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Global Economy and Global Managers

If the last century can largely be interpreted as a Century of Conglomerates and a Century of Corporate Imperialism, can this century be interpreted as a Century of Emerging Markets? Did the end of Cold War mean the arrival of Corporate War? A lot has changed in the last hundred years of corporate history. There were many strategic inflection points. Globalization champions advocated borderless trade and that has led in some way to global economic imbalances. The first eight years of this century (2001-2008) would definitely go down the history as watershed years for global economy and global businesses. First it was colossal fall of Enron, Arthur Anderson, Tyco and WorldCom. Then the September 11 attacks put countries on high alert. 2007 saw the world getting engulfed in subprime mortgage crisis and with that a complete washout of trillions of dollars of shareholder wealth; and 2008 has seen the global banking crisis, oil price shocks and food price rises. Amidst all these, the Central Banks have been put in a quandary. And that quandary has compounded the exchange rate risks and companies across the globe seem out of place and clueless. What do all these events signify? Should they be looked at in isolation or are there any powerful lessons for future managers and CEOs when they connect the dots? Is the world integrated for an inimitable disintegration?

This is an era of a new economic consensus and business order. Competition existed long before modern economies and businesses were born. It began with life itself. Gause's Principle of Competitive Exclusion illustrated that no two species can coexist that make their living in the identical way. What would be the new frontiers of competition? Who are likely to be the major winners in these frontiers? What would be the new differentiating (when the competitors are closing in on the gaps) factors for companies?

Do you foresee an increasingly decreasing role of multilateral international bodies like, *WTO* (with the rise of regional and bilateral trade agreements and perennial showdown at recent meetings, including the impasse at Doha round of talks), *UNO* (with private sector assuming a great role at humanitarian activities—for instance, Bill and Melinda Gates Foundation, Clinton Global Initiative, etc and increasing role of Social Entrepreneurship Initiatives and Microfinance Initiatives), the *IMF* and the *World Bank*? The rise of business diplomacy?

What do these trends mean for the organizational preparedness? Should companies invest heavily in 4Ps—people, processes, platforms and programs—to be at the forefront of innovation in the new business order? What would be the critical success factors for global firms in the new business order and what should be key result areas for the executives in the new economic and business order? What should be a CEO's agenda in the new economic and business order? What factors would dominate a CEO's agenda? According to a recent McKinsey Global Survey, almost 70% of executives around the world say that global social, environmental and business trends are increasingly important to corporate strategy. Yet relatively few companies act on the global trends they think will affect them most; among those that do act, only 17% report significant benefits. Why is there such a disparity between need and action?

Dr. Nagendra V Chowdary

QUOTES



Globalization, as defined by rich people like us, is a very nice thing... you are talking about the Internet, you are talking about cell phones, you are talking about computers. This doesn't affect two-thirds of the people of the world.

Jimmy Carter

It has been said that arguing against globalization is like arguing against the laws of gravity.

Kofi Annan

Globalization is not something we can hold off or turn off . . . it is the economic equivalent of a force of nature—like wind or water.

Bill Clinton

If we allow the celebrity rock-star model of leadership to triumph, we will see the decline of corporations and institutions of all types. The twentieth century was a century of greatness, but we face the very real prospect that the next century will see very few enduring great institutions.

Jim Collins

In the modern world of business, it is useless to be a creative original thinker unless you can also sell what you create. Management cannot be expected to recognize a good idea unless it is presented to them by a good salesman.

David Ogilvy

Checking the results of a decision against its expectations shows executives what their strengths are, where they need to improve, and where they lack knowledge or information.

Peter Drucker

Management is nothing more than motivating other people.

Lee Iacocca

Every company has two organizational structures: the formal one is written on the charts; the other is the everyday relationship of the men and women in the organization.

Harold S Geneen

Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion.

Jack Welch

The art of choosing men is not nearly so difficult as the art of enabling those one has chosen to attain their full worth.

Napoleon Bonaparte

The quality of a man's life is in direct proportion to his commitment to excellence, regardless of his chosen field of endeavor.

Vince Lombardi

People are definitely a company's greatest asset. It doesn't make any difference whether the product is cars or cosmetics. A company is only as good as the people it keeps.

Mary Kay

First comes thought; then organization of that thought into ideas and plans; then transformation of those plans into reality. The beginning, as you will observe, is in your imagination.

Napoleon Hill

The five essential entrepreneurial skills for success are concentration, discrimination, organization, innovation and communication.

Michael Faraday

Quality is the result of a carefully constructed cultural environment. It has to be the fabric of the organization, not part of the fabric.

Philip Crosby



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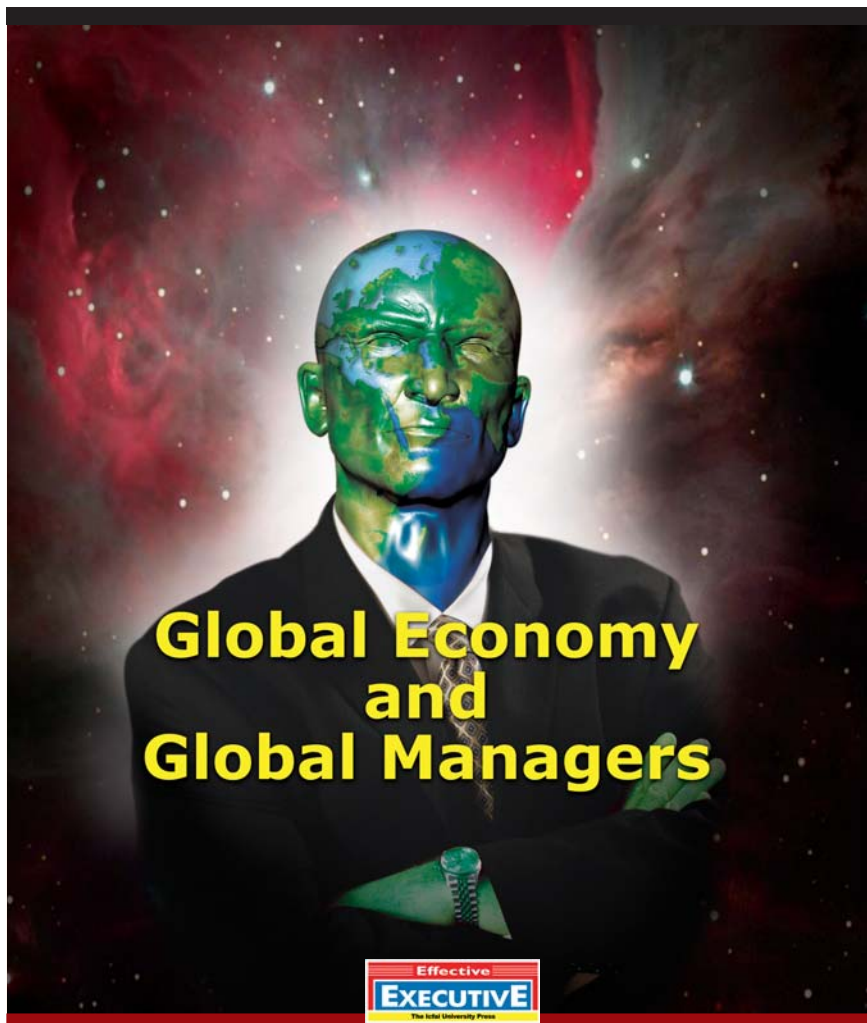
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Why Cuil is No Threat to Google

The much-hyped new search engine Cuil (pronounced *ëcoolë*), purports to index more Web pages than any of its rivals. But based on its debut, the new site poses little immediate threat to industry leader Google, or even its nearest competitors, Yahoo and Microsoft, in either relevance or breadth of results it delivers.

“Anybody who thought (Cuil) was this Google killer can really see now that no, that’s not going to happen today and the likelihood is that’s not going to happen a year from now,” says Danny Sullivan, internet search guru and editor-in-chief of SearchEngineLand.

Despite its lackluster performance, Cuil (which means wisdom or knowledge in Gaelic) got so many visitors on Monday, that its servers crashed around 3 p.m. E.T. “Due to excessive load, our servers didn’t return results. Please try your search again,” the site read intermittently throughout the afternoon. But even when it was working, the results were fair, at best. Enter a keyword such as *ëmintë* and the first result that comes up isn’t the herb or flavor but the US Mint. Type in *ëObamaë*, and one of the sub-categories Cuil suggests is *ëHispanic-American Politiciansë*. And Cuil lacks the special tabs for news, video, local and image results used by the leading sites.

The hype over Cuil, in fact, may be testament to the power of a great back story. Cuil is the brainchild of ex-Google staffer Anna Patterson who developed the TeraGoogle indexing system that Google still uses today and her husband Tom Costello, who developed search engines at Stanford and IBM. Cuil indexes some 120 billion Web pages. (Google, on the other hand, claims to scan more than a trillion pages, but only indexes those that are useful, according to the company.) The Cuil team generated so much buzz for its venture that it managed to raise some \$33 mn in financing. But the acid test of any search site is the results it generates, and for now, anyway, Cuil falls way short of the industry’s leaders, and even for that matter, of many startups.

Cuil’s distinctive design, in which results appear in three columns across the page, also allows for longer previews of each site’s content. But other search sites make better use of page real estate. SearchMe, which launched earlier this year, offers full-page snapshots in its results, through which you can flip like the album covers on iTunes. And the number 4-ranked search engine, Ask, also uses a wider layout to display both images and sub-categories for refining one’s search.

Cuil has a distinctive, if old-fashioned, approach to indexing websites. Instead of ranking them based on popularity, as Google does, it focuses on the content of each page. That may make sense in theory — after all, the most popular restaurants, for example, rarely serve the best food — but it is precisely the model that Google broke away from in order to

give users more relevant results. That could explain why a Cuil search on *ëinsomniaë* directs the user to the American Insomnia Association rather than to the Wikipedia entry on the subject pulled up first by most other search engines.

The one area where Cuil excels, however, is user privacy. Whereas Google stores user-specific searches for up to 18 months, Cuil never stores personally identifiable information or search histories. Privacy has become a growing concern among users of search sites ever since America Online inadvertently released the searches of 658,000 of its users in 2006. But that’s unlikely to be enough to persuade most users to switch from their search engine of choice. “Anybody who thinks the next Google killer is going to come along is banking on something that’s unlikely,” says SearchEngineLand’s Sullivan. But if the Cuil story is any indication, that won’t stop people spending fortunes on beating the odds.

Source: <http://www.time.com>

China Surpasses US in Number of Internet Users

The number of Internet users jumped more than 50%, or by about 90 million people, during the last year, said the center, which operates under the government-controlled Chinese Academy of Sciences. The new estimate represents only about 19% of China’s population, underscoring the potential for growth.

By contrast, about 220 million Americans are online, or 70% of the population, according to the Nielsen Company. Japan and South Korea have similarly high percentages.

Political content on websites inside China is heavily censored, and foreign sites operating here have faced restrictions. But online gaming, blogs, and social networking and entertainment sites are extremely popular among young people in China.

The survey found that nearly 70% of China’s Internet users were aged 30 or even younger, and that in the first half of this year, high school students were, by far, the fastest-growing segment of new users, accounting for 39 million of the 43 million new users in that period.

With Internet use booming, so is Web advertising. The investment firm Morgan Stanley says online advertising in China is growing by 60 to 70% a year, and forecasts that by the end of this year, it could be a \$1.7 bn market.

China’s biggest Internet companies, including Baidu, Sina, Tencent and Alibaba, are thriving, and in many cases are outperforming the China-based operations of American Internet giants like Google, Yahoo and eBay.

“The Internet market is the fastest-growing consumer market sector in China,” said Richard Ji, an Internet analyst



at Morgan Stanley. "We are still far from saturation. So the next three to five years, we're still going to see hyper-growth in this market."

Baidu, for instance, said that its second-quarter net profit had jumped 81%. During that period, Baidu had a 63% share of China's search engine market, while Google had about 26%, with Yahoo trailing far behind, according to iResearch, a market research firm based in Beijing. Tencent, a popular site for social networking and gaming, now has a stock market value of \$15 bn, making it one of the world's most valuable Internet companies. In comparison, Amazon.com is valued at about \$30 bn.

One measure of the growth of the Internet here, and its social and entertainment functions, is the popularity of blogs.

The site of China's most popular blogger, the actress Xu Jinglei, has attracted more than 174 million visitors over the last few years, according to Sina.com, the popular Web portal, which posts a live tally. According to Sina, 11 other bloggers have also attracted more than 100 million visitors in recent years.

The Internet's popularity often poses serious challenges to the government. Online gambling, pornography, videos of protests and addiction have led to regular campaigns to crack down on what the government views as vices. But Internet users have also used the Web for nationalist campaigns to criticize the Western news media or foreign companies, as was the case after riots broke out in Tibet this year.

While several organizations had projected that China would surpass the US in Internet users this year, the new survey results were the first time a government agency had released figures showing China's market to be larger than that of the US.

Source: <http://www.nytimes.com>

The Weather Channel's Real Worth

The sky was apparently the limit when media conglomerate NBC Universal, along with private equity firms Bain Capital and the Blackstone Group, agreed to pay the enormous \$3.5 bn price tag for The Weather Channel. Available in some 96 million American homes, The Weather Channel is the country's third most widely distributed cable channel as well as being the 14th most popular website. But observers are already questioning whether NBC, which is owned by General Electric, overpaid for the property. NBC, after all, only paid \$1.25 bn for the cable channel Bravo in 2002, while CBS acquired tech news site CNET for \$1.8 bn last May.

When the channel first went up for sale early this year, there were several bidders, including Time Warner (the parent company of TIME), but by last month there was just one suitor left. "I think that part of the reason the other stations

backed out is because they couldn't justify paying that much," says David Trainer of New Constructs, a business valuation company in Franklin, Tenn. "If it doesn't make financial sense, the next reason to buy is ego. 'I got a new toy. My kingdom is larger.'"

But NBC may have other motivations for its new acquisition, particularly on the Web and in digital broadcasts. While consumers have little reason to type nbc.com into their browsers, The Weather Channel's site attracts some 40 million unique monthly visitors, according to Nielsen Online. The merger could help drive new traffic to NBC's other digital content. What's more, The Weather Channel, which is currently owned by Landmark Communications, has a brand-new \$60 mn state-of-the-art, high-definition recording studio in Atlanta, from which it can produce digital broadcasts both for television and the Web. Viewers can also look forward to long-form programming, like weather documentaries and dramas, that meld Weather Channel content with NBC talent.

With rumors running rife about General Electric planning to unload NBC Universal altogether, some analysts think The Weather Channel acquisition was an effort to spruce up NBC's online portfolio (which also includes MSNBC.com and CNBC.com) before selling the entertainment arm to a digital media company such as Google (which owns YouTube) or Apple. "The Weather Channel would add some icing to the cake," says Nicholas Heymann, an analyst for Sterne Agee & Leach. As syndication

fees have evaporated and profit margins have thinned, TV companies have become less attractive assets. GE "has to start lighting a fire under its stock," notes Heymann.

Although \$3.5 bn is a huge sum, NBC will foot only a fraction of the total bill. The Blackstone Group, Bain Capital, and NBC, will reportedly will pay just \$600 mn each upfront, and finance the balance. The Weather Channel's estimated \$175 mn annual earnings should help defray the debt.

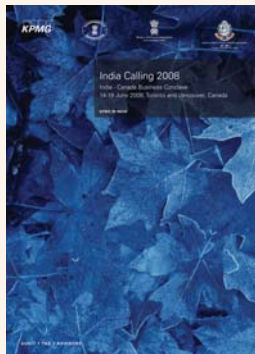
While the forecast is still murky on exactly how NBC will leverage its new acquisition, all watchers agree that the sellers got a sweet deal. "We feel it is a very fair price," says Decker Anstrom, President of Landmark Communications, who called the sale a "bittersweet moment" for the privately owned family business, which launched the cable channel back in 1982. Initially derided as the brunt of jokes, the forecast focused channel became profitable within four years and soon had established itself as a media category killer. Sheryl Crow named a song after it in 2002, and today it has an estimated 85 million viewers, many of whom are more than happy to tune in numerous times each day. It has also successfully adapted with the times: the channel's free, ad-supported weather service for cell phones is currently its fastest growing business, according to Anstrom.

Source: <http://www.time.com>



India Calling 2008

The primary goal of this knowledge paper is to identify areas for further services trade and investment between Canada and India. Accordingly, it aims to highlight the emerging investment, business and service opportunities in sectors such as food processing, animation and gaming, auto and auto ancillary, banking and financial services, infrastructure, mining and minerals, pharmaceutical, and biotechnology, renewable energy and power, telecom, vocational education and training and climate change.



Source: <http://www.in.kpmg.com/Home/Home.asp>

CONSULTING CLASSIC

Global Economic Outlook Summer 2008

The global economy is under siege. A near perfect storm of troubling events have conspired to create a challenging and, more worryingly, uncertain environment for the world's businesses. The collapse of the US housing market, the resulting change in the global market for credit, and rising food and energy prices have led to economic slowdown, rising inflation, and a more difficult framework for policymakers.

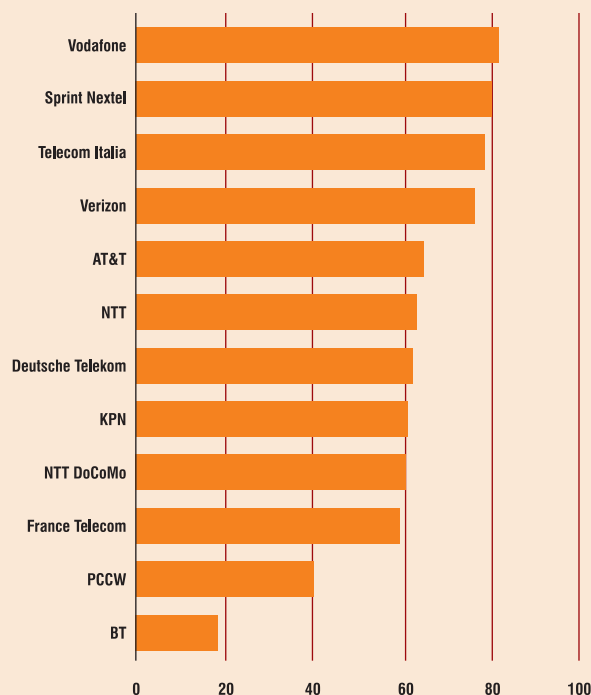


Starting with this publication, Deloitte research hopes to address these issues in quarterly updates on the state of the global economy. While many financial institutions offer frequent economic forecasts, the purpose here is to offer quantitative forecasts of asset prices, with the goal of providing clients with a more strategic perspective. Deloitte's global economists, based in four countries on three continents, have endeavored to explain the major issues facing the global economy and offer a meaningful and actionable point of view.

Source: <http://www.deloitte.com/>

The Less the Better

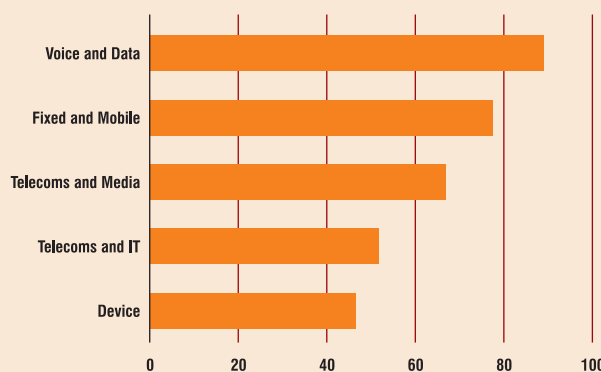
% of revenues derived from voice services
February 2006



Source: WesthallCapital

Best Bets

Impact of types of convergence within next three years
% of telecoms executives saying very strong or strong



Source: Economist Intelligence Unit; IBM

Reference # 03M-2008-10-01-10

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Culture and Management

The Uncommon Commonsense

Managers are continually instructed that they should take special care with respect to cultural differences among their customers and employees. This article argues that although problems do occur, the difficulties are easily exaggerated and great resources need not be committed to solving them. Culture is a vague and changeable concept which is too easily used to represent grievances or justify protection for special interests. In reality, the issues can be understood and solved without special training.

A student once defined the Masters of Business Administration degree to me as "common sense, with a dash of pseudoscience." Whether he was correct or not is a matter of opinion, but an area where criticism does strike home relates to the way culture is presented to aspiring managers. It is presented as far more concrete, explanatory and

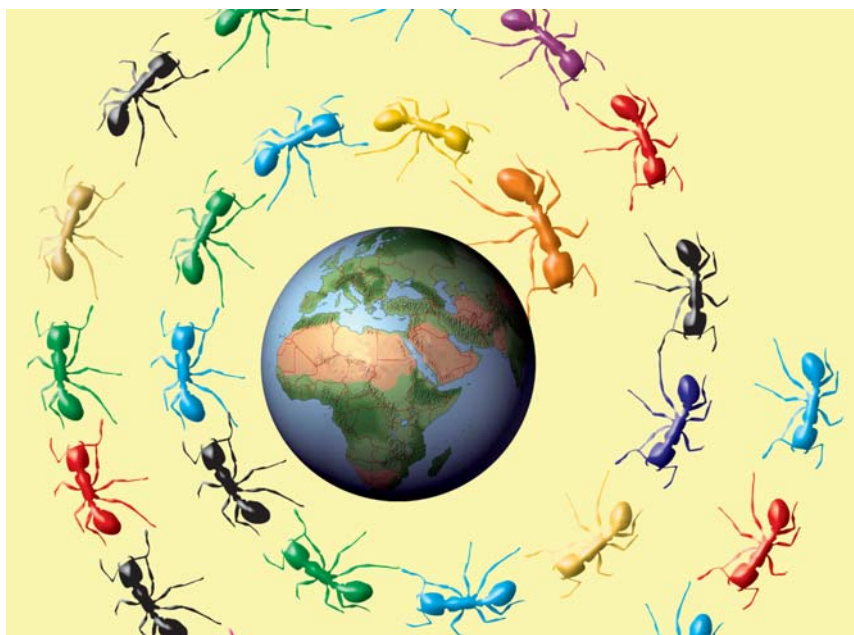
threatening than is usually the case. Culture, after all, is highly visible in many of its aspects, which readily leads to attribution bias—to attributing to it behavior that probably has quite different causes.

The mindset that thinks in terms of cultural explanation is very common, even among academics. Some experts of multi-country studies are

actually asked why they have not cited culture as an explanation of the differences reported in the course of their research, even when they have discovered that differences are greater from person to person than when people are grouped by nationality. Furthermore, cultural exceptionalism springs readily to the minds of many in politics, who make claims for the antiquity and significance of a culture that they wish to see protected. Since sets of behavior that can be labeled cultural are so numerous and their characteristics apparently so obvious, it is easy to label any given set as distinct and claim a privileged status for it.

There is virtually an industry churning out assertions about how important it is for businesses to pay attention to cultural differences among their customers and indeed everyone else with whom they have to deal. Some of this insistence pertains to etiquette and the need to take into account the fact that people of other nationalities, races and religions may misunderstand or be offended by certain behaviors which would pass unnoticed in one's own country. Beyond this, there are endless surveys, written in an excessively formal social science mode, that seem to reveal genuine differences in expectations from nation to nation. Managers, it seems, must grasp all the varied categories of behavior and make allowances for each and every one of them.

There is, of course, something in this. At any one moment, cultural behavior does differ. The fact is easy to demonstrate from a million anecdotes. I will give only one: it was always difficult to acquire the sort of mains pressure shower in English bathrooms that North Americans or Australians take for granted. Water comes at low pres-



sure from a tank or cistern in the roof of English houses, not directly from the water mains outside in the street. When the tap is turned on, water is drawn from the cistern in only a feeble stream. What began to change this situation, so I am told, was the insistence of British Indians whose culture (actually their Hindu religion) forbade them to bathe in stagnant water like that stored in the cistern.

Special cases like this where culture makes a difference can be found everywhere. Far larger issues also seem to hinge on cultural differences, such as the incompatible structures of Asian and Western firms, though how far that corporate divide actually stems from culture rather than from different political and legal contexts is a moot point. The problem is therefore not that culture does not exist but that its influence may not run very deep and may be quite flexible. The real problem is that the public, including managers and management educators, is constantly told that the behavioral features around them are evidence of cultural fixity that ought to be respected and treated as highly significant for successful business dealings.

Some Western IT firms have even been persuaded to hire the so-called ethnomethodologists to investigate the divergent attitudes of their clients. These people visit workplaces and allegedly undertake to observe without preconceptions. This is of course impossible—we all have preconcep-

tions. The point I wish to make is that, while we should allow for our own biases, we should guard against overstating their significance.

In this case, culture is being used as the justification for paid and dubiously necessary, ethnomethodological research and consultation. Similarly, managers need to be aware just how far culture may be used as a blind or camouflage for political interests, which typically means the interests of a particular group of producers. Appeals are commonly made to the public on cultural grounds, with the aim of securing electoral support for a special interest which seeks subsidies or tariff protection. The approach plays on our immediate identification with the special interest group by making its position seem shared by all. The means used is allusion to a supposedly common history, the same local language, or some alternative form of symbolism. Veiled, or not so veiled, reference is made to the threat to national or cultural concerns from foreign competitors. The result, which is often successful, is to ensure that there is a transfer payment to the group promoting its product or activity behind a cultural facade.

Culture in the specialized form of the arts—music, painting, literature, films—is especially prone to this type of special pleading. It is difficult to resist without seeming anti-intellectual or uncultured, while the costs are generally spread so widely that they do not seem heavy to the individual voter or business. The costs of rejecting or resisting cultural appeals are, however, likely to be high and may invite retaliation from the lobby groups involved. The late Mancur Olson was the prime authority who exposed the tendency of special interests to try to take more out of society's common pot than they put in. This was in his 1982 classic, *The Rise and Decline of Nation*, where he goes so far as to state that special interests will accept absolutely no limit on their demands. Equivalent demands from their competitors may checkmate them, otherwise only the political system can protect the majority of the population

from the burdens that interest groups will seek to impose.

The globalization of the modern world clearly intensifies the incentive to turn to protectionism. Despite the overall social benefits, industries and cultural producers are increasingly brought into competition with those in distant regions and foreign countries. A brash appeal to national interests, often citing the threat to the existing culture, offers shelter to the affected groups. Sectional, economic motives rather than genuinely cultural ones are often present. Protectionism is an easier option than struggling to meet the competition by reducing the costs of production.

During the 1990s, industrial lobbies and trade unions in Western countries found that the political mood was turning against measures of product protection (though the mood in the present downturn may once again be moving that way). In that decade, the benefits of trade were obvious from the rapid growth of so many less-developed countries, especially in East Asia. Western producers were tempted to turn to soliciting protection against cheap imports from Asia. The threat to cultural nationalism was often cited, in line with structural changes in developed economies, where manufactured goods were increasingly being imported and economies were shifting to services and cultural products. The share of employment and output attributable to a wide range of cultural activities was rising steeply in Western countries, a tendency which continues even today and heightens the importance of culture in the special meaning of the arts.

The public purse is expected to support all sorts of novel cultural ventures. The progress of international economic integration—globalization in common parlance—is continuing, despite the forces starting to be ranged against it. Ironically, this creates the wealth that can be diverted through tax systems to support and protect minority cultural efforts. How the usual formula operates is: the benefits of protectionism are reaped by the active few while the costs are spread too dif-



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fusely among the remainder of the population to make the resistance seem worthwhile.

Globalization is very apparent in the sphere of languages, where many a tongue with only a handful of native speakers (and little literature or modern vocabulary) is dying off. Figures on language death are extremely unreliable, but about the direction of change towards fewer and fewer living languages, there can be no argument. English is not a foreign language, declares the Director of Sciences Po, the leading university institution in (of all places) ultra-Protectionist France, it has become the world's professional language. The ultimate dominance of World Standard English, including Business English, may or may not be assured, but there is certainly a consolidation into languages that have had large number of speakers to start with English, Mandarin, Hindi and Spanish. Lesser languages may seem to be in relatively weak positions in a globalized economy.

At the extreme, special interests have sought not merely to pump tax money into a defence of minority languages but actually to revive some that were dead, in the sense of having no living speakers. In the UK, the regional language called Cornish, whose last native speaker died as long ago as the eighteenth century, has been revived in tune with the hope that Cornwall may acquire some degree of political independence. Some people in Cornwall can see the benefits of having a language of their own, however expensive this may be to the taxpayer, because (as is notoriously the case in Quebec or Wales) public sector jobs can be reserved for people who speak Cornish as well as English. Ordinary speakers of English need not apply! Cornish has already been established as a school examination subject, behind a barrage of rhetoric about the intangible merits of regional culture.

A last example of this cultural fracturing is even more bizarre and some might say even more divisive and wasteful. Again in the UK, £25,000

has been granted to teach eleven-year old pupils in ten schools in the county of Norfolk how to speak with the local accent and use dialect words. This is explicitly to save them from globalization and the linguistic influence of London!

These moves may be seen as play-acting and of limited business significance. The rescued or revived languages may be merely add-ons to mainstream ones, i.e. little more than hobbies for anyone, except the rent-seekers who get jobs teaching them. But they hint at a ground swell of protectionist, regional and national opinion that would happily fragment the world in the name of any and every minority culture.

Alongside globalization, and sometimes generated by it, comes another major shift in world distributions: immigration. Part of this is fuelled from a different source, the world's conflicts, which send refugees over many borders and risk breeding antagonism among host populations. The other part of immigration is economic migration, spurred by an outflow of workers and their families from poor countries or a positive demand for imported labor in richer ones. However much the incomers may be needed to staff workplaces, the ordinary inhabitants of the receiving countries are likely to fear for their jobs and sense a threat of change to their way of life. Notice how clever it is to resist immigration when it comes to the dilution of a local culture, formal refutation is difficult, because culture is too vague to pin down.

Never mind that every culture is ultimately syncretic and compounded of elements borrowed or imported from many other places; it will not be viewed, and may not even be understood, in that light. Chances are it will be perceived by those who grew up with it as the ancient, honourable and permanent way of their forefathers. Added to this, immigrants (apart from a relatively small number of skilled migrants) are customarily poor. They are disproportionately young men willing to work at jobs of the type the

Japanese called the three Ks, or in English the three Ds, meaning essentially jobs that are dirty, dangerous and dull.

Jobs of this type do not appeal to the inhabitants of even quite poor countries, if cheaper labor can be had from a country that is poorer still. The immigrant workers are paid low, relative to the average of the host country there would be little point in importing them if this were not the case. Such men, often from peasant backgrounds, speaking what are heard as barbarous languages or dialects, will seem to lack anything and everything the inhabitants of the host country regard as culture. Complaints of that sort have been heard literally since the time of the Roman Empire. Some of the locals may even feel that the jobs which they do have are likely to be taken away from them by cheaper immigrant workers.

Slightly higher up the employment ladder are factory workforces. Factory managers will doubtless feel it is vital to prevent conflicts among workers of different origins and different personal habits. Promoting individuals of one origin to positions of authority over quite different types of people may incite jealousy, not to mention the misunderstanding about the tasks that are assigned. Moderately heavy costs may be incurred in turning a varied labor force into a functioning whole, something that is not made easier by the lack of education, experience and appropriate language among workers drawn from rural areas, even if they come from the same country.

Notice, however, that by and large, these problems become easier to manage with skilled and educated workforces of the type that high value-added industries need to hire. There will still be initial differences in expectations, jealousies, and some occasion for making sure that all workers are aware of the mindset of others. A truly international workforce will have problems of communication where there is no common language or different levels of competence in the language used on the shop floor. Nevertheless, the more intelligent, better educated and more widely ex-

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perienced the workers, the less the difficulty.

As was stated in a letter from a highly experienced Cambridge linguist to the (London) *Financial Times* on September 12, 2006, knowing several languages is helpful to anyone working in a global organization but contrary to the wishful thinking that prevails among language teachers it is by no means essential. The opportunity cost of acquiring extra languages is in any case high. Intelligent people learn to cope with their cultural differences, as may be seen in the companies all around the world; Japanese firms for instance, which have adopted English as the language of management.

In any case, what is a manager expected to do? Change is so rapid in many countries and many industries that it draws in staff from previously unheard-of sources. The workplace becomes polyglot and the variety of tongues spoken changes over time. The costs of preparing managers to cope with this or to work in foreign countries are high—Asian languages in particular take much longer for native English speakers to learn than the other European languages do. If the individual manager, or his or her firm, invests years in learning another language really well, he or she may be reluctant to take on a further task of the same type—there are just too many languages to learn.

For this reason I am strongly of the opinion that learning Business English is the appropriate solution. In the real world, people are responding precisely in this way; in other words, this is the chief solution adopted by the market. A native English speaker like me is certain to find this highly convenient but that is not a fair point. In principle, it would not have mattered which language was selected as the World Standard, but once the market has made its decision, there are network advantages to adopting which-ever language has indeed been chosen. In the current circumstances, learning English means gaining access to the largest single pool of prospective customers and employees, and to

the largest single body of knowledge about the sciences and technologies useful in business. More problems are solved through the medium of English than by any other.

In truth, cultures are numberless and overlapping. They are sometimes sticky, but at other times, they change surprisingly freely, if there is a reason for them to do so. They continually mutate, often so gradually that no one notices (but is your culture really identical to that of your parents or grandparents?). Occasionally, however, change comes about with immense rapidity. Even in the academic world, this is not fully recognized and the tendency is to think that cultures are fixed, with every individual born into a culture which remains his or hers for life. This is simply not the case, as the new lives that many immigrants make for themselves clearly show.

Religion, language and values vary among the native-born inhabitants of any given country, and all these features are ordinarily taken as components of culture. Amartya Sen has been foremost in pointing out the cruel absurdity of typecasting people on only a single dimension, as if (say) the individual's religious adherence dominates everything about a person, regardless of other characteristics or the individual's choice. In practice, people are many-sided. Culture is multidimensional, vague and changeable; it is too easy to treat it as a fixed quantity, read off from some single characteristic like race, nation, religion or language. We know, of course, that change does happen but lack a general theory to explain cultural change over time. The fashionable typologies that pass as theories in this field list elements that are too insubstantial to define sharply and certainly too misty to measure.

The harassed manager may well say that these intellectual considerations are beside the point. The practical world of management must be taken at face value. Employees, customers and competitors identify themselves as belonging to one culture or the other; they have matching expecta-

tations and sensitivities; and all these things must be lived with. Yet the attitude that culture is fixed and central to a person's identity (identity is another seemingly self-evident but rarely defined quality) accords it a greater significance than is warranted.

Culture and identity are political attributes and as such may be used by the self-seeking to demand separate treatment. Moreover, cultural characteristics may seem to influence the quality of the workforce and (secretly) legitimize discrimination, despite the fact that, adjusted for levels of education, health status and proper training, worker productivity will not systematically differ among people of different backgrounds, except in the shortest of short runs. There will of course be start-up costs when hiring workers from origins unlike those of the existing staff. Genuine cases of friction will have to be smoothed over. But the problems are not bound to persist.

My point is therefore not to deny the short-term validity of cultural differences, but only to insist that, where culture itself is so hard to define operationally, managers should not grant it the first importance. Treating different cultures as incompatible because of initial differences in behavior means failing to hire people who are unlike oneself, but who nevertheless may be just as productive once given an equal chance. There is plenty of literature pressing the point that teams of mixed origins bring valuable differences in perception to the workplace, or perhaps more accurately, perform better than unmixed teams after working together for twelve months or so, during which time they learn to bond together.

This is seen in the performance of mixed teams of business school students—the managers of the future. Typically they make adjustments to fit in with each other's practices and manners. They fit in, too, with international practice over the Internet, where common standards are readily adopted by people from most countries in the world. The Internet, indeed, is a prime example of how cultural differences can be negotiated

without much apparent pain. Any residual cultural disagreements in the world of computer programmers are trivial compared with the whole body of IT work that gets done. The research teams in Silicon Valley are notably multicultural, with very large representations of Indians and Chinese.

The media, on the other hand, play up instances of cultural discord and conflict, of which admittedly too many are generated in a fast-changing world. First-generation immigrants are insecure people but so are plenty among the population of the countries in which they have settled. Immigrants alter the behavior of host populations besides altering their own: a quick way to see this is to con-

descent. As an example, there has been public alarm in the US during the past few years that Hispanic immigrants will not adapt to preexisting American values, whereas studies actually indicate a pattern of assimilation like that of previous groups of immigrants, whose cultures were also suspect in their day.

Taking a slightly longer perspective, and the deeper thinking that academic research is meant to involve, research at Manchester University comes to surprisingly healthy conclusions about cultural mixing in London. News about the UK constantly speaks of communal discord and violence, but the predominant situation is very different. During the

ceived. The second study confirmed these findings.

As I have argued with respect to languages, all differences cannot be attended to and no manager can learn every language; the opportunity cost of learning even one additional language is high enough as it is. Likewise, there are simply too many cultures to learn their every idiosyncrasy. Managers should do the best they can, but not pander to grievances where these seem trivial or improbable.

When managers have to travel overseas to negotiate deals with people of other nationalities, they should certainly be aware of cultural sensitivities. There are well-known instances of misunderstandings (but they are few relative to the vast number of cross-border deals that are made) and a few instances where offence is simulated in order to attain a bargaining advantage. Yet this does not demand more than ordinary courtesy and awareness of foreign expectations. It does not require that managers speak every language, learn to adopt every foreign habit, and undertake enormous preparation. Sensible people, of the type who could anyhow be trusted in a deal, would not expect much more than a reasonably alert, low-key approach to negotiating.

When it comes to managing staff, devoting resources to familiarization courses or providing separate facilities may interfere with building a coherent workforce. It may actively encourage a sensitivity to differences that would fade away if attention were not drawn to them. The approach is best left informal. The better the quality of the workers hired, the less time they have to worry about superficial differences on the part of their colleagues and the more readily they get on with the task in hand. A good general education, as opposed to a single-minded focus on technical studies, will lead to as much cultural awareness as is needed by either workers or managers. ☺

Reference # 03M-2008-10-02-01

Just as culture achieves a solidity in people's minds that the facts about it do not support, the true extent of cultural merging seems to perform a vanishing act. This means that managers in general do not need to worry quite as much about cultural issues as they are constantly told to do

sider how far cuisines have changed. Diet is usually regarded as something very central to identity. The modern diet in Australia, which is a country with an exceptional percentage of the foreign born among its residents, has for example been termed *ëMediterrAsianí*. This is testimony to the fusion of Mediterranean cooking brought in by Italians and Greeks with Asian cooking, largely imported by the overseas Chinese.

But the media overlooks this, or at least get the direction of change wrong. They dwell on cases of cultural misfit, without considering how quickly the bulk of immigrants adapt to host countries. The media speak as though the present will persist for ever. Young people who grow up in a country other than that of their parents and forebears are more likely to find themselves at odds with their families than with the other children around them. They take on new fashions and new manners, which parents do not like. Most young people are eager to make an accommodation with the host culture, often to the extent of marrying someone of another

1990s, neighborhoods with mixed residents increased by one quarter. Inter-ethnic couples and children of mixed ethnic parentage rose 20% in ten years. There are four times more children of mixed ethnicity than there are adults. The census of 2001 reveals that, as they prosper, non-white families move from the inner city to the suburbs. This pattern is also familiar in Australian and Canadian scenario.

Just as culture achieves a solidity in people's minds that the facts about it do not support, the true extent of cultural merging seems to perform a vanishing act. This means that managers in general do not need to worry quite as much about cultural issues as they are constantly told to do. Two studies reported in the *Financial Times Magazine* (January 13, 2007) sum the matter up. A survey of 104 interns and their mentors at an American company showed that racial similarity or dissimilarity had no discernable impact on how satisfied the interns were with the help and advice given to them. There was no difference in the support they re-

The Figure of Diversity Manager in French Business

Towards a Typology

This article explores five original types of Diversity Manager, which our research has led us to define as mysterious, apparent, exclusive, unsuspected and hidden.

We are currently witnessing a proliferation of Diversity Managers in French companies. But what are the responsibilities of the holders of these new posts, and what is their field of operation? What processes are taking place in the company to legitimize the post of Diversity Manager?

Linked to the historical development of business and its internationalization, Diversity Policies in French companies have been characterized by a varied and often inflated inventory of the parameters of the problem, and the criteria according to which progress in the matter is to be assessed. Some stem from an increasing diversity at both the client and supplier level; others from the sources of labor itself (age, the presence of women, social origins, qualifications); some are more logical in terms of evident anti-discrimination (people coming from visible minorities, victims of exclusion on the grounds of religion, sexual orientation, weight or disability...); while others are linked to the performance of diversified teams at times developed from a distance, the stated objective being to promote unexploited skills within the company and favor the exchange of knowledge and expertise in organizations that seek to develop as a network.

This article explores five original types of Diversity Manager, which our research has led us to define as mysterious, apparent, exclusive, unsuspected and hidden.

Manager in Charge of Diversity, Diversity and Inclusion Manager and Director of Social Innovation and Diversity are all titles that testify to the proliferation of a new kind of post in French companies, under the general heading, Diversity Manager. But what is the scope of the post of Diversity Manager? Is it simply a question of mentioning the word in the job title? Apparently not, since certain posts designated and presented as Diversity Managers by their companies have titles in which the word diversity itself does not appear (e.g. Associate Human Resources Manager in the French subsidiary of a washing powder company, Advisor to the President on Equal Opportunity Issues in a railway group). What characteristics do these positions have in common that might allow them to be grouped together under the name Diversity Managers?

Answering this question is by no means easy: if the characteristics of a post¹ simply refer to the place of work,

its content and the practical details of its execution, then it must be stated that these vary considerably from one company to the next in the case of diversity managers. In effect, often linked to functions within the competence of human resources, they can, as is the case with an energy company, also come under the umbrella of sustainable development. Moreover, they can also have as their raison d'être² the establishment of HR Management Diversity Policy at group level (a cosmetics group), or the implementation of agreements on diversity and social cohesion (a car company), disability and/or professional equality (post and telecommunications). With regard to the practical details of the job itself, the differences are legion: their roles may include mobilizing in the field (a cement company), coordinating (a tyre manufacturer) and influencing (a railway group). Observing all these variations reveals, in effect, considerable diversity even among these posts of diversity managers. Over and above simple surprise, this hypothesis has given rise to numerous questions on our part: what factors might lie behind the differences we have observed between these posts? And are they merely temporary?

First answer might be the choice made by each of the companies we have studied to define the post according to their needs, and independently of the person holding it as strategic and operational issues of diversity apparently vary from one company to an-

¹ J. M. PERETTI. Dictionnaire des Ressources Humaines, Vuibert, 2005, p. 186. iPost: Working Situation Entirely Defined by the Organization Regarding Place of Work, Content and Methods of Execution, Independently of the Holder of the Post.

² iRaison d'être : description of the entirety of the missions of a post and its global objectives.

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other, it seems evident that the posts should not encompass the same realities. Far more than a consequence of organizational choice, however, this fragmentation seems to have been brought about both by the newness of the field of diversity in France and the controversial character of the debate it has led to. It was not until recently, in 2004, that the subject of diversity entered the public domain with the publication of a report by the *Institut Montaigne* entitled *Les oubliés de l'Égalité des chances* (Overlooked by

Equal Opportunity)³, which eventually led to the 'Diversity Within Business Charter', subsequently signed up by the directors of 35 large groups, who undertook better to reflect in their workforces the social, cultural and ethnic make-up of French society and make non-discrimination and diversity a strategic theme of their Human Resources Management.

Bringing diversity into the public domain opened up a new field of action for French business. But while the Charter might have set the wheels in motion, it provided no regulatory constraint in the matter due to its non-binding and declarative character. Accordingly, in what was effectively uncharted territory, each company, including those that had signed up to the Charter, was free to take whatever action it liked in favor of diversity (isolated actions or integrated diversity strategy, short or long term, etc.) and create, if they so desired, a post of Diversity Manager to oversee the process. The issue has since gained added significance due to the controversy this new field of action has given rise to. Given that it is a question of acting in favor of the (supposed) diversity of French society, the question of how this is to be done has been raised, and discussed in the context of a republic where the French citizen is an individual whose sex, religion and skin color should play no role in the way s/he participates in the 'community of citizens'⁴. In persuading companies to pay particular attention to differences and minorities, the Diversity Charter has focused the debate on the question of 'positive discrimination', provoking a veritable 'quarrel between the 'for' and 'against'⁵. If they create posts of Diversity Managers, signatories to the Charter remain free to choose whatever actions they choose to assign them in order to make real their commitment. Some do not hesitate to set precise internal recruitment targets, unofficially, leaving their HR managers to establish the criteria regarding

those populations identified as discriminated against.

Accordingly, we shall formulate the hypothesis that organizational, contextual and also ideological factors may be invoked to explain the 'diversity of Diversity Managers'. Because the field of diversity is new, we have to recognize that 'Diversity Manager' is the term most frequently employed by the media to designate such posts, but what and who do we mean when we speak of a Diversity Manager? What are the outlines of the post and its scope of activity? What legitimizing processes are in operation within the company, and with regard to what set of values? Beyond what seems to be the 'diversity of Diversity Managers', what characteristics could there be that might allow us to group together under a common name these men and women whose task it is to reflect the diversity of the French society?

Owing to its vague character, the concept of diversity is open to several different interpretations, all inextricably linked to the notion of Corporate Social Responsibility (CSR, which we shall hereafter also refer to in its French abbreviated form as RSE: 'Responsabilité Sociale des Entreprises'). Although this concept itself is a construct largely emanating from the Diversity Charter, it has never been clearly defined, and is interpreted in different ways by companies, with the result that the field of action and nature of the Diversity Manager posts they create are by no means identical. An analysis of these posts has allowed us to reveal four working modes in Diversity Management: Generic, Complementary, Restrictive and one we shall call Evicted. According to these modes we have established five types of Diversity Manager: the mysterious, the apparent, the exclusive, the unsuspected and the hidden.

This analysis is based on a study carried out in 2006 during which about thirty formally or informally designated Diversity Managers (desig-



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His article, "Preparing African Leaders" has been published in *Cross-Cultural Approaches to Leadership Development* by C Brooklyn Derr & others.

³ L. MEHAIGNERIE et Y. SABEG, *Les Oubliés de l'Égalité des Chances*, Institut Montaigne, 2004.

⁴ D. SCHNAPPER, *La Communauté des citoyens*, Gallimard n° Folio Essais, 2003.

⁵ Y. SABEG et Y. SABEG, *Discrimination positive, pourquoi la France ne peut y échapper*, Calmann-Lévy, October 2004, p. 9.

nated as such both within their respective companies and externally) were questioned. It is also the result of observations in the field in those groups that have signed up to the Diversity Charter, and in networks whose Diversity Managers meet beyond the confines of their companies.

A) From Vague Concept to a Diversity of Diversity Managers in France

As stated above, the concept of diversity, due to its vague character, seems to be open to different interpretations, which account for the diversity of Diversity Managers.

In the current context, French citizens are all equal in accordance with the republican principle of integration and may not be deemed as being different for legal reasons of non-discrimination. Referring to diversity of the French then is somewhat paradoxical, insofar as it is a question of diversity without difference. It also recalls the paradox of racism without race justified by the republican tradition: there is no race [in France]⁶ since the French citizen, in the eyes of the Republic, is an individual like any other.

French universalism aspires to free the individual from all determinism. In France one is first and foremost oneself, what one has decided to be, given one's background and one's aspirations and not a representative of any particular cultural community that would to a large extent determine individual choice. Sex, religion and skin color have no role to play in the way the French participate in the community of citizens.⁷ And yet, diversity is the word companies are using today to characterize our society.

What do they mean by the diversity of French society? We must conclude that it is the Diversity Charter itself that has enshrined the notion of diversity in French culture, notably in a culture of trade unionism that has hitherto preached the gospel of (social and economic) equality. Diversity appears as a construct drawn up to a large extent by those who drafted the Charter to characterize French society, the result of their observation being that the French Republic has been somehow unable to guarantee equal opportunity, equality between women and men and fight against discrimination. We should note that in the mind of the Charter's authors this construct does not conflict with the republican ideal. The Charter may be taken to mean that equality and difference can go hand in hand, but there is no question of its signatories implementing a policy of positive discrimination. Indeed, the promoters of the Charter maintain that ethnic origin shall never be the criterion for obtaining employment.⁸

Nevertheless, the concept of diversity remains vague: the Charter provides no clear definition of the term, despite undertaking to work on the three forms of diversity: social, cultural and so-called ethnic origin. Each signatory is therefore free to provide its own definition of diversity. In a cosmetics group, for example, the conception is global, allied to a mosaic of visible and invisible differences,⁹ similarities and interactions which influence the attitudes, behavior, values and strategies of men and women in their professional environment. In other companies, the approach to diversity is more targeted: for a high-tech group, for example, diversity is above all cultural

and social. Effectively, the one such group has undertaken to favor the insertion of young people from deprived areas, hire the disabled and ensure sex equality between men and women.¹⁰ Due to the declarative character of the Charter, any signatory to it is also free not to deal with all the three forms of diversity it proposes, or to deal with one or more according to its particular requirements and priorities. In the aforementioned cosmetics group, no fewer than six forms of diversity were identified: gender, nationality, ethnic origin, social origin, disability and age while the high-tech group retained only three: social origin, disability and gender.¹¹

The scope of operation of the signatory companies with regard to the Charter also allows them to choose a nomenclature which best conveys their particular convictions, history, commitment and management. For example, although the expression cultural and ethnic diversity is a construct drawn up by the authors of the Charter to designate French citizens of immigrant origin, some signatories prefer the term visible minorities to underline their attachment to France's republican heritage. In effect, this expression, which originates in Canada,¹² expresses the visible diversity of a society without recognizing distinctive identities. Is the danger one of a society in which individuals will not fear discrimination on the grounds of their cultural differences since they will no longer constitute a hindrance to their development?¹³

To take another example: a railway company which, due to the strong ethno-cultural connotations of the term diversity, has preferred to replace it with the expression equal opportunity. Mr. A, the advisor to the President on Equal Opportunity Issues in the group tells us that he wanted an inclusive, federal term to avoid exclusion and define people without any determinism whatsoever. With equal opportunity we can unite several ambitions: to reflect our client base, employ more women, affirm our intention to value legislation linked to the disabled, and be closer to both deprived and ru-

⁶ G CALVES, Il n'y a pas de race ici, *Le modèle français*, Critique Internationale, n° October 17, 2002.

⁷ D SCHNAPPER, *La Communauté des citoyens*, Gallimard n° Folio Essais, 2003.

⁸ Diversity Charter Press Release. Explanation of Motives: Une Charte de la Diversité, pour quoi faire? 2004.

⁹ Visible differences: ethnic origin, gender, disability, physical appearance, age. Invisible differences: cultural origin, socioeconomic origin, education, experience, religious persuasion, political or philosophical convictions, sexual orientation, values, etc.

¹⁰ Press Release, Groupe de haute technologie, May 15, 2006.

¹¹ Press Release, Groupe de haute technologie, May 15, 2006.

¹² According to the law on employment equity, visible minorities include persons, other than natives not of the Caucasian race or not white-skinned. The population of visible minorities includes the following groups: Chinese, South Asian, Black, Filipino, Latino-American, South-East Asian, Arab, Western Asian, Japanese, Korean and Polynesian.

¹³ K AMELLAL, *Discriminez-moi ! Enquête sur nos inégalités*, Flammarion, 2005, p. 33.

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ral areas. I also wanted to avoid giving workers the feeling that their children would have no place in the company, conveying a genuine desire to maintain social equilibrium.¹⁴ The use of the term 'equal opportunity' here reveals a resolutely ideological stance.

The concept of diversity as presented in the Charter, then, is vague in character: there is no clear definition of it and we do not know if it is exclusively three-dimensional (social, ethnic, cultural origins...) or not. Each company interprets the concept as it sees fit, its freedom of interpretation reinforced by the Diversity Charter's own non-binding nature. Companies can also choose not to use the term diversity at all, for at least two reasons: its association with Anglo-Saxon practices of positive discrimination perceived as negative (even if such practices exist in France at national level),¹⁴ and its clear reference to ethno-racial minorities. Taking such interpretative licence is also the prerogative of those companies who have entered the field of diversity without signing up to the Charter. Multiple interpretations of the concept of diversity help account for the diversity of Diversity Managers.

By definition, a Diversity Manager takes in charge various diversity-related missions within the company. But what kind of diversity do we mean? We understand that the defini-

tion of diversity that the company itself chooses is crucial in determining the scope of the post of Diversity Manager, defining the way in which s/he comprehends the field of action and the dimensions of the diversity s/he has to deal with. Consider the example of the large cosmetics group again: Ms. B, its Diversity and Inclusion Manager, adopts an approach to diversity defined within the company, namely a global approach. Effectively, her principal mission is to take in charge all projects linked to diversity, which implies that her field of action officially includes all the forms of diversity outlined by the group. On the other hand, Ms. C, the Diversity Manager in a high-tech group, has a more targeted approach: she deals exclusively with gender and disability, insofar as they are the current priorities. 'Today there is a real desire to act in favor of disability in France at group level. Professional equality is also one of our concerns, but less so than disability at the moment,' she declares.

In addition, different interpretations of the concept of diversity lead companies to choose the nomenclature they feel most appropriate to best express their convictions. The range of terms is especially noticeable among holders of Diversity Manager posts. In a car manufacturing group, Mr. D is 'In Charge of Innovation and Social

Watch', while Mr. E is 'Director of Innovation in Social Responsibility' in a mobile telecommunications company and Mr. F 'Sustainable Development Manager' in an insurance company. The choice of titles communicates an approach to diversity which is as much an ideological stance on the part of the company involved. For a car manufacturer, diversity is perceived as social progress, and as such an integral part of the group's social discourse.¹⁵ This is not yet the case in the mobile telecommunications company, yet diversity does lie within the province of RSE. In the insurance company, it depends to a large extent on sustainable development, so much so that Mr. F's mission is to promote diversity as an issue for present and future generations, and question how the Group's actions in this domain might integrate them.

Different interpretations of the concept of diversity itself account for the diversity in approaches, missions, scope of activities and even titles of Diversity Managers. For greater clarity, we may consider that diversity takes seven principal forms: social origin, disability, nationality, gender, supposed or real ethnic origin, age and religion.¹⁶ However, since the companies we questioned declared that they did not include the last one among their criteria, our study will limit itself to the six others. Although all six have progressively come under the umbrella of RSE, we have noticed that not all of them have been retained and dealt with by companies openly committed to diversity. It would appear that they do not have the same notion of RSE; to what extent then might their different conceptions of RSE explain the diversity of Diversity Managers?

B) Progressive Integration of Diversity in the Field of Corporate Social Responsibility

Companies do not consider diversity in the same way insofar as they do not have the same conception of Social Responsibility. Their individual interpretations of Social Responsibility also seem to account not only for the diversity of posts under the heading of 'Di-

¹⁴ ZEPs [Zones d'Éducation Prioritaires], housing aid, educational grants and scholarships, the fiscal status accorded to Corsica by virtue of its 'insularity', hiring incentives... are essentially examples of so-called 'positive discrimination', i.e., measures taken with the aim of seeking to correct social and/or economic inequalities. (K. AMELLAL, *Discriminez-moi ! Enquête sur nos inégalités*, Flammarion, 2005, p. 353).

¹⁵ This policy of diversity and non-discrimination has been extended throughout the world with the signature of the worldwide managerial agreement on social responsibility (...) [The group] seeks to apply and promote, beyond the provisions of existing law, best practices and combat racism, sexism, xenophobia and intolerance with regard to difference, and to guarantee the respect of private life. (Groupe Automobile Social Report 2005, pp. 6-7).

¹⁶ At this stage in our development, we can note that Diversity Management policy in business consists of strategic acts of management that seek to create competitive advantage by meeting the challenge of an ever more diversified workforce. It deliberately emphasizes differences rather than similarities within the team, with a view to gaining efficiency. It deliberately stresses difference rather than similarity in working teams and seeks gains in efficiency. By concerted action outside the usual breeding grounds of recruitment, it introduces an element of difference into an ensemble hitherto perceived as homogeneous. It seeks to value the contribution of each individual to the organization by recognizing and acknowledging his/her skills. Diversity Management policy seeks to fight discrimination, promote equal opportunity as the norm, reduce the dysfunctions that are likely to create diversity, respond to inevitable resistance such measures provoke, calculate the distance travelled and yet to be travelled in order to pilot progress, increase diversity in teams as they develop and eventually recognize unexploited internal skills, ultimately valuing the particularities of each member of staff. A 'proactive' Diversity Management policy seeks to capitalize on the intercultural dynamics of diversified teams. Through constant comparison with the local and regional employment pools in which it is implanted, it presupposes the establishment of a managerial culture that favors integration and considers as assets differences between employees in terms of age, gender, real or supposed belonging to a particular ethnic group, nation, race, political orientation, membership of a trade union, family situation, social and cultural origin, physical aptitude, disability, sexual orientation and religious persuasion. This policy is likely to affect work organization, HR management and corporate culture as well as the understanding and conquest of markets (clients and users).

iversity Manager¹ but also for the very criteria that define diversity as a sphere of activity.

Reflecting the social, cultural and ethnic make-up of the French society is considered today as part and parcel of RSE. But what is RSE? The green paper published by the European Commission in July 2001 defined it as 'voluntary integration on the part of companies of social and environmental concerns into their commercial activities and their relations with stakeholders'. In effect, this RSE is an imported version of Corporate Social Responsibility according to which an economically viable company should, through dialogue with stakeholders, manage the social, societal and environmental impact of its activities. American in origin, the concept of CSR was introduced into the European Union primarily as a response to the social crisis of the 1990s, and subsequently to the effects of globalization.

It was at this time that social origin was included in the field of RSE, through the problem of integration of communities in difficulty. The law of December 1, 1988 stipulated that social and professional integration of people in difficulty constitutes a national imperative,¹⁷ and companies accordingly became partners in an economic integration policy put in place by the authorities, whose provisions included procedures to facilitate entry into the job market for young people (professionalization and apprenticeship contracts) and organize the return to work of the long-term unemployed. Even if companies took part somewhat under duress, at times to take advan-

tage of tax exemption, reflecting the make-up of French society was considered to fall within the limits of RSE.

The problem of integrating disabled workers¹⁸ led to disability becoming the second form of diversity to be brought under the umbrella of RSE;¹⁹ since 1987, companies with more than 20 employees are legally bound to employ more than 6% of disabled workers, failing which the law allows the firm to meet its obligations by paying a contribution proportional to the number of disabled workers employed, (a contribution, not a tax) payable to the AGEFIPH.²⁰ The law of February 11, 2005 on equal rights, opportunities, participation and citizenship for disabled persons maintained the 6% threshold but modified the calculation rate more in line with company practice.

The notion of sex equality is more ambitious in scope than the rather diagnostic gender diversity; but it was through the implementation of sex equality legislation that gender was brought into the domain of RSE. Since 1983, the Roudy Law²¹ has enshrined the principle of non-discrimination between the sexes in HR procedures and even a certain form of positive discrimination in favor of women to redress the balance of existing inequality. Even so, sex equality did not appear to be much of a priority to stakeholders during the social crisis of the 1990s, and it was not until the Genisson Law²² of May 9, 2001 and the National Inter-Professional Agreement of March 1, 2004 that gender was included in the domain of RSE.

As these examples of social origin, disability and gender illustrate, bring-

ing the different forms of diversity into the domain of RSE has been a gradual process. But has this been the case for all companies, and what are the consequences at Diversity Manager level?

Integrating the forms of diversity has not been undertaken in the same manner in every company, which has had consequences on the level of involvement of the diversity managers, calling into question their field of action. Should social integration, disability and sex equality be considered separately from other forms of diversity? Some companies, like the cosmetics group we studied, say they should, and maintain posts dedicated to dealing with one or more of these forms. It seems that other companies prefer the concept of Sustainable Development to that of RSE, hence their attachment of diversity manager posts to their Sustainable Development divisions, a situation explained by the semantic confusion that exists between the concepts of



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¹⁷ By insertion *à* as opposed to assimilation *en* we understand *à* having an individual enter into a group while respecting his/her differences.*à*

¹⁸ A disabled worker being defined as 'any person whose chances of obtaining and maintaining employment are effectively reduced as a result of a lack or loss of physical or mental ability.'*à* In J. M. PERETTI, *Tous différents!*, Editions d'Organisation, 2006, p. 165.

¹⁹ According to G. BERTHELEME, 'taking an interest in disability by suggesting an approach [inspired by the RSE] means considering the interests of and risks incurred by each interested party, emphasising the fact that disability, like any characteristic concerning a specific population, can become a lever for performance for the company and facilitate the implementation of a creative dynamic whose value transcends the relations between the disabled employee and his/her employer.'*à* In J. M. PERETTI, *Tous différents!* / , Editions d'Organisation, 2006, p. 100.

²⁰ A national association managing the funding of professional insertion for disabled employees. Going one step further, some companies have drafted written agreements at company or group level with this association to decide together on how to share costs and expenses related to disability.

²¹ Y. Roudy, Minister for Women's Rights from 1981 to 1986.

²² C. GENISSON, Socialist Member of Parliament for Pas-de-Calais since 1987 and author of the report *à Femmes-hommes. Quelle Égalité professionnelle. La mixité professionnelle pour plus d'égalité.**à*

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RSE and sustainable development themselves. Bringing the various forms of diversity into the domain of RSE is one explanation for the diversity of Diversity Managers, and the integration of the diversity into the domain of sustainable development might explain why certain diversity manager posts have been linked to sustainable development. Even so, on the basis of our research in the field and closer study of the concepts of diversity and responsibility, we have been able to outline the following different types of diversity manager.

C) Towards a Typology of the Diversity Manager Centred Around the Concept of Diversity

Starting out from the premise that the titles of diversity manager posts convey approaches to diversity and issues specific to each company, our first area of study concentrated on the principal defining modes of diversity, with the regard to the way in which the term appears in the titles of the posts in our sample.

Firstly, we identified three groups of titles: those where the word *diversity* is mentioned alone, those in which it is attached to another term, and those in which it does not appear at all. Further scrutiny of these three groups allows us to postulate four defining modes of diversity: generic, complementary, restrictive and evicted. It is according to these modes that we subsequently outline five types of diversity managers.

Among those posts whose titles make mention of the word *diversity* alone, we note that nobody really knows what the term relates to, even though its use conveys an explicit commitment on the part of the company in favor of diversity. The question remains as to what diversity is, so much so that we can call this a generic defining mode. We shall describe those diversity managers whose posts present such generic titles as mysterious, insofar as we are unable to determine what their missions relate to, or believe they are supposed to cover the entire field of diversity. But this first level of analysis must be subtle: despite

the generic character of the term employed, not all the forms of diversity maintained and dealt with by the companies are the same. For instance, whilst in a large French bank, Mr. G works officially on sex equality, nationality and social/ethnic origins through the implementation of an equal opportunity policy, Mr. C in the high-tech group concentrates on disability and sex equality. This is explained by the fact that the concerns and stakes of each company regarding diversity are completely different, in a large part due to the nature of their business. As such it is clear that, in the mysterious category, diversity managers do not all comprehend diversity in the same way. Nevertheless, in the interests of clarity, we have chosen not to deal with the form of diversity variable for the time being.

The second group of titles is that in which the term *diversity* is attached to another term, such as *social innovation* (oil company), *inclusion* (cosmetics group), *ethics* (cosmetics group), *exchange* (telecommunications group) or *mixity* (postal group). Here, we see the expression of two defining modes of diversity: the complementary and the restrictive. The complementary mode is perceived in cases where the term diversity is attached to another term that makes no reference to the form of diversity. As such, diversity retains its generic character, but its association with another term allows us to define it (diversity), by negating the definition of the second term. For example, diversity as such is neither ethics nor inclusion in the cosmetics group. What, then, is it? This first level of analysis does not allow us to answer that question, but it does reveal the position of the company. What is

discernible in the cosmetics group is the swing from one position to another: in 2004, ethics and diversity went hand in hand, but in 2005, with the creation of the post of Diversity and Inclusion Manager, diversity and inclusion were to be thought of as going together. It also reveals that certain diversity managers wear two hats. We shall describe those posts of diversity managers whose titles are constructed this way as apparent, since we measure the content of their diversity-related missions by the yardstick of what is not diversity as such. The restrictive mode is perceived in those titles where the term *diversity* is accompanied by another term that refers to at least one of the forms of diversity, and as a result loses its generic character. Diversity is defined by what it is not; but this negation is distinctive in that it is restricted to one particular form (of diversity). As in the complementary mode, this defining mode also reveals a company position. In the postal group, for example, diversity is not mixity. Sex equality therefore is excluded as a form of diversity as such, to be dealt with separately by the diversity manager, a distinction explained by the fact that the group began to work historically on sex equality well before the other forms of diversity (in a Sex Equality Agreement in 2004 and a Majority Agreement the following year). The restrictive mode is characteristic of the diversity manager posts we shall call exclusive, insofar as at least one form of diversity is removed from the list and given special attention.

In the third group of titles the word *diversity* is not present whatsoever, the company (deliberately or not as the case may be) choosing not to employ it. Upon reading the titles we do not know



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if they are diversity manager posts or not. This is the evicted mode; the eviction of the word diversity is said to be involuntary if no diversity manager post has been created. Diversity-related missions are undertaken, informally (a food group) or formally (cement company) by people already working on other problems, who we shall describe as unsuspected. If, however, a diversity manager post has been created and the word 'diversity' has been deliberately ousted, we shall call these incumbents hidden.

Accordingly, five types of diversity managers can be defined in view of the principal defining modes of diversity: the mysterious, the apparent, the exclusive, the unsuspected and the hidden.

We propose to classify the diversity managers according to the number of forms of diversity that they officially deal with in their respective companies. This allows us to define the scope of diversity that each is responsible for. Generally, a maximum of six forms of diversity are recognized by companies: social origin, disability, gender, nationality, ethnic origin and age. We note that some companies, such as the large French bank, the mobile phone company and the railway group, bring social and ethnic origin together under the heading 'equal opportunity', and that only 10% of diversity managers in our sample take a global approach to diversity (the Diversity and Inclusion Manager in the cosmetics group and the Innovation and Social Watch Manager in the car company).

Forty five per cent of these managers have a bidimensional approach to diversity, linking either disability and gender (due to company agreements regarding disability and sex equality), or social and ethnic origin. We should, however, qualify our comments by emphasizing

that 45% of the diversity managers studied officially, take into consideration no fewer than three forms of diversity.

Nevertheless we also note that there is often a discrepancy between the forms that have to be dealt with and those present in the field, notably due to overlapping responsibilities. To take one particular case, although the diversity and inclusion manager of the cosmetics group officially takes a global approach to diversity, she does not take into consideration social origin and disability, which come under the remit of the coordinator of apprenticeship and insertion, and have done so for more than a decade. Our observations in the field have allowed us to analyze the missions and activities of diversity managers in our sample to define the forms of diversity they deal with in an effective manner. In fact, only one diversity manager takes a global approach to diversity. Slightly over 50% the diversity managers take a bidimensional approach, and 75% of them deal with fewer than three forms in the field!

We sought to go further in our analysis and suggested an analysis based not on number but of the nature of the forms of diversity dealt with by these managers. In order to measure qualitatively their involvement in the field, we concentrated on the various stages of the process of integrating forms of diversity into the domain of RSE. The classification resulting from this chronological analysis is therefore not a moral grading of the diversity managers. Three levels, each coupling two of the forms, were established: level 1 refers to social origin and disability, level 2 to gender and nationality, and level 3 to ethnic origin and age. We observe that there are Diversity Managers who are involved exclusively on one level. For instance, Diversity Managers K and B, respectively in a washing powder company and a cosmetics

group, are on level 1. Other diversity managers are involved on the first two levels but do not yet work on ethnic origin and age. Conversely, we note that 70% of diversity managers work on level 3, which is explained by the trendiness inspired by the diversity charter, which invites companies to pay special attention to the ethnic and cultural make-up of the French society. Only 36% of the diversity managers work on all three levels.

Diversity managers can be classified according to the number of forms of diversity they officially deal within the field, both globally as well as unidimensionally. According to the nature of the forms of diversity and the chronology of their incorporation into the domain of RSE, they can also be classified according to three levels of involvement. But seen through this prism, what are the issues of diversity management?

According to IMS-Entreprendre pour la Cité, they are of several orders²³: economic, social/societal, legal and image-related. These are balanced by the strategic and operational issues of each company. We notice that there is a correspondence between a predominant issue of diversity management for a given company and the profile of the diversity manager it employs. When economic issues prevail, companies call upon an expert often specialized in dealing with one particular form of diversity or in project management, whereas they frequently have recourse to a militant to defend social and societal issues of diversity. If optimizing their HR management is a priority, they call upon someone from the HR domain, while communicators and lawyers are often chosen by companies when it is a question of anticipating eventual legal and image-related risks concerning discrimination and the promotion of diversity internally, externally and in social dialogue.

D) For a Typology of Diversity Managers Based on Responsibility²⁴

There seem to be three principal motives behind the progressive integration of diversity into RSE, namely the social shifts of the 1990s, the promotion of di-

²³ Economic issues refer to the improvement of company performance. From an organizational perspective, it is a question of optimizing HR management with respect to forthcoming retirement. The social and societal stakes are also high, given that integrating fringe groups within the company improves social cohesion and testifies to an engagement of social responsibility on the part of the company. Managing diversity also allows, to a lesser extent, to foresee legal and image-related risks related to discrimination. IMS-Entreprendre pour la Cité, Non-discrimination et gestion de la diversité dans les entreprises en France, 2004.

²⁴ A typology developed in BROUSSILLON (George-Axelle), La figure du Responsable Diversité dans les entreprises en France. De la symbolique à l'action de conduite du changement en Gestion des Ressources Humaines, Dissertation for HR Management, Communication and Negotiation Masters degree (Paris IV / Sorbonne-Celsa), December 2006.

versity issues since the signature of the Diversity Charter in October 2004, and the integration of the theme of diversity into social dialogue. Further analysis of our interviews indicates firstly that the posts created before the first signatures on the Diversity Charter were a direct consequence of the opening up of business to the social changes that took place in the early 1990s. Secondly, it seems that many posts were created after October 2004 to promote diversity issues, which would indicate the Charter was a common motive underlying their creation. And thirdly, in view of the Charter's declarative nature, some companies (including even signatories to the Charter) preferred to create diversity manager posts pursuant to agreements at company level. As a result, we see that the motives for creating diversity manager posts are the same as those behind the integration of diversity into RSE.

Three types of diversity manager posts can therefore be outlined: posts adapting to social changes, posts to promote diversity issues and posts negotiating agreements on social progress.

We can also classify diversity managers according to the degree of responsibility of the individual holding the post. To do so, we analyzed the status of the posts in our sample. Five could be identified: the Operational Director, the Functional Director, the Manager In Charge (of a specific division), the Project Leader/Manager and the Advisor to the President.

In such a manner, our study has revealed different types of posts and profiles of diversity managers testifying to a wide range of remits and fields of operation. However, despite the many interpretations of the term 'Diversity Manager' which account for the diversity of the posts, it is employed by all and sundry as if there were a common meaning and thought process beyond this fragmented reality.

Conclusion

As has been stated, different interpretations of the concept of diversity are at the origin of the diversity of approaches, missions, fields of activity and even titles of the diversity managers, that tak-

ing into consideration the overarching nature of discourse on diversity. This diversity of posts is reinforced by another factor, the different ways in which each company integrates the various forms of diversity into its RSE. We have defined six principal forms of diversity in the field of operation of a diversity manager: social origin, disability, nationality, gender, ethnic origin and age. Although these have progressively been brought under the umbrella of RSE, they are not all dealt with in the same manner by companies committed to promoting diversity, a situation explained by the fact that the companies themselves do not all have the same conception of what their social responsibility is. Some prefer to integrate the theme of diversity into the field of sustainable development, which explains why several diversity manager posts are linked to this department. There are, then, several interpretations of what a diversity manager is, in the view of what is originally understood by diversity and the forms of diversity considered as belonging to companies' RSE; and these interpretations have led to the typology formalized above.

Even so, despite the vague nature of the term 'Diversity Manager', the majority of companies continue to employ it, in the sense that it carries meaning, implicitly evoking the existence of a common project to represent the diversity of the French society, a project that is leading to a convergence, even a mutualization of certain practices on the ground. It is principally a question of diversification of sourcing put in place to represent diversity in the company, both in internal communication and public relations by which the diversity managers position themselves as representatives of diversity both inside and outside the company. This convergence of practices, especially the difficulties that the diversity managers encounter in seeking to change both working meth-

ods and attitudes, show that pushing for change at HRM level is a common goal for the diversity manager, which serves to legitimize the function in the eyes of their superiors. This process of change finds its most accomplished form in a new way of team management: openly declared diversity management.

One might wonder moreover whether, in progressively transforming some of their HR practices into Diversity Management, some French companies are not pursuing a more inclusive Anglo-Saxon business ideal questioning the limits between professional and private space,²⁵ making the workplace an open and harmonious place where each individual, regardless of sex, age, origin, disability or religion might cultivate their differences and develop their potential without surrendering their identity. We see the first signs of this in a car company where there is no longer a difference in terms of remuneration between men and women, where changes are perceptible in results and behavior. In effect, the social climate is changing (...), older women and men are on the production line. (...) It is becoming habit.²⁶

We note that favoring inclusion is often perceived as a means of making the company's diversity policy apply to the largest number of its employees. Indeed, the development of services for workers, or the balance between private and professional life, concerns everyone. As such, the diversity manager in charge of deploying a diversity management policy cannot afford to cut corners on inclusion policy, however negligible it might seem, all the more so considering that putting into place a diversity policy involves a dynamic evolution of business culture towards ever greater inclusion. Whatever his/her status, the Diversity Manager will have to mobilize and coordinate internal resources in order to have the necessary time to lead change in Human Resources Management, and will have to be sufficiently legitimate within the company to steer different diversity-related projects and position himself/herself as a veritable project manager driving forward change. ■

²⁵ Concretely, we can cite several initiatives on the part of companies, including programs to accompany parenthood, the development of specific services for workers and the adaptation of operational rules to favor the balance between professional and private life.

²⁶ D, In charge of Innovation and Social Watch, Automobile Group.

Moral leadership and smart strategy go hand in hand. Performance is enhanced when both are present and it degenerates precipitously when both are missing.

– Prof. Bala Chakravarthy

➤ **What important lessons do the last hundred years of business history offer us today?**

One of the important lessons of the past century is that sustaining superior performance is not just about great execution but also about continuous strategic renewal. Otherwise, excellence will be fleeting. We have all had our frustrations with an ever-changing list of excellent and great companies from one decade to the next. In my own study of over 6000 publicly listed companies around the globe, only 1 in 4 achieved sustained profitability and growth over a 5-year period that was better than the average for their industry. That proportion drops to 1 in 20 over a 10-year period and 1 in 100 over a 15-year period. Sustaining superior performance over the long haul is hard. Here is why.

Pursuing growth requires exploring for new opportunities and competencies. It calls for entrepreneurship and risk-taking. Profitability on the other hand, is helped by exploiting the opportunities and competencies that are already available to the firm. Systems and processes that are fine-tuned over time to maximize profitability cannot nurture entrepreneurship. But then a firm's market opportunities get depleted steadily both through market saturation and the actions of competitors. Its competencies lose their distinction through imitation and substitution. Unless there is a continuous push to explore new opportunities

and capabilities that will be needed for competing successfully in the future, the firm's performance will eventually suffer. Without continuous strategic renewal a firm cannot show sustained excellence in performance.

➤ **The first eight years of this century (2001-2008) would definitely go down in history as watershed years for global businesses. First it was colossal fall of Enron, Arthur Anderson, Tyco, WorldCom, etc., September 11, attacks put countries on**

Pursuing growth requires exploring for new opportunities and competencies. It calls for entrepreneurship and risk-taking. Profitability on the other hand, is helped by exploiting the opportunities and competencies that are already available to the firm

high alert. 2007 saw the world getting engulfed in subprime mortgage crisis and with that a complete washout of trillions of dollars of shareholder wealth and 2008, has seen the global banking crisis, oil price shocks and Food price rises, etc. What do all these events signify? Should they be looked at isolation or are there any powerful lessons for future managers and CEOs when they connect the dots?

You ask two different questions here. The first has to do with shocks to the economy and the other is about corporate failures.

Let me talk about environmental shocks first. These are not new. Managers have had to deal with them for years. There are two types of shocks though, one that can be anticipated and the other a total surprise. For example, some would argue that the spike in oil prices should have been anticipated. With the soaring demand for energy, the poor track record on conservation and oil supply being controlled to a significant degree by the oil cartel OPEC, oil price had to spike sooner or later. Managers simply have to get

better at scenario planning and learn to formulate strategies that can deal robustly with multiple scenarios. The days of pin point forecasting are over.

Then there is the other type of shock, like the terror attacks of September 11. This is perhaps a scenario that nobody could have anticipated in advance. Nevertheless, firms that had lean organizations and low break even points could absorb the sudden loss in demand better than others that were not as efficient. Building resilience is another important response to dealing with environmental shocks.

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The other question you raise is about corporate failures. You refer to Enron, Arthur Anderson, Tyco and WorldCom. All these case studies point to lack of ethics. In the case of Tyco and Arthur Anderson, it was the moral failure of its leaders. That was also the case at Enron and WorldCom, but with an important twist.

I talked about continuous renewal earlier. If a firm fails to renew its opportunity space and capabili-

petitive advantage. But in the 21st century, innovation is moving out of the lab and across the globe. The research indicates that a real source of competitive advantage is skill in managing innovation partnerships. For instance, Boeing's unique assets and skills are increasingly tied to the way the firm orchestrates, manages, and coordinates its network of hundreds of global partners. Innovation is increasingly driven

Companies in a number of industries, such as pharmaceuticals, medical devices, aerospace, information and communications, are increasingly using external networks to build missing competencies or to enter new markets. There is a lot of uncertainty in these industries as to which competencies, especially technology platforms, will be the winners in the future

ties, it will soon face performance pressures that it cannot handle. Indeed, companies like Enron and WorldCom faced such a pressure. Their leaders had promised the financial community more than what they could deliver. They did not have an underlying strategy to back their promise. So they began taking shortcuts; which soon transgressed into illegal activities. Jeff Skilling of Enron and Bernie Ebbers of WorldCom are in jail today, convicted for their roles in this sad drama. It is important to remember though that what started it all was a flawed strategy.

The root causes underlying the subprime crisis are similar: stale strategies that could not support the performance commitments that were being made by these firms; combined with weak ethical standards that did not question the means that were then used to artificially boost firm performance.

Moral leadership and smart strategy go hand in hand. Performance is enhanced when both are present and it degenerates precipitously when both are missing.

➤ **Corporate R&D labs used to be the key for companies to create com-**

through collaborative teams due to product complexity, availability of low-cost but highly skilled labor pool and advances in development tools. At a macro level, what's driving this trend? Is this going to be a competitive necessity or a competitive choice? What are the advantages to companies that do it well?

True, the boundary of innovative firms is fast extending beyond their organizations to include its partners. Companies in a number of industries, such as pharmaceuticals, medical devices, aerospace, information and communications, are increasingly using external networks to build missing competencies or to enter new markets. There is a lot of uncertainty in these industries as to which competencies, especially technology platforms, will be the winners in the future. Building new competencies is both expensive and risky as is entry into new markets in emerging economies. Besides, competencies can become obsolete very quickly. Therefore, partnering and virtual networks are a competitive necessity.

Not just Boeing, but several others have pursued such a strategy of

distributed innovation. For example, P&G has created an extended R&D organization connecting its own 7500 researchers and engineers with the vast external pool through a permeable boundary. Its R&D productivity and innovation success rate have nearly doubled, while the cost of innovation has fallen. This is the kind of advantage that others are trying to replicate.

➤ **According a recent McKinsey Global Survey, almost 70% of executives around the world say that global, social, environmental, and business trends are increasingly important to corporate strategy. Yet relatively few companies act on the global trends they think will affect them most; among those that do act, only 17% report significant benefits. Why is there such a disparity between need and action?**

Great question! I hope you will ask McKinsey for a response. Let me take a crack at it though. Recall, I noted earlier how it is very hard for a firm to sustain profitable growth. If a firm's financial performance is poor, it is hard for its leaders to justify investments in a firm's social and environmental performance even though these investments may be necessary to sustain financial performance over the long run. This preoccupation with financial performance in the short term may explain why there is a major disconnect between awareness and action. Unless social or environmental performance becomes important to financial analysts, there will only be lip service paid to them, especially in firms that are in financial trouble.

Also, there is a tendency to measure benefits from business initiatives that deal with the social and environmental responsibilities of a firm only in terms of improvements to its financial performance. They may guarantee a firm's license to operate or minimize the risks of disruptions to its operations. Both offer significant benefits to the firm. But these are not always easy to quantify.

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Hence these benefits tend to be systematically understated.

- **Do you foresee a decreasing role for multilateral international bodies like, WTO (with the rise of regional and bilateral trade agreements and perennial show-down at recent meetings, including impasse at Doha round of talks), UNO (with private sector assuming a great role at humanitarian activities for instance, Bill and Melinda Gates Foundation, Clinton Global Initiative, etc) and increasing role of Social Entrepreneurship Initiatives and Microfinance Initiatives, etc), the IMF and the World Bank?**

I wish this were not the case but I am afraid you point to a growing reality. Nation states have a natural tendency to be self-centered and competitive. While cooperative institutions like, the European Union are refreshing exceptions, the EU too is having its fair share of problems in agreeing to a common constitution or defense strategy. The UN bodies are far more heterogeneous by contrast. There are too many vested interests and shifting alliances. Finding a multilateral win-win solution in such a setting is very difficult. We are left, therefore, with the less ambitious arrangement of regional or even bilateral treaties.

Multilateral international bodies are taking a backseat today because we have very few world leaders who are both popular at home and well respected abroad leaders who can make the gutsy first selfless move.

Without such an action it is hard to get others to yield. When public governance fails we have to look to the generosity of individuals; but theirs is just a drop in the bucket, given the enormity of the challenges that confront the world community.

- **What according to you are the important trends that are going to shape the way global business will be carried out and what advice would you offer to the top managers operating those businesses?**

There are many important trends. Let me just focus on three here:

- **Globalization will accelerate, despite the current difficulties**

Despite the problems with the WTO, world trade is getting freer. Goods, services, human and financial capital are moving across national borders more easily than before. The opening up of China and more recently India and others has contributed to this cause. Firms from the old TRIAD countries and the new BRIC countries are chasing similar dreams. Competition is intensifying. The firm's leaders have to look for ways to standardize its operations across the globe even as they encourage adaptation to suit local market needs; they must create a sense of identity and pride among the firm's employees even as they recruit a more diverse work force; they must encourage speedy decision-making and yet maintain control; and they must seek top business performance and yet ensure strict adherence to the firm's values. Top management must master these and other dilemmas in order for the firm to succeed.

- **Social and environmental performances will grow in importance**

The firm's stakeholders are getting better organized and getting more vocal. Awareness of climate change and industry's contribution to this problem are growing. In addition to financial performance, top management must pay attention to a firm's social and environmental performance. These are important for earning and maintaining the license to operate. But actions that enhance financial performance need not always help the other two. In fact there can be serious contentions. It is not enough for a CEO to merely decree that all three performance dimensions are important. The CEO must be a walking example of how the underlying dilemmas can be managed.

Besides the substantive tradeoffs that have to be made, there is the added burden of communicating the firm's position to the media. Media bandwidth has exploded exponentially over the past decade. Channels are chasing scarce content. Factual reporting and quality analyses have given way to sensationalism. News is not just reported but increasingly manufactured to fill the airways. The growing popularity of the Internet has led to instant diffusion of news, both facts and rumors, verified and speculative. Large companies and their leaders are especially vulnerable targets. One misspoken word can be ruthlessly exploited again and again on a global stage. Top management has to learn, to communicate effectively with the media.

- **Business, Government partnerships will grow**

Take major business sectors like energy, financial services, health care, transportation or food. All of these have national security concerns. Governments will get involved. Businesses will also need to partner with governments to establish fair social and environmental regulations. In general, the interplay between government and business is on the rise. World Trade is a case in point. Issues of war, terrorism, environmental regulation, trade, currency movements, and taxation are all matters that are salient to business but need political intervention. The role of top management will grow from being just a business head to also becoming an able ambassador for the firm vis-a-vis its political partners. 📌

The interview was conducted by
Dr. Nagendra V Chowdary,
Consulting Editor, *Effective Executive*,
Dean, The Icfai Business School
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Effective Antidotes for Innovation Antibodies

Staying Ahead

This article surveys ways to recognize innovation antibodies, interpret their goals and purposes, realize the danger they pose to companies, and steps to take so that they are effectively neutralized.

To achieve innovation success, a company must overcome the organizational "antibodies" that inevitably come out to attack and defeat innovations.

ñ Tony Davila

Every enterprise engaged in business in the frenzied global marketplace fights an hour-by-hour battle for viability. Menacing

competitors rapidly appear from domestic and international environments, often wielding new and powerful technologies that obviate the need for the special product, service, or idea developed and long-nurtured by the company. As strategist Gary Hamel noted, "Out there in some garage is an entrepreneur who's forging a bullet with your company's name on it. You've got one option now—to shoot

first. You've got to out-innovate the innovators." Through intentional organizational changes, staff training, and worldwide partnerships, companies go to great lengths to develop acute "peripheral vision" to detect competitors just beyond the horizon. As Harvard University Professor George Day said, "Good peripheral vision is much more than sensing; it is knowing where to look more carefully, knowing how to interpret the weak signals, and knowing how to act when the signals are still ambiguous."

No matter how tightly woven the protection from outside competitors, organizations often fail to consider an enemy from within, usually referred to as an *innovation antibody*, *organizational antibody*, or *devil's advocate*. Regardless of the soundness of a corporate and its products, one well-placed innovation antibody can quietly reinterpret corporate strategies to co-workers and ultimately wreak havoc on the corporation's future.

The Need for "Wild Ducks"

First, it is essential to emphasize that just because a person, who has an unusual personality or disagrees with company policies or methodologies, is not necessarily an "innovation antibody." To encourage the innovation that determines corporate viability, companies absolutely *need* those employees. As Stanford University Professor Robert Sutton noted, "Your company's more likely parts of it need to be a place that generates many disparate ideas. It should be an arena, a constant and constructive contest, where the best ideas win."



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British inventor James Dyson extolled the necessity of thinking differently: "You are just as likely to solve a problem by being unconventional and determined as by being brilliant. And if you can't be unconventional, be obtuse. Be deliberately obtuse, because there are five billion people out there thinking in train tracks, and thinking that they have been taught to think." Human resources expert Francis Horibe showed that even traditionally staid IBM needed unusual employees to succeed: "TJ Watson shows us the way. He coined the term 'wild ducks'—quirky, individualistic, highly intelligent employees who ignore procedures, shun set schedules, and resist attempts to make them more efficient. Because they were often very creative, he warned against taming them, for once tamed, they can never be made wild again." Leadership expert Warren Bennis noted, "If not out-and-out rebels, participants may lack traditional credentials or exist on the margins of their professions," and, "Great Groups are probably more tolerant of personal idiosyncrasies than are ordinary ones, if only because the members are so intensely focused on the work itself." As Horibe said, "On the one hand, we want innovators' creativity and passion. On the other hand, innovators' inability to build coalitions or even follow normally accepted rules makes them a challenge to fit into an organization." The very qualities that make for great innovation—passion, drive, out-of-the-box thinking—are viewed as arrogance, unreasonableness, and uncompromising behavior by organizations bent on efficiency. Only by accepting and harnessing the power of these divergent viewpoints may corporations find the remarkable ideas so essential in the competitive modern marketplace. As Nissan Design International CEO Jerry Hirschberg said, "Rather than trying to reduce the friction that naturally arises between people working together by diluting or compromising positions, creative abrasion calls for the development of leadership styles

that focus on first identifying and then incorporating polarized viewpoints."

"Corporate antibodies" does not include employees who seem wayward but actually have not received appropriate training or clear instructions. Noted human resources expert Ferdinand Fournies noted, "As amazing as this may sound, the most common reason managers give as to why people at work don't do what they are supposed to do is, 'They don't know what they are supposed to do.' At its worse, this means literally that people do not know there is a specific task they should perform."

In addition, "corporate antibodies" does not refer to those who loudly and dramatically disrupt company operations. They are often referred to as a "saboteur," from the French "sabot," a wooden sandal worn by workers and intentionally thrown into machinery to wreck its functionality.



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Characteristics of True Innovation Antibodies

Whether termed *innovation antibody*, *organizational antibody*, or *devil's advocate*, the malcontent employee may effectively shortstop corporate innovation. As Tom Kelley of IDEO said, "The devil's advocate may be the biggest innovation killer in America today." The devil's advocate encourages idea-wreckers to assume the most negative possible perspective, one that sees only the downside, the problems, the disasters-in-waiting. Once those floodgates are open, they can drown a new initiative in negativity." Tony Davila similarly noted, "Typically, the more radical the innovation and the more it challenges the status quo, the more and stronger are the antibodies. Also, the greater the past successes of the company, the greater are the organizational antibodies," and, "As complacency grows, organizational antibodies become more prevalent. Good ideas are attacked because they would require more change, and the organization is complacent—so complacent that it encourages rather than fights organizational antibodies."

Although innovation antibodies may have numerous motivations and myriad methods for squelching corporate plans, they seem to focus their energies on five key activities:

➤ Derail Change

The fundamental descriptor of an innovation antibody is that they can instantly spell out dozens of reasons why a new idea or corporate action will fail, but they are uniformly unable to provide any alternatives that might help them to succeed. Like a perpetually unhappy two-year-old child, they are "inaysayers" with a highly limited vocabulary. New ideas for products, procedures, or organizational configurations are harshly met with historical tales of how the same thing was tried before, and the untimely demise of those who tried it. Innovation antibodies vehemently attack ideas in their most rough concept or prototype stage to ensure that

they never garner enough support to reach viability. One successful method for innovation antibodies is to push for the absolute elimination of the possibility of failure: before something new is tried its ultimate success must be proven beyond a shadow of a doubt. For an innovation antibody, corporate risk is the penultimate straw man: they continually encourage peers to seek safety and worry about the worst that can happen. Unfortunately, their favored innovation antibody terms like *predictability*, *perfection*, *harmony*, and *isameness* are never hallmarks of successful companies with innovative ideas continually bubbling to the surface.

➤ **Quietly Erode Corporate Communications**

Innovation antibodies are so insidious because they always work *off radar*. As Horibe noted, *Underground dissent among your employees may be hard to pick up. It may be evident in projects that are not done on time, are done poorly, or have to be redone. It is there in those who don't share their knowledge or sit in silence in staff meetings. It may be felt when you know you are the only one who cares whether the unit meets its goals,* and, *Underground dissent, as the name implies, is disagreement that is not expressed openly. This is where sabotage and subversion kick in.* Their power comes from not being noticed by superiors. In fact, innovation antibodies often curry the favor of superiors, even eagerly publically volunteering for the very projects they effectively secretly thwart. Innovation antibodies don't ever publicly say *no*. Instead, they publically say *maybe*, but then privately reinterpret the instructions of superiors to peers and subordinates. Focused corporate strategy soon disappears into a cloud of intentional obfuscation. Innovation antibodies eagerly mentor and manipulate new employees (especially

high potentials) to win them over to *their team*. One favored action is to continually demand a lowering of the emotional temperature of peers and subordinates: the contagious emotion that normally accompanies the new, unique, or special must be dampened at all costs. By quashing the excitement for new ideas, the possibility of their successful completion rapidly dwindles. Innovation antibodies are particularly adept at *malicious obedience*. As the term implies, *malicious obedience* occurs when preliminary plans for a new product, strategy, or program is unveiled by corporate leadership, and the innovation antibody possesses information necessary to make those plans effective. By withholding that information, quietly advising peers and subordinates of the likely forthcoming failure of the program, and participating in the plan *by the book*, the innovation antibody gains substantive strength when the plan ultimately fails and they can gleefully (but quietly) tell others, *I told you so*.

➤ **Proceduralize Progress**

Innovation antibodies never publicly challenge innovation efforts *head-on*. Instead, their preferred method to slow innovation progress to a crawl is to quietly influence and take control of the development of corporate policies and procedures surrounding innovation practices. Few bright employees volunteer to review and update procedures manuals, but wily innovation antibodies realize that burying innovation practices in convoluted policies and procedures effectively kills them. Once policies and procedures are formulated, innovation antibodies delight in developing and initiating virtually continuous training sessions to make sure that employees uniformly follow the newly complex and utterly incomprehensible policies and procedures related to innovation. If

unchecked, the underground control of corporate innovation policies and procedures by corporate antibodies will slow innovation so that it finally experiences death by inertia.

➤ **Ignore Customer Needs**

The focus of a corporate antibody is ever inward to the internal machinations of the organization. Their purported purpose is *for the good of the company*, they are convinced that they *see more clearly* than other employees, and they continually speak of an ill-defined *higher calling* for the company. According to innovation antibodies, contemporary decisions related to innovation must perfectly align with the historical trajectory of the company, regardless of current changes in customer needs, the competitive environment, or economic marketplace. For the innovation antibody, the company will exist in its present state forever and the external environment (including current and prospective customers) is completely irrelevant. As Sutton noted, *Companies where people want to do things in proven ways are wise to drive out variation. This mostly means doing old things in time-tested ways. This is why total quality management experts emphasize that driving out errors, reducing costs, and increasing efficiency of existing products and services requires driving out variation in what people and machines do.* Outside influence is anathema: *The Not Invented Here (NIH) syndrome* where a company routinely rejects external ideas because they were not created inside the company is a sign of arrogant culture, and where there is arrogance, strong organizational antibodies exist, as shown by Davila.

➤ **Evade Objective Metrics**

Innovation antibodies despise corporate metrics because objective facts serve as a constant hindrance to internal political ma-

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nipulation. Innovation antibodies seemingly live in a fantasy world where costing and revenue are unimportant and customer intimacy confounds the goals of the innovation antibody. Most interesting is the application of metrics that innovation antibodies use for themselves. Because they are inevitably long-termers, the important company metrics feature tenure and rank. Innovation antibodies routinely describe their immense personal workload, yet they never exert extra personal energy for the organization's good without receipt of additional compensation. They are inevitably the first to exit the building at the end of the workday.

Why are Innovation Antibodies So Injurious?

Never in world history has innovation been so important than in the present hyper-competitive global economic environment. CEOs are increasingly hearing the innovation mandate from their corporate Board of Directors, and their personal compensation and tenure are often directly tied to the development of a consistently innovative organization. Why do boards consider innovation to be so important? General Electric CEO Jeffrey Immelt noted, "The only long-term source of profit, and the only reason to invest in a company, is your confidence in its ability to innovate." Davila similarly noted, "In the long run, the only reliable security for any company is the ability to innovate better and longer than competitors," and author Stanley Gryskiewicz said, "Creativity and innovation have been found to be the cornerstones of healthy organizations that are ready for reinventing themselves."

The foundation of innovation is the new, the unusual, the unique ideas developed by employees, customers, and others. As strategist Gary Hamel said, "In an increasingly nonlinear world, only nonlinear ideas are likely to create new wealth. Only stupid questions create new

wealth. Only by pushing the pedal to the metal, by reaching for the seemingly impossible, is it possible to escape the limits of current processes and discover new possibilities." While both the development of internal innovation capabilities and a process of protracted innovation success are essential to the survival of every modern corporation, it is the lifework of every innovation antibody to thwart that effort. Their success intimidates other employees. Consultant Elaine Dundon noted, "Many people hide their new ideas for fear that others might judge them too harshly and potentially reject them from the group. Insecurities prevent

that is exchanged in business, it is surprising how often people miss the critical facts that could make all the difference. The information may be distorted by people governed by their own biases and pursuing their own agendas." As futurist Jim Taylor said, "By its very nature, the future destabilizes the present. By its very nature, the present resists the future."

Harvard University Professor Jeffrey Pfeffer noted that corporations aid and abet innovation antibodies by rewarding employees for their allegiance to the historical past of the company: "Commitment to past decisions signals consistency and persistence. These are often considered to

While both the development of internal innovation capabilities and a process of protracted innovation success are essential to the survival of every modern corporation, it is the lifework of every innovation antibody to thwart that effort

people from asking questions and offering new insights." As Gryskiewicz showed, the results in corporations may be fatal: "But squashing new ideas because they seem strange, or setting up barriers to protect against the 'disruption' of outside forces, puts the organization at immediate risk of becoming outdated and left behind in the marketplace."

How is The Growth of Innovation Antibodies Promoted?

Innovation antibodies thrive in an environment of uncertainty, weakness, and fear. As Curtis Carlson, CEO of SRI International, said, "Change brings resistance. There are familiar behaviors that are played out as people move to a new vision. They include skepticism and FUD—fear, uncertainty, doubt, and misperceptions and red herrings." Lawrence Bossidy, CEO of Honeywell Corporation, noted that innovation antibodies stealthily move in such an environment to accomplish their own goals: "For all the information

be desirable traits. And commitment to past decisions ensures that those past decisions are not easily questioned. Commitment to the past also reaffirms the company's social identity. By carrying the past into the future, managers reaffirm the value of that history and, by implication, the worth and the cultural values that are imbedded in that history. In addition, the threat of change may actually cause organizations to cling even more tightly to old ways of doing things." Gryskiewicz also said, "At the other extreme are those who are resistant to change, often because the familiar is so comfortable and doing things differently from how they have always done them is confusing and threatening." Sutton noted that those who engage in innovative practices and thereby step outside the smothering embrace of the corporation are often publically sanctioned: "But people who defy authority often reap punishments instead of rewards, even when they have great ideas." Consultant Scott Berkun noted that personal rejection has of-

ten been the reward for innovative people throughout history: "Every great idea in history has the fat red stamp of rejection on its face. It's hard to see today because once ideas gain acceptance, we gloss over the hard paths they took to get there." Big ideas in all fields endure dismissals, mockeries, and persecutions (for them and their creators) on their way to changing the world.

Perhaps the most common support network for innovation antibodies is weak and unfocused corporate leadership. Leaders who consider innovation as inefficient and a waste of

nization to enable managers and members of the innovation network to execute. We mean day-to-day leadership, a type of leadership that happens through commitment, example, and solid decisions rather than grand statements. What specific actions should be taken by executive leadership to hinder the development of future innovation antibodies?

➤ **Intentionally Hire a Diverse Employee Group**

Innovation is fueled by innovative ideas, more likely to be achieved from a diverse

will be those in which leadership demands reality and develops systems of rewards and penalties that put a premium on realism. Realism starts with your own behavior, using the business model as your primary tool for teaching people to confront the realities that affect their area and organizational levels. Bossidy similarly noted that corporate truth-telling requires that leaders and subordinates alike must remember, "To confront reality is to recognize the world as it is, not as you wish it to be, and have the courage to do what must be done, not what you'd like to do."

➤ **Initiate Frequent and Varied Internal Communications**

When corporate leaders use multiple formats to communicate directly with employees, such as town hall meetings, speeches, blogs, etc., it lessens the ability of innovation antibodies to reinterpret their words. At the same time, corporate leaders must be open to many different forms of communications from employees (including innovation antibodies).

➤ **Enunciate Aggressive Objectives Measured By Meaningful Metrics**

Gary Hamel noted, "Although a bold aspiration won't by itself produce a multitude of nonconformist strategies, its absence always yields bland, me-too strategies. Whether the objective is growth in revenue, earnings, or efficiency, nonlinear innovation begins with unreasonable goals." Those "unreasonable goals" should nonetheless be aligned with the values, vision, strategy, and tactics of the corporation, and should be continually monitored using a small number of simple, meaningful, objective metrics.

➤ **Clearly Differentiate "Good" and "Bad" Failure**

Failure is a crucial source of innovation information in successful corporations. As Evan Schwartz of the *MIT Technology Review* said, "Failure is the rule

Innovation is fueled by innovative ideas, more likely to be achieved from a diverse workforce

corporate resources often provide tepid support to those who innovate. Their commitment to the innovation process may be temporary, and the internal corporate market for creativity and innovation may be opaque or non-existent. Failure may be routinely sanctioned and no mechanism for the implementation of fresh ideas may exist. Innovation antibodies thrive in such an environment and quickly overrun all new innovation initiatives.

Limiting the Future Spread of Innovation Antibodies

The responsibility belongs to corporate leadership for neutralizing innovation antibodies and focusing their energy on efforts that help progress within the corporation. As Warren Bennis noted, "Virtually every Great Group has a strong and visionary head," echoed by Davila: "Changing the innovation results requires proactive management." The CEO and senior management team must make decisions on the innovation strategy, level of risk, amount of investment, and the balance of the innovation portfolio. These decisions must be communicated throughout the orga-

workforce. That diversity must extend far beyond race and gender. As Robert Sutton said, "When innovation is the goal, organizations need variation in what people do, think about, and produce. What might be called errors and mutations in a system meant to do old things in old ways are the lifeblood of innovation." James Andrew of The Boston Consulting Group similarly noted, "The right person in the right place with the right skill set and motivation and approach can make all the difference." When leaders undertake the task of improving the performance of their innovation activities, the effort frequently involves the identification and closing of capabilities gaps.

➤ **Develop a Culture of Honesty and Transparency**

Honesty and transparency diffuse the actions of innovation antibodies. As Max DePree, Chairman of Herman Miller, Inc. said, "The first responsibility of a leader is to define reality," echoed by Larry Bossidy: "Ultimately, the organizations that work most effectively

rather than the exception, and every failure contains information. Perseverance must be accompanied by the embrace of failure. Failure is what moves you forward. Listen to failure. This is especially important when developing and using early, inexpensive prototypes. Good failure adds knowledge to the corporation, while bad failure does not. Bennis showed that over the decades, companies like Disney have learned as much

encouraged, if only because it serves the spirit of discovery that is at the heart of these enterprises. In addition, author Richard Luecke noted, "For creative conflict to work, team members must listen to each other, be willing to understand different viewpoints, and question each other's assumptions. At the same time, managers must prevent that conflict from becoming personal or from going underground where resentment can simmer. The best

thinking and innovation, the things that are frustrating experimentation, the things that are stopping talent and capital from flowing to the best ideas. Try to understand exactly which things would need to be changed in your company in order to make innovation a sustainable, corporate-wide capability."

Unfortunately, despite months or years of effort to win them over, there are innovation antibodies in many organizations who refuse to end their quiet guerrilla war with the company leaders for power. As Warren Bennis noted, "Not every talented person can work collaboratively, and some can do so only when their contributions are properly acknowledged. And some talented people are simply disruptive." When that is the case, it is the obligation of senior leadership to act swiftly and surely to permanently remove the corporate antibody from the organization.

In every organization, there are people who want to tell you when you are wrong. They are the troublemakers, the visionaries, the dissenters. One of the most important ways to start your organization down the innovation road is to honor those who naturally want to speak truth to power, even if they feel infuriating to deal with

from their failures as their successes: "The group at Disney was able to generate and develop many more ideas than any individual could. One of Walt's most important jobs was to nix the bad ones and get the project back on track," and, "At Disney, Eisner says, adding an important caveat, 'Failing is good, as long as it doesn't become a habit.'" Davila also noted that training is crucial to failure differentiation: "Learning is one of the most important elements in combating organizational antibodies. Preventing the antibodies requires learning systems and activities that allow the organization to differentiate good change from bad change. Otherwise, the organizational antibodies become unselective and they attack and disrupt all change. In that state, innovation is dead."

➤ **Encourage Hospitable Dissent**

One successful method for diffusing the corrosive strength of innovation antibodies is to accept and encourage hospitable dissent in the company. As Bennis said, "Great Groups also tend to be places where dissent is

antidote to destructive conflict is a set of group norms for dealing with it." As Francis Horibe wisely summarized, "In every organization, there are people who want to tell you when you are wrong. They are the troublemakers, the visionaries, the dissenters. One of the most important ways to start your organization down the innovation road is to honor those who naturally want to speak truth to power, even if they feel infuriating to deal with."

Prune Recalcitrant Innovation Antibodies

Strategos CEO Peter Skarzynski noted that leadership must continually review corporate innovation readiness if they are to compete in the dynamic global economic marketplace: "To make the transition from initiative to enterprise capability, your company needs to identify objectively the enablers of and impediments to innovation that exist within your organization." Start by asking a simple question: what thing in this organization are limiting our capacity for innovation?...Your goal is to identify the things that are hindering new

Conclusion

To remain an active and successful participant in the global economy, companies require an unending stream of innovative ideas from their employees, customers, partners and external contacts. Employees who are "unusual" or "quirky," or who routinely dissent and bring alternative ideas to the table, are vitally important to that innovative process. As Davila noted, "The organization needs to move forward, and only challenges and surprises will move the company forward." Conversely, innovation antibodies are determined to slow or eliminate innovation and change in the organization. It is an important role of corporate leadership to help corporate antibodies successfully integrate into the productive fabric of the company, or to be abruptly excised from the organization. Ultimately, corporate viability is at stake. As Gryskiewicz said, "Ignoring the inevitability of change can be fatal."

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Work Engagement Among Managers and Professionals in the Turkish Manufacturing Sector

Potential Antecedents and Consequences

This article examines the potential antecedents and consequences of work engagement in a sample of male and female managers and professionals employed in the manufacturing sector in Turkey.

This article contributes to our understanding of work engagement among managers and professionals in Turkey which is a large secular Muslim country.

Design/Methodology/Approach

Data collected from 877 respondents had a 58% response rate, using anony-

mously completed questionnaires. Engagement was assessed by three scales developed by Schaufeli, Salanova, Gonzalez-Roma, and Bakker (2002) to assess vigor, dedication and absorption. Antecedents included personal demographic and work situation characteristics as well as measures of need for achievement and workaholic behaviors; consequences included mea-

sures of work satisfaction and psychological well-being.

Findings

The following results were observed. First, both need for achievement and workaholic job behaviors were found to predict all three engagement measures. Second, engagement, particularly dedication, predicted various work outcomes (e.g., job satisfaction, intent to quit). Third, engagement, again, particularly dedication, predicted various psychological well-being outcomes but less strongly than these predicted work outcomes.

Research Limitations

Questions of causality cannot be addressed since data were collected at only one point in time. Longitudinal studies are needed to determine the effects of work life experiences on engagement.

Implications

Organizations can increase levels of work engagement by creating supportive work experiences (e.g., control, rewards and recognition) consistent with effective human resource management practices. But caution must be exercised before employing North American practices in the Turkish context.

Current Scenario

Organizations today are grappling with new challenges as they strive to remain competitive. These include increased



financial turbulence, heightened performance pressures, new technology, an increasingly diverse workforce, and the globalization of business (Burke & Cooper, 2004; OfToole & Lawler, 2006; Sisodia, Wolfe & Sheth, 2007). Organizational leaders are increasingly concluding that a unique competitive advantage resides in their human resources; all other potential competitive advantages (e.g. technology, capital, products) can be either bought or copied (Gratton, 2000; Lawler, 2003; 2008; Pfeffer, 1994, 1998; Burke & Cooper, 2005).

Organizations need to unleash the talents and motivations of all their employees if they are to achieve peak performance (Burke & Cooper, 2007a; Katzenbach, 2000; Ulrich, 1997). There is considerable evidence however, that many organizations are falling short (Burke & Cooper, 2008a; Sirota, Mischkind & Meltzer, 2005). Recent efforts to improve organizational performance have begun to emphasize positive organizational behavior concepts and positive emotions (Cameron, Dutton & Quinn, 2003; May, Gilson & Harter, 2004; Bakker & Schaufeli, 2008). This includes concepts such as optimism, trust, and engagement. Much of the earlier organizational behavior research has focused on negative concepts and emotions such as job dissatisfaction, alienation, burnout and intent to quit.

Work engagement has emerged as the most prominent positive organizational concept, particularly among organizational consultants (Schaufeli & Salanova, 2007, 2008a). In fact, practical interest in work engagement has outstripped the currently available research evidence. Issues such as what work engagement is, why it matters, how and why it benefits individuals and organizations, and if and how it can be increased, still need to be addressed.

Work Engagement: Definition, Measures and Research Evidence

Work engagement has received increasing research attention over the past ten years, reflecting this empha-

sis (Kahn, 1992; Leiter, 2005; Schaufeli & Bakker, 2004a; Schaufeli, Martinez, Marques-Pinto, Salanova & Bakker, 2003). Engaged workers are energetic, are positively connected to their work and feel they are doing their jobs effectively. It is a persistent and broad affective-cognitive state. Schaufeli, Salanova, Gonzalez-Roma and Bakker (2002) view it as a positive, fulfilling work-related state of mind that is characterized by vigor, dedication and absorption. Vigor is characterized by high levels of energy, the willingness to invest energy in one's work and persistence in difficult times; Dedication is characterized by high levels of work involvement and feelings of pride and challenge from one's work; and Absorption is characterized by deep concentration in one's work, the sense that time passes quickly and one is reluctant to leave their work. Others have defined work engagement in slightly different but generally consistent ways (e.g., Harter, Schmidt & Hayes, 2002; May, Gilson & Harter, 2004; Sirota, Mischkind & Meltzer, 2005).

The most commonly used measure of work engagement was developed by Schaufeli and his colleagues and comprises three components: vigor, dedication and absorption (Schaufeli, Salanova, Gonzalez-Roma & Bakker, 2002). The accumulating research findings have shown that the measures of the three engagement

concepts developed by Schaufeli and his colleagues (2002) are reliable, stable and valid (also see Schaufeli, Bakker & Salanova, 2006, Schaufeli & Salanova, 2007, 2008a).

Organizational behavior researchers have considered work engagement as independent, dependent and moderator variables in various studies.

Engagement as an Independent Variable

Harter, Schmidt and Hayes (2002) found that levels of engagement were positively correlated with business-unit performance (e.g., customer satisfaction and loyalty, unit profitability, unit productivity, turnover levels and safety) in almost 8,000 business units within 36 organizations. Engagement correlated 0.22 with a composite measure of performance, which increased to 0.38 when measurement error and restriction of range were taken into account. Salanova, Agot and Peiro (2005), in a study of front line service workers and their customers, reported that work engagement predicted service climate which in turn predicted employee performance and then customer loyalty. Schaufeli and Salanova (2007, 2008), based on their review of the work engagement literature, concluded that engagement is associated with positive employee attitudes, proactive job behaviors, higher levels of employee psychological well-being, and increased individual job and organizational performance.

Engagement as a Dependent Variable

In a multi-sample study, Schaufeli and Bakker (2004b) found support for the job demands-resources model. Structural equation modeling revealed that job demands (workload, emotional demands) were positively related to burnout, but not to engagement, and job resources (social support, supervisor coaching, feedback) were positively related to engagement and negatively related to burnout. In addition, burnout fully mediated the impact of



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job resources on health problems, and engagement mediated the effect of job resources on turnover intention. Two underlying processes can explain these results, an effort-driven high demand process leading to burnout, which then leads to health problems, and a motivational process in which available job resources foster engagement and affect behavioral work outcomes.

Mauno, Kinnunen, Makikangas and Netti (2005) in a study of subjective job insecurity among permanent or fixed-term employees, reported lower work engagement among permanent employees. Mauno, Pykko

contributed to predicting staff members' engagement, and supervisor cynicism and exhaustion contributed to staff member cynicism and lack of professional efficacy.

Salanova and Schaufeli (2008b), in two large samples of Spanish and Dutch managers and employees, reported that engagement (vigor, dedication) fully mediated the relationship of job resources (job control, feedback, variety) and proactive work behaviors.

It is important to study engagement because it is linked to positive individual and work-related outcomes (Schaufeli & Salanova, 2007,

who are engaged workers therefore needs additional attention. Schaufeli and Salanova (2007, 2008a) found inconsistent or at best small effects due to demographic characteristics, and among personality factors, some evidence that individuals high on extraversion and low on neuroticism reported higher levels of work engagement. In addition, occupation type and organizational level had some effects on engagement; managers, executives and entrepreneurs score relatively high on engagement while blue-collar workers, police officers and home care staff score relatively low on engagement.

Who are your engaged workers? Two lines of previous research are likely to shed some light on this question. First, there is a considerable body of work examining the relationship of need for achievement and positive individual contributions (McClelland, 1985; Steers & Braunstein, 1976). Individuals scoring high on McClelland's need for achievement strive to excel; they seek out feedback on how they are performing; they are more concerned with reaching their objectives than with whatever rewards might follow from this success; they set challenging but realistic goals; and they spend lots of time thinking about how they might do things better. Second, an emerging stream of research has shown relationships of workaholic behaviors and work engagement-type outcomes (see Burke 2007, Burke & Cooper, 2008b). Workaholism is generally seen as a stable individual difference characteristic. Mudrack (2007), for example, has developed measures of two workaholic behavior patterns (Non-required work, Control of others) that were likely to be associated with levels of work engagement.

The following general hypotheses, building on the reviews of Schaufeli and Salanova (2007, 2008) were considered:

1. Personal demographic characteristics such as age and gender would be unrelated or only weakly related to levels of work engagement.

While there is some consensus on the workplace antecedents of engagement and consequences of work engagement, there is less agreement on personal characteristics associated with levels of work engagement

and Hakanen (2005) also found different predictors of work engagement in different organization sectors.

Demerouti, Bakker, deJonge, Janssen and Schaufeli (2001), in a study of employees from an insurance company reported that high work demands and high control were associated with higher engagement. Mauno, Pykko and Hakanen (2005) also reported an association of high time pressures with higher levels of engagement.

Engagement as a Moderator Variable

Leiter and Harvie (1998), in a study of a large scale organizational change in a hospital setting, reported that work engagement moderated the relationship of supportive supervision, confidence in management, effective communication and work meaningfulness and acceptance of the change.

In a study of the correspondence between supervisors and staff members during major organizational changes, Leiter and Harvie (1997) demonstrated supervisors' confidence in the organization, their work engagement and assessment of work hazards,

2008a). This study examines potential predictors and consequences of work engagement in a sample of men and women managers and professionals working in the manufacturing sector in Turkey. While there is some consensus on the workplace antecedents of engagement (e.g., support, feedback, coaching) and consequences of work engagement (e.g., commitment, satisfaction), there is less agreement on personal characteristics (e.g., demographics and personality factors) associated with levels of work engagement. The question of



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the work-family interface, stress and health, and research methods.

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2. Particular stable individual difference characteristics (e.g., workaholic behaviors, need for achievement) would be positively related to levels of work engagement.
3. Work engagement would in turn be positively associated with both work outcomes such as job and career satisfaction and indicators of psychological well-being such as low levels of exhaustion and psychosomatic symptoms.

Method

Procedure

Data were collected from organizations in 16 Turkish cities (e.g., Denizli, Mersin, NevsehirÖ). Members of the research team contacted organizations in the manufacturing sector in these cities requesting their participation in the research. Cooperating organizations then provided a list of their managers and professionals. Approximately 1500 managers and professionals were contacted, 945 returned questionnaires to the research team of which 877 provided reasonably complete data, indicating a 58% response rate. Questionnaires were completed anonymously. Measures initially developed in English were translated into Turkish using the back translation method.

Organizations fell into a variety of industries including agricultural machinery, textiles, health products, construction, food processing, furniture, metal, carpet production, and electrical products. The respondents are best described as a large sample of Turkish managers and professionals working in the manufacturing sector.

Respondents

Exhibit I presents the demographic characteristics of the sample. Most respondents were male (77%); married (72%); were between 26 and 35 years of age (47%); had children (74%); had 2 children (44%); were college/university graduates (63%); held supervisory jobs (82%); worked between 41-50 hours per week (49%); earned be-

Exhibit I Demographic Characteristics of Sample					
Gender	N	%	Age	N	%
Male	637	77.4	25 or younger	79	9.7
Female	186	22.6	26 – 35	382	46.7
			36 – 45	254	31.0
			46 – 55	93	11.4
			56 or older	10	1.2
Marital Status			Parental Status		
Single	234	28.4	Children	511	73.6
Married	591	71.6	No children	183	26.4
Length of Marriage			Number of children		
5 years or less	177	29.8	1	157	30.4
6 – 10	137	23.2	2	229	44.4
11 – 15	102	17.2	3	97	18.8
16 – 20	85	14.3	4 or more	33	6.4
21 or more	92	15.5			
Education			Hours worked		
Elementary	38	4.6	40 or less	92	11.3
High school	208	25.3	41 – 50	401	49.3
College	521	63.3	51 – 60	211	26.0
Masters/PhD	56	6.7	61 or more	109	13.4
Supervision			Income		
Yes	662	82.4	\$9,999 or less	179	21.7
No	141	17.6	\$10,000 - \$14,999	197	23.9
Organizational Tenure			\$15,000 - \$19,999	147	17.8
5 years or less	393	48.3	\$20,000 - \$24,999	115	14.0
6 – 10	232	28.5	\$25,000 - \$29,999	53	6.4
11 – 15	89	10.9	\$30,000 or more	133	16.1
16 or more	100	12.3			
Job Tenure			Department		
2 years or less	245	29.8	Production	252	29.8
3 – 5	265	32.8	Marketing	133	15.7
6 – 10	199	24.0	Human Resources	72	8.5
11 years or more	113	13.7	Research & Develop.	32	3.8
Organizational Size			Account. & Finance	234	27.7
50 or less	318	39.0	Information Systems	14	1.8
51 – 250	311	38.2	Management	109	12.9
251 or more	186	22.8			

tween US\$10,000-US\$14,999 income (24%); had 5 years of less of organizational tenure (4%); and 5 years or less of job tenure (62%); worked in organizations having 250 or fewer employees (77%); and worked in production, or accounting and finance (30% and 28%, respectively). There was a tendency for a higher proportion of males to work in production and management and a lower percentage of males

to work in marketing or accounting and finance.

Measures

Work Engagement

As already stated, three aspects of work engagement were measured using scales developed by Schaufeli and his colleagues (2002) and Schaufeli and Bakker (2004a).

NMDC Ext_AD-9

NMDC Ext_AD-10

NMDC Ext_AD-11

Vigor was measured by six items ($\alpha = 0.76$); *At my work I feel bursting with energy*. **Dedication** was assessed by five items ($\alpha = 0.83$); *I am proud of the work that I do*. Absorption was measured by six items ($\alpha = 0.83$); *I am immersed in my work*. Respondents indicated their agreement with each item on a five-point Likert scale (1 = Strongly disagree, 3 = Neither agree nor disagree; 5 = Strongly agree).

Personal Demographics and Work Situation Characteristics

A number of personal demographics (e.g., age, gender, education, marital and parental status) and work situa-

tions were consistent with those typically used in studies of work and well-being more generally (Barling, Kelloway & Frone, 2005; Schabracq, Winnubst & Cooper, 2003).

Work Outcomes

- **Job Satisfaction** was measured by a seven-item scale ($\alpha = 0.81$) developed by Kofodimos (1993). An item was *I feel challenged by my work*. Respondents indicated their levels of satisfaction on a five-point Likert scale (1 = very dissatisfied, 3 = Neutral, 5 = Very satisfied).
- **Career Satisfaction** was measured by a five-item scale ($\alpha = 0.86$) developed by Greenhaus, Parasuraman

four-point frequency scale (1 = Never, 4 = Often).

- **Emotional exhaustion** was measured by a scale from the Maslach Burnout Inventory (Maslach, Jackson & Leiter, 1996). The scale had nine items ($\alpha = 0.86$). One item was *I feel emotionally drained from my work*. Responses were made on a seven-point frequency scale (1 = Never, 7 = Daily).
- **Work-Family Conflict** was measured by a 9-item scale ($\alpha = 0.85$) developed and validated by Carlson, Kacmar and Williams (2000). Three forms of conflict, time-based, strain-based and behavior-based were each measured by 3 items. One item was *My work keeps me from my family activities more than I would like*.
- **Life Satisfaction** was assessed by a 5-item scale ($\alpha = 0.84$) developed by Diener, (1985). One item was *I am satisfied with my life*.

Need for Achievement (nAch) was measured by a five-item scale ($\alpha = 0.66$) developed by Steers and Braunstein (1976). One item was *"I try very hard to improve on my past performance at work"*

tion characteristics (e.g. organizational level, job and organization tenure) were measured by single items (see Exhibit I).

Stable Individual Difference Characteristics

Need for Achievement

Need for Achievement (nAch) was measured by a five-item scale ($\alpha = 0.66$) developed by Steers and Braunstein (1976). One item was *I try very hard to improve on my past performance at work*.

Workaholic Behaviors

Two workaholic behavior scales developed by Mudrack (2007) were included. One, non-required work, had 4 items ($\alpha = 0.85$). An item was *I Thinking of ways to improve the quality of work provided to customers and/or coworkers*. The other, control of others, also had 4 items ($\alpha = 0.76$). One item was *I Fixing problems created by other people*. A wide range of outcome variables were included in this study covering both work and extra-work domains. These variables

and Wormley (1990). One item was *I am satisfied with the success I have achieved in my career*. Respondents indicated their levels of satisfaction on a five-point Likert scale (1 = Very satisfied, 3 = Neither satisfied nor dissatisfied, 5 = Very dissatisfied).

- **Job Stress** was measured by a nine-item scale ($\alpha = 0.59$) developed by Spence and Robbins (1992). An item was *Sometimes I feel like my work is going to overwhelm me*.
- **Intent to Quit** ($\alpha = 0.66$) was measured by two items (e.g., *Are you currently looking for a different job in a different organization?*) using a yes/no format. This scale had been used previously by Burke (1991).

Psychological Well-being

- **Psychosomatic Symptoms** were measured by nineteen items ($\alpha = 0.88$) developed by Quinn and Shepard (1974). Respondents indicated how often they experienced each physical condition (e.g., headaches) in the past year on a

Results

Descriptive Statistics

The three work engagement measures were significantly positive and inter-correlated ($p < 0.001$: vigor and dedication, 0.67, vigor and absorption, 0.51, and dedication and absorption, 0.54). These values were consistent with those reported by Schaufeli and Salanova (2007) who found these to be typically about 0.65. The mean values for the engagement scales were also typical of employed populations: vigor, 3.8; dedication, 3.9 and absorption, 3.5.

Hierarchical Regression Analyses

Predictors of Work Engagement

Hierarchical regression analyses were first undertaken in which the three measures of work engagement were regressed on three blocks of predictors. The first block of predictors ($N = 5$) consisted of personal demographic characteristics (e.g., age, marital status, level of education). The second block of predictors ($N = 6$) consisted of work situation characteristics (e.g., organizational level, or-

Exhibit II
Predictors of Work Engagement – nAch

Work Engagement	R	R ²	ΔR ²	P
Vigor (N=651)				
Personal Demographics	0.13	0.02	0.02	0.05
Work situation	0.28	0.08	0.06	0.001
Organizational level (0.17)				
Nach (0.40)	0.48	0.24	0.16	0.001
Dedication (N=651)				
Personal Demographics	0.13	0.02	0.02	0.05
Work situation	0.29	0.08	0.06	0.001
Organizational level (0.18)				
Nach (.39)	0.47	0.22	0.14	0.001
Absorption(N=650)				
Personal demographics	0.06	0	0	NS
Work situation	0.16	0.02	0.02	0.01
Organizational level (0.09)				
Nach (0.25)	0.29	0.08	0.06	0.001

ganizational and job tenure).The third block of predictors consisted of the measure on Nach in one case, and the two workaholic job behaviors in a second. When a block of predictors accounted for a significant amount on increment in explained variance on a given outcome variable ($p < 0.05$), all measures within such blocks having significant and independent relationships with this outcome ($p < 0.05$) were identified. Exhibits II and III show the results of these analyses.

Need for Achievement

Exhibit II presents the results of hierarchical regression analysis in which nAch was entered following the personal demographics and the work situation characteristics.

The following comments are offered in summary: first, the block of personal demographics accounted for a significant amount of variance on only one of the engagement measures (dedication) but no item had a significant and independent relationship with dedication; second, work situation characteristics accounted for a significant increment in explained variance on all the three engagement measures; managers at higher organizational levels reported more vigor, dedication and absorption ($Bs=0.12$,

0.18 and 0.09, respectively). Finally, managers scoring higher on nAch also reported higher levels of vigor, dedication and absorption ($Bs=0.40$, 0.39 and 0.25, respectively).

Workaholic Job Behaviors

Exhibit III presents the results of hierarchical regression analyses in which

the two workaholic job behaviors (non-required work, control of others) were entered following the personal demographics and work situation characteristics. The following comments are offered in summary: first, younger managers reported higher levels of Dedication ($B=-0.10$); second, managers at higher organizational levels reported more vigor and dedication ($Bs=0.13$ and 0.13 , respectively); finally, the workaholic job behaviors accounted for a significant increment in explained variance on all three work engagement measures. Managers scoring higher on non-required work indicated higher levels on all three ($Bs=0.39$, 0.39 and 0.256, respectively); managers scoring higher on control of others scored higher on vigor and absorption ($Bs=0.10$ and 0.18 , respectively).

Two general observations are worth noting. First, managers at higher organizational levels indicated higher levels of work engagement. This was consistent with the conclusions of Schaufeli and Salanova (2007) who found that managers, executives and entrepreneurs scored higher on the engagement measures than blue-

Exhibit III
Predictors of Work Engagement – Workaholic Job Behaviors

Vigor (N=637)	R	R ²	ΔR ²	P
Personal Demographics	0.14	0.02	0.02	0.05
Work situation	0.28	0.08	0.06	0.001
Organizational Level (0.13)				
Workaholic job Behavior	0.51	0.26	0.18	0.001
Non-required work (0.39)				
Control of others (0.10)				
Dedication (N=637)				
Personal demographics	0.14	0.02	0.02	0.05
Age (-.10)				
Work situation	0.29	0.08	0.06	0.001
Organizational level (.13)				
Workaholic job behaviors	0.50	0.26	0.18	0.001
Non-required work (.39)				
Absorption (N=639)				
Personal demographics	0.06	0.00	0.00	NS
Work Situation	0.15	0.02	0.02	0.05
Workaholic job behaviors	0.39	0.15	0.13	0.001
Non-required work (0.26)				
Control of others (0.18)				

collar workers. Second, both nAch and workaholic job behaviors were significant predictors of work engagement. These findings address the question of iWho are your engaged employees?i

Consequences of Work Engagement

Consistent with previous research on the consequences of work engagement, indicators of both work outcomes and psychological well-being were included.

Predictors of Work Outcomes

Exhibit IV presents the results of hier-

archical regression analyses in which four work outcomes were regressed on three blocks of predictors (personal demographics, work situation characteristics, and measures of work engagement). Work engagement accounted for a significant increment in explained variance in all cases.

Let us first consider job satisfaction. All three blocks of predictors accounted for a significant amount or increment in explained variance. Managers at higher organizational levels, managers scoring higher on dedication, and managers scoring higher on vigor indicated more job satisfaction (Bs=0.07, 0.38 and 0.25, respectively).

All three blocks of predictors also accounted for a significant amount or increment in explained variance on career satisfaction. Older managers, managers at higher organizational levels, managers having longer organizational tenure, and those scoring higher on dedication indicated greater career satisfaction (Bs=0.12, 0.16, 0.15 and 0.117, respectively).

Two blocks of predictors accounted for significant increments in explained variance on job stress not personal demographics). Managers at higher organizational levels indicated lower levels of job stress; those having longer organizational tenure indicated more job stress; managers scoring higher on dedication reported lower levels of job stress; and those scoring higher on absorption reported higher levels of job stress (Bs=-0.11, 0.12, -0.17 and 0.16, respectively).

Finally, all three blocks of predictors indicated a significant amount or increment in explained variance on intent to quit. Managers with children were less likely to intend to quit; those with longer job tenure were more likely to intend to quit; those having longer organizational tenure were less likely to intend to quit, managers scoring higher on dedication, and on vigor were less likely to intend to quit, and managers scoring higher on absorption were more likely to intend to quit (Bs=-0.12, -0.10, 0.10, 0.14, 0.11, and -0.08, respectively). More research is needed to determine whether the findings involving absorption are real or a statistical artifact.

Predictors of Psychological Well-Being

Exhibit V shows the results of hierarchical regression analyses in which four measures of psychological well-being were regressed on the same three blocks of predictors. The measures of work engagement accounted for a significant increment in explained variance on all four indicators of well-being.

Let us first consider exhaustion. All three blocks of predictors accounted for a significant amount or increment in explained variance on ex-

Exhibit IV
Work Engagement and Work Outcomes

Work Outcomes	R	R ²	ΔR^2	P
Job Satisfaction (N=649)				
Personal Demographics	0.18	0.03	0.03	0.001
Work Situation	0.29	0.09	0.06	0.001
Organizational level (0.07)				
Engagement	0.65	0.43	0.36	0.001
Dedication (0.38)				
Vigor (0.25)				
Career Satisfaction (N=640)				
Personal Demographics	0.25	0.06	0.06	0.001
Age (0.12)				
Work Situation	0.35	0.12	0.06	0.001
Organizational Level (0.16)				
Organizational Tenure (0.15)				
Engagement	0.41	0.17	0.05	0.001
Dedication (0.17)				
Job Stress (N=659)				
Personal Demographics	0.07	0	0	NS
Work Situation	0.16	0.03	0.03	0.01
Organizational level (-0.11)				
Organizational tenure (0.12)				
Engagement	0.22	0.05	0.02	0.01
Dedication (-0.17)				
Absorption (0.16)				
Intent to Quit (N=648)				
Personal Demographics	0.15	0.02	0.02	0.05
Parental Status (-0.12)				
Work Situation	0.2	0.04	0.02	0.05
Job Tenure (0.16)				
Organizational Tenure (-0.16)				
Engagement	0.27	0.07	0.03	0.001
Dedication (0.14)				
Vigor (0.11)				
Absorption (-0.08)				

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Exhibit V
Work Engagement and Psychological Well-Being

Psychological Well-Being	R	R ²	ΔR^2	P
Exhaustion (N=659)				
Personal Demographics	0.16	0.02	0.02	0.01
Education (0.11)				
Age (-0.12)				
Work Situation	0.22	0.05	0.03	0.01
Organizational Level (-0.10)				
Engagement	0.29	0.09	0.04	0.001
Dedication (-0.22)				
Work-Family Conflict (N=649)				
Personal Demographics	0.11	0.01	0.01	NS
Work Situation	0.16	0.02	0.01	NS
Engagement	0.25	0.06	0.04	0.001
Absorption (0.23)				
Dedication (-0.21)				
Psychosomatic Symptoms (N=640)				
Personal Demographics	0.14	0.02	0.02	0.05
Work Situation	0.19	0.04	0.02	0.05
Organizational Level (-0.11)				
Engagement	0.3	0.09	0.05	0.001
Vigor (-0.28)				
Absorption (0.23)				
Dedication (-0.22)				
Life Satisfaction (N=650)				
Personal Demographics	0.22	0.05	0.05	0.001
Gender (0.10)				
Work Situation	0.36	0.13	0.08	0.001
Organizational Level (0.19)				
Organizational tenure (0.17)				
Engagement	0.4	0.21	0.08	0.001
Dedication (0.28)				

haustion. More educated managers, younger managers, managers at lower organizational levels, and managers scoring lower on dedication reported higher levels of exhaustion ($B_s=0.11$, -0.12 , -0.10 and -0.22 , respectively).

Only one block of predictors accounted for a significant amount or increment in explained variance on work-family conflict (work engagement). Managers scoring higher on absorption, and those scoring lower on dedication, indicated higher levels of work-family conflict ($B_s=0.23$, and -0.21 , respectively).

All three blocks of predictors accounted for a significant amount or increment in explained variance on psychosomatic symptoms. Managers at

lower organizational levels, managers scoring lower on vigor, managers scoring higher on absorption and managers scoring lower on dedication indicated more psychosomatic symptoms ($B_s=-0.11$, -0.28 , 0.23 , and -0.21 , respectively).

Finally, all three blocks of predictors accounted for a significant amount or increment in explained variance on the measure of life satisfaction. Women, managers at higher organization levels, managers with longer organizational tenure, and managers scoring higher on dedication also reported higher levels of life satisfaction ($B_s=-0.10$, 0.19 , 117 and 0.28 , respectively).

In all four analyses (exhaustion, work-family conflict, psychosomatic

symptoms, and life satisfaction) managers indicating higher levels of dedication also reported more positive psychological well-being. Managers indicating higher levels of vigor also reported fewer psychosomatic symptoms. However, respondents indicating higher levels of absorption reported more psychosomatic symptoms and work-family conflict. However, these latter findings may be a statistical artifact rather than a valid result.

Again, two more general observations are worth noting. First, dedication was more strongly and consistently related to both work and well-being outcomes than were the two other engagements measure. Second, work engagement accounted for greater increments in explained variance on the work outcomes than on the indicators psychological well-being.

Discussion

This research examined potential antecedents and consequences of work engagement in a large sample of managers and professionals working in the manufacturing sector in Turkey. An increasing number of organizations are concluding that they need to unleash the untapped potential of all their employees if they are to compete successfully in an increasingly demanding global market place (Burke & Cooper, 2008a, Lawler, 2008).

The results indicated that while personal demographic and work situation characteristics were generally unrelated to levels of work engagement, stable individual difference motivations represented by need for achievement (McClelland 1985) and workaholic job behaviors (Mudrack, 2007) were found to be strong predictors of all three engagement factors, vigor, dedication and absorption (see Exhibits II and III).

Work engagement, in turn, was found to have fairly consistent, but moderate, relationships with several work outcomes and indicators of psychological well-being (see Exhibits IV and V). Engagement, it seems, has potentially positive consequences for

both employees and their employing organizations.

Practical Implications

The accumulating research findings on work engagement have added considerably to our understanding of implications for building more effective organizations. The research that has considered the organizational environment associated with high levels of work engagement has reported that organizational support plays a central role (Demerouti, Bakker, deJonge, Janssen &

Schaufeli and Salanova (2007, 2008) suggest a number of ways to build work engagement. These include:

- Enhancing the person-job
- Matching individual and organizational needs
- Developing a meaningful psychological contract that links personal goals of individual employees with organizational resources.
- Surveys of employee demands and resources and their association with positive and negative outcomes

dividual and the organization are the ways to heighten engagement.

A Word of Caution

The individual and organizational benefits of work engagement found in this sample of Turkish managers replicate the results obtained in several other countries (See Schaufeli & Salanova, 2007, for a review). Human Resource Management (HRM) initiatives designed to increase work engagement have typically been proposed for the highly developed countries in the world (US, Canada, the Netherlands). There is evidence (Hofstede, 1980) that the societal and cultural values of Turkey, though changing and moving slowly towards those in the West, are different from those in Western developed countries. Some Turkish writers (Aycan, 2001, Wasti, 1999) have cautioned against the direct application of Western approaches to Turkey. We believe these cautions should be heeded. Aycan (2001) suggests that greater attention be paid to adapting Western-based HRM practices to the Turkish culture and values and/or preparing Turkish employees for the introduction of Western HRM practices.

Limitations

This research has some limitations. First, all data were collected using self-report questionnaires raising the possibility of responses being affected by a common method. Second, the data were collected at one point in time making it difficult to establish causal relationships. Third, a few of the measures had levels of internal consistency reliability below the generally accepted level of 0.70. Fourth, the extent to which these findings can generalize respondents working in other industrial sectors or respondents in other countries is not clear. ❏

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The accumulating research findings on work engagement have added considerably to our understanding of implications for building more effective organizations

Schaufeli, 2001). Fortunately there is some understanding of the processes on mechanisms that underlay the levels of support.

Leiter (2005) offers a comprehensive look at interventions in the workplace designed to enhance engagement with work. Increasing engagement with work is a challenging and complex undertaking. As the research findings show, engagement stems from the employees' contact with a work environment.

Leiter offers a conceptual framework to build engagement with work that considers the targets of intervention, strategies for intervention and potential consequences. Intervention targets include energy at work, involvement with one's work, and efficacy at work. Intervention strategies involve both individuals and organizational or workplace levels. It is critical to remember that individuals have different views and values about work which can change over time and that employees must participate in building engagement at work. Finally, the six areas of work life considered in the present study can serve as targets for change (e.g., workload, control, rewards and recognition).

- Redesigning job to reduce stressors and increase resources
- Leadership development that build a positive emotional climate in the workplace, and
- Developing training programs that are targeted at both organizational health and individual well-being.

Our findings suggest that engagement at work is associated with positive work and individual well-being outcomes and that stable individual difference factors are a major contributor to levels of employee engagement. They are consistent with the results of an increasing number of recent studies (Gonzalez-Roma, Schaufeli, Bakker & Lloret, 2006; Hakanen, Bakker & Demerouti, 2005; Langelaan, Bakker, von Doornen & Schaufeli, 2006; Montgomery, Peeters, Schaufeli & Den Ouden, 2003; Sonnentag, 2003) reflecting the importance of understanding and increasing employee engagement. Our findings extend our understanding of engagement in ways that have practical implications such as those suggested by Schaufeli and Salanova (2007) who propose that selection, goal setting and the articulation of a challenging contract between the in-

Ext_AD-12

Government can play a positive role in creating cutting edge regulations, or establishing standards for safety, or new process technologies that benefit a whole industry. But government cannot forecast major technological change.

— Prof. David Ahlstrom

- **How do you characterize the last century from the point of view of business and how do you foresee the coming century? Can the past century largely be interpreted as a Century of Conglomerates and a Century of Corporate Imperialism and the next century as a Century of Emerging Markets? Did the end of Cold War mean the arrival of Corporate War?**

I would argue that the 20th century can be divided up into two eras. The period after World War I and increasingly after World War II has often been referred to as the period of 'Big Unit Capitalism.' Big Unit Capitalism is characterized by stable economics with large domestic firms, a high degree of central planning even in many free market economies such as the US, the UK and India. Big Unit Capitalism is characterized by an emphasis on large firms, often conglomerates, government ownership and incentives and powerful trade unions. Taxes were very high in nearly all countries – for example, in the US marginal tax rates for the upper income earners were as high as 94% during this period.

Big Unit Capitalism from the end of World War II until 1971 produced a period of unmatched economic growth. During this time the real wages of production workers in the US grew at a steady 2-3% annually and boom and bust cycles became much less severe than in prior economic periods. During this time conveniences once available only to the rich became accessible to the middle class and even the poor, such as quality clothes, food and housing. In the more developed countries, this included not only washing machines

and televisions, but automobiles and air travel.

The start of the second period of globalization can be traced to 1971. In that year President Richard Nixon announced that the US would no longer redeem international dollar holdings at the rate of \$35 per ounce of gold. This commitment had formed a central foundation of the international financial system set in place around the end of World War II. This financial system was referred to as Bretton Woods System. The result was a more flexible economic envi-

be characterized by win-win scenarios, not 'fixed pie' mentalities. The fixed pie mentality is one of the fundamental fallacies of socialism.

- **A lot has changed in the last hundred years of corporate history. What according to you, were the defining moments of that history? In other words, what were the strategic inflection points/touch points during the last hundred years of corporate history?**

There are many. But I would select two categories of revolutionary change to answer that question

It is much more difficult today for dictators and autocrats to incessantly lie to their populations about what is going on in the world

ronment which further aided international trade. In this new environment the US rapidly expanded exports and imports by over 800% between 1973 and 2002, while Japan saw a 900% jump in both items. This increase in free trade, the movement of capital, and the spread of information about lifestyles and middle and upper class living have led to the decrease in the emphasis on the Big Unit Capitalism of large firms and government planning, and an increase in the emphasis on entrepreneurship and freer markets with their proven track record in increasing the wealth of societies. I do not agree with the term corporate imperialism. I do not think free trade should be labeled with the term 'imperialism.' Nor do I accept the term 'corporate war.' Business is not war, but should

technological and political. For technological change, the information technology revolution that got radio, then the movies and television, and finally computing and the Internet into the hands of people worldwide has changed the world significantly. It is much more difficult today for dictators and autocrats to incessantly lie to their populations about what is going on in the world. People can now see with their eyes what is happening around the world, and they can start demanding better lives from their leaders and the organizations and institutions of their societies. This is a key point of Thomas Friedman's fine work (*Lexus and the Olive Tree, and The World is Flat*). Related to the improvements in communications and computing is the financial revolution which allows people,

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even small investors with only \$1000 to make investments outside of their home country. This obviously has major implications for economic systems, capital markets, and corporate governance. Firms can no longer appropriate as easily, the money of small investors as they did in the past. Crony capitalism is getting tougher to get away with as governments realize it is potentially quite harmful to an economy. Thus I cannot fix a particular year for these technology inflexions, though loosely I would say that the World War II pe-

this. Power labor unions resist change. Government officials resist change—they fear what will happen to the cozy relation they have with the big industries in their country if the upstarts begin to move in. But disruptive innovation and creative destruction must be allowed to continue in the major innovations, both in terms of technology and management processes have been disruptive, and have upset industrial (and sometimes social orders). But they have been beneficial in the long-term. The personal computer revolution has en-

place and clueless. What do all these events signify? Should they be looked at in isolation or are there any powerful lessons for future managers and CEOs when they connect the dots? Do you think the world was integrated for an inimitable disintegration?

The financial shocks have been relatively minor compared with the panics of the past. The current system is better set up to manage these shocks. I agree that the banking industry needs a lot of reform, and I hope this will happen. Enron and Tyco are non-issues. They were just examples of poor corporate governance in the corner of North American industry. Crooks and thieves have always been with us in this world, and they always will be. The challenge is to control them properly and punish them publically so the good majority does not start to get ideas to imitate them, as the ultimate game in economic theory has shown they might.

➤ **As you compare the Fortune 500 companies list, let's say in 1958 and 2008, what distinguishes these two lists? What can be surmised and learnt from those two lists? As you look at companies in USA, Europe and Asia, what stands out? Is there any particular development that seems to sum up the impact of global competition?**

I believe that there is more upheaval today. In addition, there are many new firms that are in businesses that could barely be conceived of in the 1950s. One social science researcher has forecast that many future university graduates in the coming decades will work in an industry that does not even exist. Expect, as CK Prahalad has said, leadership has to be challenged. That is happening more and more today.

➤ **According a recent McKinsey Global Survey, almost 70% of executives around the world say that global social, environmental and business trends are increasingly important to corporate strategy. Yet relatively few companies act on the global trends**

As far as political innovation, clearly the system of free trade that has been spreading in fits and starts since the end of World War II is a significant inflexion point. But this was not energized until the end of the Bretton Woods System

riod started the communications revolution, and subsequent change has happened with the rise of television in the following decades, and the Internet in the 1990s.

As to political innovation, clearly the system of free trade that has been spreading in fits and starts since the end of World War II is a significant inflexion point. But this was not energized until the end of the Bretton Woods System as noted above. More and more countries have chosen to participate (and have allowed their citizens to participate) in global markets, and the world is much better off as a result.

➤ **What lessons do the last hundred years of business offer to the new businesses?**

Industry leadership cannot be taken for granted. Leadership will always be challenged in an industry. Upstart newcomers are always on the horizon, even in heavily regulated communications and postal delivery networks; disruptive innovation is here, and it affects business and industry. Disruptive innovation and the competition it brings leads to Joseph Schumpeter's creative destruction and the renewal and growth in an economy. Big Unit Capitalism resists

abled thousands of new firms and new services. Fortunately, the disruption that the PC industry created was not stopped by some government bureaucrat and industry union coalition that wanted to avoid confusion in the marketplace (the usual stock excuse given to stop competition and innovation).

➤ **Globalization champions advocated borderless trade and that has led in some way to global economic imbalances. The first eight years of this century (2001-2008) would definitely go down the history as watershed years for global economy and global businesses. First it was colossal fall of Enron, Arthur Anderson, Tyco, WorldCom, etc. September 11 attacks put countries on high alert. 2007 saw the world getting engulfed in sub-prime mortgage crisis and with that a complete washout of trillions of dollars of shareholder wealth and 2008 has seen the global banking crisis, oil price shocks and food price rises. Amidst all these, the central banks have been put in a quandary which has compounded the exchange rate risks and companies across the globe seem out of**

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they think will affect them most; among those that do act, only 17% report significant benefits. Why is there such a disparity between need and action?

I can only speculate that firms scan primarily in the area of direct competition and other threats. They tend to miss out on opportunities that do not extend the (recent) past for them. That is, they are very good at incremental, sustaining innovation, but not good at disruptive innovation. Why? This could relate to cognitive problems that all people have, from top managers to down. But I would agree, many opportunities are being missed by firms that have the resources to take advantage of them.

➤ **Competition existed long before modern economies and businesses were born. It began with life itself. Gause's Principle of Competitive Exclusion illustrated that no two species can co-exist that make their living in the identical way. What would be the new frontiers of competition? Who are likely to be the major winners in these frontiers? What would be the new differentiating (when the competitors are closing in on the gaps) factors for companies?**

I was asked a similar question in the mid-1990s. At that time, very few people could forecast the effect, the Internet would have on business, from supply chain management, to the new finance, to media to even education and medicine. The point is, it is very difficult to forecast. I would rather talk about the new opportunities that seem to be emerging: opportunities in major established industries for example, such as healthcare and education. These are two of the biggest industries (in terms of aggregate spending) worldwide. Yet they are dominated by government ownership and regulation. These industries are ripe for innovation, particularly disruptive innovation. For example, in higher education, only a very small percentage of an age cohort worldwide can go to university or attend postgraduate

education, though many more would like to do so. For instance, only a few thousands per year can get an MBA or other postgraduate business degree. This is a very small percentage of those that might want to study an MBA, MSc, MPhil or DBA. There is great opportunity for entrepreneurs in these two industries (and not just these two) to change and grow them. And these are just the industries that we know about today, imagine what else that cannot even be conceived of that is coming in the next 10-15 years!

➤ **Do you foresee an increasingly decreasing role of multilateral international bodies like, WTO (with the rise of regional and bilateral trade agreements and perennial showdown at recent meetings, including impasse at Doha round of talks), UNO (with private sector assuming a great role at humanitarian activities for instance, Bill and Melinda Gates Foundation, Clinton Global Initiative, and increasing role of Social Entrepreneurship Initiatives and Microfinance Initiatives), the IMF and the World Bank?**

Yes, there is so much more money in society today. Over the next 100 years, with just modest growth, the average income in society will grow by about 15 times in real terms, more in the emerging economies. This will generate a great deal of wealth and with necessities well taken care of, I expect more philanthropy in the decades to come.

➤ **What according to you is the new economic consensus and the new business order? Do you see the rise of business diplomacy? Do you see a greater role for government in business, positively of course?**

I hope we will not see a greater role for government in business. Government can play a positive role in creating cutting edge regulations, or establishing standards for safety, or new process technologies that benefit a whole industry. But government cannot forecast major technological change. I am hopeful that govern-

ments recognize this, and stop trying to prop up old industries that are being disrupted, such as the integrated steel mill industry.

➤ **What according to you are the five most important trends that are going to shape the way global business will be carried out and what advice would you offer to the top managers operating those businesses?**

1. The pace of technological change will increase as more countries enter in the game of science and technology.
 2. Increased communication will facilitate global business.
 3. Trade barriers will continue to break down as regulations change and technology facilitates trade.
 4. Global business will become more important and managers will have to pay attention to becoming internationally competent.
 5. More attention will be paid to new forms of energy and other sustainability factors.
- **What do these trends mean for the organizational preparedness? Do you advocate that companies should invest heavily in 4Ps of people, processes, platforms and programs to be at the forefront of innovation in the new business order?**

Companies should not neglect investments in human resources, at multiple levels.

➤ **What should be a CEO's agenda in the new economic and business order? What factors do you think are going to influence a CEO's agenda?**

CEOs have to wear many hats in the future. They have to be leaders, influencers, and diplomats.

➤ **What do you think would be the critical success factors for global firms in the new business order and what should be key result areas for the executives in the new economic and business order?**

Innovation is central to firm success. It is difficult for a firm to disrupt its own main products and introduce new ones, but the ability to do this will be even more important than go-

ing forward. Intel is an example of a firm that was able to disrupt its own main product line when it introduced the Centrino line and other chips and chipsets that facilitated mobile computing. This was against the advice of some of Intel's top engineers, but they did it, and the new lines are now a very important part of Intel business.

- **One of the often cited capabilities that companies should develop is managing multicultural teams. How do individuals develop their capability to adapt effectively across different cultures? Why do**

I do not argue for a new lexicon. I would like to see these concepts understood first, and applied properly. They are powerful if used properly. Just think of the number of firms that practice éme tooí strategies. They are violating basic principles of differentiation and value-add. But they do it all the time, and we all suffer because of it. In Hong Kong for example, every shopping mall looks just like every other one. Why must they imitate each other exactly? It has to do with the staid retail environment here, and the lack of risk-taking in this industry

vation (or process/treatment innovation) is a very important part of technological change. For example, in the late 1960s, what took about 100 man-hours to unload a ship now takes about 4 man-hours. This is because of new process technologies and containerization. This represents a very significant productivity improvement and one of many supply chain innovations that firms (and consumers) have benefited from.

- **What do you think are the critical principles that the companies should follow to form and manage successful collaboration programs? Are there any best practices from any company?**

As I have found in my research, it is important to understand what criteria managers in other firms and in other countries and cultures seek out in their strategic alliance partners. Just like any relationship, it is important to find out what the other side needs and what problems they have.

- **What is the role of business schools in preparing the future managers capable of handling increased business complexities and working with diverse work groups?**

I think business schools have a major role to play. They should be educating future managers for sure, but they should also be educating the public about the role of business, management, and commerce in the economy. A business education is not for managers alone, and this is something that the critics of business schools are missing. It is very important to educate the general population about what business really does, and how it helps the economy and society. Business schools have a very important task to play in helping people understand the vital role business has in our society today. 📌

The interview was conducted by
Dr. Nagendra V Chowdary,
Consulting Editor, *Effective Executive*,
Dean, The Icfa Business School
Case Development Center, Hyderabad.

Reference # 03M-2008-10-07-06

Business schools should be educating future managers for sure, but they should also be educating the public about the role of business, management, and commerce in the economy

some individuals possess superior capacity to deal with the challenges of working in different cultures? How do individuals reach full productive potential working in culturally diverse work environments in their home countries and overseas? How do organizations build capability for effective work assignments in locations around the world? How do organizations optimize individual and collective performance when they harness the cultural diversity of their people across the world?

Firms should try to give cross-cultural training. Some people may be more naturally adept in cross-cultural situations, but anyone can be trained so as to improve at this.

- **The current business lexicon consists of competitive advantage/edge, strategic positioning, core competencies, value chain, value nets, value creation and value migration, shareholder activism, corporate governance, corporate social responsibility, blue ocean strategy, etc. What do you think would be, rather should be, the new business lexicon?**

here. Just trying to get students and business people to understand and properly apply these terms takes up most of my teaching time and energy.

- **Corporate R&D labs used to be the key for companies to create competitive advantage. But in the 21st century, innovation is moving out of the lab and across the globe. The research indicates that a real source of competitive advantage is skill in managing innovation partnerships. For instance, Boeing's unique assets and skills are increasingly tied to the way the firm orchestrates, manages, and coordinates its network of hundreds of global partners. Innovation is increasingly driven through collaborative teams due to product complexity, availability of low-cost but highly skilled labor pool and advances in development tools. At a macro level, what is driving this trend? Is this going to be a competitive necessity or a competitive choice? What are the advantages to companies that do it well?**

Innovation has always been in the lab and out on the shop floor (or at the hospital bedside). Management inno-

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The Interaction Economy

Gaining Competitive Edge

If the growth of the Interaction sector in business is (as it is likely to be) a reflection of the increasing prevalence of ambiguous, nonformulaic situations today, then it should be noted that the choice facing today's business organizations is not 'interaction or knowledge' but rather 'valuable interaction or wasteful interaction'.

Throughout history, successive economic eras have evolved as new social and scientific forces stimulated new ways of doing business which, in turn, require new competencies. The era now rapidly emerging and its new ways of doing business, demand new kinds of skills in an ancient arena—human interaction.

Generally, the history of human economics is considered to have gone through several phases, each one shorter than the one that pre-

ceded it. The Agrarian Economy began with the dawn of civilization and was characterized by the vast majority of people working on the land for their own food and selling or bartering the crops that exceeded what they and their family needed to live on. This phase prevailed until the Industrial Revolution in the late 18th and early 19th Centuries. The shift from an economy based on manual labor to being dominated by industry and machine manufacture began in Britain with the introduc-

tion of steam power and powered machinery. The development of all-metal machine tools in the first two decades of the 19th Century enabled the manufacture of more production machines for manufacturing in other industries; and thus, the Manufacturing Economy began.

In the Agrarian Economy, competition was based on quality and accessibility—for the most part, goods were bought locally, and the farmer, craftsperson, or shopkeeper who could offer the best combination of cost and quality had what we would call today a competitive edge. With the advent of manufacturing, the ground of competition shifted—products were more standard and commoditized and were no longer made by a single local craftsperson. Thus, those who manufactured and sold these products began to emphasize features and services to differentiate themselves competitively.

With standardization, manufacturing organizations began to deal with large-scale coordinated action unprecedented in business history. To do so, companies turned to the one model that was proven effective for large-scale activity—the military. Interactions in the Manufacturing Economy featured formal hierarchy, rigid roles, and highly controlled information. If you worked in manufacturing, you knew what was necessary to do your job and nothing more. You were expected to focus on your job and not interfere with other people. Horizontal interactions were, by and large, discouraged.

The acceleration of scientific progress in the 20th century and the pressure to bring scientific breakthroughs to bear on military, civilian and business issues brought about the development of the third great



economic revolution of the Information Economy. World War II was won largely due to the Allies' ability to gather the best minds in the world and to mobilize their thinking in service of intangibles such as freedom, scientific progress and democracy. This burst of concentrated scientific thinking led to the realization that pooling information resources led to outcomes that came faster and were of a higher quality than those the same scientists working alone could create.

As early as 1959, Peter Drucker coined the term *knowledge worker* to describe someone who works primarily with information or who develops and uses knowledge in the workplace. The work environment Drucker was observing was being seminally affected by the work of W Edwards Deming, Genichi Taguchi, and others who invented principles and methods to support organizational assessment, learning and improvement. Those principles and methods connected customers, employees and management in new ways to eliminate waste and add value via their shared knowledge. *Waste* and *value* became words freighted with new meaning and all aspects of organization began to be scrutinized to see whether they really added value in the eyes of the customer. Layers of supervision were removed to take wasteful costs out of the system. Capital costs were reduced by decreasing investment in traditional collocated office space. A trend toward the *virtual workforce* began and many new experiments in organizational development ensued.

The knowledge revolution was given a catalyzing vocabulary in 1990 with the publication and wide acceptance of Peter Senge's *The Fifth Discipline*. Senge declared that a decisive competitive edge for businesses approaching the 21st Century lay in their becoming *learning organizations*.¹ This idea is now widely accepted and the concept of interaction itself has evolved as terms such as *transparency* and *boundary-less* describe environments based on sharing and de-

ploying knowledge in ways that reduce waste and add value.

Along with these developments in organizational theory and practice were parallel developments in technology that would catalyze another major shift in the basis of the economy long before anyone might have expected it. As the amount of information available has grown exponentially with the development of the Internet, highly effective and widely used search tools have been developed and all the information on the World Wide Web has become usefully and instantly available in the Information Economy.

In 1609, Francis Bacon said *Knowledge is power*; the more one knows the more one can control events,² and this aphorism has been accepted wisdom for 400 years. Bacon could not have anticipated a corollary to his famous dictum, that when there is free and easy access to knowledge, knowledge is no longer the source of power.

Knowledge has become so available that it constitutes a commod-

ity available at little or no cost to everyone with access to the Internet. Thus effective, rapid access to information is now the entry to competition rather than the competitive edge. Easy access to information has increased physical separation and created networks of relationships that exist with little in-person contact. All these Information Economy effects give rise to the fourth great economic shift, what we call the Interaction Economy.

The Basis of The Interaction Economy

In the interaction economy, the differentiating factor is not knowledge, but rather the rate at which we do new and valuable things with that knowledge. The rate of adjustment is crucial and is driven by the interaction of three elements: *initiators*, *partners* and *information*. *Initiators* start interactions; they are exploring or are already committed to a strategy for producing value. *Partners* are those with whom the initiators must interact to create economic value. *Partners* may take the form of customers, associates, employees, superiors, suppliers, and/or allies, that is, anyone who must participate for value to occur. Information is timely, relevant knowledge. The quality of the interactions between these elements is the competitive frontier in the interaction economy.

Interactions have been important in every economic age, but were considered a secondary element rather than a primary source of value creation. Interactions in earlier economic eras were largely hierarchical, stable and predictable, and learning one's role was more important than learning how to interact between roles. In general, the source of coordination was compliance with the dictates of authority.

The vocabulary of the Interaction Economy shows how much all that has changed. Terms such as *cross-boundary initiatives*, *horizontal processes*, *supply chains*, *value networks*, *collaboration*, *connectivity*, *silos* versus *systems*, and the *matrix organization*, all denote the promi-



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He also founded a hospitality industry organization that owns and operates several restaurants, and has been a principal in an advertising and marketing firm, a hospitality industry consulting firm, and a specialty construction company. Mickey has worked with people from top organizations like Hewlett-Packard, The Coca-Cola Company, Honeywell, Apple, IBM, Motorola, the US Air Force, the University of Alabama, University of Texas School of Business, and many others. He is the co-author of *The Communication Catalyst* with Dr. Richard Rianoshok.

Exhibit I

Intraction Economy: The Roots

The Interaction Economy was foreshadowed over 65 years ago. In the early 1940s, a group of brilliant physicists and other scientists were brought together to form the Manhattan Project, the object of which was to design a weapon that used nuclear fission to create a level of explosive power that was unimaginable in World War I. Almost all of the scientists had already been working for several years on the problem, with very little progress. In 1941, they were united under the codirection of General Leslie Groves and Dr. Robert Oppenheimer, and placed under extreme time pressure lest Germany develop the weapon first. These were, for the most part, senior scientists of considerable reputation and in some cases with egos to match. To further complicate matters they were not all in the same place; there were 14 project sites, of which Los Alamos, Berkeley, and Chicago were the main ones. Groves and Oppenheimer had the task of coordinating this widespread and disparate group, and how they did this remains a case study in interaction management.

A parallel project was underway at the Kaiser Wilhelm Institute in Germany under Werner Heisenberg. The German project had personnel who were arguably as brilliant as those in the Manhattan Project, a leader in Heisenberg who was at least Oppenheimer's equal, and the same time pressure, and it took place largely under one roof, yet the Manhattan Project succeeded and the German effort did not. Why? The answer lies in part in a fundamental difference in how the projects were managed. The German project was run along classical scientific lines—scientists worked alone or in small groups, shared their work in colloquia, and went back to work in their separate labs. In the American project free exchange of information, thinking, and speaking across disciplinary boundaries, brainstorming, and creativity were encouraged, particularly by Oppenheimer who, along with Hans Bethe and other senior members of the team, sponsored an environment where ideas could come together and interact. Failure was not only tolerated but encouraged as creative approaches were tried. Learning and rate of adjustment were key values as those failures were turned into discoveries and accelerated execution.

As we all now know, the Manhattan Project won. Prior to the US entry into the war, German and American scientists had access to the same information. The possibility of nuclear fission in uranium was discovered and published in late 1938 by a team of German scientists, and in 1939 Albert Einstein warned President Roosevelt about the dangers of an atomic bomb. The Germans actually launched their nuclear project in September 1939, well before the US even considered this research seriously. The difference in execution was the rate of discovery and problem solving enabled by the ease and quality of the interactions. This kind of interaction environment was spawned by emergency and the fortunate presence of unusual people. The winners in today's economy will not depend on emergency or unusual personnel; they will proactively master creating and leading networks of interaction.

nence of interactions in developing and executing value creation strategies. The source of coordination now is *mutual interest* because we need far more cooperation than we can garner through compliance. Interaction Economy leaders must learn to evoke, connect with, and orchestrate commitment rather than demand compliance.

In a recent article, Peter Senge (2006) alluded to these issues:

All businesses sit within much larger commercial systems, and it is these systems that must change, not just individual company policies and practices.

For me the fundamentals start with a set of deep capacities which

few in leadership positions today could claim to have developed: systems intelligence, building partnership across boundaries, and openness of mind, heart, and will.

High-quality interactions do not merely coordinate action, they stimulate innovation. The maxim *All of us are smarter than any of us* has been variously attributed to Walt Disney, Ken Blanchard, Warren Bennis, and others. Regardless of who said it first, there is little doubt of its truth. The real challenge is making the transition from theory to practice: just how do we tap into the commitment and intelligence of a business community to improve development and execution of strategy? In his 2004 book *The*

Wisdom of Crowds, James Surowiecki provides extensive documentation to show that, under the right conditions, groups of people will reliably produce smarter solutions to problems than would be expected from any individual in the group or even from acknowledged experts. In our work at Conversant with organizations in over 35 countries we have found the same to be true: there is a reliable design to high-value interactions. It is this *irreliable design* that forms the basis for thriving in the Interaction Economy.

Interactions: Transactional, Transformational and Tacit

Two recent studies by the McKinsey Organization asserted that as we moved farther away from the Manufacturing Economy and as information became more easily accessible to all, the source of competitive advantage has indeed shifted. In 1998, studies showed 61% of American workers were in jobs that the authors classified as either *transactional* (routine and repetitive) or *transformational* (manufacturing). By 2004, this percentage had dropped to 59% and continues to trend downward. The remaining jobs involve what the McKinsey authors call *tacit* work, that is, work involving complex interactions with others, often across both internal and external organizational boundaries.

In 1993, Michael Hammer and James Champy, in their book *Reengineering the Corporation*, could credibly promote process improvement as a source of competitive advantage. Shortly after reengineering became widely adopted, however, it became clear that any advantage gained by process improvement, best practices studies, automation, outsourcing, and so forth were short-lived as rival companies adopted similar improvements and matched their competitors. The rate of information flow turns nearly every improvement into public knowledge and whoever most rapidly turns the knowledge into new value creation wins.

At the same time, it has become increasingly apparent that a key

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source of value creation lies in business activities that have largely been ignored, particularly in the complex interactions that key managers and executives have, on an ongoing basis that are central to performing their jobs. By complex interactions, we mean, first and foremost, conversations—conversations with peers, superiors, subordinates, suppliers, contractors, and customers to name a few of the key examples. These conversations typically require that managers deal with considerable ambiguity and exercise high levels of judgment, with only their knowledge and experience to draw on. According to McKinsey, during the past six years, the number of US jobs in which this kind of interaction is a key factor has been growing three times faster than employment in the entire national economy. As business becomes more complex and managers have more information to deal with, this trend can be expected to continue and increase.

As the demand for valuable interactions grows, the companies whose employees are most skilled at these interactions have a considerable competitive advantage. Put another way, unproductive interactions will put companies at an increasingly expensive disadvantage.

The point isn't how many tacit interactions occur in a company; what is important is that they ought to add value. This shift toward tacit interactions upends everything we know about organizations. Since the days of Alfred Sloan, corporations have resembled pyramids, with a limited number of tacit employees (managers) on top coordinating a broad span of workers engaged in production and transactional labor. Hierarchical structures and strict performance metrics that tabulate inputs and outputs therefore lie at the heart of most organizations today.

But the rise of the tacit workforce and the decline of the transformational and transactional ones demand new thinking about the organizational structures that could help companies make the best use of this shifting blend

of talent. There is no road map to show them how to do so. Over time, innovations and experiments to raise the productivity of tacit employees (for instance, by helping them collaborate more effectively inside and outside their companies) and innovations involving loosely coupled teams will suggest new organizational structures.

The Next Revolution in Interactions

BC Johnson, JM Manyika,
and LA Yee

The McKinsey Quarterly, 2005.

Systems theory holds that a subsystem that is in wide use and largely unexamined is a strong candidate for a likely source of waste in a system. By this definition, interaction, or what is more commonly called conversation, is very likely to be a waste source in most organizations. If we look particularly at what the quote above refers to as tacit interactions, (i.e., those complex, ambiguous, judgment-intensive conversations described above), we find them in ever-widening use, increasing as a manager's seniority or scope of authority increases, and yet for the most part, unexamined. In our experience of working with Fortune 100 companies worldwide, it is possible to bring

to these conversations a level of analysis and clarity that goes beyond the call for innovations and experiments, lending itself to training and practices that make complex conversations a source of significant added value.

Interactions That Add Value vs. Interactions That Create Waste

We define value as anything that customers and shareholders would be willing to pay for and that employees would be willing and able to produce. Waste, then, is any activity that does not meet this criterion, as it does not produce value.

Clearly, the kind of complex interactions that we are discussing here are a key potential source of value. In his book *Moments of Truth*, former SAS CEO Jan Carlzon describes it this way:

Last year, each of our 10 million customers came in contact with approximately five SAS employees, and this contact lasted an average of 15 seconds each time. Thus SAS is created 50 million times a year, 15 seconds at a time. These 50 million moments of truth are the moments that ultimately determine whether SAS will succeed or fail as a company. They are the moments when we must prove to our customers that SAS is their best alternative.

If we are truly dedicated to orienting our company toward each customer's individual needs, then we cannot rely on rule books and instructions from distant corporate offices. We have to place responsibility for ideas, decisions, and actions with the people who are SAS during those 15 seconds: ticket agents, flight attendants, baggage handlers, and all the other frontline employees. If they have to go up the organizational chain of command for a decision—then those 15 seconds will elapse without a response, and we will have lost an opportunity to earn a loyal customer.

Carlzon's strategy clearly worked at SAS, yet he would be the first to admit that it was rife with risks. Every opportunity to create value is also a



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15-second opportunity to create waste to lose a customer forever. What will make the difference between value and waste is the quality of the interaction.

Interaction Economy Competencies at Work: A Case Study¹

We have found that leading in the Interaction Economy requires three major competencies:

➤ Interactive Vision

Seeing execution as a network of interactions;

➤ Interactive Timing

Being able to diagnose and respond to interaction opportunities and problems at the right time; and

➤ Interactive Skill

Being able to lead the interaction effectively once you know which interaction to highlight with a given group at a given moment.

Despite almost 60 years as a company that was widely admired for its products, ethics, innovations, and competitive spirit, Hewlett-Packard's erratic performance during the 1990s had begun to erode the company's reputation. HP executives believed that many opportunities for customer and shareholder value had been lost because of poor coordination between the company's more than 60 business units.

In 2001, HP reorganized into four Global Business Units (GBUs) and the company's Board and Executive Council recognized that even with this consolidation, collaboration across the GBUs was going to be critical. A survey of employees at all levels of the company confirmed both the need for and the potential difficulty of what amounted to a major cultural shift. The feedback from the survey spotlighted the need for a different style of leadership, one better suited to driving cross-boundary innovation, efficiency, and rapid change.

One early discovery in the change process was that managers who were

most effective in unscripted conversations were also the most effective change leaders. Susan Burnett, HP's Vice President of Workforce Development, became very interested in the notion of conversations as a catalyst for change. Burnett was instrumental in HP partnering with our company Conversant, a Boulder, Colorado, consulting practice focused on how conversations affect the rate and quality of organizational accomplishment. Conversant had worked closely with the Ink Jet Supplies business of HP for some 10 years, gaining familiarity with HP and demonstrating the effectiveness of their approach with HP managers and executives.

In an extensive report on the HP/Conversant project, Greg Merten, then Vice President and General Manager of Supplies Operations for the Ink Jet Supplies business, said:

The way we used to solve problems tended to damage relationships. Turf protection and blame would leave the people involved weakened as a team and in worse shape to solve whatever problem came next. Now, we solve bigger problems faster, and relationships are in better shape after the problem-solving, not worse.

Merten's endorsement and Burnett's investigation led to the co-development by Conversant and HP of a program called Dynamic Leadership that would train HP managers in the three competencies of the Interaction Economy.

Dynamic Leadership and Interactive Vision

The purpose of Dynamic Leadership is to substantially improve the ability of HP managers to accelerate time-to-value for HP customers, shareholders, and employees. The method of acceleration is conversational leadership—seeing the quality of interactions as the key to value creation and the creative resolution of differences as critical to time-to-value.

Participants in Dynamic Leadership were brought together mostly as

intact work teams and trained in conversational tools developed by Conversant, including the Conversation Meter, the Intersection Model, and a participative decision-making protocol. Teams were asked to bring to the program real work issues that were not proceeding smoothly to completion, required collaboration to accomplish, and fit the agreed-upon definition of value. By applying conversational tools to these problems and in exercises in the program, participants came to see execution and the barriers to execution as issues of interactions.

Dynamic Leadership and Interactive Timing

Timing is one of the most important issues in complex interactions. Timing estimates relationships as they relate to action. (By way of analogy, the action of jumping rope requires you to estimate the relationship among your body, the rope, and the ground.) Well-timed action is highly productive: benefit rises while effort falls. While time may be a constraint in a project, timing is about maximizing opportunities for action.

Timely action is not commonplace because people tend to perceive the world in terms of objects rather than relationships. We focus on the individual things in front of us, rather than on the relationship between those things. When timing is good, the focus is not on oneself, others, or the circumstances, but rather on the relationships and interactions between these on how things fit together, on the pathways they form. When the focus is on separate parts, insightful observations are rare, which leads to great effort being expended for small results.

An integral part of the Dynamic Leadership program at HP is an exercise called the "Evening of Value." Late in the afternoon of the first day of the workshop, the participants break into groups and plan a valuable evening together, using tools acquired during the day and guided by the definition of value. The groups then present their plans to each other

¹ Much of the material for this case study is based on Mickey Connolly and Susan Burnett (2003) *Hewlett-Packard Takes the Waste Out of Leadership*.

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and align on what to do for the evening. Course leaders observe and take notes about the quality of application of Day One concepts and tools. In the morning of the second day, the Evening of Value exercise is thoroughly debriefed and the course leaders provide coaching. Managers report a dramatic shift from just understanding the concepts to really using them well.

Two factors focus the Evening of Value exercise on the issue of timing. First, the exercise happens in real time—the small groups have about 45 minutes to plan their proposal for the evening, and then the group as a whole has about the same amount of time to align on the final plan and its execution. Second, the groups usually comprise a range of levels of authority, from independent contributors to senior managers. The training of the day prior to the exercise creates a strong bias toward interaction and conversation rather than authority and deference. This combined with the time constraints of the exercise makes timely interaction key to successfully completing the Evening of Value, a point that is generally made very strongly in the Day Two debrief.

Dynamic Leadership and Interactive Skill

Conversant's conversational methodology is rooted in what is termed the Cycle of Value. The Cycle of Value is composed of eight conversations which, when skillfully managed, provide what we believe is the shortest and the most effective route to value creation. These conversations, broken down into three overall areas, are as follows:

ALIGN

- **Intersect**
Creating relationship based on mutual interest in a common future
- **Invent**
Creating creative conversation, leading to a surplus of possibilities for how to fulfill the common future
- **Invest**
Selecting the possibilities with

the greatest potential for return on investment (ROI) and allocating resources (time, money, and talent).

ACT

- **Engage**
Explaining the thinking behind the plan to those who will execute it
- **Clarify**
Clarifying necessary roles and responsibilities
- **Close**
Obtaining explicit commitments to achieve important goals

ADJUST

- **Review**
Using frequent debriefs of performance to date and glean important learnings
- **Renew**
Refocusing and reallocating resources based on what has been learned so far.

As the term "cycle" indicates, the eight conversations are held iteratively,

was also used to assess the impact of the program within HP.

Results of Dynamic Leadership

Measurement and Improvement

Three types of evaluation are used to continuously improve the program, measure its impact, and calculate the return on investment:

- Immediate post-workshop evaluations
- Analysis of follow-through reports
- Three-month post-program financial impact analysis.

Immediate Post-Workshop Evaluations

At the conclusion of the two-day workshop, participants complete a 17-point evaluation of both the content and workshop leaders. The minimum performance standard for leaders to continue leading workshops is an average score of 4.0 on a 5-point

The Cycle of Value is composed of eight conversations which, when skillfully managed, provide what we believe is the shortest and the most effective route to value creation

tively, maximizing learning and the application of learning to better future performance.

At HP, interactive skill was ensured both by the training in the program itself and by an innovative post-program support system. In partnership with the Fort Hill Company, HP and Conversant implemented a rigorous post-course management system using Fort Hill's Friday 5s[®] management tool. This system required participants to set concrete goals to be accomplished in the eight weeks following the program—these goals included both business results and goals for changes in their interactions at work to be achieved by applying the knowledge gained from the program. The post-course program was implemented through a combination of online reporting and coaching and

scale. The Dynamic Leadership program staff reviews the evaluations; leaders with ratings less than 4.0 are coached, while leaders with average ratings of 4.5 or above are interviewed for best practices, which are shared widely. Leader support processes and course materials are periodically revised based on these evaluations. As a result of these continuous improvement efforts, the workshop evaluation scores have been strongly positive, with 91% of over 8,000 participants worldwide rating the program as "worth the time away from the office," 94% stating "it will increase my effectiveness on the job," 89% agreeing they would recommend the program to their peers, and 89% saying it will help them produce rapid time-to-value.

Analysis of Follow-Through Reports

Because all of the participants' goals are entered into a database, Fort Hill is able to evaluate the distribution of planned post-course objectives. As intended, more than three-fourths of all goals focus on improved alignment, more effective conversation, and accelerated decision making, all of which are leadership objectives key to HP's intent for the program. Thirty-five percent of participants reported better alignment, 23% more authentic conversations, and 22% more rapid decision-making. Other objectives achieved included better issue resolution (13%), and better learning and adjustment (5%). Post-program goals demonstrate that the participants plan to apply the in-

scribe, if possible, a single specific example in which this created value for HP and to provide details of quantifiable benefits, such as hours saved, new revenue generated, or costs avoided. In evaluating the program's impact, only specific examples for which there is good documentation are included.

The value generated by the Dynamic Leadership program is calculated by multiplying the median value of reported events by the number of reported uses of program material, then discounting (by 75%) for positive reporting bias. The median rather than the average reported value is used to avoid undue influence of a small number of very high-value instances. The ROI is calculated by

Economy, according to the 2005 McKinsey study:

Jobs requiring the most complex type of interactions—those requiring employees to analyze information, grapple with ambiguity, and solve problems—make up the fastest growing segment (of employment in the US)—70% of all US jobs created since 1998 require judgment and experience—Advantages that companies gain by raising the productivity of their most valuable workers may well be more enduring (than technology or process improvement), for their rivals will find these improvements much harder to copy.

These complex type of interactions are usually required when situations are both complex and rife with ambiguity. By their nature they are unlikely to be valuably resolved by one person or, as Surowiecki has shown, even by a group of experts. This type of situation is most valuably resolved when individuals are both empowered to think and act in the interest of the system as a whole (as in the SAS example) and are brought together to mobilize a variety of views of both the situation and the system to produce solutions that are not likely to be produced from one or a few views.

If the growth of the Interaction sector in business is (as it is likely to be) a reflection of the increasing prevalence of ambiguous, nonformulaic situations today, then it should be noted that the choice facing today's business organizations is not interaction or knowledge but rather evaluable interaction or wasteful interaction. The type of situation we are discussing here is usually urgent and will not tolerate being left to resolve itself. For that reason, complex interactions will have to happen and the companies that build and sustain competitive advantage will be those whose leaders can sponsor an environment in which high-value interaction is the norm. ■

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In the agrarian age, competitive advantage was gained by quality of goods and by minimizing the distance to be traveled between producer and consumer. In the manufacturing age competitive advantage was a function of commoditization, economies of scale, and process efficiencies

tended lessons in ways that will have practical benefit for HP. More importantly, participants' biweekly Friday5s[®] reports indicate that they translate their learning experience into actions that benefit their teams and the company as a whole.

In week 9 following the workshop, participants are asked what they found most useful from the program. More than half of all comments mention the conversation tools and the closely related concepts of shared and intersecting purpose.

Three-Month Post-Program Financial Impact Analysis

To quantify the impact of the program, HP worked with Fort Hill to design an analysis to occur after each participant had sufficient on-the-job experience with Dynamic Leadership tools. Three months after attending the workshop, participants are asked to indicate how frequently (if at all) they have used the Dynamic Leadership tools. They are also asked to de-

comparing the value generated to the full cost of delivering the program, which includes the per-hour cost of the attendees' time. The results have overwhelmingly supported the value of HP's investment with an ROI calculated at 15 to 1. Perhaps most remarkably, these results were achieved in the midst of one of the largest reorganizations in corporate history, the HP-Compaq merger.

Conclusion

In the agrarian age, competitive advantage was gained by quality of goods and by minimizing the distance to be traveled between producer and consumer. In the manufacturing age competitive advantage was a function of commoditization, economies of scale, and process efficiencies. In the information age the company with the best information leading-edge technologies, first-to-market advantage, and competitive intelligence was likely to hold an advantage. In the Interaction

How to Lead in Soul-Calling Moments

Creating 'Crisis Heroes'

A watershed moment can shape the course of history. In such a situation, leaders of nations and organizations can capitalize on great fluidity and shape their environments in accordance with their ideals. To succeed, they must follow the three recommendations outlined in a new framework of 'flashpoint leadership', which is the art and science of inspiring people to greatness in the face of a cataclysmic event. The actions taken by Chinese leaders to cope with the mega-earthquake in Sichuan province epitomize the best practice in soul-calling moments. Contrary to conventional wisdom, the first stage starts long before the crisis. A ruler needs to steel himself as a shadow crisis leader long before the calamity strikes. Secondly, when destiny calls him and his soul is laid bare, he has to empathize with people on the ground. At this stage, the leader should spend most of his time interacting with the victims and the rescue workers, imbuing them with an unshakeable belief in the final victory despite all odds. In the final step, he must mobilize all constituencies for an enduring 'total war'. Together with his team at the top and an army of 'crisis heroes' at all organizational levels, he needs to eradicate the root causes of the crisis and realize an enthralling vision that will benefit all stakeholders tremendously.

The place where your treasure is, is the place you will most want to be, and end up being.

Matthew 6:21

It has been said that people prefer certainty over knowledge. But volatility can be tremendously valuable for movers and shakers. A crisis of epic proportions is a watershed moment in which even ossified structures become fluid. It can shape the course of history.

Such a defining moment is the litmus test for leaders of nations and organizations alike, giving them the rare chance to differentiate themselves immediately in front of a world audience, either through mastery or incompetence. Literally in a blink, helmsmen at a critical juncture have the latitude to create heaven or hell on earth, depending on which path they choose.

The 7.8 magnitude earthquake in Wenchuan, which is located in

Sichuan province, was one of the worst natural disasters in the history of modern China. How national politicians dealt with this catastrophe is a best practice case of what I call 'flashpoint leadership', which I define as the art and science of inspiring people to greatness in the face of a cataclysmic event. Success in this enterprise makes it possible to shape the environment in accordance with one's ideals.

In the aftermath of the terrific quake, Chinese leaders distinguished themselves as true masters of soft power. Even though the Wenchuan example is drawn from politics, leaders from all walks of life, including captains of industry, can learn from it.

There are three interconnected key success factors for handling extreme challenges (see Exhibit). The ruler's impact increases at an exponential rate as his intent and energy are cascaded to the bottom of the organization. Contrary to conventional wisdom, the first stage of flashpoint leadership in this new framework starts long before the crisis.

Steel Yourself as Shadow Crisis Leader

Paradoxically, the unknown is not a state of affairs for which we can only be left unprepared. For sure, you cannot make targeted preparations for an uncertain event. By definition, it may occur in any place at random, which even makes it impossible to calculate subjective probabilities.

But since the occurrence of the unexpected can be expected, you must build the required leadership strength, ruler knowledge, credibility

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and networks well in advance to be ready when destiny calls you. Many people only see the heroic moment of a leader and attribute everything to genius and inspiration. They ignore the long gestation period required to make it possible to become a hero. Such accumulated life capital, including values, beliefs, attitudes, action scripts and other intangibles, is the part of an iceberg that is under water.

Leadership is not like an impromptu performance; you have to prepare. Like a good general, you must get ready for war during times of peace. You should spend years preparing for possibly only a few minutes that will decide your life and the lives of your nation or organization. If you had a week for reading the *Bible*, it would be wise to spend five days on improving your speed reading skills first.

Once a crisis like the earthquake in Wenchuan happens, you will not have much time to think about your strategic approach. You will be surrounded by a swarm of hysterical followers, the world media will press you constantly, and time will be ex-

tremely limited. The fog of war will cloud your vision. You will have to resort to the elements of action scripts that you have developed well in advance, giving you a sense of direction that reduces stress. Otherwise, you run the danger of panicking. You might be impaired by a fight-or-flight response that can lead to tunnel vision and, at worst, paralyze your mind. It is a state of hyperarousal that can be useful for confronting immediate physical threats. But it will make it impossible for you to calmly solve demanding intellectual problems.

Even when you are still a Mr. Nobody or pass through the valley of death after some initial public exposure, you should think, feel and behave like a supreme ruler, accumulating valuable intangible assets ahead of demand. In some countries, opposition parties practice their skills and build their profile by running shadow governments with all the vital posts that they need to fill after they have ascended to power. It is a good idea to act like what I call a shadow crisis leader before the moment of truth. You can also be a real

or virtual exile leader in a safe haven. If you are in a risk-free environment, mistakes will not prove too costly.

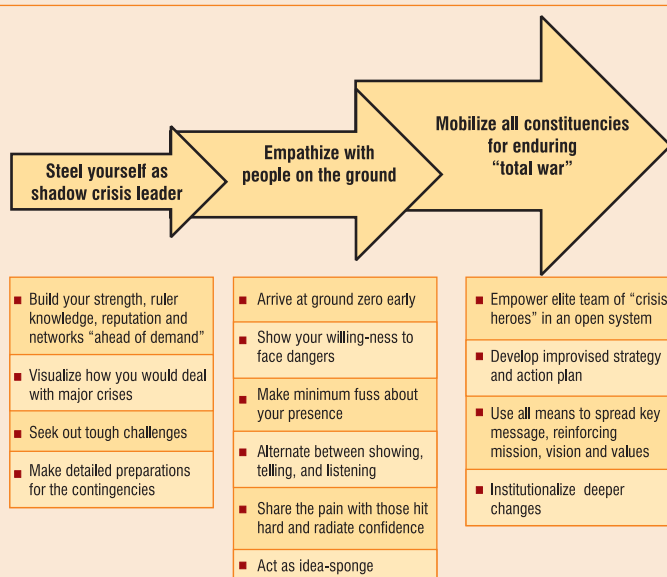
The action needed to overcome the future challenges occurs twice, once in your head and then again in reality. Take contemporary challenges and think through how you would handle them. Like a sportsman who visualizes an upcoming competition, you have to simulate in your head the measures you will take at a decisive point. Since your subconsciousness cannot tell the difference between the real and the simulated events, it will produce an adaptive response to both real and imagined experience.

I could imagine the next generation of Chinese leaders, who were still kids, watching TV broadcasts and Internet videos covering the Wenchuan quake with considerable trepidation. Undoubtedly, these seekers of glory and honor closely observed the actions of their idols at the top echelon of the Chinese government. Such political hopefuls grow in stature by emulation, followed by unlearning, which enables them to surpass their role models and reach stardom.

At first, most of them act like budding sportsmen who carefully study the performances of their favorite athletes and then copy some techniques. At the extreme end of the imitation spectrum, they behave like young actors who devour the recordings of a master. These aspirants dissect their heroic performances to become his clone, even mimicking his facial expressions.

To ready themselves for daunting challenges, fledglings eager for high political office should first become living concordances of leadership cases. More independent thinkers who desire to become great helmsmen will ponder how they would deal with a calamity such as the Wenchuan quake should they make it to the top. After the ambitious youngsters have matured and arrived at the pinnacle of power, they are likely to use their own style, developed from previous observations and reflec-

Exhibit I Flashpoint Leadership Action Plan



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tions, to prevail in a watershed moment. During the formative years, you also have to build up physical strength, which matters to a considerable extent if you want to hold out as a leader for a long time. Alas, this task is often neglected by short-sighted youngsters. They ruin their body, which is their most valuable machine.

Besides, in this leadership incubation stage, you have to incessantly develop your character and reputation. In the extreme situation that you are likely to face, you will encounter what I call a moment of unmasking and soul-calling, when your innermost self is laid bare ostensibly

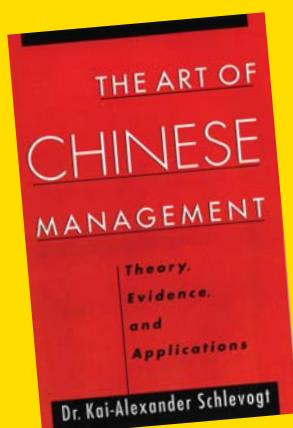
holding all levers of power in your hand, you will be armed only with your spirit. Surrounded by thousand men, you will be the loneliest man on earth. In such a soul-calling moment, you can only resort to the inner reservoir that you have filled during your preparatory years. Your detailed studies of similar situations and relentless practice will help you produce the right reflexes when you have to make split-second decisions, like a goal-keeper awaiting a penalty. Your self-mastery will enable you to keep your head and spirits high. Your prestige can serve as an invisible shield, but can also be easily destroyed in exacting times.

To accumulate such inner strength, experience and halo, you should incessantly steel yourself for the battle of your life, embracing the adage that what does not kill you, makes you stronger. You have to seek arduous leadership challenges everywhere and greet the trying tasks with delight. To get ready for the defining moment, you must stretch yourself constantly and establish a track record that impresses others. During your ascent to high office and as an incumbent, you need to build up a reservoir of goodwill, too.

The founder of the Soviet Union, Vladimir Ilyich Lenin, prepared himself intellectually for his revolution-

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Kai-Alexander was elected Fellow of the McKinsey & Co. Global Institute (MGI), San Francisco and Shanghai. Before, he founded the Schlevogt Business School, the first school in Germany focusing on European-Chinese economic relationships, and served as its President. He was also appointed as the first regular foreign professor in the history of Peking University. Besides, he served as a senior faculty member at the Australian Graduate School of Management (AGSM), a joint venture of the University of New South Wales and the University of Sydney. Moreover, Kai-Alexander wrote the Asia Column of *Manager Magazin*, a leading German business publication.



He served as Visiting Full Professor at the Henley Management College (UK). Besides, he held two appointments at Harvard University, one as Associate at the Harvard Fairbank Center for East Asian Research, Asia Center, another as Visiting Scholar at the Harvard Business School (HBS). Before joining Harvard, he worked as a strategic management consultant for McKinsey & Co. in Greater China, advising the Malaysian Prime Minister on how to develop a Multimedia Supercorridor (MSC). In the former Soviet Union, he served as Country Manager for "Colonia-Victoire" (now: AXA Colonia), a leading German-European financial services company, and as Representative of the Association of German Insurers, advising the Russian government on insurance legislation.

Kai-Alexander has been listed in the "Who's Who in the World" and the German "Who's Who". A globally recognized expert of strategic leadership in emerging markets, he has written three books and over 200 articles. One of his books, *The Art of Chinese Management* (Oxford University Press), has been hailed as the standard text on the subject. He is a regular TV commentator for Channel NewsAsia and other broadcasting stations. He also gave exclusive radio interviews to the BBC World Service and Deutsche Welle (German National Radio). He frequently runs degree courses and executive

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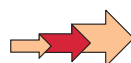


ary mission, established his reputation, and developed powerful networks while in exile. Behaving like a top leader, he virtually breathed politics—he devoured the entire library collections, eagerly analyzed the events of the day, composed elaborate treatises and engaged in public debate. Charles de Gaulle also polished and loaded his intellectual gun well ahead of time. For example, he wrote an elaborate treatise on leadership long before he became French president. For the rest of his life, Mao Tse-dong profited from the prestige he gained by commanding the “Long March,” which helped him escape from the claws of his Guomindang enemies. He also capitalized on the goodwill that he created among peasants who felt that he had liberated them from oppressing landlords. People also credited his goodwill account for the role he played in ridding their country of the Japanese occupying forces.

Before the Wenchuan crisis, Wen Jiabao, the Chinese Premier Minister and one of the protagonists in the earthquake drama, accumulated valuable social capital in his country, as evidenced by the popularity among his people. He cultivated a humble attitude, demonstrated compassion, and showed himself always eager to learn. During the question-and-answer session following his “Eminent Persons Lecture” at the National University of Singapore (NUS) in November 2007, a student asked him about his greatest mistake in government. He replied that he had underestimated the magnitude of the “Severe Acute Respiratory Syndrome” (SARS) epidemic, which had cost the lives of many Chinese citizens and other people around the world. This realization apparently taught him to act swiftly in the Wenchuan crisis, assuring great transparency about its scale and losses.

Before the emergency, you must hold creative scenario planning sessions to imagine the unthinkable. Then you need to complete the detailed preparations for the contingencies

that you have identified. This includes actually rehearsing your response to the pandemonium. For example, the Singaporean government conducted large-scale simulation exercises, involving the civilian population, to ready itself for a major terrorist attack on the island state. In some conflicts, the image of strength, developed through careful public preparation and resulting task readiness, may deter potential enemies from picking up a fight.



Empathize with People on the Ground

A crisis is not only a technical problem, but above all a psychological challenge. At the early stage of flashpoint leadership on the ground, a ruler has to concern himself more with people than tasks, focusing more on micro-relations than grand solutions. Later on, the leader must become a national voice offering a compelling vision and delineating a clear strategy to his followers for overcoming the crisis and becoming stronger as a result of it.

First impressions matter particularly at zero hour. Once you are perceived to be late, you will play a catch-up game that you are unlikely to win. For example, many people thought that the famous Chinese basketball player, Yao Ming, gave a donation that was mean compared to his fabulous wealth. When he subsequently provided more funding, he was slated for acting only after being pressured. The implied criticism was he cared more about looking good than doing good.

The helmsman has to arrive at ground zero as soon as possible to signal to this country and the world the importance of the crisis and his full readiness to help in any feasible way. At the scene of the disaster, he must not micromanage where he lacks competence and bandwidth; the detailed work has to be done by his followers. In the early stage of a crisis, his most important task is to connect emotionally with people who suffer from extreme misfortune and inspire those who are to help them. As what I

call an “avuncular leader,” he must open up, behave naturally, as well as display humaneness and generosity.

Giving and receiving must constantly alternate; the leader has to switch easily between showing, telling and listening. He should arrive at ground zero with a clear message, which he supports with symbolic action, including powerful body language that is congruent with what he says. Especially in a crisis, people are thirsty for clear words of assurance, which are uttered with full confidence. They are quick to sense hesitation.

Even if the leader harbors doubts in his heart, he must never blink. He should never reveal his insecurity to anybody, neither in words nor through body language. This can only be done if he has built up a strong personality and filled his reservoir of energy and emotions ahead of the crisis. The mental self-control that he learnt in the past and has become a habit is the key to success; by guiding his thoughts, focusing them on the positive aspects of the crisis, negative reactions will not even arise in the first place. Such smart thought management is preferable to merely trying to suppress emerging stress, which can prove to be a futile attempt; at times, counterproductive biological processes are continuously reinforced subconsciously; it is possible that even a leader with iron willpower cannot halt this spiral.

Simply by radiating confidence and energy amidst the surrounding chaos, imbuing the faint-hearted with an unshakeable belief in ultimate victory against all odds, the leader will produce spectacular results. He will kindle a light in the souls of his followers that will shine in the darkness and in turn inspire others in an endless chain of human energy transmission. Simple gestures can often prove extremely powerful. Many ordinary citizens already consider it a great honor if a top leader simply holds their hands.

The immediate aftermath of a disaster emphatically is not the time for nuanced scholarly analyses. At this

point of time, the leader does not need to have all the answers for the detailed problems of all people. But he must be able to communicate in a credible way that he has the competence to lead them out of the crisis and that people are strong enough to follow his lead. With powerful projection, he must bring across the message: 'We will get through this and grow as a result'. He might say: 'Give me six months and we will have pulled ourselves out of this disaster, gained tremendous strength from this horrible experience, and will stand taller as a result'. People must feel that if everything else fails, they can have recourse to the father of the nation who will work with them to get out of hell.

On the other hand, the ruler must also ask questions, exploring the human side of the disaster in particular. He should soak up impressions like a sponge and orderly shelve them in his memory bank. This enables him to access them easily at the strategy formulation stage. In particular, the leader needs to listen for ideas and recognize emerging patterns among them. He should develop and test initial hypotheses as regards effective possible solutions, for example, by posing probing questions.

The top politicians of China scored well in the early stages of crisis leadership, reacting in a flash to the emergency. Wen Jiabao flew to the devastated area on the very day the quake struck. He thus stressed the significance of the event and the personal commitment of the top leadership to overcome the crisis. The Premier was widely admired for his courage to visit the worst-hit and most dangerous spot, where aftershocks occurred in his presence. This reminded me of an episode when Napoleon Bonaparte rode across a bridge ahead of his scared army, eyeing the enemy fire. With such a hero and powerful role model in charge, followers cannot do less; in fact, they will usually try to outdo the leader in gallantry, as was seen in the enthusiastic charge that followed Napoleon. In the earthquake case, such collec-

tive bravery was also necessary given that many devastated areas in Sichuan could only be reached by foot!

Wen Jiabao showed himself as focused and energetic. With a megaphone in his hand, he addressed over a hundred people trapped beneath a collapsed hospital in Dujiangyan, close to the epicenter in Wenchuan. He also visited the site of a middle school where about 900 pupils were buried. The father of the nation, who has a strong pastoral quality, sat in a circle with survivors and inspired rescue workers and hospital staff to give their best. These pictures produced a goose skin feeling and made many people cry.

The Premier stayed for an estimated 88 hours in the crisis zone, after which he was immediately replaced by President Hu Jintao. Like parents taking turns in watching over a sick child, the smooth handover sent the following powerful signal to the people: 'You will never walk alone; we are in this together. The leaders clearly made human lives their top priority.'

During these encounters and later on, the Chinese politicians effectively conveyed a dual message, acknowledging the bitter reality and empathizing with the victims, but at the same time calling for strength, holding out the prospect for betterment. President Hu Jintao told the people: 'I know you lost family and property. I share the pain with you. We will try every effort to save your people once there is the slightest hope and possibility.' He asked even an 8-year old boy to be brave in this calamity.

Top leaders have to ensure that they make minimum fuss about themselves and their entourage. Their presence and accompanying media circus empathetically are not to disrupt the rescue efforts. Whenever possible, they should try to break out of their security cocoon and collect first-hand information. While it is important that the nation sees their action in the rubble, they have to walk a fine line. They must avoid the exhibitionist's temptation to look

out for photo opportunities while consoling a sobbing girl and stay clear of voyeuristic disaster tourism. Of course, the public relations officers will still select the photo of the leader padding the newborn, but this does not matter if his intentions are pure.

The pictures of the Chinese Premier crying gave expression to the feelings of the entire nation, which created strong resonance among the people. The footage traveled around the world at the speed of light. He gained much sympathy among foreigners who appreciated the show of emotion. The footage attenuated the previous stereotype of the Chinese people working as industrial robots.

Such strong presence on the ground, compassion and encouragement contrast sharply with the cool withdrawal of US President George W Bush after the attacks on the World Trade Center in New York in 2001. While such isolation might have been justified in the first hours for reasons of national security, he delayed his trip to New York for too long. The New York mayor, Rudy Giuliani, demonstrated better psychological insight by going to Ground Zero very early and behaving like a successful wartime president.

It is most difficult for a leader to show up at the epicenter of a catastrophe when he has presided over the gestation of the crisis. In this case, he must balance in his head the benefits from meeting with people on the ground, such as their deposits to his goodwill account and his newly gained front-line knowledge, with the cost of being personally associated with the event, which might decrease his prestige and popularity.

During the second World War, the German leader Adolf Hitler feared the costs of negative anchoring that could undermine his aura of invincibility. As a consequence, he never visited bombed out cities and thus stayed away from the victims. He did not heed the advice of his propaganda specialists. They stressed the mileage he could gain from sympathizing with the myriad brutalized ci-

vilians on the ground, who had been ferociously attacked by their merciless enemies.

Mobilize All Constituencies for Enduring Total War

After the very brief honeymoon period when the leader is allowed to dedicate most of his efforts to empathizing with people, at the next stage, people expect initial answers to their questions, preferring simple certitudes over complex thoughts that are cast in doubt. After people have realized that they are lost in a dark forest, they will follow the person who says: I know the way into the light. The ultimate showstopper at this juncture of crisis leadership is a remark that starts with I'll do it all myself.

Through the visit to the crisis zone and his observations, the ideal-sponge-in-chief gains a first-hand impression of the catastrophe. Yet he should not become overconfident about his factual knowledge, resisting the temptation to make rash inferences and draw general conclusions from his limited set of experiences. Unknown to himself, his perception might be biased only if the mental eye is good, the body will be full of light. The ruler may have formed a wrong picture of the situation because his underlings showed him Potemkin villages, or he saw outliers. According to an anecdote, the imperial field marshal Grigory Aleksandrovich Potemkin, keen to cover up shortcomings, had ordered the building of mock houses to impress his empress Catherine II during her tour of the Russian South in 1787.

Still, the leader who has been to the front will be in a better position than an armchair crisis administrator to exercise purposeful leadership and take appropriate next steps. The challenge for him is to be able to manage different modes, flexibly switching from sensing and empathizing to intellectualizing.

First, the ruler has to mold a small group of gifted individuals into a close-knit elite team. The members,

who must be attracted by his compelling mission, enthralling vision and strong values, may carry the designation crisis heroes. The supreme orchestrator should select those members who are best suited for dealing with uncertainty and complexity. This means that the crisis heroes chosen may well differ from the bench at the top of the organizational hierarchy. It is possible that highly competent and motivated young people without high-sounding titles and impressive CVs might well do a better job in combating the crisis than incumbent top administrators. Some juniors might even come forward and volunteer to serve the great cause without the need for recognition. An offer that the leader must always take seriously and carefully examine, since it signals valuable intrinsic motivation. Together with his team, he must build a phalanx, counting several hundred movers and shakers, who will spearhead the national emergency campaign.

Then, after mulling over ideas during at least one night's sleep, the supreme needs to draft what I call a back-on-the-envelope strategy with a couple of meaningful national priorities. It is literally scribbled on the scratchpad he had taken to ground zero, crystallizing the key ideas he distilled from observations, conversations, and reflection. Even if the gestation process relied on highly complex thinking, the result on paper needs to be a simple, easily understood statement of grand strategy. This improvised and parsimonious high-level blueprint should complement the detailed systematic contingency plans that had been developed before the crisis.

Importantly, the chief has to adopt an integrated open system approach, which cuts through organizational silos, and ensure high levels of transparency. This improves the flow of information, people and material resources, as well as builds up public credibility. For example, instead of operating in a black box, the leader must continuously cross-check his strategic thought with the collective

wisdom of the followers. This requires several iterations of the strategy design at all levels of the organization. The leader must not hesitate to expose the severity of the disaster. It was one of the big mistakes of the previous Chinese administration to try to hide the true scale of the 7.5 Tangshan earthquake in 1976 from the population.

Once your improvised strategy is in place, you have to formulate a concrete action plan with practical first steps and make the required organizational arrangements. You must mobilize your followers, transforming your country into a nation in arms, ready for an all-out fight with the adversary. You need to empower them by providing them with the necessary resources and granting them flexibility to adapt to the local circumstances. Leaders must prompt them to delve into the specific problems at the local level, devise specific solutions for the idiosyncratic situation and integrate them back into the master plan that aims at overcoming the crisis at the national level. Later generations might be fooled by historians who unwittingly show off their hindsight bias. Drawing on apocryphal accounts from presidential admirers, they will rationalize these impromptu responses at the grassroots as strategies devised by the allegedly omniscient and omnipotent ruler.

You should use all possible communication channels to transmit a compelling story, making the drama palpable. While pathos is appropriate, kitsch must be avoided at all cost. In the aftermath of the quake, the Chinese media offered around-the-clock coverage of the event. They emphasized the early wins, such as miraculous rescues. Pictures were accompanied by dramatic movie-style sound effects and familiar revolutionary tunes. Official dignitaries and their consorts opened their purses. The wife of the late paramount leader Deng Xiaoping, who had ushered China into the reform and opening era after the disastrous Great Proletarian Cultural Revolution, even gave away her life

savings for the rescue effort. A wide network of informal opinion leaders, such as movie stars, reinforced the governmental message.

Leaders should prove to the people that they are really in control, showing their nation the familiar and stable pillars that will support them. For example, the Chinese leadership highlighted the role of the People's Liberation Army (PLA) as an anchor in the exigency, showcasing its advanced equipment and professionalism. The media stressed the early wins, including miraculous rescues.

Leaders should exploit the benefits of the demonstration effect.

ers can write their purport into what I call the "book of remembrance" in people's hearts.

Importantly, rulers must seize the moment of crisis to promote powerful ideals that are desirable as ends or means in themselves. At this crossroads, they need to reinforce the historical national mission, vision and core national values with their mantras. Sometimes, aspirations and an ethos can even be created from scratch and be spread across the country in the moment of crisis.

The Chinese government scheduled a three-minute solemn moment of silence exactly one week after the

ing the crisis. In defining moments, expectations matter tremendously. The anticipated pride of meeting the tremendous challenge and foretaste of joy over this feat are among the strongest incentives for action. Those affective states are highly infectious.

The Chinese leaders appealed to the national patriotic psyche, articulating the pivotal role of national unity, compassion and courage. They called on each citizen not to yield to difficulty. It was emphasized that every single death is a tragic loss for the entire Chinese nation, reminding me of the biblical parable of the lost sheep. Leaders created the feeling that all Chinese form part of one big family, in which everybody matters. As a result, citizens felt part of a special national team and rallied around the common cause in rap-
ture.

In the process of cascading the emergency response plan to the lowest echelon in the hierarchy, leaders must constantly ensure high levels of collective organization and always allow for effective local improvisation. The orderly Chinese rescue effort and discipline of citizens at all levels contrast sharply with the fiasco that ensued after Hurricane Katrina hit New Orleans. The legendary city was cut off from rescue workers for days, and the US president received his information through the media. Heavily armed gangsters looted the flood victims' houses and attacked innocent people. Tens of thousands of evacuees suffered in the Louisiana Superdome football stadium, since they lacked food, water and adequate sanitary conditions. When help arrived in New Orleans at last, mobs shot at rescue helicopters.

The open system approach entails spanning national boundaries, too. Mainland Chinese leaders welcomed foreign aid, enlisting the support of their overseas compatriots in particular. Those were infected with the national spirit of sacrifice and ran donation drives for the motherland.

The chief has to adopt an integrated open system approach, which cuts through organizational silos, and ensure high levels of transparency

When people see what works elsewhere, they will rush to copy the action that led to the success. The eagle on the summit will easily spread his wings over the entire nation, since contagious best practice in crisis leadership will rapidly cascade to the smallest village. The flipside is that undesirable behavior may also spread like wildfire if it is left unpunished. For example, in the Wenchuan case, there were reports of corrupt officials channeling donations into their own pockets. The top leader must not hesitate to severely punish the culprits irrespective of their positions. Such retribution sends out a stern warning to others who might be tempted to follow suit. Otherwise, the national story of heroism and bravery in the face of adversity will be tainted and the crisis will even become worse.

In a major emergency, you have to resort to rituals, such as emotionally charged ceremonies, and incessantly communicate a few powerful "bumper sticker slogans", which are short memorable messages. By painting vivid mental images, lead-

quake and mandated a three-day period of mourning. It was the first time that such an event was held for ordinary citizens in the People's Republic. The lowering of the Chinese flag, a powerful symbol, accompanied by the eerie sound of air-raid sirens, evoked strong emotions. You could even see tears in the eyes of the usually restrained state television anchors, who all wore black clothes. At the very least, their bosses must have allowed them to display sorrow. During the mourning period, the government shut down entertainment, sacrificing considerable income, and suspended the Olympic torch relay.

As part of their communication effort, leaders should nurture a healthy belief in heroes and bravery. Only he who trusts that there are great men, whose spirits are united across time and space, can achieve great things and become great himself! By appealing to noble values that are held in high affective regard and prophesying a bright future, leaders can make followers eager to reach the stretch target of overcom-

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Such openness contrasts with the behavior of the military junta in Burma, which initially refused foreign aid in the aftermath of a devastating cyclone that occurred shortly before the Wenchuan disaster.

As part of the total war, the paramount leader needs to capitalize on the visibility of the crisis and concomitant problem awareness to push through deeper changes. Together with his team at the top and an army of crisis heroes at all organizational levels, he has to eradicate the root causes of the crisis and realize an enthralling vision that will benefit all stakeholders tremendously.

In an inverse funnel, leaders have to move backwards in the chain of causation, uncovering even factors at work that had only an indirect effect on the crisis gestation. Nobody should be allowed to blink at inconvenient truths. No sacred cows should be spared in the determined effort to sweep the house clean; all that is wrong must be repaired irrespective of ideology and other obstacles.

To start with, the Chinese government has to cure man-made underlying factors that aggravated the outbreak of the natural disaster. For example, due to poorly enforced construction norms, especially at the village level, the damage was multiplied. The risks associated with rapid industrialization and environmental degradation can also be highlighted. In an even broader context, a leader can refer to the increasing disparity between the rich (who can afford more secure housing) and the poor, and hold out the prospect of building a cohesive society where everybody can prosper. Instead of simply blaming a few bad apples, he has to address systemic deficiencies. For example, the prevailing power structures in China led to widespread corruption, which undermined law enforcement.

As time passes and the action cascades to lower levels in the hierarchy, top leaders have to ensure that the special ethos that emerged during the crisis is kept alive. Under-

lings should neither act as mere clones of their superiors nor act selfishly, for example, using visits to the quake zone merely to shore up their public image.

Eventually, the changes need to be institutionalized and perpetuated in the form of well-resourced organizations with fitting leaders and competent staff at all levels, as well as matching structures, processes, systems and values. Those organizations must be imbued with the strong combat spirit that helps people cope with the crisis. Remembrance ceremonies have to be regularly scheduled. Instead of degrading into meaningless routine, they must enthrall all people. They should not only honor the victims, but also recall and reinforce the ethos from the fighting time.

The Chinese government skillfully used a surprise effect at the opening ceremony of the Olympic Games in Beijing to evoke memories from the Wenchuan crisis, which had knit the nation together. Tens of thousands of spectators in the National Stadium and a TV audience counting over a billion people frenetically applauded an amazing scene. Lin Hao, a boy attending a primary school in Wenchuan County, paraded into the Bird's Nest arena together with the Chinese basketball star Yao Ming, who bore his country's flag. They spearheaded the 1,099-member strong Chinese Olympic delegation. The nine-year-old second grader had rescued fellow pupils from a collapsed structure at the risk of his life. The moving scene of the mini-hero with his little Chinese flag walking hand in hand with the giant NBA star moved millions of people to tears.

As an attestation to the power of psychology, the soft mattered more than the hard. The Lin Hao effect proved that money is not all that counts in leadership. If rulers are creative, they can achieve huge impact with little input. The episode demonstrated the value of using well-chosen images in the process of crisis leadership, since they can

have an amazing impact on many people. The human touch of bringing in Lin Hao, which cost little, proved far more memorable than the dazzling high-tech spectacle of the opening ceremony, which consumed millions of US dollars.

The measure of success in watershed leadership is not what you did, but what you achieved in the long run. Your impact will be reflected by the way your compatriots and dispassionate historians judge you. It takes a long time, often a generation or more, to reach a verdict about the total impact of crisis leadership. The results of the early stages in the exercise of top leadership in the Wenchuan mayhem were very positive indeed. They contrast favorably with the management of other recent mega-catastrophes around the world.

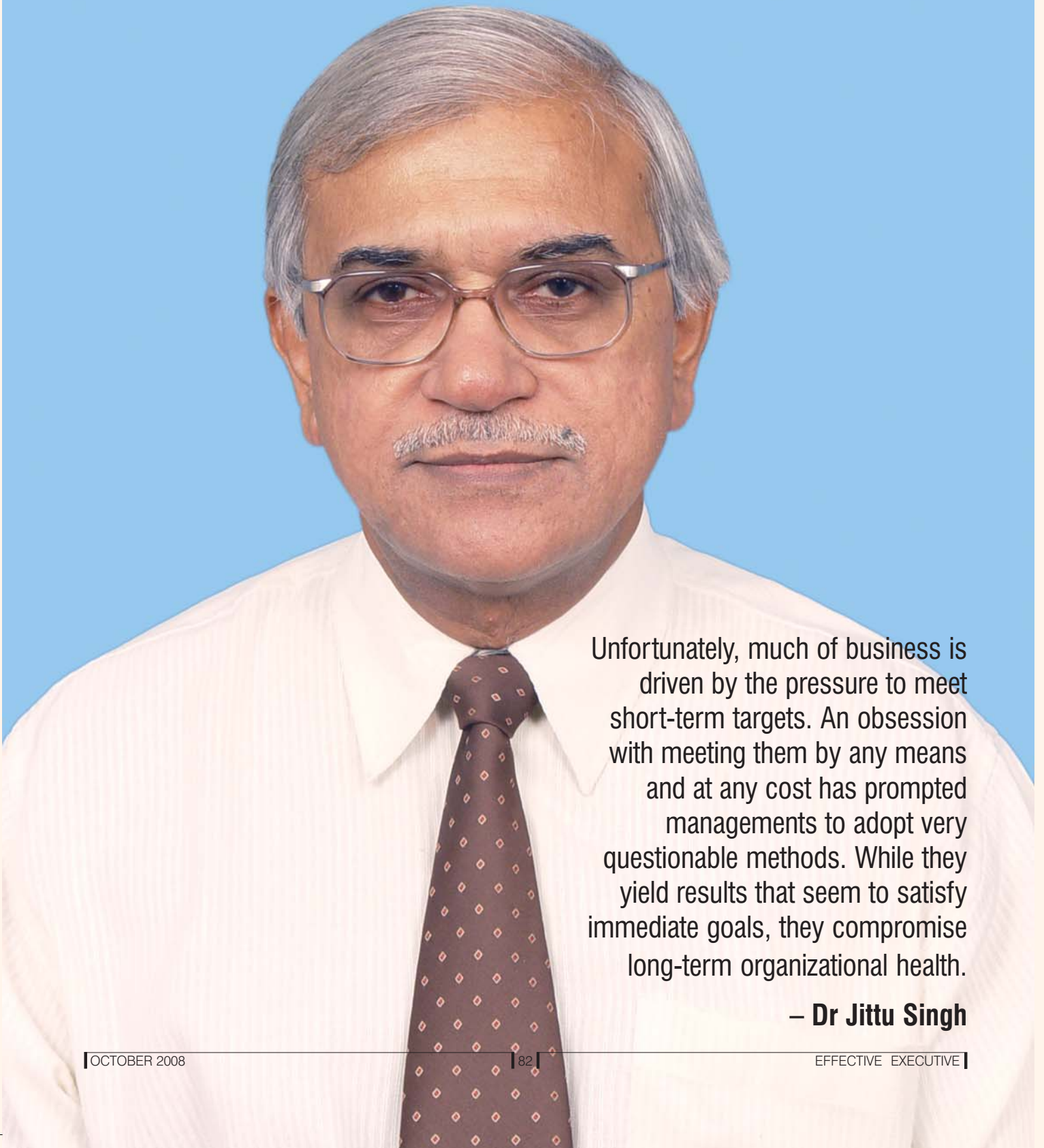
It follows from the opening quotation that since the Chinese leaders single-mindedly treasured the right thing, humanity's hearts were in the right place and they ended up where they wanted to be. Above all, their compassionate response to the calamity and their social sensitivity earned them the sympathy and respect not just of the people in the People's Republic; their mojo also mesmerized the overseas Chinese community and millions of other people around the world.

I have no doubts that what I call the Wenchuan spirit, epitomizing unity and humanity in the face of adversity, is going to occupy a key place in the national psyche of China. The flashpoint heroism will be a valuable memory to be activated in later national crises.

Like the liberation of China from Japanese occupation forces, the experience endows the Chinese leadership with fresh moral authority, which pulls people, and thus is more effective than coercion, which pushes them. ■

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Unfortunately, much of business is driven by the pressure to meet short-term targets. An obsession with meeting them by any means and at any cost has prompted managements to adopt very questionable methods. While they yield results that seem to satisfy immediate goals, they compromise long-term organizational health.

– Dr Jittu Singh

- **How do you characterize the last century from the point of view of business and how do you foresee the coming century? Can the past century largely be interpreted as a Century of Conglomerates and a Century of Corporate Imperialism and the next century as a Century of Emerging Markets? Did the end of Cold War mean the arrival of Corporate War?**

Perhaps because I am not a historian, I find it difficult to attach any sweeping label to a century. Hence I am not sure that the 20th century can be characterized as a Century of Conglomerates or a Century of Corporate Imperialism. Yes, for a brief period during that time conglomerates did seem to dominate the corporate world. But it became clear fairly soon that increasing size and diversity also came with some disadvantages. Therefore, conglomerates abandoned the notion of being run as monolithic, centralized organizations; instead, they reorganized themselves into several smaller, more autonomous units. Like ITTó the archetypical conglomerate put together by Harold Geneenóothers too have split to become more manageable. Subsequent experience has shown that they thereby gained in focus and efficiency.

Likewise, there certainly was an era of corporate imperialism. The East India Company colonized India; several US food companies treated many of the Caribbean and Latin American nations as captive ébanana republics; and some mineral companies even today treat large tracts of Africa as virtually private property. But times are surely

changing. There has been a reassertion of political independence and sovereignty. As a result, even large multinational firms that command resources exceeding that of some underdeveloped nations, have to comply with both national and international laws. Brazen imperialism began to yield in the middle of the 20th century.

The end of the Cold War did certainly help to open new markets behind the éIron Curtain. Globalization also got a new impetus from rapid economic development in other parts of the worldómost notably in Asia and the Middle East. In order to make the most of these emerging opportunities, international companies are competing fiercely with one another. Therefore, I tend to agree that we are going to witness more intense competition in the years to come.

- **A lot has changed in the last hundred years of corporate history. What according to you, were the defining moments of that history? In other words, what were the strategic inflection points / touch points during the last hundred years of corporate history?**

I can think of several éinflection points: the separation of ownership from professional management of large firms; bridging of the gap between management and unionized employees; realization that the customer is really the king; recognition that firms are accountable to a network of stakeholdersórather than merely shareholders; and the emergence of global markets.

- **What lessons do the last hundred years of business offer to the new businesses?**

Not many companies have survived a century in good health. Most have either wound up or have lost their market ranking. Therefore, business leadership cannot be taken for granted by anyone. To remain a leader, one must continuously éreadí changing trends and adapt oneself. Those who failed to change in time have fallen by the wayside.

- **Globalization champions advocated borderless trade and that has led in some way to global economic imbalances. The first eight years of this century (2001-08) would definitely go down the history as watershed years for global economy and global businesses. First it was colossal fall of Enron, Arthur Anderson, Tyco, WorldCom, etc. September 11 attacks put countries on high alert. 2007 saw the world getting engulfed in sub-prime mortgage crisis and with that a complete washout of trillions of dollars of shareholder wealth and 2008 has seen the global banking crisis, oil price shocks and Food price rises. Amidst all these, the Central Banks have been put in a quandary which has compounded the exchange rate risks and companies across the globe seem out of place and clueless. What do all these events signify? Should they be looked at an isolation or are there any powerful lessons for future managers and CEOs when they connect the dots? Do you think the world was integrated for an inimitable disintegration?**

Unfortunately, much of business is driven by the pressure to meet short-term targets. An obsession with

Dr Jittu Singh worked as an academician-cum-administrator at XLRI and subsequently as a senior executive at Tata Steel. His earlier stint at the institute, spanning 10 years, culminated as Dean for a 4-year term. He taught a variety of courses in the Organizational Behavior, Economics and General Management areas in the postgraduate and executive development programs. He also conducted a large number of in-company programs for leading companies. At Tata Steel, he played a pivotal role in designing many of the HR systems and practices for which the company is renowned. He also spearheaded its learning centers for 20 years. He has now returned to XLRI as the "Tata Steel Chair Professor of Organizational Development."

meeting them by any means and at any cost has prompted managements to adopt very questionable methods. While they yield results that seem to satisfy immediate goals, they compromise long-term organizational health.

To compound problems, individuals seem to be motivated by excessive greed. In their attempt to get rich as quickly as possible, they put their personal aspirations and ambitions much higher than larger organizational interests. Even board-

directions. Each year, the *Fortune* list has been featuring an increasing number of new entrants from the emerging economies. The old giants beware!!

➤ **According to a recent McKinsey Global Survey, almost 70% of executives around the world say that global social, environmental, and business trends are increasingly important to corporate strategy. Yet relatively few companies act on the global trends they think will affect**

The need for continuous reinvention is heightened today because of increasing competition from all directions. Each year, the *Fortune* list has been featuring an increasing number of new entrants from the emerging economies. The old giants beware!!

level executives have been found guilty of gross misconduct. There has been a wholesale decline in rectitude.

➤ **As you compare the *Fortune* 500 companies list, let's say in 1958 and 2008, what distinguishes these two lists? What can be surmised and learnt from those two lists? As you look at companies in USA, Europe, and Asia, what stands out? Is there any particular development that seems to sum up the impact of global competition?**

The fact that many of the companies on the original list of 1958 have disappeared from its 2008 version suggests that giants are not invincible. It is not the biggest who survive but the most alert and adaptive.

Unfortunately, this repeated lesson of history is often lost on those who are current leaders. They are so drunk on their own success that they refuse to pay attention to emerging danger signals and to chart a different course from the one that made them the current leader.

The need for continuous reinvention is heightened today because of increasing competition from all

them most; among those that do act, only 17% report significant benefits. Why is there such a disparity between need and action?

Yes, as I have already indicated earlier, management cannot afford to be insular any more. It must open its eyes to a wider environment surrounding it. It must detect shifts in socioeconomic, political, and competitive trends and change in appropriate ways as rapidly as possible; otherwise, it runs the serious risk of managing in outdated and obsolete ways. Furthermore, obtaining public support and goodwill for what it does is essential for the survival.

➤ **Competition existed long before modern economies and businesses were born. It began with life itself. Gause's Principle of Competitive Exclusion illustrated that no two species can coexist that make their living in the identical way. What would be the new frontiers of competition? Who are likely to be the major winners in these frontiers? What would be the new differentiating (when the com-**

petitors are closing in on the gaps) factors for companies?

Yes, there has been competition throughout human history. But what distinguishes our era is the intensity and pace of the competition. A firm does not compete against only a limited number of local or domestic competitors; it is now required to take on the best from around the globe. Therefore, the field has expanded. To compound difficulties, both the general business environment and competitors seem to throw up new challenges suddenly and at shorter intervals. As Toffler said, everybody is confronted with 'future shock'.

➤ **Do you foresee an increasingly decreasing role of multilateral international bodies like, WTO (with the rise of regional and bilateral trade agreements and perennial showdown at recent meetings, including impasse at Doha round of talks), UNO (with private sector assuming a great role at humanitarian activities for instance, Bill and Melinda Gates Foundation, Clinton Global Initiative, etc and increasing role of Social Entrepreneurship Initiatives and Microfinance Initiatives), the IMF and the World Bank?**

The existing international organizations have played an important role in the past. However, they seem to be running out of steam. They have been criticized for not evolving with the changing nature of international trade and commerce and of being partial towards the needs of the major economic powers.

If anything, globalization requires new life to be breathed into multilateral bodies such as the UN, WTO, IMF, and the World Bank. If they are not capable of transforming themselves to meet today's needs, maybe new organizations ought to be established. But this role cannot be played effectively by private foundations and initiatives.

➤ **One of the often-cited capabilities that companies should develop is managing multicultural**

teams. How do individuals develop their capability to adapt effectively across different cultures? Why do some individuals possess superior capacity to deal with the challenges of working in different cultures? How do individuals reach full productive potential working in culturally diverse work environments in their home countries and overseas? How do organizations build capability for effective work assignments in locations around the world? How do organizations optimize individual and collective performance when they harness the cultural diversity of their people across the world?

corporate governance, corporate social responsibility, blue ocean strategy, etc. What do you think would be, rather should be, the new business lexicon?

The purpose of all communication should be to express—not impress. Unfortunately, however, we seem to be more interested in impressing. Therefore, we end up inventing fancy terms to disguise simple ideas. The sample terms you mentioned are of that genre. If ideas are expressed in simpler terms, they will be understood more readily and perhaps be acted upon.

➤ **Corporate R&D labs used to be the key for companies to create competitive advantage. But in the 21st century, innovation is**

risky to undertake a big bang research on their own.

I foresee more attempts to form consortia of like-minded companies who together will undertake research of mutual benefit. This will spread the cost, and risks, of R&D among them thereby lowering the burden on each of them.

Another option that companies may prefer is partial funding of research at premier academic or research institutions. This way, they will not have to invest in the manpower and hardware necessary for research.

➤ **What do you think are the critical principles that the companies should follow to form and manage successful collaboration programs? Are there any best practices from any company?**

I tend to agree with critics who maintain that business schools have not evolved to meet the needs of our times. They seem to cling to an outdated syllabus, teach esoteric models that have little semblance to market realities, overemphasize analysis at the cost of initiative and leadership skills, glamorize short-term financial results ignoring larger societal and ethical issues.

The first and foremost purpose of a business school, as of any educational institution, should be to develop a good, all-rounded human being capable of acting as a model citizen—either in civil society or in the corporate world. It must also impart to them the knowledge and skills necessary to build and lead organizations that enrich all of society—not just a small group of individuals. Their students should come out with the versatility and leadership skills to build the enduring and great organizations of the future. 📌

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Globalization implies international operations with employees, customers, and vendors of varied nationalities. To be successful in such a context, executives in firms must have an understanding of cultural nuances. Otherwise, even their well-intentioned actions may sometimes offend people from other cultures.

An understanding of foreign cultures can be developed through organized training, reading, and international travel. Companies must invest in such cultural training.

The need for culturally well-rounded executives is going to increase as organizations spread their operations around the world. It will not be possible to staff them exclusively with citizens of the home country.

➤ **The current business lexicon consists of competitive advantage/edge, strategic positioning, core competencies, value chain, value nets, value creation and value migration, shareholder activism,**

moving out of the lab and across the globe. Research indicates that a real source of competitive advantage is skill in managing innovation partnerships. For instance, Boeing's unique assets and skills are increasingly tied to the way the firm orchestrates manages, and coordinates its network of hundreds of global partners. Innovation is increasingly driven through collaborative teams due to product complexity, availability of low-cost but highly skilled labor pool and advances in development tools. At a macro level, what is driving this trend? Is this going to be a competitive necessity or a competitive choice? What are the advantages to companies that do it well?

R&D has become an extremely expensive activity. To make things worse, the lab-to-market lead time also seems to have increased. As a result, companies are finding it very

The interview was conducted by
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Emotional Intelligence

Must Leaders Have It?

Shakespeare, making King Lear inflict capricious cruelty on himself and his wards, conveys his credo that it is the actions of the mankind which are responsible for the fruits they reap. And, if the actions of leaders are to be functional, they should have a critical mass of emotional intelligence, says Daniel Goleman.

In his groundbreaking article, "What Makes a Leader?" Daniel Goleman said that the most effective leaders are all alike in one crucial endowment—they all have a high degree of emotional intelligence. He doesn't mean that leaders do not require the usual IQ and technical skills, but they, according to him, matter only as a threshold capabilities that enable one to attain an executive position. Based on his research, Goleman says that "emotional intelligence is the *sine qua non* of leadership". Even the earlier studies carried out by David McClelland in 1996 reveal that the

performance of divisions headed by managers with a critical mass of emotional intelligence has surpassed their goals by 20%. Emotional intelligence is thus considered essential not only to get along with others, but also to think clearly and take control of one's life so as to lead businesses on success curve.

Emotional intelligence has five components: one, self-awareness—having a deep understanding of one's own emotions, strengths, weaknesses, needs and drives that enables them to be honest with themselves and others as well because of which they would neither

be too critical nor unrealistically hopeful; two, self-regulation—the ability to control or redirect one's impulses and moods, have a tendency to think before acting which makes ambiguity acceptable, besides being open to change; three, motivation—a fashion to work for reasons that go beyond money or status, a natural inclination to pursue goals with energy and persistence; four, empathy—ability to understand the emotional makeup of other people, having the wherewithal to react to people according to their emotional plane; and five, social skill—proficiency in managing relationships and building networks by identifying the common ground for building such rapport.

Among the five components of emotional intelligence, it is, perhaps, self-awareness and self-regulation that appear to matter most for leaders in making them more effective. Self-awareness—the first among the components of Emotional Intelligence (EI) identified by Goleman—enables a leader to understand how his feelings affect him, people around him, and his performance at the given job. It also helps leaders in understanding their values and goals clearly. Its awareness reflects in one's candor and the ability to assess oneself realistically. While being highly confident of themselves, self-aware leaders are often found narrating their failures with a smile. A self-aware leader is quite in the know of his emotional tendencies and proclivities. It is the leaders who are not well self-acquainted and do not know how their emotional states impact the self and others that are prone to create a more anxiety-provoking emotional context for everyone involved.



The next component of emotional intelligence is self-regulation. We are all aware that it is the biological impulses that drive our emotions. We cannot wish them away, but can certainly, manage them to a great extent provided we know what is driving us towards what. It is the self-regulation component of EI that enables leaders to act free of these forces. Of all the components of EI, self-regulation is perhaps the most critical element for a leader, for it is only those who are in control of their feelings who can create an element of trust and fairness where politics and infighting automatically become less and less in which the rest of the employees feel comfortable to give their best to the organization. Secondly, in a competitive business environment, only the leaders who master their emotions can adapt to the changes imposed by the changing consumer demands, change in technology, mergers, etc. It minimizes, if not eliminates impulsive behavior in the organizations and thereby enhances the integrity of leaders and organizations as well, which in turn eliminates the scope for fraudulent or unethical practices. Leaders who are capable of regulating themselves are found to be comfortable with ambiguity and change, and also exhibit high propensity to reflect well before acting.

But one of the most disquieting truths about leaders is that many of them are not at ease with themselves; they are often entirely out of touch with who they are. And with no knowledge of the self, a leader is less likely to regulate himself. These two components of emotional intelligence are so intertwined that unless one is aware of what he is and what internal forces are driving his/her behavior, one cannot visualize as to which behavior is not in the interest of the organization and hence needs to be regulated and which to let go. But the inability of a leader to have a sort of internal dialogue with himself and thus regulate his/her own emotions is more likely to face crisis in life or for that matter in any walk of life as it indeed happened with

Shakespeare's Lear, in the play *King Lear*. To better our understanding of the importance of EI for a leader to be more effective in his/her role, it is in order here to dwell a little deeper into the life of King Lear.

Lear is the King of Britain. He is a very old man; perhaps, a very foolish fond old man, / fourscore and upward, not an hour more nor less. At the very beginning of the play we come to know how predisposed he is to insanity. Like any other aging King, he expresses his anxiousness to relinquish his kingship to his three daughters: Goneril, Regan, and Cordelia; thus: "O Know that we have divided / In three our kingdom: and 'tis our fast intent / To shake all cares and business from our age, / Conferring them on younger strengths, while we / Unburden'd crawl toward death" (I, i, 30-34). But he perhaps, wishing to give away the most desirable part of his kingdom to his most favourite daughter, Cordelia, subjects his daughters to an absurd love-test, a childish game to reassure himself of his absolute power and the devotion of his daughters for him, saying: "Which of you shall we say doth love us most; / That we our largest bounty may extend / Where nature doth with merit challenge." His two elder daughters express their love for him in hyperbolic terms, that too, in a very flattering tone. Though he is pleased with the confessions of love of his first two daughters, he awaits Cordelia's declaration of love for him with more interest. But Cordelia, repelled by the enormities heaped by her two elder sisters on their father, in her concern to stay truthful in her filial devotion and being guided by her inner voice: "What shall Cordelia do? Love, and be silent" says: "Nothing, my lord." This astonishes Lear but declaring, "Nothing will come of nothing", he asks her to speak again. She then elaborates her love for him quite truthfully: "Good my lord, / You have begot me, bred me, loved me: I / Return those duties back as are right fit, / Obey you, love you, and most

honour you" "O Haply, when I shall wed, / That lord whose hand must take my plight shall carry / Half of my love with him".

This truthful, sincere and unbending assertion of Cordelia about her unfailing filial devotion, throws Lear, at once, out of gear. For, he loved Cordelia most and perhaps, wanted her to outdo her sisters in expressing her love for him. But as it didn't happen, feeling insulted, he becomes furious. Driven by extreme anger and shame, and being not able to put up with contradictions, he airs his imprecations: "by the sacred radiance of the sun, / By all the operation of the orbs, / From whom we do exist and cease to be, / Here I disclaim all my paternal care. This sudden act of disowning his "Proximity and property of blood" Cordelia that too, if ever, clearly shows how poorly he is endowed with the skill of empathy the other component of emotional intelligence that enables one to understand others emotions and their perspectives. Here, Lear has simply failed in considering Cordelia's feelings thoughtfully from her perspective that once married, she, like any other lady, has to go along with the husband; being a wife her first responsibility is towards her lord and obviously, she, unlike her sisters who promised to treat him "dearer than eyesight", beyond what can be valued or professing "an enemy to all other joys" serve him alone, cannot but be content with giving only half her love to him, and most importantly her concern to be as near to truth in her saying before airing his decision. It is the gross absence of empathy a trait of successful leadership that is found helping leaders retain talent in today's competitive market in Lear that makes him lose, as the later events of the play prove, the love and care of his most devoted daughter and of course, suffer too.

It is indeed an impulsive decision; and people with no self-regulation alone can succumb to such rash, intemperate behavior. Lear is so

overtaken by his emotions that even when the Earl of Kent intervenes saying "Good my liege," he simply snubs him saying: "Peace, Kent! Come not between the dragon and his wrath. / I love her most, and thought to set my rest / On her kind nursery. Hence, and avoid my sight! / So be my grave my peace, as here I give / Her father's heart from her!" But Kent, being a valuable ally driven by courage and candor, good judgment and commonsense, professional excellence, involvement in the affairs of kingdom and most importantly, with no expectation of favors from the leader—the qualities that David A. Nadler prescribed for an internal counselor for today's CEOs, to be effective—urges Lear: be Kent unmannerly, / When Lear is mad. What wouldst thou do, old man? / Think'st thou that duty shall have dread to speak, / When power to flattery bows? To plainness honour's bound, / When majesty stoops to folly. Reverse thy doom; / And, in thy best consideration, check / This hideous rashness: answer my life my judgment, / Thy youngest daughter does not love thee least; / Nor are those empty-hearted whose low sound / Reverbs no hollowness (I; i; 138-148)

At this, Lear warns him: "Kent, on thy life, no more," but Kent replying "My life I never held but as pawn. / To wage against thine enemies; nor fear to lose it, / Thy safety being the motive" insists that he "See better, O and let me still remain." This pleading of Kent brings out Lear's wrath in full: "Hear me, recreant! / O since thou hast sought to make us break our vow, / Which we durst never yet, and with strain'd pride / To come between our sentence and our power, / Which nor our nature nor our place can bear, / Our potency made good, take thy reward / O Thy banish'd trunk be found in our dominions, / The moment is thy death. Away! By Jupiter, / This shall not be revok'd" (I; i; 151-174). Kent, as a loyal ally of the King true to the honesty of purpose leaves the court bidding well to the King,

and wishing Cordelia that gods will take care of her just thinking and right saying while hoping that the deeds of Goneril and Regan approve their large speeches. Having served Lear with a clear, unmingled fidelity, Kent finally walks out of the court to "shape his old course in a country new." But it is a different matter that subsequently Kent rejoins Lear to serve him when his two daughters to whom he has divested his kingdom, leaves him alone to mend himself.

How lucky a leader is to have a Kent-like counselor who in the words of Coleridge is the nearest to perfect goodness in all Shakespeare's characters, and yet the most individualized. There is an extraordinary charm in a bluntness, which is that only of a nobleman arising from a contempt of over-trained courtesy, and combined with easy placability where goodness of heart is apparent. His passionate affection for and fidelity to Lear act on our feelings in Lear's own favor: virtue itself, seems to be in company with him. It is of course a different matter that Lear could not take advantage of his counseling. But the event clearly teaches us that counselors—as quoted by David A. Nadler (2005)—should not fall in love with us [CEOs]. The minute you fall in love with us [CEOs], you lose your value.

Having said that, what we need to understand importantly here is the personality and the behavior of Lear. His most distinguishing mark, as could be deciphered from his utterances to Kent particularly—"The bow is bent and drawn; make from the shaft, O, vassal! Miscreant!" "Here me, recreant," "To come between our sentence and our power" is the violent impatience of his temper (Aaron Hill). He is obstinate, rash and vindictive. He has the fancy for measuring the merit of all things by their confirmative to his will. He cannot just put up with contradictions. Their very image is known to inflame him into frenzy. Besides exhibiting "violent impatience of temper," he is also known to "measure the merit of others by their confirmative to his will."

All this cumulatively establishes that Lear has no regulation on himself, nor the patience and ability to understand others' sayings in right perspective. It doesn't matter to him how his impulsive behavior is going to affect others and even himself. He has no sense of appreciation for others' feelings. He thus fails to find a common ground with Kent's arguments. Having expected the best to come from Cordelia and being thwarted of his hope, his weakness flames out in his address to France, the suitor in waiting for Cordelia's hand: "I would not from your love make such a stray, / To match you where I hate; therefore beseech you / To avert your liking a more worthier way / Than on a wretch whom nature is ashamed / Almost to acknowledge hers." This obviously makes the King of France wonder: "This is most strange, / That she, that even but now was your best object, / The argument of your praise, balm of your age, / Most best, most dearest, should in this trice of time / Commit a thing so monstrous, to dismantle / So many folds of favour." No wonder, every other human being of a rational mind would have indeed been shocked listening to a father talking so peevishly of his daughter. But it hardly appears to have mattered to Lear, for no art seems capable of restoring respect to his waywardness.

The greatest riddle here is: Why does Lear treat Cordelia, the way he does? Is it that people—be they kings or paupers—take a strange pleasure in acting without a reason, for in it they perhaps feel that they have asserted as also augmented their power? Or, is it the very shame of doing wrong that sometimes quickens men from refusing to retreat and go on commit insane acts one after the other? Then again, it is not that everything with King Lear is bad. He has wisdom, courage, and ability. He is, in the modern day jargon, a socialist when he says: "So distribution should undo excess / And each man have enough." He even champions justice: "I plate sin with gold / And the strong lance of justice hurtles

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breaks.¹ Indeed, later events in the play reveal his cherished feelings and the shrinking soreness of his mind particularly, when the Fool's grief at the loss of Cordelia is made known to him. What does it mean?

In today's management language, all this means lack of EI. Such free flow of self-will ruling the roost unmindful of the wreck it inflicts on those involved, is more out of one's inability to take a pause for a while and have a silent internal dialogue that facilitates rational analysis of the issue under consideration from

knights and made in a manner that is hateful, is sure to cause only indignation, particularly from an old father of Lear's stature² are frightful: *I Hear, nature, hear; dear goddess, hear! / Suspend thy purpose, if thou didst intend / To make this creature fruitful! / Into her womb convey sterility! / Dry up in her the organs of increase: / And from her derogate body never spring / A babe to honour her! If she must teem, / Create her child of spleen; that it may live, / And be a thwart disnatured torment to her!*³ Now, the question is what does it tell us about

responsible for our good or bad?⁴ Our means secure us, and our mere defects / Prove our commodities.⁵

Therefore, the takeaway from the play is that mere presence of IQ and technical ability does not constitute the full recipe of leadership. The recipe becomes complete only when it is seasoned with emotional intelligence, for it alone engenders good behavior. That aside, what is important to consider here is that in today's knowledge economy, no CEO is unto himself⁶ he has to necessarily rely on others for expanding the boundaries of organizational knowledge. Sustainable leadership cannot be wrought in isolation by a single leader, and it must hence be a collective and collaborative effort of a leadership team. Indeed, it is not the responsibility of a single leader to provide answers to all the questions that an organization faces, but a leader has to make the followers own up the problem and find solutions by themselves (Heifetz). Thus the success of today's leaders is as much dependent on the actions of others as any personal qualities that the leader can bring to the chair. The increased use of teams to execute company priorities, the heightened need to retain talent, and the globalization of businesses have cumulatively made social skills highly relevant for leaders. It is a matter of common sense that how challenging it is to lead a team, that too, of knowledge workers with *cauldrons of bubbling emotions*⁷. To keep the going of teams in good stead, a leader has to constantly be able to sense and understand the perspective of every member and generate a consensus. And getting work done from such teams becomes possible only when one is deft in using his social skills. Thus, to perform well in today's competitive markets, business leaders need to have emotional intelligence; else one cannot rule out the kind of calamity that Lear inflicted on himself and his kingdom happening even in today's organizations. 🧠

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Sustainable leadership cannot be wrought in isolation by a single leader, and it must hence be a collective and collaborative effort of a leadership team

all dimensions, including the perspective of others involved and reason out a balanced way to move forward. But here, it is the lack of self-regulation and empathy that makes Lear's gusts of rage, that too, of his own imagination, eclipse all his good traits. The net result of all this intemperate behavior is: he casts out Cordelia, gets himself thrown out of the royal comforts by his two *epelican* daughters⁸ to whom he has given his kingdom and finally stands exposed to winds and rains not knowing who he is. This final fate of Lear makes another revelation: he not only failed in managing himself by virtue of lack of self-awareness, and self-regulation, but also failed in managing his relationship with his two daughters due to lack of *social skills*⁹ that enables one to maintain friendliness with a purpose. Even after becoming totally dependent on Goneril and Regan, and knowing their ill-disposition towards him, he could not cultivate the much needed *self-regulation*¹⁰ of his behavior. For instance, the curses Lear heaps on Goneril when she suggests him to require *a little to disquantity*¹¹ and reform his train of knights¹² a demand backed by false accusations against

Lear? It only shows that he still does not understand himself and his current plight, nor does make any attempt to better his relations with the only dispensation that he has right now, that too, even after repenting the evil he did for Cordelia: *I O, most small fault, / How ugly didst thou in Cordelia show! / Which, like an engine, wrench'd my frame of nature / From the fix'd place, drew from my heart all love / And added to the gall* (I, iv, 261- 265).

Interestingly, Shakespeare makes Edmund mock at the weaknesses of mankind thus: *I This is the excellent foppery of the world, that, when we are sick in fortune, often the surfeit of our own behavior, we make guilty of our disasters the sun, the moon, and the stars: as if we were villains by necessity; fools by heavenly compulsion; knaves, thieves, and treachers, by spherical predominance; drunkards, liars, and adulterers, by an enforced obedience of planetary influence; and all that we are evil in, by a divine thrusting on: an admirable evasion of man, to lay his disposition to the charge of a star!*¹³ One wonders if Shakespeare by his thus proclaimed *credo* wants us, the audience, to know that our behaviors are primarily re-