



WMG

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Management for Business Excellence

# Leadership and Excellence

MANAGEMENT FOR BUSINESS EXCELLENCE

# Leadership and Excellence

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## Section

## 1

## Leadership and Excellence

This module is structured to guide the student to relevant published material. It is not intended to provide a pre-packaged series of lectures unique to this programme. Rather:

- it identifies the contextual problems that highlighted concepts, philosophies, methods and techniques aim to solve.
- it guides the student to published material, that describes and discusses the topic in context.
- asks additional questions that, by team-based (forum) discussion, will guide students to deep understanding of the topic.

To foster cooperative learning, forums have been created. At different points within this module, questions or points for discussion will be set, identified by **Forum**. These will be followed by links to forum topics within either your Team or as Open (for open discussion with all other students on this programme). These forums and their topics may be viewed with the following link. You will only be able to access those forum to which you have permission.

## Context

The European Foundation for Quality Management (EFQM) is a membership based, non-profit organisation, created in 1988 by 14 leading European businesses, with a Mission to be the Driving Force for sustainable Excellence in Europe and a Vision of a world in which European organisations excel.

By January 2000, membership had grown to over 800 members from most European companies and most sectors of activity. In addition to being the owner of The EFQM Excellence Model it also manages The European Quality Award process.

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Leaders create a vision and a strategy to achieve the vision which they deploy throughout the organization.

### Module aim

**To understand how leaders develop, facilitate and manage the achievement of the mission and vision via a clear stakeholder focused strategy, supported by relevant policies, objectives, targets and plans implemented through appropriate actions and behaviours that conform to developed values required for long term success, thereby ensuring that the organization's management system is developed and implemented.**

### Learning objectives

Subject Knowledge and Understanding

1. Understand how leaders develop the vision, mission and values, ensuring that the organization's management system is developed, implemented and continuously improved.
  2. Understand the need for leaders' involvement with customers, partners and representatives of society.
  3. Understand how leaders motivate, support and recognise the organization's people.
  4. Understand how policy and strategy are based on the present and future needs and expectations of stakeholders.
  5. Understand how policy and strategy are developed, reviewed and updated.
  6. Understand how policy and strategy are deployed through a framework of key processes and are communicated and implemented.
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### Key Skills

1. Written communication skills.
  2. Oral communication skills.
  3. Working with others.
-

4. Problem solving.
5. Information technology.
6. Numeracy.

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Cognitive Skills

1. Recognise the need for effective leadership at all levels in the organization.
2. Critical analysis of various approaches to leadership.
3. Critical analysis of various approaches to policy deployment.

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Subject-specific/Professional Skills

1. Research subject related topics.
2. Relate leadership practices to the extent of application of an excellence model.
3. Plan and conduct policy deployment.
4. Plan and manage activities to achieve objectives.

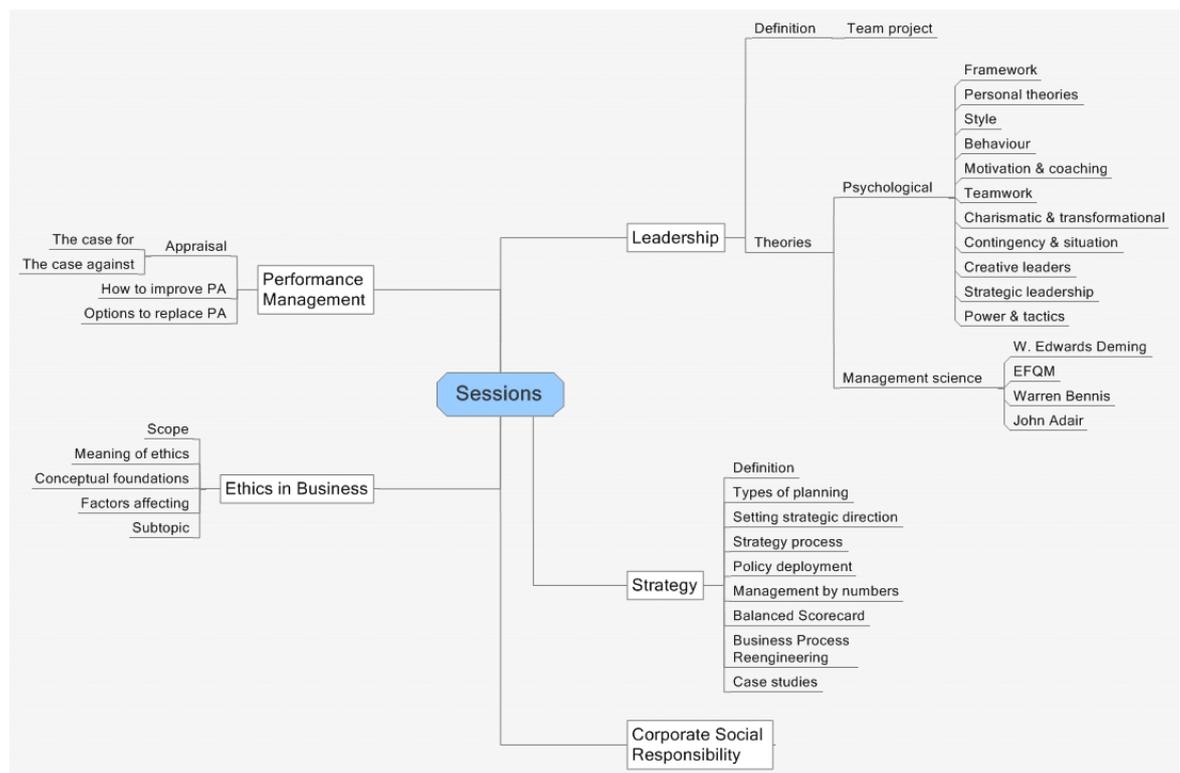
# Contents

## Introduction

Regardless of sector, size, structure or maturity, to be successful, organisations need to establish an appropriate management system. The EFQM Excellence Model is a practical tool to help organisations do this by measuring where they are on the path to Excellence, helping them understand the gaps and then implementing solutions.

The EFQM is committed to researching and updating the Model with the inputs of tested good practices from thousands of organisations both within and outside of Europe, thus ensuring that the model remains dynamic and in line with current management thinking.

The particular focus of this module is leadership and how leaders deploy strategy to achieve the long-term goals of the organization. This site contains material in sessions that is intended to be the starting point for individual and team based research to achieve the learning objectives of this module.



## Section

## 2

## Leadership

Leadership is Criterion 1 of the European Excellence Model. It is defined as (EFQM, 2003):

"Excellent leaders develop and facilitate the achievement of the mission and vision. They develop organizational values and systems required for sustainable success and implement these via their actions and behaviours. During periods of change they retain a constancy of purpose. Where required, such leaders are able to change the direction of the organization and inspire others to follow."

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### *Definition of leadership*

There are almost as many different definitions of leadership as there are persons who have attempted to define the concept (Bass, 1981).

## Introduction

The quote by Bass above indicates that despite many years of research, there is no common agreement on the definition of what leadership is. Twenty definitions of leadership created since 1950 have been selected for analysis with the intention of developing a course definition of leadership.

### Team project

In your teams, study the [leadership definitions](#) and using the [analysis matrix](#) or other method that suits you, create a definition of leadership on which you all agree. Choose someone to represent your team in a course discussion and be prepared to justify your definition or change it based on the arguments of other teams.

Study plan

Team study: 2 hours

Location: Learning Grid or location of team's choice

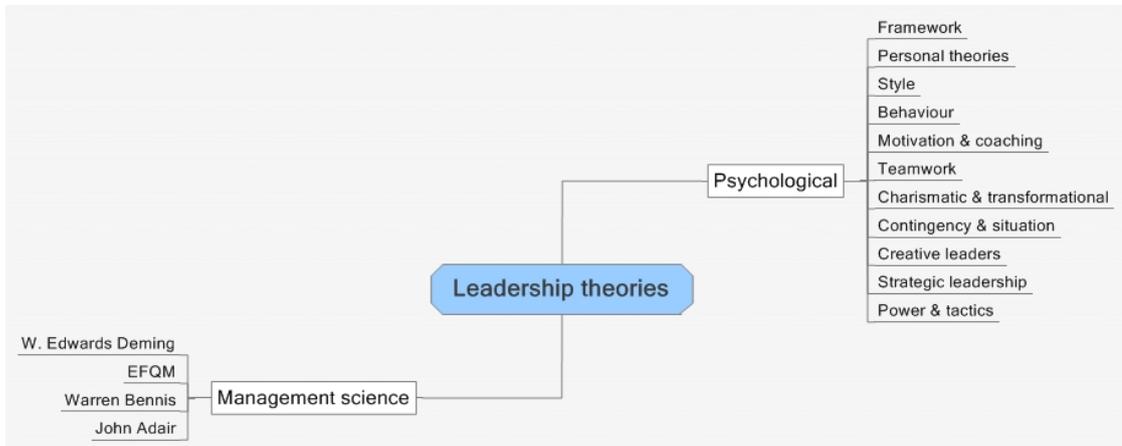
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When: During the Leadership and Excellence module team study week

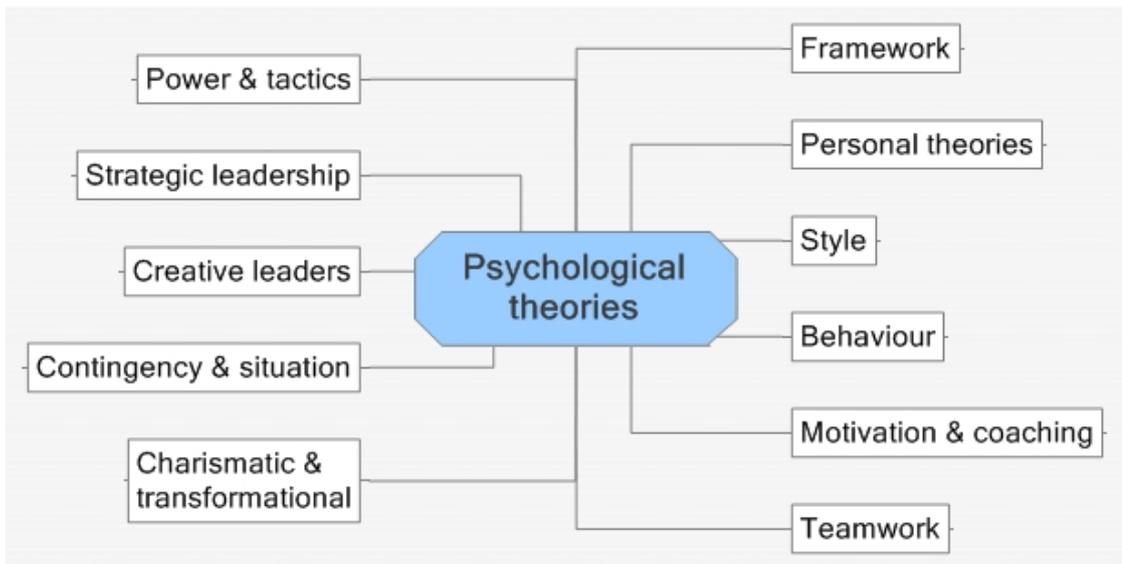
Presentations: During the study week

Outcome: Course definition of leadership

## Leadership theories



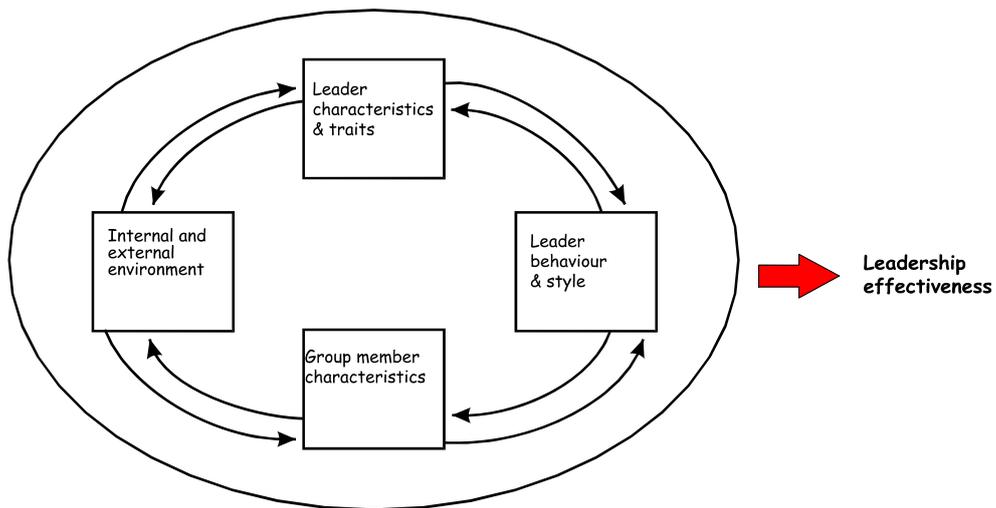
## Psychological theories



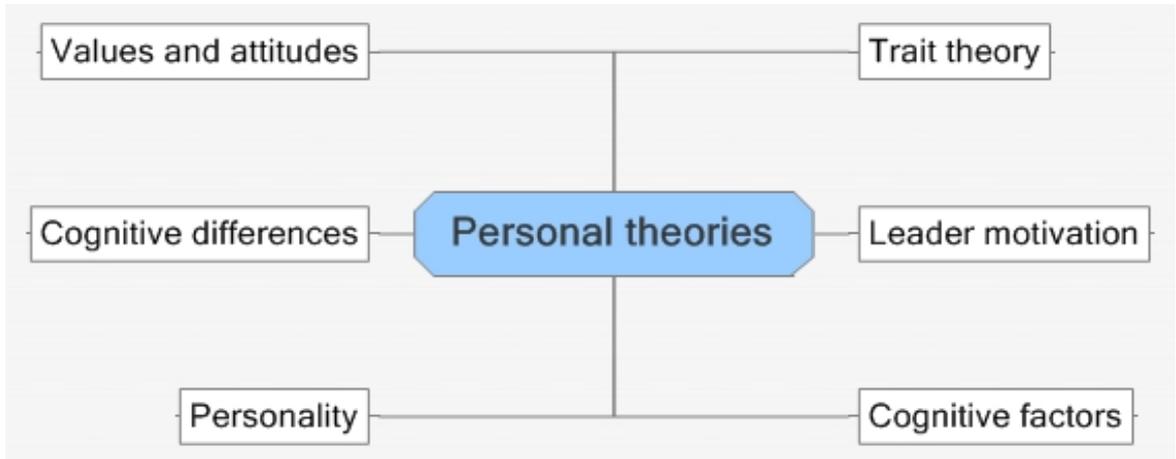
## Framework

$$L = f(l, gm, s)$$

Leadership is a function of the leader, group members or followers and situational variables (Dubrin, 1998: 18).



## Personal theories



Trait theory

DuBrin (1998:25) two subdivisions of personality traits - general and task-related		Daft (2002: 45) lists traits identified by research over the years	
<b>General</b>	<b>Task-related</b>	<b>Physical</b>	<b>Social characteristics</b>
Self confidence	Initiative	Energy	Sociability, interpersonal skills
Trustworthiness	Sensitivity to others and empathy	Physical stamina	Cooperativeness
Dominance	Flexibility and adaptability	<b>Intelligence and ability</b>	Ability to enlist cooperation
Extroversion	Internal locus of control	Intelligence, cognitive ability	Tact, diplomacy
Assertiveness	Courage	Knowledge	<b>Work-related</b>
Emotional stability	Resiliency	Judgement, decisiveness	Achievement drive, desire to excel*
Enthusiasm		<b>Personality</b>	Responsibility in pursuit of goals
Sense of humour		Self-confidence*	Persistence against obstacles, tenacity
Warmth		Honesty & integrity*	<b>Social background</b>
High tolerance for frustration		Enthusiasm	Education
Self-awareness and self-objectivity		Desire to lead	Mobility
		Independence	
		* Considered essential	

Although the two lists are different, there are similarities: honesty and integrity and trustworthiness go together; achievement drive, desire to excel, desire to lead and energy compare with initiative, assertiveness and resiliency

## Leader motivation

Power

Personalized - love of power - status symbols or dominance

Socialized - to achieve organizational goals or vision - likely to be more effective

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Drive and achievement

Drive - high energy and persistence

Achievement - joy in achieving for its own sake

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Strong Work Ethic

Value hard work

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Tenacity

Better at overcoming obstacles

## Cognitive factors

Mental ability and cognitive resource theory

Good problem solving ability of effective leaders

Knowledge of the business

Technically or professionally competent in some discipline sufficient so that the wool is not pulled over their eyes by technical specialists.

Creativity

Imagination and innovation in the solution of problems either from themselves or from inspiring group members

Insight into people and situations

Depth of understanding requiring intuition and common sense.

Farsightedness

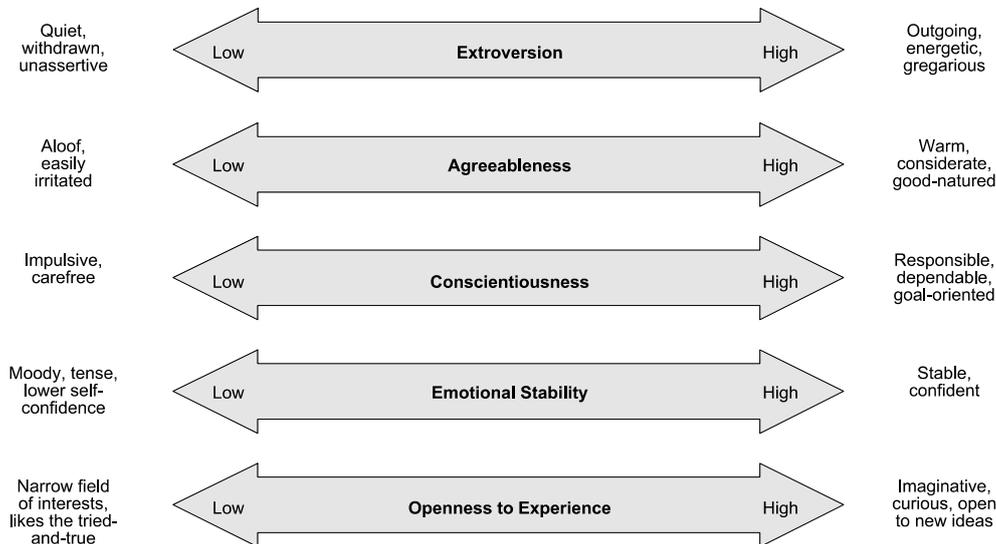
Understanding the long range implications of action and policies. Developed ability to balance short and long term results.

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## Personality

Personality is the combination of characteristics and processes that lead to a stable pattern of behaviour (Daft, 2002: 119). Researchers have studied many traits and summarise them in terms of what is called the Big Five personality dimensions.

An individual may have various degrees of each of these dimensions and in combination they describe that person's personality.



**Extroversion** - traits and characteristics that influence behaviour in groups - the extent to which an individual is comfortable in a group setting, meeting new people. Also includes characteristic of *dominance* - the extent to which an individual likes to be in control of or influence others.

**Agreeableness** - the extent to which a person is able to get along with others.

**Conscientiousness** - the dependability of an individual. A high degree is associated with focus on key goals.

**Emotional Stability** - the degree to which a person is grounded, able to handle stress etc, does not get emotional about mistakes and does not take them personally.

**Openness to experience** - willingness to consider new ideas, broad range of interests and open minded.

Although the Big Five dimension model is qualitatively useful to describe personality, it is made up of many traits and characteristics which are difficult to measure individually and collectively. Therefore, the usefulness of this model is limited because of the inability to relate factor scores to leader effectiveness.

Two attributes have a significant impact on behaviour (Daft, 2002: 123)

**Locus of control** - people who believe that they are the masters of their own destiny have a *high internal locus of control*, whereas those who feel that their lives are governed by external influences have a *high external locus of control*.

**Authoritarianism** - is the belief that power and status differences should exist in organizations. High levels of authoritarianism are associated with traditional styles of management - the use of formal authority, disapproval of expression of personal feelings. Tough, judgemental and respectful of power.

**Dogmatism** is closely related to authoritarianism. Highly dogmatic people make decisions without reference to others based on limited information and are not responsive to others' ideas. Effective leaders have lower levels of dogmatism and are receptive to others.

Understanding individual differences between people can help a leader understand the dynamics within a group.

**Behaviour associated with high internal locus of control** - self-motivated, control of own behaviour, participative, seek information, better at information processing and problem solving and achievement oriented. More likely to influence others and seek leadership.

**Behaviour associated with high external locus of control** - prefer structured, directed work situation, able to handle work that requires compliance and conformity, but perform less well in situations that require initiative and creativity. Less likely to enjoy leadership positions

### Cognitive differences

Daft, 2002: 134

This is about preferences in the study and assimilation of data and approaches to problem solving.

Studies in the 1960s and 1970s discovered two distinct brain hemispheres that have been associated with different types of thinking. Everyone uses both sides of the brain to think, but to varying degrees.

Herrmann's whole brain concept considers a person's preference for right or left brain thinking together with conceptual versus experiential thinking.

Herrmann developed his research to create a conceptual **whole brain model** as a result of analyzing hundreds of thousands of responses to his HBDI (Herrmann's Brain Dominance Instrument).

### Features of the Quadrants

Quadrant A Rational, realistic, likes to work with numbers, technical matters, logical procedures. A predominant Quadrant A thinking style leader tends towards authoritarianism, focusing on tasks. Opinions and feelings considered not as important as facts

Quadrant B Well organized, reliable, likes to work to plan and achieve stability. Leaders conservative and traditional, operating by the book.

Quadrant C concerned with interpersonal relationships, use intuition and emotion, are sensitive to others, enjoy working with others and teaching. Feelings more important than tasks, and may emphasise development and training.

Quadrant D Visionary, imaginative, speculative, likes to break the rules, take risks and be spontaneous. Looks at the whole picture and likes to experiment, enjoys change and risk and allows followers freedom.

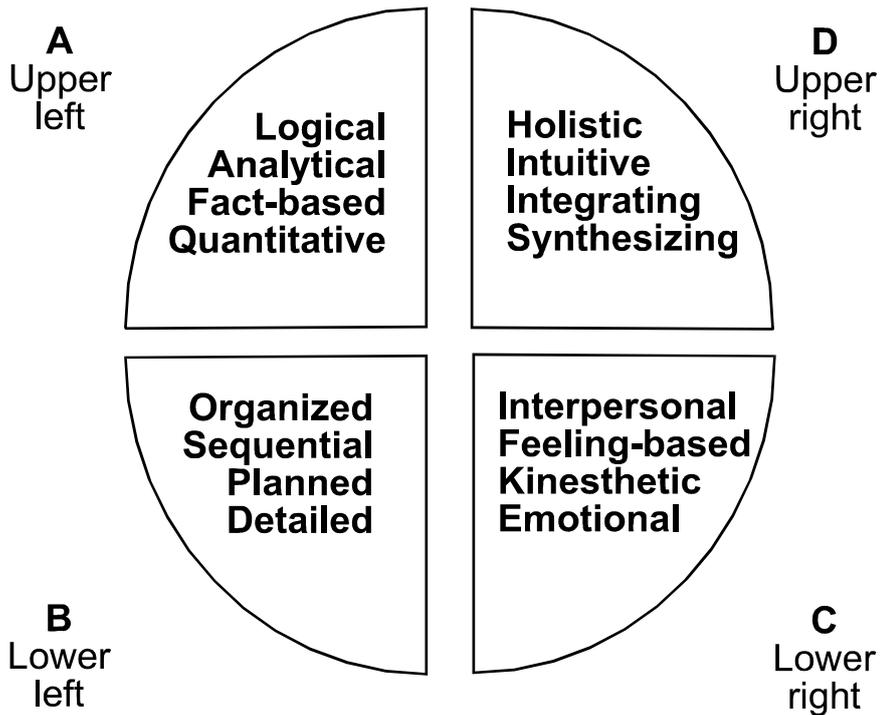
### What is your thinking style?

<b>A</b>	Practical	Intuitive
Analytical	Industrious	Synthesizing
Factual	Persistent	Curious
Directive	Implementer	Spontaneous
Rigorous	<b>C</b>	Flexible
Realistic	Friendly	Open-minded
Intellectual	Receptive	Conceptual
Objective	Enthusiastic	Adventurous
Knowledgeable	Understanding	
Bright	Expressive	
Clear	Empathetic	
<b>B</b>	Trusting	
Organized	Sensitive	
Planned	Passionate	
Controlled	Humanistic	
Detailed	<b>D</b>	
Conservative	Holistic	
Disciplined	Imaginative	

Column A is associated with logical, analytical thinking; Column B with organized, detail-oriented thinking; Column C with empathetic and emotionally based thinking ;Column D with integrative and imaginative thinking.

No single style is rated better than another, but extremes of any are not good. Herrmann's research indicated that while most people learn to use their whole brain to some extent, very few are evenly balanced. Leaders at the top of organizations appear to be more balanced than most. Having a broad range of thinking styles is more important as you increase responsibility to enable you to deal with increased complexity and variety of situations.

Understanding the differences in individuals can help a leader to interact effectively with different individuals by responding to their cognitive needs.



Carl Jung in 1920s researched cognitive differences in how we go about gathering and analysing information to solve problems. In the US one of the most widely used personality tests is the Myers-Briggs Type Indicator, MBTI which has been completed by millions of people around the world.

The MBTI uses four pairs of attributes to classify people in one of 16 personality types.

**Introversion vs Extroversion I vs E.**

**Sensing vs Intuition S vs N** Collecting and analysing information through the five senses vs less direct means of perception such as relationships, trends, feelings.

**Thinking vs Feeling T vs F** The extent to which emotions play a part in decision making. T thinkers rely on logic and objective analysis whereas F thinkers reflect on their values, sense of right and wrong and how the decision will affect the feelings of others.

**Judging vs Perceiving J vs P** J types like certainty and deadlines and make decisions quickly based on available evidence. P types prefer ambiguity, dislike deadlines and prefer to gather lots of information before making a decision.

All 16 of the MBTI personality types make effective leaders although there is tentative evidence that thinking and judging types form the majority of business, industry and science leaders.

## Values and attitudes

Daft, 2002: 128

Values are fundamental beliefs that tend to be stable in an individual over time. They affect behaviour in that they determine the way in which a person prefers to do things. Strongly held values can significantly influence behaviour. Rokeach's end and instrumental values have been found to be relevant across cultures. **End values** are goals or outcomes that an individual believes are worthy of achievement. **Instrumental values** are beliefs about behaviour that is appropriate in pursuit of goals.

Values affect people's **perception** of a situation or problem and hence will shape their response to the situation. They will also affect how a leader relates to others. Because there are almost infinite combinations and strengths possible a leader who understands values and their impact are better able to understand individual differences and hence enable them to work better with others.

Values affect a leader's choices and actions, how they handle power, cope with conflict. Leaders can improve effectiveness by understanding their values and how they guide their decisions.

Values affect attitudes that leaders have about themselves and others.

### End values

A comfortable life  
Equality  
An exciting life  
Family security  
Freedom  
Health  
Inner harmony  
Mature love  
National security  
Pleasure  
Salvation  
Self-respect  
A sense of accomplishment  
Social recognition  
True friendship  
Wisdom  
A world at peace  
A world of beauty

### Instrumental values

Ambition  
Broad-mindedness  
Capability  
Cheerfulness  
Cleanliness  
Courage  
Forgiveness  
Helpfulness  
Honesty  
Imagination  
Intellectualism  
Logic  
Ability to love  
Loyalty  
Obedience  
Politeness  
Responsibility  
Self-control

An **attitude** is an evaluation about people, events or things and may be positive or negative. There are 3 components to an attitude: cognition (thoughts), affect (feelings) and behaviour. Thus as values shape attitudes they affect how we think, feel and behave towards others and events. They also shape what we think of ourselves - **self-concept**. A leader with a positive self-concept will have high self-esteem whereas negative self-concept is associated with low self-esteem. Positive self-concept is associated with leader effectiveness

A leader's attitudes towards others was described by McGregor in terms of two sets of assumptions, **Theory X and Theory Y**.

**The Theory X leader would tend to be task-oriented with a concern for production rather than people, whereas a Theory Y leader would be people-oriented and concerned with relationships.**

#### Assumptions of Theory X

- The average human being has an inherent dislike of work and will avoid it if possible.
- Because of the human characteristic of dislike for work, most people must be coerced, controlled, directed or threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives.
- The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, wants security above all.

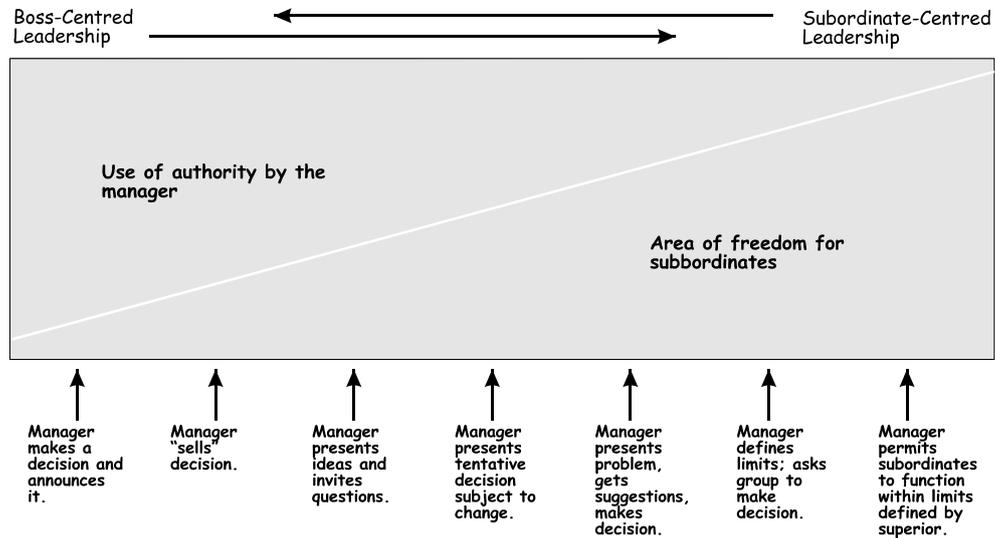
#### Assumptions of Theory Y

- The expenditure of physical and mental effort in work is as natural as play or rest. The average human being does not inherently dislike work.
- External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives. A person will exercise self-direction and self-control in the service of objectives to which he or she is committed.
- The average human being learns, under proper conditions, not only to accept but to seek responsibility.
- The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.
- Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

# Style

From DuBrin, 1998: 108

Daft, 2002: 51



Forces in manager

Directive by nature

Team members should have a say in decision making

Confidence in the abilities of the team

Comfortable sharing decisions

Emotionally secure

Forces in subordinates

Independent

Can tolerate ambiguity

Competent

Identify with organizational goals

Expect to share in decision making

Forces in Situation

Values & traditions of organization re shared decision making

Effective work groups

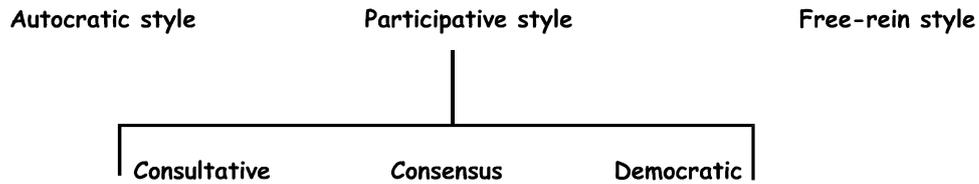
Requisite knowledge manager vs team

Pressure of time

Immediate decisions

Enough time to share decision making

← AMOUNT OF AUTHORITY HELD BY THE LEADER



AMOUNT OF AUTHORITY HELD BY GROUP MEMBERS →

This is the Authoritarian-Participative-Free-rein continuum. DuBrin, 1998: 109

Retention of authority	<b>Consultative</b>	All authority & control to group
Confident decisions	Confer with gm	<i>Laissez-faire</i>
Assumptions that gm will comply	Retain final authority for decisions	Gms presented task to perform and gms decide how to do it
Not concerned with gm's attitude	<b>Consensus</b>	Leader not involved unless asked
Task oriented	Strive for consensus	Gms given freedom but must not violate policy.
Telling people what to do	Encourage group discussion	
Assertive	Decision reflects general agreement	
Leader as a model for gm?	Decision not final until all agree	
	Gms support decision even if not in full agreement	
	<b>Democratic</b>	
	Final authority with group	
	Collectors of group opinion	
	Decision based on vote	
	Coaching team members	
	Negotiating gm demands	
	Collaboration	
	Suited to managing competent people	

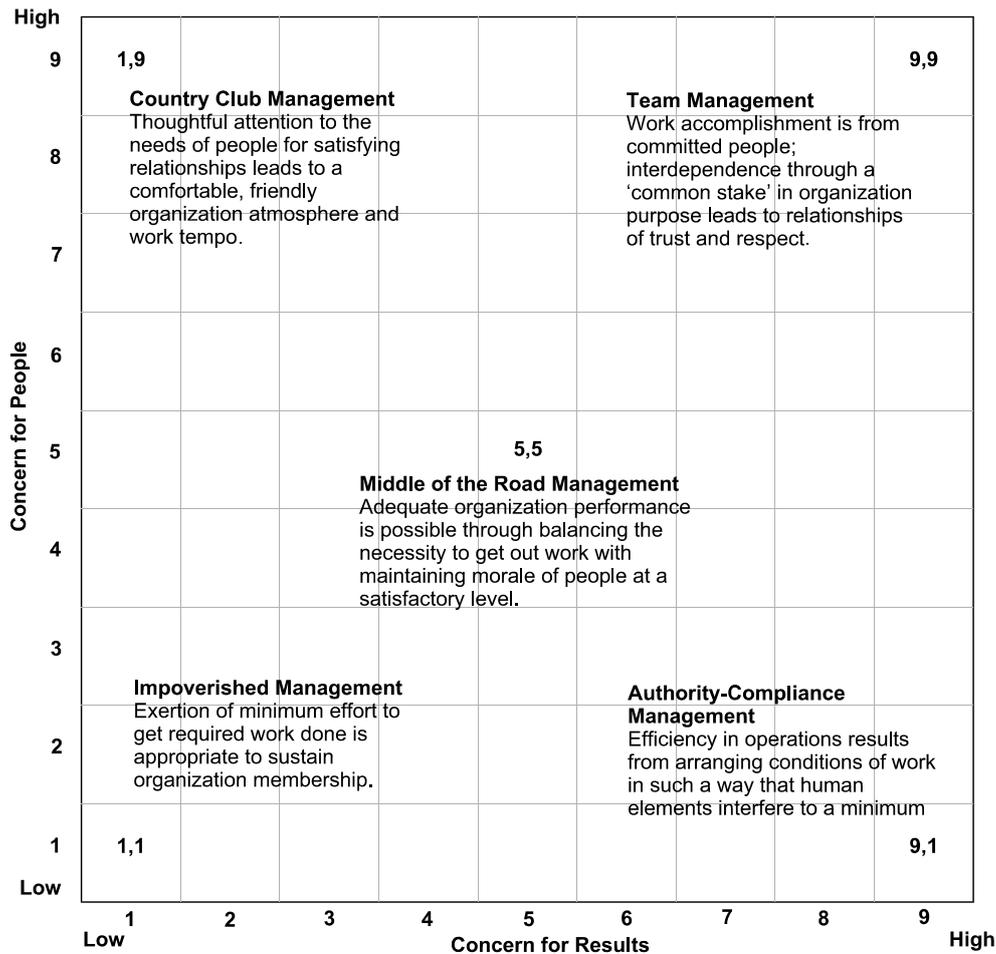
## Leadership grid

The Leadership Grid Daft, 2002: 55

Builds on Ohio & Michigan Universities' studies

Important aspect of this Grid is that the intersection of concerns results in a grid style. This is an interdependent relationship and not an independent one ie you cannot decide upon the level of concern for people without deciding on the level of concern for results.

So you can have a high concern for people with and without a high concern for results.



## Behaviour

### **Dubrin 1998: 82**

Ohio University studies Leader Behaviour Description Questionnaire

#### **Initiating structure**

Leader's task orientation, directing work activities towards goal achievement. Behaviour includes planning, directing & scheduling, ruling

Leaders define their relationship with followers (staff) and individual roles. Establish communication and ways to get the job done.

### **Daft, 2002: 52**

#### **Consideration**

Emotional support, warmth, friendliness, & trust

#### **Factors**

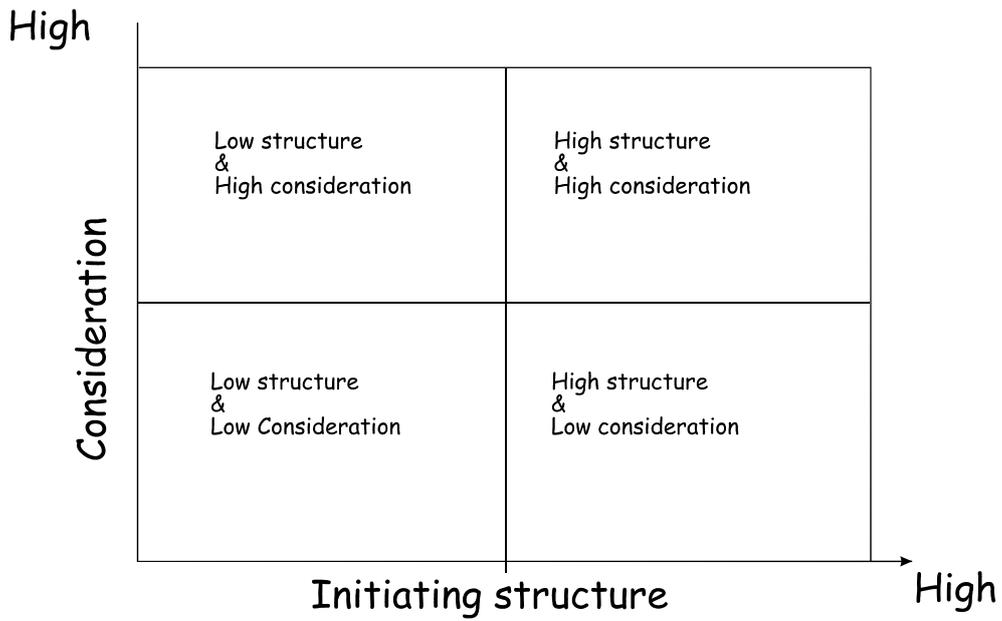
- Friendly
- Approachable
- Welfare of group
- Communicating to group
- Doing small favours for group

#### **High consideration**

Friendly, trustful, earn respect, warm relationship

#### **Low consideration**

Authoritarian, impersonal in relationships



Effective leaders emphasise both task and people orientation DuBrin, 1998: 85

University of Michigan studies **Daft, 2000: 54**

Researchers established two types of behaviour, each on two dimensions - **employee-centred and job-centred**

**Employee-centred** leaders focus on the needs of their employees. Two dimensions are leader support and interaction facilitation (among followers, seeking to minimize conflict). Roughly equates to the Ohio State University concept of consideration.

**Job-centred** leaders focus on cost cutting, efficiency and scheduling. The two dimensions are goal emphasis and work facilitation. Approximates to initiating structure.

**Main difference** between Ohio State and Michigan studies were that the latter believed that a leader could be only one or the other and not a combination of the behaviours.

### Task-related attitude and behaviours

Most of this would fall under "initiating structure".

1. Adaptability to situation - insight & intuition leading to perception of correct structure and approach
2. Direction setting - vision & strategy creation plus lead, follow or go attitude.
3. High performance standards - expected - demonstrates confidence in followers.
4. Risk taking & bias for action - for constructive change.
5. Ability to interpret conditions: 1. Seeking info from multiple sources. 2. Knowing how one's work supports the organization's strategy. 3. Analysing how well the group works together. 4. Knowing the capabilities and motivations of individuals. 5. Knowing one's own capability and motivation.
6. Frequent feedback - vital - cannot influence without it. Provides PDCA capability & reinforces favourable attitudes.
7. Stability of performance - demonstrates calm and hence reassurance for followers.
8. Strong customer orientation - helps to inspire through customer focus.

### Relationship oriented attitude and behaviours

1. Alignment of people - anyone who can help achieve vision/strategies or block implementation, must be aligned - Hoshin Kanri
2. Mobilization - Working together smoothly inc 1. Communicating expectations. 2. Hearts & minds. 3. Demonstrating care for team members. 4. Demonstrating confidence in ability of others. 5. Feedback progress towards goals.
3. Concert building - Involves both aligning and mobilizing - like orchestra - create system that is self-evaluating, self-correcting, self-renewing and self-sustaining.

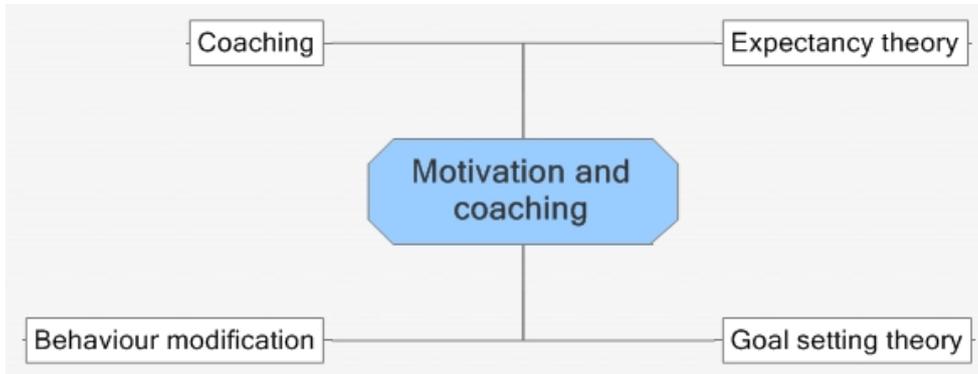
4. Inspiration - 1. Promoting development of people's talents. 2. Recognizing contribution of others. 3. Enabling others to feel like leaders. 4 Stimulating thinking. 5. Building enthusiasm about projects and assignments.
5. Satisfaction of human needs - higher level needs satisfied - sense of belonging - recognition - self esteem and feeling in control of one's life.
6. Providing meaning for people - Formulating the right vision & strategy - helps to involve members in goal accomplishment linking job to company or society. - again Hoshin Kanri
7. Emotional support & encouragement - Frequent encouragement & praise generally improves morale and sometimes productivity. Allowing people to participate in decision making a good approach. Hoshin Kanri again.
8. Promotion of principles & values - aka Covey.

### Super leadership

Leading others to lead themselves - the leader as teacher & coach rather than director.

1. Negative replaced with positive.
2. Use of visualization - practice for the real event.

## Motivation and coaching

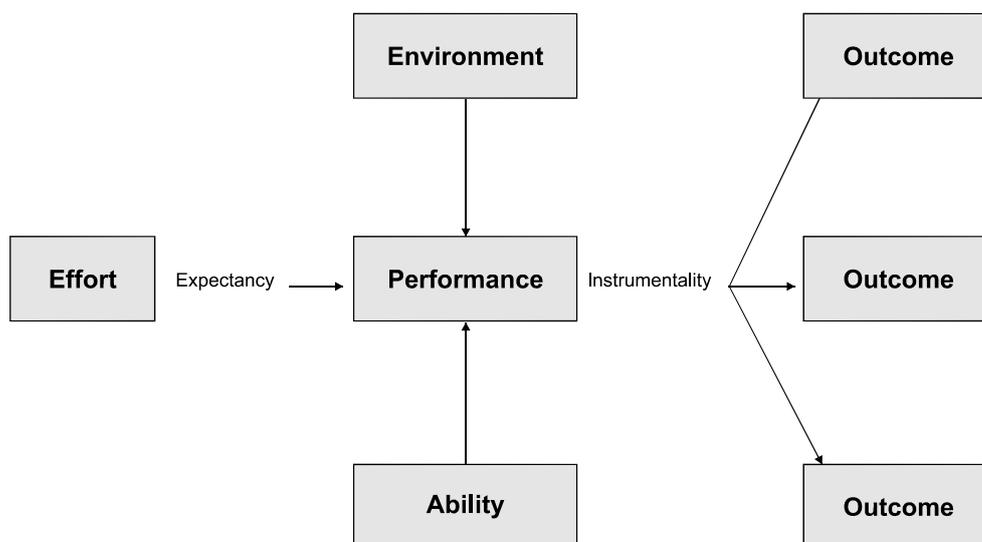


### Expectancy theory

DuBrin, 1998: 245

The basis of expectancy theory is that people will normally select the task that best suits their abilities and which gives them the biggest benefit.

**Basic components** Valence, instrumentality and expectancy - all 3 elements necessary for motivation to occur - people must value the reward, think that they can perform and believe that achievement will lead to the reward. **Valence** is the worth or attractiveness of an outcome. An outcome is anything that arises from the performance and each has its own valence that is scored from +100 to -100. The sum of all the valences must be positive for the person to work hard. If it is negative the person will work hard to avoid the outcome. A valence of zero indicates that the person is indifferent to the outcome and therefore will not be motivated to achieve it. **Instrumentality** is the probability assigned by the individual that the outcome will result from the performance. It ranges from 0 to 1 where 0 indicates no chance to 1 indicating certainty. **Expectancy** is the probability assigned by the individual that effort will lead to correct performance of the task where 0 indicates no chance that the effort will lead to the job being done well to 1 being total belief in being able to perform the task correctly. If the expectancy is too low people will not be prepared to put in the effort to earn the reward.



An apparent incongruence is that people may be prepared to strive where there is low effort to performance expectancy if the valences associated with the outcomes are sufficiently large.

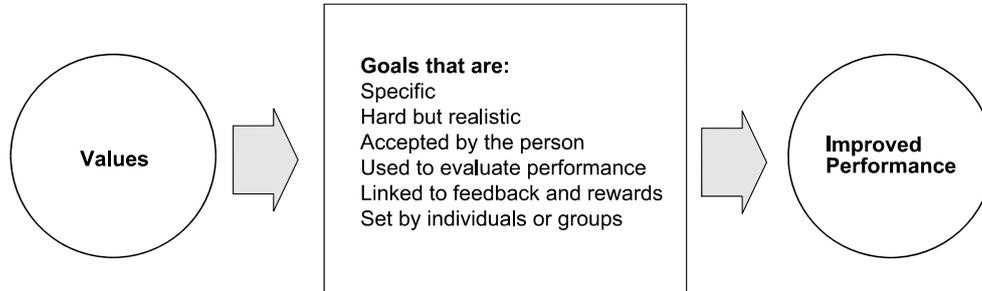
Leadership skills and behaviours associated with Expectancy Theory DuBrin, 1998: 248

1. *Determine what levels and kinds of performance are needed to achieve organizational goals* - leader makes sure that the people understand what needs to be achieved and that it is possible for them to do so.
2. *Make the performance level achievable*
3. *Train and encourage people*
4. *Link rewards to performance*
5. *Make the rewards large enough*
6. *Analyse what factors work in opposition to the reward*
7. *Explain the meaning of second level outcomes*
8. *Understand differences in valences between individuals*
9. *Use Pygmalion effect to increase expectancies* - by expressing confidence in the group it will gradually raise its level of expectation.
10. *Ensure that the system is equitable for all*

## Goal setting theory

DuBrin 1998:251

Underlying premise is that behaviour is moderated by values and goals. **Goal** is what a person is trying to achieve. Our **values** create a desire to behave in a way that is consistent with them.



Specific goals lead to higher performance than generalised goals.

Performance generally improves in direct proportion to goal difficulty

For goals to improve performance, gms must accept them

Goals are more effective when they are used to evaluate performance

Goals should be linked to feedback and rewards

Group goal setting is as important as individual goal setting

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## Behaviour modification

### Behaviour modification

is the attempt to change behaviour by offering rewards and threatening punishments and arises from reinforcement theory. Key theme is the law of effect - people tend to repeat behaviours that lead to positive outcomes and shy away from behaviour that leads to negative outcomes.

### Behaviour modification strategies

Positive reinforcement by rewarding the right response increases the probability that the behaviour will be repeated. The important point is that reward is linked to response and that rewards not linked to behaviour are not in themselves motivational.

Avoidance motivation (negative reinforcement) is rewarding by taking away an undesirable situation because of the behaviour

Punishment is the award of an undesirable consequence or removal of a desirable one because of undesirable behaviour.

Extinction is removing the frequency of undesirable behaviour by removing the desirable consequence of the behaviour.

### Rules for behaviour modification

from the view of a leader motivating an individual or group

1. Target the desired behaviour - specify the behaviour that will be rewarded and ensure that it contributes significantly to performance ie is critical.
2. Choose an appropriate punishment or reward - (1) that is effective and (2) is feasible from a company viewpoint.
3. Supply ample feedback - essential for this to work.
4. Do not give everyone the same size reward - recognize the contribution proportionately.
5. Find some constructive behaviour to reinforce - this is part of **behaviour shaping**. It is recognising attempts towards the required behaviour.
6. Schedule rewards intermittently - reward for every instance leads to the reward reducing its impact.
7. Rewards and punishments should follow the behaviour closely in time to maximize their effect.
8. Change the reward periodically - rewards do not remain attractive indefinitely.

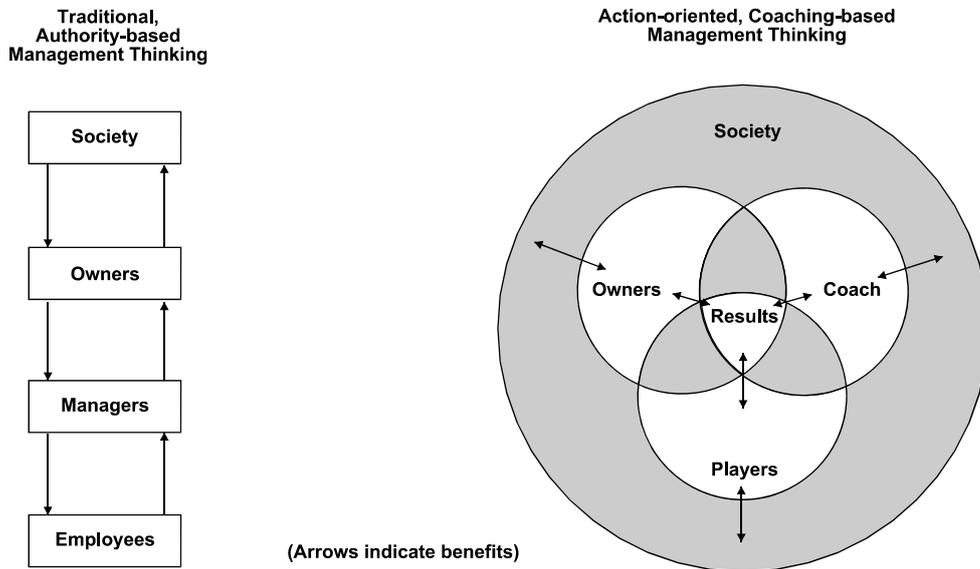
## Coaching

DuBrin, 1998: 257

- Provision of praise and feedback to team members
- To make sure that responsibilities are clear

- Make clear why the task must be accomplished, when completed, how it will be measured and how task contributes to team mission
- Demonstrate respect for the knowledge, skills and abilities of team members

Coaching is about enabling others to act and to build on their strengths. To care enough about people to build personal relationships.



A good leader/coach is more concerned about developing people than controlling their behaviour. The people being coached must be prepared to listen, be open to suggestions and eager to develop.

Coaching requires a change from traditional forms of management where the emphasis is on control. Coaching relies on relationships, commitment, purpose and results (DuBrin, 1998: 261). Compare this to a traditional organization that emphasise roles, position and authority.

Coaching skills and techniques

1. Communicate clear expectations to gms - for people to perform and develop they need to know what is expected of them.
2. Provide specific feedback - create focus by providing specific guidance on what needs to be improved.
3. Listen actively - grasp both facts and feelings. Observe non verbal communication. Be patient & encourage gm to talk using open questions.
4. Help remove obstacles - but leader should not necessarily remove the obstacle or barrier, rather help gm do so.
5. Give emotional support - be positive, helpful and constructive.
6. Reflect feelings - demonstrate that feelings of gm are understood.
7. Reflect content or meaning - rephrasing or summarizing what the gm is saying.

8. Give some constructive advice - not by telling gm what the problem or solution is but by revealing possibilities through questions/suggestions.
9. Allow for modelling of desired performance and behaviour - show by example what constitutes the desired behaviour
10. Gain a commitment to change - necessary for the gm to attain higher performance.

Coaching people through difficulties

Validate show respect through willingness to listen. Inquiry - seek to understand the gm rather than impose your views. Possibility - believe in the potential of the individual to improve - look for the long term rather than short term gains. Responsibility - in seeking a creative solution to the problem both leader and gm must take responsibility for dealing with the problem - shared responsibility.

## Teamwork

DuBrin, 1998: 218

'A **team** is a small number of people with complementary skills who are committed to a common purpose, set of performance goals, and approach for which they hold themselves accountable.'

All teams are groups but not all groups are teams. Groups may be less committed and more individual than teams, however, despite clear differences between the terms the two words are often used interchangeably.

According to Belbin cited in DuBrin, 1998:219 team leaders:

- Share power/deemphasize individual glory
- Are flexible and adaptable/welcoming change
- Function as facilitators while being inspirational
- Conform closely to the consensus and 9.9 leadership grid styles

### Difference between team leadership and solo leadership

Hitt, 1998 cited in DuBrin (1998: 219) observed that team leaders

- Place considerable emphasis on team building
- Evaluate own performance in terms of development of team
- Recognize that the whole is greater than sum of parts
- Help build interdependency
- Share power and are not threatened by doing so - willing to surround themselves with capable people to increase effectiveness of team.

#### **Solo leader**

Plays unlimited role (interferes)

Strives for conformity

Collects acolytes

Directs subordinates

Projects objectives

#### **Team leader**

Chooses to limit role (delegates)

Builds on diversity

Seeks talent

Develops colleagues

Creates mission

### Leader behaviour and attitudes that foster teamwork

- Defining team's mission
- Developing a norm of teamwork
- Emphasizing pride in being outstanding
- Holding informal brainstorming/socialising meetings
- Serving as a model of teamwork
- Using consensus style
- Designing physical structures that facilitate communication eg co-location
- Establishing urgency, demanding performance standards and providing direction
- Emphasizing group recognition and rewards
- Challenging the group regularly with facts and information
- Encouraging competition with another group (external group creating rivalry rather than intense competition)
- Encouraging the use of jargon
- Initiating ritual and ceremony
- Soliciting feedback on team effectiveness
- Minimizing micromanagement

### Dyadic theory

Dyadic theory started over 25 years ago as some researchers thought that the trait and behaviour theories were too simple in that it was unlikely that one set of traits or behaviours would be perceived in the same way by all followers. Thus, Dyadic theory examines why leaders have more influence over some followers than others. Interviews of a number of subordinates of the same leader will reveal different descriptions of the same person, some positive and some negative.

Stages of Dyadic theory development  
Daft, 2002: 62

### 1. Vertical Dyad Linkage

Leaders traits and behaviours have different impacts across individuals creating in-groups and out-groups. Those in in-groups have good access to the leader and feel that their needs are met. Those in the out-groups have poorer access and unmet needs; they are not key members of the work unit.

### 2. Leader-Member Exchange (LMX)

Leadership is individualized for each subordinate. Each dyad involves a unique exchange independent of other dyads. Leaders establish in group exchange relationships with individuals whose characteristics, background and values mirror that of the leader. LMX quality is higher for in-group members and the theory proposes a direct relationship between this and performance and job satisfaction. Three stages of dyad development; initial as strangers, leader and followers test each other to identify what types of behaviours are comfortable. LMX negotiated informally. As leader and follower become acquainted they shape and refine their roles. In maturity the LMX reaches steady patterns of behaviour which are difficult to change.

### 3. Partnership Building

Leaders can reach out to create a positive exchange with every subordinate. Doing so increases performance. Leaders view people as individuals and develop a positive but different relationship with each one.

### 4. Systems and Networks

Leader dyads can be created in all directions across levels and boundaries to build networks that enhance performance. The larger network may cut across work, functional, divisional and organizational boundaries, not limited to subordinates, but including peers, team members and other stakeholders. This line of research is in its early stages.

## Charismatic & transformational leadership

### Charismatic

DuBrin, 1998: 55

9 Charismatic effects

1. Gms trust that leader's beliefs are correct
2. Gms beliefs similar to leaders
3. Unquestioning acceptance of leader
4. Affection for leader
5. Willing obedience to leader
6. Identification with and emulation of leader
7. Emotional involvement of gms in the mission
8. Heightened goals of gms
9. Gms feel that they will be able to accomplish mission

### Characteristics

1. Visionary
2. Inspiring communication skills
3. Ability to inspire trust

### Transformational

DuBrin, 1998: 68

What the leader does:

1. Raises people's awareness
2. Help people look beyond self-interest
3. Help people search for self-fulfilment
4. Help people understand the need for change
5. Convince people of the urgency
6. Commit to greatness
7. Adopt a broad long-range perspective

Qualities of transformational leaders

All the qualities of other effective leaders plus

1. Charisma
2. Inspirational
3. Intellectually stimulating
4. Provide personal attention to gms

Charismatic qualities are attributed to the leader by those who are led.

Yukl (1981), in Bass (1990: 200) linked scarcity of charismatic leaders in business and industry to lack of managerial skills.

4. Make gms feel capable
5. Energy and action orientation
6. Emotional expressiveness and warmth
7. Romanticize risk
8. Use unconventional strategies
9. Self-promoting personality
10. Minimum internal conflict

5 types of charismatic leader

1. **Socialized** - uses power for the benefit of others - develops congruence. Gms are autonomous, empowered and responsible
2. **Personalized** - uses power to serve self interest - gms obedient, submissive and dependent
3. **Office holder** - based on being in a key position - charisma lost on leaving office
4. **Personal** - high esteem thro' faith that others have in them, regardless of position held.
5. **Divine** - mystical, narcissistic and personally magnetic saviour

Note: Personalized leaders often act in ways that are disastrous for the followers and others because of their self-centred, exploitative approach to fulfilling their own goals. Daft, 2002: 147

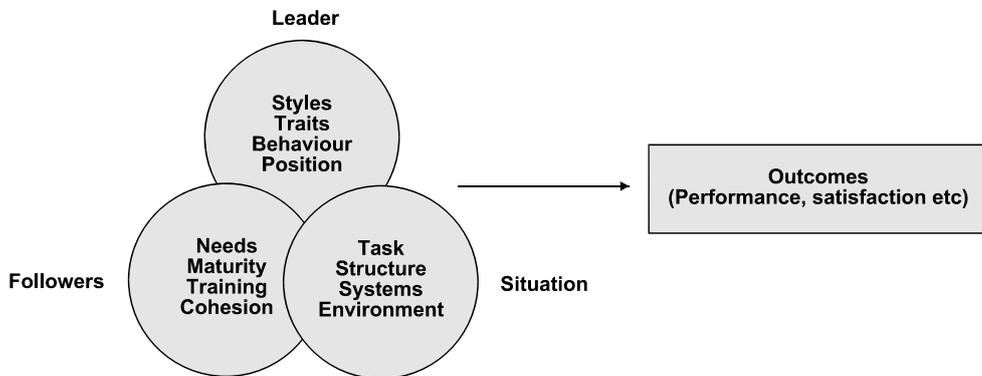
### **Difference between charismatic and inspirational leadership**

Downton (1973) in Bass (1990: 206) defined the difference between charismatic and inspirational leadership in terms of the relationship between follower and leader. If the followers do not identify with the leader, but do support the goals and purposes of the leader, the leader is inspirational but not charismatic. Followers attribute divine qualities to the charismatic leader and cannot criticise them whereas the inspirational leader may represent followers' beliefs and share their problems, but they can be criticized by them. However, this difference may be difficult to establish empirically because most charismatic leaders are highly inspirational whereas the converse is not necessarily true.

## Contingency and situation

This representation of the contingency approach by Daft, 2002: 79 is clearer than that of DuBrin.

Leadership effectiveness is contingent on things other than the attributes of the leader.



### Fiedler's contingency theory

DuBrin, 1998: 132, Daft, 2002: 81

**Fiedler's contingency theory** of leadership effectiveness considers three elements that may be either favourable or unfavourable to the leader:

**Leader-member relations**- group atmosphere and gms attitude towards leader. If gms trust, respect and have confidence in the leader, relations are good. When the opposite attitudes are true, relations are poor.

**Task structure** refers to the extent to which the work is defined and the goals are clear and explicit. When task structure is high it is said to be favourable to the leader and when low, unfavourable.

**Position power** - the extent to which the leader has authority over gms. Position power is high when the leader has the power to direct work, evaluate and punish or reward subordinates. Position power is low when the leader does not have the authority to plan and direct work, evaluate subordinates' work or reward them. High position power is considered favourable and low position power unfavourable to the leader.

	Very favourable		Intermediate				Very unfavourable	
<b>Leader-Member Relations</b>	Good	Good	Good	Good	Poor	Poor	Poor	Poor
<b>Task Structure</b>	High		Low		High		Low	
<b>Leader Position Power</b>	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak
<b>Situations</b>	I	II	III	IV	V	VI	VII	VIII

Situation I is most favourable and situation VIII least favourable to the leader. Fiedler found that Task Oriented leaders performed better in highly favourable and highly unfavourable situations and relationship oriented leaders performed better in intermediately favourable situations.

## Path-goal theory

Dubrin, 1998: 138

Major proposition of this theory is that the leader should choose a leadership style that suits the characteristics of the gms and the task.

The gms contingency factors are

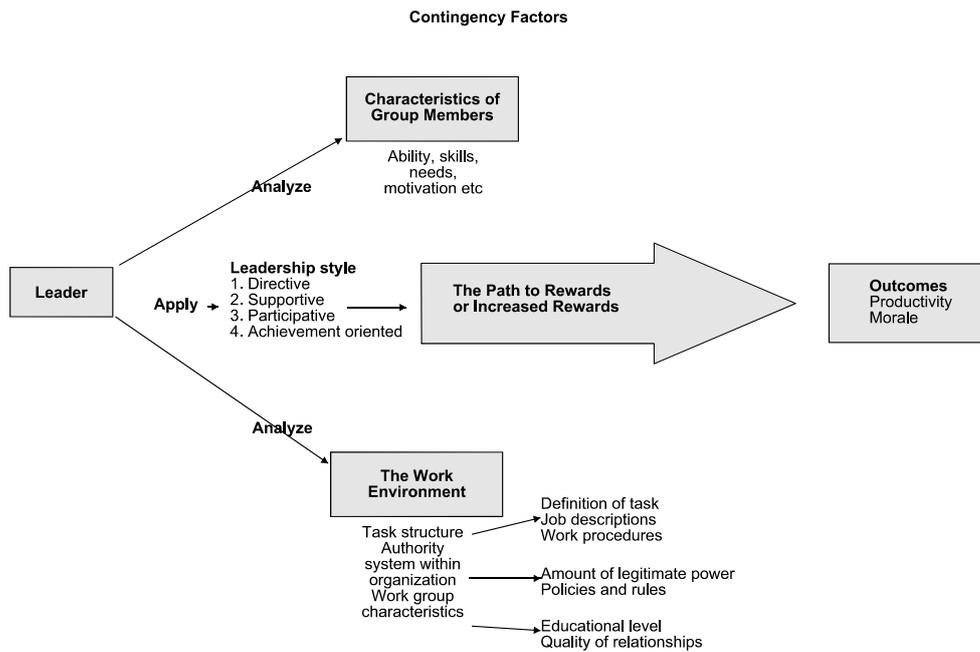
- How much control the gms have over the environment
- How well gms think they can do the task

Contingency factors in the environment are

- Gms tasks
- Authority system within organization
- The work group

To use Path-Goal theory the leader first assesses the contingency factors and then selects a style to suit

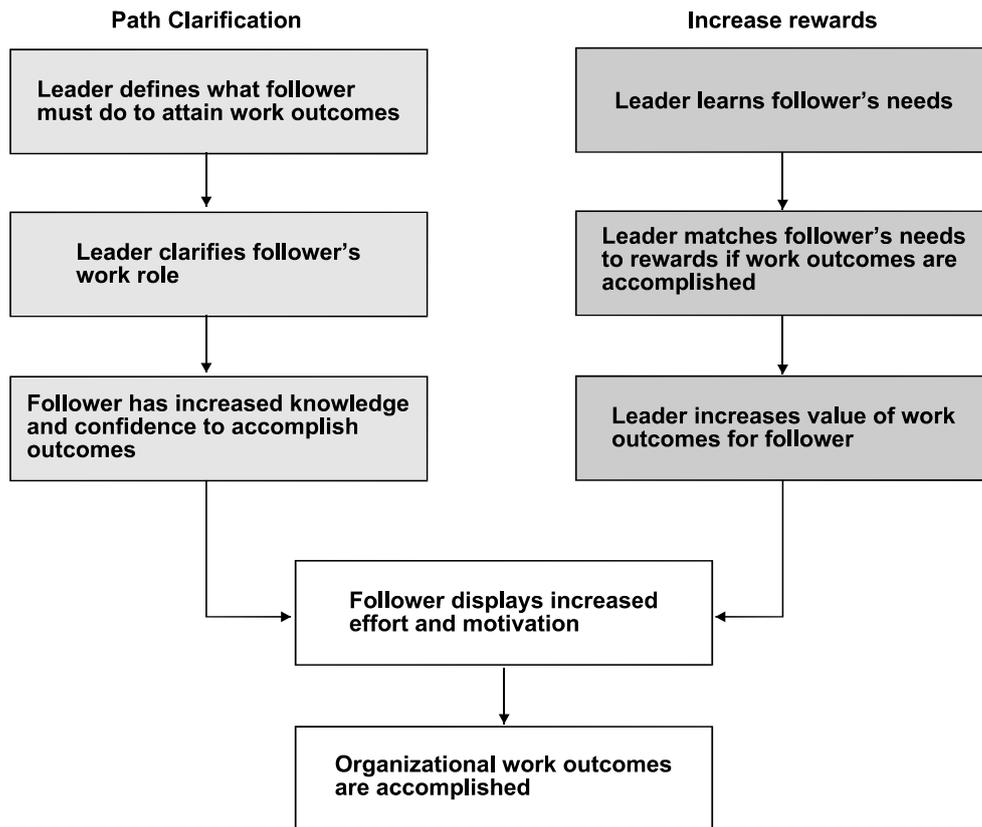
- **Directive** - task unclear, direction improves morale
- **Supportive** - Dissatisfying, stressful, frustrating tasks or gms unsure of themselves
- **Participative** - non-repetitive tasks, well-motivated employees
- **Achievement-oriented** -achievement oriented gms working on ambiguous non-repetitive tasks.



The leader's responsibility is to clarify the path to the rewards or to increase the rewards to enhance morale and job performance. Daft, 2002: 91

### How leaders influence performance

1. Recognise or activate gms needs over which leader has control.
2. Recognition for high performing employees
3. Coach and provide direction to achieve high employee performance which is then recognised
4. Clarify expectations for gms linking effort to performance to reward.
5. Reduce frustrating barriers to goals.
6. Link opportunities for personal satisfaction to gms performance.
7. Do not instruct gms on work within their capability.
8. Clarify desirability of goals and



### Hersey Blanchard's situational leadership model

Task behaviour is associated with the leader defining duties and responsibilities of an individual or group. Includes giving directions and setting goals.

Relationship behaviour is associated with the leader engaging in two-way communication, including listening, coaching and providing encouragement.

S1 - High task, low relationship. Telling style is very directive - autocratic.

S2 - High task, high relationship. Selling style is also directive, but more persuasive and guiding. Leader provides a lot of input on task accomplishment but also emphasises human relations.

S3 - High relationship and low task. Less direction and more collaboration between leader and gms - participative leadership.

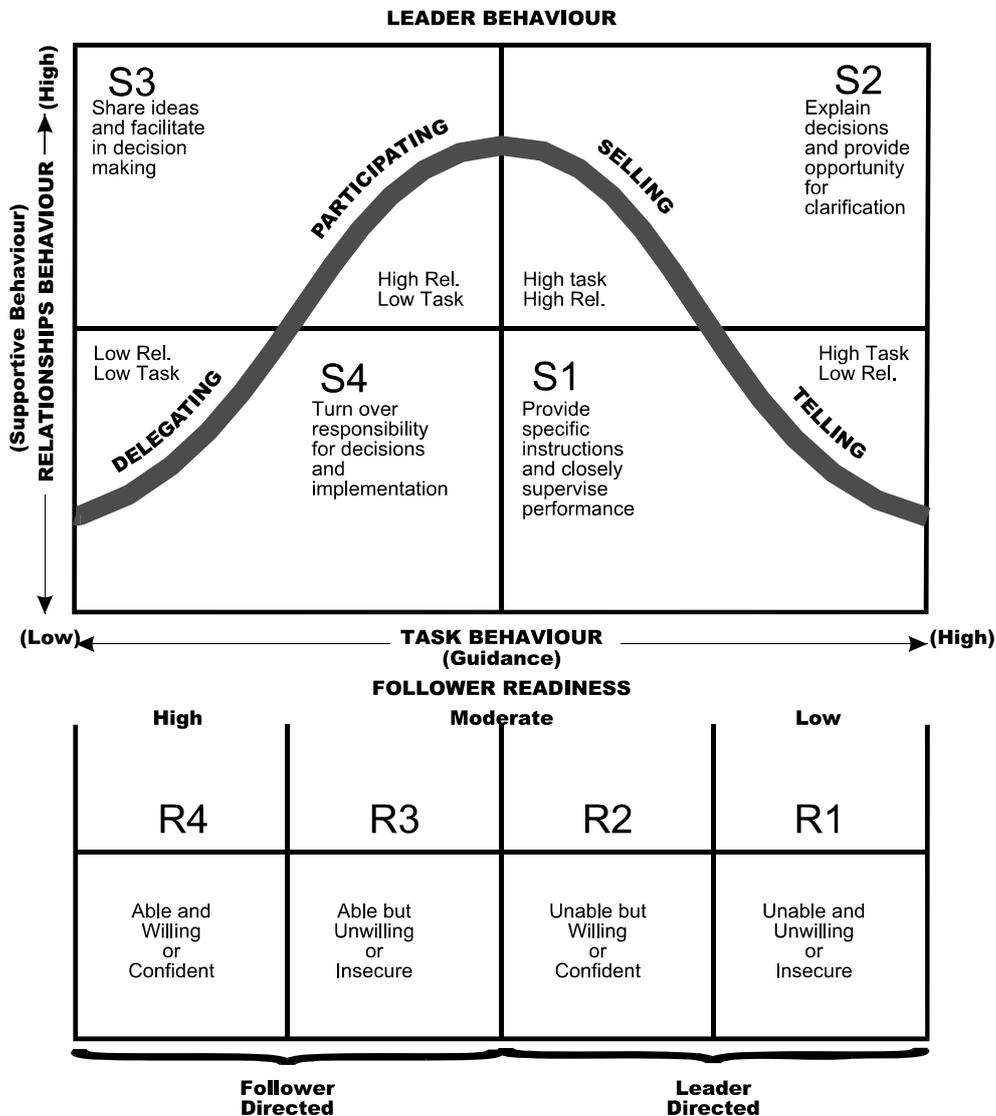
S4 - Low relationship and low task. Leader delegates responsibility for a task to a group member and expects to be informed.

Which style to pick is dependent on group member READINESS, which is the extent to which gms are able and willing to achieve a task.

Ability is the knowledge, experience and skill that an individual or group brings to a task.

Willingness is individual or group motivation, confidence and commitment to achieve a specific task.

The Hersey-Blanchard model suggests that the leader should change his/her style according to the readiness of the gms. As their readiness increases, the leader's behaviour should move towards relationship behaviour rather than task behaviour.



**Normative decision model**

Vroom, Yetton and Jago view leadership as a decision-making process and their model specifies leader behaviour in a given situation based on the degree of group participation. This is expressed in 5 levels from the leader deciding alone (highly autocratic) to leader delegating decision (highly participative) as follows (Vroom, 2000):

**Decide** Leader decides alone but may collect information from group or others.

**Consult individually:** Leader presents problem to gms individually, gets suggestions and makes decision alone.

**Consult group:** Leader presents problem to gms in a meeting, gets their suggestions and makes decision.

**Facilitate:** Leader presents problem to gms in a meeting and then facilitates group to a consensual solution with equal weights on ideas presented.

**Delegate:** Leader allows the group to make decision within set limits. Leader takes no part unless asked to do so, but provides resources and encouragement.

		→							
	Design Significance	Importance of Commitment	Leader Expertise	Likelihood of Commitment	Group Support	Group Expertise	Team Competence		
PROBLEM STATEMENT	H	H	H	H	-	-	-	Decide	
				L	H	H	H	Delegate	
			L	L	L	-	Consult (Group)		
			L	L	L	-	Facilitate		
			L	L	L	-	Consult (Individually)		
		L	L	L	-	Facilitate			
		L	L	H	H	H	H	H	Facilitate
					L	L	L	-	Consult (Individually)
				L	L	L	-	Facilitate	
				L	L	L	-	Consult (Group)	
	L			L	L	-	Decide		
	L	H	H	H	-	-	-	Decide	
				L	-	-	H	Delegate	
			L	L	L	-	Facilitate		
			L	L	L	-	Consult (Individually)		
L			L	L	-	Decide			

Vroom and colleagues created two models based on 25 years of research. The time driven model above, should be used for decision-making when time is an important constraint and a development driven model, below, for those situations where time and efficiency are less important than developing the capabilities of the group.

These models have been further developed in a computer programme which is not easy to represent on paper. This programme extends the use of situational variables.

		→						
PROBLEM STATEMENT	Design Significance	Importance of Commitment	Leader Expertise	Likelihood of Commitment	Group Support	Group Expertise	Team Competence	
	H	H	H	-	H	H	H	H
L						L	L	Facilitate
L						L	L	Consult (Group)
L					H	H	H	Delegate
					L	L	L	Facilitate
					L	L	L	Consult (Group)
L		L	-	-	H	H	H	Delegate
					L	L	L	Facilitate
					L	L	L	Consult (Group)
					L	L	L	Consult (Group)
					L	L	L	Consult (Group)
					L	L	L	Consult (Group)
L	L	-	-	H	-	-	Decide	
				L	-	-	Delegate	
				L	-	-	Decide	

## Creative leadership

DuBrin, 1998: 275

Creative leaders are committed to their field of expertise, enjoy mental stimulation and challenge the status quo using mental flexibility that enables them to think outside the box.

### Characteristics

**Knowledge** - about a wide range of information and observations

**Intellectual abilities** - highly intelligent but not necessarily brilliant; intellectually curious about a wide range of topics; sensitive to others' feelings and emotions.

**Personality** - have positive self-image; are non conformists, perhaps thrill seekers; persistent and enjoy dealing with ambiguity and chaos.

**Social habits and upbringing** - enjoy interacting with people and exchanging ideas and many have come from an unstable or unpredictable family background

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## Establishing a climate for creative thinking

DuBrin, 1998: 295

Developing an atmosphere that encourages people to think in which gms receive positive feedback and tangible rewards for innovation although intrinsic motivators are still more important. Avoid behaviour and attitudes that block creativity such as authoritarian style. Remove self-censors such as the fear that a proposal will not be treated seriously.

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## Managing creative workers

Give them the tools and resources that enable excellence.

Provide ongoing recognition and appreciation - despite high levels of intrinsic motivation, creative people require recognition of their work.

Give flexibility and minimum structure

Employ creative people to manage and evaluate creative workers - creative leaders will have more credibility than non-creative ones. They will also be able to understand and evaluate the creative contribution of others better.

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## Strategic leadership

DuBrin, 1998: 333

Often regarded as synonymous with **transformational leadership**

### Components of strategic leadership

**High-level cognitive activity by leader** - ability to think conceptually and pull together multiple trends into clear picture - demonstrating systems thinking.

**Gathering multiple inputs to formulate strategy** - consulting with a wide range of stakeholders - akin to conducting research to create a vision.

**Anticipating and creating a future** - a major component of leadership is direction setting and strategic direction setting requires the leader to predict the future, sometimes beyond that which others foresee.

**Revolutionary thinking** - or thinking outside the box. This is much more than incremental thinking, taking an organization to new levels of activity that become the benchmark for others.

**Reconceiving a product or service** - this is radically improving the value of a product or service to the customer, perhaps creating joy of use.

**Redefining market space** - pushing the bounds of universality - focusing on the widest possible market by making products available to people for the first time. Also, strive for individuality such as customisation of complex products to suit an individual customers. By increasing accessibility such as selling through the web or telephone may help to redefine the market.

**Redrawing industry boundaries** - by rescaling - going from local to national or global or indeed the reverse or by reducing the supply chain. Driving convergence - or offering ancillary services to create a total package for the customer.

### Creating a vision

#### Strategic planning:

comprises those activities that lead to creation of vision and goals and the strategies to achieve them.

**Analyze the environment** - characteristics of the industry - demand for product/service, technology and regulations.

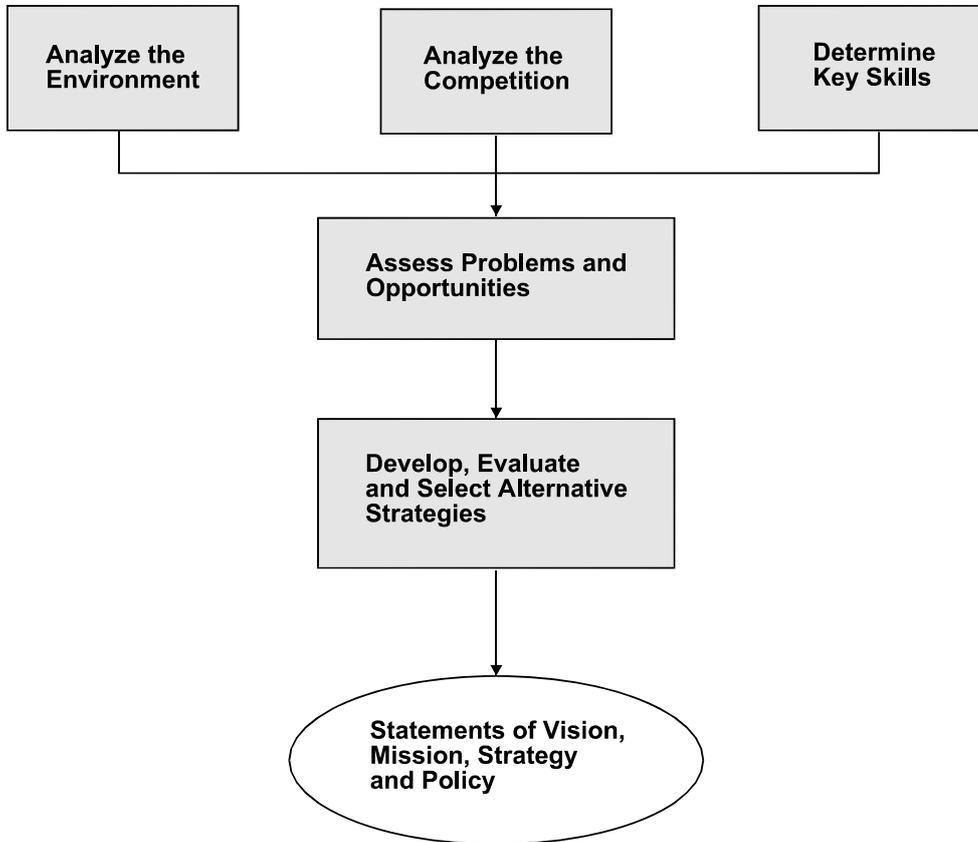
**Analyze the organization** - understand position in market, finance, skills, structure etc

**Determine the necessary skills for success** - a gap analysis of where we are compared to where we want to get to.

**Assess problems and opportunities** - conduct SWOT analysis

**Develop, evaluate and select alternative strategies** - prioritising effort to attain greatest gains

**Outputs** are mission, vision, strategy and policies. **Mission** answers the question "What business are we in?" **Vision** is where we want to be and **strategy** is how are we going to get there. **Policies** define the process of getting there.



## Power and tactics

Although not strictly relevant to leadership behaviour, understanding the source and nature of power may be an important contingency factor when studying leader behaviour.

DuBrin, 1998: 161

### Types or sources of power

- Leadership power
- Power granted by organization (position power)
- Power arising from characteristics of leader (personal power)
- Power from ownership
- Power from providing resources
- Power arising from taking an opportunity
- Power from managing critical problems
- Power from being close to power

#### Leadership power

The ability to exercise position power through characteristics such as integrity, initiative, desire to lead, communication skills and emotional security.

#### Position power

- **Legitimate power** - granted by the organization for a position or post - more power the higher up the organization. Culture of organization limits the power that can be used to achieve change.
- **Reward power** - the ability to grant tangible rewards for compliance gives considerable power to the leader.
- **Coercive power** - the power to punish for non compliance. Creates fear where the manager has the power to demote or eliminate positions, particularly in the name of down-sizing.
- **Information power** - control over the information that people need to do their work.

#### Personal power

- **Expert power** - ability to influence through the use of expert knowledge.
- **Referent power** - ability to influence through desirable traits and characteristics.
- **Prestige power** - power stemming from status and reputation based on past success.

Ownership power

The extent to which the leader is linked to shareholders. Leader who is a major shareholder is less likely to be sacked by the Board than one who has no equity.

Resources power

People accrue power through their ability to control resources required for the organization to function.

Power from Opportunity

Being in the right place at the right time and taking action to capitalize on it.

Power from managing critical problems

This is linked to strategic contingency theory - those departments that are able to respond to a critical problem facing the organization are valued more. Also centrality is an important factor. Centrality is the number of links that a sub unit has to other subunits. The greater the centrality the greater the number of units dependent on another unit.

Power from being close to power

Reporting to someone high up the organizational chain is more powerful than reporting to someone low in the chain. Power 'rubs off' the closer to power an individual is.

## Tactics for empowerment

As a leader shares power with gms so does his power and influence increase. This occurs because empowered gms achieve more which reflects well on the leader.

The nature of empowerment

DuBrin, 1998: 169

Empowerment has been taken to mean almost any aspect of participative decision making

Psychological definition of empowerment

Full empowerment has four components: meaning, competence, self-determination and impact.

- **Meaning** is the value of a work goal with respect to a person's values or standards
- **Competence** a person's belief in his ability to undertake the task well
- **Self-determination** an individual's perception of choice in initiating and regulating actions such as when and where to work, what methods to use etc.
- **Impact** the degree to which the individual can influence the outcomes of strategy, administration or operations.

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Empowering practices

**Providing a positive emotional atmosphere** indirectly empowers by helping gms to develop self-confidence.

**Rewarding and encouraging in visible and personal ways** achievements of gms rewarded by praise

**Expressing confidence** in gms abilities at every opportunity

**Fostering initiative and responsibility** in gms' tasks. Give them the freedom to make decisions.

**Building on success** by using pilot studies to demonstrate success and then building on it in a larger scale.

**Praising initiative** praise gms who take risks and use initiative leading to success. Also, recognise those who demonstrate the appropriate behaviours even though they may not be successful.

**Establishing limits to empowerment** important to lay the ground rules so that gms know that they do not have the ability to

- Set their own wages
- Set the wages of executives
- Decide on dividends to shareholders

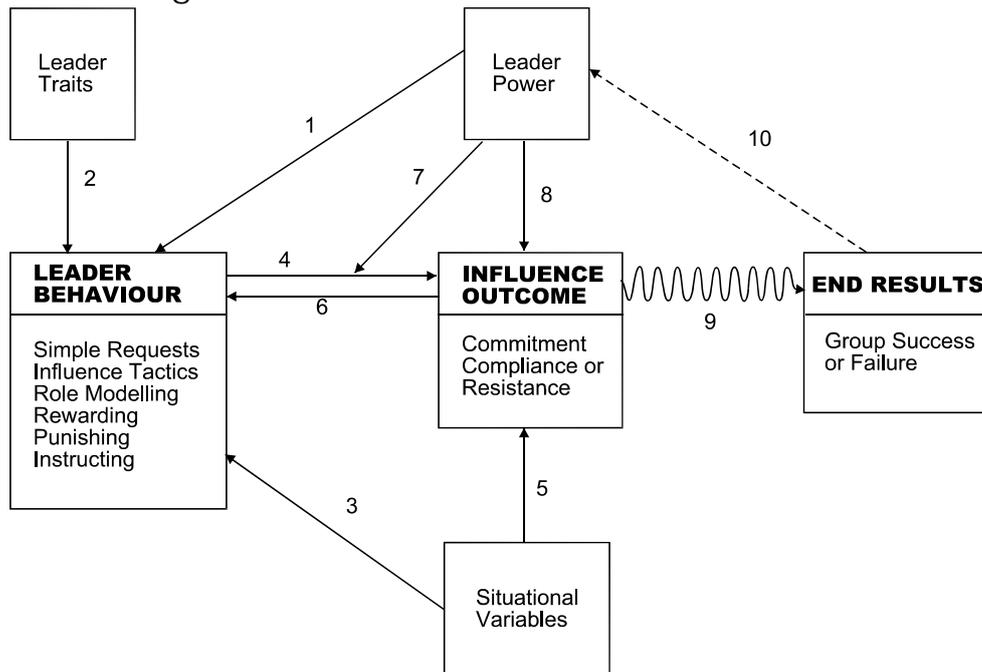
- Make downsizing decisions
- Hire mostly friends and relatives
- Work less than so many hours for full pay etc

**Practising superleadership** encouraging gms to practise self leadership is at the heart of empowerment.

**Delegation** is the assignment of formal responsibility for a specific task and is therefore less wide ranging than empowerment.

**Effective delegation** - assign responsibilities to the most appropriate people. Delegate the whole task if possible. Give as much instruction as is needed, depending on the gm. Leader retains some important tasks, sensitive tasks or those involving survival of unit. Obtain feedback on delegated task through milestones and check points. Delegate both pleasant and unpleasant tasks to show gms leader is being fair. Step back from details without which delegation cannot occur. Evaluate and reward performance and do not discourage risk taking by punishing mistakes. Do not allow reverse delegation that is gms giving assignments back to the leader because they are maxed or stressed out.

## Influencing tactics



DuBrin, 1998: 194

Leader's choice of influencing tactics depends on the extent of his positional and personal power he can exert in relation to the target person (1). It also depends on the traits of the leader (2) and on certain situational factors (3) such as the anticipated response of the target. A leader's behaviour has a direct bearing on the outcome (4) which is either commitment, compliance or resistance. How the target responds is also partially dependent on the situation, such as whether the request is relevant to the task and its feasibility (5). The outcome of the influence attempt provides the leader with feedback (6). If unsuccessful he may attempt another approach. The effect of leader power depends on how the leader attempts to influence the target (7): it enhances the impact of the influence attempt when it is relevant to the target. It may also directly affect target behaviours (8) for example if the leader has high reward or coercive power people are more likely to comply with requests. Influence outcomes are intervening variables that affect the end results. The reason that this is shown as a wavy line (9) is that there are many other variables that may affect the outcome, however, the results provide some feedback (10) to the leader.

Leader success enhances expert power and in the long run positional power as the leader is promoted based on his successes.

Although this model has not been completely proven, it does provide a useful framework from which to assess various influencing tactics.

One guideline for determining the ethicality of influencing tactics is created through the following questions:

(DuBrin, 1998: 198)

- Is it right? (absolute principles of moral rights)

- Is it fair? (absolute principles of justice)
- Who gets hurt? (fewer the better)
- Would you be comfortable if the details of your decision or actions were made public through the media or electronic mail? (principle of disclosure)
- What would you tell your child, sibling or young relative to do? (principle of reversibility)
- How does it smell? (common sense and intuition)

What can be seen as an ethical approach can also be reversed dependent on the way the approach is used. The use of humour for example can either be well-meaning or mean-spirited.

## Ethical and honest tactics

Essentially ethical and honest tactics (DuBrin, 1998: 199)

- Leading by example
- Rational persuasion
- Developing a reputation as a subject matter expert (SME)
- Exchanging favours and bargaining
- Developing a network of resource persons
- Legitimizing a request
- Inspirational appeal and emotional display
- Consultation
- Forming coalitions
- Team play

### Leading by example

essentially being a person whose actions and words are consistent. Actions may support and clarify the words.

### Rational persuasion

using logical arguments and factual evidence to persuade that an action or request is likely to lead to goal attainment. Used with assertiveness can be very effective. Dependent on the credibility of the leader - credibility affects the ability to convince and contributes to one's personal power.

### Developing reputation as SME

on a topic important to the organization helps to gain influence. Is a subset of rational persuasion.

### Exchanging favours and bargaining

builds up an emotional bank account so that you can expect reciprocity in the future.

### Developing a network of resource persons

establishing a network and calling on support when needed helps one to exert influence

### Legitimizing a request

to verify that your request is within the scope of your authority. Show that your request is consistent with org policies, practices and expectations etc.

### Inspirational appeal and emotional display

can be effective if the leader understands the values, motives and goals of the targets. Use of emotional signs such as voice changes, tears etc

Consultation

before a decision is made is both a leadership style and an influencing tactics. The leader is more likely to get a positive response because the gm is involved in the decision process. Most effective when the objectives of the target are the same as the leader.

Forming coalitions

help to form the necessary clout to convince others - the more people on your side the better. The more powerful the leader the less the need for coalitions although even for powerful leaders it is sometimes useful.

Team play

by being a good team player one influences others. This is a preferred tactic for both men and women.

## Unethical and dishonest tactics

### Essentially dishonest and unethical tactics

#### Deliberate Machiavellianism

Ruthless manipulation was the advice of Machiavelli because he proposed that people were self-centred and self-serving. Machiavellians practise deception, bluff and other manipulative tactics such as forcing employees to work longer hours without recompense.

#### Gentle manipulation of people and situations

manipulative to a lesser degree than Machiavellians, the use of untruths or faking behaviour helps this type of leader to gain compliance e.g. imply that a promotion will occur if a colleague supports the request. Also included in this category is the bandwagon technique - doing something because everyone else is doing it.

#### Undue pressure

when rewards become bribes for compliance and threats of punishment become severe, the person is using undue pressure on the target.

#### Game playing

a series of exchanges between people that appears to be plausible but which has a hidden agenda. The target of the game is made to feel humble.

#### Debasement

demeaning or insulting oneself to gain control over the behaviour of another person.

#### Upward appeal

using a senior person to legitimate one's request.

#### Silent treatment

leader uses silence to pressure compliance. This is sulking and creates pressure on the target to do something that stops the behaviour of the leader.

#### Ingratiation, charm and appearance

Ingratiating tactics include: making target feel important; acting humbly towards target; praising target, sympathizing with the target about added problems that request may cause; waiting until target in receptive mood; being polite to target when making request; making target believe that target is making the decision. Also charm is a form of ingratiation; complimenting others profusely; expressing thanks etc. Appearance means dressing professionally and fashionably.

#### Joking and kidding

can soften an otherwise harsh statement and reduce the implied criticism. Can reduce the risk that the target gets angry with the leader.

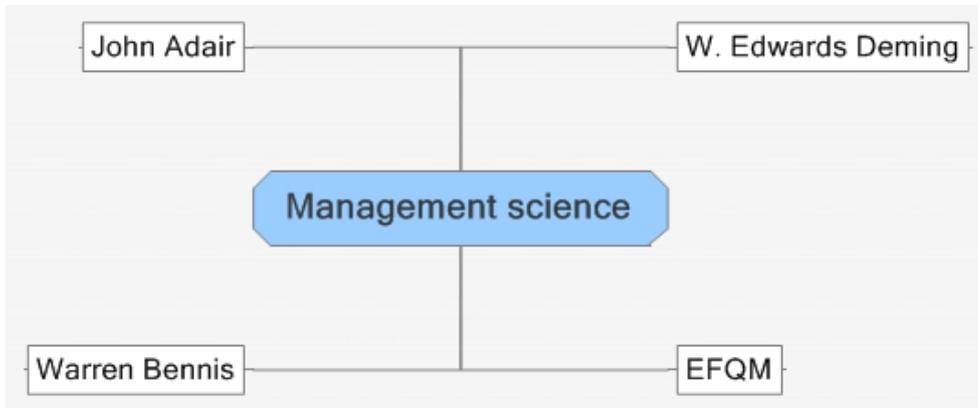
These range in severity from the most unethical to the slightly unethical

Christie and Geis (1970), in Bass, 1990: 135 created the Mach scale based on their studies of The Prince and The Discourses. High mach scores are task oriented whereas low machs are more concerned with social influence. High machs generally give more orders but become less directive at lower levels of power and when the task is not structured.

Although the Greeks, Romans and Chinese classics mention devious behaviour in various forms, Machiavellianism is the name given to this type of amoral behaviour.

Martin and Sims (1956), Jameson (1945) and Pfiffner (1951) in Bass, 1990: 135 have studied the modern forms of Machiavellianism in modern corporations.

## *Management science*



## W. Edwards Deming

W. Edwards Deming was arguably the greatest management thinker in the last century. His thinking is regarded as one of the key influences on post war Japan, and a prize in his honour is awarded annually to companies and individuals who have demonstrated a significant contribution to the pursuit of excellence. These pages provide an outline of Deming's philosophy. For deeper insight his publications are highly recommended.

### Philosophy

#### Aim of leadership

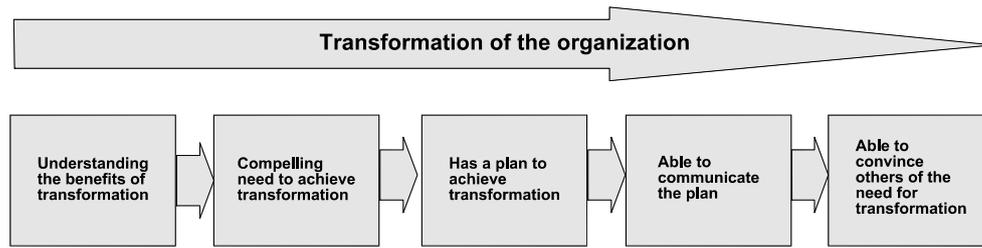
The aim of leadership is to improve. Deming talked about improving performance of man, machine and quality, to improve output and thereby bring pride of workmanship to people. Deming, 1986: 248

Deming relates leadership to a leader's recognition of a system. People's performance lie within or outside a system either on the low side or the upper side. As soon as this is understood the leader knows that those performing outside the system on the low side are in need of help. Those on the high side deserve recognition. For those within the system, the leader should improve the system so that everybody can do a better job with greater satisfaction.

Deming was a believer in training. When a man has been trained to do a job and he has brought the job into a state of statistical control, further training to do that job is wasteful. New training may suit the worker for another job. If the worker has not yet reached statistical control further training will help him. The basis for this argument is that when the work is in control, the causes of variation are random and outside the ability of the worker to control. When out of control, the worker may be trained to recognise and deal with assignable causes of variation. Deming, 1986: 249. If a worker is in statistical control but the work output is unsatisfactory, it would be better to train him for a job for which he is suited.

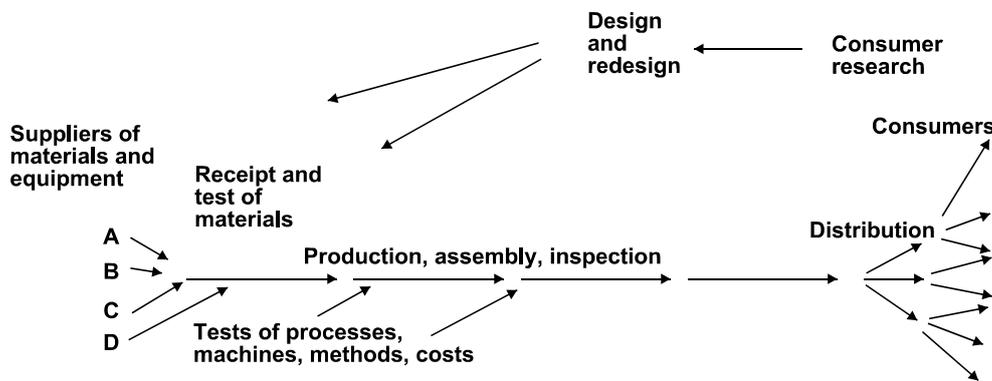
To lead, the leader must understand the work that is done. Who is the customer? What are their requirements? What are the processes and how are the workers doing? Learning about the job so as to improve it is far better than concentrating on the output and then managing by numbers.

Deming's transformation process. Source: Deming, 1986: 116



**Approach**

Deming's approach to leadership starts with the need for the leader to understand the meaning of a system. The figure on the left is Deming's view of production as a system (Deming, 1986: 4) which can also be used for service industries by changing notation.



Distilled from Deming, 1994: 125 is Deming's thoughts on the role of a leader.

Understands	Communicates	Teaches	Actions
Meaning of a system	Aim of the system	Meaning of a system	
A stable system		How group work supports aim	Careful recruitment
Not to expect perfection			Studies results to improve own performance
Individual differences			Discover if anyone outside the system in need of help
			Encourages continued learning for all
Sources of power: 1. Office 2. Knowledge 3. Personality and persuasive power: tact			Create interest, challenge, joy in work. Optimise skills, abilities, aspirations of all
The people, their aspirations and fears.			Develops 2 and 3, uses 1 to change the process for improvement.
Benefits of cooperation and the losses from competition between people and groups			Creates trust, encourages freedom and innovation
			Listens and learns without passing judgment
			Holds informal discussion at least once per year

## System of Profound Knowledge

Dr. W. Edwards Deming denounced the prevailing style of management as tyranny (Deming, 1994:xv)

"The huge, long-range losses caused by this style of management have led us into decline. Most people imagine that the present style of management has always existed, and is a fixture. Actually, it is a modern invention - a prison created by the way in which people interact. This interaction afflicts all aspects of our lives - government, industry, education, healthcare.

We have grown up in a climate of competition between people, teams, departments, divisions, pupils, schools, universities. We have been taught by economists that competition will solve our problems. Actually, competition, we see now, is destructive. It would be better if everyone would work together as a system, with the aim for everybody to win. What we need is cooperation and transformation to a new style of management."

Deming proposed a system of profound knowledge comprising:

- Appreciation for a system
- Knowledge about variation
- Theory of knowledge
- Psychology

supported by his 14 Points for management ([Deming, 1986:23](#)) to start the process of transformation of the current style of management to one of optimization.

## Deming's 14 Points

Deming's management philosophy is summarised by 14 principles required for the transformation of Western management of any type of organisation, be it large or small, manufacturing or service based. They are:

### Point 1: Create Constancy Of Purpose

toward improvement of product and service. Often concentration on the problems of today precludes sufficient effort directed at the problems of the future. Is the Company dedicated to quick profits or constancy of purpose? The next dividend to shareholders is not as important as working for the prosperity of the Company in 10, 20 and 30 years time.

### Point 2: Adopt the New Philosophy

Japan has created a new economic situation - overwhelming competition from one country in every market that it enters. Our tolerance of the mistakes that occur in all aspects of industry must be reversed. We can no longer accept without question mistakes, defects, poor materials or materials not suitable for purpose, ill-trained workforce who is too afraid to ask what its job is, poor supervision, career-seeking management who do not stay in a position long enough to consolidate the current status let alone improve it.

### Point 3: Cease Dependence on Mass Inspection

The use of inspection to improve quality is costly and ineffective and unreliable. You cannot inspect quality into a product and therefore, it is too late. Preventive measures should replace mass inspection in most circumstances, thereby reducing the hidden factories producing scrap and rework that employ ever-increasing numbers of inspectors.

### Point 4: Cease Award of Business on Price Tag Alone

The lowest purchase price does not ensure the minimum total cost. The acquisition price is one aspect of the total cost of an item throughout its life cycle. If purchase decisions are made with no measure of the quality of the product being assessed, the whole system will drift to one of low price, poor quality and high subsequent costs. If purchasers constantly force their suppliers to reduce the price of their products and change suppliers based on price from one project to another, the suppliers will be forced to cut corners. How much better it is to develop a long-term relationship with suppliers so that they can innovate and develop economies of scale?

### Point 5: Improve Constantly and Forever the System of Production and Service

Preoccupation with achievement of specification is not sufficient. We must start to improve all aspects of the product or service life cycle from concept to disposal. Sources of variation must be identified and reduced. By so doing the distribution of the key quality characteristics of the product or service will become narrow and accordingly costs will reduce.

### Point 6: Institute Training

Everyone involved in a product or service must understand the customers' requirements and be trained so that he understands the standard of work required and how he may achieve that standard. Of vital importance is the need to appreciate the sources and nature of variation.

### Point 7: Adopt and Institute Leadership

Management should lead not supervise. Focus on the outcome must be abolished in favour of leadership. The role of the leader is to motivate and remove the barriers that prevent the people who work for him achieving pride in their work.

**Point 8: Drive Out Fear**

Frequently the best interests of a Company are subordinated to the need to satisfy particular performance measures - especially production quotas. If people make mistakes they frequently hide them for fear of the consequences of disclosure. Fear of the effect on annual performance assessment can lead people to mediocre performance - if you don't make a decision you cannot be wrong and held to blame for a poor decision.

**Point 9: Break Down the Barriers Between Departments**

Most companies are organised in functional departments each of which may be busy optimising its processes without understanding the function or problems of the others. Each department is the customer of and supplier to other departments in the company. Many problems are contained within the confines of a single department so why not break down the barriers and start functioning as a team.

**Point 10: Eliminate Slogans, Exhortations and Targets**

Slogans, exhortations and targets aimed at the workforce urging an increase in productivity by working harder or by making no mistakes is a waste of time and is counter-productive. Such campaigns imply that the workforce, or supplier, is deliberately producing poor work and thereby further alienates what is probably a strained relationship. The management must achieve a workforce that works smarter not harder, and they can only do this by providing better training and supervision and improving the quality of goods inwards by supplier development.

**Point 11: Eliminate Numerical Quotas for the Work force and Numerical Goals for Management**

Numerical quotas and production rates are often set for the average worker. If the distribution of ability is roughly normal, about half of them are above average and half below average. Under this system there is peer pressure not to exceed the going rate - the average and the people below average cannot make the rate. The result of this is that everyone loses, the Company loses output, those who could exceed the rate are dissatisfied at being held back and those who cannot achieve the rate are dissatisfied because pay is linked to achievement. The use of piecework is even worse for the hourly paid worker finds that he or she gets paid for making defective items as well as good. Where is the pride of workmanship? It cannot exist under these conditions. If the worker is not paid or is docked pay for defective items the outcome can be equally serious. Who is to say that an item is defective? Does the worker know and been trained to achieve the standard required. Equally importantly, is the worker at fault for the defect or is it the system?

Numerical goals for people in management are equally nonsensical. Frequently arbitrary demands for increases in output are made but are not supported by plans to achieve improvement. Any increase in output recorded in a stable system merely means that the output is on an upward cycle and will soon be replaced with a downward one during which excuses will be sought for the worsening situation. Clearly, if a system is stable goals are meaningless - the output will be what the system will produce. Also if the system is unstable, there is no way of knowing what the system will produce for it has no capability - numerical goals are again superfluous.

**Point 12: Remove Barriers that Deny People Pride of Workmanship**

There are many barriers which prevent the workforce from achieving pride in their work; poor quality of incoming materials, inadequate work instructions so that people do not understand the standard of work required, ill-maintained machines from which is demanded maximum output regardless of quality achieved, supervisors who do not understand the work and who are unable to assist the workforce, defect reports and suggestion schemes which are ignored by management etc.

Pointers to industries suffering from barriers to pride of workmanship are high absentee rates, high job turnover, high accident rates and high proportions of defective items. Only leadership will overcome these barriers. If people are made to feel that they and their work are important they will want to come to work. If management understands the problems which beset the workforce and takes corrective action, the workforce will respond as they are enabled to achieve good work.

Point 13: Institute a Vigorous Programme of Education and Self-Improvement

There is no shortage of good people in industry, but that in itself is not sufficient. The strength of a company is very much dependent on its knowledge base and, therefore, an industry needs good people who are improving with continued education. This may be regarded as the strategic capability of education as compared to the tactical use of training to meet a specific need at a particular point in time.

Point 14: Take Action to Accomplish the Transformation

Management must take action to understand the preceding 13 points and decide on the direction to take the company for the future. Management must have the courage to forego traditional styles of management and adopt the new philosophy. It will be necessary to explain by various means that the process of continuous improvement involves everybody, and that this is not just a passing initiative like those which have gone before. Each activity in a company is part of a process and all of the processes combine to provide the product or service to the final customer. Each constituent process can and should be the subject of continuous improvement working in harmony with the next stage and preceding stage to achieve a quality of output that will delight the ultimate customer.

## Deming's Deadly Diseases

Deming's 14 principles summarised on an earlier page constitute what he considers to be good management practice, the adoption of which would transform the company or industry concerned. The next stage in the development of his management theory involves an understanding of what he terms the Deadly Diseases that prevent the transformation from taking place.

### Lack of Constancy of Purpose

to plan a product or service that will have a market and keep the company in business and create more jobs. It is far better to adopt continuous improvement of all processes to produce a result that will bring customers back time after time than to work for the next dividend to shareholders.

### Emphasis on Short-term Profits

is fed by corporate fear of unfriendly take-overs and pressure from lending institutions and shareholders for a quick payback. Most Western companies are driven by the need to make money; the truly successful companies in the world have adopted a rather different approach - become world class in what it does and subsequently enjoy the long term improvement in market share and profitability that follows.

### Evaluation of Performance - Annual Review

pushes people toward self-interest because the assessment focuses on the end result not on leadership applied to help people improve their processes. A merit rating system rewards people who do well within the system and, therefore, it discourages people to improve the system. "Don't make waves" or "Don't rock the boat" are typical sayings that mean that if the individual values his "career" he will not do anything that jeopardises his annual rating. Both the organisation and the individual is the loser - neither has realised their full potential. Managers spend much of their time managing or combating crisis - this is highly visible work which merits a good annual rating. On the other hand, the manager who quietly plans and achieves the requirements through a right first time approach is invisible - he just does his job. Although it sounds cynical, the manager who does not get it right first time but does an excellent job of fire-fighting is frequently better thought of because of the very visibility that crisis management provides.

### Mobility Of Management

It has become common practice for management to move from one position to another in different companies because this is good experience and hence good for the career of the individual. This may be the case, but for the organisation it is disastrous. How can a company have constancy of purpose when its management are forever changing?

### Mobility of the workforce.

Absenteeism and mobility in jobs is an indicator that people are dissatisfied with their work - they are unable to take pride in it. These attributes of the workforce are largely the result of poor management.

### Running the Company on Visible Figures Alone

A company cannot be successful on visible figures alone and whilst visible figures are important for practical reasons of everyday finance, the most important figures are either not easy or impossible to quantify:

- A happy customer will buy again and advertise his delight with the product. Conversely, a dissatisfied customer will make known the problems that he has suffered and dissuade many other people from buying the same product.

- There is a knock-on effect on quality and productivity on all stations downstream of a quality improvement.
- Management commitment to meeting market needs regardless of changes in personnel results in an improvement in quality and productivity.
- Improvement in quality from the continuous improvement process, elimination of work standards and better training and supervision.
- Improvement in quality and productivity resulting from simultaneous programme management i.e. all elements forming a team.
- Loss from annual rating of performance.
- Loss from the barriers to pride of workmanship.

In his book "Out of the Crisis", Deming (1986: 98) describes two further diseases Excessive Medical Costs and Excessive Costs of Liability which are more indicative of the medical and litigation processes in America.

## Leadership and Profound Knowledge

Deming (1986:54) believed that the role of the modern manager is to lead and not supervise people's work. This view is in direct contrast to the traditional approach of the management in developed Western countries shown in Figure 1.



Figure 1. Mass manufacturing/scientific management

In this model the role of management is to think of better ways to run the business, write procedures through which their objectives can be accomplished, and direct the workforce in activities that will lead to achievement of the objectives. The most extreme form of this style of management can be described as 'management think and workers do?'. Although relatively common still, it is the most limited form of managing the enterprise. Management becomes embroiled in a myriad of issues and problems many of which are urgent and require instant resolution. The workforce learn to do as they are told and keep their distance from fire fighting management.

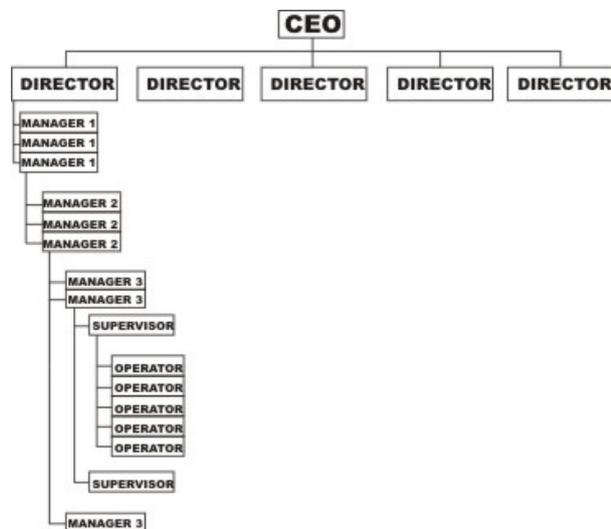


Figure 2. Departmental optimization.

Figure 2 depicts a typical functional organisation headed by departmental directors who report to the Chief Executive Officer. What is the ambition of the company directors? One of the ambitions is likely to be 'become the next CEO'. CEOs tend to stay in companies for a relatively short time.

They make their individual mark on the company and move onwards and upwards to progress their career. Therefore, departmental optimisation occurs as each director attempts to become CEO designate by impressing the current incumbent with the efficiency of their department. It is a sad blow to all if someone from outside the organisation is selected to replace the outgoing CEO. The problem with departmental optimisation is that departments within an organisation are not independent of each other. They are interdependent. Thus, when someone in one department is frustrated in their attempts at optimisation by someone in another department who is also attempting to optimise, barriers are raised against further co-operation. You may sometimes hear someone say, "I can't believe that that department works in the same company as me!" Departmental optimisation usually means that the activities of the enterprise fall short of the optimum as people work to satisfy their boss and internal politics play an increasingly large part of a culture based on self-interest, fear and blame.

There is an alternative approach to this style of management. It is based on an understanding that people in organisations need leadership, not supervision, Deming (1986). The role of the leader is to create an environment in which the aims of the organisation are achieved through co-operation and respect for the needs of the individual.

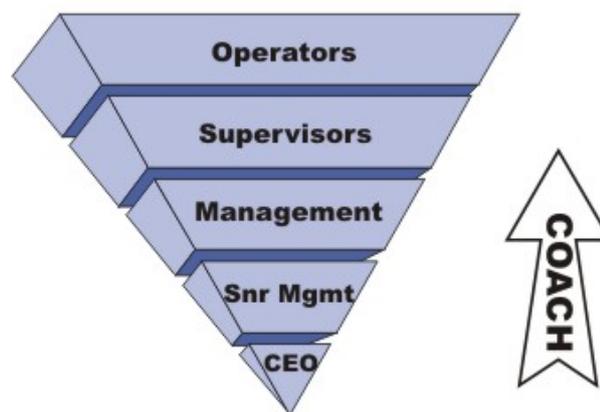


Figure 3. Organizational leadership.

Figure 3 attempts to capture this by inverting the triangle of management control shown in Figure 1. Thus, the CEO becomes the chief coach and management at all levels address the question of how they can help others to achieve the organisation's goals. On the face of it, this would appear to be a weak style of management because we are so used to the macho, autocratic style that is so often found in the traditional company. On the contrary, the author believes that this type of management requires a leader that is strong enough to empower people to act in the best interests of the organisation. This may mean that the department has to accept sub-optimal performance, and so the whole question of how people's performance is assessed is raised. If performance appraisal is not based on the volume of output or the number of fires fought how should we assess, promote and reward people in the organisation? The apparently strong, autocratic manager is perhaps afraid of empowering people for fear that they will be seen to outperform their manager and be a threat to career progression. Once the manager/leader realises that departmental performance in the pursuit of organisational goals is best achieved by the application of everyone's creativity and determination to succeed, the capability of bright subordinates is something to celebrate not fear.

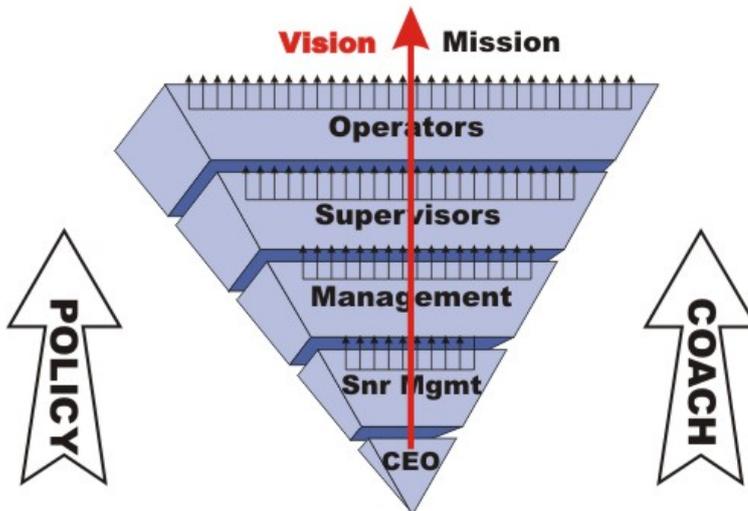
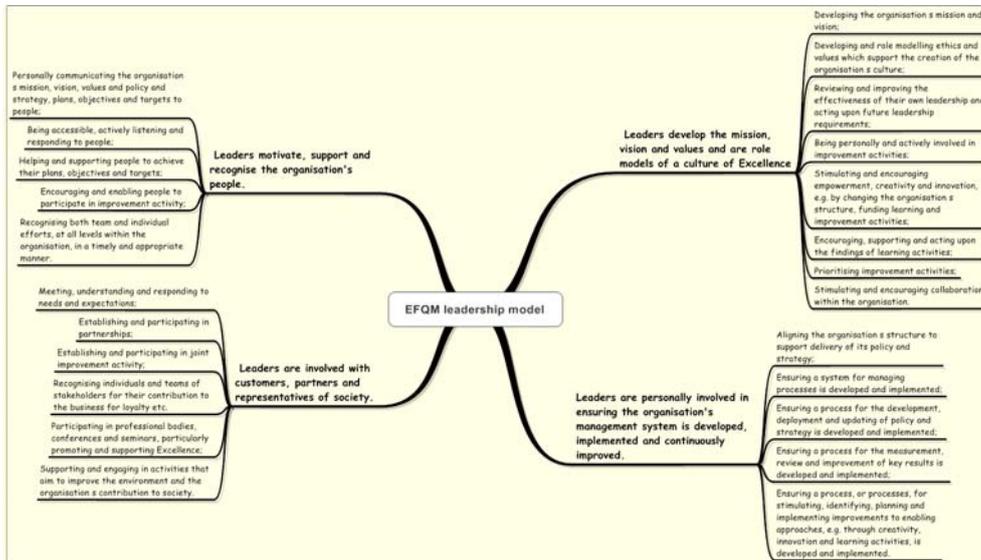


Figure 4. Organizational alignment.

Figure 4 is a development of Figure 3 in which the CEO and the Senior Management team develop a corporate vision, preferably with the contribution of everyone in the organisation. The vision and mission should be written to be understandable to both employees and customers and policy should be created that will deliver the vision. Policy should be cascaded or deployed throughout the organisation so that each individual understands their role in the achievement of corporate goals. This requires managers to coach and create an environment in which individuals can contribute their unique efforts. The small arrows on Figure 4 represent alignment to corporate purpose. It is only in an environment of top-down, bottom-up and lateral communication can an organisation truly achieve empowerment. Individuals no longer need detailed operational instructions that attempt to define the required response to given situations. Through the development of mutual respect based on training and coaching people will understand and feel capable of delivering the appropriate response to any business situation in which they find themselves. Thus, the leader in this type of organization, rather than losing power, gains the freedom to think more strategically than the manager who is constantly enmeshed in fire fighting today's problems.

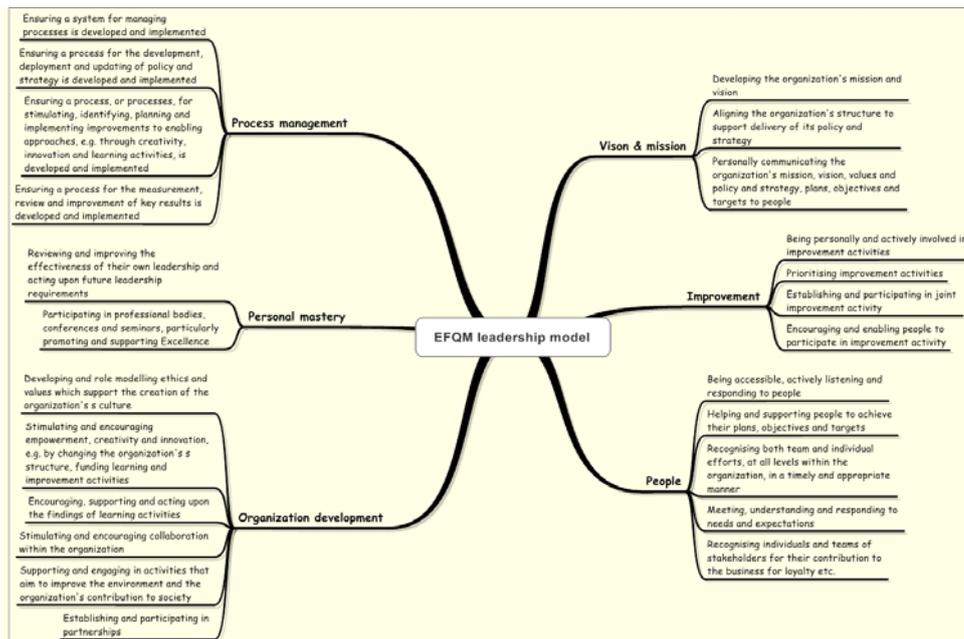
# EFQM

Based on 1999 version of the European Foundation for Quality Management Excellence Model



## EFQM adapted leadership model

The common themes identified in the EFQM leadership model above are presented in a modified EFQM leadership model below.



## Warren Bennis

Notes from van Maurik, 2001, p 99

Warren Bennis has published 20 books and over 750 papers

Similar to Deming, Bennis believes that Western management needs a change of focus from short term results to developing a purpose.

To master the situational context rather than being its slave the leader must:

- Develop a guiding vision.
- Communicate with passion to inspire others.
- Develop trust through integrity. Recognise one's own strengths and weaknesses.
- Be curious and daring → willing to take risks and embrace failure as a basis for learning.

Bennis' list of differences between managers and leaders. Since we are our own source material we can make choices about who we want to be.

Manager	Leader
Administers	Innovates
Is a copy	Is an original
Maintains	Develops
Focus on systems and structure	Focus on people
Focus on control	Inspires trust
Short-range view	Long-range perspective
Asks how and when	Asks what and why
Eye on bottom line	Eye on horizon
Initiates	Originates
Accepts status quo	Challenges status quo
Classic good soldier	His own person
Does things right	Does the right thing

Self-knowledge and self-invention are lifetime processes

Useful approaches

Meaning

You are your own best teacher    You can achieve your own transformation by understanding the gap between what you are and what you wish to become and thereafter taking responsibility for achieving the change.

Accept responsibility

Major obstacles to personal transformation are denial and blame. Accept personal responsibility for oneself.

You can learn anything

Embrace challenges and opportunities without fear of failure.

Understanding comes from reflection

Ask difficult questions of yourself in seeking knowledge. Reflection leads to understanding; when you understand you will know what to do.

To be a transformational leader, vision, competence and virtue must co-exist in balance.

Imbalance

Result

**Competence**

**Technocrat**

**But no vision or virtue**

**Virtue**

**Ideology**

**No vision or competence**

**Vision**

**Demagogues**

**No virtue or competence**

Trust is essential in getting people to agree a shared vision

To generate and sustain trust there are four requirements:

- constancy  
    viz Deming's constancy of purpose
- congruence  
    walking the talk
- reliability  
    always supportive
- integrity  
    honour their commitments

Transformatinal skills required

Leaders:

- Manage the dream  
Create a compelling vision, deploy it to achieve the reality.
- Embrace error  
Encourage risk taking - failure is not a crime but aiming low is.
- Encourage reflective backtalk  
Listen to others to learn more about themselves.
- Encourage dissent  
Do not surround themselves with 'yes' men.
- Possess optimism, faith and hope  
Create choices.
- Understand the Pygmalion effect in management  
Sow the 'golden seed' and help people to grow.
- Have a 'certain touch'  
Have an intuitive understanding of organizational culture and political sensitivity.
- See the long view  
Have vision and the patience to achieve it.
- Must understand stakeholder symmetry  
Balance the needs and expectations of all stakeholders.
- Create strategic alliances and partnerships  
Recognise the need for the synergy of working with organizations on a similar path.

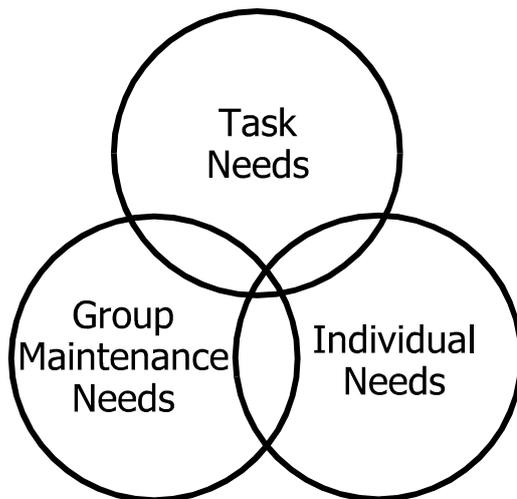
## John Adair

Notes from Adair, J. (1983). *Effective leadership*. Aldershot: Gower

Page 33. Adair uses this model, the source of which is unknown, but which was taught on a group dynamics course.

There are 3 considerations for a leader, namely those of:

- The task
- Group needs, and
- Individual needs



This model forms the basis of *action-centred leadership*. He states that different leaders will place different emphasis on the actions required but all are necessary for success. He draws upon Maslow's 'Hierarchy of Needs' to explain the needs of the individual.



## Strategy

Policy and Strategy is Criterion 2 in the European Excellence Model. It is defined as (EFQM, 2003):"

"Excellent organizations implement their mission and vision by developing a stakeholder focused strategy that takes account fo the market and sector in which it operates. Policies, plans, objectives, and processes are developed and deployed to deliver the strategy."

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These pages introduce the notion of strategy and planning and approaches for achieving focus in the organization. Hoshin Kanri or Policy Deployment, Management by Objectives, Balanced Scorecard and Business Process Reengineering approaches are briefly described and links to additional literature are provided.

### Definition of strategy

The word strategy is often misplaced as a title in modern business. Managers tend to describe “a strategy for ....” when often they are merely presenting a solution or action plan for a local work place or departmental issue.

Some useful definitions of strategy follow:

1 "The art of war." 2a. "The management of an army or armies in a campaign." b. "The art of moving troops, ships, aircraft, etc. into favourable positions." c. "An instance of this or a plan formed according to it." 3. "A plan of acton or policy in business or politics etc." (Consice Oxford Dictionary 8th Edition, 1990).

“The essence of formulating a competitive strategy is relating the company to its environment.” (Porter, 1980).

“A strategy is the pattern or plan that integrates an organisation’s major goals, policies, and action sequences into a cohesive whole. A well formulated strategy helps to marshall and allocate an organisation’s resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in environment, and contingent moves by intelligent opponents.” ([Quinn, Mintzberg & James, 1988](#))

“All men can see my tactics whereby I conquer, but what none can see is the strategy out of which great victory is evolved.” Sun-Tzu; Chinese Military Strategist, 500 BC.

“The application of resources to pursue the aims of policy.” [\(Hart, 1944\)](#)

## Types of planning

### Purpose Of Planning

Planning can be defined as an approach to devise a scheme for doing, making or arranging. [Ackoff \(1970\)](#) states that planning is “the design of a desired future and of effective ways of bringing it about”.

Planning can be further separated under four distinct types.

### Types Of Planning

#### Strategic planning

The purpose of strategic planning is to set the direction of the organisation to improve its prospects for long-term survival and prosperity. Strategic planning should focus on broad business issues over a long time horizon, up to ten years. The process should address questions such as “what business do we want to be in?”, “what are our long term objectives?”, “do we have the correct core competencies?” etc.

#### Operational planning

Operational planning sets out the tactical details of how the business is run over a short time horizon, usually one year. It should be performed in the context of the strategic plan, reflecting the important issues and decisions taken. Typical elements would usually include forecast revenues, profits, cash flow, project plans, manufacturing capacity etc.

#### Project planning

Projects for achieving specific elements and objectives of the business are typical in most organisations, such as new products, computer systems, new building constructions etc. Project planning systems normally include the detailing and sequencing of the required tasks to deliver the project, including time and cost tracking mechanisms.

#### Financial planning

All businesses have financial plans that are derivatives of the strategic and operational plans. The main purpose being to forecast the financial projections and commitments of the company for the owners or shareholders. Operational and project plans are usually iterated until a satisfactory financial performance is predicted.

### Problems With Planning

Specific problems that are often encountered within the various planning processes whether they are strategic, operational, project or financial include the following.

- Unrealistic goals or predictions
- Goals that are set arbitrarily
- Failure to focus on a few critical goals
- Selecting the wrong goals
- The goals become wishes
- No shared vision of the organisation

- Planned activities are not reviewed
- Punitive review system
- Teams have not learned to plan
- Inappropriate planning methods
- Planning is regarded as an event
- Inadequate factual data
- Over analysis of past data
- Over reliance on the planning department

Additional barriers to effective planning can be related to particular behaviours of managers within organisations. These include the failure of management teams to face up to poor business results and identify the cause and effect relationships, a failure to agree by consensus on the critical measures of success, and a lack of analysis of the organisation's strengths and weaknesses and core competencies. Also, it is common to find organisations that continue to apply existing ad-hoc planning methods, which rapidly become inappropriate as the business grows in size and stature. Ultimately, the single biggest mistake is for businesses to rely on the planning and management of financial outcomes, without the recognition that the outcomes can only be as effective as the business processes that deliver them.

## Setting strategic direction

“Everyone doing his best is not the answer. It is necessary that people know what to do. Drastic changes are required. The responsibility for changes rests on management.” (Deming, 1986)

This indicates that any improvements within an organisation need to come from the top-down; they have to be management led.

Strategic management can be considered as a business process for determining the long-term goals of the organisation, which must be owned and led by senior management. As important as the definition of the goals, is the understanding of the processes required to actually achieve those goals. The central issue is how can the senior management team formulate the business parameters within the strategic plan? There are a number of elements, which provide a suitable framework for achieving this (Juran & Gryna, 1993):

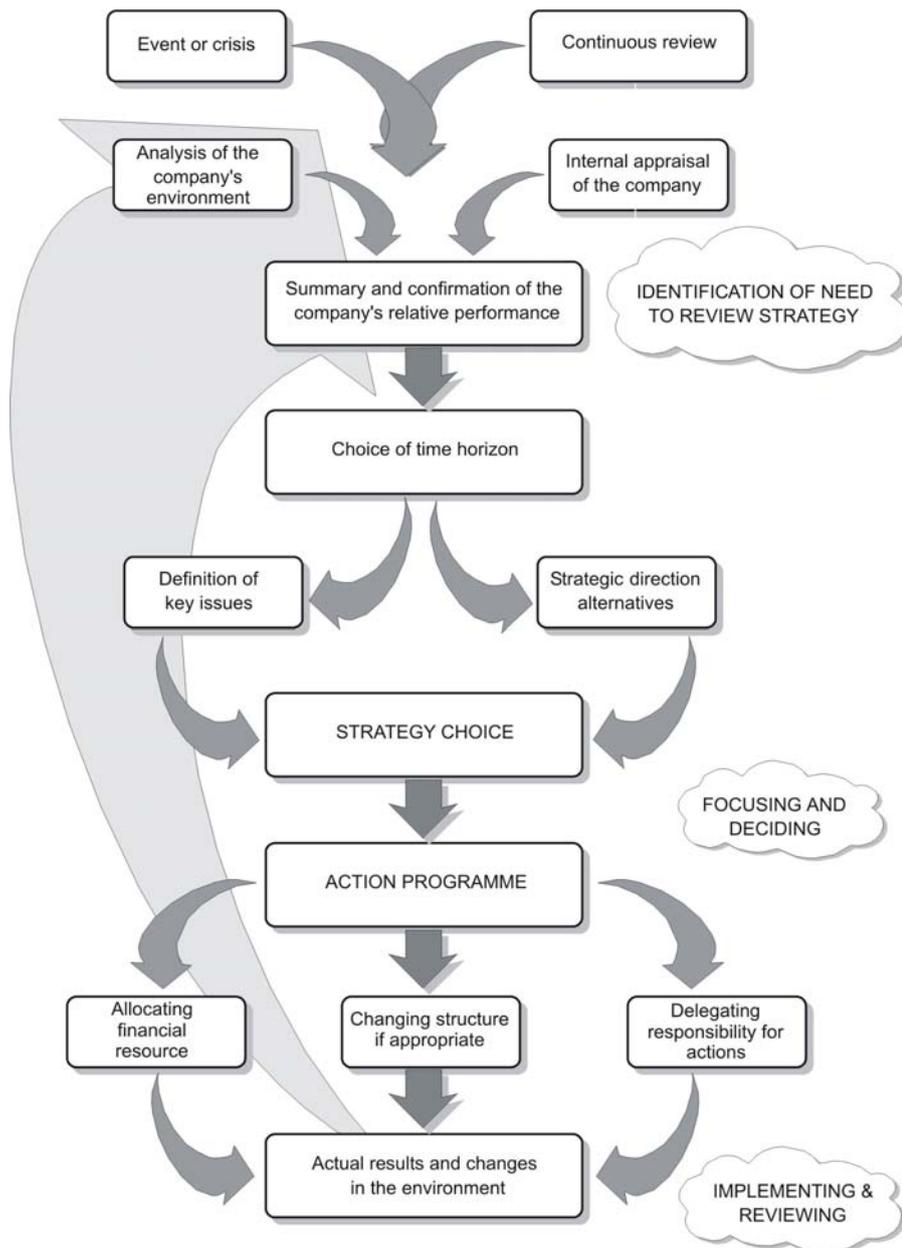
- Define the mission of the organisation.
- Analyse the opportunities and threats.
- Analyse the strengths and weaknesses.
- Identify and evaluate alternative strategies.
- Select a strategy.
- Develop goals.
- Prepare detailed short-range plans.
- Translate plans into budgets.
- Monitor performance.

The plan would normally cover a five-year time frame at least, with the initial stages defined in more detail than the later period. Several basic elements must be included within the plan:

1. A significant focus on customer needs, which covers strengths, weaknesses, opportunities and threats. If major differences are evident, then targeted goals and actions need to be agreed, following a gap analysis. In this way, it may be possible to formulate a quality strategy, which leads to a unique competitive advantage.
2. Senior management must lead the process of developing the goals contained within the quality strategy.
3. The quality strategy must be translated into annual business plans and management action plans.
4. The various action plans must be deployed and implemented by line management, rather than relying on a staff group from either the group quality or strategic planning function.

## The strategy process

The process of formulating a business strategy inevitably differs considerably among companies. The differences arise due to the type and size of the business, its structure and its style of leadership. The process will also vary in the degree to which it is committed to paper. The effectiveness of the process will also vary among businesses and it does not follow that a process recorded on paper, will automatically be more effective than one contained entirely in the head of the Chief Executive. However, whatever form the process takes it is likely to contain the elements summarised in the flowchart.



This model assumes that there is usually a considerable time lag between recognising the need for a strategy review and the improved performance which the action programme seeks. Strategic plans can take different time horizons according to the business scenario. Therefore, plans that reach out over a five or twenty year time frame could both be considered long term. Normally the content of the plan would differ according to the period under consideration, as in the following analogies:

- A short-term plan is like looking through a microscope, in that it generally contains a lot of detail.
- A medium term plan is like looking through the naked eye.
- A long-term plan is like looking through a telescope, giving only a more overall view.

Each gives a different view of the future. When corporate planning is introduced for the first time, it is probably best to start with medium term planning, say up to five years ahead. Once this is established and beginning to be useful, it will be seen to tie in well with shorter term planning, of say one year ahead. Some ground rules for the planning process are summarised as follows:

- Targets must be challenging but realistic so as to discourage complacency.
- Input from line management must be encouraged.
- Effective planning normally involves iteration.
- Take a balanced and realistic view.
- Commit sufficient time and thought to the process.

In larger companies where the strategic planning process is well established, and where it has been progressively improved over several years, the main changes have been:

- The planning process is more line driven.
- The process has been simplified.
- Increased attention is placed on sensing the environment and competition.
- There is a strong focus on the most important issues.
- Greater emphasis is given to implementation

## Understanding company strategy

Company strategy may be segregated into four elements ([Houlden, 1990](#)):

Business strategy	The strategy of a single business, which may be either completely independent or part of a larger group of businesses.
Divisional strategy	The strategy across related businesses which are part of a larger group.
Group strategy	The strategy across several businesses which may or may not be related to each other and may or may not be clustered into divisions within the group.
Corporate strategy	The strategy of the whole company. For a single independent business, corporate strategy is the same as business strategy. In a more complex group, corporate strategy embraces business strategy for each of the individual businesses (and divisional strategy, if there are also divisions) as well as group strategy.

Whatever the complexity of the whole company, corporate strategy is concerned with the direction a company takes over time and with the use of its available resources. The best strategy for a company depends on that company's performance, its particular strengths and weaknesses, and the opportunities and threats in its particular environment. The best strategy may well change over time. It used to be said that it was "more important to do the right things" than to "do things right". In other words strategy was more important than the management of day-to-day operations. This was probably true in the 1960's and 1970's, when the economy was expanding and competition in most sectors was not intense. But since those times the world has become more and more competitive, and success can only be achieved by both good strategy and sound day-to-day management. The following four points should be observed regarding company strategy:

- Strategy is about improving a company's performance.
- Development of strategic ability takes considerable time and effort.
- Perfection is not possible but improvement usually is.
- Reading and other forms of training can guide and speed up the development of strategic ability but actual experience is also essential.

## Strategic intent

Hamel and Prahalad (1989) summarised two contrasting approaches to strategy as often seen in large multinational companies. The first centres on the problem of maintaining strategic fit, the other on leveraging resources. The two are not mutually exclusive, but represent a significant difference in emphasis, which deeply affects how competitive battles get played out time and time again.

Both models recognise the problem of competing in a hostile environment with limited resources. The emphasis on the first is on trimming ambitions to match the available resources; and the second is on leveraging resources to reach seemingly unattainable goals.

The hypothesis discussed is that companies that have risen to global leadership over the last twenty years, invariably began with ambitions that were all out of proportion to their resources and capabilities. But they created an obsession with winning at all levels of the organisation and then sustain that obsession over a ten to twenty year quest for global leadership. This obsession is termed **Strategic Intent**.

Each company studied had an overriding corporate vision:

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Komatso set out to “Encircle Caterpillar”, Canon sought to “Beat Xerox”, Honda strove to “Become A Second Ford”, and Toyota’s Lexus brand set their challenge as “To Beat Benz”.

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What these companies were setting out was a strategy based on the second of the two approaches discussed, that is, to leverage resources to reach seemingly unattainable goals which were generally outside the normal range of strategic planning. Most Western companies' strategic plans would tend to reveal more about today’s problems than tomorrow’s opportunities. The following view is presented where planners ask “How will next year be different?”, whereas winners ask “What must we do differently?”

The approach for strategic intent is therefore suggested which centres on top management specifying the ends (reducing product development lead-time by 75%, for example) but being less prescriptive about the means. The aim being to set challenges which will stretch the organisation.

For the challenge to be effective, individuals and teams throughout the organisation must understand it and see implications for their own jobs. Five critical elements are proposed for companies aiming to set corporate challenges for creation of new competitive advantages as shown in the table.

Five stage approach for strategic intent. Source: Hamel & Prahalad, 1989.	
ELEMENT	RATIONALE
Create a sense of urgency	Amplify weak signals in the environment that point up the need to improve, instead of allowing inaction to precipitate a real crisis.
Develop a competitor focus at all levels	Every employee should be able to benchmark his or her efforts against best in class competitors so that the challenge becomes personal.
Provide employees with new skills	Training in problem solving, team building, statistical tools etc.
Give the organisation time	If competing initiatives overload the organisation, middle managers often try to protect their people from the whipsaw of changing priorities on a wait and see basis.
Establish clear milestones and review mechanisms	The goal is to make the challenge inescapable for everyone in the company and ensure that internal recognition and rewards reinforce desired behaviour.

## Strategic planning

Strategic planning was born as a key business process in an era of optimism and industrial growth in the 1960s and early 1970s (Porter, 1987). This grew out of two streams of thinking about management practice.

The first was the developments in programme planning and budgeting that came out of the Second World War. The annual budgeting process soon stretched into five-year plans, because of a growing recognition that the financial consequences of decisions were often long term.

A second stream of thought pioneered at the Harvard Business School in the 1950s, highlighted the importance of having an overall corporate strategy. Management theory had concentrated on the functions of business such as production, finance, marketing and logistics etc.

However each tended to be pursued as a separate subject in its own right, with its own concepts and methodologies. There appeared to be no theory on how to integrate these functions. Companies had always determined overall strategies, albeit predominantly implicit and largely intuitive. As firms became more complex they needed a more systematic approach to setting strategy. Strategic planning emerged as the panacea, and strategic planning staff functions grew in large organisations as a result. Formal long range planning systems were developed which tended to focus on, issuing planning guidelines, specifying goals to be met and the information expected. Thick planning books coupled with five-year projections were the norm, and senior staff would expend resource, time and effort reviewing and responding to the strategic planners. Yet strategic thinking rarely occurs spontaneously.

As such, the formal planning approaches tended to achieve a real focus on the future, without which the day-to-day concerns would tend to prevail. Also, mechanisms for communicating strategy to those who had to carry it out were developed. This seldom happened when the formulation of strategy remained the private property of the Chief Executive. In this instance the strategy would tend to be based on the personal and singular views of the Chief Executive and his immediate close confidants. The strategy could simply become a private agenda, with little or no communication to the key line managers who would be required to deliver the results of it. The resulting scenario is one of carrying on with the normal modus operandi in the absence of knowing any different.

However, by the mid 1980's it had become fashionable to dismiss strategic planning as unimportant, and worse, the cause of corporate problems, not their solution. The attack on planning took three forms:

Promote strategic thinking	<p>There was a growing recognition that the processes for strategic planning were not promoting strategic thinking. Instead of clarifying and communicating strategy, the outcome of laborious strategic planning exercises was thick binders, which had little if any impact on action. Strategic planners had captured the process, filling out plans, which were reviewed by yet other planners. Line management tolerated planning, but increasingly dismissed it as an irrelevant ritual.</p>
Planning techniques	<p>Early techniques such as the experience curve, product cycle theory and portfolio planning, promised easy answers based on simple concepts of competition. These techniques tended to position a single variable in the competition and only one corresponding route to success such as building the largest market share, diversification, downsizing the organisation. Companies began to find that the premise behind these prescriptions did not always hold. For example, having the largest market share was frequently not the most profitable position and becoming a low cost producer by investment is not always the way to win.</p>
Corporate success	<p>Finally strategic planning was attacked for leaving out important determinants of corporate success. The ascendance of Japanese companies was seen as evidence that Western techniques for strategic planning were a failure. Japanese companies tended to concentrate on quality, productivity and teamwork, not; it seemed on fancy planning techniques and the next quarter's earnings per share. It had suddenly become embarrassing to talk about strategic planning with some companies even dismantling their planning processes altogether.</p>

## Strategic thinking

In the 1990s the need for strategic thinking had never been greater. Few companies whether they were in oil, computers, banking, retailing or engineering escaped the growing competition of the previous decade. Slower growth, globalisation, increasing consumer requirements and rapid technological change have shaken industry after industry. The basic questions that good planning needs to answer - the future direction of competition, the needs of the customer, the likely behaviour of competitors, and how to gain a competitive advantage will never lose their relevance. What has been under attack is not the questions, but the techniques and organisational approaches which companies have traditionally used to answer them. The solution is to improve strategic planning, not to abolish it. The need to plan formally has not changed - otherwise strategic planning will be crowded out by day-to-day pressures.

Some companies have misinterpreted their earlier difficulties with strategic planning, and reduced it to an annual discussion of important issues facing each business. This is a serious mistake. There are no substitutes for strategic thinking as shown by the number of successful Japanese companies who are also strong believers in planning. To be effective, strategic planning must use a proper process, because strategy should not be separated from implementation. Strategic thinking cannot occur only once a year according to a rigid routine. It needs to inform a company's daily actions. Strategic planning must therefore be the job of line managers, not of head office staff. The best systems will employ multifunctional planning teams in which line managers from sales, marketing, manufacturing, engineering etc., debate and resolve the trade off among functions essential for effective strategy. The size of strategic planning staffs should be reduced and the role redefined to one of facilitation and integration rather than doers. In fact it could be said that the most effective strategic planners, are those executives that are in rotation from their normal line management responsibilities, rather than utilising specialist planners on a full time basis.

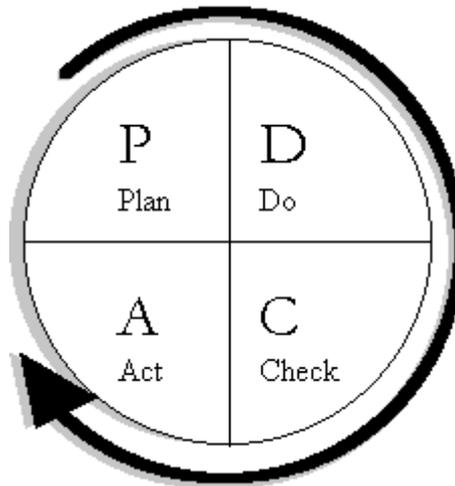
Good strategic thinking also requires fewer planning guidelines. They should specify the kinds of information required. Each year the guidelines should highlight new areas for special attention. A good strategic plan should conclude with the detailed actions, which are to be agreed upon, and carried out. This coupled with the active participation should ensure that the plans do not merely gather dust. Finally, the process by which plans are reviewed is perhaps the most vital way of ensuring that the planning process remains healthy. In most companies the review consists of a series of slick presentations by managers followed by a general question and answer format. The most effective form of review are those where a written document is submitted prior to a consultative discussion meeting between line managers and head office staff. Presentations are then limited to a short summary of what actions are proposed. The meeting should encourage hard questioning, so as to define expectations and identify critical problems.

## Policy deployment

### Background

In 1968, the Bridgestone Tire Company in Japan won the Deming prize after making vigorous efforts to rotate the plan-do-check-act cycle, as shown below, with the co-operation of all their employees ([Kondo, 1998](#)).

The PDCA cycle. After Deming (1986:88)



Bridgestone looked at its cross-functional management areas such as quality assurance and profit management, to find annual priority implementation items (Kondo, 1997). These items were determined in agreement with the annual policies of higher management and were implemented by the relevant departments. The process also required top management to regularly check to:

- See how each department was implementing its items.
- Examine the results obtained.
- Identify any problems associated with the implementation.
- Assist in setting up and refining policy.

Bridgestone named this strategy ‘Hoshin Kanri’, and it is also commonly referred to as Policy Deployment.

Hoshin Kanri has had many alternative definitions; however, the most comprehensive definition is the one given by Mizunode, which states that Hoshin Kanri aims to:

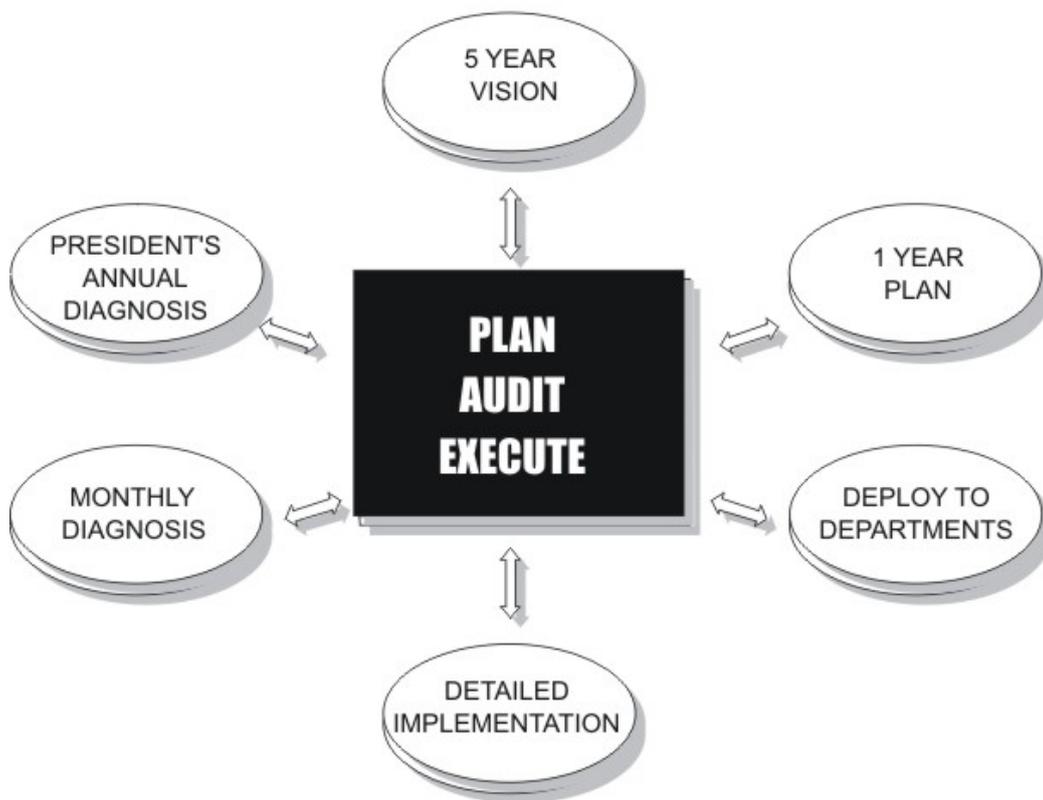
“Deploy and share the direction, goals and approaches of corporate management from top management to employees, and for each unit of the organisation to conduct work according to the plan. Then, evaluate, investigate and feed back the results, or go through the cycle of PDCA continuously and attempt to continuously improve the performance of the organisation.” ([Lee & Dale, 1998](#))

## Principles

Hoshin Kanri is not a strategic planning tool in itself, but can be thought of as an execution tool for deploying an existing strategic plan throughout the organisation, thereby facilitating the strategic planning process. It depends on having a clear set of objectives articulated by the Chief Executive/Company President. Application of Hoshin Kanri will then translate the strategic intent into required day-to-day actions and behaviours. The main objectives of Hoshin Kanri can be summarised as:

- Identification of important areas of opportunity for the organisation to change or improve
- Determine the most cost effective actions throughout the organisation to achieve these changes
- Create a detailed implementation plan
- Provide a review mechanism to identify corrective actions and learning

Hoshin planning principles are formulated around companies knowing what their customers will want in five to ten years, and understanding what needs to be done to meet and exceed all expectations. This requires a planning system that has integrated Deming's "Plan-Do-Check-Act" language, and activity based on clear long-term thinking. The measurement system needs to be realistic, with a focus on process and results and identification of what's important. Groups should be aligned with decisions taken by people who have the necessary information. Planning should be integrated with daily activity underpinned by good vertical and cross-functional communication. Finally, everyone in the organisation should be involved with planning at local levels, to ensure a significant buy-in to the overall process. The figure shows a model of the Hoshin planning system.



### Basic concepts

Hoshin Kanri is basically the “means by which both the overall control system and TQM are deployed” (Akao, 1991). Cowley and Domb (1997) offer the diagram shown as a basis of the Hoshin Planning process. They simplify the figure by breaking it down into three stages. The first three steps are the “**what needs to be done stage**”, the next two steps are the “**how should we do it stage**”, and the final three steps are the “**how did we do stage**”.

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The first step should incorporate a five to ten year plan or vision that should involve the usual strategic planning activities, such as a SWOT analysis (Calingo, 1996; Lee & Dale, 1998). This initial long-term view should then be broken down into a more detailed mid-term plan that covers three to five years.

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The second step of the process involves developing this mid-term plan into the actual annual plan, and focuses on the vital few objectives, together with deploying the plan to each department. It is within the deployment part of the plan that the strategy of ‘catchball’, which is synonymous with Hoshin Kanri, is observed.

Catchball is a process of communicating and developing the objectives that involves the ‘ideas’ having to move up and down, as well as horizontally through the organisation several times before agreement can be obtained between differing organisational layers (King, 1989).

Lee & Dale (1998) highlight the importance of the catchball process with the statement:

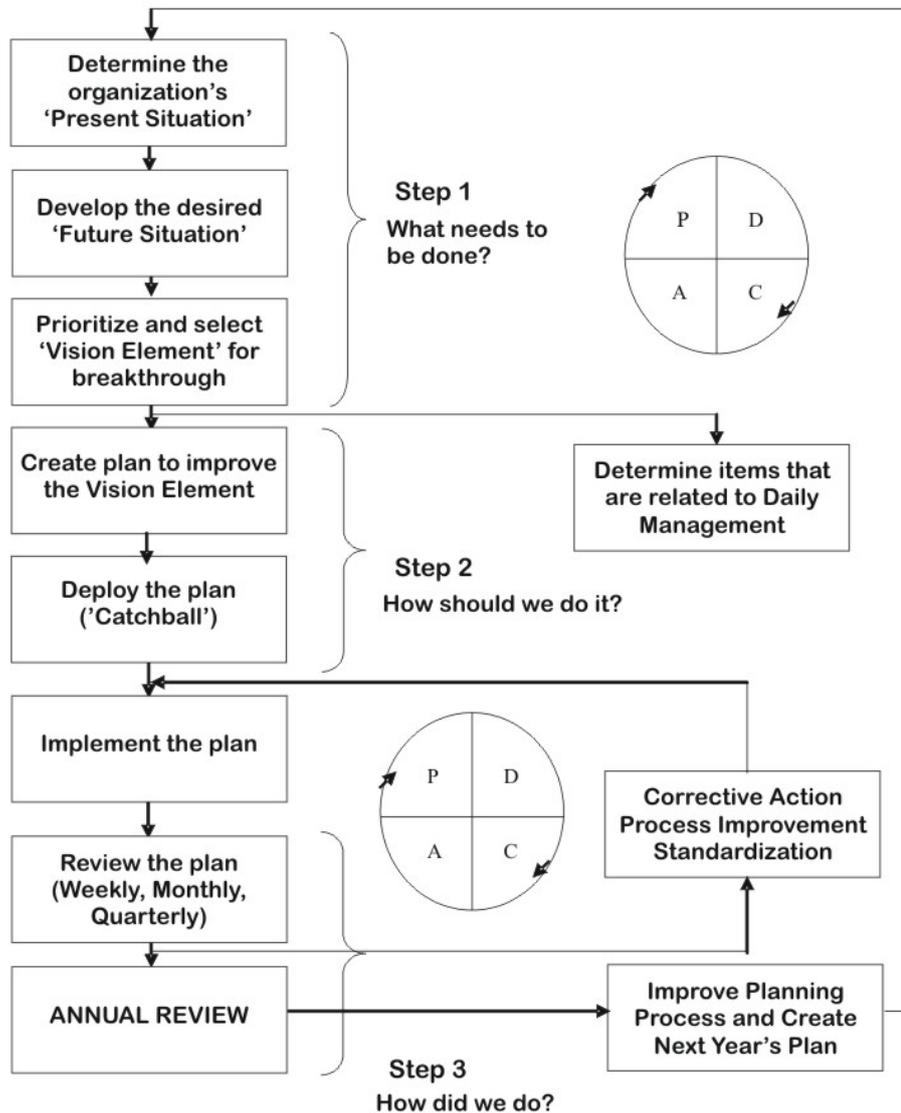
“A significant aspect of policy deployment is the extent to which the targets and means initiated at the top level are extensively modified through negotiation by the creativity of the lower levels through bottom-up feedback. This involvement of everyone results in full ownership and understanding of the plan at all levels of the organisation.”

[Mulligan, Hatten & Miller \(1996\)](#) extend the catchball definition by calling the process CRIP, which stands for Catch, Reflect, Improve and then Pass the idea. They argue that the idea is to ensure that no-one passes any ideas on without having added some value to them. By carrying out catchball or CRIP, organizations can ensure that they produce organizational objectives with maximum employee participation.

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The final stage involves implementing the plan and reviewing the whole process. During the year, the plan should be reviewed regularly so that any problems can be identified and corrected as soon as possible, thereby continually improving the deployment processes. However, for the annual review, [Wood & Munshi \(1991\)](#) suggest the following areas should be examined:

- Achievements and lessons learned.
- Any gaps between achievements and goals.
- A root cause analysis of any problems.
- Any environmental factors.
- Future organisational plans.



## Case studies

In Japan, Hoshin Kanri has been a very popular method of implementing strategy and TQM; however, in the West the number of companies that strategically plan using Hoshin Kanri is very low. According to [Tennant & Roberts \(2001\)](#), this is probably due to difficulties in translation of Hoshin Kanri texts, organisation adaptation of Hoshin Kanri names, and because Hoshin Kanri requires organizations to plan using a difficult and unusual structure, that requires a high degree of understanding. However, there have been numerous documented cases of its successful use in the West, including

RHP Bearings	<a href="#">Regan &amp; Dale, 1999</a>
Rover Group	<a href="#">Tennant &amp; Roberts, 2001a</a>
Bethesda Inc	Kennedy, 1994
The Edward L. French Centre	Hyde, 1996
Xerox	<a href="#">Witcher &amp; Butterworth, 1999</a>

Hewlett-Packard

[Watson, 1993](#)

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[Cowley and Domb \(1997:14\)](#) state that the following are their experiences of using Hoshin Kanri as a strategic tool:

- It instils commitment to deserving goals in everyone in the organisation.
- It focuses the efforts of the organization on the vital few goals, whilst depriving ‘the trivial many’ of any undeserved effort.
- It creates the best communication vehicle an organization could possess.
- It creates a vehicle for organizational learning.
- It enables tasks to be completed quicker and more effectively.
- It aligns all the personnel within the organization.
- It encourages major organizational improvements or breakthroughs.
- It is very flexible, which allows it to cope with a changing world.

## Management by Objectives

### Background

Drucker ([1955](#)) developed the concept of Management by Objectives (MbO), where he stated that:

“Each member of the enterprise contributes something different, but they must all contribute towards a common goal. Their efforts must all pull in the same direction, and their contributions must fit together to produce a whole – without gaps, without friction, without unnecessary duplication or effort.”

By adopting this philosophy, Drucker believed that an organization would be more successful. According to [Hannagan \(1998\)](#), MbO was a very popular method of implementing strategic objectives in the 1960s and 1970s, and more ‘modern’ methods of policy implementation, such as Hoshin Kanri and the Balanced Scorecard, are based on MbO.

MbO is basically a process that starts with the setting of objectives for individuals, and finishes with a review of an individual’s performance, based on their own and the organization’s results. MbO does have some similarities to Hoshin Kanri and, according to [Akao \(1991\)](#) Hoshin Kanri evolved from MbO in Japan in the 1950s and 1960s because, according to [Tennant & Roberts \(2001b\)](#) Hoshin Kanri was more flexible at dealing with the massive economic changes that were being encountered by Japanese companies.

According to [Reddin \(1971\)](#), there are numerous benefits of incorporating a MbO strategy, which include:

- It can be used in all parts of the organisation.
- It is flexible in its implementation.
- It is a simple system to introduce.
- It strengthens the manager-worker relationship.
- It has been proven to be a profit improving strategy.

However, there are also some limitations. According to [Deming \(1986\)](#), MbO:

- Nourishes short-term performance.
- Annihilates long-term planning.
- Builds fear.
- Demolishes teamwork.
- Nourishes rivalry and politics.

### Basic concepts

[Reddin \(1971\)](#) states that the common elements of an MBO strategy are:

Objectives established for all positions within the organisation.

- The use of joint objective setting.
- The linking of departmental objectives.
- The establishment of a reviewing and recycling system.
- High top management involvement.
- High workforce involvement at the beginning.

However, [Dinesh & Palmer \(1998\)](#) put forward the following implementation steps that should be followed by any organization wishing to undertake a MbO strategy:

- Identification of organizational strategy. Any organization undertaking an MbO system should start by identifying their long-term strategic goals.
- Collaborative goal setting. All goals should be set in collaboration with both different levels of management and the workforce; however, the goals need to be consistent throughout the organizational structure.
- Rewards linked to goals. The organization should strive to link its rewards policy to the individual objectives set by the MbO process.
- Development of action plans. These should assist the organization in identifying their problem areas and resources to overcome those problems.
- Cumulative periodic review of subordinate results against targets. Management needs to be aware about individual and departmental progress or problems, so that they can provide support.
- Review of organizational performance. The final step of any MbO strategy should be a review of the organization's performance against goals, so that any issues can be fed back into the next set of targets.

## Balanced Scorecard

The Balanced Scorecard is aimed at complementing financial measures of past performance with measures of the drivers of future performance, which are derived from an organization's vision and strategy. These represent a balance between external and internal measures, thereby revealing the value drivers for superior long-term financial and competitive performance.

### Background

The origins of Balanced Scorecard can be traced back to 1990 to a one year multicompany study, "Measuring Performance in the Organisation of the Future", sponsored by the Nolan Norton Institute. There was a belief that the performance measures in use were becoming obsolete for modern businesses, being based on traditional financial and accounting metrics. The view was that the measures in use were based on the achievement of short-term objectives, rather than taking a longer term strategic view of the ability to create future economic value. The study team leader was David Norton, CEO of Nolan Norton with academic input from Robert Kaplan of the Harvard Business School. The companies involved in the project were represented from diverse business sectors representing manufacturing, service, high technology and heavy industry. The project team met bi-monthly to develop a new performance model. The project examined case studies to identify the failings of traditional performance measures and review any areas of innovative performance measurement systems. One electronics company had described an approach for measuring rates of progress in continuous improvement activities, by application of a newly created "Corporate Scorecard" that contained the traditional financial measures in addition to some others. The other measures included customer delivery times, quality and cycle times of manufacturing processes and effectiveness of new product developments. This led the project team to focus on the multidimensional scorecard as offering an optimum approach to meet their aims.

### Measures of performance

#### Traditional Measures

Traditional measures of performance in many companies tend to over rely on financial accounting measures, which can actually hinder an organization's ability to create future economic value. Return on investment, net capital employed, economic value added and internal rate of return represent important, but not sufficient information when reviewing business performance. Other limitations include an obsession with expressing measures in monetary terms, using a high level of aggregation of information, and a failure to integrate various forms of data and information. The causes of application of the traditional measures has evolved due to the following:

- Evolution of computer based financial systems and dual purpose financial reporting
- Performance reporting is heavily influenced by management turnover
- Lack of sophistication in applying information
- Accounting measures are often used to trigger bonuses

Even where non-financial measures are applied, they often segregated from the "business of running the business", being discarded under the heading of operational detail. This failure to integrate all company measures into one cohesive management information system, has important consequences for the modern business. This is because without this, senior management is unable

to understand the drivers of long-term success, and front line operations employees cannot understand the financial consequences of their decisions and actions.

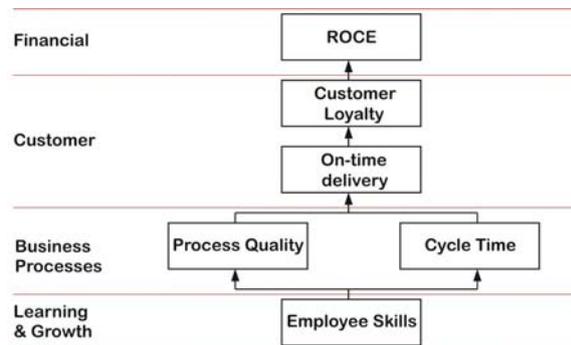
#### Generic Measures

All business can be seen to have what are termed generic measures, which can be categorised under the four headings of financial, customer, internal and learning. These can be expanded further to include high level measures as shown in the table.

Generic measures of performance.	
Perspective	Measures
Financial	Return on investment and economic added value.
Customer	Satisfaction, retention and account share.
Internal	Quality, response time, cost and new products.
Learning	Employee satisfaction and information availability

## Linkages

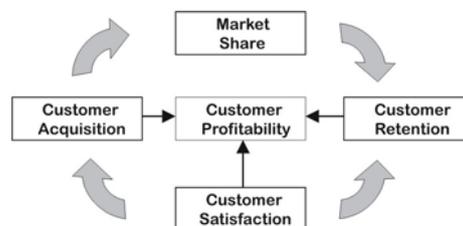
The measurement system should aim to make the linkages between the four generic areas of performance measures, so that they can be managed and validated. An entire chain of cause and effect relationships can be shown as a vertical hierarchy as shown below.



At the financial level Return On Capital Employed (ROCE) may be a key high level measure, but the key driver of this could be repeat and expanded sales from existing customers, measured as customer loyalty. This level of customer satisfaction is strongly correlated to on- time delivery, which can only be achieved through improved process quality and faster process cycle times. The key linkage to improved quality and faster throughput is the skill base of the employees, either production operators, engineers or managers. It is only by translating the higher order measures through the cause and effect relationships, into operational targets, that major impacts on the business can be achieved.

## Customer outcomes

Customer outcomes can be expressed as a set of core measures, which are also generic across all organizations. They can be grouped in a causal chain of relationships as shown below.



For maximum impact these five core measures need to be customised to the appropriate customer groups, particularly those where the business expects a greater percentage of future growth and profitability. Each group can be defined as:

- Market Share
  - Reflects the proportion of business in a given market that a business unit sells
- Customer Acquisition
  - Measures in absolute terms the rate at which a business attracts new customers or business
- Customer Retention

- Tracks in absolute or relative terms the rate at which a business unit retains ongoing relationships with its customers
- Customer Satisfaction
  - Assesses the satisfaction level of customers along specific performance criteria within the value proposition
- Customer Profitability
  - Measures the net profit of a customer or segment after allowing for the expense required to support that customer

### Examples of scorecard measures

#### Customer

- Quality - Own quality relative to industry standards, number of defects
- Price - Own price relative to competitive market price, sales volume
- Delivery - Actual versus planned, number of on time deliveries, days late
- Shipments - Sales growth, number of customers that make up 90%
- New Products - % of sales from new products introduced in last two years
- Support - Customer response time, customer satisfaction surveys

#### Learning & Growth

- Opportunity - Individual contribution, personal job satisfaction, training plans
- R&D - Number of new products, number of patents taken out per year
- Market Leadership - Market share in major markets, customer systems developed
- Technology - Product performance compared to competition, patents applied
- Benefits - Salary comparisons, share option schemes

#### Internal Business Processes

- Productivity - Cycle time, lead time, overheads, work in progress
- New Products - Rate of new product introduction, lead time, productivity
- Product Success - Product quarterly sales, number of orders, repeat orders
- Sales Penetration - Actual sales versus plan, increase in number of customers
- New Business - Number of new businesses each year

#### Financial

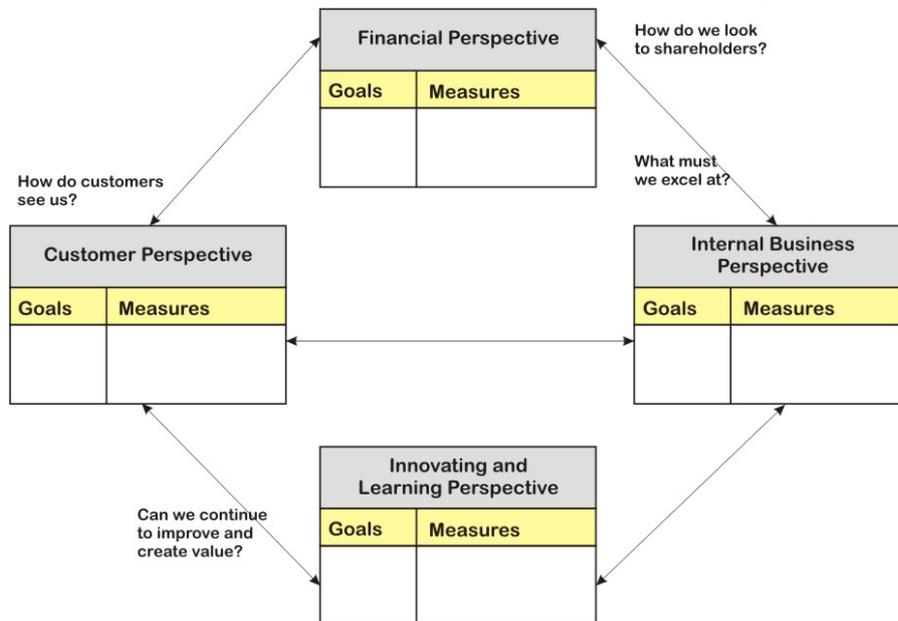
- Sales - Annual growth in sales and profits
- Cost Of Sales - Extent it remains flat or decreases per year

- Profitability - Return on capital employed
- Prosperity - Cash flows per quarter

## Basic concepts

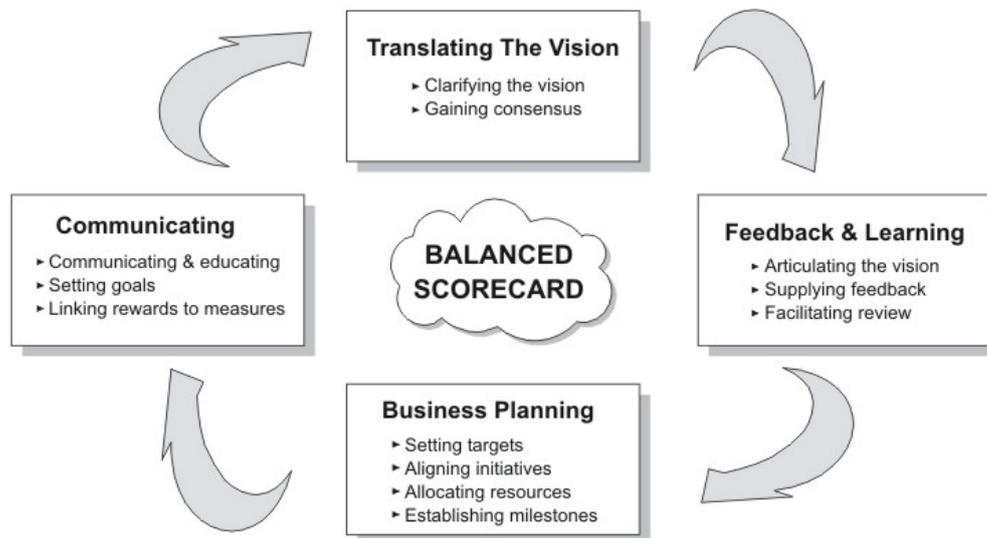
[Kaplan and Norton \(1992\)](#) state that the Balanced Scorecard allows management to view the activities of the organisation from four different, but equally important perspectives, as shown below. As well as creating goals and measures, Balanced Scorecards also identify key targets and the initiatives that are in place to reach those targets.

Balanced Scorecard links performance measures. Source: Kaplan & Norton, 1992.



## The approach

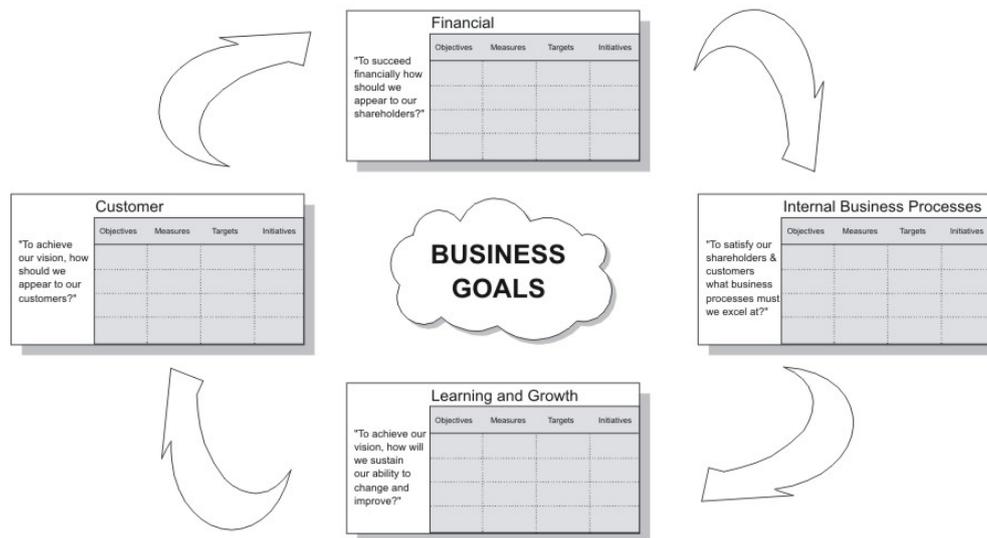
The Balanced Scorecard approach encourages managers to move away from reliance on short term financial measures as the sole indicators of the company's performance. The scorecard allows for the introduction of four management processes, which contribute to the integration of long term goals and objectives with short term operational actions. The four processes are shown below.



Four management processes.	
Translating the vision	Helps to build consensus around the organizations vision and strategy. The vision must be expressed as an integrated set of objectives and measures, which are meaningful to people at all levels within the organization.
Communicating	This is intended to allow managers to communicate their strategy up and down the organization, with the aim of making strong links to departmental and individual objectives.
Business planning	This enables companies to integrate business and financial plans. Most modern businesses will have a variety of change programmes in place at any one time; each led by a champion, which can be difficult to align to the strategic goals. It is therefore appropriate, if not essential, to use the   Balanced Scorecard goals and measures to drive all initiatives in the business.
Feedback & learning	This gives companies an opportunity to carry out strategic learning, rather than merely focusing on achievement of annual budgets or individuals objectives. The scorecard approach enables real time learning due to its avoidance of narrow financial performance measures, but instead taking a holistic view of the real actions and measures that drive the business.

## The scorecard

The Balanced Scorecards are linked in a model for achieving the business goals of the organization. A scorecard should be developed for each of the four management perspectives which needs to identify the process vision, objectives, measures, targets and related initiatives.



These can be cascaded further as individual scorecards as shown below. The individual scorecard can contain three levels of information as follows:

- **Corporate targets**
  - Communicates objectives, measures and targets
- **Business unit targets**
  - Allows business units to translate the corporate targets
- **Individual targets**
  - Teams and individuals can their own specific objectives

## Implementation

To implement a Balanced Scorecard strategy, the organisation is required to carry out 10 steps ([Kaplan & Norton, 1996](#)). These steps are usually implemented by an “architect”, who is generally a senior manager that is familiar with the process, and a small project team.

Implementation sequence. Source: Kaplan & Norton, 1996.		
1	Select the appropriate business unit	This is usually a Strategic Business Unit (SBU) that carries out all ‘products’ operations such as production, marketing, selling, distributing and servicing.
2	Identify specific SBU and corporate linkages	This is to ensure that any objectives identified by the SBU, do not optimise its own performance at the expense of other SBUs.
3	Carry out initial interviews	The architect gathers all the initial material required to produce the Balanced Scorecards, including the SBU’s vision, mission and strategy, as well as external information such as market forecasts, competition and customer information.
4	Synthesis session	The project team reviews all the information they have gathered to develop the initial Scorecards based on the four perspectives. They concentrate on whether the objectives within each perspective are linked, which is a key element of the Balanced Scorecard strategy.
5	First executive workshop	This is where the project team first meets with senior management to discuss the contents of the Scorecards and to discuss any organizational resistance to the process. At the end of this workshop, there should be consensus on what the three or four key strategic objectives for each perspective are.
6	Subgroup meetings	The project team now have several meetings with key SBU personnel to: refine the wording of the strategic objectives; identify measures that best

		communicate the essence of the objective; identify the source of information for each objective; and identify the key links with the other perspectives.
7	Second executive workshop	This workshop involves both senior management and key personnel and is designed to gain an SBU consensus on the key objectives.
8	Development of the implementation plan	A newly formed SBU team now takes the ideas from steps 1-7 and develops an implementation plan, including formalising stretch targets.
9	Third executive workshop	This is the final executive meeting and it is designed to reach a final consensus on objectives, measurements and stretch targets. It is also there to ensure SBU agreement on the implementation plan.
10	Finalise the implementation plan	Once the final plan has been agreed, it should be integrated into the SBU's management system within sixty days, otherwise it will lose its value.

## Business process reengineering

The 1970s saw companies in the USA champion the “I’m OK, you’re OK” philosophy ([Zaffarano, 1973](#)). This was then replaced by the MBO strategy, which, in the 1980s, was succeeded by the TQM philosophy. However, in the 1990s, US companies realised that the new initiative of Business Process Reengineering (BPR) was the next approach that should be followed to guarantee business success ([Gupta & Rohe, 1997](#)).

[Hammer & Champy \(1996\)](#) define BPR as:

“the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed.”

In theory, BPR is a strategy that allows a business to significantly rebuild its processing functions, which should result in improved quality and lower distribution costs, with a subsequent increase in productivity ([Gupta & Rohe, 1997](#)). However, most importantly, all of this should be achieved without a significant capital outlay in Information Technology (IT) or consultants, and without a headcount reduction.

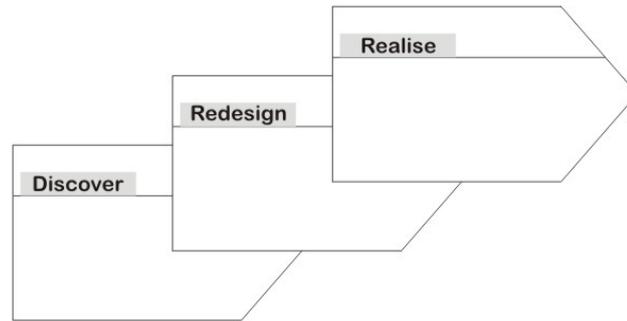
### Basic concepts

[Hammer & Champy \(1995\)](#) state that in simple terms, BPR means throwing away the old processes and starting again; it means going back to the very beginning and discovering a more efficient way of doing business. To give a formal description of the BPR process is difficult due to the number of methodologies that exist. [Valiris & Glykas \(1999\)](#) confirm this opinion with their comment on the number of BPR techniques that are available; however, they do break the techniques down into three areas:

1. Management accounting categories – where businesses endeavour to reorganise their processes using IT as the catalyst.
2. Information systems (IS) development categories – where businesses endeavour to reorganise their processes to enable the introduction of IT to have the greatest possible impact on their organisation.
3. Organisational theory based categories – where businesses concentrate on understanding, analysing and reorganising their processes based on accountability and the role individuals play.

Moreover, how these methodologies are implemented is difficult to summarise due to the differing implementation theories. [Johansson, McHugh, Pendlebury & Wheeler \(1993\)](#) suggest that the basic holistic approach to BPR revolves around the three phases shown below.

Three phases of BPR. Source: Johansson et al, 1993.



The “discover” phase is where the business will create a strategic vision and determine what can be changed within its processes to help achieve that strategy. The “redesign” phase is where the actual redesign process is planned in detail, and the “realise” phase is where the existing processes are changed to enable the new strategy to be realised.

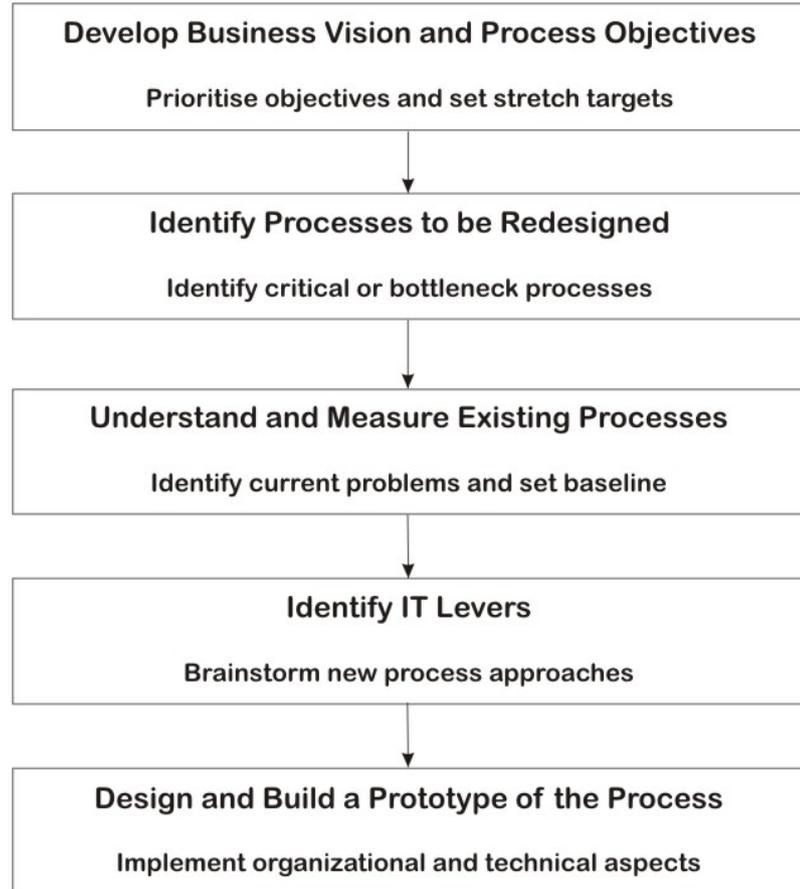
### Alternative approaches

[Armistead & Rowland \(1996\)](#) take a more specific, less structured approach and offer the following eight step strategy for BPR implementation:

1. Processes should be reorganised around outcomes and not tasks.
2. Individuals who use the output from a process should perform the process.
3. Treat geographically dispersed resources as though they were centralised and create hybrid-centralised organisations.
4. Processes should be linked in their natural order and performed in parallel.
5. Processes should be carried out where they create the greatest efficiencies, especially checks and controls.
6. Information should be inputted once and used many times.
7. Combine jobs.
8. Create multiple versions of appropriate processes when possible.

A further example of one of the earliest recorded implementation strategies, suggested by Davenport and Short (1990), is shown below.

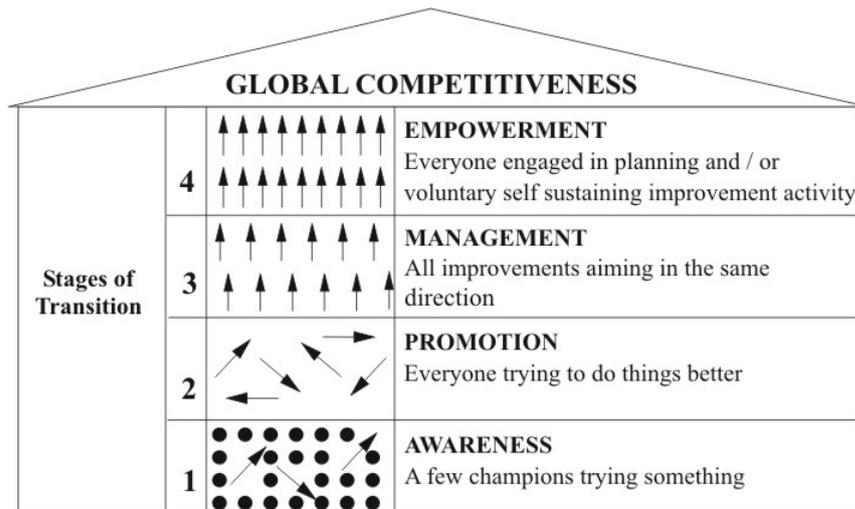
Five step approach to process redesign. Source: Davenport & Short, 1990.



## Success and failure factors

The figure below shows the four-stage transition model that is used as the basis for TQM (PA Consulting Group, 1989). To reach the apex and be globally competitive, a company must reach empowerment, where everyone is pulling in the same direction or are 'aligned'. Without this alignment, which can be encouraged through a well thought out vision, a company may find that its BPR efforts are sub-optimising small, individual processes, at the expense of optimising the whole process. According to [Bashein, Markus, & Riley, 1994](#) and [Al-Mashari & Zairi, 1999](#), a lack of a shared vision is one of the main reasons behind BPR failure.

Four-stage transition model. Adapted from PA Consulting, 1989.



## Summary

BPR is a strategy that has the potential to increase productivity through reduced process time and increased quality, and through this should follow increased customer satisfaction and reduced costs. However, it generally requires a deep and fundamental organizational change, which can actually result in a complicated implementation process. Bashein et al, 1994 and Al-Mashari & Zairi, 1999, state that up to 70% of BPR strategies fail, with some of the common reasons for failure being:

- CEO not involved, committed or about to change.
- Unrealistic expectations.
- Lack of a shared vision and employee empowerment.
- Company in poor financial position.
- Too many other 'strategic changes' taking place.
- Fear of unknown.
- Organizational resistance.
- Lack of education and training.

However, Gupta & Rohe (1997) highlight six cases including Pepsi-Cola and McDonnell Douglas Transport Aircraft, where BPR was an enormous success and suggests that the strategy still has a future.

## Case studies

Examples of companies that have had successes with their strategic planning processes or incorporating a TQM philosophy are numerous ([Shelton, 1995](#) and [George & Weimerskirch, 1998](#)) give examples of over 100 companies); however, finding detailed articles of companies that have been completely open about their failures with strategic planning, are less numerous. A T Kearney's (1991) report includes the following examples.

Harley Davidson	Recaptured most of the market share for super-heavyweight motorcycles it had lost to the Japanese in the 1970's and early 80's. It significantly improved quality and reduced rework by 70%.
Xerox	Achieved a 78% decrease in the number of defects per 100 machines. It cut unscheduled maintenance on its machines by 40% and service response time by 27%. It cut almost 30% off the time it takes to bring a new product to the market. Through better supplier relations, Xerox improved the percentage of defect-free incoming parts to its plants from 92% in the early 1980's to 99.95% defect free in 1989. It cut in-process inventory from six months supply to one-month supply, reduced unit manufacturing costs by 50% and increased revenue per employee by 20%.
Cadillac	Cut warranty costs by 30% and warranty defects by 60% in three years. It rose from 17th in consumer satisfaction to 4th in four years, displacing Honda Motor Co. Productivity was 50% higher in 1990 than in 1986. Cadillac redesigned its 1988 Eldorado in one year versus the traditional two years.

## Rank Xerox

Rank Xerox is a company that is well established for its successful TQM implementation process. Evidence exists in its award of the European Quality Award in 1993 and worldwide renown for product excellence in document reproduction equipment. Also the established publication on benchmarking was written by one of its senior employees (Camp, 1989). Research into the approach taken by Rank Xerox revealed that the company believes that Total Quality is the basis for policy and strategy (Rank Xerox, 1993). The implementation of Total Quality in 1984-85 initially concentrated on applying quality processes to the management of the business. With experience, a gradual refinement and improvement of business strategies began which started to reflect fully the principles of quality. The company moved away from being driven by financial results to striving to fully meet the needs of its customers. The company vision was declared in 1991 as:

“Rank Xerox, the Document Company, will be the leader in the European document market, by providing document services that enhance business productivity.”

### Main priorities

The main priorities were established as customer satisfaction first and employee motivation and satisfaction second. This approach was based on the premise that customer satisfaction through motivated and satisfied employees, would deliver market share and return on assets. Xerox developed a strategy for achieving the vision, known internally as Rank Xerox 2000. The strategy is based on a business architecture model which is a hierarchical data flow diagram providing a vehicle for communicating an understanding of the agreed corporate processes. The model defines what work needs to be done in order to deliver the agreed internal and external customer needs. Three types of business processes are recorded as follows:

Management processes	To set direction, provide operational frameworks and inspect business processes which typically consist of a formal series of interrelated meetings and documents.
Core business processes	These are the critical means of delivering value to the customer. There are four core business processes in the model.
Infrastructure processes	These support the core business processes by supplying specific services and competencies, including finance, information management, audit and legal services and human resource management.

Each process is broken down into four hierarchical levels of detail. At each level, the process is connected with labelled lines to its associated primary inputs and outputs including the external factors of the market and the customer. For each level of process hierarchy a desired state, core measurement and areas for inspection are defined.

The conclusion drawn from this research is that Xerox has based the company's strategy around the principles of quality and measurement of quality metrics. The methodology used has been one of company process analysis.

## Motorola

Motorola is world renowned for class leading levels of performance in design and manufacture of electronic systems and components. It is well known throughout the industry for its efforts to achieve business success through quality. Its key beliefs are “constant respect for people” and “uncompromising integrity” (Cullen, 1991).

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Key goals are stated as: increased global market share; through best-in-class processes, people, technology, products, manufacturing and service.

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The quality strategy deployed at Motorola is based on achievement of best in class levels of people, technology, product, manufacturing and service. The goals are delivered through application of “6 sigma quality” (which requires process capability levels across all business processes of the order of 3.4 parts per million defects), total cycle time reduction and product/manufacturing leadership.

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The conclusion drawn is that Motorola has moved from quality awareness to a results driven quality strategy, based on achieving world class performance in selected business processes. The major emphasis within this strategy is process capability measurement and achievement.

## IBM

The cornerstones of the IBM culture are the basic beliefs of respect for the individual, the best customer service and pursuit of excellence. The company has formal Corporate Policy Letters and Corporate Instructions (CIs) for implementing these basic beliefs. For example, CI101 requires that all business processes, product and non-product, improve continually to make them more efficient, effective and adaptable. Goals and market driven quality principles are developed from the CIs. The market driven quality principles are:

- “Make the customer the final arbiter,
- understand our markets,
- commit to leadership in the markets we choose to serve, and
- deliver excellence in execution across our enterprise”.

IBM Rochester has created a quality policy, a vision, and a set of quality goals that are deployed throughout the site to individual departments. Six critical success factors have been identified to implement the vision and to achieve the strategic goal of being the “undisputed leader in customer satisfaction”. Quality objectives are integrated into employee performance plans and agreed upon by both the manager and employee. This process fosters employee participation and empowerment. Each element of quality improvement builds a solid foundation for achieving IBM Rochester’s business objectives (Cullen, 1991).

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The conclusion drawn is that the quality strategy is based on empowering employees to the achievement of goal oriented objectives for achieving the vision through six CSFs.

## Cadillac

The General Motors division of Cadillac achieved remarkable business success in the late 1980's in terms of turning the company around from being seventeenth in customer satisfaction to fourth position in four years. Also, productivity was 50% higher in 1990 compared with the 1986 levels (AT Kearney, 1991; Cullen, 1991).

The cornerstone of the model is based upon a business planning process known internally as "Aligning the Arrows". The strategic objectives are based upon reasonable quantifiable statements about what the company should achieve within a ten to fifteen year horizon. The strategic objectives are translated into business objectives, goals and action plans. The basis of this approach is to develop action plans which represent detailed steps that need to be taken in order to accomplish the goals. The action plans describe who is responsible, what help is needed and when each step will be done. Throughout the process, defined exit criteria must be satisfied for each goal before the next stage in the programme can be approved.

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The conclusions drawn are that this approach is based around the development and review of individual employee action plans at a local level predominantly aimed at achieving localised business goals. Whilst the model describes the requirement for long term strategic objectives, no examples were provided to demonstrate any formal methodology for strategic planning.

## Caterpillar

Black (1988) analysed how the Caterpillar company became a customer-driven organisation committed to achieving process improvement goals. Caterpillar is a name synonymous with the heavy construction industry, producing earthmoving machinery based in Glasgow, Scotland and Illinois, USA. For three decades after World War II Caterpillar dominated the world markets in construction, mining and energy recovery equipment. However, in the late 1970s the company's traditional core markets began to stagnate, the victim of low oil prices, high interest rates, the over-priced dollar, and a world wide recession. Within a short period of time the company saw its manufacturing costs sky-rocket, profits disappear, and market dominance shaken. There was a realisation by the company's senior management team that their major competitors outside the USA were not sitting idle but were aggressively pursuing quality and cost improvements to maintain their position in world markets. A corporate quality committee had operated within the company for many years, but its function was only to monitor the quality of the company's products.

In 1982 the Caterpillar board of directors realised that a company-wide quality effort was needed to accelerate growth and profitability. An eight-point quality programme was introduced that year and in 1987 it was expanded into a Total Quality System (TQS). The TQS was defined by a corporate mission statement and backed up by a Policy Letter on Quality. The quality strategy was supported by the Corporate TQS Committee based on the eight-point quality programme. A database of quality data known as the QNET Information System supported the entire effort. The corporate aim of Caterpillar was initially defined within the quality strategy as building products of improved customer value in terms of reliability, durability, performance and operating cost.

### Strategy

A customer driven strategy was developed to support the achievement of the corporate aim, including elements of managing reliability improvement, reducing variation, improving processes in both the factory and office, and reducing non-quality costs. At the heart of Total Quality System was the eight point Annual Quality Improvement (AQI) programme. AQI was directed towards improving quality in the following areas and subsequently became known within Caterpillar as the "8 Point Quality Programme". The eight headings, or points within the programme were as follows:

- Setting standards
- New products
- Manufacturing
- Suppliers
- Product support
- Field intelligence
- Education
- Non-quality costs

## Objectives

Caterpillar corporate objectives were defined as:-

“To remain the leader in its industry and be a customer-orientated, consistently profitable company.”

The corporate objectives were underpinned by five key thrusts as follows:

- Manufacturing products of the highest quality, and do all other work in a high quality manner
- Sell the value in its products and increase its percent of industry business
- Continue to reduce costs - become the lowest cost, highest value producer
- Treat its people fairly and expect them to give the company their best efforts
- Manage its assets well

The company’s objectives and Quality Policy were supported by detailed milestones as identified in the eight-point quality programme. For each of the eight points there is a scoping statement, a 1991/2 main objective and milestones for each year from 1982 to 1988.

## Programme

The TQS programme at Caterpillar was supported by strategies for managing reliability, incorporating Total Quality concepts into the New Product Introduction process and a system of supplier quality assurance. A manufacturing conformance programme played a key role in the eight-point strategy in which each of the manufacturing operations are subjected to an internal quality certification requirement based on a sixteen point set of criteria for measuring quality. A major aspect of the quality effort was to reduce non-quality costs identified as:

- External failures which result in warranty
- Internal failures which end in scrap and rework
- Appraisal, or the cost of inspection, inspection equipment and testing
- Engineering and process changes made for quality reasons

In 1985 Caterpillar conservatively quantified these costs at \$400 million. Multi-functional teams were identified to define sources of non-quality costs. They estimated that for every \$1 spent on quality measures the company was rewarded with \$10 in savings. Suppliers were enrolled by invitations to send nominees to a “Train-The-Trainer” programme which included basic courses on statistical techniques, diagnostic tools, quality and productivity improvement methods, reading Caterpillar drawings and geometric tolerancing. By 1988 there were 750 certified suppliers representing 71% of the company’s total worldwide purchases.

## Results

Caterpillar believes this effort has helped to save or avoid \$30 million per annum in component costs. Internally, since 1982 Caterpillar has formed 1600 AQI teams to identify root causes of non-

quality and to implement corrective action to improve the efficiency and effectiveness of processes in factories and offices.

Caterpillar states that the AQI programme has led to “the nature of quality improvements changing from the preoccupation with scrap generated on the factory floor to emphasis on business processes”. This is reinforced by allowing each of the operating units within the company to nominate a team as part of a worldwide competition for the company’s annual AQI award. The company president personally selects the winners.

Caterpillar states that its AQI teams have contributed over \$100 million in savings since they were formed in 1982. However, there is no evidence in the research to suggest that the eight points within the quality programme were developed following a process analysis methodology.

The table shows each of the quality headings, which are a mixture of elements of processes, organisations, company functions and systems. There is a rationale statement for each of the quality headings.

8 POINT QUALITY HEADING	ELEMENT	RATIONALE
SETTING STANDARDS	SYSTEM	Standards setting is a control mechanism applied to processes such as engineering and manufacturing to ensure effective operation and conformance.
NEW PRODUCTS	PROCESS	New Products is the activity of defining a market need and developing a product or service through a disciplined process. The process may also be called engineering.
MANUFACTURING	PROCESS	Manufacturing is the activity of converting raw materials into a finished product through utilising conversion operations, machinery and people.
SUPPLIERS	ORGANISATION	Suppliers represent separate organisations that provide inputs to processes in the form of raw materials, finished goods and services. May sometimes be a subsidiary company.
PRODUCT SUPPORT	FUNCTION	Product Support is an internal company function involved with the process of reacting to the demands of external customers and internal functions and processes.
FIELD INTELLIGENCE	SYSTEM	Field Intelligence is a system that gathers data on current products, competitors and future trends. It is usually administered by an internal department.
EDUCATION	PROCESS	Education is an activity that takes inputs such as training material,

		learning institutes and people and converts them into learning process.
NON-QUALITY COSTS	SYSTEM	Non-quality costs is a measurement system which produces costing data of processes, products and people. The costs could be in the form of scrap, warranty etc.

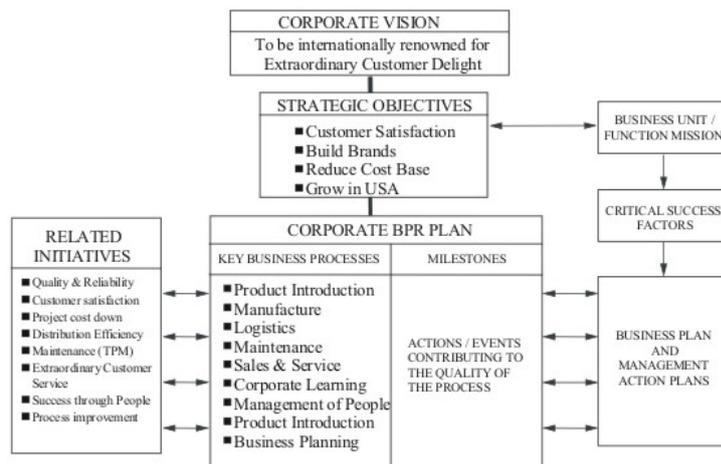
## Rover Group

In the early 1990s the automotive company Rover Group, was facing the classical dilemma of how to reinforce a TQM programme from the late 1980s, and develop a strategy for ongoing business improvement (Tennant & Roberts, 2001b). The TQM programme had delivered the standard elements of creating an executive quality council, company wide training programme, diagnostic quality audit, improved communications, and various quality initiatives. However, there was still a need to develop a strategic quality plan to keep momentum and which could form the basis of a company wide measurement system incorporating a system of regular reviews. The company vision and strategic objectives had been defined during the TQM programme, along with the establishment of a number of quality related initiatives.

### Deployment

Following the definition of the key business processes a model for strategic policy deployment was developed; which related the vision, strategic objectives, business processes and management action plans into one cohesive big picture as shown below.

Rover Group's Strategic Policy Deployment. Source: Tennant & Roberts, 2001b



Key quality improvement milestones for each of the key business processes were agreed by consensus amongst 25% of the management population across the company, by application of a group judgement technique known as Delphi. The milestones represented actions or events stretching over a five-year horizon, as shown below.

Rover Group Quality Strategy. Source: Tennant & Roberts, 2001b.

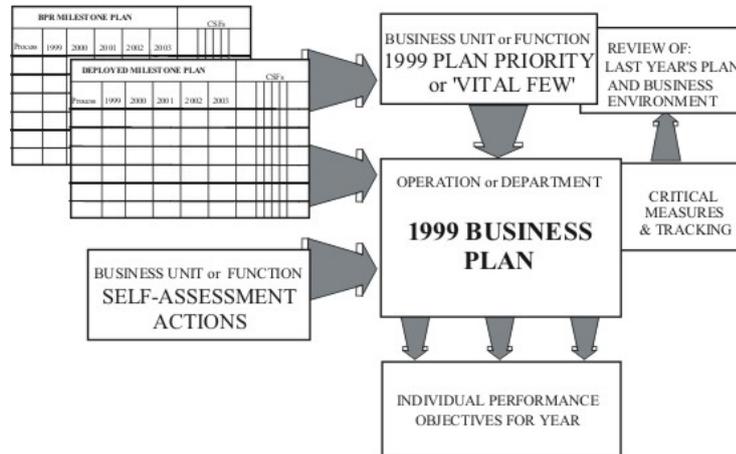
THE ROVER GROUP VISION Rover is Internationally renowned for Extraordinary Customer Satisfaction		QUALITY STRATEGY					ROVER GROUP				Primary Driver ● Strong Connection ○ Related Initiative & Champion
PROCESS	1991	1992	1993	1994	1995	PROCESS VISION	Grow in Europe	Reduce Breakdown	Move Upmarket	Customer Satisfaction	
NEW PRODUCT INTRODUCTION						World Best in Class Quality and Reliability in each Product Sector	○	●	●	●	Quality & Reliability Initiative A. Curtis Customer Targeted Products N.J. Stephenson
MANUFACTURE						World Best in Class Build Quality by Model	●	○	●	●	No.1 New Cars Buyers Survey Rover Group Quality Council
MAINTENANCE						World Best Overall Equipment Effectiveness		●		●	Total Productive Maintenance J. F. Briffin
LOGISTICS						Giving our Customers what they want, when they want it, at Minimum Total Cost	○	●	○	●	Distribution Efficiency & Company Wide Just-In-Time G. J. Morris
SALES & SERVICE						Dealer Network in top three in all markets	●		●	●	Best Dealer in Town J. M. Parkinson
CORPORATE LEARNING						World Best in Class Learning Company	●	●	●	●	Success Through People D. G. Bower
MANAGEMENT OF PEOPLE						An Environment where all Associates willingly give their Best Contribution	●	●	●	●	Success Through People D. G. Bower
PRODUCT IMPROVEMENT						World Best in Class Quality and Reliability in each Product Sector		●		●	Extraordinary Customer Service J. K. Russell Common Business Environment N.J. Stephenson
BUSINESS PLANNING						6% Return on Sales	●	●	●	●	Policy Deployment T. Morgan

Plans and targets

The figure below shows the policy deployment model used to represent a structure for delivery. This was based on the development of functional and business unit plans, operational goals and tracking progress using appropriate measures. The measures were developed and monitored by stakeholder groups for each of the key company processes and regular progress reports were made to the executive quality council.

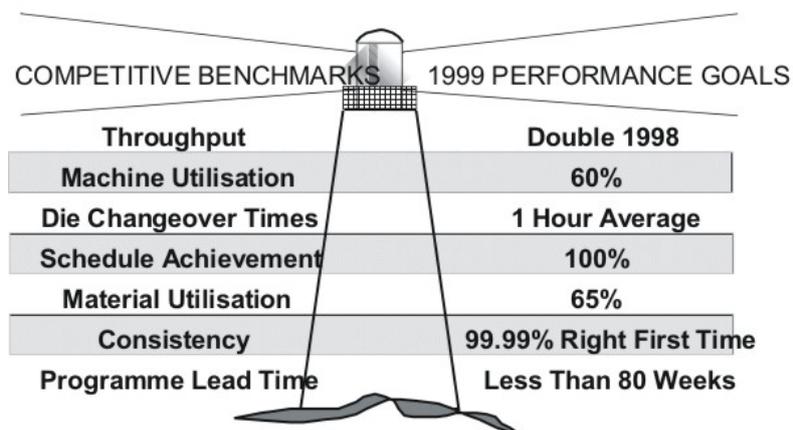
The main emphasis was to achieve a culture of “Kaizen”, by orientating the organization and its employees towards the five-year plan through deployment of one-year plans into process based results objectives.

Rover Group's Policy Deployment Model. Source: Tennant & Roberts, 2001b.



A novel example of deployment down to business unit/functional level is shown in the example below. This shows the “lighthouse” process used to set and communicate the competitive benchmarks and performance goals for the following year.

Target Setting and Deployment. Source: Tennant & Roberts, 2001b.



### Milestones

The milestone measures were based on self-diagnosis by the business units and individual departments, who recorded their progress against pre-agreed performance limits for each milestone. The progress was then summed to provide a company wide status. This effectively allowed the executive quality council to make a number of significant observations: identify particular areas of the business with performance shortfalls, review key business processes which were not improving, and communicate examples of success. Also, individual employees had the ability to track their particular annual objectives back through the departmental business plan, to the company milestone plan to associate contribution and involvement.

The figure shows an example of the Hoshin Kanri monthly review report format.

Hoshin Kanri Monthly Reviews. Source: Tennant & Roberts, 2001b.

## HOSHIN KANRI MONTHLY REVIEWS

MILESTONE		Status	Limits	Department				Actions
New Product Introduction				A	B	C	D	
1.	Identify 70% of E.C. prior S/O	●	○ < 50% ● > 70%	●	●	●	●	Increase limits to 75%
2.	Application of F.M.E.C.A.	○	○ < 70% ● > 90%	○	○	○	○	Train all engineers
3.	Achieve upper quarter JDP	○	○ < Ave ● = Top3	○	○	○	○	Identify root causes
4.	Cost targeting in place	●	○ = None ● = Done	●	●	●	●	Communicate savings
5.	Parts off tools & process	●	○ < 80% ● > 95%	●	●	●	●	Increase limits to 98%
6.	Quality audit demerits (40)	○	○ > 60 ● < 40	○	○	○	○	Fit and finish review

Deployment of the key business milestones down to business unit plans and operational goals was targeted to change the culture of planning and measurement in the business. In this way it was possible to motivate functions and associated team members to change their principal work process. If we take the case of the design engineer, the scope of job role and responsibility can be modified and enhanced to both meet the operational needs of the business and achieve radical personal development for the individual in the form of new developed competencies. This can only be realistically achieved by setting new and different goals and targets in the way that they and ultimately their teams are measured.

### Results

The table below shows the culture change achieved through the focus on processes within the policy deployment implementation.

OLD	BUSINESS PROCESS	NEW
Product 'push'	New Product Intro	Customer-driven
'Don't stop the track'	Manufacturing	Cell manufacturing
Breakdown	Maintenance	Total productive maintenance
Scale/lowest cost	Logistics - in	Supply partnership
Wholesales 'push'	Logistics - out	Distribution efficiency
Coonquest selling	Sales & service	Customer retention
Survival of the fittest	Corporate learning	Learning company
Strong management	Management of people	Leadership
Top 10 problems	Product improvement	Root cause elimination
Corporate planning	Business planning	Policy deployment/strategic thinking

## Corporate Social Responsibility

"Well, and at least it is a good week for Jane Fonda, the Independent commented. They were referring to the 2.5 billion dollars that Jane's estranged husband, Ted Turner of CNN, is due to pocket as a result of the planned merger between AOL and Time Warner, some of which will no doubt eventually find its way to Jane. It is, they say, the world's biggest merger ever, beating the Vodafone bid for its German rival the month before. Where will it end, one wonders? No company seems safe, no turf too sacred, no sum of money too impossible as the corporate giants marry their competitors or create new alliances to bulldoze their path into the new century. Should we worry? After all, these mega corporations are now so huge, that they are bigger than countries. In a list of the 100 biggest economies in terms of output, more than 50 are now corporations. Some 70 corporations at last count are bigger than Cuba. Why Cuba's? Because Cuba is one of the last surviving centrally planned economies with a dictator of sorts at its head. And these new corporate states are also, if you think about it, centrally planned economies, with a strong man or woman at the top. They are certainly not democracies, and with the world as their oyster they can, if they need to, cock a snoot at governments that displease them. Technically, they are accountable only to their shareholders who, in the end, are only interested in one thing-the value of their shares. When it comes down to it we have no choice but to rely on the values and priorities of the managers in these corporations to do the decent thing by all the other parties who depend upon them, not least the communities in which they operate, the environment and the people who work for them around the world. Can we trust them? Well, I know a few of them and they are all decent, upright individuals in private life. Probably, they all are. But, sometimes something will happen when they walk through those company doors, and go up to their offices in the sky. They can become a different person, unconsciously immersing themselves in a different set of priorities, leaving part of their real selves behind-like an actor who loses himself in his role. Every year there is now a "take your daughter to work" day. One man who did it last year said that it really meant taking himself to work as his daughter sat there observing him. "I had to be the man she knew, not some stranger. It was quite salutary." If the private values of the managers are going to be our only real safeguard in this age of the

corporate state, I would offer, as a thought for the day, "what would your daughter think of what you did today?" (Handy, 2000)

The above transcript of BBC Radio 4's 'A thought for the day' on 11 January 2000 illustrates the power of some modern organizations and the need for the application of sound business ethics that extend beyond minimum regulatory controls. The local and wider society from which the members of the organization are drawn are stakeholders and excellent organizations operate with transparency and accountability throughout their operations to maintain confidence in all of their stakeholders.

For an introduction to the development and definition of Corporate Social Responsibility see [Carroll's \(1999\)](#) review of the literature on CSR since the 1950s.

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#### POTENTIAL IMPACT ON THE ORGANIZATION

Socially responsible organizations are developing an enhanced image in society of which they are part and increasingly globally too. Their ethical actions lead to improved brand values, better corporate governance, motivated employees, loyal customers and increased trust and confidence of stakeholders (EFQM, 2003a).

## Ethics in business

The aim of this session is to develop an understanding of how ethics can help to improve an organisation's functional abilities.

Following a brief description of the scope of this session, consideration will be given to:

- The meaning of ethics
- Conceptual foundations, and
- Factors affecting ethics

### Scope

The scope of this session is to view ethics within the context of more efficient decision making. The book "[Global Disasters — Inquiries into Management Ethics](#)" by Professor Robert E. Allinson could be regarded as a core text for this subject. However, this session is confined to general principles and does not introduce specific cases of unethical business behaviour, far less the details of specific disasters. It is hoped, however, that the principles can be used to promote discussion on what constitutes unethical business behaviour, and what must be done to eliminate or reduce the occurrence of such behaviour. For deeper study of this subject Professor Allinson's book is highly recommended for it provides a thought-provoking analysis of four major disasters, and while most readers may not be in a position to influence corporate decisions at the highest level, the principles of disaster prevention can be applied to less strategically important management decisions.

## Meaning of ethics

How should we live? Shall we aim at happiness or at knowledge, virtue, or the creation of beautiful objects? If we choose happiness, will it be our own or the happiness of all? What are our obligations to the other creatures with whom we share this planet and to the generations of humans who will come after us?

Ethics deals with such questions at all levels. Its subject consists of the fundamental issues of practical decision making, and its major concerns include the nature of ultimate value and the standards by which human actions can be judged right or wrong.

The terms ethics and morality are closely related. We now often refer to ethical judgements or ethical principles where it once would have been more common to speak of moral judgements or moral principles. These applications are an extension of the meaning of ethics. Strictly speaking, however, the term refers not to morality itself but to the field of study, or branch of inquiry, that has morality as its subject matter. In this sense, ethics is equivalent to moral philosophy.

Although ethics has always been viewed as a branch of philosophy, its all-embracing practical nature links it with many other areas of study, including anthropology, biology, economics, history, politics, sociology, and theology. Yet, ethics remains distinct from such disciplines because it is not a matter of factual knowledge in the way that the sciences and other branches of inquiry are. Rather, it has to do with determining the nature of normative theories and applying these sets of principles to practical moral problems.

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### Is the meaning of ethics in business different?

Is business ethics different to medical ethics or legal ethics? The question here is whether ethics is a discipline that is applied to other disciplines. If this is so, one could consider ethics to be overlaid on the primary discipline, and, therefore, if a conflict took place, which would take precedence?

It is important to regard ethics as a framework within which we operate in society, and the values or principles that society adopts should be applied to all disciplines.

### Ethics, Respect and Communication

Ethics, respect for people and communication are all linked. If respect for people is taken as a fundamental ethical value then it will determine the actions that one takes towards other people. What circumstances would allow someone to ignore their respect for people? Are there any that can be justified?

What mechanisms exist in business to demonstrate this most fundamental of values? On a superficial level the company demonstrates its regard for the employees through the application of single status facilities such as canteens and parking. A deeper consideration however, requires one to think of the employee not just as someone who works for the company but as a human being with equal needs for respect.

This means that one must communicate with other people in the organisation on a two-way basis. That is, despite the organisation having a hierarchy, there is a willingness to listen and respond to the information and views of those lower in the hierarchy.

This free two-way flow of information can help to ensure organisational success and hence, it can be seen that there need be no conflict between the application of ethical values and the interests of the business.

Thus, anything that the business can do to improve the level and extent of communication demonstrates its respect for people and this can be seen as good business policy. This is recognised in the European Business Excellence model.

European Business Excellence Model — People Management.

The People Management criterion of the European Business Excellence Model specifically addresses how effective top-down, bottom-up and lateral communication is achieved. The company report should include details of how the organisation understands its communication needs and how information is transmitted and received. The process of continuous improvement should be applied to communication and, therefore, an organisation must evaluate the effectiveness of its communication and have a process for improvement. In the results part of the Model, Criterion 7 addresses, inter alia, employees' perception of the organisation in terms of involvement, empowerment and participation in decision making.

### Responsibility

If people are to be treated with respect in an organisation, it is vital that they understand what their responsibilities are and to whom they are responsible. If a person does not know what he or she is responsible for it is likely that tasks will not be undertaken, or, if there is a conflict in responsibilities and it is not known who is responsible for what, it is likely that no or inappropriate action will result. If a person's responsibilities are not known, how is that person able to judge whether or not to take action on issues reported to them?

From whom should you expect to receive reports? Individuals who work in this type of environment have not been accorded respect, and, therefore, it can be seen that the structure of an organisation, based on responsibilities, has a foundation in ethics.

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It would appear therefore, that in this respect an ethical organisation is likely to perform better than an unethical one in which there is an absence of defined responsibilities. Having made that supposition, it must be understood that this is likely to be true for an organisation with a defined structure for responsibility only if it is supported by a genuine will to communicate at all levels.

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## Conceptual foundations

In order to understand the conceptual foundation of a business, it is necessary to understand the goals of the organisation. Is the singular goal to make profit or is it to produce a product or service? In order to understand the conceptual foundation of a business, it is necessary to understand the goals of the organisation. Is the singular goal to make profit or is it to produce a product or service for a customer? Whether or not it is recognised by those in the business, the purpose of a business is to provide a product or service to someone, and from this profit may arise. [Deming \(1986\)](#) felt strongly that if the prime motivation of an organisation was towards satisfying the customer, profit would result. The converse is not true. There are countless businesses who failed to survive despite achieving high levels of profit shortly before their demise.

Is there then a conflict between an organisation that makes ethically sound decisions and the need to make profit? If one takes the view that the output of an organisation may affect people or society in general, then are not the people or society customers of the organisation? If they are regarded as customers then there need not be a conflict between meeting their needs and achieving profit. Of course there may be instances when sound ethical decisions may conflict with the interests of certain customers, in which case the management must make a judgement on the long-term effects of their decision. It is interesting to note that the Business Excellence model has a separate category in the assessment of results for the organisation's impact on society. This implies that the immediate customers of the organisation are not the only ones whose needs must be catered for.

## Concept of single causes

### Human Error

Because of the commonality of seeking a single cause to a single event, when something goes wrong there is a tendency to seek the person or factor to blame. Once blame or fault has been assigned, the cause of the problem has been explained. There is the illusion of having solved the problem, and, since human error is inevitable and cannot be eliminated, there is nothing that one can do to prevent the problem.

### Scapegoating

This is an attempt to place the blame on a single individual or technical reason for the error under consideration. There is often systematic pressure to assign responsibility for an event to an individual and when this is successful, the system then thinks in terms of punishment of the scapegoat. However, nothing has been solved. Human error is inevitable and there will always be a scapegoat. This is not only unfair to the individual but scapegoating hides the real problem - the real causes of the event have not been defined and thus could occur again. The allocation of blame allows the system to end its investigation and thus, scapegoating is a process that avoids true determination of causes.

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Although human error can certainly occur, this type of thinking is usually flawed for the simple reason that it is rare that a single cause occurs in splendid isolation from other factors.

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## Concept of multiple causes

Usually a number of causes combine to create a particular event. Take for instance, parents awaking to the sound of their baby crying. Air must be present to transmit the sound and the parents must be in a state to receive and acknowledge the sound even when they are sleeping. One of the factors that makes the parents receptive is that they are responsible for the baby as the parents of the child. Thus, rather than a single cause giving rise to the event of the parents awaking, there are multiple causes and all must be present for the event to occur.

### Example — [Churchill on Singapore \(1951\)](#)

When writing about his discovery that Singapore was far from impregnable in World War II, Churchill stated, "I ought to have known. My advisers ought to have known and I ought to have been told, and I ought to have asked."

Churchill's comment demonstrates the multiple nature of causality. What he was saying is that the Japanese invasion of Singapore may have been prevented in a number of ways.

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- It could have been prevented by
- one person (Churchill) taking different action, or
  - several persons (his advisers) acting differently
- He made the point that
- he could have known how to prevent the invasion, and
  - others should have known as well

The others knowing, should have informed him.

If they had not known, they should have found out and informed him without his asking.

If his advisers had not known, Churchill should have asked them.

If his advisers had known but not informed him, his questions should have resulted in his knowing the weaknesses of the fortification of Singapore.

Thus, there were multiple causes leading to the fall of Singapore, any one of which, if recognised, may have resulted in a different outcome.

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Similarly, there was no single reason for the success of the Japanese. Churchill could be considered to have been at fault for failing as Commander in Chief to have taken appropriate action. Or his advisers and field commanders having taken no action to inform Churchill of the danger were responsible for the Japanese success. Also, another reason for Japan's success was her excellent military operations. It can be seen that there was no single reason or cause of success, rather a convergence of causes, positively selected or selected by default. Selection of other actions could have lead to holding Singapore against the Japanese.

### Degrees of freedom

Taking the Singapore example, Churchill believed that there were several causes, any one of which could have resulted in a different outcome. This gives rise to the recognition that there are different paths and decisions that one can take in many situations. The outcome is not, therefore, predetermined and is subject to freedom of those involved to select. If, on the other hand, there is a single set of events then freedom is limited to those events alone and they predetermine the outcome. Thus, where scapegoating has taken place for example, it appears that a single set of causes has lead to the undesirable outcome.

If one is able to analyse a situation and identify more alternative paths or freedom to make choice, more responsibility is placed on those involved in determining the outcome. On the other hand, the more freedom of choice that exists the greater is the ability to determine the outcome of events.

### Multiple responsibility

The idea of multiple causes gives rise to that of multiple responsibility. This does not reduce the responsibility of a single individual or factor, but extends the responsibility of all individuals or factors. Take for example, responsibility for the personal relationship between two people. Both are responsible for the state of the relationship. If one person accepts one hundred per cent responsibility, and the other person no responsibility, is the relationship likely to remain sound?

The outcome of a particular set of circumstances is rarely predetermined because of the multiplicity of causes, and therefore, the outcome can be affected by planning. Such planning should serve to optimise a particular situation or prevent the occurrence of an undesirable outcome. Thus, all factors or individuals that may have a bearing on the outcome should be considered or be part of the planning process.

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## Factors affecting ethics

There are five factors that affect ethics in business:

1. Passing the buck
2. Communication
3. Empowerment
4. Organization
5. The manager

### Passing the buck

The saying “The buck stops here” was originated by President Harry Truman as a way of saying that if a problem reached his desk, he would not pass it on to anyone else — he would not ‘pass the buck’. Unfortunately, this well intentioned expression has led, where there are several levels of organizational authority, to every level passing on responsibility until the highest level is reached. Thus, if the buck stops at the highest level, it doesn’t stop anywhere else. This means that if the highest level in the company is accorded responsibility for all that happens with respect to the company, no-one lower in the chain has to accept responsibility. This is unacceptable because at the worst, responsibility lower down the organisational hierarchy is not recognised, and at best vacillation occurs because the buck is passed upwards for a decision.

The new phrase should be, “The buck stops here and everywhere else as well”, denoting shared responsibility (Allinson, 1993:45). It is proposed that in every instance of poor corporate decision making there was, at some level, information that could have resulted in a different decision.

Either	OR
Information was held by those with the authority to act, but who did not act.	It was not held by those with authority to act, and it was not sought by them.
OR	OR
Information was held by those without authority to act on it and it was not shared with those who had the authority to act.	It was shared with those who had the authority to act but those in authority did not take the information seriously enough to act on it.

In any case, a proper information flow was impeded — a communication problem.

### Communication

Communication is much more than the physical transmission of information. It starts with the will to communicate.

- To be successful both the transmitter and receiver must believe in the need for the communication.

If the transmitter of information does not believe that the information will be acted upon or that it is not wanted (shoot the messenger), it will not be passed on — the motivation to communicate will not exist.

If the receiver of the information believes that he or she already has all the answers to a particular problem, the information will not be truly received. Also, there will be no motivation to seek information if there is no understanding of the requirement for information.

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If all levels in the organisation believe that the buck stops at the top because that is where all the power resides and where all the important decisions are made, then there will be no communication of importance at lower levels. If this is the case, the organisation will be dysfunctional in terms of effective decision making.

### Empowerment

An organisation, in which all levels believe in the need for communication and for that information to be acted upon at an appropriate level, is one that **empowers** its employees. There is no point at which information is blocked and the belief in the organisation is that "the buck stops here and everywhere else as well". In such an organisation everyone has the responsibility to act, pass, seek and receive information.

This is a proactive process in which those receiving information actively question and seek additional information from those in a position to give it. Those sending information actively ensure that the information is acted upon, and if it is repeatedly ignored it may be necessary for them to take the information to others in the organisation.

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The passing of information should not be seen as passing the buck which is refusing to take action when it is the person's responsibility to act.

### Organization

Free flow of information in an organisation could be adversely affected by organisational structure. If so, the structure should be changed.

However, the organisational structure alone will not ensure a free flow of information — the will to communicate must be there too.

This is, therefore, a cultural issue.

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Everyone in the organisation has the responsibility to act on, pass, seek and receive information and there is no possibility to pass the responsibility to anyone else.

### The manager

The role of the manager is to ensure that information flows freely and speedily, for information is the life blood of the organisation on which decisions are made. If the information is poor, takes too long or is blocked, the function of the organisation is impaired.

#### The Manager as an Educator

It follows that the manager must ensure that the free flow of information continues. In the manager's role as coach, education is the key to ensure that everyone within his or her responsibility understands the need and mechanisms for effective communication. By the manager's actions will subordinates understand the need to take action where appropriate and be part of the communication chain. The manager must become a role model for this type of behaviour which, ideally should start with the CEO and be actively supported by the whole senior management team.

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This process of education towards the achievement of full and free flow of information is the heart of empowerment and the organisation functioning as a holistic process rather than a hierarchy based on functional power bases. This links with the Total Quality view that everyone in an organisation should be part of and understand their contribution to achieving the mission and vision of the company.

## References

[Allinson, Robert E. \(1993\). Global Disasters — Inquiries into Management Ethics. London: Prentice Hall.](#)

[Churchill, Winston.\(1951\). The Second World War, Vol IV. London: Cassell.](#)

[Deming, W. E. \(1986\). Out of the crisis. Cambridge, Mass: MIT.](#)

## Performance management

Performance appraisal and performance related pay (PRP) have long been cornerstones of the Performance Management of commercial organizations. They form a fundamental part of Taylor's Scientific Management approach and although in their most basic form (piecework) they are now becoming discredited they remain crucial, in more sophisticated guises (merit rises, performance bonuses) to management theories such as Management By Objectives (MBO). Performance appraisal has been challenged by key Quality thinkers such as W. Edwards Deming who identifies it as one of his 'Seven Deadly Diseases' and denounces it as the most pernicious source of competition in the workplace which he sees as a fundamental failing of most Western enterprises. It is, however, germane to note that even most organizations which purport to have followed the 'Deming route' to excellence have ignored his thoughts on performance appraisal and PRP. Research has not yet made dear the full reasons for this, but Deming's views on this area remain controversial whilst the rest of his philosophy is becoming much more mainstream.

Useful resources for looking at performance appraisal and performance related pay are listed below:

Alfie Kohn's illuminating book ['Punished by Rewards'](#).

Two views on the use of performance management in quality driven organizations by [Soltani, van der Meer and Williams \(2005\)](#)

and [Haines, Victor, St.-Onge and Marcoux \(2004\)](#).

## The Case for Appraisal

Performance appraisal is a necessary pre-cursor for performance related pay (PRP). It stands to reason that, before merit-based pay can be awarded some estimate of the value of the work performed by an individual must have been done. In this context we shall regard performance appraisal in its most complete form: an annual, or more frequent, formal discussion between a subordinate (appraisee) and his or her line manager (appraiser). The discussion may include reference to targets set at previous appraisals and the appraisee's performance against these targets, barriers to achievement of such targets, training needs, immediate and future career aspirations and the appraiser's views on the levels of performance attained by the appraisee allied to plans for improvement and targets for the coming period. Note that not all appraisal systems will incorporate all these elements and that even those that do will give different weight to the elements depending on the culture of the organization and the individual circumstances of the appraiser and appraisee.

### Claims Made for Performance Appraisal Systems

Performance Appraisals Give Direction:

By having a regular, formal time and space set aside for discussing performance management are able to give one-to-one guidance on the direction which his role within the organization needs to take in the light of organizational goals. Agreement of goals between appraiser and appraisee not only helps to align the direction of the individual and the company but also serves to indicate the levels of performance deemed to be acceptable.

Performance Appraisals Give Feedback:

The performance appraisal interview is the ideal forum for giving feedback on the performance of an individual over the appraisal period. Feedback can be good or bad and can cover the broad range of skills required by the individual in his or her job.

Performance Appraisals identify a reason for Training:

During the performance discussion it is natural that areas of relative weakness will be surfaced, this allows for the setting up of training or education programmes alongside other remedial actions in order to facilitate the development of the individual in the required direction.

Performance Appraisals Allow Reward to be Related to Performance:

The formal rating of the performance of a range of individuals allows for the rating of any employee within that range. This means that good performance can be rewarded with consequential improvements, in morale and motivation. If an employee can see that effort and/or success lead directly to financial reward then they will work harder towards their goals. By rewarding performance it is also possible to attract and retain high achievers as they will see themselves as being dealt with fairly in respect of their exceptional abilities and work rates.

Performance Appraisals Set Goals Which Motivate:

People are motivated by knowing what is expected of them, if goals are set at an appropriate level (challenging but achievable) they will encourage the employee to stretch themselves in pursuit of the high standards set, thus maximising the performance of individuals within the organization and thus the organization as a whole.

## The Case Against Appraisal

A growing body of opinion is challenging the pro-appraisal arguments. The central tenets of this group of thinkers is that, although some of the needs claimed to be fulfilled by performance appraisal and PRP are valid and important the costs to the organization of adopting this approach are far greater than any benefits gained. They also argue that, even on some of the matters for which the approach is traditionally regarded as strong empirical evidence and sociological theory do not support its efficacy. Let us now examine the problems they see with performance appraisal and PRP.

### Performance Appraisal Is Neither Repeatable nor Unbiased

The arguments for performance appraisal rest principally on the fact that it is an accurate and unbiased measure of the relative contributions of various members of an organization to the goals of that organization. This is traditionally taken as read but it may not be quite that simple. If we take a systems view of work (i.e. that all individuals are in fact, part of a system and dependent to varying degrees on other individuals and system design/culture in their performance) then this central tenet seems less obviously true.

A suitable analogy is the teaching environment. The system here includes the teacher, the individual student, the teaching system (Lecturing to 100 people vs. small seminar groups, audio-visual aids, library support, time allocated vs. material in the syllabus, etc.), the other students, the classroom itself (temperature, comfort, lighting levels, etc.) and the material being taught. Failures in any one, or a combination, of these elements can cause a dip in the performance of the individual student in examinations - we have all experienced a subject taught badly or the effects of disruptive classmates. The appraisal is of the individual student despite the multiple factors affecting performance. Of course, especially gifted students may be able to overcome negative elements in the other factors, just as particularly poor students may fail in the most propitious of circumstances but this only indicates that the appraisal may work at the extremes of the scale but is doomed to be inaccurate for the vast majority of students. In education this may be an acceptable system since it is the extremes where accuracy is most important (the fails and the distinctions) but it is not appropriate to dealing with a commercial situation where accurate appraisal of all individuals is necessary for the system to be credible.

The same situation arises in commercial organizations. Each individual works within a system created by management (corporate culture, accounting practices, departmental set-up, etc.) and is part of a customer-supplier chain- depending on his suppliers and responding to his customers. Add to this the fact that the apparent performance of an individual will be dependent upon his native ability and early education, amount of effort expended, training and experience in the job, capability of the system and any variability in the evaluation mechanism and it is evident that we have a complex equation:

Effort + Ability + System Capability + Training/experience + Etc...= Performance

In the video "The Case Against Performance Appraisal" Peter Scholtes argues that, of all the elements noted above only individual effort is truly under the control of the appraisee (although it may arguably be acceptable to rate an individual with regard to native ability since this is a fixed facet of that person). He further states that only organizations which can solve the above equation, rating only by individually controllable elements, are qualified to run performance appraisal schemes - a clear impossibility.

Since performance appraisal involves human interaction it will, of necessity involve variability. This will take several forms:

Personal bias on the part of the appraiser has long been recognised as a problem. As long ago as the 18th Century it was noted that China's Imperial evaluator was making judgments according to his own likes and dislikes and recent American research showing that the more physically attractive you are the higher you are rated (except for women in management positions where the opposite is true) shows that these problems have not receded. The personal relationship between appraiser and appraisee will thus, of necessity, form an integral part of the review.

Since relationships will change over time this can be viewed as a lack of repeatability in the measurement system. Some appraisal schemes seek to avoid this by encouraging appraisers to stick to objectively measurable items for appraisal (deadlines met, output, etc.)- This, however, will inevitably lead to a focus on measurable items rather than important ones. For example, interpersonal skills, team working and problem solving ability are all difficult or impossible to measure quantitatively.

In addition to likely personal preconceptions the review will also be influenced by the paradigm within which the evaluating individual is operating. The two extremes of this are assumptions that 'all my people are good' or that 'all my people are poor'. It is clear that the same person being evaluated by two managers operating under the opposite assumptions would receive very different feedback. In technical terms this can be described as a lack of reproducibility. A further complicating factor is the reputation of an individual; if they are universally viewed as a high flier then there may be pressure on the appraiser to look for evidence to support this view where in someone seen as a poor performer evidence in this direction may be given undue weight.

#### Appraisal Against Targets is Unworkable and Misleading

This is a general argument of Dr. Deming against the application of targets which has particular relevance in performance appraisals -where targets are set for individuals to meet over the appraisal period (note that this is a common but not absolutely necessary part of performance appraisal).

There are several aspects to the argument the first being that setting goals which will be challenging but achievable over perhaps a six month or one year period is virtually impossible. How can we know what will happen over the course of this period when most organizations find even rough estimates of customer demand almost impossible to achieve over similar periods. Following on from this there are related problems with how people will react to the targets. Dr. Deming argues that if a target is set too low it effectively puts a cap on the aspiration of the individual. If they can achieve the target with minimal effort, why should they exceed if this problem is compounded by the tendencies of organizations to set harder targets in years following exceptional performance. Think about the way departments always spend every last penny in their budget so it isn't cut next year, or the fact that there are plans to make 'A' levels more difficult because too many people are achieving high grades. If targets are set too high then when it becomes apparent that they cannot be met then the individual's focus is likely to shift from improving his own performance to cheating the measurement system or to ensuring the blame for failure can be placed elsewhere.

Targets have a further problem in the context of performance appraisal. Since the targets are supposed to be agreed between the appraiser and appraisee it is possible that the appraisee will try to ensure that the targets are easily achievable. This 'aiming for mediocrity' approach (Peter Scholtes) is a safety first response from individuals who feel threatened by the system.

The thrust of this section is not to imply that the measurement of performance is bad, but to indicate that if such measurements are used to evaluate individuals rather than as an aid to improving the system (of which the individuals are an important part) it is likely to create negative reactions which undermine rather than enhance performance.

#### Performance Appraisal is Not a Motivator

Much motivational theory (including Maslow's Hierarchy of Needs, MacGregor and Herzberg) challenges the concept of money as a motivator in all but the most deprived circumstances. Instead, they argue that -provided the individual has enough money for their basic needs- emotional and psycho-social factors have more power to influence motivation and hence performance. This indicates that many organizations which attach monetary reward to performance appraisal systems -merit rises, bonuses, etc.- may be wrongly focused. Other theories (such as equity theory) however, tend to be more supportive of PRP.

It seems that the softer elements of appraisal; feedback, support mechanisms, listening to concerns etc. may be more important than the related monetary rewards.

#### Performance Appraisal is Anti-Teamwork

The arguments in this section apply to performance appraisal to some extent but are more particularly relevant to those systems which link performance to reward. By rating individually performance appraisal schemes create artificial demarcation within teams and departments. By setting specific goals for personal performance it dilutes the goals of the team or the process and places a strain on customer-supplier relationships -do you work towards meeting your appraisal goals or satisfying your customer needs? Aligning appraisal goals to customer requirements and process goals can minimise this but cannot totally remove the issue.

Tension can be caused within teams both prior and subsequent to appraisal. In the run up to the appraisal meeting each individual in the team is likely to be more focused on their own progress than that of the team as a whole. This will lead to them concentrating on tasks which reflect well on them at the expense of potentially more important activities from an organizational perspective. The degree of this behaviour will depend upon the individual concerned and their present circumstances -the more below target they are the more likely they are to concentrate on their own activities. Post-appraisal tensions will result from differential rewards and may take the form of resentment towards better rewarded individuals or, in more extreme cases, lack of co-operation with 'winners'. This latter is particularly likely if the awards have been made due to 'special skills'. I have seen cases, for example, where members of a team refused to use computers when one person had been awarded a merit rise based largely on his ability with IT applications.

#### Performance Appraisal Creates Losers and 'Players'

Performance appraisal systems (particularly those incorporating PRP) create a small number of winners and a far greater number of losers. If in an office containing 10 people all doing the same job everyone is given a merit raise of 15 except for one worker who is given 15.2 it is likely that the rest of the office will spend more time wondering why that person was given more than they were rather than focusing on their own significant rise. This creates a class of bitter losers, hardly the intention of the scheme. Companies often exacerbate this problem by their approach to targets; it is not unusual to move targets if they appear to be being met too easily and thus create a culture of failure. Neill Irwin of ICL quotes this as being the consistent practice of that organization in their pre-TQM days.

There will also be individuals who become adept at playing the system, squeezing other departments or individuals in order to maximise their own gain. Such individuals will push problems elsewhere (passing scrap to other departments, blaming suppliers for faults for which they are responsible, etc.) and focus on beating the measurement system rather than on the benefit of the company. This will naturally bring the appraisal system into discredit.

#### Performance Appraisal Reduces Informal Communication

For many managers the performance appraisal system is the way in "which they communicate with their subordinates. This creates problems because appraisals typically happen every 6 or 12 months whereas the situation for most individuals changes on a monthly if not weekly or daily basis. By setting aside time for formal review it is quite possible that the manager feels released from the obligation to 'walk the process' or communicate regularly with workers. The 'my door is always open' approach is often taken, but this puts barriers in the way of real communication since a worker will feel that he/she has to have an agenda to cross onto the manager's turf rather than just talking about the job. In this way it could be argued that by introducing a small number of formal opportunities for discussion, the potential is created for a failure to pursue other, less formal opportunities.

[Wilson and Western \(2000\)](#) assess whether performance appraisal is a barrier to training and development.

[Poon \(2004\)](#) looks at the effects of politics within performance assessment on satisfaction.

## How to Improve Performance Appraisal

There have been several developments in the approach to performance appraisal which have been designed to counteract some of the criticisms noted in the last section. A combination of such changes is likely to form an appropriate response for those who feel that performance appraisal is a flawed but workable system.

### Involvement

To be properly workable an appraisal system should be something in which everyone has a stake. Personnel, who will typically run the system, must involve its users (appraisers and appraisees) in establishing its objectives and creating and installing the system. Obviously this will involve individuals to various degrees, but if people do not feel they are partly responsible for the system they may not respond positively to its outputs.

This principle should also be carried through into the operation of the system; commitment can only come from the appraisee believing that appraisal is a two-way street.

### Action Based

Appraisal systems need to be about facilitating change. If nothing happens as a result of the meeting it will be seen as a waste of time. Follow up action may be necessary throughout the appraisal period as priorities and circumstances change. The plan resulting from the appraisal needs to be a live document, not one that is only dusted off once a year to measure the appraisee.

### Fairness

Actions need to be put in place and monitored to ensure that the system is perceived as fair. Principal amongst these must be the training of all appraisers. Only by consistent and adequate training can the necessary degree of uniformity be ensured. If there are people in the organization who are seen as 'soft touches' it will undermine the whole system, so ongoing monitoring of the appraisers is also vital. The involvement of individuals in setting of goals etc. will also help to improve the perception of fairness by keeping the system open.

### The Balancing Act

In all appraisal systems the appraiser is treading the thin line between judge and counselor, both roles which he or she will have to fill at various points during the interview. More successful appraisal systems will tend to focus more on the counseling for improvement rather than the judgment of performance. It is, of course, still debatable whether this balancing act is truly possible; however it is approached there is going to be a degree of criticism in appraisal which is likely to have a negative effect in a number of cases. This approach is about minimising that impact.

One key way in which we can make the balancing act much easier is to break the link between pay and appraisal. This means that the focus can be on improvement and not on the effect of the appraisal on the individual's income. The break must be a real one, if merit increases are still awarded the traditional claim by organizations that they are not related to the performance appraisal will be seen for the humbug it obviously is. The problem with this may be that the link between performance and reward is seen as crucial by the organization so this approach may not be acceptable.

### Three Hundred and Sixty Degree Appraisal

This is a more modern approach to appraisal which allows for appraisal to occur not only in the hierarchical fashion which is more traditional but also for the subordinate to appraise his or her

boss and for peers to appraise each other. This provides a more holistic view of capabilities as some will have better experience than others of certain aspects of the appraisee's behaviour. For example, a peer would be better qualified to judge someone's team working ability whilst a subordinate might have a dear view of their ability to delegate. Theoretically this also allows the judgmental sting to be taken out of the appraisal system because only one appraiser has any power over the individual.

Whilst this system is quite appealing in its apparent egalitarianism it must be remembered that it has certain practical difficulties: it involves more paperwork; there is the danger that the validity of the appraisers (and thus of the process) is questioned by the appraisee; there is a potential for minimising negative comments since everyone you appraise gets to appraise you; consistency of appraisal technique is even harder to establish.

Some organizations, for example the Wales-based Mitel have turned the appraisal system on its head, i.e. the managers are appraised by their subordinates and not the other way round. Whilst this may align better with the modern view of the manager as facilitator and coach supporting his or her team it must be obvious that this has all the same pitfalls and requires all the same safeguards as a traditional system.

A sound introduction to 360 degree appraisal from [Alma, McCarthy and Garavan \(2001\)](#).

[Walsh and Fischer \(2005\)](#) offer action enquiry as a potentially beneficial adjunct to performance appraisal.

## Options to Replace Performance Appraisal

The first thing to say is that if you view performance appraisal as having significantly negative effects then you do not necessarily have to have anything to replace it in order to have justification for stopping doing it. Just stopping will be beneficial to the organization. However, it is unlikely that any organization which currently operates performance appraisal would be prepared to stop it without something in its place to achieve the perceived benefits of the system, so let's examine how this might be done by looking at some of the key areas where performance appraisal might be expected to contribute to an organization.

### Giving Direction

It is possible to give direction by many other means than performance appraisal. The process can be begun, for example at a team level with team briefings. Indeed it could be argued that direction at team level is more appropriate with the team then allowed to sort out internally roles and direction for individuals. This can be supported by a 'Managing by Walking Around' approach. By visiting individuals in their place of work you can allow direction to be passed on much more informally than in the appraisal interview where communication is interfered with by roles and perceptions about the nature of the discussion. By having informal discussions it is possible to allow the worker contribute to the setting of the agenda and therefore to make the direction much more meaningful and focused.

### Giving Feedback and Identifying Areas for Training

The simplest way to give feedback is by the 'Management by Walking About' system noted above. The more informal the setting the less threatening the feedback (especially if improvement is required) and the more likely it is to be taken on board and acted upon. People who feel threatened do not respond well to perceived criticism. A salient point here is that perhaps the manager of the individual is not the best person to be giving feedback. By encouraging teams and individuals to take a process approach to their working environment rather than a hierarchical one much more appropriate and useful feedback can be provided to the individual from customers, suppliers and members of their team. Training needs can similarly be better identified by the individual and his peers within the customer/supplier chain.

### Developing Reward Systems

One of the thorniest areas when moving away from performance appraisal is that of rewards. Most organizations use the results of performance appraisals to feed into their payment systems, most commonly some form of PRP. The fact that many individuals within the organization do not consider the rewards to be fair or equitable does not counter the fact that, from the company's perspective they have a reward system based on a logical view of the contribution of each individual.

Alternative strategies here might include establishing a market rate for an individual (including levels of experience and skills) or for a job; payment by seniority (pay for age) recognising that time in the organization is likely to impart more knowledge, expertise and local understanding; rewarding the accumulation of relevant skills (pay for knowledge), recognising that the more skills acquired by the individual the more they are able to contribute. On top of these approaches many organizations would add a prosperity bonus (profit related pay) to tie earnings to the overall performance of the business so that everyone is encouraged to pull in the same direction.

#### Providing an Objective Basis for Promotion

The vulnerabilities of performance appraisal do not make it an ideal way of deciding on promotions but it still needs to be replaced by another system. Several possibilities are available: Assessment centres taking advantage of the latest thinking on psychometric testing and psycho-social profiling as well as traditional interview techniques, these centres may also involve customer input to establish the key characteristics of successful applicants; lateral moves to establish flexibility and the ability to perform in a variety of environments; special projects or assignments being spread around amongst all likely candidates to establish their abilities in a more objective fashion.

#### Motivating Staff

It seems likely that the elements of appraisal which motivate staff are the non-monetary ones such as feedback, management showing an interest and any actions taken to improve the lot of the appraisee as a result of the discussion. All of these elements can be equally well addressed in other forums by the techniques mentioned above. If the PRP element does indeed contribute to motivation (although evidence for this appears weak) it could perhaps be compensated for by better recognition systems with non-monetary rewards for special achievement (inclusion in company newsletters, presentations to the board, tie-pins etc).

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