three clusters, which relate to ‘Leading & Developing others’, ‘Personal Qualities,’ and ‘Leading the Organisation.’ Figure 1 describes them. It is worth pointing out that our research into the nature of leadership has subsequently been replicated three times, twice by ourselves working in three FTSE 100 companies, and in a central government agency, and once wholly independently of us, by a team of researchers in the UK Government’s Home Office (Dobby, Anscombe and Tuffin, 2004) among UK police officers and police staff. It is important to note how our model differs from the dominant US ones that currently represent the ‘received wisdom’.

First, the emphasis is not on heroism, but on serving and enabling others to lead themselves. It is not about being an extraordinary person, but is rather about somewhat ordinary vulnerable and humble individuals, or at least someone who is very open, accessible, and transparent in their dealings with others, who value others, treats them with dignity, and someone who displays integrity and consistency. Second, it encourages entrepreneurialism and judicious risk-taking, by encouraging individuals to think for themselves, to question how they approach their job, and to offer constructive criticism of the organisation; and to suggest ways of working that promote greater effectiveness.

Third, and possibly most importantly, it celebrates ‘difference’—difference in gender, ethnicity, experience, attitudes, and ideas. It consistently echoes the ability to ‘see the world through the eyes of others,’ and to take on board their concerns, agenda, and perspectives on issues, and to support their ideas and suggestions. Fourth, it contains a persistent theme of team-working and ‘connectedness,’ and of removing barriers to communication and ideas, whether between individuals at different levels, or in different teams and departments, or with external ‘stakeholders’ and partners.

Another persistent theme is the encouragement of questioning and of challenging of the status quo, and ensuring that this happens by creating an environment in which these ideas are truly valued—even encouraged—and in which inevitable mistakes are exploited for their learning opportunities. We saw no evidence for the somewhat ‘heroic’ model of leadership, which installs some individuals at centre stage, and creates an aura of adulation or emulation, not least of which because they are perceived as having the monopoly on the vision. Our model (which is currently being embraced by UK military, and quasi-military organisations), replaces the heroic inspirational-charismatic model of leadership, with a far more engaging, complex and challenging one, in which the emphasis is on leadership behaviours and attitudes, which are found throughout the organisation rather than being seen as the God-given right that comes automatically with senior status.

The managers who participated in our study, were clearly stating that the most important pre-requisite role for the leader, is what s/he can do for their staff. This is far more reminiscent of the model of leader as servant, which was promoted by Robert Greenleaf in the 1970s (Greenleaf, 1970). But they are not simply stating that leadership is about meeting staff’s needs; it is much more than that. The 4,000+ individuals who participated in this research project are also saying that leadership is fundamentally about engaging others as partners in developing and achieving the shared vision and enabling staff to lead. Leadership is also about creating a fertile, supportive environment for creative thinking, for challenging assumptions about how a service or business should be delivered.

And, it emphasises the importance of leadership as being sensitive to the needs of a range of internal and external stakeholders, inside and outside the organisation. In short, it is about connectedness.

We would stress, that both transactional (i.e., ‘managerial’), and transformational leadership, are required in organisations in order to be effective. In fact the real skill is in undertaking the transactional responsibilities of one’s managerial role (i.e., setting objectives, planning, provid-
ing feedback, etc.) in a transformational way.

If the practice of transformational leadership is to be sustained in an organisation, at all levels, and at all times—including in times of change, as well as in times of relative stability—then the culture must reflect appropriate attitudes, behaviours, and processes. Translating our non-heroic model of transformational leadership into cultural terms, we would see a transformational organisation as one that is characterised by a culture based on integrity, openness and transparency, and genuine valuing of others. Such a culture shows itself in concern for the development and well-being of others, in the ability to unite different groups of stakeholders in articulating a joint vision, and in delegation of a kind that empowers and develops potential, coupled with the encouragement of questioning and of thinking which is critical as well as strategic.

Transformational leadership is essentially open ended in nature, enabling organisations not only to cope with change, but also to be proactive in shaping their future. At all times transformational behaviour is guided by ethical principles. For an organisation to remain effective, it must also encourage a culture with a high level of leadership competency, that is, one that is characterised by a climate that is goal directed, and which adopts appropriate processes and systems. Such a climate enables staff at all levels to plan effectively and efficiently, in order to achieve agreed goals. High levels of competency can lead to a degree of consistency, and thereby enable staff to make day-to-day decisions and short-term predictions, with a measure of confidence. Leadership competencies, which are often largely closed-ended in nature, are necessary in order that staff can undertake both day-to-day and strategic planning, and in this way help to turn the vision of an organisation, department or team into a reality.

The most effective organisational cultures for supporting their employees’ effectiveness in meeting the challenges of constant change, are those which combine the exercise of leadership competencies, but which encourage their enactment, in a transformational way. This will require managers at all levels, but particularly those at the most senior levels, to role model such behaviours, not only when things are going well, but most importantly, when they encounter problems and crises.

Supporting Leadership Development

One of the main purposes of our investigation into the nature of leadership, was to inform organisational recruitment and selection processes, to encourage the appointment and promotion of individuals who adopted such an approach to their leadership role. Another major purpose was to develop instruments and development interventions based on the model, which would in turn support leadership development. The model of transformational leadership places considerable emphasis on the importance of direct reports’ perceptions of leader effectiveness, and the impact of the leader’s behaviour on direct reports’ levels of job satisfaction, motivation, commitment, and performance. This means that in order for a manager to be aware of how effective s/he is in adopting a transformational approach, s/he must obtain feedback from direct reports. Clearly, it is also important that the manager obtains feedback from other work colleagues, including their line manager and their peers. Arguably the most important development in the field of leadership development over the last twenty years, has been the use of 360-degree multi-rater feedback (e.g., Alimo-Metcalfe, 1998; Atwater & Yammarino, 1997; Fletcher & Baldry, 1999).

To check out whether the scales of leadership measured by the TLQ do, in fact, have a significant effect on the motivation and well-being of staff, we included in the TLQ, 10 measures of the impact of the manager’s style on his/her direct reports. We refer to these measures, as ‘Leadership Impact’ scores. The particular aspects of leadership impact were chosen because of their proven link as a factor which effects direct reports’ performance and well-being. They include the impact that the manager being rated has on their staff’s motivation, job satisfaction, levels of stress, and motivation to achieve beyond their own expectations.

Given, therefore, the crucial role of feedback data from 360 processes, we developed a new 360-feedback instrument based on the findings from our leadership research, the Transformational Leadership Questionnaire (TLQ), which has been adopted across the UK.

There is now substantial literature on the use of 360-degree feedback, and some interesting themes have emerged in the studies which have analysed data collected via the use of 360-feedback, which helpfully inform practices relating to leadership development.

Amongst the themes emerging, are the following:

- Individuals tend to rate themselves higher in term of managerial effectiveness, and transformational leadership, than do their other raters, who typically include their line manager, peers, and direct reports.
- The closer the agreement between a manager’s self-rating of effectiveness, with that of their direct reports, the more satisfied the direct reports are with their manager’s leadership.
- Higher performers in the field of management and leadership are less likely to inflate their self-described leadership behaviour than are low performers.
- Conversely, the greater the disagreement between self ratings of leadership, and co-worker ratings (particularly subordinates’), the lower the managerial and leadership effectiveness rating.
- Some studies have found higher agreement of self-other ratings of leadership among female than male managers.
- Subordinates’ ratings of leadership are better predictors of the managers’ supervisors’ rating, than the managers’ self-scores.
- Subordinates’ ratings of managers’ effectiveness were better predictors of future ratings of managers’ effectiveness than Assessment Centre ratings.

(Source: Alimo-Metcalfe & Nyfield, 2002).
We have now gathered data from several thousand managers’ use of the TLQ, and analysed the relationship between the ratings given to managers on the 14 scales of leadership, and the ratings their direct reports provide on their impact. Having conducted numerous analyses, we realise that the level of the member of staff, and their gender, has an effect on the relationship between leadership behaviours, and their impact. Table I shows this relationship.

Translating theory into practice: Supporting leadership development and culture transformation in organisations

As stated above, the importance of the leadership style enacted by the most senior managers is crucial to the success of change initiatives. A few years ago, we were involved in an investigation that was commissioned to identify the reasons why most leadership development initiatives fail, in both public and private sector organisations in the UK (Alimo-Metcalfe, Ford, Harding & Lawler, 2000).

The study involved both qualitative data-gathering, through interviews, and analyses of quantitative data gathered via a survey. Amongst the most important findings from the study, was the identification of the three most formidable barriers to the success of the initiative.

1. Senior and top managers’ reluctance to participate in the process, other than to extol the importance of the activity, with the unspoken message that they believed that they themselves did not need the development

2. The fact that managers at several tiers below the top layer were expected to engage wholeheartedly in the initiative, and in most instances did. However, as a result of exploring the nature of leadership and being involved in a variety of development activities, they came to recognise the paucity of good leadership in the top managers

3. When the managers who had actively participated in the development initiative tried to test out new ideas, and make suggestions as to new ways of working, they were met by solid resistance from the top managers.

These findings have led us to the conclusion that cultural change initiatives will have little positive effect, and may well have a more damaging effect than a beneficial one, if the top and senior managers do not embrace the need to actively engage in the process at the very first stage. Moreover, it is crucial that they support initiatives proposed by staff below them, unless they can provide a very clear reason why a particular proposal will not be appropriate. We take our role in being frank and open with the top managers as a serious responsibility, and have on a few occasions, refused to work with an organisation when, despite a lengthy period of preliminary discussion as to how the change initiative should be designed and implemented, and why their involvement is the key, the top and senior managers are not actively committed to their own development as the first stage.

Among the potential problems of top and senior managers refusing to participate, is the strong possibility of increasing cynicism in the organisation at lower levels. Another very real problem that might emerge is that those managers and staff at lower levels who do take some risk in changing their behaviours and practice, become alienated and/or ostracised by their line manager, and/or their staff, with the probable result of their credibility and authority diminishing. The negative effect does not stop there. Colleagues of these managers, who witness the treatment they are receiving may well internalise the feeling that trying to do things differently might be an espoused belief of the organisation, but in reality, is a serious risk.

We believe that the knock-on effects of lack of support from top managers becomes cumulative in its negative impact, which creates problems in the organisation at the time, but will also strengthen a culture which is even more resistant to change, and as a result build up problems for the future, such that when the need for change becomes inevitable, the process is far more likely to be punishing to all involved and senior managers will have an even tougher battle on their hands. Faced with strong resistance, these senior managers may believe that they have to push change through by adopting an autocratic and punitive style, which is totally at variance to the transformational style of leadership most consistent with an organisation that builds a supportive, entrepreneurial, developmental culture, and one which handles change most effectively and with minimum damage to staff who will be enabling it to achieve sustained success.

We believe that these scenarios need to be honestly explored with the top and senior managers, at the earliest stage of discussion. In practice, when we are approached to work with large organisations facing considerable challenges in coping with substantial changes to the culture, we spend considerable time in discussions with the Chief Executive and his/her top team, emphasising that the intervention will not succeed, unless they accept their role in conspicuously supporting their own development, and the development of their staff. It may also be important to create space in a workshop environment, to encourage these managers to articulate their anxieties, and to explore in facilitated small group work, the choices available, and the advantages and disadvantages of various options. Since much of the resistance may well be due to fear of public exposure of lack of confidence in their ability to manage what may well be a new form of organisational culture, we devote a great deal of time to discussing the support that would be of greatest benefit to them.

If and when the decision is made to begin the development process, we consider carefully the best way to announce the initiative to the rest of the organisation, or if more appropriate, to the layer of managers one or two tiers below. This decision is based on considerations of urgency for change, the identification of key players in the success of the process, and resources available, including importantly, internal capacity to support the various development interventions.

The values underpinning ethical transformational leadership, including the belief that people can change, and will change, if the reasons for change are
clearly explained, and they are given an opportunity to express their concerns, are addressed honestly and sensitively. As stated at the beginning of this article, research also shows that people are most likely to engage positively in change initiatives if they are involved in making suggestions as to how to best enact the changes required, and are provided with appropriate support to strengthen or develop the knowledge and skills required to handle the change. It is, therefore, absolutely crucial to be as honest as possible when discussing the design of the development intervention, of the time involved, and other resources, not least of which might be the involvement of coaches and other external consultants.

The role of the consultants involved in supporting organisations and individuals undertaking these change processes, need at all times, to be modelling the behaviours that they are extolling. Humility, honesty, and openness to feedback, are all crucially important in establishing and maintaining their credibility and effectiveness. We are also of the strong belief that the most effective interventions are those which build internal capacity, rather than those that create dependency on external consultants.

The organisation must own the process, and the responsibility for generating ideas as to how to embed transformational leadership in the culture, must rest with the client organisation, although the consultants’ role is often to create situations in which these ideas are stimulated, and to be available for support when appropriate.

Process reviews are necessary to step back and reflect on the various impacts that the change initiatives are effecting, and to identify examples of small successes that are important to highlight at all stages.

The use of 360-feedback in change interventions given the inextricable link between leadership and organisational culture, the focus will often be on the style adopted by the senior and top managers. How these managers deal with day-to-day interactions, as well as how they handle crises and problems, will send strong messages to the organisation as to whether they really intend to adopt a transformational style. The starting point for their development is to get feedback on how they are perceived in exercising their leadership, and one of the most powerful ways of achieving this, is to use 360-feedback. We adopt very strong principles when introducing 360-feedback in organisations, which accord with the British Psychological Society’s Guidelines for Best Practices. They include the following:

- Use of 360-feedback is voluntary
- Individuals select their own raters
- The data from raters are anonymous
- Individuals’ reports are confidential to them and no one (including the individual’s coach) has a right to see the report, unless given specific permission from the individual
- Receipt of the report must be followed by a confidential one-to-one coaching session
- The organisation must be committed to providing individuals with support for their personal development planning
- Organisations may request group reports, but these must be based on a minimal number of individuals, and be at their agreement.

There is no sufficient space here to go into more detail of how we integrate 360-feedback processes in culture change initiatives, but a more detailed paper on case studies of how we have used 360-feedback to support leadership development and culture change is available (Alimo-Metcalfe and Alban-Metcalfe, 2004).

Finally, in relation to the use of 360-feedback, there is growing concern with the potential abuse of the process, and more importantly, the abuse of individuals who undertake the process. Some recent studies are showing evidence of a negative relationship between the use of 360-feedback and organisational performance (e.g. Pfau et al., 2002). One of the main reasons is the use of 360-feedback is not supported by post feedback development. This practice is at the very least highly illogical—namely, by enabling individuals to see where their areas of development might lie, but then to deprive them of any support for development. But more importantly, it is highly unethical to encourage staff to seek feedback from a range of other co-workers, and then once the feedback is provided—which in our experience does not include surprises in relation to others’ perceptions of the manager, compared with their self-perception—to abandon them to their own coping responses. The potential damage to self-esteem and one’s sense of self-efficacy, is almost inevitable, and must surely impact negatively on psychological well-being and performance!

Concluding Remarks

The implications for leading change in a way that is transformational are numerous. At the very least:

1. it requires a workforce that is respected, empowered, and enabled,
2. it requires leadership that has a vision that continues to be informed by the active engagement of all relevant internal and external stakeholders,
3. it requires those in the most senior positions to be willing to take the lead in seeking feedback of their own leadership effectiveness,
4. it also requires the most senior managers to have the courage to admit where they are not behaving in the most effective way, and
5. to take active steps in supporting their own development, and
6. it requires close adherence to ethical principles, which are manifest in all day-to-day activities.

Each of these requirements can be seen to influence the hypothetical dynamic which could emerge when a leader promotes the development of a transformational culture. Here, the initial effect is one of reducing her/his power and influence, at least in certain arenas, but the long-term achievement is an organisation that has the potential of dealing excitingly, and proactively with change, and a greater chance of continuing success.

Beverly Alimo-Metcalfe is Professor of Leadership Studies at the University of Leeds. This article was first published in The Journal of Business Perspective | Vol. 9 | No. 2
Leadership is...

...Keeping ahead of innovations and developments, and setting the pathway for others to follow

Professor Paul Phillips


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Ideas-First or Needs-First
WHAT WOULD EDISON SAY?

In just over 30 years, Thomas Edison pioneered six industries that today have a cumulative market value of more than $1 trillion. How did he do it? This article shows that Edison was ahead of his time, adopting a needs-first approach to innovation that is being hailed as the wave of the future today.

America has reigned as the world’s dominant innovation leader since drawing its first breaths as a nation in 1776. Pluck and “Yankee ingenuity” drove its growth during its first 100 years. But in America’s second century, it was the genius of Thomas Alva Edison (1847–1931) and the efforts of his legions of employees that spurred the nation forward to global dominance as a leader in scientific and technological innovation.

With the creation of Edison’s storied Menlo Park, New Jersey, laboratory in 1876, Edison not only invented what we know today as research and development, he also pioneered six industries in just over 30 years—all of which remain with us today. At Menlo Park and later in his West Orange, New Jersey, lab, Edison designed a systematic process for successfully moving concepts from an idea stage all the way through to commercialization.

Historical records indicate that the six industries pioneered by Edison generated a market value of $6.7 billion by 1910 (see Table 1)—or more than $100 billion in today’s dollars. Furthermore, from the roots of those six industries grew much of the modern technology that shaped America in the 20th century. On a global level, the ripple effect of these six industries—alongside Edison’s 1,093 U.S. patents and 1,293 international patents—accounts for more than $1 trillion in market value today.
Today, in an era when leaders in both developed and developing markets are grappling with how to pioneer new industries and drive value, Edison has a great deal to teach us. Edison’s success provides numerous clues as to how to look at 21st-century markets, how to discover new market space, and how to slice through the complexity that often accompanies the development of new products and services. How was Edison able to consistently and so successfully carve out new market space in such a relatively short period of time? And how can we begin to leverage Edison’s value creation insights today?

I came to understand Edison’s innovation competencies during three years of extensive research I conducted at Rutgers University, where I had access to hundreds of thousands of documents housed within the Thomas A. Edison Papers, an archive that chronicles Edison’s life and accomplishments. The result was a first-ever analysis of the five innovation competencies that enabled Edison to innovate so successfully throughout his 62-year career. The five competencies of innovation are explained in depth in my book, Innovate Like Edison: The Five-Step System for Breakthrough Business Success, co-authored with Michael J. Gelb (Dutton Penguin, 2007).

This article addresses another important observation I made following my research. It explains how Edison successfully carved out new market space and drove efficient product development efforts by adopting a customer-needs-first approach to innovation rather than an ideas-first approach. I will explore the significance of this finding using two examples drawn from Edison’s portfolio of successes: the development of the document duplication industry and the development of the light bulb and the system of electrical power.

Throughout my analysis, I reference a modern needs-first approach to innovation that I’ve found to be closely aligned with Edison’s own world-changing view on innovation. This approach, called Outcome-Driven Innovation (ODI), was developed by Strategyn, a US-based innovation consulting firm. It incorporates many of Edison’s Five Competencies of Innovation®a and provides a modern language and process around Edison’s approach to innovation. It is testimony to Edison’s foresight and genius that his innovation practices offer fresh and profound insight for 21st-century executives.

**Table 1. The Six Industries Created by Edison**

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<tr>
<th>Inventions</th>
<th>Industry</th>
<th>Year</th>
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<tr>
<td>Edison electric pen and press</td>
<td>Document duplication</td>
<td>1873</td>
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<tr>
<td>Carbon button microphone (telephone transmitter)</td>
<td>Telecommunications</td>
<td>1876</td>
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<tr>
<td>First phonograph and record</td>
<td>Recorded sound</td>
<td>1877</td>
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<tr>
<td>Incandescent electric light and system of electrical power</td>
<td>Electrical power</td>
<td>1879</td>
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<tr>
<td>Motion picture camera and moving pictures</td>
<td>The movies</td>
<td>1893</td>
</tr>
<tr>
<td>Alkaline storage battery</td>
<td>Portable power</td>
<td>1905</td>
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Tough lessons about customer needs and utility

One of the most notable aspects of Edison’s world-changing innovation process was his belief in linking basic research to applied science. Edison conducted his extensive basic research work (for example, studying the nature of vacuums, or identifying the rate at which the eye tracks moving images) shoulder to shoulder with his applied-science investigations, focusing on such practical questions as how to connect light bulbs together. This meant that the insights that sprang from Edison’s research laboratory could be efficiently corralled for use in commercial applications—but only if there was a perceived market or customer need.

Edison learned the hard way about the importance of understanding customer needs before launching an invention. His first tough lesson came with the commercial failure of his patented Electronic Vote Recorder in 1869. Deciding that he wanted to harness his extraordinary knack for creating devices that incorporated principles of mechanics and electrochemistry, Edison devised a machine that could quickly and accurately tally up the votes of legislators voting on a bill. By simply having the legislators punch in their name and whether they were voting yes or no, the votes in every legislative session could be accurately counted and ascribed to the appropriate legislator.

The problem? The legislators didn’t care about voting accurately or quickly. Using terminology common to Strategyn’s ODI methodology, it can be said that the device did not help legislators get the job of voting done any better. Although Edison’s device worked perfectly well, it turned out that legislators liked taking their time when voting. They didn’t care about speed. They wanted to lobby their cause, to talk about issues with constituents, and to negotiate votes—not only today’s votes, but tomorrow’s and next week’s as well. The Electronic Vote Recorder didn’t satisfy any of those needs.

**Edison’s needs-first mind-set**

Edison learned a valuable lesson with this failure. He realized that his approach to innovation was somehow faulty. He began reshaping his efforts by redefining what success would need to look like for one of his inventions, and he decided that success was now going to be a function of utility; that is, a function of the ability to satisfy a customer need or a marketplace need. He said, “Anything that won’t sell, I don’t want to invent. Its sale is proof of utility, and utility is success.” This is the fundamental concept driving Strategyn’s ODI process—a
product or service must help a customer get a new job done or a job done better.

Edison realized it was fruitless to simply invent for invention’s sake. Great as the temptation must have been to bring ideas together that he thought were clever, he realized that no one else might care about his ideas the way he did. After all, here he was, a genius, a man whose mind was like a fountain of robust ideas flowing all day, every day. He once said, “I would like to live about 300 years. I think I have enough ideas to last that long.”

Yet Edison made the change. He recognized that simply bringing hundreds of ideas to market would result in many failures. Being a man who was focused on efficiency and success, failure was an unattractive proposition. Edison realized that by understanding customer needs first, he could invent useful products more efficiently than he could otherwise. In the years that followed his setbacks from the Electronic Vote Recorder, Edison immersed himself in a needs-first approach to innovation, placing himself in the shoes of his targeted buyers. He literally went to their work or home locations and began analyzing the jobs they were trying to get done and how they struggled. No longer would he be risking creating technologies and inventions that customers were uninterested in: his new mind-set allowed him to focus on the inventions customers wanted most.

Inventing document duplication

Edison’s first success using a needs-first approach came in 1873 with his invention of a process for document duplication—a breakthrough innovation we seldom associate with him today. Edison was keen to save money to design and build his own laboratory (the facility that became Menlo Park in 1876) and he began looking to marketplace trends to determine an initial direction for his work.

With the end of the Civil War in 1865 came a dramatic upswing in the need for insurance. The U.S. government was rebuilding the South, and the demand for insurance policies covering homes, offices, shops, and new government facilities was driving significant growth in the insurance market. Edison noted these trends in the daily newspapers he read throughout the late 1860s.

Believing that insurance industry employers might have some extra money to spend, he went to visit various insurance agents in their local offices and gained permission to observe them and their clerks at work. In his observations, he noted that all the agents and clerks were unsatisfied with the processes they were using to measure success in accomplishing this job—notably, speed in generating copies of documents.

Edison focused on customer needs

Edison believed he could create a solution for insurance agents that would allow them to spend less time writing and more time selling. Rather than beginning by asking, “What can I invent for this industry that would be useful?”—as he had done with the legislators—Edison did the equivalent of looking at outcomes that insurance agents were unsatisfied with. Cast in the language of ODI, insurance agents’ desired outcomes might have looked something like this:

- Minimise the time it takes to copy identical clauses in an insurance policy.
- Minimise the likelihood that the terms of coverage vary from policy to policy.
- Increase the amount of time insurance agents spend with prospective customers.

These were among the main needs of the insurance agents. Armed with these insights into insurance agents’ needs, Edison saved time; he was able to focus the innovation process on those needs rather than batting ideas around with little direction in what we would today call “the fuzzy front end” of innovation. In ODI language, he targeted the most underserved needs first, which made it possible for him to formulate an effective market growth strategy.
Edison utilized focused idea generation

After identifying the outcomes he determined were most important for utility, Edison began considering how to address them with his disciplined inventive approach. Here is a list of ideas that Edison might have come up with while considering how to tackle the outcomes required by insurance agents:
- A mechanism that can duplicate sentences multiple times.
- A mechanism that functions as a writing method identical to or nearly identical to the writing method insurance agents are using now.
- A liquid substance that can be used in conjunction with the writing mechanism that is similar or identical to the liquid substance insurance agents are using now.

Edison immersed himself in the context in which the job was being executed, looking at the writing instruments used at that time by the insurance agents: quill pens and inkwells. He examined the paper on which they wrote up the contracts, even noting the weight and porosity of the paper upon which the contracts were prepared. Edison took pride in remaining objective about the innovation process; his objective thinking became a hallmark of Edison’s style. Objectivity remains very valuable to the modern executive, who must communicate needs to a variety of audiences, such as R&D, manufacturing, design, and purchasing. Although Edison brought passion to all his projects, he valued objectivity in every phase of his work. Focusing on needs-first rather than ideas-first enabled him to remain objective about the outcomes he sought at each step rather than getting caught up in the emotions surrounding ideas or potential solutions first.

By thinking objectively about outcomes, determining what technologies he had available to address them, and considering the users’ work environment, Edison was able to extend his inventive thinking—just as ODI practitioners do today. Edison would combine and recombine his ideas, creatively refining them until he came up with a concept worth pursuing. In tackling the challenge faced by the insurance agents, his process might have looked like this:
- Consider an implement like a regular quill pen that interacts with the paper in a new way.
- Consider an electrified pen.
- Consider a small motor to power the electrified pen.

And the breakthrough concept emerged:
- Create a pen-and-power combination allowing the pen to make perfect perforations in the paper in one pass.
- Place liquid ink over the perforations created by the pen.
- Press the liquid ink through the perforations.
- Create a receiving surface for the ink flowing through the perforations.

Edison worked through a series of experiments in which he examined options for his pen-and-paper perforation idea. The electric pen made perfect perforations in the paper as the agent wrote in a smooth, natural way—not unlike how a tattoo stylus injects perforations in the skin while the tattoo artist works in smooth, easy strokes. Edison then devised a liquid substance—a particular kind of ink that would not pool or quickly coagulate—that was evenly spread by a roller across the paper surface bearing the insurance clauses. The roller pressed the ink down through the perforations onto a second sheet lying beneath the perforated master. In this way, the master sheet could be used like a stencil to create multiple identical copies.

Introduced in 1873, one Edison electric pen and press unit could generate as many as 5,000 copies of a single document (see photo, used with permission of the Thomas A. Edison Papers). The three foundational patents Edison received for his invention he later sold to Western Electric. The technology for the electric pen and press was soon superseded by another technology of his creation—the Edison mimeograph machine. Edison sold the patents for this invention to the A. B. Dick Company. Many readers may recognize the A. B. Dick brand name as a leader in document duplication today, and some may vividly recall the unique purple ink that created their grade school math and social studies worksheets using the mimeograph machine in the principal’s office—a technology which, unbeknownst to many, sprang from the genius of Thomas Edison.

Edison’s knowledge of the job to be done, the outcomes he was trying to achieve for utility and the context of the user environment gave him the confidence he needed to pursue his ideas and apply the disciplined and systematic innovation skills that became his hallmark. Let’s turn now to consider a second innovation example that demonstrates Edison’s mastery of the needs-first product development approach: the invention of the light bulb and the creation of a system to distribute electrical power.

Eureka! The light bulb

Edison invented the incandescent electric light—more commonly known as the light bulb—in 1879. For over 40 years, more than 20 scientists had tried to create light through incandescence, but they all failed. (Incandescence is a process whereby a heated substance emits light, but is not consumed.) In Edison’s day, consumers burned whale oil and kerosene in their homes as a source of light. But these liquids often spilled, putting clothes, skin, and furniture at risk of...
Incandescence was deemed desirable because it had the potential to create a safer lighting source for homes, one that could be used alongside flammable materials such as fabric, thread, or paper without risk. Neither kerosene nor whale oil could be used in such situations. Here again, Edison was focused on an attractive market—people in homes and businesses who were trying to light rooms.

**Edison focused on customer needs**

When he began his initial explorations of incandescence in 1878, Edison realized that an incandescent lighting source could potentially satisfy one very important and unmet customer need: preventing damage and injury when lighting homes and businesses. Here are a few of the more detailed outcomes Edison likely considered:

- Minimise the likelihood that a light source damages nearby materials (e.g., clothing, household furniture) when the source container is broken.
- Minimise the likelihood that people are harmed by a light source that malfunctions.
- Minimise the likelihood that the light source causes a fire.

A focus on these safety-related outcomes led Edison to consider three critical improvements, which differentiated his ideas regarding the incandescent lamp from those of his predecessors. First, he sequestered the incandescent materials in a vacuum rather than exposing them to the open air. His invention of the one-part-per-million vacuum early in his experimentation cycle was a key milestone, enabling other critical elements to unfold. The second improvement was to house the vacuum in a common material (glass) that could be readily handled without causing burns. Edison’s early focus on customer needs led to experiments with hand-blown glass lamps, which were uniquely shaped to accommodate vacuum pump tubes. Edison’s incandescent lamps looked from the very start much like the light bulbs we recognize today.

The third improvement, which solved a majority of Edison’s remaining challenges, was a spiral-shaped carbon-impregnated filament. This breakthrough resulted from an insight Edison had while visiting the laboratory of a colleague who was studying arc lighting—the prevailing lighting technology of that era. Edison’s insight suggested that the radiating surface for an incandescent light would need to be small—like the spindly filament he created. Arc lights were like big Hollywood spotlights mounted on tall, thin poles and pointed toward the sky. (The light they emitted was too bright for the eye to bear.) These lights were powered by electrochemical batteries housed in devices that resembled large leather suitcases. If these suitcase-like devices leaked, which they frequently did, they could damage clothing, and they posed numerous health risks. However, the electrochemical batteries did succeed in driving a low-resistance current up the poles to the large radiating surface above. In contrast, Edison’s carbon filament was just a few inches long and fit neatly inside the glass lamp. The filament was powered through small metal clips connected to copper wires. These wires in turn ran to an outside power source—a small motor.

**Edison addressed consumption chain jobs**

Edison’s October 1879 invention was brilliant, but he realized that people would require a way to set these lights up in their homes, power them, turn them on and off, and maintain them. In the ODI paradigm, these activities are called consumption chain jobs. They are the jobs the customer must do in order to use the product or service being offered. When it’s difficult for customers to do these consumption chain jobs, the primary invention will often fail.

To address this issue, Edison’s trained teams visited people in their homes and watched how they used their current lighting products—kerosene, whale oil, and gas. The goal was to figure out what consumption chain jobs to consider and how to address them. This process enabled Edison to gain insight into all these critical jobs.

From there, Edison worked with numerous employee teams to develop products that would address the consumption chain jobs. Products like the electric circuit, the on-off wall switch, the fuse box, electric meters, and dynamos that could power the entire lighting system were all invented. Edison received over 40 patents for these inventions. Yes, Edison invented the light bulb but within three years he also invented the entire system of electrical power distribution, along with the world’s first central power station. That’s fast, even by modern standards.

Here again, Edison’s needs-first approach enabled him to identify a large market and guided his research and development efforts. He was able to come up with a revolutionary lighting solution and address all the consumption chain jobs required to bring this solution to market. Because he kept his focus on exactly what customers needed, he could hone his product development timetable and production timetable very efficiently. Considering the complexity of the challenge he undertook—and the fact that the lights went on the very first time the power station switch was thrown—I think it’s fair to admit that Edison succeeded brilliantly.

Today’s fast-paced product development environment demands both speed and accuracy. It requires that companies get it right the first time. If your company wants to take a page out of Edison’s innovation playbook, it should start by discarding ideas-first thinking and adopt an effective needs-first approach to innovation. This crucial lesson enabled Edison to pioneer the creation of six industries and lead the United States to a century and a half of prosperity—a feat that has not been duplicated since.
Global MBA Rankings 2010
London Business School maintains its leadership...

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Source: FT UK
Leading Change in the Public Sector
Executive summary
The public sector touches everyone’s lives; providing a range of essential services, and employing one in five of the UK workforce. In 2010, as the UK emerges from recession and with the public sector deficit expected to reach £178bn, the public sector as a whole will be challenged to reduce costs while maintaining quality of service. From the moment we are born, the public sector is an integral part of our lives. So when the public sector suffers, society suffers. And when public sector managers face tough challenges, we want reassurance that they are well prepared to deal with those challenges.

Public sector management – the current situation
Job satisfaction levels may be high, but public sector managers are definitely already under pressure. They will need to overcome numerous challenges if they are to continue making a difference. With budgets under scrutiny and the future of the public sector under review, managers are under increasing pressure to deliver more with less. Contrary to perceptions, the sector has not escaped the recession unscathed and there have been cuts to budgets and staffing levels. But despite the current challenges, public sector managers appear to be highly motivated and ready to embrace change.

Challenges, optimism and opportunities
Considerable leadership and managerial skills will be required to deal effectively with challenges and issues facing the public sector. The heady mix of budget cuts and resourcing constraints is a clear signal that public sector managers are already feeling the pressure. If these challenges are mismanaged, there is a real risk of adversely impacting frontline services and workforce effectiveness.

Managers are well aware of the growing pressure to be more efficient, with budget and resourcing constraints as two of the top three future challenges. Another major concern is the capacity and capability of senior management to deliver the necessary changes. There are also signs that the public sector is failing to dealing with poor performance.

Despite the challenges ahead and the undoubted pressures, there is an outstanding sense of optimism and opportunity among public sector managers. Managers were remarkably upbeat given the current economic climate. Rather than adopting a negative attitude about the funding cuts and increased workload, most public sector managers were able to identify possible opportunities to improve the way that they work and maintain or raise levels of services.

Innovation
The new era of economic austerity is seen as a catalyst for transformational change and an opportunity to introduce innovation and improved service delivery across the public sector. Public sector managers must be equipped with improved management skills and knowledge, building their capability and competence in areas such as change management, innovation and communication.

Managers believe there is a real opportunity to use more innovative and creative solutions to meet the challenges ahead. They have identified a range of initiatives for meeting cost reductions. Empowerment is necessary for effective target setting, too. By engaging employees, improving motivation and morale, and implementing performance management best practice, public sector managers will be able to tackle poor performance. It is only by focussing on matters like these that public sector managers will fulfil their ambitions of making a difference, allowing them to continue delivering outstanding public services.

The public sector has the managerial raw material to make changes happen, but needs to ensure they are engaged and developed to deliver on their demands for more innovative solutions. Managers must be empowered to provide innovative solutions and not just be expected to improve efficiency but implementing crude cuts and continuing doing what they have been in the same way, but under greater pressure and with fewer resources.

Conclusion
The public sector has not been immune from the challenges brought by the recession, managers are well aware that the real pain is yet to come. There is a depth of understanding of the anxieties and challenges facing public sector managers in today’s turbulent economic times. The sector is braced for a period of uncertainty, but its managers are highly motivated and eager to transform their organisations with innovative and creative solutions, while maintaining service delivery.
“Never waste a crisis. It can be turned to joyful transformation”
Rahm Emmanuel

The global economy faced its most serious threat since the great depression of 1930s. Governments around the world have mounted a unified response to the challenges posed by the global financial crisis. A key focus has been to work towards restoring the stability of national financial systems.

Experts have attributed failure of regulation, weak monetary policy, weak corporate governance, lack of self-correcting markets, governmental influence and lack of robust risk management as some of the immediate causes of the crisis. The belief that managements of financial firms were best placed to judge what made sense to them has since been recanted. In 2008, the US Congress expressed their shock at the inability of management and shareholders to understand what was in their own interest. Analysis further revealed that there were problems with split regulation of markets and the need to inject funds to boost markets became imperative.

There have been diverse responses from across the world and the situation despite its ills offers national governments and all stakeholders the opportunity for reflection, reassessment and repositioning.
RESPONSES FROM ACROSS THE WORLD

G7 AND G20
Analysts said it has become increasingly hard for G7 to effectively coordinate global policy on dealing with the financial crisis in a world where the role of emerging economies are becoming more important in talks about major global issues. The G7 strategy towards advancing global economic recovery and turnaround has been described as outdated and ineffective. It is believed that G20, which now includes Finance Ministers and Heads of States of member nations, with a broader representation of emerging economies, has the potential for playing a more constructive role than G7 in dealing with the financial crisis.

AMERICAN CONTINENT
The American government initiated its most sweeping regulatory reform effort since the 1930s and the reform has informed major changes in the US regulatory landscape.

As part of efforts towards recovery, the American government seeks to: promote robust supervision and regulation of financial firms; establish comprehensive supervision of financial markets and enhance regulation of securitization markets; form new policies and stronger regulations to protect consumers and investors from financial abuse; provide the government with the tools it needs to manage financial crises and; raise international regulatory standards and improve international cooperation.

Congressional Budget Office projects that if current laws and policies remained unchanged, the federal budget would show a deficit of $1.3 trillion for fiscal year 2010. At 9.2 percent GDP, that deficit would be slightly smaller than the shortfall of 9.9 percent of GDP ($1.4 trillion) posted in 2009. 2009 deficit was the largest as a share of GDP since the end of World War II and the 2010 deficit was the second largest. The economy is expected to grow, although at a slower pace than its past recoveries.

Hiring remains very low and unemployment rate averaged more than 10 percent during the first half of 2010, before beginning a gradual decline.

AFRICAN CONTINENT
The economic slowdown in sub-Saharan Africa looks set to be momentarily brief. With 4.75 percent expansion in output for 2010, compared to 2 percent in 2009 and provided the global economy continues to improve, growth in the region should accelerate further still to 5.75 percent in 2011. The emphasis of economic policies now needs to move from short-term output stabilization to medium-term development objectives consistent with macroeconomic stability and considerations.

South Africa lost about 484,000 jobs in the third quarter of 2009 alone. In Nigeria, the stock market collapsed by 70% between 2008 and 2009. To rescue failed banks, the Central Bank of Nigeria injected N620bn into the banking sector. As part of efforts to enhance financial stability and evolve healthy banking sector; the Nigerian government has put in place remedial programmes to fix the key causes of the crisis and implement risk-based supervision and internal transformation of the CBN.

AUSTRALIAN CONTINENT
The Australian government moved swiftly and decisively to cushion the nation from the worst impacts of the global recession. As part of its efforts, there have been reforms to the supervision of Australia’s financial markets and the need for greater transparency has been emphasized.

The Australian economy, with GDP growth will come from high income countries whose economies contracted by 3.2 percent in 2009.

The Australian government moved swiftly and decisively to cushion the nation from the worst impacts of the global recession. As part of its efforts, there have been reforms to the supervision of Australia’s financial markets and the need for greater transparency has been emphasized.

The Australian economy, with GDP forecast to contract by 0.5 percent in 2009-10. In the absence of government action, the level of GDP would fall by 2.75 percent lower in 2009-10 and 1.5 percent lower in 2010-11. Forecast unemployment rate is expected to be below 10 per cent. Supported by policy, a recovery in the Australian economy is expected to gather pace over 2010. The economy is expected to grow by around 3 percent in 2010-11 and 3.5 percent in 2011-12. As a result of government action, Australia is expected to experience a milder downturn, and emerge in a stronger position than most other advanced economies.

EUROPEAN CONTINENT
The financial crisis has tested the EU’s institutional reflexes to the hit and the European Systemic Risk Board has been instituted as part of renewed efforts towards strengthening the region’s regulatory framework.

The acute phase of the financial crisis has passed and a global economic recovery is underway, however the recovery remains fragile. Although global growth is expected to return to positive territory, with 2.7 percent and 3.2 percent in 2010 and 2011 respectively, the pace of the recovery will be slow and subject to uncertainty. The main drag on global growth will come from high income countries whose economies contracted by 3.2 percent in 2009.

ASIAN CONTINENT
The Asian economies were somewhat more insulated and the impact of the crisis was not direct but through trade channels. Nevertheless, the crises exposed major weaknesses in the financial architecture of the continent, and this includes the fragmentation of regulation. Strengthening the domestic capital markets according to international standards and building financial markets on a modular basis are imperative.

CONCLUSION
All around the world, the effects of the financial crisis are very real and may yet deepen. What began as a relatively localized issue in the United States has had a massive cascading effect worldwide, and it is still not known how long it will take for the world economies to fully recover.

Wale Onajoko, Programme Analyst, TL First Integrated Management
“Intrapreneurs are ‘dreamers who do’, those who take hands-on responsibility for creating innovation of any kind within an organisation”
Gifford Pinchot

The word “Intrapreneur” made its first official appearance in 1978 when Gifford and Elizabeth Pinchot published an academic paper but it actually gained popularity in 1985 when Gifford Pinchot III published his best selling book titled: “Intrapreneuring: Why You Don’t Have to Leave the Corporation to Become an Entrepreneur”. Since then it has appeared continually in business journals and papers. In plain terms, an employee within an organisation is engaged in innovative and business development activities basically in the interest of the organisation. Intrapreneurs are usually referred to as “organisational entrepreneurs” because what they do basically is to engage in entrepreneurial activities within an organisation for the benefit of the organisation.

An intrapreneur is capable of initiating change from within large organisations. Sometimes when such an employee is...
dissatisfied with the organisation because he receives no support to fund and develop new products he may decide to leave and establish a new company to put his ideas into practice. It is therefore very important for organisations to develop ways of retaining the intrapreneurs in organisations. The challenge is indeed enormous because people with enterprising disposition usually have a “restless” spirit and are constantly seeking new challenges. Sometimes when the thrill of developing a new product or the challenge of conquering a new market is off and they find themselves doing routine jobs, they are back on move looking for more challenges; these challenges can then present themselves in the form of a new job or starting their own business. Intrapreneurial activities do not necessarily have to be elaborate, some general employee intrapreneurial activities include spotting ways of improving service delivery, saving time and funds, visualizing variations of current products, enhancing quality, and finding new ways of getting one’s job done more efficiently and effectively.

**Benefits of Encouraging Intrapreneurship Within An Organisation**

There are several benefits that an organisation can derive from encouraging intrapreneurship, some of which are highlighted below:

- Organisations can create or improve their competitive advantage by discovering new and better ways of competing in an industry
- There would be an ongoing innovation and creativity process in the organisation
- Ability to maintain and expand market share with innovative and creative products
- Ability to avoid “corporate aging” and maintain market relevance and to be a reference point for quality and innovation in the industry
- Also, noteworthy is the probability that employees working for the organisation may have a relatively higher level of job satisfaction as a result of the freedom of thoughts and expression being granted them.

As a result of this, the probability of attracting the best talents with every recruitment process is high.

- The ultimate benefit of increased bottom line would inevitably follow these benefits listed above

**How to Retain Intrapreneurs Within the Organisation**

The following are ways of keeping the intrapreneural zeal burning and retaining intrapreneurs within an organisation:

**Be open-minded**

Being open-minded involves appreciating new ideas, aesthetics, and giving new ideas a chance no matter how inconceivable or unachievable they may sound.

**Avoid stifling creativity with unnecessary rules and protocols**

Though rules cannot and should not be totally done away with, efforts should be made to make them as understandable as possible to employees. They should be kept simple so that employees can find it easy to take ownership and adhere to them. Also, rules should be made flexible so as to encourage the creative and radical thinking needed for intrapreneurship.

**Create a friendly environment**

In a friendly environment, employees find it easier to tender their ideas because there is less fear of being reprimanded or seen as stupid even if their ideas would not eventually be accepted.

**Where possible, match employees to managers**

When there is positive chemistry between managers and employees, it is easier to develop a productive working relationship that can eventually yield good fruits. This is because employees would feel more comfortable with bringing their ideas forward and asking for help from their managers.

**Put in place a human resources system that is effective in matching employees to their roles**

Employees who fit their roles better and who believe in their abilities to achieve their given objectives are more likely to be productive and innovative. This may be as a result of the fact that people find it easier to take initiative in roles where they have more skills and that are more fitting to their personality.

**Compensate accordingly**

It is very important to keep creative employees happy and well motivated so as to encourage more creativity and reduce the likelihood of turnover. In compensation, it is worthy to note that people are motivated by different things and efforts should be made to create a compensation system that considers different compensation needs for employees. Not everyone is motivated by money or material things, some people are more motivated by verbal encouragement than by money. While some people place a very high value on financial compensation, others may be more interested in having a safe environment to work in, or even long term job security.

**Grant ownership rights**

Where possible, an organisation can grant a certain level of ownership rights to intrapreneurs on their innovations. This can come with a lot of responsibility for the intrapreneurs as it may involve him taking a certain percentage of financial responsibility for either the success or the failure of the innovation.

**Training**

Provide training for employees to fine-tune their skills so as to make them take informed innovative steps.

**In Conclusion**

True intrapreneurs take ownership of the organisational goals and vision; they are the driving force of any organisation and are constantly championing the cause of change through creative thinking and novel ideas. The onus therefore lies on organisational managers not only to strive to keep this people but also to provide necessary support and create enabling environment to let the their dynamic and enterprising spirit thrive.

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Bukonla Oladipo, HR Analyst, TL First Integrated Management
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READERS’ CONTRIBUTIONS
INTRODUCTION
The entire global economy had been thrown into a big turmoil because of the action or inaction of some big business executives and captains of the global financial system. It is also instructive that, with the burning economic issue being discussed all over the world, the time is actually ripe to review the role of HRM and its contribution to corporate success.

The heightened levels of global competitiveness have alerted all firms to the fact that their resources must be better utilized than ever before. As a result, human resource management has received greater focus which could be gained from a better handling of the workforce. For this reason, academics have continued to focus more on the issue of manpower in organisations as an activity that is critical for organisational survival. Survival is said to be better enhanced when human capital management efforts in attracting, motivating and retraining employees are at their best. HRM efforts should not be limited to survival alone. As recent developments have shown, the need to focus on building a culture that makes employees at whatever level develop attitudes that support the growth and survival of the enterprise. In fact, the erroneous view that those at management level should be given treatment different from that of other employee must begin to change if any lessons are to be learnt from the global economic melt down. These goals have become particularly important over the past decade because of the rapidly changing environmental forces such as global competition and the connectivity among all global economic units which have made it possible for what happens in one part of the world have a phenomenal effect on the other economic units thousands of kilometres away.

According to Schuler (1995), human resource management is the use of several activities to ensure that human resources are managed effectively for the benefit of the individual, society and the business. As with many disciplines, the study of managing people has changed drastically during the last century, the focus of managing people in organisations was on developing precise analytical schemes to select and reward an individual. During the 1920s, work on these analytical schemes expanded to encompass issues of appraising and training individuals, essentially for making them achieve more from less resources.

This paper is divided into five sections. Following this introduction is section 2 which discusses the concept of human
resource management. Section 3 highlights activities and roles of human resource management which is responsible for managing manpower in organisations. This will be followed by section 4 which examines the trends in human resource management while section 5 concludes the paper.

CONCEPT OF HUMAN RESOURCE (CAPITAL) MANAGEMENT

Individual generate, retain and use knowledge and skills (human capital) to create intellectual capital. Their knowledge is enhanced by the interaction between them (social capital) that generates the institutionalized knowledge possessed by an organisation (organisational capital). These concepts of human, intellectual social and organisational capital are discussed hereunder.

Human Capital
The term “Human Capital” was originated by Schultz (1961) who elaborated the concept in 1981 as follows, “Consider all human abilities to be either innate or acquired. Attributes which are valuable and can be augmented by appropriate investment can be referred to as human capital.”

Bontis et al (1999) put it more succinctly that human capital represents the human factor in the organisation: the combined intelligence, skills and expertise that give the organisation its distinctive character and competitive edge. The human elements of the organisation are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long term survival of the organisation. It is indeed the knowledge, skills and abilities of individuals that create value, which is why the focus has to be on means of attracting, retaining, developing and maintaining human capital they represent.

Intellectual Capital
The concept of human capital is associated with the concept of intellectual capital, which is defined as the stocks and flows of knowledge available to an organisation. They can be regarded as the intangible resources associated with people who, together with tangible resources (money and physical assets), comprise the total value of business.

Social Capital
This is an element of intellectual capital which consists of the knowledge derived from networks of relationships within and outside the organisation. The concept has been defined by Putnam (1969) as “the features of social life-network, norms and trust which enable participants to act together more effectively to pursue shared objectives”.

Organisational Capital
This is the institutionalized knowledge possessed by an organisation, which is stored in databases, manuals etc (Younds, 2000). It is often called structural capital (Edvinson and Malone, 1997).

The added value that people can contribute to an organisation is emphasized by human capital theory. It regards people as assets and stresses that investment by organisations in people will generate worthwhile returns. The theory therefore underpins the philosophy of human resource management and human capital management in organisations.

ACTIVITIES AND ROLES OF HUMAN RESOURCES MANAGEMENT

The activities and roles of human resources in organisations can not be exhaustively discussed in this paper but permit me to list them as follows:

- Scanning and analyzing the environment
- Planning the manpower needs
- Staffing the human resource needs of the organisation
- Appraising and shaping employee behaviour
- Compensating employee behaviour
- Improving work environment
- Establishing and maintaining effective work relationships
- Training and retaining employees
- Serve as repository of organisation cultures and values as well as act as change champions.

Increasingly, the success in managing human resources depends upon an effective scanning and analysis of the environment, both internal and external by the human resource professional in the organisation. The internal environment includes the top management goals and values, organisational strategy, organisational culture, technology, structure and size. The external environment includes the economy/market, demographics, values, laws and competitors. Effective scanning, analyzing and human resource planning will lead to an appropriate job analysis which in turn leads to “right” staffing which includes recruitment and selection. There must be an efficient appraisal system put in place to manage and measure performance.

A good performance management system will ensure a competitive compensation policy anchored on total compensation and performance-based package. It also looks at indirect compensation practices. Added to the aforementioned is a plan to improve employee’s performance through training and development for general organisational improvement. Establishing and maintaining employees’ rights, safety and health issues and industrial relations is also of immense importance. Thus, the general goal of human resources management is corporate survival, competitiveness, growth, profitability and adaptability.

TRENDS IN HUMAN RESOURCES MANAGEMENT

From the analysis above, it can be concluded that strategic human resource management is largely about integration and adaptation. Its concern is therefore aimed at ensuring that:

- Human resource management is fully integrated with strategy and strategic needs of the organisation.
- Human resource policies are consistent both across policy areas and across hierarchies
- Human resource practices are adjusted, accepted and used by line managers and employees as part of their everyday work.

These provide the framework for dis-
cussing best practices in human resources. So what is best practice? This can be viewed as organisational structures, cultures and systems that set the benchmark standards of excellence for others in the industry to follow. Key corporate processes that are tailored against these standards of excellence are labelled best practices. Thus, best practice can be seen in terms of strategic human resource management that has many component including philosophies, policies, programmes, practices and processes.

The human resource philosophy is a statement of how the organisation regards its human resources, what roles the resources play in the overall success of the business and how they are to be treated and managed. Modern analysis emphasizes that “the People” are not “commodities”, but are creative agents in a productive environment. They are therefore active agents of production unlike the other factors which are basically passive and would therefore contribute to corporate objective based on how they are deployed in terms of time, quantity and quality.

This theoretical discipline is based on the assumption that employees are individuals with varying goals and needs, and as such should not be thought of as basic business resources such as trucks and filing cabinets. The field takes a positive view of workers, assuming that virtually all wish to contribute to corporate goals and objectives, and that the main obstacles to their endeavours are lack of knowledge, insufficient training, failure of process, the deployment of inappropriate culture and value system and lack of alignment of HRM to corporate strategy, This is the reason why recent literatures in HRM have emphasized the need to have a different approach to the treatment of “people issues”.

The approach therefore struggles to get roles of HR functions beyond the roles of administration, employee, champion or reactive agents to that of strategic and proactive partners for top the top management. In addition, HR practitioners have difficulty in proving how their activities and processes add value to the corporate goals. It is only in recent years that HR scholars and professional are focusing on developing model that can measure if HR adds value in actual sense.

HRM BEST PRACTICE REDEFINED

Modern HR practice has refined the role of HR practitioners as a “front burner issue” rather than being at the “back-burner” as it is viewed in many corporate environments. The strategy therefore is that HRM should migrate from the present level of being handed instructions for execution from top management to an alignment that seek to:

- Partner with top management in designing and implementing corporate strategy
- Monitor internal and external environment and planning to meet the changing environment
- Monitor corporate programmes to ensure compliance with mandate and making sure that results are achieved
- Communicate issues on tangible results, benefits, risk aversion and ensuring that experience are shared
- Highlight, in good time for necessary correction, any drift to future failure at whatever level of the organisation
- Grow the organisation on a culture and value system that support and ensure the future growth and business continuity for the organisation.

Human resources alignment means integrating decisions about people with the corporate strategic direction. By integrating human resources management (HRM) into the corporate planning process, emphasizing human resources activities that support broad corporate goals and building a strong relationship between HR and management organisation are able to ensure that the management of human resource contribute to mission accomplishment and that managers are held accountable for their HRM decisions.

The new focus therefore is to include human resources representatives in the corporate planning process and integrate human resource management goal, objectives, and strategies into the corporate strategic plan. HR should refocus its activities to broader organisational issues and expand to gauge the impact of HRM on corporate objectives. However, most companies are still struggling in these areas as their HR best practices still lay a lot of emphasis on internal HR office efficiency efforts. The challenge therefore is how to integrate HRM into the planning process to make it a fundamental contributing factor to the company’s planning and success.

Hitherto, HRM had closed its eyes on the issue of who takes the lead and in that case the fortune of the organisation had been placed in the hands of very few and in many cases a single individual referred to as the Chief Executive who takes major decisions about the direction of the organisation. The new direction therefore must focus on installing “People” diverse opinions as a team of experts to champion the course of the organisation. In this arrangement, the different departments must be charged with the responsibilities that disallows few or a single department from taking decisions that could cause major injury to the entire organisation.

LINKING HR STRATEGY TO THE COMPANY STRATEGY

One way of looking at strategies is to see them as a means for solving very complex problems. Therefore, HR strategies are those strategies intended at helping the organisation achieve its full potentials, ranging from financial to learning and growth, not only to make it continually competitive but also to be able to survive in the ever changing business environment. Indeed, recent events have demonstrated the need to expand the provisions of the Balance Scorecard to include another key perspective termed “Leadership” without which the business continued existence and growth cannot be guaranteed. A friend of mine once joked that “the global economic melt-down started with the peoples’ initiatives and will probably end with peoples’ initiatives”.

In most cases, it has been discovered that the “failed decisions” were that of
the chief executives of the giant organisations that control a network of business units around the globe. It is indeed very interesting to note that the present global economic problem has consumed businesses ranging from the petty business to giant multi-national corporations in the developed and developing countries alike. It is even more worrisome to note that corporations that were thought to be best practice organisations were not left out even though they have employed the Balance Scorecard to ensure business continuity and growth.

Let us consider a situation where the company Chief Executive gets the business strategy completely wrong. If what it means is that people like Jack Welch should be considered an invaluable asset to companies like General Electric (GE), we would appreciate the implication of getting it right at the HR level. What we have seen generally is that when the company wants to change its business strategies aimed at meeting the challenges of competition or otherwise, the first point of call is having the right people who appreciate what went wrong, to identify the gaps that needed to be filled either in terms of technology, material or the people.

However, if it is also supposed to mean that every individual employee at GE is regarded as very important asset, we are not so sure that it holds true. It is one thing to subscribe to a generalized statement such as this and it is another thing to entirely actually regard and treat employees as though they are the company’s most important asset. The Enron debacle or the way in which companies like Digital disappeared off the face of the earth shows that organisations must have people who can get the strategy right in place.

Enron and Digital probably had many committed and loyal employees but their poor business strategy resulted in their employees adding no value whatsoever. The missing link here is that these companies failed to identify the fact that an effective HR strategy may be “one of the only way” to sustain a real competitive advantage. This therefore calls for the need to re appraise the position of leadership in organisational success. In essence, the HR strategy must aim at putting in place, an appropriate leadership that is committed to the success of the organisation within its competitive context. The leadership in turn must focus on activities that encourage adaptation, innovation, proactivity in order to achieve continued relevance and corporate existence. Along the line, all necessary control measures must be continually serviced both at IT and the people level in order to ensure that they tie to the organisation strategy at all times.

In a way, the present global economic melt down has brought to the foreground, the need to evolve the right HR strategy that is creative and proactive enough to identify which Chief Executives are most appropriate at any time in the lifetime of a company. Suppose the “world” had evolved the right HR strategy to “replace with the right people”, the various world business chief executives that were part of the global economic downturn, in most cases did not take organisational overall interests into consideration in taking many of their “selfish and go for the kill” decisions that later translated many world economies into enclaves of failures.

It is very important therefore that for the business landscape to become and remain competitive within the ever changing global business environment there would be need to take very important steps aimed at treating HRM as a key factor in the achievement of business success. However, the challenges are: how many companies would readily want to have the HR practitioner on the company board? After all, it is a common feature in many companies to have decisions taken at the top levels, which are only handed over to the HR managers for implementation.

Let me propose therefore that for the companies to reap the full potential of all its resources, be it human, capital, IT etc, there is an urgent and dire need to give HRM a top level priority that make it part of the highest company decision making process.

If the simple craft-shops constitute the lower extreme of HR strategic scale, then the big multi-national companies are on the other. They employ thousands of people and use sophisticated marketing or production techniques. Here, attracting the right calibre of people and managing the human resource well is more likely to be an issue. In-between these two extremes though, must be a whole range of different types of business enterprises that employ varied number and quality of employees. The HR maturity scale offers a range of positions against which an organisation can assess the maturity of its HR thinking and system.

It can be used as a means for assessing an organisation’s view of importance of human resource management and its role in maximizing business performance and value. The worse position on the scale i.e. “stage 0” features those organisations that do not have a clear view on how they manage their people. Over time any organisation will have to go through these series of stages in order to mature into an organisation that gets best value out of its people.

CONCLUSION

The question here is: where is your organisation on the HR maturity scale? Did you find yourself battling with the basic or traditional HR functions or recruiting, developing, motivating and retaining employees or you have matured to be the more strategic phase of planning and partnering with management to achieve the desired corporate goals? Or better still; have matured into helping to install the right management and also indicating the right time to disengage the chief executive before he causes damage to the organisation. I fervently believe that the way forward is that organisations will achieve their business results to the extent that they get the HRM value right.

CHARLES ONI Olorunda is Deputy Director of Human Resources Department, Central Bank of Nigeria
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The Bankruptcy of Leadership

Sebastian D.K.N. Gavor
The greatest challenge facing my nation today is very simply a lack of dynamic, proactive and visionary leadership. I am 57 going on to 58 and I can say without a shadow of doubt that my generation and the generation before me has failed dismally. Leadership in my country (and I suspect for the rest of my continent) is fatally flawed, remarkably mediocre, visionless, directionless and clueless. The comparisons that we make are always to those below us and never to those above us to whom we should aspire to emulate. No wonder we end up patting ourselves on the back for achievement and award ourselves badges of excellence and honour. It is clearly a case of “In the kingdom of the blind, the one-eyed man is king”. Meanwhile, all around us is deprivation and squalor, poverty and disease, ignorance and failure.

If that is not so then please someone should help me answer the following questions:

1. How come, that after 50+ years of self rule, most houses still have pan latrines and the best legacy that the HIPC can bring us is a number of beautifully painted KVIPs?

2. How come that after 50+ years of self rule, the roads we have in the country are death traps and the potholes that develop on them are deep and wide enough to bury our dead in?

3. How come that after 50+ years of self rule, electricity is not freely available and every night, without fail, for the past 50+ years, the lights go off at least in one part of the city for the whole night?

4. How come that water, after 50+ years of self rule, that vital life-giving fluid is absent in 60% of the city and 90% of the towns and villages?

5. How come that after 50+ years of self rule, a 10 kilometre journey takes at least one hour and one lane traffic most often turns into three or four lane traffic with gentlemen in suits driving as if they are citizens of a country called bedlam and as if the devil himself is pursuing them.

6. How come that after 50+ years of self rule, our streets are still so full of street children (as well as street men and women) selling pure water to survive.

7. How come that after 50+ years of self rule, our currency has not known stability and its value goes up and down like a yo-yo and every time it shows signs of stability, we should shudder in fearful anticipation because it is the stillness before the storm.

8. How come that after 50+ years of self rule, our educational system is progressively attrition-positive with 40% of primary graduates unable to enter the junior secondary schools; 50% of junior secondary school graduates unable to enter the senior secondary schools; 60% of senior secondary school graduates are unable to enter the University; and 70% of University graduates are unable to find work suited to their qualifications?

9. How come that after 50+ years of self rule, after a road has been constructed, it is progressively degraded in turn by the Water, Electricity and Telephone Companies one after the other at different portions of the road causing a newly constructed road to look like a wounded leg with multiple lacerations.

10. How come that after 50+ years of self rule, our airwaves are so full of unfruitful political wrangling, which incidentally, are frequently delivered with grammatical ineptitude and mispronunciations such as to make a competent teacher of English cringe. It seems as though no one bothers about the maintenance of minimum standards of electronic media journalism, let alone the print media journalism.

11. How come that after 50+ years of self rule, our political and administrative leaders become millionaires overnight and no one wonders where their wealth comes from especially since their salaries are just enough to pay their children’s school fees. Where do they get the extra funds to put up three or four mansions and support three girlfriends on the side?

12. How come that after 50+ years of self rule, our judicial system has become such that those who are running away
from justice end up taking refuge in the courts?

There are so many questions that beg to be answered but space will not permit me to continue further.

Thankfully, I am an optimist who believes that tomorrow will always be better than today and even though the empirical evidence does not support that fact, I am also a man of faith. I believe in the evidence of things not seen.

And so, like so many others before me, I too have a dream. Mine is better described as a vision because I am fully awake.

We are a country so endowed with natural and human resources and only waiting for the right leader to lead us out of misery and poverty into the promised land.

I close my eyes and suddenly a beautiful vision floats across my imagination, a vision of indescribable joy and order.

I see a vision where political opponents sit together to a meal of kenkey and fried fish before, during and after the votes, and where the will of the people is respected.

I see a vision of elections where the pull him down (Ph.D) syndrome is a thing of the past; and incoming Governments no longer take delight in undoing the work of their predecessors for political advantage but rather build on the good initiatives of their predecessors. I see a vision of a new crop of politicians who want to serve their nations and not be served by them. I see them with the uncanny ability of diagnosing the problems that confront their nations and developing a blue-print for solving these problems. I see them getting to work from day one in power. I see their list of priorities: 1. Education for all 2. Health for all 3. Housing for all 4. Transportation for all 5. Discipline in society 6. Law and order

I see a vision where a multi-party National Development Programme is drawn up in all the critical areas of society and adopted as the way forward for the country, irrespective of who is in power; where VISION 2015 or 2020 is a development agenda upon which a referendum is carried out and is accepted as the will of the people going forward.

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I see a vision of real democracy where political pluralism is accepted and national issues are discussed openly and objectively, where parliament is composed of members who represent their people and not just their party, who are willing to vote on the basis of an objective assessment of the issues and if need be, against their party.

I see a vision of political campaigning which is devoid of negativity; in which issues rather than personalities are discussed; in which debates are healthy, decent, and respectful; where opponents agree to disagree; where love reigns in the hearts of all Ghanaians and the people are allowed to make their choices based on the issues which matter most to them.

I see a vision of an election which is not a litany of rigging and intimidation, and votes in certain polling stations do not number more than the voting population in the constituency, and where political parties do not make their strongholds a no-go area for their opponents and where ballot stuffing is no longer rampant. I see a vision where votes are cast in peace and political opponents sit together to a meal of kenkey and fried fish before, during and after the votes, and where the will of the people is respected.

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I see a vision of police officers arresting wrongdoers (not entering their cars and collecting bribes under the dashboard), where bribery is treated as a crime punishable by our laws; where dockets and evidence do not disappear at the police stations and at the registries of court-rooms and reappear at the sight of the “cowry”

I see a vision of modesty and decent living by our leaders (not driving in 40-car convoys) who join the workers in the trenches to rebuild our railways and roads; and where farming is looked upon with pride because we are able to provide sufficiently for our food requirements.

I open my eyes and alas the vision has dissolved. I am in traffic and all around me is confusion. I see a beautiful Benz car with a nicely dressed gentleman driving on the cab. He drives up alongside me, gives me a bright smile and says “my brother, please can I cross you small?”. Without waiting for an answer, he squeezes in front of me. My driver has to take evasive action not to collide with him. He thanks me for being so kind. Up ahead, I see a “tro-tro” crossing a red-light and nearly causing a collision which would certainly have written off the poor civil servants secondhand Nissan car which he had painfully struggled to acquire.

Reality slapped me like cold water from an early morning shower. I place my head in my palm and groan in frustration. Then I remember, I am an optimist. Surely, tomorrow will be better than today. My vision is still achievable. All it will take is God’s intervention. Oh God, in your mercy, help my country Ghana. We will make it, in Jesus’ name. YES WE CAN!

Sebastian D.K.N. Gavor (Bsc Admin; FCCA; CA (Ghana) is CEO Cactus Corporation and Chief Operations Officer, Allied Oil Company Limited
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Assertion vs Aggression at the Workplace - a tool for effective communication

Foluke Oluwole
How do you juggle individual expectations to succeed and societal expectations to be a good parent and or spouse with your organisation’s expectations to experience a work-life balance that would enable you keep your sanity at least? You must be a super worker or Robot-employee to combine all! These expectations leave you and many other employees feeling anxious, stressed and in some way contribute to the expression of behaviours that can be harmful to others.

The concept of assertiveness is fraught with negative connotations. The word conjures up a vision of someone who might be generally pleasant but who’s totally stubborn and unreasonable on certain issues. (Lynne Gidish) Assertiveness involves understanding your working environment, identifying issues, problems or potential challenges and most importantly, dealing with the issues as they emerge rather than the personality or characters involved. Assertiveness however in its literal sense, is expressing one’s views or opinions strongly and with confidence so that people take notice. It seems that the word strongly has often times been substituted for aggressive-ness.

Aggression on the other hand, particularly in the workplace includes any act of harassment and intimidation that negatively affects the employee, either physically or psychologically Aggression, to a reasonable extent has been closely to a reasonable extent has been closely related to high-pressure, fast-paced work environments. Acts of aggression can emanate from a wide variety of sources. At times, some supervisors/managers intimidate, harass or exercise their powers over employees.

The tendency to focus on extreme cases of violence in the workplace often times, fails to take into account that workplace aggression includes any action or decision that tends to create a hostile/harsh work environment. Colleagues can also intimidate, harass, manipulate and harm their co-workers. Customers, patients, and clients have also been known to abuse employees in their attempts to get what they want. Partners can also present at the workplace and engage in aggressive acts towards loved ones or any one who happens to be close by says Stephen Kennedy.

**Why?** Employees and or workers who have experienced or are victims of aggression at the workplace have communicated their concerns. They anticipate retaliation from the instigator or other colleagues who maintain an attitude that these acts “are no big deal.” In addition, there is the perception that even if individuals “take the risk” and communicate their concerns, employers will not take the time to understand and act on the identified concerns — Stephen Kennedy

**HOW DO WE ADDRESS THE CHALLENGES ASSOCIATED WITH WORKPLACE AGGRESSION?**

- Establishing and promoting clear, effective policies and practices related to workplace conduct
- Free flow of communication across and within all levels, ranks and cadres of the organisation. An important element for enhanced corporate productivity and performance is real, effective communication. This enables the supervisors to interact effectively with employees or team members. It also encourages employees to communicate their concerns without the fear or apprehension of it being used against them.
- Responding to disputes and grievances (both intra and inter relationships) quickly.
- Engaging in collaborative, co-creative versus authoritarian management.
- Promoting and acknowledging peers helping peers.

It is becoming evidently clear that assertion in its real appropriate terms is an effective important communication tool in this fast changing, technologically advanced corporate world, while aggression is a manipulative tool for marginalization.

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Throughout my travels I hear clients ask me to show them how they can strategically align themselves with progressive people. The first principle is that relationships are vital in this day and age under the current global economic climate. You can never isolate yourself and be effective.

One of the fundamental rules of growing business is never stop networking. Expanding your network contacts might prove to be your most powerful weapon in these tough economic times. In a recession when businesses and individuals are tightening their budgets, traditional marketing is not always the best approach. Emphasis can be placed on the fact that it is not always what you know but who you know that matters.

We all want to be successful at networking. No business person today can afford not to have an up to date serviced network of contacts to call upon. We are in a world of Relationship Marketing and we understand the importance of the word of mouth.

In today’s Global economic climate it is important to have a “Relationship Management” strategy where all employees can effectively communicate the company’s message whilst identifying opportunities and enhancing relationships.

This should include a comprehensive framework that will enable corporate players to declare network related assets and obtain business results. The framework should focus on all aspects of networking: in particular, preparation, participation and remember in highly uncertain times, there is great need to draw upon your human capital at a moments notice. With depletion of balance sheet assets, you need to creatively develop and improve the value of human capital and goodwill, translating them to bottom line cash flow.

Dr Charles Buckman is MD/CEO of Fatherhood Inc.
The Internalisation of Leadership Development

Abstract from:
Worldly Leadership – Alternative Wisdoms for a Complex World

Vanessa Iwowo

O f a truth, the discourse on leadership has evolved from the concept of heroic leader and leading from the front, and all the way to the understanding of leadership as influence and process within the dynamics of leader-follower interactions. However, leadership development interventions today are still primarily characterized by traditionalist perspectives which centre on developing the person or the individual for leadership practice. A number of these perspectives have been criticised as being primarily western functionalist (Blunt & Jones) and also as being a western, predominantly American obsession with the science of self (Jones, 2006). These scholarly criticisms have continued to highlight the importance of context in the development of leadership theory and practice, repeatedly citing the inadequacy of western functionalist paradigms of leadership in grappling with the contextual uniqueness of non-western organisational and societal reality.

This article emphasizes the importance of context in leadership theory and practice as well as a growing need for the ‘situatedness’ of leadership development in today’s increasingly globalised organisations. In so doing, this article draws on age-old, but increasingly relevant ideals embedded in African traditional perspectives of leadership, and how these may provide a basis for effective ‘worldly’ leadership development in theory, as well as in conscious practice.

Vanessa Iwowo is a lecture in Leadership with the University of Exeter.
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