

360°

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Generic strategies: a substitute for thinking?

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- The economic impact of private equity
- Exclusive workplace systems
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My angle

Critical incidents lead to cathartic moments which in turn generate new insights and new worldviews. While any number of incidents can unleash these new insights, more often than not they arise through conversations with people who hold a perspective different from one's own in relation to an issue.

In philosophy, one can readily trace back the important role of different points of view through Hegel's dialectic, right back to the Socratic concept of dialogue. In business literature, both in the fields of strategy and leadership, there is a similar emphasis on critical incidents and insights which affect the direction in which an individual or an organisation develops. In the innovation literature pioneered by Eric von Hippel and colleagues, research indicates that it is important to set out specifically to create the environment in which different points of view are brought together, as this leads to genuine progress. Von Hippel shows that by bringing a product or service's lead-users, those at the forefront of exploration, together with people who have insights from adjacent fields, new product development results outperform internal processes or extensive market research by a tremendously large margin.

What this indicates for me is that progress results from setting the stage for a conversation rather than from following a simple formula which purports to solve a problem. I think this is critical from the vantage point of the early 21st century. There are many short and long-term challenges facing us as individuals and organisations and frankly, I'm a bit jaded from endless gurus prompting us to awaken from our slumber because the challenges of climate change, sub-prime mortgages, China, India, technology, outsourcing, oversupply and undersupply will "get us" or "transform" the rules of our organisations. I think it is much more important to have thoughtful conversations about how we as individuals and organisations can capture opportunities in good times or bad while developing the resilience to accept that not everything can be scripted or prescribed.

Uncertainty provides opportunity. Research cited in *Agenda*, a weekly journal aimed at board members, notes that a company's chance to improve its rank in an industry doubles during a recession if the organisation continues to focus on moving forward rather than on succumbing to stasis or to retrenchment. I don't know what the immediate future will bring in economic terms, but I do see optimistic organisations continuing to focus on the recruitment and development of the best talent available.

In this edition of 360°, I hope that some of these points will resonate for you. In the lead article, Cliff Bowman, Ashridge's newly appointed Director of Research, looks at issues of oversimplification and prescription within the popular strategy literature and pleads for a more thoughtful approach. This theme is also addressed in an article by Matt Gitsham, Chris Gribben and Patricia Hind, which looks at how leadership development and issues of corporate responsibility are converging within leading organisations and what this means for the dialogues being held in those settings. Kurt April *et al* make the case for broadening an organisation's discourse to genuinely benefit from workforce diversity, while Duncan and Andrew Campbell look at Schumpeterian renewal processes by which companies are restructured and refocused, prompted by private equity. Should you have trouble remembering all of that, Vicki Culpin's article on practical applications of neuroscience, specifically around the science of memory, should help considerably! Lastly, drawing these issues together from his experience as one of the directors of Ashridge Consulting's strategy engagement practice, Chris Nichols describes how engaged participation provides an opportunity for organisations to put some of these challenges into practice beyond the philosophical or narrower innovation fields.

Overall, I hope that you have the opportunity to stop and reflect, to be curious and to continue to learn. If this issue of 360° can contribute to those challenges or if Ashridge in a broader sense can contribute, that's terrific.



Kai Peters

Chief Executive, Ashridge



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Generic strategies: a substitute for thinking?

What influences your strategic decisions? Of all the things you could learn about strategy, what theories and models do you really need to know? Are they sufficient? If they worked in your last organisation, will they work now? Cliff Bowman reviews strategy prescriptions of the last 30 years and identifies their shortcomings, arguing that there can be no substitute for thought and solutions unique to individual business scenarios.

The publication of Porter's *Competitive Strategy* in 1980 launched the era of *generic strategies*. Generic strategies are prescriptions about what the *content* of a firm's strategy should be. Some offer a very limited choice of options, while others proffer a list of practices that are purported to lead to superior performance, for example Peters and Waterman's *In Search of Excellence*. Prescriptions like Porter's, are derived from theory, whereas others are deduced from identifying 'successful' firms

and figuring out some common causes of success, as in, for example, Treacy and Wiersema's *Value Disciplines*, Jim Collins' *Good to Great*, and Kim and Mauborgne's *Blue Ocean Strategy*.

With the advent of generic strategies the task of the executive suddenly became much simpler. Rather than by slogging through a structured analytical process, success could be achieved by following the checklist in the latest airport book. So the

search for unique strategies has been replaced by a simplistic choice between a prescribed and limited set of generic alternatives.

All of these generic strategy prescriptions are in some way *incomplete*. There are also problems with each theory that can lead to confusion. A robust business level (or 'competitive') strategy needs to address the following five questions^{1,2}:

- 1) Where should we compete?
- 2) How can we gain and sustain advantage?
- 3) What assets, capabilities, structures, systems and culture do we need to deliver the strategy?
- 4) What do we look like now?
- 5) How can we change?

This article discusses how well a selection of popular generic strategy prescriptions addresses these key questions. We begin by considering the most influential theory, Porter's generic strategies.

Porter's generic strategies

Porter's generic strategies derive from a well established theory of industry structure, firm strategy and profit performance. Porter's 'Five Forces' approach to industry analysis addresses the 'where to compete' question – some industries are structurally more attractive than others, so, given a choice, firms should locate in these industries. Selecting a particular generic strategy determines how the firm can gain and sustain advantage.

Porter argues that a firm needs to adopt one of two alternative generic strategies: *cost leadership* or *differentiation*. He adds a third, a *focus* strategy which suggests that firms can choose to focus on a narrow rather than broad 'scope' of products and markets, but they still need to choose between cost leadership and differentiation. By adopting and successfully implementing one of these generic strategies the firm will

earn superior profits, compared to rival firms. Each strategy offers protection against the competitive forces that operate in an industry to reduce the firm's profits. Failure to pursue either of these generic options leaves the firm 'stuck in the middle'.

Although Porter's thinking still dominates much of the strategy field, its apparent simplicity masks a number of problems. The most significant are that the theory: 1) confuses 'where to compete' with 'how to compete'; 2) confuses competitive strategy with corporate strategy; and 3) excludes other feasible strategy options.

Confusing where to compete with how to compete

In answering our first question 'Where should we compete?', Porter advocates that firms should choose to operate in structurally attractive industries. Indeed, a firm can 'find new industries in which to grow where it can use its generic strategy'³. But just how feasible is it for a firm to enter a new industry? If a book retailer with a chain of shops is having a tough time due to competition from Amazon, can it 'choose' to enter the actuarial consulting industry, which seems to be a better bet?

Porter uses broad definitions of industries, for example 'pharmaceuticals', 'cosmetics', 'automobiles'⁴. But because of his broad definitions, the choice between cost leadership, differentiation and focus is more about 'where to compete' than it is about 'how to gain and sustain advantage'. The cost leader strategy requires the firm to produce a 'standard, no frills product' at a competitive price. This product offer is presumably targeted at a market segment that values a keenly priced standard product. The differentiation strategy has the firm offering a superior product targeted at a less price sensitive segment. So firms choosing a 'cost leader' strategy are, in effect, choosing which segment to target, i.e. the price sensitive segment. Similarly,

choosing a differentiation strategy is opting not to serve the price sensitive segment.

The problem then is who is the 'industry average firm' we are comparing these successfully implemented strategies against? The provider of the standard, 'no-frills' product is clearly not competing with the firm offering superior products to relatively price insensitive customers. Similarly, as Porter explains, there may be several different segments of customers who are prepared to pay for different enhanced product features, or additional services. So in the 'auto industry' is Hyundai competing with Ferrari? Moreover, is Ferrari even competing with Rolls Royce? Are firms serving one of these segments actually competing with firms serving another segment? If they aren't competing, it makes no sense to compare their performance.

The most appropriate definition of a group of rival firms would be the customer's definition. After all, it's the customer who determines the set of products considered to be close substitutes.

Confusing corporate strategy with competitive strategy

Cost leaders and differentiators seek competitive advantage in a 'broad range of industry segments', and 'may even operate in related industries'. Porter argues that these firms should employ either one or the other generic strategy across the range of markets served. But firms that compete across many market segments are best categorised as *corporations*, so the broad scope strategy is not a *business* level strategy at all; it is a *corporate* level strategy.

But why should a corporation adopt the same strategy across all its business units? Take LG, the South Korean corporation, whose businesses range from oil and gas to consumer electronics. Would the same generic strategy be effective across these different markets?

Let's assume that a corporation managed certain activities from the centre very efficiently. These activities could range from support functions, like human resources, legal, public relations, treasury etc, to core activities like R&D, manufacturing, procurement and marketing. The cosmetics giant L'Oreal would be a good example here. The strategic business units compete in different product and geographic markets, but focus on less price sensitive segments, and thus pursue Porter's premium-pricing differentiation strategy in each segment. But because of the efficient delivery of these centrally managed activities, the SBUs also have a cost advantage. So is this corporation pursuing a cost leader strategy or a differentiation strategy? Or is it a strange hybrid, or is it 'stuck in the middle'? Does it matter?

Successful firms need to be differentiated and low cost. They need to deliver customer value as efficiently as they possibly can, i.e. they need to be *simultaneously effective and efficient*. To focus on just one of these aims is a mistake.

Why either cost leadership or differentiation?

The two strategies can be explained using a simple equation:

$$\text{Profits} = \text{Quantity} \times (\text{Price} - \text{Cost})$$

The *cost leadership* strategy enables the firm to have the lowest unit costs (C) in the industry, and assuming average prices (P) and quantities sold (Q), this would deliver above average profits.

The *differentiation* strategy enables the firm to *premium price*, so, using the same logic, the higher average prices coupled with average unit costs (C) and average quantities sold (Q) would again deliver above average profits. And, because of the margin advantage (P - C) the firm enjoys from either strategy, it is better placed than rival firms to cope with powerful buyers who try to push

output prices down, or powerful suppliers trying to force input prices up. So far, so straightforward. This is, more or less, Porter's central thesis.

However, we have finessed a few problems with the argument by assuming that each alternative generic strategy alters just one variable, i.e. either price increases, or unit cost falls, and leaves the other variables the same. Porter explains that assuming average price and cost variables is a central part of his theory: cost leaders need to be as 'differentiated' as the average firm so that they can price 'at or near' the average. Differentiators need to have 'cost parity or proximity' relative to their competitors.

But if there are economies of scale, to become the cost leader in an industry a firm needs to sell more than its rivals. If it offers the same product at the same price, where are these additional sales coming from? So the firm would need to offer equivalent products at *lower* prices. Then all three variables on the right-hand side of our equation would be different to the average firm. In order to guarantee superior profits the quantities sold would need to *more than offset* the impact of the reduced margin resulting from the price cut. So, the situation is not as straightforward as it might first have appeared.

Arguably the firm could achieve superior sales volumes by improving the perceived value of its products, rather than by introducing a price cut. This could be done, but would appear to be a differentiation strategy without premium pricing, not a cost leadership strategy. This strategy of product enhancement with competitive prices is excluded from Porter's strategy options. But it could clearly lead to lower costs if there are significant volume related benefits to offset the costs of differentiating.

Moreover, a successful differentiator could exploit scale and experience effects to

become the low cost producer. Lexus is a good example. Crucially, Lexus is the *lowest cost producer of luxury saloon cars*, not 'cars' generally. It could be argued that firms need to be simultaneously differentiated and low cost. Evidence shows that this is possible, and at some point, even in the luxury saloon car market, you will be competing on price, so low relative costs are a necessity.

A firm may be able to compete with premium priced, differentiated products across a wide range of sub-segments, effectively a multi-niche strategy. If the bases of differentiation are essentially around marketing and branding, but the firm's production processes are centralised and scale efficient, then there is no conflict between being simultaneously differentiated and low cost. For example, the VW Audi Group offers a wide range of cars serving multiple segments in a differentiated way, but has common platforms for the major cost items (engines and transmissions).

Porter's generic strategy theory is actually a segmentation strategy, which divides a market into two segments. There are 'average' producers selling average products, at average prices and average costs to, presumably, customers who are quite happy with what they are being offered, otherwise why would they continue to buy? But amongst these average firms there is one supplier who has lower costs. This fact is not discernible to the customers, however, as the products and prices they can perceive remain at the 'average'. The other segment is prepared to pay premium prices for added product benefits. There may be several sub-divisions here where different customers value different additional features, so the less price-sensitive segment could be fragmented into many smaller 'niches'. In the next section we see how Treacy and Wiersema extend this segmentation idea.

Treacy and Wiersema's Value Disciplines

Whereas Porter's generic strategies can be traced back to an underpinning economic theory (industrial organisation economics), Treacy and Wiersema took an empirical approach. However, there are clear parallels between the theories. Following in the tradition of previous consultants, notably Peters and Waterman, Treacy and Wiersema went into the field to spot high performing firms, initially in the USA, then across Europe.

The basis of their theory is the identification of market segments. They explain that in any sector there are three generic segments. One segment values a standard product at a keen price. To serve these customers a firm must adopt the value discipline of '*operational excellence*'. The second segment demands the very latest innovations and product features, and may be prepared to pay a price premium to get them. These are best served with a '*product leader*' strategy. And the third generic segment values a bespoke product or service, tailored to meet their particular needs. These should be served with a '*customer intimacy*' strategy.

Interestingly, Treacy and Wiersema, like Porter, are combining the two questions we introduced earlier: *where* to compete, i.e. the generic market segment, which determines *how you compete*, i.e. the appropriate value discipline. They are careful to point out that theirs is a theory of business-level strategy not corporate strategy, so they recognise that within a corporate structure business units could be pursuing different value disciplines. They also emphasise that firms cannot ignore the other non-chosen disciplines; they have to be averagely good at these, but need to excel in one discipline.

There are similarities between Porter's theory and Treacy and Wiersema's. '*Operational excellence*' is very similar to

Porter's low cost strategy, but at least with Treacy and Wiersema we are clear that the strategy is targeted at a particular type of segment. '*Product leadership*' is a strategy of differentiation through innovation, and '*customer intimacy*' is a strategy of differentiation through bespoke service. And the requirement to be 'averagely good' in the non-chosen value disciplines is analogous to Porter's requirement for *cost parity* and *price parity*.

But why would we expect every market to have three segments? And what evidence is there that there aren't other segments as well as these three? The problem with the theory is that as a segmentation strategy it gives little guidance about *how* to gain sustained advantage in serving the chosen segment.

For instance, assume we are a firm of house-builders, and we have chosen to serve the price sensitive 'first-time buyer' market. So we select the appropriate strategy, which we think is '*operational excellence*'. Now, there are only two ways in which we can assume that the segment-determined choice of value discipline will lead to superior profitability. First, we could hope that our competitors are not clever enough to adopt the appropriate discipline and choose instead an inappropriate one, i.e. they are offering a '*product leader*' strategy which fails to meet the price points demanded by these first time buyers. Our second hope is that our rival firms are less capable of successfully implementing the appropriate value discipline so that even if they 'read' the market in the same way, they might not be as skilled at implementing '*operational excellence*' as we are. So the key here is the *quality of implementation*, not the choice of generic strategy.

In summary, Treacy and Wiersema have a particular and linked set of answers to the 'where to compete' and 'how to gain advantage' questions. The value disciplines also prescribe to some extent the kind of

organisation and capabilities that each discipline would require. So we have answers to three of our five questions.

Kim and Mauborgne's Blue Ocean Strategy

Like Porter and Treacy and Wiersema, Blue Ocean strategy also works back from a market context. In Porter's case the industry definitions are too broad. In Treacy and Wiersema's theory there is an attempt at segmentation to *determine* the choice of strategy. In Blue Ocean strategy the trick is *not* to compete, achieved by identifying a market demand that has not yet been met. Blue Oceans are characterised by an absence of competition: "In Blue Oceans, competition is irrelevant"⁵. However, where Porter takes too broad a definition of an industry, Kim and Mauborgne take an overly narrow definition of competition.

There are problems with this theory. The first is that Kim and Mauborgne's examples of Blue Ocean thinking have been selected *retrospectively*, for example Cirque du Soleil and [yellow tail] wines. There is no suggestion that the firms used the methodology Kim and Mauborgne prescribe to successfully identify these 'Blue Oceans'.

The second problem is that they are able to choose from those strategies that were actually successful, with the benefit of 20:20 hindsight. For every Cirque du Soleil there are hundreds of failed innovations that either never reached the market or did reach the market but the fledgling businesses did not survive.

Third, there is the issue of industry definition raised earlier. Again starting from a customer perspective, customers enter a market to satisfy their perceived *needs*. The alternatives a customer considers to meet their needs might include a range of similar products, or some very different products.

For example, consider the watch industry. From a product perspective all watch producers would be included in the industry definition. But is a £20 digital watch considered by any customer as a feasible alternative to a £5,000 Rolex? If we consider the needs that the customer is wishing to satisfy we could end up with a quite different solution set.

If I want to give an expensive gift I might consider the watch, and compare the Rolex on some criteria (for example, brand cachet, appearance) with other premium Swiss watches (say Tag Heuer). But I might also include other products in the set of alternative ways of meeting my gift-giving needs, for example, a weekend break in an expensive health spa, or a handbag. So when we consider the notion of a competition-free 'Blue Ocean', these spaces only exist theoretically, where a limited, *product-driven definition of competition* is used. From a needs perspective Cirque du Soleil are competing head on with movies, theatres, restaurants or a night in with a DVD! Cirque du Soleil may *not* compete in the circus market, but in many respects they are little different from other novelty theatre productions, like *Riverdance*. Similarly, [yellow tail] wines don't compete with traditional wine makers, but they certainly compete with the makers of beer and pre-mixed cocktails. So Blue Oceans only exist if we take a narrow, product-driven definition of a market.

Fourth, we have the problem of the methodology itself. Kim and Mauborgne advocate a systematic process of questioning the value dimensions in any particular market, by asking whether a 'factor' could be *reduced, eliminated, raised or created*. This might provoke some novel thinking, but the key problem is connecting these ideas to a market need that can be economically exploited.

In search of excellence, greatness, longevity, chaos etc

Peters and Waterman inaugurated this genre with the publication of *In Search of Excellence* which sets out a list of nine practices, including 'stick to the knitting', 'simultaneous loose-tight properties' and 'a bias for action' that together deliver excellent performance.

They were followed by a slew of similar books, including *Thriving on Chaos*, *Built to Last*, and *Good to Great*, which all adopt a similar approach: identify successful firms, figure out why they were successful, see if there are any common causes of success, write it up and wait for the royalties to come flooding in!

Unfortunately, but not surprisingly, some of these 'excellent' firms aren't excellent any more, so be wary of drawing any strong conclusions from these studies. They all suffer from the following problems:

The theories are acontextual

These books assume that all their prescriptions apply to all firms all of the time. There is little recognition that some practices might be more suited to larger firms, rapidly growing firms, hi-tech industries, diversified conglomerates etc.

All prescribed practices are equally important

Again there is no guidance as to whether, for example, the 'hedgehog concept' is more or less critical than Collins' 'Level 5 Leadership'. The way the books are written implies you have to do all these things, all the time.

Interaction effects

The interaction effects between these prescribed practices are rarely addressed. So we don't know whether the introduction of one practice works better or worse if some other practices are already in place.

No underpinning theory

These books tend to offer no references to existing theories of organisation and

management. There are no explanations as to why we might expect these practices to lead to beneficial outcomes; we are supposed to take this on trust. In fact most of them are written as if no-one had ever thought to examine how firms work.

'Excellence' books address just one of our five questions: 'What assets, capabilities, structures, systems and culture do we need to deliver the strategy'? They don't have much to say about the others, and offer little guidance about how firms might introduce some of these practices.

A more general problem with all of these generic strategy prescriptions is one of *imitability*. There can be no differential advantage to be gained from the knowledge contained in these texts, as it is freely available to all. So then differential advantage can only be derived from the special way the sacred texts are interpreted and from the idiosyncratic ways in which their recipes are implemented.

Conclusion

Generic strategy prescriptions are no substitute for executives thinking through their unique, context-specific answers to our five questions. Whilst we would not necessarily advocate the extensive often centralised planning processes advocated by the early contributors to strategy process thinking, nevertheless these five questions need answering in ways that reflect the unique history and circumstances of each firm. At best generic strategies provide some food for thought, at their worst they are simplistic, and can act as a substitute for thinking. In this case they are likely to do more harm than good.

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From goldfish to elephant – make your MARC in business: memory techniques

Adequate memory allows an individual to function within a fast and ever changing business world, but a really good memory allows an individual to excel – in terms of impact, learning and decision-making. In this article, Vicki Culpin recommends proven strategies to improve managers' memories.

Many people believe that memory is like a photograph; as long as we notice or perceive a scene or event, the information will be stored as an exact replica of that scene – as a photographic representation. Unlike a traditional photograph, the memory 'image' utilises a variety of senses such as touch (kinaesthetic) and smell (olfactory), but the image is assumed to be accurate and persistent. This is the basic premise that is fundamental to the use of eyewitness testimony in a courtroom situation; the belief that as a victim or witness to a crime

an individual is able to give an accurate description of the event or the perpetrator and that this memory will not be contaminated by the stress of the crime, the questioning of the police at the scene or during the statement process or by the simple passage of time. Unfortunately, memory does not work like a photograph. Human beings have fallible memories; memories that can be manipulated by leading questions¹, memories that can be changed by stereotypical beliefs², and memories that can be affected by the level

of stress which the victim or witness was subjected to³. Rattner⁴ estimated that 0.5% of people arrested and charged with a crime are wrongfully convicted (8,500 in the USA in a single year) and 52.3% of those are from eyewitness misidentification. Wells⁵ found that in 40 cases in the USA where DNA evidence later exonerated the accused, eyewitness testimony accounted for 90% of the miscarriages of justice. All of the men had served prison sentences and five were on Death Row awaiting execution.

Memory in a business environment

Whilst failures of memory in a business environment will not result in miscarriages of justice, the importance of a good memory within this context should not be underestimated. Consider the impact an individual can create if they are able to recall a presentation without the use of any notes, if they are able to coherently and succinctly summarise a report without reference to the original, if they are able to remember the name and pertinent information of a client after a brief first meeting, or if they are able to refer to a number of previously tried business strategies when devising a new plan.

Memory may be crudely divided into two main divisions; short-term memory and long-term memory. Many memory theorists have found both short and long term memory to have distinct characteristics. These characteristics are important to consider when devising strategies to improve memory performance.

Short-term memory

Short-term memory, more recently termed 'working memory', is known to have a duration of approximately 15 seconds⁶ and information is usually stored in an auditory or sound-based format⁷. In practical terms, therefore, individuals have approximately 15 seconds to 'use it or lose it'. To ensure that the material in short-term memory is retained, a person must engage in rehearsal. Forgetting generally occurs if the information is not rehearsed within the 15 second 'window' and is thus not transferred to long-term memory.

Memory for telephone numbers

Often people are given a telephone number to recall; requiring the need to remember it long enough to dial the number or to write it down. The short-term memory span of a healthy adult is plus or minus seven items⁸. That is, adults can remember approximately seven digits in short term memory. Most telephone numbers are significantly longer

than this so how can memory capacity be increased? A very simple technique is to repeat the numbers (rehearse them) very quickly. As mentioned above, the duration of short-term memory is approximately 15 seconds. The more an individual can rehearse in 15 seconds, the more they will remember. There is a strong correlation between how quickly someone speaks (articulation rate) and their short-term memory capacity⁹ so the faster the information is rehearsed, the more will be squeezed into the 15 seconds 'loop' that is short-term memory. A second strategy to improve retention of strings of digits such as phone numbers is to utilise a method known as grouping. By 'grouping' the string of digits (123456789) into groups of three items (123 456 789) and rehearsing the items in groups of three, memory capacity can be increased from the expected seven items plus or minus two¹⁰ to approximately 15 items^{11,12,13}; capacity which will allow full recall of even the longest telephone number.

Long-term memory

Long-term memory contrasts with short-term memory in that memories stored in long-term memory have a potentially limitless duration and the information is stored in a semantic code (based on the meaning of the information) rather than the sound-based code utilised in short-term or working memory. Forgetting in long-term memory has been debated within the academic literature for many years, but current research suggests that a combination of decay over time and interference with previously stored information results in the inability to recall memories.

In long-term memory, both effective storage of the information and effective subsequent retrieval of this information are necessary for memory success. Memory strategies in long-term memory mainly focus on improving the storage of memories, but by drawing on forensic psychology once again,

and the use of the Cognitive Interview in forensic settings, strategies for effective retrieval can also be considered.

Effective storage

There are four key principles to ensure effective storage in long-term memory; key principles to making your **MARC**:

Meaning

Organisation of material
Building on previous knowledge

Attention

Effort
Motivation

Repetition

Rehearsal

Creativity

Distinctiveness
Uniqueness

Meaning

As information in long-term memory is stored in terms of meaning (semantics), it is possible to improve memory storage by giving meaning to the information. The fundamental point, however, is that the meaning must be in the eye of the beholder. SF was an individual with an exceptional memory; he was able to remember strings of digits over 80 in length, and was able to do this by taking random (meaningless) lists of digits and forcing personal meaning on to them. SF was an avid runner, and he converted the strings of numbers into running times for specific distances (for example, time taken for Roger Bannister to run the 4 minute mile was 3.594 minutes, thus the number 3594 could be stored as 'time taken Bannister'). Recall, therefore, involved remembering the distances (very low cognitive effort as this familiar information is learnt and effectively stored) rather than meaningless random numbers (new material with a high cognitive effort required).

There are a number of ways to create personal meaning from apparently meaningless information. One of the most common is to relate the words/facts to personal circumstances (for example, 'Income for this month is £195,200. 1952 is when I was born'). There are also two ways of increasing meaning that require restructuring of the material to-be-remembered. The first is organisation of the material. In long-term memory, information is recoded in terms of meaning, regardless of how the information is presented to the individual. In the list below, the items are presented in random order. However, if an individual was to rehearse them and recall them – say after a 3-minute retention interval – they would tend to list them according to semantic categories of fruit or animals, rather than in the order they were originally presented¹⁴.

Apple	Tiger
Donkey	Melon
Elephant	Plum
Orange	Pineapple
Banana	Monkey
Rhino	Giraffe
Kiwi	Satsuma
Horse	Sheep

To improve memory, therefore, a very simple strategy is to ensure that the material is organised in a meaningful way, thus reducing the burden on memory to reorder the material before storing it.

A second important strategy relating to meaning is knowledge. Creating meaning relates to stored knowledge. Information that is meaningful to an individual is meaningful only because they have prior knowledge. A strategy to increase memory performance is to ensure that the material to be remembered is linked to prior knowledge. The benefit of this is two-fold. Firstly the material is meaningful and is thus less ambiguous, and secondly, relating information to stored knowledge increases the number of retrieval cues

available. The greater the number of retrieval cues, the greater the likelihood that the memory will be recalled successfully¹⁵. The importance of knowledge in memory can be seen in the example below.

Read the passage below and try and recall the information:

The procedure is actually quite simple. First you arrange the items into different groups. Of course one pile may be quite sufficient depending on how much there is to do. If you have to go somewhere else due to lack of facilities that is the next step; otherwise you are pretty well set. It is important not to overdo things. That is, it is better to do too few things at once than too many. In the short run this may not seem very important but complications can easily arise. A mistake can be expensive as well. At first, the whole procedure will seem complicated. Soon, however, it will become just another facet of life. It is difficult to foresee any end to the necessity for this task in the immediate future, but then, one can never tell. After the procedure is completed one arranges the materials into different groups again. Then, they can be put in to their appropriate places. Eventually they will be used once more and the whole cycle will then have to be repeated. However, this is part of life¹⁶.

Now, read the passage again, but this time use the title 'Washing Day'. Adding the title to the passage reduces ambiguity, creates meaning and thus substantially increases subsequent recall of the passage.

Attention

The most common reason for healthy adults to fail to recall information is inattention. To retain and recall any information the individual must attend to the information; they must exert effort and they must be motivated to do so. When people consider information they *can* recall and information

they *struggle* to recall, the common factor is invariably motivation (or interest). In a business environment there is often little real motivation to remember information, or if the motivation exists, time and work pressures (cognitive overload) reduce the amount of effort given to the task of effective storage. To improve memory performance, an individual must exert cognitive effort into firstly attending to the material, and then must be motivated to act upon the material (by creating meaning). A very simple way of increasing motivation is to consider the following questions – ‘Why do I need to know this?’ and ‘What will I gain from remembering this?’ Just by considering these two questions, an individual can highlight motivation for the task. However, whilst effort and cognitive resources are needed, it is also true that too much effort can also lead to poor memory recall!

Repetition

The most basic method for ensuring memory storage is repetition. Repeating the information over and over again will (eventually) transfer the information from short-term memory to long-term memory. Rote rehearsal (‘parrot fashion’) ignores the importance of meaning and the role of creativity (discussed below) and is generally only an effective strategy for recalling facts and figures. Using mind maps to rehearse the information is a successful strategy for both facts and figures and for recall of deeper understanding or knowledge. Mind maps are an efficient memory tool because they tap into creativity, they repeat the information (repetition), they allow the creator of the mind map to build on their own prior knowledge and their use generates meaning around the material. In addition, mind maps utilise a different modality (vision) which allows a different set of memory cues to be created and ensures a variety of learning styles are considered.

Creativity

The *von Restorff Effect* demonstrates that any piece of information that is distinctive

(and distinction may be through colour and/or meaning such as that below, or through bizarreness, humour, intonation, font size etc) is more likely to be recalled than a similar item that is not distinctive.

Car
Lorry
Train
Shakespeare
Tram
Motorbike
Plane

To increase the likelihood of a key piece of information being attended to, and subsequently being stored, the information should be made distinctive.

Effective retrieval

The Cognitive Interview, originally devised by Geiselman *et al*¹⁷, was designed to enhance eyewitness recall, and consists of a variety of memory recall techniques. There are four key aspects to the interview, all of which are applicable to a business environment:

Context reinstatement

If an individual is struggling to recall a specific piece of information, they should attempt to reconstruct both the physical context and the personal context that existed when the information was first learnt. For example the individual could consider questions such as ‘Where was I?’, ‘What was I wearing?’, ‘How was I feeling?’, and ‘What day was it?’ Research on the Encoding Specificity Principle by Tulving and Thomson¹⁸ demonstrated that reinstating the context increases the ability to access stored information.

Information recall

‘Recalling everything’, no matter how relevant, central or important to the to-be-recalled-item(s), enhances the likelihood of subsequent recall, as does increasing the availability of cues (whether these cues are perceived as central to the memory or not).

Temporal order recall

This technique is pertinent if specific aspects of an event, or information provided at an event (such as a board meeting or during a presentation) have been forgotten. The individual is required to recall the event in a variety of temporal orders; from beginning to end, end to beginning and starting at a particular salient or key point. It is believed that this technique is effective because it reduces the extent to which schema, prior knowledge and stereotypical beliefs influence what is recalled.

Perspective change

Finally, the fourth aspect to the Cognitive Interview requires an individual to recall the information from a different perspective. Anderson and Pichert¹⁹ conducted a piece of research that demonstrated the effectiveness of perspective change. They required individuals to read a passage that described a house. Half of the participants were required to take the perspective of a 'house buyer' when reading the description, and half were asked to take the perspective of a 'house burglar'. Participants were then asked to recall information about the house, and once they were unable to recall any more details they were instructed to change perspective. The change in perspective led participants to recall further information; information pertinent to the changed perspective that previously could not be recalled.

Finally, remember...

...that memory is an active and dynamic process rather than a photographic snapshot of the world. Memory techniques, based around research examining the structure and function of memory, can be used within a business environment to make a MARC.

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The economic impact of private equity

Many management teams operate in fear of their organisations becoming the target of a hostile bid from a private equity firm. Since the credit crunch, private equity activity has greatly reduced; big deals, such as the acquisition of Sainsbury's, have been abandoned; and public concern has subsided. Duncan and Andrew Campbell take the opportunity of this moment of calm to examine the economic impact of private equity and the arguments raised by its critics and supporters.

Private equity is under challenge. This comparatively recent form of organisation has been attacked in the UK, Germany and the USA by unions, finance ministers and members of the general public for putting people out of work, asset stripping, paying too little tax and overpaying the managers who run these organisations. In the first six months of 2007, the *Financial Times* printed more than 100 letters from critics and sympathisers on the topic of private equity. Concerns about the takeover of household names such as Boots and Sainsbury's were such that a Treasury Select Committee was set up to take evidence from private equity companies, industry associations,

academics and those aggrieved¹. In addition Sir David Walker was asked by the Government to look into the tax status of private equity partners.

Private equity explained

Private equity as an organisation type has its roots in venture capital. The most common form is now the leveraged buyout (LBO) and this is the type of investment under challenge. The private equity vehicle for leveraged buyouts is comprised of General Partners (GPs), who manage an investment fund, and Limited Partners (LPs), who provide the money for the fund.

The GPs use the money in the fund, together with loans from banks (the leverage), to buy companies. A typical fund is 'closed-end' with a life of around ten years, extendable to 14 years. At the end of the period the fund is wound up and the LPs receive their share of the proceeds.

A typical deal will be financed by 60-80% of loans from banks and 20-40% of equity from the fund. The GPs are looking for companies whose performance can be transformed. This can be achieved by increasing cash flows through better management of the business or by selling off underused assets (such as property or non-core businesses) and hence reducing debt.

The GPs are paid a percentage of the fund (normally 2%) and a percentage (normally 20%) of the extra increase in value of the fund over normal returns. This latter payment is referred to as 'carried interest' or the 'carry' because it is usually not paid out until the fund is liquidated.

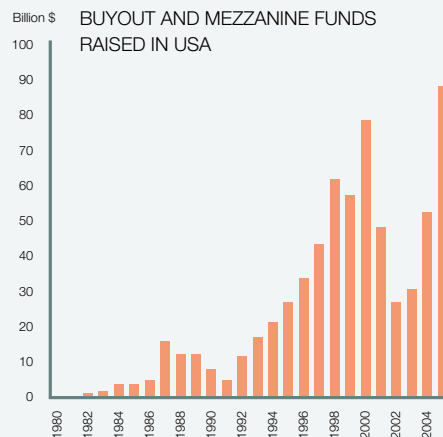
The leveraged buyout side of the private equity industry has grown dramatically in both the USA and Europe over the last 25 years² (see chart).

Private equity in a free market

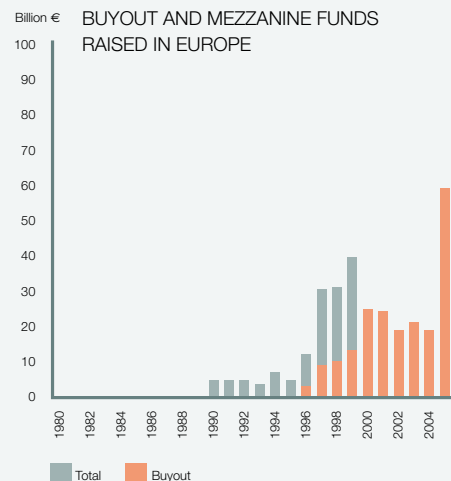
From an economic perspective any organisation type that gains market share in a free market economy is likely to be having a positive economic impact. This is as a result of Adam Smith's 'invisible hand'. In his famous book *The Wealth of Nations*³, Smith argues that "*the butcher, the brewer, or the baker ... intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of society more effectually than when he really intends to promote it.*" Hence our first examination of the impact of private equity should not be to do a cost/benefit analysis of the arguments for and against, but decide whether firms operate in free markets. If the markets are free, the impact is likely to be positive.

BUYOUT FIRMS HAVE BEEN HIGHLY SUCCESSFUL IN GROWING THEIR MARKET

Cyclical but high growth across business cycles



Source: NVCA, EVCA, Thomson, PWC.



The GPs in private equity firms operate in a number of markets: the financial markets to raise money; the market for mergers and acquisitions to buy and sell companies; the market for talent to attract and retain other partners and the managers needed to run the businesses they own; the market for general employment for staff in their businesses; and the market for goods and services.

To a greater or lesser extent, each of these markets is a free market. If the customers are offered poor value for money, they have plenty of alternative suppliers. If the terms of employment are unattractive, employees can get jobs elsewhere. If the pay and conditions for partners and managers are no better than alternatives, private equity will not attract the talent needed to succeed. If the returns to the financial markets are low, firms will not be able to raise additional funds. In other words, based on Adam Smith's invisible hand, we would expect the economic impact of private equity to be positive.

Asset stripping?

So let us now look at the arguments used by critics. The first is asset stripping. Private equity firms are accused of taking good businesses, selling off valuable assets to pay down debt and, as a result, leaving the remaining business with a less promising future.

Certainly there are examples of asset stripping. In the evidence given to the Treasury Select Committee, Peter Taylor from private equity firm Duke Street admitted to mistakes his firm had made with regard to Focus DIY. Duke Street's attempt to revive Focus failed and the firm sold the company together with its debt burden for £14. But the question is not whether private equity firms sometimes make the wrong decisions; it is whether their desire to pay down the debt causes them to sell off valuable assets and so weaken the main business.

Because each private equity fund has a finite life, GPs must sell the companies they buy within a few years. Since they are selling into a free market, they have every incentive to ensure that the company they are selling is as valuable as possible. Hence they are unlikely to want to dispose of valuable assets unless they believe the assets are worth more separated from the company. If they are worth more, then separating them will have a positive economic impact.

Even in the extreme case where private equity firms choose to sell off all the assets and wind down a business, they will only do this when they believe these assets are of greater use to someone else than to the business, and can therefore realise a better price for them. Again, this act of business destruction will create a positive overall economic impact.

Unwarranted redundancies?

The second major criticism is that private equity firms reduce employment in a way that improves short term performance, but undermines long term performance: they cut costs in discretionary areas like new business development, research or marketing that improves profits today but undermines future success.

This argument can be countered using the same market-based logic. GPs will not want to improve short term performance if there is a risk of damaging the long term potential of a company. Whoever buys the business will hire intelligent people to look into it. Thus GPs would never purposefully risk long term malperformance that would be easily spotted by the potential buyer and therefore lower the exit price; a good example of Smith's invisible hand at work.

Too little tax?

The third major criticism is that private equity firms pay too little tax: they increase the amount of debt finance (which is tax deductible) and reduce the amount of equity finance (which is not tax deductible).

There is no invisible hand at work in the tax system, so we need to look closely at this issue. The UK Chancellor clearly receives lower tax revenues due to the higher debt that private equity firms have on the UK businesses that they acquire. Assuming the Chancellor does not reduce his spending, there will be a transfer of money from the average tax payer to investors in private equity. This may be slightly detrimental to the economy due to the lower percentage of income spent by investors compared with the average UK tax payer: there may be a small reduction in aggregate demand. The problem for legislators is that the tax rules on interest are the same for all companies. Any change designed to increase the tax paid by private equity would have much wider impact as well.

Another tax issue is that GPs are accused of paying too little tax on their income. Because 'the carry' is treated as capital gain and because the Government offers tax incentives on capital gains for entrepreneurs, GPs get 75% 'taper relief' on the carry. As a result, they only pay 10% rather than 40% tax. Professor Tim Jenkinson of Oxford University has estimated that the cost of this taper relief, originally designed for venture capital investors, may be as much as £600 million per annum.

The economic impact of this tax advantage is the same as in the previous paragraphs. The transfer of wealth from the average tax payer to the 180 GPs of the major private equity firms is likely to have a small negative impact on the economy because of the different spending patterns. Even this negative impact may be over-stated. If these extra savings are used to create additional productive assets, the net impact of the transfer could be positive.

Offsetting the loss of tax revenues from UK investments and taper relief, private equity firms pay tax on the profits they make on investments in other countries. Since

London is the European hub for private equity and one of the top three centres in the world, and firms based in London buy many more non-UK companies than UK ones, the resulting tax from overseas investments may be greater than the loss of tax on UK investments.

Despite these arguments, Chancellor Alastair Darling announced a change in the tax rules, which will increase the tax on carried interest from 10% to nearly 20%. The British sense of fairness was probably driving this decision, especially after one GP claimed to be paying a lower tax rate than his cleaner.

Undermine pensions?

A fourth criticism is that private equity firms undermine the solvency of pension funds. Most established companies, the classic target for private equity firms, have large pension liabilities. By selling properties or adding debt, private equity firms are increasing the risk for pensioners.

Here again there is no invisible hand protecting pensioners: pensioners cannot choose to move their pension to another fund because they do not like the new owners. Hence, any increase in risk for pensioners should be of concern.

To date we have few instances where pensioners have lost out. But pension fund trustees are expressing concerns. John Watson, chairman of Alliance Boots' pension fund, expressed disappointment that the recent acquisition by private equity firm KKR did not involve an injection of funds to eliminate the £305 million pension deficit⁵.

Watson's concern, however, seems to be over stated. Alliance Boots still has responsibility for its pensioners. UK regulation protects pensioners, giving them priority over debt holders when a company goes bankrupt. So there is little increased risk for pensioners from higher debt levels.

Moreover, banks are inclined to take pension liabilities into account when judging how much debt a company can bear. As a result, KKR's ability to add debt to Alliance Boots is reduced by the existence of outstanding liabilities to the pension fund. Not only this, but pension funds are benefiting from their investments in private equity. Hence the net impact on the average pensioner may even be positive.

Poor returns to investors?

The final criticism is that private equity firms do not on average provide good returns to their investors – the Limited Partners. On the face of it, this is unlikely. Smith's invisible hand would normally result in LPs withdrawing their support for this risky, illiquid form of investment unless they receive above average returns. The fact that private equity has grown so fast should be sufficient evidence that LPs are doing well.

Yet, surprisingly, the data does not fully support this. A number of studies suggest that the average private equity firm does not significantly outperform the stock market; although there are studies showing the opposite⁶. Most notably, studies of the performance of the stock market, assuming similar debt levels to that of a typical private equity firm, suggest that more than 100% of any excess performance of private equity is due to higher levels of debt⁷.

Average numbers disguise the fact that the top quartile regularly outperforms the stock market even after adjusting for higher levels of debt. The average numbers, according to one private equity firm, are influenced by the large number of smaller, less-experienced firms who under perform. These firms do not find it easy to raise additional money and leave the industry, only to be replaced by other new entrants. Over time it is expected that the averages will improve as LPs learn not to invest in less experienced firms.

Summary

In summary, the economic impact of private equity appears to be positive. The success of private equity, coupled with Smith's invisible hand, suggest that there is a positive economic impact. Where the invisible hand is not at work, for tax payers and pensioners, there have been legitimate challenges to private equity. However, even in these cases, there is little evidence that the net economic impact is negative.

The best private equity firms improve the businesses they buy with better management and strategy. Even the average firm appears to create good returns through the use of leverage. So long as private equity firms stick to businesses that can shoulder the extra debt, their economic impact should be positive.

The credit crunch has made banks temporarily reluctant to provide the leverage that enables private equity firms to outbid industrial buyers. So we see greatly reduced activity in 2008. However, as soon as the debt market revives, we can expect to see a renewed interest in private equity deals.

Beyond the above points, private equity may also have a significant indirect impact on the economy, through the motivations of managers more generally. Because of the fear of a hostile bid from private equity, every management team is working hard to make sure its company is performing well, and does not present a target for the billions of pounds waiting to be invested.

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Exclusive workplace systems

With more and more organisations across the globe facing the challenge of diversity management, Kurt April, Amanda April and Vibha Sharma look at the negative effects on employees who experience discrimination and exclusion in the workplace.

Although diversity is widely emphasised as a progressive and refreshing quality for organisations in an increasingly global and cosmopolitan world, contemporary diversity management tends to stereotype individual origins and behaviour. This occurs in an attempt to simplify the complicated and contentious issue of successfully introducing true diversity into the workplace. Most diversity literature has been written from a political and policy standpoint.

However, an evolving workplace discourse is emerging that has focused our attention on how diversity operates in organisations, economic efficiency, the nature of professions and broader institutional settings. Nevertheless, by focusing only on fixed, essential group characteristics, such thinking serves to control mainly less-powerful employees (for example foreign workers).

Extending the discourse

Social systems are produced by people's interactions, and desirable social systems require all system members to have awareness and understanding of the psychological processes that underpin individual purposes, values and ultimately discretionary effort. Understanding this process requires clarification of the role of power and identity in the transformation of collectives into social systems.

Ashridge-sponsored research involved 243 interviews, concluded in 2007 in various workplaces and with a wide variety of individuals in South Africa. The research analysis unearthed a number of diversity themes, but we have chosen to focus on the negative psychological effects which foreign employees experience in post-Apartheid South Africa.

The context of these research interviews is significant, as resonances of the social discrimination and exclusion suffered by the black and coloured population and women (black and white) during Apartheid, still remain, and are therefore major transformation focus areas of the South African workplace. However, little to no attention is given to the impact and undesirable properties of South Africa's history, or on the psyche of foreign employees in the country.

From our research, we note that many South African organisations have, on the one hand, failed to create the necessary opportunities for individual/self and group reflection and, on the other, failed to increase flexibility and capacity in the system for appropriate generative, recursive and inclusive psychological learning and action (emanating from such co-reflection). As a result, many organisational environments have become combative for foreign workers, and ultimately static from a sustainable competitive point of view, expressed in our interviewees' comments.

Distrust

Anxiety, resulting in the foreign employee's mental and physical distancing from the South African employer, emerged as a major theme during these interviews. It was particularly the case when such distrust in authority figures has been exacerbated by previous (Apartheid) and recent unfair treatment of themselves, or others like themselves, i.e. foreigners (*"I now avoid people or situations that make me feel uncomfortable"*). Such wariness of certain authoritative individuals in the workplace logically resulted in foreign employees sometimes working anti-social hours (*"I interact less and often try to do my work when no one is around, like early in the morning or after hours"*) in order to work in a lonely environment where they did not feel intimidated by the power imbalance. This arguably widened the gulf between managers and foreign employees, fortifying the manager's position as the 'authority figure' and legitimising the command-and-control relational hierarchy. One interviewee criticised the common practice of the *"superior telling the worker what to do and the worker obeying without question"*.

While it could be argued that maintaining distance from authority could at times be positive, encouraging independence and the use of initiative, it also made interviewees feel less comfortable in, and less attached to, the organisation – often resulting in (dysfunctional) communicative effects (*"I have become extra careful during conversations at work"*). In addition, it was clear that one bad experience with a South African colleague meant that foreign workers tended to expect the same from other South Africans, creating a long-term gulf of distrust and paranoia. One interviewee stated that a negative encounter *"pushes me away from having a close relationship with my colleagues. I start judging them. Today if I feel that someone has the same negative attitude as my first colleagues, I try to avoid that person"*. Interviewees often spoke of negative experiences involving

their feelings of inadequacy, and their consequent need to (over) prove their ability and worth to those higher up in the organisational structure. Distancing fuelled by anxiety and consequent resentment meant that many interviewees felt uncomfortable in the presence of top executives (*"feeling on the spot to answer a question" and "feeling as if I have to have an answer for everything, every time a senior person questions me"*). Many of those interviewed complained of persistent questioning by the management as to their progress, causing them to feel distrusted and doubt their own capabilities to fulfil their job requirements.

Instrumentalism

Many interviewees felt that the language barrier and cultural differences meant that they were dehumanised as individuals into company resources, with set tasks to fulfil (*'production line'* mentality). Such instrumentalism was enhanced by the transactional relationships with South Africans, as they did not enquire or appear interested in the history and culture of the foreign workers. In fact, some interviewees claimed that this was only the case for foreigners from other African countries, as South Africans appeared extremely interested in all things European. While such de-individualisation is clearly negative, interestingly some individuals felt that it was a small price to pay to avoid the discrimination they felt they would have suffered if their individuality was focused upon by managers and employers. It was therefore more *"effective not to be noticed"* than being *"the special case, who always needs considering and for whom exceptions had to be made"*. One female employee consequently stated that she finds it *"easy being in a foreign country where I have anonymity"*. This perceived benefit, however, did not prevent the majority of foreign employees in this situation from feeling over-managed (because of perceived risk) and, therefore, that their individuality was stifled and their identity treated as

undesirable. A male interviewee stated that the *"the lack of respect in my work environment resulted in me not actively contributing to the work environment, and feeling psychologically disconnected"*. While this led to a lack of motivation and isolation from his work/workplace due to resentment, in many cases feeling undervalued contributed to employees doubting their own self-worth and ability. It was often stated by interviewed foreign employees that their company's cold, goal-orientated approach made them feel *"insignificant, used and inconvenient... a token, as if I don't have a brain"*.

This was often intensified by the lack of voice and lack of support for new foreign employees when they entered their jobs. New careers became riddled with insecurities due to employees remaining uninformed about the nature of their company and employment duties. Their lack of social mixing outside of the workplace left them ignorant and sceptical of South African values and identity. One interviewee mentioned how he was forced to assert his own initiation into his new company due to a lack of structural support: *"For two weeks I was on my own and miserable until I approached one of them, who helped in sharing the necessary information for my new job"*.

Inadequacy

The lack of nurturing of, and support for, employees can be partly attributed to the attitude of certain contemporary companies, particularly those involved in manufacturing and production (a growing sector in the economy). As such jobs tend to require few qualifications, and wages are relatively low, foreign interviewees stressed that companies regarded their workers as easily dispensable (*"take it or leave it" and "somebody else will fill your shoes"*) and as cogs-in-a-machine. Companies of this nature are mainly concerned with the development of previously disadvantaged South Africans and with the short-term

performance of the company. They are generally uninterested in investing in the long-term social capital, heterogeneous innovation and social cohesiveness of South African and foreign workers – which would be necessary to sustain the future competitive advantage of the company. The arguably narrow focus of affirmative action programmes within the workplace simply exacerbates the situation, with many employers embracing diversity because it improves their local image: not necessarily because they feel it is morally right or necessary for competitive sustainability. Thus, foreign employees especially are often made to feel as if they should be grateful when they receive certain jobs. A female employee spoke of how she had been made to feel unworthy of her new post: *“My manager would see me as an empowered person [affirmative action employee] who has been done a favour by being given a position. He would see me as one of the people adding to his statistics of balanced race and gender.”*

Feelings of one’s inadequacy or doubting one’s rightful place in a hierarchical organisation often, as our interviewees report, lead to deference due to anxiety or individual expectation. The paternalistic, Christian-National dominant mode of leading by senior managers and executives in South Africa carries with it a number of assumptions: senior managers and executives are like *“fathers to the organisation, while workers are, and should behave as, children”*; *“leaders are in the know and have the solutions, and followers should act without question”*; *“education means that one is more of a human than those who are not... and therefore entitled to more”*; *“anything and anyone from Europe carries more weight and credibility”*; and *“younger people should be seen and not heard”*. One interviewee talked of *“swallowing pride and keeping quiet in an attempt to divert attention or diffuse the moment. This is behaviour that younger employees are often expected to exhibit as*

a matter of course.” This commonly resulted in a victimisation mentality where employees felt that speaking up, and being assertive when it was expected or required, would expose them to discrimination – ultimately leading to a form of learnt helplessness and unwillingness to take responsibility, for psychological protection.

Victimisation

Employees suffered from victimisation in numerous forms, amongst which condescension was prevalent (*“He criticised me for mispronouncing ‘pronunciation’”*). Feeling victimised was indeed more common amongst foreign female interviewees, as their gender was often perceived as more vulnerable and less capable by their male counterparts, within the male-engendered South African workplace. During Apartheid (and still currently in many organisations), women had not only racial, xenophobic, ageist and disability-related prejudices to contend with, but also discrimination due to gender. As a consequence, many felt excluded and marginalised in the workplace. Many foreign female interviewees spoke of feeling unimportant in decision-making, as they were rarely consulted. They felt that real decision-making was actually taking place in other environments (for example, in sporting environments, in social gatherings at home, in gentlemen’s clubs, etc.) that they were not privy to and then *“rubber-stamped in the workplace”*. One interviewee stated: *“In a group with only men, nobody says anything to me. I think it may be caused by the fact that I am a woman.”*

Cognitive constraints resulting from intercultural misunderstanding interfere with workplace relations. One key dimension of such misunderstanding and feelings of exclusion emanates from language and its subsequent communicative outcomes. It sometimes was the case, in the experiences of our interviewees, that what was offensive in their culture was normal in the South African culture. One man spoke

of how these different social values meant that *“even something as simple as some of the content of his South African jokes seemed to offend most of his foreign workmates”*. A few of our foreign interviewees raised their unhappiness with feeling victimised as a result of their suspicion that South African colleagues were discussing them in a language they could not understand. A female interviewee stated that she thought *“... people excluded me as they talked Zulu or Afrikaans. I felt they were talking about me, specifically when they spoke Zulu. You cannot pick up the tone of Zulu. In Afrikaans you could.”* Another stated: *“I couldn’t understand the jokes and banter, because I didn’t understand the context they were made in. This made it difficult to join in.”* If new foreign employees are not helped/trained to understand the language and thus bridge the cultural gap, the necessary social mixing will, at best, remain superficial and inauthentic.

Many interviewees found it very difficult to adjust their behaviour to fit with the culture of their South African company without losing much of their individuality. While many attempted to do both (*“I tried basically to learn as much as I could about the culture, behaviours, way of doing things, mentality of the people, without ever losing my identity”*), the majority encountered clashes of culture which forced them to choose one approach in their workplace. One individual explained to us that he has lost all connection to his *“core”* (in other words, he no longer could be authentic), due to his constant individual adjusting of *“my modes of interaction to allow me the opportunity to build relationships and be acceptable to my colleagues... which ultimately means to be more like them”*. At worst, however, in a harsh and unaccepting work environment, a lack of knowledge regarding cultural nuances can lead to misunderstandings and discrimination.

Attachment

When followers and leaders are from different cultural groups, ethnicity may become a salient demographic characteristic that can influence their relationship. Tsui *et al*¹ found that an individual’s attachment to the organisation is lower when there is a difference in race between that individual and the other members in a workgroup. This attachment factor is further negatively affected if the race is structured hierarchically within the organisation, i.e. in our South African case where most managers are white and most foreign workers are people of colour. Wesolowski and Mossholder² found that subordinates in leader-follower relationships that were racially diverse had lower job satisfaction when compared to homogeneous relationships. Our research has shown that ethnicity differences may be demographically and psychologically salient for those followers who identify strongly with South African cultural values. Additionally, demographic similarities such as the same real or perceived root ethnicity (for instance, white foreign workers from Europe working for white South African managers) may result in in-group categorisation and preference/favouritism.

Kim³ asserts that communication competence is composed of three levels:

1. cognitive competence in language and knowledge of the host culture
2. affective competence to emotionally deal with and understand the hosts’ emotions and aesthetic values
3. operational competence in order to select appropriate communication strategies to behaviourally interact with the host country successfully. From this we can see that high-level competence involves all-round knowledge and skills which goes beyond cultural generalisations.

Relational demography theory which postulates that people compare their

demographic features to other people's in their social groups to judge whether they are similar, provides a framework for understanding the ethnically, culturally and regionally diverse groups found in organisations. Tsui *et al*⁴ has shown that the level of similarity between foreign workers and locals affects attitudes and behaviours related to both their job and their co-workers. Specifically, demographic similarity leads to attitudes such as commitment to the group, group cohesiveness, and high group evaluations. These similarities can help validate their personal values and beliefs and enhance their self-esteem. In forming their identity, individuals desire to be associated with groups that build their self-esteem, and use social and personal characteristics such as race, age, gender, regional origin, or organisational membership to create their self-identity and define their own groups. Thus, based on our interviewee responses, we can claim that the South African workplace is more accepting of and less psychologically damaging to foreign workers from European descent (as they are closer to the dominant senior management and executive class in South Africa, i.e. white English and Afrikaaner men) as opposed to foreign workers from other regions, especially Africa.

The psychological manoeuvrings in the South African workplace by the foreign worker, especially the African foreign worker (who now makes up the largest foreign worker group in the country), are often overlooked. While companies often discriminate against employees for being different – directly and indirectly – employees unfortunately often exacerbate their exclusion through feeling distrusted, overlooked and undervalued by those with authority and their co-workers. Such negative feelings naturally lead to a loss of confidence and power, causing foreigners to further distance and isolate themselves from authority. The lack of support structures for such employees, and the static

workplace culture of many South African firms, mean that those new to companies and organisations fail to understand or become incorporated into what should be a dynamic, growing and moving culture.

Conclusion

One of the most important challenges, and most significant opportunities, is the increase in ethnic and social heterogeneity. While there have been positive instances where being different in one's workplace has proved advantageous, it is clear that structures and discourses within organisations need to change, with management altering a top-down approach to one which is consultative, inclusive and communicative with all levels and forms of foreign diversity. Not in the short-term, but in the medium to long run, successful immigrant societies can help create new forms of social solidarity and dampen the initial negative effects of diversity by constructing new, more encompassing identities – a broader sense of “we”.

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Leadership for sustainable organisations

In this article, Matt Gitsham, Chris Gribben and Patricia Hind argue that to successfully embed corporate responsibility and sustainability within organisations, there needs to be a focus on developing the mindset and skills of individual managers, rather than simply introducing new policies and procedures.

More organisations than ever before are seriously engaging for the first time with corporate responsibility (CR) and sustainable development agendas, in response to growing concern about climate change and other pressing social challenges. However, they can learn a lot from the organisations that have been leading the field over the past decade. Many of these started their journey with the introduction of new policies, procedures and management systems: agreeing ethics policies and codes of

conduct for example, or setting up environmental management systems, human rights risk assessment systems and supply chain labour standards audits. Many have created new structures, building new teams of CR and sustainability specialists responsible for producing externally focused non-financial reports, engaging with important external stakeholders and increasingly engaging internally with key business functions to promote change. However, they are increasingly realising

that it takes more to really embed CR and sustainability across their organisation: to move further they need to fundamentally address the mindsets of the leaders and managers right across their organisations – so that when individuals are making decisions, they make the right decisions for CR and sustainability. This is a challenge of culture rather than process, and some of the key levers for change relate to training and development and performance management, as well as recruitment and selection. What are the skills and qualities individual managers and leaders need in order for their organisations to succeed in a changing societal context and increasing concerns about sustainability? And how can these skills and qualities be developed through management education and leadership development?

Existing research is not especially helpful in answering these two key questions. Much of the research about links between organisational culture and embedding corporate responsibility and sustainability looks at the organisational level of analysis, rather than the individual¹. However, where research has focused on the kind of qualities required by individuals, two key themes emerge. First, much has been written from a philosophical and normative point of view about what leaders 'should' do (see Ciulla², for example). There has also been significant work linking perceived leader effectiveness with specific personality traits, with attributes such as honesty, integrity and trustworthiness emerging, for example, in the research of Den Hartog³. Similarly, Trevino^{4,5} explored what the term ethical leadership meant to observers of executives and surfaced a number of personal characteristics with descriptors such as honest, trustworthy, fair and principled. Finally, where research has explored the link between management education and responsible decision making, this has largely focused on an apparent link between management education and criminality.

Research scope

Given that the existing research literature did not have much to say in response to these questions of pressing importance to practising managers, Ashridge undertook a research study⁶ in partnership with the European Academy of Business in Society (EABIS) and with the support of EABIS' founding corporate partners, IBM, Johnson & Johnson, Microsoft, Shell and Unilever. This study built on an earlier study by Ashridge conducted in partnership with the UK Government⁷.

The programme of research involved two distinct phases. First a large scale questionnaire was distributed to managers operating in public and private sector organisations across Europe. This questionnaire focused on an examination of the attitudes and beliefs that drive responsible management practice. In total, just over 100 senior managers responded to the questionnaire.

The second, qualitative phase comprised a series of in-depth interviews with senior managers in leading European-based multinational companies. These included IBM, Johnson & Johnson, Microsoft, Shell, Unilever, BP, Cargill, Dexia, ENI, Solvay and Suez. For each interview the research team attempted to bring together senior representatives from functions including CR/sustainability, human resources and operations. The interviews focused on how to develop managers with the knowledge, skills and attitudes required to operate effectively in today's complex business environment. Researchers asked practitioners to reflect on critical incidents in the organisation's recent experience, both success stories where social and environmental issues were effectively integrated into management decision-making, and also less positive incidents, perhaps where the organisation had suffered some crisis. In both cases, the focus was on the skills and qualities that were influential – either by their presence or their absence.

Our findings

The Ashridge research found that practitioners identified both knowledge and skill sets (learning to do) and a set of attitudes (learning to be) that are critically important for leaders to possess in order for their organisations to be able to respond effectively to the challenges and

opportunities of CR and sustainability. The companies also sent a strong message that there was a need to integrate the 'to do' and 'to be' and discuss the characteristics that emerged from combining these knowledge, skills and attitudes sets. The researchers termed these characteristics 'reflexive abilities'.

Learning 'to do'		Learning 'to be'	Learning 'to do and be'
Knowledge	Skills	Attitudes	Reflexive abilities
<ul style="list-style-type: none"> Understanding the competing demands of different stakeholder groups Understanding how the core business activities create opportunities for other actors in society and how the company can make a contribution to society Understanding the social and environmental risks and opportunities of the company and its industry sector Understanding the institutional debate 	<ul style="list-style-type: none"> Well founded and balanced judgement Critical thinking Team player Creativity, innovation and original thinking Communicating with credibility Business acumen Listening skills Managing stakeholder network relationships Emotional intelligence 	<ul style="list-style-type: none"> Honesty and integrity Long-term perspective Open mindedness Appreciating and embracing diversity Conviction and courage The drive to contest resistance The capacity to think outside the box 	<ul style="list-style-type: none"> Systemic thinking Embracing diversity Balancing local and global perspectives Meaningful dialogue Emotional awareness

The first thing that is immediately clear from this exploration is that the skills and qualities that have emerged are not just specific to addressing CR and sustainability, but have value for organisations in all sorts of ways – they are skills and qualities that all managers need to lead effectively.

Among the knowledge and skill sets cited as important was an understanding of how social and environmental issues relate to corporate and business strategy, especially in relation to the organisation's own industry sector. Also important is an understanding of how social and environmental issues emerge and evolve over time, and how global and local agenda-setting occurs. Key skills include issues management and the ability to pick up on the weak signals in the business environment that are indicators of significant future trends. Interviewees talked about how, time and again, their organisations would trip up unexpectedly over issues coming out of the blue that they really should have anticipated. Skills linked to using tools such as horizon scanning and scenario planning are also relevant here.

Linked to this set of knowledge and skills is the importance of understanding the concerns of different external and internal stakeholder groups, as well as the potential impact that these stakeholder groups can have on organisational brand, reputation and trust. Managing complex and interdependent stakeholder network relationships involves important skills around listening, communicating with credibility, and relationship management. Communication skills for off-setting negative and enhancing positive exposure to public opinion, articulating the purpose of the organisation and its contribution to society, are also necessary.

Another emerging area linked to stakeholder awareness, which has also been echoed in more recent Ashridge research⁹, is the requirement for knowledge and skills needed to move from a risk management to a

business opportunity perspective. Increasingly organisations are interested in the knowledge and skills required for their organisation to be able to adopt a leadership position on CR/sustainability, and harness the benefits of this for competitive advantage. Important skills sets involved here include creativity, innovation and original thinking, as well as communication skills. Also important is the knowledge to understand where the organisation's room for action stops and where partnerships across industry sectors and with different stakeholder groups are required, and possessing the skills for partnership building and working.

In addition to these distinct knowledge and skill sets, the following key 'reflexive abilities' combining 'ways of doing' with 'ways of being' emerged from the research.

Systemic thinking

Interviewees identified that a central challenge facing all managers today and underpinning many of the challenges related to CR and sustainability is dealing with complexity. Effective leadership in these circumstances requires systemic thinking – the ability to think strategically and understand the bigger picture. Leaders need to undertake a strategic shift in the way that they view the world. They need to recognise that the organisation is not operating in a closed system but is an actor in many diverse networks. They therefore need to be able to understand the interdependency of systems across the business and between the business and society, to analyse interrelations across the whole system and to understand how things interact with one another at the broadest possible level. This requires a deeper understanding of both internal organisational relations and external social, economic, environmental and cultural dynamics.

Embracing diversity, complexity and ambiguity

Diversity in its broadest sense is seen as the answer to complexity. Interviewees spoke about how heterogeneous groups (whether based on gender, race, culture or other less visible aspects) are better able to use their differences to appreciate the complexity of the situations in which they operate. There was a strong consensus that individuals and organisations need to respect diversity by acknowledging it, building bridges across different groups and seeking common ground without forcing consensus: respecting difference is vitally important in acknowledging diversity. The business decision making process needs to structure relations that will maximise the exchange of ideas and learning across different groups – inside and outside the company. Embracing unusual approaches is also important. Managers need to go beyond the well known (and well worn) analysis of business issues and adopt unorthodox approaches to addressing the competing demands that different stakeholder groups place on the business.

Balancing local and global perspectives

Interviewees talked about the importance of being able to see and appreciate the impact of local decisions on the global stage, anticipating how local decisions and actions can impact with stakeholder groups in other parts of the world. For example, managers in Europe making changes to orders at short notice to keep pace with fast moving changes in fashion in the garment industry can mean unnecessarily arduous working hours for factory workers in Bangladesh or China to meet the revised order.

Meaningful dialogue

The ability to maintain meaningful dialogue with others by listening, inquiring and responding appropriately is seen as crucially important. One interviewee provided specific examples of how this approach has changed the decision making process

within his organisation. He described it as moving from taking action where one “decides, announces the outcome and defends the decision” to a process of “dialogue, deciding and implementing”. New forms of meaningful dialogue can offer the opportunity to explore assumptions, ideas and beliefs that inform individual and organisational behaviours and actions. In this way, companies and their stakeholders can begin to explore how cultural differences between groups can cause clashes – often without an appreciation of what is occurring. Such dialogue can also bring the benefit of external perspectives into the business.

Emotional awareness

The final area mentioned by many interviewees was emotional awareness – described variously as empathy, perception, curiosity and the ability to use the right-hand side of the brain in decision making. One interviewee described this simply as the ability to understand the broader implications of decisions and actions on others.

Interviewees observed that all too often reactions to business decisions are not based on rational analysis but on feelings and perceptions. Managers need to have the ability and willingness to recognise that business decisions are not always driven by a process of economic rationality. When going through the decision making process managers frequently describe their ‘thoughts’ on business issues in entirely rational terms – ignoring the fact that their viewpoint is not only the product of conscious intellect but is also coloured by their feelings, emotions and desires.

A final aspect of emotional awareness relates to the characteristics of managers themselves – interviewees spoke of the need to develop and enhance personal qualities of reticence and sensitivity. In today’s rapidly changing business environment one must accept that it is not always possible to be in control or to have

perfect knowledge of the outcomes of one's decisions. This is not an excuse for abdicating responsibility, but rather a successful manager must retain a sense of humility – a characteristic in sharp contrast to the model of heroic leadership.

The implications for leadership development

While recruiting individuals with the necessary mix of skills and qualities can go some way to helping organisations embed CR and sustainability into the way they operate, integrating certain approaches to decision-making into performance management and reward systems is likely to have more impact in changing behaviours and cultures right across an organisation. Linking development to performance management, it is critical to develop crucial skills and qualities through management education and leadership development in order to change mindsets more broadly. Interviewees spoke about how their organisations were still making the same mistakes they had been making a decade before. Whereas some parts of the organisation had learnt important lessons from earlier experiences, this learning was not being systematically shared across the organisation.

Developing and changing long-standing personal qualities and ensuring that new approaches will endure organisational pressures is difficult – to say the least. In relation to this, the research identified four implications for approaches to leadership development:

First, it is clear that management development for CR and sustainability needs to address fundamental questions of how an individual views the world – how he or she ascribes value to certain types of management and corporate behaviour. Developing a person's knowledge and skills will inform their world view and values to a certain extent. Giving people the opportunity to question, explore and make meaning of

the values and assumptions that inform their decision-making process requires a carefully structured process of analysis and reflection – something that is not necessarily compatible with much of the traditional content of management development programmes in many business schools. Other research has confirmed the importance of reflection in leadership behaviour and leadership development⁹. Mulec found that her sample of leaders clearly articulated the need to discuss and evaluate leadership-related issues with others, with a positive correlation between such reflection and the development of new knowledge and skills. Thus a simple, but potentially impactful development experience could be simply to further examine personal experiences and learning, in plenary and coaching discussions, particularly around responsible leadership competencies. A leader's ability and curiosity to investigate alternative views of managing responsibly could prove a powerful developmental vehicle.

Second, the experience of businesses involved in the research suggests that this process cannot necessarily be done in the traditional classroom environment. Again, there is a strong need for greater use of experiential learning techniques – exposing people directly to different situations and giving them the opportunity to reflect and experiment with potential ways of dealing with the experience.

Third, it is vitally important that a traditional Anglo-American or European business education should avoid what some describe as 'cultural imperialism' – inadvertently promoting the social, political and economic values of a developed world perspective. The research suggests that responsible leadership requires an appreciation of cultural diversity. This view was extended by some we interviewed to question the use of business models that focus exclusively on maximising shareholder returns to the exclusion of other stakeholders.

The final challenge is the question to what extent should CR and sustainability be mainstreamed into existing leadership development and integrated into existing business disciplines, rather than being taught as a separate stand-alone subject? There is much to support the argument that responsible leadership is not a separate set of skills or knowledge, or personality traits, but should constitute a new business perspective which permeates every business decision and action taken. These questions are pertinent to both companies and providers of executive education, as they seek to develop leaders that can lead organisations into a sustainable future. There is no 'one size fits all' answer, as much will depend on the scenarios of individual organisations.

The authors intend to take forward this programme of research in 2008 and would welcome contact from organisations interested in participating.

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PERSPECTIVES
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Forget ‘buy-in’ – try engaged participation

Chris Nichols

In this article, based on 20 years of consulting in over 40 countries, Chris Nichols argues that to be successful, organisations need less buying-in to top down strategy and more genuine strategic participation in day to day activities. This has implications for the development of widely held strategic capability in our teams. Learning the strategy toolkit is not enough.

There is a world in which strategy comes 'from the top', where strategy is the analytical preserve of the CEO and top team, or the visionary and charismatic domain of the entrepreneur.

But in practice 'strategy' is rarely implemented in the way the originator expects. The actual strategy pursued frequently ends up different from the plan.

Breene *et al*¹ wrote with dismay how difficult it is to keep execution in line with intention. In fast moving and complex markets, they wrote: "An iron fist control of execution often eludes the top team's grasp". To address this they suggested the appointment of a Chief Strategy Officer – a kind of internal guru, super-executive and strategic police-force rolled into one.

This reflects the reality of many clients I meet who are striving to get their teams to 'buy-into' the strategy, to 'live' the plan.

But I wonder if their attachment to a top down view of strategy may, however, be limiting and dangerous.

Don't sell, engage

No one knows the future, so there is little prospect of a plan unfolding as written. Henry Mintzberg² and others describe 'strategy' as an emergent process – a combination of the interaction of planned intention with a changing world.

Here there is no separation between 'strategy' and 'implementation', The entire process of the pursuit of intent is 'strategy' and everyone involved in the process is contributing to the making of real world strategy.

No central strategy police-force can corral reality into line with a forecast intention. What is needed to work with the emergent reality is genuine participative strategy: a combination of the pursuit of strategic intent with the will and wisdom to use discretion

with intelligence.

This is very different to 'buying into' a strategy delivered from on high. It is a shared engagement in the messy work of pursuing intent intelligently within unknown terrain.

It places additional demands on the wider managerial team, who can no longer attribute all strategic leadership to a higher level.

The developed strategic manager

How do we develop managers to engage really well in a shared strategy process? In my view it goes well beyond grasping the strategy toolkit.

The development of strategic capability needs to take account of at least three different dimensions of strategic capacity.

These are as follows:

- Dimension One: the grasp of the essential tools, models and concepts of strategy as a discipline and the ability to use these with adequate analytical rigour.
- Dimension Two: the development of 'strategic perspective' and genuine strategic mindsets, ways of thinking that feed analytical methods through alternative perspectives, creativity and curiosity.
- Dimension Three: the development of reflective skills by which leaders become aware of how their own behaviour, mindsets and biases impact on their own strategic thinking and strategic involvement of those around them.

These 'dimensions' are not hierarchical. We need to take account of all three dimensions when we develop strategic capability in our teams.

Dimension One: Aren't tools the thing?

Tools matter. No one can be a competent strategic thinker without access to the vocabulary and discipline of the strategic toolkit. So we must develop the ability to use tools for various strategic tasks.

According to the context of the organisation, I would recommend that managers develop a familiarity with the tools and models that offer help in the following areas:

- Understanding strategic context
- Assessing markets and competitive dynamics
- Undertaking competitor analysis
- Exploring collaboration, partnership and merger
- Examining alignment and organisational design
- Communicating and managing strategic action and measuring performance.

Of course the list is not complete.

This dimension certainly has its place, just as awareness of, and facility with, tools is an important part of learning any craft. But just like in craft, the tools are not the point. I suggest that the test of a good strategic tool, intelligently used, is this: *does using this tool help us to ask better questions and to have better conversations?*

Dimension Two: Developing a strategic outlook

No one can be a competent strategist if they approach tools mechanically or blindly. Developing this outlook is the business of Dimension Two.

Most strategic failure occurs because of group-think and narrow perspective. Every

day this happens in organisations. We develop ways of seeing, ways of making sense that become deeply rooted. We come to see the world through the chosen lenses. Eventually, seeing any other pattern, or seeing in any other way becomes impossible or unspeakable.

Strategy is a 'garbage in, garbage out' affair. If we use strategy models in a rote way, as a mechanical writing of our existing prejudices into the boxes and matrices of strategy models, we achieve nothing. Worse, we create the pretence of certainty that leads to failure.

The development of an acute sense of the potential limitations of our worldview is the stuff of the second dimension of strategic capability – the development of a strategic perspective. The strategist with a well developed Dimension Two capability will be cautious about what they know and how they know it, and will try to be conscious of the limitations of the lenses they routinely see the world through, and of the deeply held assumptions they hold.

This is not something easily taught, but it is something that can be developed. Well developed strategists have acquired this capability by many means: by having experienced some surprises previously, by scientific or artistic training, by psychological preference for diversity in ways of seeing, by inclination of intellectual restlessness and by the simple enjoyment of being contrary. Effective peer challenge, perhaps through action learning groups, can be a very effective way of developing your Dimension Two capability.

There are probably many ways of coming to a deeper Dimension Two capability. But what is clear is that: *without this capability, all the tools in the world will not help you – they will simply analyse and record your strategic blindness in new ways.*

Dimension Three: Developing reflective capability

If you want your people to engage and participate in strategy this raises another interesting point for the strategic leader. What is your personal impact on the strategic conversation and on the 'thinking together' that you are part of?

I have written elsewhere^{3,4} about the psychological dynamics of strategic conversation and strategic facilitation – and do not want to go into that in depth here.

The point I want to make is that every one of us, when we lead, participate in or facilitate a piece of strategic work, have an impact on it. That work is done differently because of the individual impact we bring to it.

A range of factors impacts on how each one of us participates and engages, in working together on strategy making. These include the following:

- Our psychological processes and preferences. We all have preferred ways of thinking, perceiving and decision making.
- Past experience and prejudices. We come to our conversations and decisions with our history and our patterns. We will receive or reject, prefer or ignore data through these 'lenses'.
- Our use of power. Everyone has a range of sources of power and differing ability and willingness to access and use it. The impacts of the use of power in the strategy process are wide ranging and of consequence.
- Our ability to listen and work with group processes. We are not all equally skilled in interpersonal work – but developing 'good enough' interpersonal skills is critical for anyone seeking to work in engaging others in good strategic exploration and conversation.

At the heart of this awareness is the development of self awareness and reflective capacity: the ability to pay attention to process and to one's own influence within the process. This is in part an individual capability and it is in part a willingness to open oneself to the observations of others through feedback, coaching and action learning.

There is no 'silver bullet', no wonder tool to teach here. It is a matter of willingness, attention and work over time, in the spirit of furthering the craft.

Consequences for the development of broad strategic capability in organisations

The consequences are significant for those who want to develop their strategic capability and that of their teams. What it means above all is that development based solely or principally on the teaching of tools and models is not sufficient. A more integrated developmental approach is needed.

In my view the development of strategic capability is like learning a craft. No one is ever 'the finished article'. The development of strategic capability is a lifelong journey.

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