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The **Human Resource Planning Society** is a unique and dynamic association of human resource and business executives. We are committed to improving organizational performance by creating a global network of individuals to function as business partners in the application of strategic human resource management practices.

Now in its fourth decade of service, the Society is a vital force in addressing and providing current perspectives on complex and challenging human resource and business issues. HRPS is a non-profit organization representing a mix of leading-edge thinkers and practitioners in business, industry, consulting and academia around the world.

The Society continuously seeks to build recognition from business leaders and the HR community for the critical role of HR as a strategic business partner in achieving higher levels of organizational success. In support of this mission, the Society:

- Serves as a global forum for presenting the latest thinking and information on the HR implications of key business issues and strategic HR practices.
- Offers a broad range of comprehensive publications and professional development programs with distinguished human resource scholars, practitioners and business leaders.
- Builds networks of diverse individuals to exchange leading-edge HR ideas, information and experiences.

The Society also has engaged in collaborative partner relationships with several quality organizations to provide valuable services to HRPS members. The current HRPS Member Partners are:

- Center for Advanced HR Studies (CAHRS), Cornell University
- Center for Creative Leadership (CCL)
- Center for Effective Organizations (CEO), University of Southern California
- Institute for Corporate Productivity (i4cp)
- The Walker Group

from the executive editor

Drucker: Celebrating the Man and His Mission

Most of us who read this journal owe our careers to Peter Drucker. That's a big statement, but it is no exaggeration. Drucker invented management as a field of study and stirred people to think about it, study it and try to practice it more effectively. If you are engaged in people or organization management in any meaningful way, it is because Peter Drucker was able to convince executives at General Motors and other places that they should try to lead more strategically.

For this reason and many others, we are delighted to publish this special issue celebrating the 100th anniversary of Peter Drucker's birth. He was born in Vienna on November 19, 1909. (Coincidentally I am writing this on November 19, 2009.) 2009 saw a year full of events commemorating Drucker and his massive contributions to our understanding of organizations and management, and this issue is HRPS' salute to him.

If you haven't read any Drucker, I urge you to do so. We review some of his books—and books about him—in this journal, including one of my favorites, *Management Challenges for the 21st Century*. He wrote and published from 1932 until his death in 2005. No matter what book you choose, you'll find his insights to be as fresh and significant today as when they were written.

In putting this issue together, we have done three things: In addition to reviewing books, we compiled a global appreciation of Drucker and what he meant around the world, and we assembled a set of leading-edge articles that update topics that were crucial to Drucker. It would be impossible for us to publish articles on every topic Drucker pursued. His imagination and breadth were just too vast: We would need a 300-page journal. Instead we have a thoughtful mix of theory, case studies and research on organization management, leadership, knowledge management and engagement and motivation. We hope these would have pleased Drucker, and we hope you will find them to be very valuable.

Our brilliant Perspectives section includes tributes from Drucker followers and students around the world. We tapped into experts at the Drucker Society (a global group of scholars and leaders) and the Drucker Institute (located at the Claremont Graduate University in California) to gain their personal accounts of what Drucker meant to them and how he might look at the business world now. You'll be moved as you read them.

> At the core of his teachings is an enlightened view of organizations and the idea that effective executives must treat their employees in rational and considerate ways.

What would Peter Drucker think about what is going on in business today, post the global crash? I'll add my opinion to those of our Perspectives contributors. Drucker was an optimist, humanist and artist at heart. At the core of his teachings is an enlightened view of organizations and the idea that effective executives must treat their employees in rational and considerate ways to accomplish business results. Remember, Drucker focused on serving the customer as the main purpose of every organization and was the man who wrote about employees that we must, "Accept the fact that we have to treat almost anybody as a volunteer," to motivate them.

Publicly, he would have acknowledged the extreme dislocations and discontinuities that people and organizations have experienced and detailed ways for us to regain control over organizational and personal directions. Privately, I believe he would be more despairing. He would have been appalled at the greed, recklessness and self-serving actions of so many executives. He would be appalled at how these actions are part of a larger mix of government and business policies that promote ownership over work and funnel such a large share of wealth to executives and shareholders, while minimizing gains and job security for employees. It's no wonder that later in his career he turned his attention to nonprofit organizations.

Fortunately, there is evidence that employees understand the dire straits they face. A recent Spherion national survey on drivers of retention reported that employees list benefits, pay and growth and earnings potential as their three biggest reasons for staying at their companies. And very large majorities of employees are dissatisfied with each. Meanwhile, executives in the survey continue to believe, as they have for years, that management climate, supervisor relationships and the culture/work environment are the main things that retain people. This is a huge divide, with ominous implications for business growth. Still, after years of watching executive greed, employees have figured out that jobs are transactions, not relationships, and they will stay only if they get what they deserve.

We could use another Peter Drucker today to tell us how to close this gap, but, sadly, that kind of genius comes around only once. That's why it is worth celebrating.

Happy Reading,

Ed Gubman

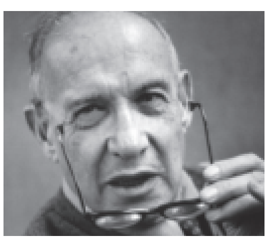
Perspectives

Anna Tavis, Perspectives Editor

In this special issue, *People & Strategy* has partnered with the International Peter Drucker Society and The Drucker Institute to celebrate the centennial of Peter Drucker's birth. Drucker is the 20th century's most prominent management thinker and one of its great social philosophers. We invited Drucker's disciples from around the world to contribute their personal reflections on Drucker's influence in the development of their countries' approach to studying management and their management cultures.

Richard Straub, President of the Peter Drucker Society of Austria, leads the discussion by focusing on the impact of Drucker's Viennese roots on the evolution of his thinking. Following Straub, the conversation broadens its geography to Europe, Japan, China and India. Drucker's global citizenship comes across strongly in the essay by Thomas Sattleberger, CHRO of Deutsche Telecom, who emphasizes Drucker's continuing relevance as a humanist. Danica Purg, president of IEDC-Bled School of Management, focuses on Drucker's aesthetics, his heightened awareness that management is an art form rather than a science. We conclude with an essay on Drucker's influence in the United States, contributed by Rick Wartzman, the executive director of The Drucker Institute at Claremont Graduate University.

For many of our readers, this selection of essays will provide a fresh insight into Drucker's sustaining contributions to global management thinking. For others, the historical perspective will be particularly interesting. We invite all of you to reflect with our wonderful contributors on the importance of Peter Drucker's legacy for 21st-century management.



What Drucker Means Around the World

A World Citizen of Austrian Origin: The Rediscovery of the European Roots of the Father of Modern Management

Richard Straub, Peter Drucker Society of Austria

November 19, 2009, marks the 100th anniversary of the birth in Vienna of the world-renowned thinker on management and society, Peter F. Drucker. Although Drucker spent the greater part of his life in the United States, his youth in Austria and his experiences in Germany and England strongly influenced his world view. He grew up in a home that served as a salon of sorts for the cultural and intellectual elite of the Danube Monarchy—hence his early acquaintance with eminent figures such as Joseph Schumpeter, Sigmund Freud, Othmar Spann and Friedrich von Hayek.

His origin in a cultural and intellectual hotbed left deep marks on Peter Drucker. We do not realize today that when we discuss the need for global mindsets, cosmopolitan attitudes, valuing cultural differences, multilingualism, a global business orientation and transdisciplinary thinking, it was all there at the beginning of the 20th century, in a world that another famous Viennese writer, Stefan Zweig (1881-1942), called "Yesterday's World." The Austro-Hungarian Empire crumbled in a cataclysmic tremor ultimately leading into the horrors of the Nazi regime. Its best and brightest were pushed into a global diaspora, impoverishing "old Europe" and bringing a wealth of inspiration and intellectual treasures to their new home countries.

Having been a witness of the ascent of totalitarian fascist and communist regimes in Europe, Drucker's intellectual journey became focused on the idea of a workable society based on freedom—where citizens are provided a meaningful existence, i.e., status and function, with an ethical foundation of mutual responsibility by the individual and his or her society. As the underlying economic theory, he adopted the thinking of a fellow

Austrian, Joseph Schumpeter. He thought that Schumpeter had produced the only "effective contemporary theory of capitalism," which is centered on private initiative and where the enterprising manager is both the justification and motivating power of the system.

It is via this route that Drucker discovered management as the "life-giving force of modern capitalism." He concluded that in a pluralistic society of specialized institutions, management's task is to make organizations perform, beginning with the business enterprise, for the community and for the individual alike. Management "organizes human beings for joint performance and should make their strength effective and their weaknesses irrelevant." Thus, management is the most important "organ" of our modern society—a role deeply embedded in the reality of our social existence as human beings. Consequently, the contribution of management is a fundamental contribution to a functioning society and not just to the individual institution it serves. It is clear that thinking about management from this perspective and understanding the consequences leads to different conclusions than those we have seen emerging during the last 20 years.

John Micklethwait, the editor-in-chief of *The Economist*, said in a BBC interview that Drucker was not only a great management thinker but he was one of the greatest thinkers of the 20th Century, given the sharpness of his mind and the breadth of his intellectual curiosity. With his inquiry into society and management, he takes a very European approach, rooted in a humanities-based general education and an open mind that made him a relentless lifelong learner in the best sense of the term.

Drucker's holistic and ecology-based approach brought him into marked contrast with the academic establishment. The latter tried to define management as a "science" while he saw management in its many dimensions and facets (and in particular in its fundamental social role) as a "Liberal Art." Management "deals with action and application, and its test is its results," Drucker wrote. "This makes it a technology. But management also deals with people, their values, their growth and development—and this makes it a humanity…Management is thus what tradition used to call a 'liberal art:' 'liberal' because it deals with the fundamentals of knowledge, self-knowledge, wisdom, and leadership; 'art' because it is practice and application."

him again and remind ourselves what the true responsibility of management is as a role within society. Certainly, it is not serving the short-term interests of financial markets or other parochial stakeholders. Europe, like other continents, needs Peter Drucker's thinking to build a sustainable and functioning society. Europe, though, also has the privilege of calling Drucker a "great son."

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Warren Bennis and James O'Toole observed in their May 2005 *Harvard Business Review* article, "How Business Schools Lost their Way," that the schools suffer from "an overemphasis on rigor and an underemphasis on relevance. Business schools have forgotten that they are a professional school."

As a European and Austrian, I feel strongly that Peter Drucker has been denied the recognition that he deserves on the European continent. This is in stark contrast to the reception Drucker has experienced in Japan.

In the United States his earlier books, like the *Concept of the Corporation* and *The Practice of Management*, had enormous influence on the way large U.S. corporations organized and developed their management methods. However, in the 1970s and 1980s his influence on actual practice started to wane. He raised his voice against the excesses and misdirected behaviors in financial engineering that ultimately destroyed long-term value. His voice was heard, given his fame and reputation at the time as the "father of modern management," but he was not listened to.

Peter Drucker's centenary provides us with a unique opportunity: to start listening to him again and remind ourselves what the true responsibility of management is as a role within society.

Richard Straub is president of the Peter Drucker Society of Austria.

Peter Drucker's Early Works—Austria and Germany: The Foundations of His Weltanschauung

Guido Stein, IESE Business School

Peter Ferdinand Drucker, Viennese, was born in 1909 to a cultured family that fostered both his literary vocation and his restless intellect. He combined law studies in Hamburg and Frankfurt with a job in an export company, and later as a journalist with the *Frankfurter General Anzeiger*. His doctoral thesis in law dealt with the so-called forms of quasi-government (*quasi-Regierungen*) such as revolutionary governments, governments in exile or colonies in the process of becoming independent.

His first book was a study of Friedrich Julius Stahl, a mid-19th-century legal philosopher, and an outstanding political traditionalist and parliamentarian, in Berlin and Erfurt. ➤

Entitled *Friedrich Julius Stahl, Political Conservationist and His Historical Evolution*, the book was published in 1933 by the prestigious German publisher J.C.B. Mohr und Siebeck of Tübingen.

Why should Peter Drucker, at the age of 34, have chosen to write about an unknown author who was practically ignored by German historians of political thought? Berthold Freyberg, a personal friend, provided a probable explanation for such a choice. Drucker's penchant for the innovative and creative syntheses of things, otherwise deemed incompatible, would seem to account for his intellectual fascination with the figure of Stahl, who could be described as the personification of paradox, notorious for his seemingly irreconcilable points of view.

Stahl, Jewish by birth, became the spokesman for Protestant political orthodoxy. Of Bavarian background, he worked earnestly for the Prussian crown. A committed conservative, he resisted absolutism in favor of constitutional monarchy. In short, he was a person difficult to categorize, like Drucker himself. It might well be ventured that there did exist a personal affinity that influenced Drucker's choosing Stahl, which shows quite tangibly that Drucker adopted a certain conservative frame of mind during those years that, along with his inveterate tendency toward iconoclasm, accompanied him throughout his life.

In his reflections on Stahl, Drucker goes on to describe a lively, dynamic conservativism (*lebendiger konservatismus*) in which history is viewed as a succession of contingent events and behaviors; that is, events and behaviors that might have never occurred, and always under the watchful care of Divine Providence (*Die Augen Gottes*). This confers upon such events and behaviors a specific dignity. (Later, he would see this tendency combined and emphasized in his readings of Burke, de Tocqueville, Bertrand de Jouvenelle, Calhoun, in *The Federalist Papers*, and in North American history and politics.)

Drucker saw this Jewish thinker not as a portent of characteristic features that would shape future political and social reality, but as one who examined the discontinuity facing the present; someone who was not asking the question "What will the future be like?" but rather, "What can we learn about today in order to build the future?" Like Bergson, he preferred to "draw out tendencies rather than to prophesize about what will happen." This was Drucker's approach to the profound cultural changes (discontinuities) that, because often hidden, cannot easily be perceived on the horizon, accustomed as we are to our expectation of continuity. [See, for example, Drucker's books *Landmarks of Tomorrow* (1957), *The Age of Discontinuity* (1969) or *The New Realities* (1989).]

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After publishing his study of Stahl, Drucker left Germany and established himself in London, where he worked for a financial firm and attended classes given by John Maynard Keynes. In 1937, he moved to the United States to serve as a correspondent for several English and Scottish newspapers, and as an assessor for various British financial institutions. Some years later he was to become a professor and consultant, activities he would alternate with his work as a writer, and that would continue right to the end, making him the most influential management philosopher to date.

Guido Stein is assistant professor of Managing People in Organizations at the IESE Business School in Spain.

Is Peter Drucker Still Relevant Today?

Thomas Sattelberger, Deutsche Telekom AG Board of Management

Who listens today in continental Europe when Tom Peters, Ken Blanchard and/or Noel Tichy are mentioned – all of them celebrated management luminaries of the last 25 years? Instead, the superlatives pile up when a conversation ends with the name of Peter F. Drucker. He was assured the top spot in the global ranking of business leaders as recently as 2001 and again in 2003. Three years after his death, and in his centenary year, we wonder what is left of Peter Drucker. To put it another way: Is Peter Drucker—is his thinking—still relevant today? To answer this question I first set out the main features of Drucker's way of thinking. Second, I present Drucker's insights in detail and apply these findings to the present day. Finally, draw some conclusions post-Drucker.

What characterizes Drucker's way of thinking?

Peter Drucker tried to understand the world in all its complexity. Together with most other Austrian thinkers of his time, he shared an aversion to oversimplified explanations without reference to the highest system: society. However, Drucker's thinking is driven by an overwhelming desire to extract universal guidelines from practical experience. Reading his work carefully, one is struck by three characteristic features of his way of thinking:

1. Drucker analyzed things from a bird's-eye view of society. Therefore, the starting point for any thought or action is society and community. His yardstick for "management" was always its effect on the common good.

2. The Drucker method combines fundamental skills and knowledge into a highly predictive analytical tool. His motto was, "Learn from practice for practice." Grounding his work on inner independence, deep historical knowledge and common sense, he minimized the academic success but maximized its practical relevance.

3. Insight is nothing without clear language and easily understandable presentation. As such, he wrapped his findings up in common-sense principles, understandable to everyone.

What insights did Drucker gain?

Going right back to Drucker's great works (*Concept of the Corporation* (1946); *The New Society: the Anatomy of Industrial Order* (1950); and, above all, *The Practice of Management* (1954)), we can identify three central insights.

First and foremost, Drucker elevates the pluralism of organizations into their defining feature. He proposed that organizations are effective because "each is autonomous and specialized, informed only by its own narrow mission and vision." The crux is that all earlier pluralist societies destroyed themselves because no one took care of the common good, as Drucker states. Due to advanced specialization, the common good is increasingly lost from sight and the foundations of society start to crumble. Drucker has a ready answer: "If our modern pluralist society is to escape the same fate, the leaders of all institutions will have to learn to be leaders beyond the walls."

Companies are social organizations in the sense that their fate is inexorably linked to that of society. Ducker's resulting maxim leaves no room for misunderstanding: "Value and service first, profit later." What turns the company into a social and political system is its most valuable resource and therefore the focus of management: its people. Therefore, "every enterprise is a learning and teaching institution," and "training and development must be built into it on all levels." Following Drucker, what really counts for a company are its goals and values. If an organization is not goal oriented, it simply confuses its employees.

> He proposed that organizations are effective because "each is autonomous and specialized, informed only by its own narrow mission and vision."

Drucker defined management as a social function enabling people to achieve their best performance. For him, the main problem of management was crystal clear: Many people fail to see that companies are a "social phenomenon," in which a very small number of decisions are behind 90 percent of all results. As such, Drucker appeals: "Always ask yourself if you are doing the right thing before doing things right." And the right things in management are mostly connected with developing people. For Drucker, the social function of management goes hand-in-hand with the question of legitimate power. To be legitimate, management must become a true profession like medicine.

What guidelines does Drucker give us to shape today and tomorrow?

Today's world is marked by the worst economic crisis in 80 years. Alongside the real economy, its moral foundations are in a deep crisis of legitimacy. In 2009, Drucker's original concerns are more topical and cutting-edge than anyone could have imagined.

According to Drucker, the most important lesson from the failure of socialism is the collapse of belief in an all-encompassing, all-powerful state. Unfortunately, the moral failure of management has cleared the way for its return. For us, the most important lesson from history should be that all social organizations are essentially fallible and none should stand above the others. Instead of creating a new state monstrosity, we should reinforce the relationship between the community and the company as a social organization.

Although Drucker was principally an advocate of "the market" as an instrument of control, he retained "serious reservations" about capitalism, which adores the economy itself as "the be-all and end-all of life." If we are to take from Drucker only one guiding principle it is that we should overcome the limitations of the pure capitalist world view and turn our attention to the major questions of society:

- Which value system should form the base of our society?
- What should the relationship between the individual and society look like?
- How are responsibilities divided among state, business and civil society?

Ultimately, the only way for us as managers to reconnect with society is to face the moral allegations in public and ground our actions on a solid moral basis. Whereas doctors take a professional oath and sit rigid public examinations, any charlatan is free to call himself a "manager."

Inversely, management's moral yardstick must be its own Hippocratic Oath, which Drucker defines as: "Above all, not knowingly to do any social harm." We now must regain ➤

our voice, saying two things: First, there is no doubt about our profession's moral standards. Second, we will speak out against any violation of our professional standards, whoever is responsible. Finally, to turn management into a true profession, we also must radically rethink our entry, promotion and recognition policies.

Until the economic crisis, the Anglo-Saxon MBA was the main route into management. Spin-offs of Harvard and its like have exported their model worldwide according to the mantra "one size fits all." Exaggerating the case, one could say that traditional, lemming-like MBAs often are hotbeds of soulless, purely economistic learning. Neither are they better in terms of content: functional silos remain intact; students are not taught systematic, interdisciplinary thinking; leadership is reduced to hero-worship.

Instead, management education must return to its European roots, meaning that training puts the evolution of the self back ahead of social masquerading. Questioning the existence of any certainty is essential for character building. Thus, the main pillars of Drucker's method must stand at the center of reformed management education: unbounded thinking, moral resolution, inner independence and a sound knowledge of history.

Is Peter Drucker still relevant today? In my opinion, the answer has to be "yes." Today's answers may be different, but the central questions are still the same. Moreover, most of Drucker's principles cut to the core of all being and, therefore, are timeless. That goes for society, the economy and the individual as well.

Thomas Sattelberger is chief human resources officer, Deutsche Telekom AG Board of Management.

Peter Drucker's Influence in Japan

Chuck Ueno, The Drucker Workshop (the Drucker Society of Japan)

There are a great number of Japanese company executives who devote themselves to the thought of Drucker as the person who invented management. The classic *The Practice of Management* sold 1 million copies in Japan, out of 5 million copies in the world. Drucker's books are always listed as best-sellers.

After the war, many Japanese company executives were influenced by Drucker's thoughts and his practical management, and these principles came into play in developing the postwar Japanese economy. Drucker wrote about his expectation that Japan would reach a turning point and develop into a new society. Drucker always looked at "new society" and was trying to ascertain the future of management. There were enormous numbers of people (Japanese statesmen, corporate executives and businessmen) who learned the main point of corporate management and the directionality of politics from Drucker's writings.

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Lucky Encounters

In June 1934, at 24 years of age, Drucker by chance encountered Japanese traditional painting at an art gallery in London and became captivated by this art form. This interest triggered Drucker's attraction to Japanese culture and spurred his lifelong interest in Japan.

By the mid 1950s in Japan, the urgent demand caused by the postwar reconstruction after World War II was almost satisfied. This economic situation led to a growing interest in improved management techniques. The Japan Productivity Center (JPC), established in the spring of 1955, organized seminars, continuously dispatched overseas inspection teams and worked diligently to close the management gap between Japan and the United States relative to productivity improvement.

Taizo Ishizaka, Chairman of the Japan Business Federation, who visited various places in the United States as the head of the top management team dispatched by the JPC, wrote this recommendation for *The Practice of Management* (1956, Japanese edition): "This book was provided for the executive suite of any company which I visited during an inspection trip." This made a big ripple, and Drucker's *The Practice of Management* suddenly was accepted in Japanese industry. Whereas before practitioners were having a difficult time with business administration, they finally recovered from their uncertainty and were prepared to move the country forward.

Visiting Japan

Drucker visited Japan for the first time in 1959. After that, he traveled to Japan every other year, staying for several weeks and bringing his family. These visits continued until 1996 when he was 86 years old.

After his first trip to Japan, Drucker said: "My Japan visit was undertaken with pleasure. I wanted to watch Japanese traditional painting to tell the truth." However, after the first trip Drucker became passionate not only about Japanese traditional painting but about the country itself. Drucker met corporate executives who had vision and courage; and he was convinced of Japan's potential. He discussed the implications of Japanese-style management for Westerners for the first time in the 1971 *Harvard Business Review* article, "What We Can Learn from Japanese Management."

Diamond Inc., which translated many of Drucker's books, has published 80 of his titles in Japan (including collections of his writings) since *Automation and the New Society* (1956). A total of 4 million copies have been sold by Diamond Inc. alone as of November 2005 (Memo, 14 Nov. 2005, Diamond, Inc.). This sales volume is possible for a literary book in our country, but for business books, even by a non-Japanese, we have never seen an equal to Drucker's books. His popularity remains a deep-rooted factor in Japan.

Drucker is one of three Americans whose concepts of management helped raise the Japanese economy after World War II, the others being William Edwards Deming and Joseph Moses Juran.

Contribution and Influence on Japan

Drucker wrote in the preface to the Japanese edition of *Innovation and Entrepreneurship* (1980), "Great time passed since I started minute observation for Japan. I visited Japan regularly for more than 25 years, and the most were considerably long-term stays. In both the economic world and the government, there are many extremely close friends…However, I did not work very much in Japan." Drucker also said, "Corporate executives whom I got to know in Japan are my friends, not my clients. I don't think I got any consulting charges from them."

Drucker is one of three Americans whose concepts of management helped raise the Japanese economy after World War II, the others being William Edwards Deming (1900-1993) and Joseph Moses Juran (1904-2008). In June 1966, Drucker's contributions to the modernization of Japanese industrial management and Japan-U.S. friendship were recognized, and the Japanese government conferred on him the Order of the Sacred Treasure (Zuihousho), an honor established on January 4, 1888, by Emperor Meiji of Japan as the Order of Meiji.

In his book, *Management Challenges for the 21st Century* (1999), Drucker wrote: "I very much hope that Japan will find a solution that preserves the social stability, the community and the social harmony that lifetime employment provided, and yet creates the mobility that knowledge work and knowledge workers must have. Far more is at stake than Japan's own society and civic harmony. A Japanese solution would provide a model — "for in every country a functioning society does require cohesion."

Chuck Ueno is director of The Drucker Workshop at the Drucker Society of Japan.

Peter Drucker's Contribution to Indian Management Thought and Practice

Vaibhav Manek, KNAV and PRISM Center of Learning

Note: KNAV is an international accounting, tax and business advisory firm. The PRISM Center of Learning offers the Drucker Curriculum in the Indian subcontinent, in partnership with the Drucker Institute, Claremont Graduate University.

Among the scores of nations that have been influenced by Peter Drucker, India is a prominent one. Drucker is a name that invigorates many minds and businesses in India. In terms of his contribution to management studies, right from undergraduate courses on commerce and economics, to professional courses such as chartered accountancy, to management degree courses at India's business schools, the work of Peter Drucker is widely read and acknowledged.

Most students in India's colleges and universities studying various disciplines of management, law, commerce, social sciences, organizational behavior and finance would have grown up having read Drucker.

Most academicians, professors, researchers and doctoral students of management have read Drucker's books and articles.

Likewise, most academicians, professors, researchers and doctoral students of management have read Drucker's books and articles. Some have even acknowledged references to Drucker's thoughts and ideas in their work, and have built upon his thoughts.

Drucker's seminal work on "organization," his thoughts on the concepts of "knowledge worker" and "innovation and entrepreneurship," and his work on the "effective executive" have found a tremendous following in India. Many corporations use Drucker's thoughts in their training programs and imbue these thoughts in their executives' work.

Infosys Technologies, one of India's and the world's most respected companies, is built on the foundations of ethical management and integrity in leadership, ideals that Peter Drucker stood for all his life. Says Kris Gopalakrishnan, CEO and co-founder of Infosys, "Drucker is an essential. Others have only picked up on his thoughts."

Drucker in, *Landmarks of Tomorrow*, writes with reference to India: "I am convinced of Gandhi's lasting impact—unless indeed, Independent India collapses into anarchy, civil war, totalitarianism, or before a new conquest by a foreign invader. But it is unlikely that there will ever be an attempt to realize Gandhi's society, that post-mortem dream that was to be more truly a fulfillment of the basic values of the West than any other Western country has ever been, and which yet was to rest on the non-Western foundations of India's own spiritual heritage. That attempt—despite its nobility and popular appeal—has failed."

entrepreneurship can be found manifested in many of India's current booming economic scenarios. As a prominent example, the Indian population of more than 1 billion, once considered a liability, is now considered a meaningful contributory asset—both in terms of gross domestic output and a large market, which no serious global corporation can afford to ignore. This has led to large foreign direct investments and has unleashed a new breed of Indian entrepreneurs ready to conquer the world, which ultimately has resulted in more disposable income in the hands of the average Indian.

From mobile phones to Internet technology to consumer goods to high-end services, one can also see the luxury segment of high-end brands coexisting and thriving. Information technology application is an area where India has gained an undisputed global leadership position, with many corporations outsourcing their non-core business and knowledge processes to Indian BPOs and KPOs, and having their software written by sophisticated Indian companies.

In 2004, Peter Drucker in an interview in an issue of Fortune said: "The medical school in New Delhi, All India Institute of Medical Sciences, is perhaps one of the best in the world.

Although he is gone, his works, his spirit and his thoughts will endure, making his life memorable to those who admired and learned from him.

It is important to note that Gandhi's ideals have never been fully realized in India, although many institutions were founded on those principles. Today, it is the free market and the knowledge worker that are driving the economy, with full freedom for citizens to set up entrepreneurial ventures in an environment that fosters business.

Similarly, the thought that it is incongruity that ultimately leads to innovation and

And the technical graduates of Indian Institute of Information Technology in Bangalore are as good as any in the world. Also India has 150 million people for whom English is the main language. So India is indeed becoming a knowledge centre."

Drucker's belief that we are driving towards an era of knowledge workers is amply proven in this part of the world.

Vaibhav Manek is the hon. vice president of the Drucker Society, Mumbai, India. He is also a partner in the KNAV, Mumbai Office and cofounder of PRISM Center of Learning.

A Thinker Beyond His Time

Shuming Zhao, School of Business, Nanjing University

After attending the Academy of Management Conference in Hawaii in August 2005, my wife and daughter accompanied me on a much-anticipated trip to Claremont Graduate University (CGU) to visit with Professor Peter Drucker. It turned out to be our last meeting as he passed away in November 2005. The news was difficult to accept. Just as his thoughts and ideas were always new and provocative, I imagined that Drucker would stay young forever. Seeing the collected works of Drucker on my bookshelf is comforting. Although he is gone, his works, his spirit and his thoughts will endure, making his life memorable to those who admired and learned from him.

The First Meeting

My first encounter with Drucker was in the summer of 1981, when I was attending his lectures at CGU. At that time, very little was known about Drucker in China. China followed a highly centralized planned economic system and managerial model. Because there was little emphasis placed on the importance of learning management theory and practice, I chose linguistics and education as my graduate major, rather than management. I did not regret that choice until I returned to China to work at Nanjing University in 1983. By then, many aspects of life in China were changing. China had adopted an economic reform and opening-up policy. The changes became increasingly significant over time.

By 1984 China had embarked on a semi-commodity economy, which made me realize the growing importance of management principles and practices. I became determined to study for a Ph.D. in management at CGU. My return to Claremont provided a number of learning opportunities to interact with Drucker and enhance my knowledge of management.

> He suggests that we must understand and appreciate individual characteristics if we are to treat employees as human beings who contribute to the organization through their talent.

Although he was an accomplished well-known thinker and communicator, Drucker was human. In conversations with students, he would take the time to emphasize and explain points. To his students, Peter Drucker the legend became Peter Drucker the teacher. In him, you found a knowledgeable senior mentor who was effective at giving systematic guidance and support.

The Pioneer of Modern Human Resources Management

Drucker, as the founder of modern management, has contributed a significant body of work in the field of human resource management. His writings convey the basic theme of "human-centered" management systems (Drucker, 2005). "Human beings are the most important resource of enterprises" is his central point.

In his 1954 seminal book, *The Practice of Management*, Drucker emphasizes the unique value of human resources for their individual contributions to an organization. He suggests that we must understand and appreciate individual characteristics if we are to treat employees as human beings who contribute to the organization through their talent.

Drucker's writing and consulting challenged managers to empower employees with a sense of accomplishment to make their jobs more effective and rewarding. Managers lead employees not only through knowledge, ability and skills but also through vision, encouragement, responsibility and integrity. Drucker explored the importance of individual humans to an organization, how to build harmonious relationships between individuals and organizations, and how to create organizations that build responsibility and self-management.

As a "social ecologist" Drucker has become known as a thinker who integrates the spirit of "the unity of knowledge and practice" (Drucker 2006). His perspective draws attention to the importance of analyzing changes from both social and historical perspectives.

> The core challenges facing China are to cultivate large numbers of effective managers who understand how to manage and how to lead.

This approach allows one to appreciate the influence of management and predict the direction of change. Leaders look at change as opportunity, and seek to find suitable effective responses both inside and outside of organizations. Managers must know how to shape future policy, create transformation, and at the same time balance between innovation and perpetuation.

Accurate and Profound Insight about China's Development

Visiting the last time in 2005, I had the occasion to talk with Drucker about China's economic reform and enterprise management. He agreed that China's economic reform and enterprise management have achieved substantial success. Drucker emphasized that management practice always precedes management theories. He recalled that in those years when he was learning the Japanese management experience, he traveled to Japan many times to understand the practice of management.

We discussed that technology and capital are merely tools for developing countries, which will produce sufficient effects only by the efficacy of competent managers. The core challenges facing China are to cultivate large numbers of effective managers who understand how to manage and how to lead. They must promote the development of enterprises, and also know how to motivate employees and reward their achievements. He emphasized that in today's China, and even all over the world, nothing is more important than this. Following this way of thinking, China should cultivate its own managers who are familiar with and understand the country and people, and also are deeply rooted in the Chinese culture, society and environment.

The change in China is dramatic. The change is not evolutionary change: It is revolutionary change. The development of Chinese production has evolved from "Made-in-China" to "Copy-in-China" to now "Innovate-in-China." This evolution is totally supported by human talent. With the increasing penetration of a knowledge economy worldwide, the importance of human resource management has gradually emerged as a critical theme.

perspectives

It is noteworthy that since the 1980s, scholars, managers and business leaders have come to appreciate the relevance of Drucker's management ideas in China. Evidence of his influence can be seen in the Drucker learning institutions that have been established in cities including Beijing, Shanghai, Nanjing and Xi'an. Simultaneously, a number of Chinese enterprises have gained great achievements through the application of modern management practices that are derived from Drucker. Zhang Ruimin of Haier Group of China illustrates one well-known example among others.

We honor Drucker's memory as a friend, mentor and teacher. Undoubtedly, he will be long remembered for his lasting unique contributions to the theory and practice of management—the founder of modern management.

Note: This article is excerpted from a longer article which is part of NSFC Research Project 70732002.

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Peter Drucker: More than a Management Thinker

Danica Purg, IEDC-Bled School of Management

Peter Drucker is perhaps the best example of a European who later in the United States became the most impressive management thinker of our times. In his personality the old and new times flowed together, and he has

> His interest in art, and Japanese art in particular, can be seen as a spinoff of his admiration for Japanese management that inspired him to build a collection of Japanese art.

been as much a citizen of the world as an American. Without idealizing his youth in Austria, we can see that it certainly provided him the social, historical and cultural basis for development of his skills and talents. And as it counts the same for great artists, it is difficult to say what part of his extraordinary feeling for the "Zeitgeist," always including a view to the future, came from his talent of observation and understanding, or from his craftsmanship.

Being a lawyer by education, he increasingly believed that the main issues in business could not be resolved by legal or organizational solutions only. Increasingly, cultural, sociological and psychological analyses and associations filled his books. More and more he stressed the importance of self-knowledge and what he called the quality area of ethics.

Therefore, it has been a special but not a surprising experience that his home library has been filled with books about art. His interest in art, and Japanese art in particular, can be seen as a spinoff of his admiration for Japanese management that inspired him to build a collection of Japanese art. But it has been certainly more than that. How otherwise can we understand that he was for several years the sole teacher on Japanese art in Pomona College? Art helped him to understand better the Japanese culture, and particularly the business culture.

He saw also here—as everywhere else—the parallels. He defined Japanese paintings as "copying to perfection" and "creative imitation," and so he saw the Japanese industrial and managerial approach. His obsession with quality had a relation to art as well. He describes in one of his books how he attended a 1929 performance of Verdi's Falstaff at the Hamburg Opera. He was so much impressed by the composition that he wanted to carry out his own life's work in the spirit of Verdi, who once said: "All my life as a musician I have striven for perfection. It has always eluded me. I surely have an obligation to make one more try."

Willingly or unwillingly, Peter Drucker has inspired me not only to integrate ethics in management education at IEDC Bled School of Management, but also to develop the topic of "Art and Leadership" to enrich leadership development with lessons from art as a tool for reflection on organization, on oneself and on the meaning of life in general.

Professor Danica Purg is president of IEDC-Bled School of Management, Slovenia.

Managing Yourself

Bob Buford, The Drucker Institute

As Peter Drucker understood so well, we have a problem—a big problem, a 30-year problem.

At the beginning of the last century, life expectancy was around 50 years. If you are 50 years old today, you are in the period I've dubbed "halftime." It's a feeling of "Been there. Done that. Now what?" You now can reasonably expect to live 30 more productive years.

Much of this special issue of *People & Strategy* is focused on how Peter Drucker's deep knowledge of the globe has helped to make his teachings relevant to an amazing mix of countries and cultures. But Drucker, of course, was focused on generations as well as geography, on people as well as places.

And toward the end of his own long life—one that saw him wear the multiple hats of university professor, management consultant and writer—he began to explore how untraditional, serial careers were creating a quandary for the many who had expected lifelong stability.

"In a few hundred years," Drucker declared, "when the history of our time is written from a long-term perspective, I think it very probable that the most important event those historians will remember is not technology, not the Internet, not e-commerce—but the unprecedented change in the human condition. For the first time—and I mean that literally—substantial and rapidly growing numbers of people have choices. For the first time, they will have to *manage themselves.*"

Managing oneself, however, is far easier said than done. As Drucker warned: "We are totally unprepared for it. Up until around 1900, even in the most highly developed countries, the overwhelming majority of people simply followed their father's footsteps—if they were lucky. If your father was a peasant farmer, you were a peasant farmer. If he was a craftsman, you were a craftsman. There was no such thing as upward mobility. Now, suddenly, a very large number of people choose what they want to be. And what's more, they will have more than one career. The average working life span is now close to 60 years. In 1900, it was 20."

Ready or not, we live in an age of self-determination. But with this marvelous opportunity has come tremendous anxiety. I can say with certainty, based on hundreds of conversations and e-mails about midlife issues that I have received, that most people don't know what to do with the second half of their lives.

"A pier is nothing other than a frustrated bridge," Shimon Peres has said, capturing this predicament both precisely and poetically. "It is connected to one shore only and does not have another shore to attach itself to."

We have a lot of "frustrated bridges"—professionally as well as personally. What's more, our angst has been exacerbated by a period of almost indescribable financial insecurity.

Among Drucker's greatest strengths was his ability to "look out the window and see what's visible but not yet seen." His contribution was to ask the right questions at the right time. In his last book, *Management: Revised* (with Joe Maciariello), Drucker wrote the following:

Knowledge workers . . . face drastically new demands:

- *They have to ask, "Who am I? What are my strengths? How do I work?"*
- *They have to ask, "Where do I belong?"*
- *They have to ask, "What is my contribution?"*

Can any of us afford not to be wrestling with the answers?

Bob Buford is the chairman of the Board of Advisors at the Drucker Institute.

Peter Drucker, American

Rick Wartzman

Peter Drucker's core philosophy—that effectively managed, ethically led organizations are the key to a healthy society—was forged in Europe. It was there that the Vienna native devoured the works of Wilhelm von Humboldt, Joseph von Radowitz and Friedrich Julius Stahl. It was there that he was exposed to the economic theories of Joseph Schumpeter and John Maynard Keynes. And it was there, most significantly, that he witnessed the rise of Fascism.

Yet it was in the United States, where Drucker arrived in 1937, that his philosophy has been tested to the fullest—for better and for worse.

Although he retained a thick Austrian accent throughout his long life, Drucker became an American through and through. He was a keen observer of the national scene, leading some to liken him to a latter-day de Tocqueville. He loved baseball (and even advised the Cleveland Indians for a season). The White House sought his counsel.

But it was through his landmark books on how organizations should function, including 1946's *Concept of the Corporation* and 1954's *The Practice of Management*, that Drucker truly shaped his adopted home, helping to usher in what historian Alfred Chandler has called "the Golden Age of business" in America.

Managing oneself, however, is far easier said than done. As Drucker warned: "We are totally unprepared for it. Up until around 1900, even in the most highly developed countries, the overwhelming majority of people simply followed their father's footsteps—if they were lucky."

Specifically, Drucker's ideas and ideals led countless executives in the decades after World War II to try to balance the needs of shareholders, employees and the community at large. And his principles helped create a work environment that provided dignity and a sense of fulfillment for millions of people.

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When Jim Collins and his coauthor Jerry Porras dug into the backgrounds of "visionary companies" such as General Electric, Johnson & Johnson, Procter & Gamble, Hewlett-Packard, Merck and Motorola, they found Drucker's "intellectual fingerprints" everywhere: "David Packard's notes and speeches from the foundation years at HP so mirrored Drucker's writings," Collins has remarked, "that I conjured an image of Packard giving management sermons with a classic Drucker text in hand. When we finished our research, Jerry and I struggled to name our book, rejecting more than 100 titles. Finally in frustration I blurted, 'Why don't we just name it *Drucker Was Right*, and we're done!'" (They eventually instead settled on *Built to Last*.)

Over time, however, Drucker would not only see his wisdom embraced; he would also watch it being woefully ignored.

By the 1980s, Drucker had grown tired of the naked greed exhibited by U.S. corporate leaders. (Partly as a result, he increasingly turned his attention to the work of non-profits.) He likened those on Wall Street to "Balkan peasants stealing each other's sheep." He spoke out against the obscene amounts of pay being pulled in by CEOs—a peculiarly American phenomenon.

Few top executives, Drucker said, can fathom "the hatred, contempt and fury that has been created" because of their king-sized compensation. "I don't know what form it will take, but the envy developing from their enormous wealth will cause trouble." He thought that pocketing millions while passing out pink slips was, in particular, "morally unforgiveable."

Given his level of outrage, one can only imagine what Drucker would have made of the latest economic crisis, an extraordinarily costly mess triggered by everything he decried: an emphasis on short-term gains over long-term stewardship; the substitution of cleverness for genuine innovation; a widespread failure to heed the first responsibility of every professional: "Above all, do no harm."

Surely, Drucker would be angered and deeply saddened by what has transpired during the last year or so. But we can also assume that Drucker would not have given up completely on American business. Deep down, after all, Drucker's thinking always had "a hopeful cast," in the words of his biographer, Jack Beatty.

After the publication of *Post-Capitalist Society* in 1993, Drucker was asked by an interviewer whether he believed his books had been properly understood. "I would hope that American managers—indeed, managers worldwide—continue to appreciate what I have been saying almost from day one: that management is so much more than exercising rank and privilege, that it is about so much more than 'making deals,'" he replied. "Management affects people and their lives."

Can there be any doubt that America needs Drucker now more than ever? P&S

Rick Wartzman is the executive director of the Drucker Institute.

Design Your Governance Model to Make the Matrix Work

Gregory Kesler and Michael H. Schuster, Competitive Human Resources Strategies, LLC

The Matrix is Here to Stay

Peter Drucker argued that "the best structure will not guarantee results and performance. But the wrong structure is a guarantee of nonperformance." Drucker stated that organization structure should only be as complex as it needs to be. But as early as the mid-1970s he argued in support of the matrix: "It will present greater difficulties than either work-focused or result-focused design. But there are organizational problems where the very complexity of relationships makes [a matrix] the only appropriate design principle" (Drucker, 1973).

Organization structures have become as complex as the business challenges they face. Matrix structures are designed to balance competing, but equally important, priorities and decision rights across global, local and functional units. Despite a great deal of frustration over its failures, the matrix is here to stay. In fact, increasingly complex matrix structures will continue to flourish.

Heywood, et al. (2007), offered a persuasive case that companies are likely to generate more value by reducing the *negative effects* of complexity through clear operating-model choices and clear roles and decision rights than by attempting to simplify organization structures and business models. Cisco's "distributed-innovation" networks and boards deliver 70 percent of the company's innovations today, according to CEO John Chambers (McGirt, 2009). Chambers' drive to shape a culture of enterprisewide collaboration began with a massive restructuring shortly after the tech bust of 2001. His objective is to maximize innovation through simultaneous empowerment and integration.

Cisco is already teaching AT&T, GE, Procter & Gamble and others how to bring Web 2.0 to life in their businesses through creative combinations of organization and technology. Cisco is convinced that real innovation is possible only when diverse functions, P&L units and market leaders collaborate together and with customers. Chambers wants to do it in a manner that reduces dependency on him and other top executives to manage the work.

In nearly all multi-nationals, the drive to innovate must be balanced with pressure to reduce costs and to leverage corporate resources fully. (Drucker also argued that organization structures needed to separate the work of operating management—managing things we know—from the work of innovation.) Few may achieve the level of flexibility of culture and structure that Chambers envisions. But all global, multi-business companies must find ways to manage the chaos and continuously rebalance the tension among customer intimacy, brand building, functional excellence and cost effectiveness. And today they must do so in the context of Sarbanes-Oxley and what are likely to become even more stringent fiduciary controls, with board and regulatory oversight.

Coca-Cola's chairman, Neville Isdell, made major strides turning around the brand giant during the past four years by embracing the complexity of seeking both global brand excellence (with leveraged R&D spend) *and* local responsiveness with bias to action. It was precisely his predecessors' refusal to manage the built-in conflicts between local and global that accelerated the company's slide to degraded earnings, sluggish sales growth and stagnated innovation. Isdell's "freedom within a framework" (Kesler, 2008) became the means to corralling an accepted level of chaos—a way to engage the natural tension between many new global initiatives and the need for geographic GMs to get more aggressive about finding local solutions to brand, product and revenue gaps.

Isdell dubbed his framework the "manifesto for growth"—a sweeping vision, long-term objectives and set of beliefs about the world and business that empowered and demanded, in uncompromising fashion, that leaders would work together and with corporate social responsibility to re-energize the brand around the world. Isdell's (and his team's) success in "managing the matrix" is arguably the major difference in Coke's performance since 2005 versus the previous six years.

Corporate Versus Operating Governance

Corporate governance is the system and processes by which power is managed in the business enterprise—the means by which business corporations are directed and controlled (Schliefer and Vishny, 1997). Prior to the Sarbanes-Oxley Act of 2002, a body of literature addressing corporate controls was well established. Sarbanes-Oxley added a stimulus to both corporate activity and academic interest in the subject of governance and control (Romano, 2005).

But it is useful to separate corporate governance, meeting the legal requirements of governance embodied in legislation (e.g., Sarbanes-Oxley, FASB) and corporate charters (board rules and bylaws), from what we term *operating governance*. At its basic level, corporate governance structures specify the distribution of rights and responsibilities among different participants in the corporation such as the board, managers, shareholders and other stakeholders. Control and governance provide the structure through which company objectives are set, and the means of attaining those objectives and monitoring performance, while assuring the enterprise acts as a responsible member of the community.

Operating governance, in contrast, refers to the way managers within the business make decisions and the ways they delegate decision-making vertically into the organization (driven by structure, policy and process). Additionally operating governance reflects the way that decision rights are allocated *horizontally* across functions and business units. Put another way, *operating governance is the process—intentionally designed or by happenstance—by which power is managed*. Power is embedded both vertically, as in what is delegated down through organizational layers, and it is embedded horizontally, among peer units, as in who carries decision rights between potentially conflicting organizational entities or functions.

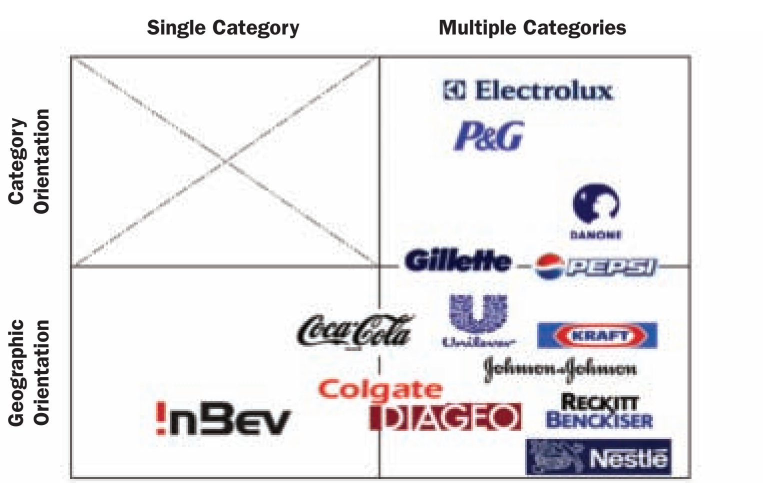
Most companies simultaneously have global businesses with regional and in-country management, corporate staffs, business-unit staffs, centers of excellence and so on. In many, decision rights have become highly problematic. There are many reasons for this:

- Today's growth strategies demand competing priorities be balanced, especially with regard to geographic market management versus global product/category management.
- Innovation in most sectors demands greater integration of efforts across business lines, geographies and functions—and externally with customers and suppliers.
- Geographic footprints for business growth have shifted dramatically and traditional regional structures are dated—often requiring the elevation of emerging markets like China to assure more management attention.
- Corporate functions now demand a stronger hand in setting worldwide priorities and resource allocation ("end-to-end") for the entire function—often sparring directly with local and global business unit demands.
- Pressure to reduce costs and to leverage key company resources across businesses remains high—especially in a worldwide recession.

TABLE 1: TENSION IN THE MATRIX—TYPICAL CONFLICT AREAS BETWEEN GLOBAL AND LOCAL-GEOGRAPHIC BUSINESS UNITS

Global Product Division	Geographic Division
Product investment priorities—new technology (fewer, bigger bets)	Strong voice in product creation priorities—continued local development
Global product standards, specs and pricing corridors	Local adaptation of product to local customer/consumer needs
Assure all aspects of brand management are aligned with positioning	Keep brand "stories" relevant
Provide best practice and guidelines for developing local media strategies	Develop locally relevant media strategies and manage execution
Provide global copy strategy for major advertising initiatives	Tailor global campaigns to maximize impact
Set demand-creation budget for global	Set demand-creation budget for the geographic units

FIGURE 1: CONSUMER PACKAGED GOODS COMPANIES MOVING FROM GEOGRAPHY TO CATEGORY DECISION MAKING



Adapted from: McKinsey review of annual reports; company Web sites; press releases; press clippings

Governance practices are often left undone or incomplete. Conscious design of operating governance frameworks is critical to making complex, matrixed organizations work. As an illustration, Table 1 provides an example of the potential areas of conflict between global product and territorial general managers.

An examination of 12 major global consumer packaged goods companies reveals the difficulties in staying the global course. Most consumer packaged-goods companies find themselves managing primarily on the local-national axis in the matrix, despite claims to being global. (See Figure 1.) Few have successfully shifted the power to the global axis of their matrix on a sustained basis.

Nestlé appears satisfied to manage a few core food products globally, while continuing to encourage local-national innovations in food brands products and formulas. Unilever has made numerous efforts, on the other hand, to move further into the global space in the model, and is now pushing hard in this direction. But P&G and a handful of others are among the few who set a course, and despite some very rough bumps, have moved continuously to shift the power in the matrix from primarily entrenched, regional P&Ls to powerful global categories, matrixed with regional-market development units and strong core functions (Kates & Galbraith, 2007).

P&G found a way to reinvigorate local marketing influence with clear division of roles and responsibilities, relative to the center. The journey was painful, but it has clearly paid off as P&G has substantially outperformed its peers in innovation and growth. P&G's willingness to engage leaders around the world in building relationships, spelling out decision-rights and actively managing its complex customer and innovation networks has contributed significantly to its success.

More than Decision Rights

It is clear to most leaders that structure alone does not drive effective execution. Jay Galbraith's star model (Kates and Galbraith, 2008) argues for alignment of business process, rewards, people and structure with the strategy. It is less obvious to organization designers that clearly defined operating-governance process and practices are a critical part of the design. Today the business must meet tougher corporate-governance standards and manage faster, more effective decisions around strategy and execution—at all levels of the business.

A recent and widely read *Harvard Business Review* article by Rogers and Blenko, "Who Has the D?" (Rogers & Blenko, 2006), described four common opportunities for dysfunctional conflict, role ambiguity and plodding, ineffective decision making:

1. global versus local;
2. center versus business unit;
3. function versus function; and
4. inside versus outside partners.

The authors outlined a compelling case for defining roles in a manner that clarifies simple, clear decision making whenever possible. They argue for the use of a decision-rights process characterized by an acronym, RAPID (recommend, agree, perform, input, decision), to clearly identify a single decision maker for all key decision points where matrix tensions live. Many organizations have taken this type of model and developed detailed decision charts, guidelines, statements of principle or other forms of operating governance. But it is clear that these tools are far more likely to gain traction when they are part of a systemic and behavioral view of operating governance—when there is a framework or larger context that is an integral part of the way the business is run.

We have experimented with tools intended to create greater role and power clarity, like the RAPID tools. In attempting to assemble these tactics into a coherent approach, we have discovered a powerful model, developed by Robert Simons (1995, 2005) that provides a practical lens for engineering the right power dynamics into the organization design. Employing Simons' framework management can create a change strategy to consciously make governance part of the strategy-execution work.

Return on Management

Recall the goal of Cisco's CEO to "reduce organization dependency on himself and senior executives." Underlying the Simons model sits the same idea, a compelling concept about time and attention he has dubbed "return-on-management" (ROM). Management attention is a fundamental constraint in business execution. Prioritizing opportunities to invest management time is a key part of operating governance.

Because matrix organizations are more complex, they require more management time. Anyone who has worked in a large matrix company knows the risks of prolonged decision making, complex communications and the need to sort through competing priorities without wasted energy. In our view ROM demands we not ignore these time-wasting conflicts. It requires that executives learn to manage the tension in a surgical, efficient fashion in the best interest of customers and owners. Again, Drucker spoke to this, arguing complex organization designs need "clear goals, high self-discipline throughout the structure and a top management that takes personal responsibility for relationships and communications" (Drucker, 1973).

Levers of Governance and Control

Simons proposed four levers of control (Simons, 1995):

1. belief systems, used to inspire and direct the search for new opportunities;
2. boundary systems, used to set limits on opportunity-seeking behavior;
3. diagnostic control systems, used to monitor and reward achievement of specified goals; and
4. interactive control systems, used to stimulate organizational learning and the emergence of new ideas and strategies.

Simons's levers are presented in Figure 2 on the next page.

According to Simons, these four levers create the opposing forces—the yin and yang—of effective strategy implementation. Two of these control levers—belief systems and interactive control systems—create positive and inspirational forces. They drive managerial energy. The other two levers—boundary systems and diagnostic control systems—create ➤

FIGURE 2: R. SIMONS'S FOUR LEVERS OF CONTROL TO SUPPORT STRATEGY IMPLEMENTATION

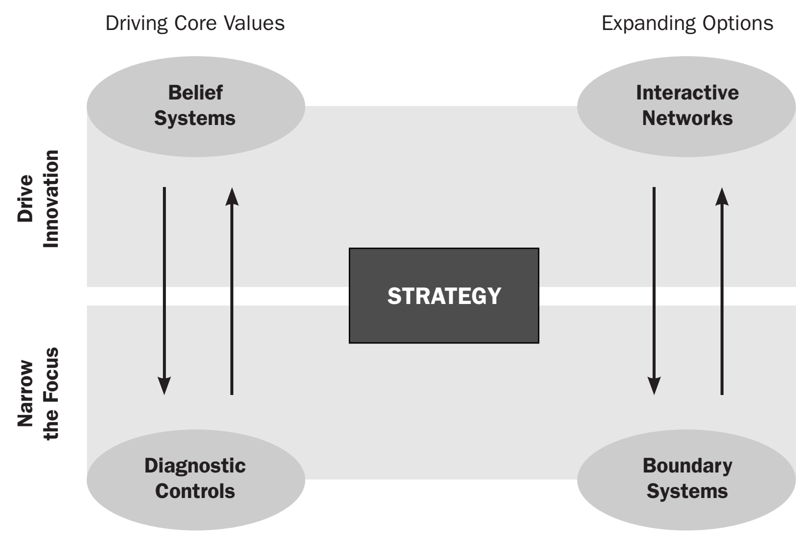


TABLE 2: SAMPLE OF GOVERNANCE TOOLS WITHIN EACH OF THE LEVERS—BALANCING POWER IN THE MATRIX

Beliefs	· Values · Design principles · Direct management interaction	· CSR commitments · Executive speeches · Internal education programs
Networks	· Global business planning teams · Executive talent reviews and talent movement · Co-location arrangements · Town hall meetings	· Formal networks and councils · Action-learning teams · Ideation teams
Boundaries	· Decision-rights docs · Role definition · P&L alignment; budget ownership · Brand and corporate identity rules	· Success profiles · Formal business process · Procurment policy
Controls	· Business dashboards · Balanced score cards · Performance data · Organization effectiveness studies	· Benchmarking · Performance management practices · Audits of various types

constraints and ensure compliance—thereby focusing and conserving managerial attention. Creating a proper balance among these competing levers and providing effective decision rules achieve an optimal return on management. Managing power in the matrix means finding the balance in these forces. The wrong constraints on the wrong axis in the matrix—say, product management—destroys initiative and creativity. Unlimited freedom to all axes in the matrix assures lack of focus and poor return-on-management.

Table 2 outlines tactics that we have found useful related to each of the four levers. Each lever is discussed below.

One: Beliefs

Beliefs are an explicit set of organizational norms that senior managers communicate formally and reinforce systematically to provide values, purpose and direction to the organization (Simons, 1995). Beliefs inspire and guide the search for opportunities to increase value and provide guidance to managers on how to manage relationships internally and externally. A strong commitment is measured by acceptance of the organization's beliefs and values (Steers 1978, Tirole, 2001).

Beliefs are most likely to be effective in companies that have well-defined cultures and leadership norms. At Nike, the "Just Do It" culture is still intact. People assume they are empowered to act in its complex matrix. Innovation is equally real in Nike's belief system, and this ethic energizes the design community in the matrix to translate product-performance technologies into indie and urban fashion statements that are as hip in Tokyo and Beijing as they are in Milan and New York.

Two: Interactive Networks

Exploiting market opportunities requires organizations to break out of limited search routines. Interactive practices are the catalyst for innovation and adaptation (Simons, 2005). Governance must encourage continuous search activity and create information networks to scan and report critical changes, and make it the practice to widely share information and insights. Interactive governance tactics allow for search "beyond boundaries"—that may lead to modification of strategies and, in turn, the other governance levers. One of the purposes of a matrix organization is to promote this creativity through competing points of view.

Bartlett and Ghoshal (1989) argued 20 years ago for the importance of relationships—building and other "soft" processes needed to create "transnational" effectiveness. Interactive governance practices are likely to be easier in companies with rich traditions of dialogue and relationship building. Companies that quickly form teams around business problems are likely to be most effective with these practices, but all competitive businesses need to get better at this "soft" set of governance practices. Without these practices, the tension in the matrix is wasted energy.

Antonio Lucio, formerly chief marketing officer at Pepsico, outlined a perfect example of interactive governance at work in the brand giant (Lucio, 2005). His goal was to make local marketers and bottlers successful.

Lucio explained, "We operate through a bottom-up, highly participatory and interactive process. It is lengthy and time consuming, but highly effective. There is a committee—consisting of people from the top 29 countries around the world—that drives everything we do. At Pepsi, the local marketer owns the branding locally: the actual manifestation of the positioning statement within the context of his/her particular market. What we, at the center, do is provide a menu of programs that first and foremost, those local guys helped develop. They provide input to everything we do at the center and at each and every step of the development process—from advertising to product development."

Three: Boundaries

But Lucio doesn't stop there in describing the process at Pepsi. He goes on to say, "We also have a smaller operating group, consisting of seven regional vice presidents and four core brand VP's from the center who make final decisions on the work developed by the team of 29. If there is discrepancy, I cast the final vote." Even with all the creative touch points, there are boundaries and clarity at Pepsi.

Colgate's consumer brands have been worldwide for a long time, and its geographic business units are still the dominant voice in the matrix, empowered to adapt products to local habits and tastes. But the brand book for Colgate's big-red toothpaste icon makes it very clear how the brand will be positioned and its brand boundaries must not be violated.

Four: Diagnostics

Diagnostic-controlling tools monitor the compliance of results and behavior against the strategies, objectives and fiduciary accountabilities of a company. Simply, these

Boundaries must be applied in all businesses, but some companies are more likely to rely on them than others for governance. Companies with histories of managing multiple P&L units from the center rely heavily on these tools.

Boundaries impose limits on the organization's search for opportunities. They spell out what may not be done and often specify the consequences of boundary violations (Sanders, Hamilton and Yuasa, 1998). Boundaries come in two forms: business conduct and strategic-decision alignment.

Business conduct boundaries define acceptable behaviors. These are governed by regulation, policies and codes of conduct (Gatewood and Carroll, 1991). Strategic boundaries limit areas of opportunity in the search for growth and innovation. At Nike, it is *not* OK for locally generated product-innovation to diminish the brand stories that come from the center.

Boundaries must be applied in all businesses, but some companies are more likely to rely on them than others for governance. Companies with histories of managing multiple P&L units from the center rely heavily on these tools. The line items in budgets can be shaped to alter the horizontal power dynamics between geographic units and global product units. The third line in Table 2 presents a series of tools that reflect the allocation of power and responsibility. They range from budgetary to brand and policy considerations. These limiting or boundary devices tend to be less subject to near-term adaptability.

are the measures that drive the right behaviors in the business in a fashion that allows self-correction. Diagnostics include classic financial controls (income statements and balance sheet) as well as operational, market and customer measures used to execute business plans. Diagnostic-based governing methods have been drivers of innovation in companies that have established dominance in a particular competence—for example Walmart for supplier management, Dell for cash and inventory management or 3M for new product creation.

Diagnostic controls require active managerial involvement in working through data, assessing risk and making tough decisions. The meltdown of capital markets in 2008 was largely related to a shortage of diagnostic controls and a complete lack of management understanding of the risks that were being incurred in opaque derivatives collateralized with sub-prime mortgage debt. The matrix organization in institutions like Citigroup (organized around a set of three axes: customers, geography and products) had become quite complex. Citi's top executives appeared unwilling to manage the infamous power struggles within the matrix—or possibly they did not know how to act.

The Case of Apparel Brands Inc.

The objective in applying the four-levers model is to achieve an approach to governance through a balance across all four of the levers in the framework—suited to the business strategy. The story of Apparel Brands Inc. (ABI – name changed to protect anonymity) provides some valuable insights into how Simons's framework can be used as a road map to do just that.

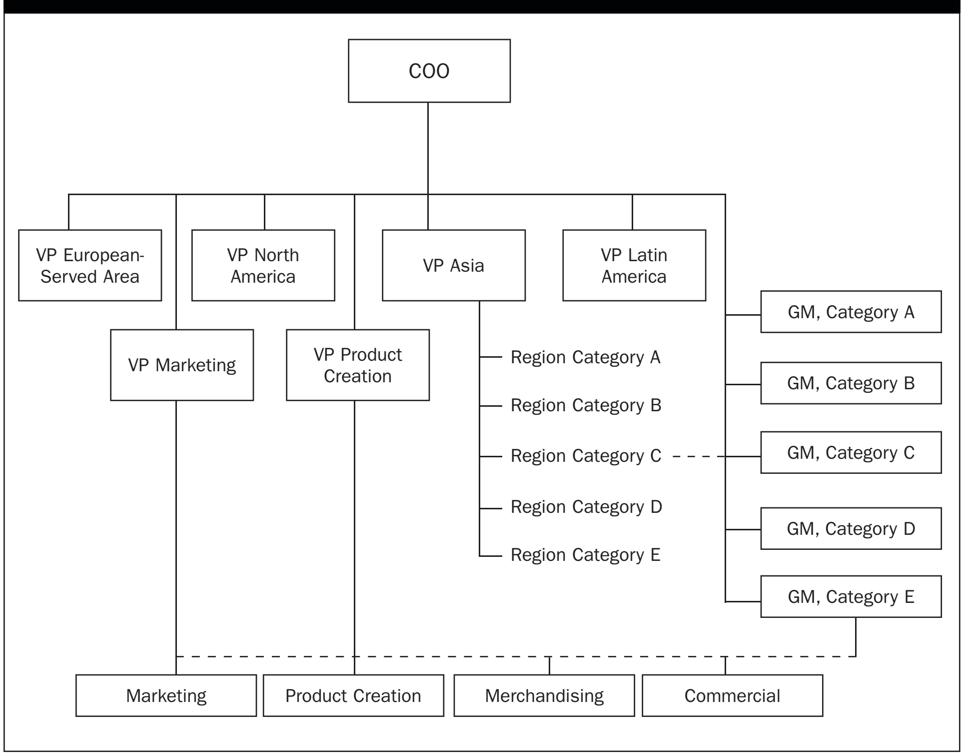
ABI is a highly successful $12 billion marketer of apparel and accessory brands. Its brands are very visible all over the world, and its quality products enjoy attractive margins as a result of the power of those brands. But ABI began to discover that its intense focus on great product, developed in several parts of the world, was limiting its ability to communicate directly enough with consumers—and that it had become more difficult to deliver compelling brand stories around the world. Its leadership sought more growth through better alignment with highly dynamic consumer segments. The result was a strategic decision to develop, market and manage retail through global, consumer-focused categories.

Historically, the organization design at ABI was focused on a product and geographic matrix. Some products were managed globally and others were managed very locally. Leadership discovered that the old structure made it very difficult to create consumer-aligned category focus because its three separate product units each went to market separately. Products that consumers might naturally buy together would arrive weeks apart or fail to blend in style and color. And it was extremely difficult to align resources around big, global bets, due to the autonomy of regional business units.

It was clear that the new consumer-focused strategies called for less geographic autonomy and greater reliance on globally coordinated decision making. Top executives spelled out a set of organization-design criteria. They sought an organization that would create these capabilities:

- See the world through consumers' eyes.
- Create and sustain relationships by consumer segments.
- Use a consumer category lens to inform all decisions.
- Get beyond single transactions and always deliver a premium product.
- Create great experiences—product, services and content.

FIGURE 3: THE NEW GLOBAL CATEGORY ORGANIZATION DESIGN AT ABI



These insights led to a strategic decision to realign the historic, product business units into five global, consumer-aligned category business units, and to re-focus the product business units into more creative product-development units. (See Figure 3.) This decision was validated through various research methods, including extensive consumer research.

Challenges in the Matrix

Matrix tension is nothing new to ABI, and cynicism long ago gave way to gentle humor among insiders who agree that a matrix is "just part of working at ABI." But the potential for confusion and bottlenecks was ratcheted higher with the new organization when it was launched in late 2006.

Global categories would have to take power from both local geographies and the company's powerful product divisions—without compromising product excellence or local relevance in critical markets. And the corporate brand organization would be expected to continue its very strong leadership of the "brand ethos." Even with cooperation from a broad base of leadership (which was largely accomplished through a persuasive case for change) the opportunity for unclear roles was high.

Go-to-market (GTM) process definition was part of the fix. But the process designers were flummoxed by the difficulties in defining who had the D in each of its key milestones in that process—including locking in global product designs, setting directed global-product assortments and planning worldwide launches and ad campaigns. The challenge would be to manage the tension among category, geography and several functions through each GTM milestone—in a manner that served consumers—and ultimately, shareholders, the best way possible.

Shortly after the announcement of the new organization, a steering committee composed of the COO and his direct reports set about actively managing a transition (that is now more than two years in progress).

Sub-teams, guided by the steering committee, were assigned to complete several parallel

work streams at the start—all aimed at effective completion of what the COO described as the most difficult change ever initiated in the company. The four governance levers, adapted from Simons's work, were used as a key framework for guiding the change strategy.

The Beliefs Lever at ABI

Simons argues that beliefs should drive the search for opportunities. ABI has made its values statement part of the management process for years. But the executive steering committee reached beyond company values to guide the implementation of the new category structure in ABI. A compelling business case was the starting point. The CEO and COO worked together to create a leadership document that laid out the exciting shifts underway within five different "consumer communities" that were at the core of ABI's opportunities. Shifts among competitors were described along with larger business trends—all adding up to a compelling case for a new organization aimed at tapping into these global consumer communities. The road show was very much about building a new set of shared beliefs.

Executives understood that the most difficult change would be behavioral. The key was to maintain the collaborative culture while expecting greater leadership from the newly staffed category general-management positions. A sub-team of the steering committee next began to assemble a set of guiding principles for developing the details of organization structure in the countries, the functions and in the new category teams (horizontally).

The Boundaries Lever at ABI

Boundaries impose limits on teams' and individuals' search for opportunities. Brand is the heartbeat at ABI, and it is the inspiration for much creativity. But there also are controls intended to avoid brand-diminishing decisions and behaviors inside the company and with its franchise and retail partners.

Decades earlier, ABI discovered the hard way that geographic decentralization and weak boundaries exposed its supply chain to serious ethical issues in the form of sweatshops and child labor. The company's response was to centralize supply chain management and to establish rigorous, formal policy and audit practices to eliminate those lapses. (These boundaries actually evolved into beliefs that later became part of the emerging social responsibility agenda for the company.)

Later, these boundaries served both ethical and strategic objectives. In the matrix, the supply-chain function has not been a strong leadership presence in the company. But in the emergent category structure its role is being strengthened (a horizontal re-balancing of power) to improve the economics of the procurement spend—an increasingly important element of strategy alignment. The function is being centralized and is receiving formal decision rights in the go-to-market process.

As mentioned earlier, RAPID and similar decision-rights documents can be effective boundary-defining devices when they are part of a larger governance model for the business. The major challenge in defining roles and decision-rights is to create discrete, non-overlapping roles—to avoid redundant staffing and slow decision making.

We strongly recommend first defining very bright lines by forcing simple three-word descriptions that capture the essence of the value that each axis contributes—then build specific roles around those bright lines (Bartlett and Ghoshal, 1989). At ABI, after lengthy debate, the role of each major axis was boiled to its essence:

- global category mission: *strategist, architect, and creator*;
- geography mission: *sensor, integrator and market activator*; and
- global retail mission: *builder, translator and executor*.

With these bright lines drawn, the steering committee developed a set of decision rights for each of the five major GTM processes, spelling out "who owns the D" for several key decision points in each. These were worked widely across the company, with edits along the way, until every function and business unit had put its imprint somewhere on the documents. Two years later a second round of reviews led to more edits, based on two years of experience in the new category flying formation.

The Diagnostics Lever at ABI

Simons (2005) argues for setting the right "span of accountability" in designing individual managerial roles in the business. In our experience, a functional manager typically should be accountable primarily for those process measures, elements of the P&L that ➤

he or she could directly influence (e.g., a procurement manager accountable for cost of purchased materials).

A P&L leader, on the other hand, should be held accountable for a broad mix of results reflecting a range of trade-off decisions he or she might make. These role-design decisions often are not handled very well. "General managers" often are given too broad or too narrow a span of accountability. In the matrix this issue is critical because the head of a global business unit (product, category or customer) does not control all of the elements in the trade-off decisions she might make to drive profitable growth, but will have very substantial influence—given the right leadership skills. She should be measured as if she has those skills.

ers to consider prospective changes in the market and in the economy, and they alert key actors to the changing future needs of the business. They create dialogue within the organization and they are designed to produce modification or revision to the strategy and, subsequently, the other three governance levers.

At ABI, relationships are an ever-present part of the way business is done. Interactions are candid and spirited. But like any culture, the players can become internally focused. The consumer-based categories energized the leadership dialogue at ABI. The interactive governance process was enriched with frequent consumer forums at the corporate center from each of the targeted lifestyle groups.

The new process required open dialogue, and functional, category and regional leaders compared and debated their assessments of shared talent.

Effective measures had not always been used at ABI, but the new global category leadership jobs (five global GMs) were designed with attention to the metrics. Steering-committee members laid out the measures of all key roles, side-by-side. First, the company established clear market measures and ownership for the consumer. For category GMs, ABI defined profitability as gross margin, based on the ability to set prices and drive revenues through superior product innovations and brand strategies.

ABI assigned region GMs operating income metrics, based on their ability to sell into retail accounts and influence retail sell-through to consumers; regions carried allocated corporate costs as well, given that they continued to own the most assets and numbers of people in the business. Realigning the reporting systems was a challenge, requiring two years of manual reporting during the transition. ABI established robust performance reviews and other management routines to work through the results on a continuous basis.

Interactive Practices at ABI

Interactive governance practices are central to organizational learning. They allow lead-

Few governance practices have more impact than interactive talent reviews. The chief human resources officer at ABI worked to create a much stronger role for the corporate center in facilitating worldwide talent forums. The new approach tipped the matrix to a strong, functional and category voice in rating leaders, including a "51-percent vote" in staffing and promotion decisions across the company.

The new process required open dialogue, and functional, category and regional leaders compared and debated their assessments of shared talent. Power allocation around all talent decisions (in the matrix) was played out in these forums at least two levels deep into the organization. After a couple of annual cycles, the change in behavior is startling when these practices are effectively used, and ABI was no exception.

Interactive business planning was another powerful lever in adjusting the governance of ABI. The company replaced product-focused and geographic-focused strategic planning in the first full year of the new organization. In its place appeared a category-focused strategy lens. Initial strategy meetings were awkward. Product and region leaders bit their tongues while category GMs brought their business cases forward, with varied levels of effectiveness. But the learning was quick. Soon category strategies were translated into annual and quarterly go-to-market plans through highly interactive meetings with worldwide leadership, aimed at deciding what the apparel collections would look like three and four or more seasons ahead.

European managers balked at the thought that American-based leaders could make fashion choices that would suit European consumers. But highly interactive governance processes assured strong, consumer-focused voices from many parts of the world in those decisions. Mistakes were made. In some categories the global center over-reached its ability to create "global product." In others, assertive geographic managers dragged the process backward. But in the second cycle, ABI adjusted, people listened and the results were favorable.

One of the major conclusions after the second cycle of GTM planning was that the process was too burdensome, required too many people in the room at one time and was simply too expensive to operate. ABI considered more efficient practices for gaining input and ownership. And in the end, it became clear that fewer people could effectively participate in some decision-making forums. People had to trust others to act on their behalf.

Insights for ABI and Others

The application of the model at ABI and other client companies reveals some useful insights about strategies to make the matrix effective:

1. It is probably not the scope of authority and ownership embedded in a given function or axis so much as it is clarity that drives success in the matrix.
2. The four governance levers must be aligned and integrated into a whole to be effective in creating the optimal balance of vertical and horizontal power across units. Decision rules need to be considered in that balance.
3. By nature, some organizational units (e.g., product development) tend to act as catalysts for divergence and innovation, relative to Simons' model; others (e.g., finance) by nature are charged with constraining opportunities and focusing attention. These realities should be considered in balancing the formal power that each is given in the matrix.
4. Each of the four levers will be more or less useful in a given culture. Attention should be given to whether goals are best served by introducing practices that are culture friendly, or whether to select practices to challenge the culture. Both are likely to be appropriate, but each should be considered deliberately.
5. The cost of management time in the effective matrix is higher than in simple structures. Issues of complexity, decision delay and frustration—as well as decision-quality gaps—can be vexing. Thus, in looking at decision rules and operating governance frameworks, management needs to be guided not by architectural elegance, but rather by returns on management time and expense. Does giving more people more input improve the quality of decision making or strangle initiative in endless "process?"
6. In ABI, effective measures embedded in solid management routines enabled the multiple power centers of the matrix to work together to self-correct. Return on management improved during the second year of the change process. This should be the goal.
7. Openness to new ideas was easy in the ABI culture. More hide-bound companies find this difficult. Setting the right interactive practices is critical to keep leadership tied to the outside forces that matter. Controls are important, but governance also must serve to keep the business open to new ideas. It is important to overcome the risk that management attention becomes overly focused on internal tensions.

Conclusion

Operating governance is a challenge in the complex, matrix organization, but it is a critical part of making the matrix work. Organization design is not complete until robust governance tools are designed in. Create a framework to bring those practices together into a coherent whole. Tie practices to the business strategy to assure the right functions, businesses and geographies interact in a way that serves the objective. Use four lenses to design balanced power in the matrix: beliefs systems, boundary systems, diagnostic controls and interactive practices.

The effort management takes to labor through these elements of design, early on, will pay off many times over in the return-on-management time needed later to make the whole greater than its diverse and often conflicting parts. P&S

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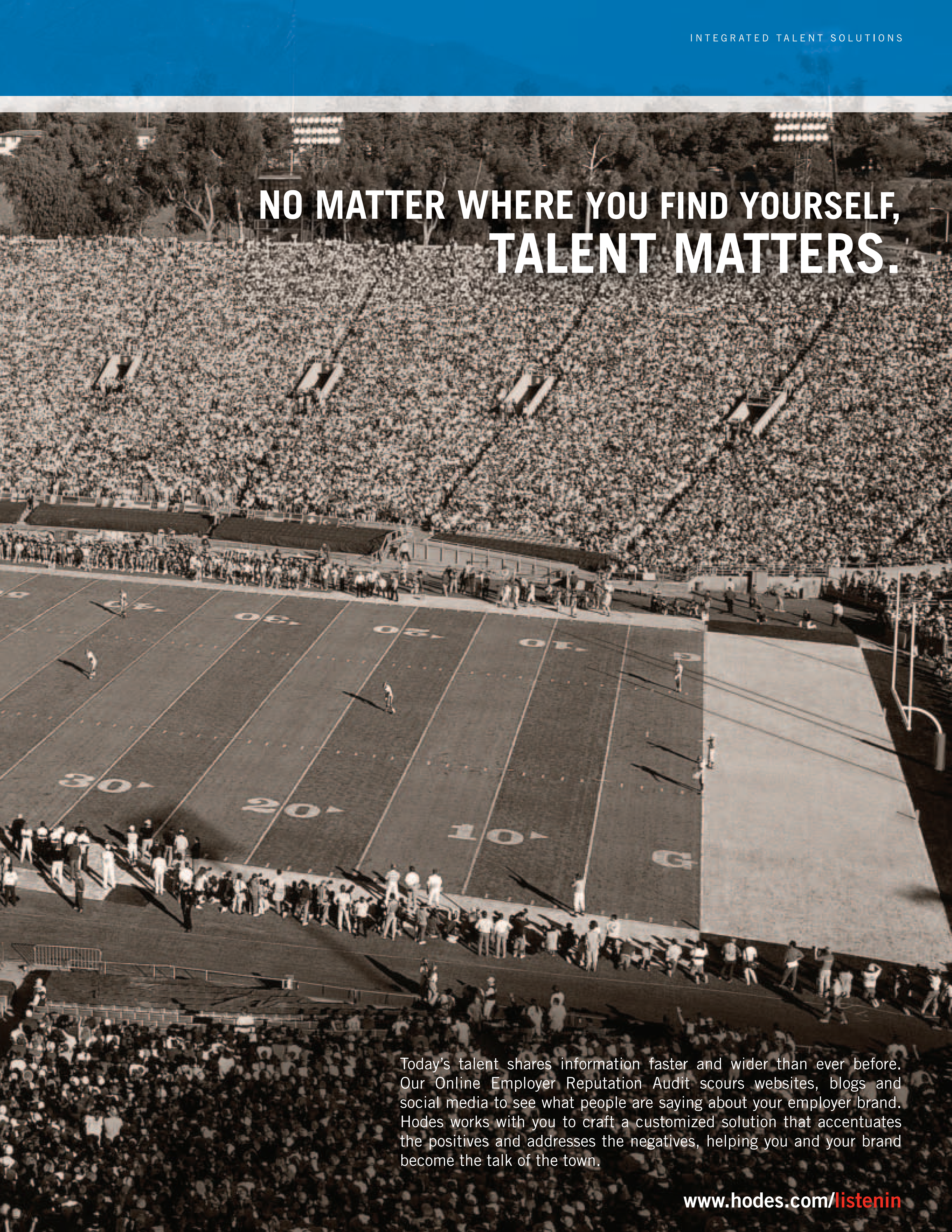
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Creating a Culture of Agile Leaders:

A Developmental Approach

Bill Joiner, ChangeWise

The globalized economy and the spread of connective technologies force the pace of change and the degree of complexity to shift for organizations to an entirely new level. To enjoy sustained success in this turbulent environment, organizations in all sectors need to develop a level of agility that matches this unprecedented level of change and complexity. This means learning to navigate constant change and to effectively manage increasing interdependencies with customers, strategic allies and other stakeholders—including the planet itself.

As James McNerney, the respected CEO of Boeing says, "Institutionally, the ability to be agile enough is the gut issue in leading an organization today" (Geoffrey, 2006). Yet most of today's organizations operate at a level of *agility* better suited for a less-demanding era (Economist Intelligence Unit, 2009).

Who will create and lead the agile organizations we need? The answer must be agile leaders. There is a huge need for agile leaders and leadership cultures that model and support agility across the enterprise. To help make this happen human resource executives need to gain a clear understanding of what leadership agility is, how it can be assessed and how increased levels of agility can be developed—in executives, in high-potential managers and throughout the organization.

What is Leadership Agility?

Leadership agility is the ability to lead effectively when rapid change and uncertainty are the norm and when success requires consideration of multiple views and priorities. It requires a process of using enhanced awareness and intentionality to increase effectiveness under real-time conditions: stepping back from whatever one is focused on, gaining a broader perspective and bringing new insight into what needs to be done next.

Through our in-depth research on leadership agility, Stephen Joseph and I found that highly agile leaders actually use four kinds of agility to complete successful initiatives (Joiner & Joseph, 2007):

- **Context-setting agility** enables leaders to scan their environment, anticipate important changes, decide what initiatives they need to take, scope these initiatives and determine needed outcomes. Highly agile leaders can be visionary. At the same time, when called for by specific situations, they can "downshift" into strategic or tactical direction setting.
- **Stakeholder agility** allows leaders to identify the key stakeholders of an initiative, understand their views and priorities, determine where greater alignment is needed and forge greater alignment. Highly agile leaders are decisive, yet they can understand and appreciate frames of reference that differ from their own. They seek input from key stakeholders not simply to gain buy-in, but because they feel that genuine dialogue will improve the quality and effectiveness of their decisions and their initiatives.
- **Creative agility** empowers leaders to transform complex, novel problems and opportunities into desired results. As leaders increase their agility, they become more comfortable with novelty and uncertainty. Because they clearly understand the limitations of any single perspective, they encourage the expression of multiple viewpoints and the questioning of underlying assumptions. Their willingness to experience the tension between differing views and criteria gives them enhanced abilities to discover practical creative solutions to challenging problems.
- **Self-leadership agility** allows leaders to accelerate their own development by determining the kinds of leaders they want to be, use their everyday initiatives to experiment toward these aspirations and then reflect on and learn from these experiences. Highly agile leaders want to increase their awareness of behaviors, feelings and assumptions that would normally escape their conscious attention. They are motivated to more fully align their behavior with their values and aspirations. As a result, they are more proactive in seeking and using feedback and in experimenting with new mindsets and behaviors.

What Robert Did

The real-life case of "Robert," a top executive in a Canadian oil corporation, illustrates what highly agile leadership can look like. Robert is one of those rare leaders (fewer than 10 percent, according to the research) whose agility level matches that of the current business environment. His approach to leading change differed from that of his predecessor, an executive whose level of agility was better suited to a rapidly passing era.

Robert had just been named president of the oil corporation's refining and retailing company. Competitively, the company was positioned around the middle of the pack in a mature, margin-sensitive market where long-range demand was projected to be flat. With little to distinguish it from other regionals in the price and quality of its products, its earnings were going steadily downhill. Its future looked dismal.

In his newly promoted position, Robert faced the biggest leadership challenge of his career. The company badly needed a short-term increase in its stock price, and Robert's predecessor had focused like a laser on achieving this objective. Seeing stockholders and customers as the company's key stakeholders, he had done everything an experienced oil company executive would do to raise the stock price. He had taken many steps to make the company more efficient, including a series of layoffs, but these steps had not produced the desired results. Privately, he had been considering which division would have to be sold or shut down. By the time Robert became president, morale within the company was at an all-time low. People at all levels were frustrated and unhappy. The whole organization was in a state of fear, and everything was truly up for grabs.

Within a short period of time, Robert took a stance that initially seemed counterintuitive. So far, the company had been unable to raise its stock price, yet Robert set out to achieve much more than that. He articulated a vision to transform the company into the best regional in North America. In fact, he wanted to develop an organization whose business performance and innovative ways of operating would be benchmarked by companies from a wide variety of industries.

As he put it, "In archery and karate, they teach you to shoot through the target." In other words, as they moved toward this vision, he believed the stock price would increase. By putting the stock price goal in this larger context, Robert overturned his predecessor's assumption that the company's options were limited to difficult but familiar cost-cutting solutions. Instead, he decided to develop a set of breakout strategies that would result in a more innovative organization.

In contrast to his predecessor, Robert realized that he and his top management group might not have all the answers. He hired a world-class strategy consulting firm. He also set up 10 "idea factories:" creative strategic thinking sessions, where employees and other stakeholders, including environmental advocates, developed ideas for the top team to consider. People responded with enthusiasm, generating a huge number of ideas.

Robert then held a two-day retreat where he and his top management group synthesized the strategy firm's ideas with those generated by the idea factories. As he put it later, "We tried to involve as many people as possible in the strategic review process. We invested time and energy up front to listen to people, build trust and get everyone aligned. It paid off, because we started to think with one brain. Instead of being at cross purposes, we could understand and support each other's decisions."

The new strategies that emerged went well beyond those Robert, his team, and the strategy firm would have generated on their own. The strategic review resulted in a smaller, more agile organization with a much stronger "people strategy" designed to catapult the company into the ranks of high-performing organizations. When the new game plan was ready, he and his executive team presented it to the employees before they announced it to the market.

The presentation included some bad news, but when it ended people applauded. During the months that followed, Robert and his team repeatedly communicated their new vision and its implications for employees in many different forums. As the new strategies were implemented, they kept everyone updated on the performance of the business. Every year, Robert met with each of the company's 20 management teams to discuss objectives and strategies and check for alignment. Robert's participative approach to transforming his organization not only led to innovative strategies, it developed the commitment, trust and alignment necessary to implement them reliably and effectively.

As a result, during the next three years Robert and his executive team were able to lead the company through an amazing turnaround. At the end of this period, the company not only survived without selling any of its divisions, it entered a phase of aggressive growth. During that period, annual earnings went from \$9 million to \$40 million, and cash expenses were reduced by \$40 million a year. The bottom line was that the company was clearing \$71 million a year more than it was when he took over.

In the business press, the company went from being a "bad bet" to "one of the darlings of the stock market." A once-faltering company had become one of the most efficient and effective refiners in North America and one of the top retailers in its marketplace.

This amazing turnaround is directly attributable to Robert's ability to consistently embody many of the key characteristics of highly agile leaders: His predecessor's approach to context-setting was to focus squarely on the achievement of essential strategic objectives. Robert's approach was to frame the achievement of these objectives in a broader context, thinking beyond his industry and expanding strategic objectives to include the development of a culture of participation, empowerment, and teamwork.

Robert's predecessor focused on stockholders and customers as the key stakeholders. Robert included a broader range of stakeholders in his strategic review, opening the process to a wider range of viewpoints. He achieved alignment and commitment, where his predecessor's actions had inadvertently created an environment of fear and decreased productivity.

Robert's commitment to creative problem solving was especially striking. Rather than assume that only top executives and expert consultants could solve the company's problems, he saw the need for fresh ideas generated from a variety of different perspectives. In fact, about one-third of the new strategies that were implemented came exclusively from the idea factories.

Levels of Leadership Agility

Unfortunately, both broad experience and the research on leadership agility indicate that leaders like Robert are difficult to find. In addition, despite inspired efforts by leadership development professionals, when the competencies that Robert exhibited are taught, they often do not "stick," even for executives and high-potential managers.

Are agile leaders simply born that way? Or, do they have a unique personality and back-

TABLE 1: THE EXPERT, ACHIEVER AND CATALYST LEVELS OF LEADERSHIP AGILITY			
	Expert	**Achiever**	**Catalyst**
Assumptions About Leadership	**Tactical, problem-solving orientation**. Assumes that leaders are respected and followed by others because of their expertise and authority.	**Strategic, outcome orientation**. Believes that leaders motivate others by making it challenging and satisfying to contribute to larger objectives.	**Visionary, facilitative orientation**. Assumes that leadership involves the articulation of an innovative, inspiring vision and bringing the right people together to transform vision into reality. Feels that leadership is about empowering others and actively facilitating their development.
Pivotal Conversations	*Either* strongly assertive *or* very accommodative in dealing with differences. May flip from assertive to accommodative and the reverse. Tendency to avoid giving or requesting feedback.	Primarily assertive or accommodative with some ability to compensate with the less preferred style. Will accept or even initiate feedback, if seen as helpful in achieving desired outcomes.	Skilled in balancing assertive and accommodative styles as needed in specific situations. Likely to identify and question underlying assumptions, including their own. Genuinely interested in learning from diverse viewpoints. Proactively seeks and utilizes feedback.
Leading Teams	More a supervisor than a manager. Creates more of a group of individuals than a team. Works primarily one-on-one with direct reports. Too caught up in details to lead strategically.	Operates like a full-fledged manager. Meetings to discuss important strategic or organizational issues are often orchestrated to gain buy-in to own views.	Intent upon creating a highly participative team. Acts as both team leader and facilitator. Models and seeks an open exchange of viewpoints on challenging issues. Empowers direct reports. Uses team development initiatives as vehicles for individual leadership development.
Leading Organizational Change	Organizational change initiatives are focused primarily on incremental improvements inside unit boundaries with relatively little attention to stakeholders.	Organizational initiatives include analysis of external environment. Strategies to gain stakeholder buy-in range from one-way communication to solicitation of input.	Organizational change initiatives often include development of a culture that promotes teamwork, participation, and empowerment. Proactive engagement with diverse stakeholders reflects a belief that this input will increase the quality of decisions, not just gain buy-in.

Adapted from Joiner and Josephs (2007).

ground that make them difficult to emulate? Fortunately the research on leadership agility suggests a more optimistic conclusion: The behaviors exhibited by highly agile leaders are made possible by a distinct set of mental and emotional capacities that can be learned and developed. Moreover, these capacities develop in stages. As leaders develop from one stage to another, these capacities allow them to develop entirely new levels of leadership agility. These agility levels can be assessed, and—when the right kind of training, coaching and facilitation are provided—leaders, teams and leadership cultures can develop new levels of agility.

These findings emerged by looking at leaders through the lens of stage-development psychology—a field that began in the 1920s with Jean Piaget's research on stages of childhood development (Piaget, 1954; Flavell, 1965). During the second half of the last century, it expanded to include stages of adult development (Fowler, 1981; Kegan, 1982; King & Kitchener, 1994; Kohlberg, 1981; Loevinger, 1976; Perry, 1999; Richards & Commons, 1984; Wilber, 2000).

Developmental stages should not be confused with thinking styles, learning styles, or personality types. People of all styles and types can be found at every stage (Joiner & Josephs, 2007; Wilber, 2000). Stages are progressive levels of mental and emotional growth. As adults evolve through these stages, they develop the capacity for more complex thought and find it easier to understand and empathize with differing viewpoints. Adults do not *automatically* progress through these stages as they age (Kegan, 1982, 1994; Kohlberg, 1981; Loevinger, 1976). However, people who have plateaued in their development can reignite this growth process when exposed to appropriate conditions (Joiner & Josephs, 2007; Torbert & Associates, 2004).

During the 1980s and 1990s, William R. Torbert and his associates conducted research that found that leaders at more advanced stages were more effective in a variety of leadership tasks (Fisher, Rooke, & Torbert, 2000; Merron, 1985; Rooke & Torbert, 1998; Smith, 1980; Torbert, 1991). In 2001, inspired by these studies, Stephen Josephs and I launched a multi-year research project to develop a more systematic and practical understanding of the relationship between developmental stages and leadership effectiveness.

We chose the five most relevant adult stages and gave them names that emphasize their characteristics in action contexts: Expert, Achiever, Catalyst, Co-Creator and Synergist. Quantitative and qualitative data from 604 managers were examined in detail to discover relationships among these stages and leadership behavior in three distinct arenas: leading organizational change, leading teams and engaging in pivotal conversations (Joiner & Josephs, 2007).

Our research found that managers at different stages clearly exhibit qualitatively different leadership behaviors, while retaining the capabilities they developed at previous stages. Table 1 provides brief descriptions of managers at the agility levels most relevant to today's leadership development challenges: Expert, Achiever and Catalyst.

About 45 percent of the management population is Experts and 35 percent are Achievers. ➤

Only about 5 percent are Catalysts, 4 percent are Co-Creators and 1 percent are Synergist leaders. The remaining 10 percent are pre-Expert. Co-Creators and Synergists are highly principled, true servant leaders (Greenleaf, 1977) with a deeply felt sense of life purpose. They seek to create shared visions with other principled leaders and to forge stakeholder relationships characterized by deep levels of mutual influence and genuine dedication to the common good.

Co-Creators and Synergists are inspiring leaders who provide a glimpse of the possible longer-term future of leadership development. However, experience and research indicate that the most frequently experienced leadership development challenges for the great majority of today's organizations can be met by developing existing Expert leadership cultures to the Achiever level and existing Achiever cultures to the Catalyst level.

Developing a Culture of Agile Leadership

Traditionally, leadership development initiatives have focused on the growth of the individual leader. However, applying a systems perspective broadens the view of leadership development to include a complementary focus on the development of intact leadership teams and leadership cultures. A company's leadership culture is a distinct and powerful part of its organizational culture. Specifically, it is an expression of the implicit assumptions and values its managers share about effective leadership, as well as the shared norms and practices that shape leadership behavior.

To focus simultaneously on the development of agility in individual leaders, intact leadership teams and leadership cultures, organizations need to supplement rather than replace current practices. The first steps are to assess the leadership culture, clarify the desired leadership culture and engage the executive team in a process of parallel assessment and visioning regarding its own development.

The best sequence of these initial steps for a particular organization depends on its unique history and situation. Facilitation of the desired change in the leadership culture requires a focus on the usual leverage points required for culture change—individual and team coaching, senior executive involvement, competency models and leadership development programs—but with particular attention to the characteristics of individual, team, and organizational agility levels.

Assessing Levels of Leadership Agility

Many organizations already conduct aggregate, "bench strength" assessments of key groups of leaders, using the criteria specified in their competency model. An assessment of leadership agility can be readily added to this process. For example, our *ChangeWise Leadership Agility Bench Strength Assessment*™ produces an aggregate assessment of the percentage of managers currently operating at the Expert, Achiever and Catalyst levels in three key leadership arenas: leading organizational change, improving team performance and engaging in pivotal business conversations.

While undeniably valuable, aggregate assessments have one limitation: They assume that the "whole" (leadership culture) can be inferred from the sum of the "parts" (individual leaders). Yet the level of agility in an organization's leadership culture has a powerful influence on an individual manager's behavior, regardless of his or her personal agility level. Therefore, it is important to assess not only the agility levels of individual managers but also, at least informally, the agility level that predominates in the overall leadership culture.

The key characteristics of Expert, Achiever and Catalyst leadership cultures are fairly distinct:

- In **Expert leadership cultures** managers tend to operate within silos with little emphasis on cross-functional teamwork. Organizational improvements are mainly tactical and incremental. Managers tend to be overly involved in their subordinates work, fighting fires and interacting with direct reports one-on-one. As a result, managers have little time to approach their own roles strategically.
- In **Achiever leadership cultures** managers articulate strategic objectives and make sure they have the right people and processes in place to achieve these objectives. Managers work to develop effective teams, orchestrating them to achieve important outcomes. This is a customer-centric culture that encourages and rewards customer-focused cross-functional teamwork. Change initiatives typically reflect an analysis of the larger environment, and consultation with key stakeholders is a cultural norm.
- **Catalyst leadership cultures** are animated by a compelling vision that includes high levels of participation, empowerment and teamwork. Collaboration, decisiveness and candid, constructive conversation are norms. Senior teams become living laboratories that create this kind of culture within the team and work together to promote and encourage this culture in the organizations they lead. Leaders not only coach their people, they also actively solicit informal feedback and work to change their behaviors in ways that are beneficial to the organization and themselves.

In assessing leadership culture, it is important to keep in mind that, while a company's overall leadership culture typically has many uniform elements throughout, it is not unusual to find somewhat different agility levels in cultures found at different managerial levels.

Thus, it is useful to ask what level (or levels) of agility predominates in the top tiers, among middle managers and in the lower management ranks.

Organizations that have assessed agility levels in their leadership culture have typically identified Catalyst leaders here and there, and some note pockets in the organization where the culture has Catalyst characteristics. However, even in companies that have enjoyed a good deal of past success, the top-level leadership culture tends to be strongly Achiever, while the middle-level culture is often strongly Expert. At the same time, individual Expert managers can be found in top executive groups, and Achievers can be found at the middle levels. Sometimes high-potential managers, who tend to be high-functioning Achievers, often with Catalyst leanings, are held back by Expert managers to whom they report.

Clarifying the Desired Leadership Culture

An organization is most effective when its agility level matches the pace of change and the degree of interdependence in its internal and external work environment. Generally speaking, if the rate of change is rapid but episodic, an Achiever leadership culture is likely to be a good fit. If the pace of change is somewhere between rapid and constant, a Catalyst leadership culture is probably needed.

The other factor to consider is the degree of interdependence: the extent to which the organization's sustained success depends on effective coordination with other organizations and among internal units. If consistent success requires a moderate level of coordination, an Achiever culture is probably adequate. But if the business need for coordination is extensive, a Catalyst culture likely is required.

Almost invariably, the appropriate conclusion in today's turbulent economy is that a Catalyst leadership culture is needed, at least at the top levels. In addition, if the current middle management culture is predominantly Expert, movement to an Achiever culture in this tier is likely to yield an enormous improvement. Further, many companies are introducing Achiever-level methodologies at the bottom levels of the organization. The current interest in "lean" is a good example (Womack & Jones, 2003). Not surprisingly, these methodologies work best when an Achiever-level leadership culture is developed as part of the change effort.

For these changes to take place, not everyone at the top needs to become a Catalyst, and not everyone at the middle levels needs to become an Achiever. However, the percentage of Catalyst in the senior ranks needs to increase, the percentage of Achiever middle managers needs to increase and attention needs to be given to shifting the overall leadership culture at the top and middle levels. This means increasing the quality of teamwork, both internally and with other teams; building stronger cross-functional relationships; and developing an organizational culture that supports needed levels of agility. Once a new leadership culture genuinely takes hold, its norms begin to influence everyone's behavior, regardless of their agility level (Joiner, 2002).

One concern sometimes raised when discussing an organization's optimal agility level is this: If many of the organization's Expert middle managers learn to lead at the Achiever level, who will do all the tactical work that needs to be accomplished on a daily basis? This is a good question and requires a thoughtful response.

When middle-management cultures operate at the Expert level, as many do, managers tend to become overly involved in the details of their subordinates' work. When this kind of culture becomes more Achiever-like, middle managers take a more strategic approach to their own roles and delegate much of the tactical work to lower-level managers. In addition, Achiever managers at any organizational level still retain the ability and inclination to do tactical work when needed. Catalyst leadership cultures at the senior levels can utilize an even broader range of capabilities, because they can function well at three levels: visionary, strategic and tactical.

A concern also can arise if Expert leadership is equated with expertise. The two are not the same. In many ways, expertise is the lifeblood of any business. However, Expert leadership cultures limit the way in which this expertise is used. Achiever and Catalyst leaders retain and build on the kinds of expertise they developed at previous agility levels. At the same time, they are less wedded to their expertise. Consequently, it is easier for them to manage and collaborate with others, acknowledging their areas of proficiency. Expertise is best utilized in Achiever and Catalyst leadership cultures, where it is used for clear strategic or even visionary ends.

Finally, do not confuse levels of agility with leadership styles. Facilitating development to a new level of agility is not about forcing a uniform leadership style on the organization. The whole range of differing personality, thinking and leadership styles exist at each level of agility. Effectively utilized, this diversity of styles can contribute in important ways to an organization's agility and effectiveness.

Working with Executive Teams

No culture change effort is likely to be successful unless the organization's top executives champion it (Kotter, 1996). When a change in leadership culture is needed, especially toward the Catalyst level, full-fledged leadership of the change by the executive team is absolutely essential. This team needs to learn to embody the new culture in its daily interactions with one another and with those they lead.

A newly hired Catalyst CEO who was seven months into the revitalization of a once-successful business described it this way: "In many ways [working with my executive team] is like a laboratory. I'm trying to develop an executive team that can serve as the prototype of a participative culture, which they can then disseminate to the rest of the organization." (Joiner & Josephs, 2007)

Catalyst executives often have the foresight to hold off on "rolling out" a culture-change process until they and their executive team have at least begun to embody the desired culture in their everyday actions. This, of course, makes top-level team development work an essential and preliminary part of the process.

To foster increased agility in an executive team, it is helpful to guide them through an assessment of the pace of change and degree

> Once a new leadership culture genuinely takes hold, its norms begin to influence everyone's behavior, regardless of their agility level.

of interdependence in their own external and internal environments, similar to the organizational assessment described earlier. This can lead to a discussion of the team's optimal agility level: Given the results of the environmental assessment, what level of *executive team agility* would likely lead to optimal business performance? Many executive teams have never discussed the kind of leadership they want to encourage on their team and in their organization.

The executive team also needs to assess its agility level. Expert teams tend to operate in a "hub-and-spoke" pattern. Group members are coordinated by the manager, who focuses more on supervising individual members than on developing the team as a whole. As a result, the Expert "team" is not so much a true team as a collection of individual contributors. Achiever teams are real teams of a sort. Led by a manager who feels a responsibility to bring people together and motivate them, Achiever teams engage in important strategic and operational discussions, though these are often orchestrated to guide people to the "right" decisions.

Catalyst teams are true high performing teams, characterized by robust participation: frank discussion, skillful listening and high-quality problem solving and decision making. Catalyst team leaders develop a significant level of trust within the team that allows them to move *explicitly* from consensus decisions to unilateral decisions and back again, as needed, while retaining the team's commitment.

Facilitating Change: Individual and Team Coaching

When the current agility levels of the executive team and organization have been assessed and the desired agility levels clarified, there is usually a gap between current and desired levels.

Developmental activities can be initiated to close the gap. One methodology that can contribute significantly to these changes is coaching based on 360-degree feedback, beginning with the top executive and his or her team. The company's usual 360 instrument (which typically reflects its competency model) can be supplemented with an assessment of individual agility levels.

There are numerous ways that the leadership agility framework can be used to enhance coaching conversations. Take as an example a line executive planning to lead a change initiative. If this executive habitually leads at the Expert level and could benefit from an Achiever-like approach, three key questions can be used to stretch his or her context-setting agility, and likely make the initiative more effective:

- What conditions in the larger context are driving the need for this change?
- What is the scope of this change? (What will be changed and what will not be changed?)
- What are your desired outcomes? (How will you know this change is successful?)

These may seem like basic change-management questions, and they are. But they are questions that Expert leaders rarely ask. If the executive usually leads at the Achiever level and could benefit from a more Catalyst-like approach, the coach can follow each of the above questions with one that takes the executive's thinking to a deeper level:

- To what extent are the organization's culture and working relationships part of the reason this initiative is needed?
- What assumptions might you be making about the scope (boundaries) of your initiative that it might be useful to examine?
- What is a compelling vision for this change that could inspire others by conveying the deeper meaning or satisfaction it can have for them – and for you?

Another essential methodology for facilitating change in the leadership culture is team coaching. Really a set of methodologies, team coaching can include team assessments, facilitation of important real-time meetings and facilitation of off-site meetings designed to address special team issues. Team coaching can also involve the facilitation of "learning teams" of managers (intact or otherwise), who also work with the coach one-on-one.

In "learning team" sessions, managers receive both peer and professional feedback about their attempts to address real issues in a more agile and effective manner. The key is to use seasoned coaches who understand what each level of agility looks like for individuals, teams and organizations.

Facilitating Change: The Power of Executive Leadership

Work to shift the leadership culture at the top is essential for two reasons.

- First, unless new behavior is role-modeled at the top, it is unlikely to catch fire at other levels.
- Second, the coaching process can support executives in consciously promoting a new leadership culture among the managers in their own organizations. For example, an executive who wants to help his or her organization shift from an Expert to Achiever leadership culture can do a number of things to encourage various aspects of this shift: Emphasize cross-functional teamwork. Set up cross-functional teams to make needed organizational improvements. Model cross-functional teamwork. Tell stories that highlight the business value of cross-functional teamwork. Coach subordinates to increase their effectiveness in working cross-functionally. Reward them for constructive risk-taking in this area. Celebrate successes.

Facilitating Change: Enhanced Competency Models

The systems a company uses for talent management, including selection, training, performance evaluation, rewards and succession planning, can also be used to support the shift to a more agile leadership culture. Because these systems are typically based on criteria explicated in a companywide competency model, the model should ensure that it adequately specifies the levels of agility needed for effective leadership in the firm's emerging business environment.

One option taken by some companies is simply to treat agility as an additional competency. But this approach overlooks the fact that agility levels are rooted in developmental stages. Growth into a new stage fosters new internal capacities that enhance everything a leader does (Joiner & Josephs, 2007).

A more powerful alternative is to examine an existing competency model from the perspective of the levels of agility needed in the company's leadership culture, acknowledging that the desired agility level may be different for different management tiers in the hierarchy. This approach begins with an examination of the extent to which the competencies in the current model adequately represent those needed for the agility levels needed in the leadership culture. This is especially important for tiers of the organization that need to operate at the Catalyst level.

An informal review of competency models used in a range of industries indicates that, while Catalyst leadership behaviors appear here and there, the vast majority of competencies identified in these models are Achiever-level characteristics. One consequence of these models is that they lead to 360-feedback instruments that give many executives and high-potential managers very high scores, leaving them with the impression that they have little room left to grow. This is unfortunate when companies have such a great need for their high-functioning Achievers to continue their leadership development to new levels of agility.

Facilitating Change: Action Learning Programs

Another key application of competency models is leadership-development programming. Reflective action is both the essence of leadership agility and the primary means for developing from one level to another. For this reason, the best leadership-development programs for increasing agility levels are ones that emphasize action learning. The workshops in these programs need to show participants more agile approaches to challenging conversations, team issues or organizational change projects, and then guide them in applying these new approaches both during and after the workshop. Often the most effective action-learning experiences take place in well-planned programs that combine multiple learning modalities: 360-degree feedback, coaching, leadership workshops, learning teams, and individual or group projects (Dotlich and Noel, 1998; Raelin, 2008).

CEOs and other top executives frequently assume that they have reached a stage in their careers where they no longer need leadership training. If the world stood still, this assumption might be valid. However, the world is changing at faster and faster pace. In this context, even those Achiever-level executives who have been extremely successful in the past need to learn to lead at a new level of agility.

Regardless of the participants targeted by a particular action-learning program, experience has shown that it is not necessary to design some workshops for Experts and others for Achievers. What tends to work best is to find or design programs that can help both Expert and Achiever leaders develop to their next levels in at least three key application areas: leading organizational change, leading teams and navigating challenging business conversations. To do this, use programs that not only teach desired leadership practices and behaviors, but that simultaneously facilitate growth into the corresponding stages of adult development. Otherwise, the behaviors and practices extolled in these programs are not likely to stick (Joiner & Josephs, 2007).

Summary

The pace of change and degree of interdependence in today's global business environment demands that corporations develop organizations where at least the top tiers of management are capable of functioning at the Catalyst level. To rise to this historic challenge, organizations need to help many of their Achiever senior managers grow into the Catalyst level and many of their Expert middle managers develop to the Achiever level. And they need to focus not just on the development of individuals, but also on the development of leadership teams and the leadership culture. The task of bringing a leadership culture to a new level of agility is not something that can be accomplished by a few heroic leaders. It is necessarily a collective undertaking. P&S

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Developing World Class Leaders:

The Rohm and Haas Story

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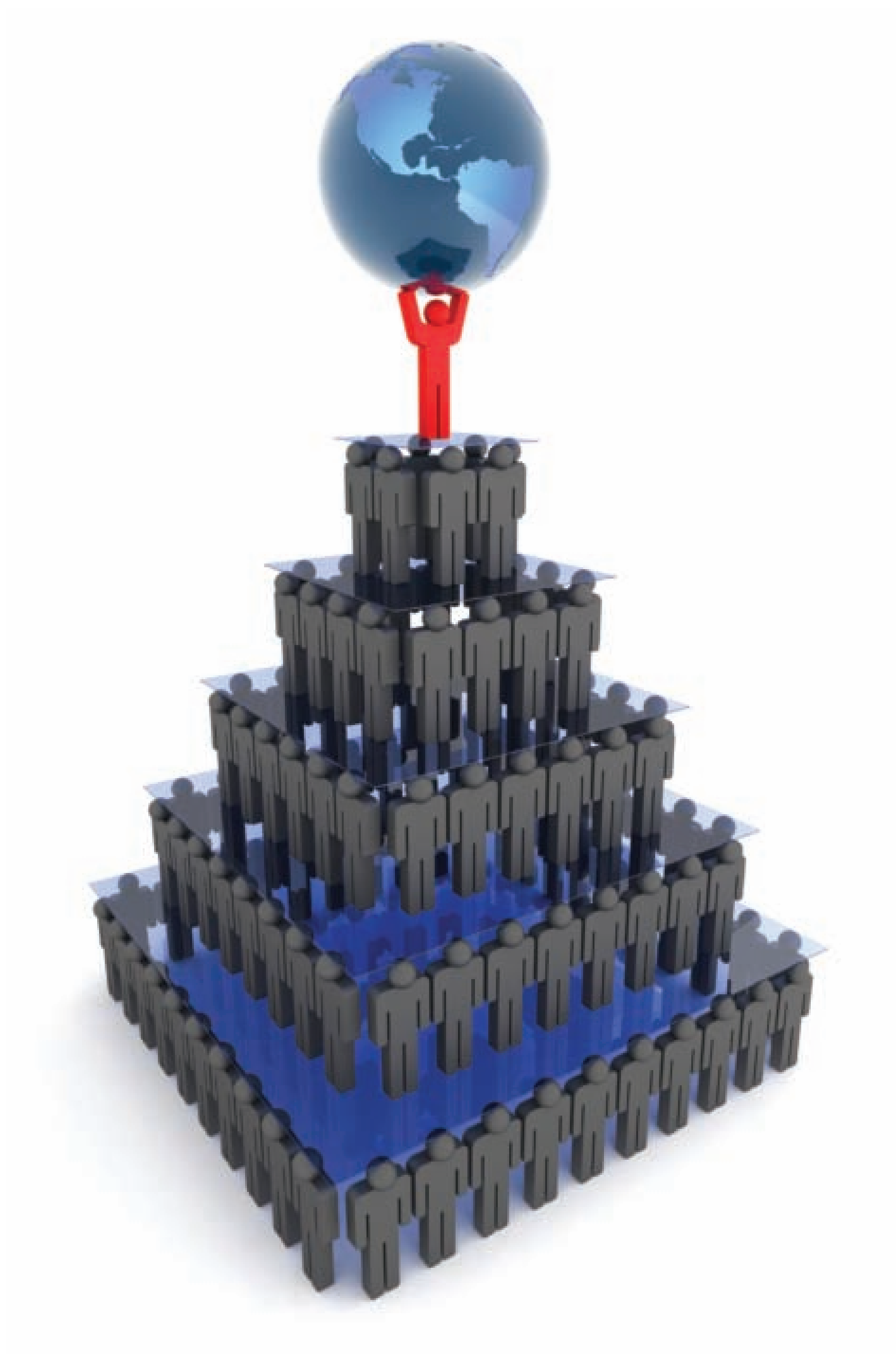

For nearly 25 years the Rohm and Haas Company, recently acquired by Dow, ran what was one of the longest continuous high-potential development programs in a global company. The manufacturer of chemical and electronic materials focused on its top 70 senior executives and high-potential managers who represented significant geographic, gender and race diversity. Further, an assessment of more than half of these business and functional leaders, conducted by an outside evaluator as part of the Rohm and Haas-Dow transaction, found many of them to be "significantly above the industry benchmark" in terms of customer and marketplace focus. A senior member of this outside evaluation firm described Rohm and Haas as one of the best "CEO schools" he had ever seen.

This program, named Leadership 3000, resulted in the development of a highly diverse group of global leaders and ensured a smooth leadership transition at the CEO level. Furthermore, the program helped deepen the self-confidence and preparedness of key business leaders who drove two of the company's boldest initiatives through the last two decades. The first was the building of its electronic materials business. The second was the expansion of Rohm and Haas' presence in Asia—ahead of its competitors. By 2008, more than half of the company's earnings were contributed by electronic materials and business expansion in Asia.

Regarding business growth, in the space of 20 years (1988-2008) Rohm and Haas grew from a mid-sized hybrid chemical company (a combination of commodity and specialty chemicals) to a global leader in specialty chemicals and electronic materials. As measured by growth, profitability and valuation multiples, Rohm and Haas remained among the leaders in its industry. Clearly, both the quality of its business portfolio and leadership talent were recognized by major companies in the industry—including Dow—which purchased the company for a substantial premium.

Over the last decade, total shareholder return (TSR) far exceeded peer companies and overall market performance. During the last five years, Rohm and Haas TSR was at 17.3 percent compared to the S&P 500 of -4.8 percent. Finally, the closing price of $79.40 per share represented an approximate 30 percent premium above the company's all-time high of $62 per share (July 2007).

We cannot yet fully assess how Rohm and Haas executives fared in the move to Dow. However, at this writing, the majority of Leadership-3000-trained executives found comparable or better positions in Dow or other companies. The C-suite executives who were retirement eligible (two) or who had a change of control provision (three) either left the company and retired fully or accepted C-suite roles in other public companies.

Leadership 3000: The Conceptual Spark

The conceptual spark for Leadership 3000 occurred in 1986 when then-CEO Larry Wilson charged his corporate head of human resources Mark X. Feck with the development of a program that would help groom the next generation of business leaders. At that time, the company's portfolio was dominated by mature businesses with minimal growth potential so Wilson knew he needed leaders who had stronger strategic focus, creative thinking and business acumen. In addition to these leadership competencies, Feck believed that certain leadership behaviors—including courageous decision making, bias for action, boldness versus hierarchical approval-seeking and deepened self-awareness—also must be increased if Wilson's objective were to be met.

Given both the competency-based and behavioral focus of this development initiative, Feck chose a clinically trained consulting psychologist (Wasylyshyn) as his program design partner. In expressing the philosophical core of the effort Feck said, "We need to go inside out. We need to assess the whole person, not just one's profile of leadership competencies. We need to have real relationships with these people, and they need to know themselves and understand what influences their behavior in good times and bad. Their accurate self awareness is essential for continued learning and personal growth. Continued learning and personal growth are essential for the development of world-class leaders."

This view of high-potential development led to four principles that guided the creation, implementation and consistency of Leadership 3000:

1. a holistic development model;
2. trust grounded in confidentiality;
3. the power of psychological insight; and
4. the conveyance of executive wisdom.

Holistic Development Model

While the four-phase model of Leadership 3000 (described below) typically unfolded over a nine- to 12-month timeframe, it was positioned as a boundary-less process versus a contained program. In other words, after participants completed the four phases, they could continue consultative dialogues with anyone in their Leadership 3000 development "brain trust." This "brain trust" included their boss, and at least one C-suite executive, as well as Feck and the consultant. An unforeseen *retention* benefit of this ➤

boundary-less approach was revealed over time when participants felt comfortable enough to use brain-trust members as sounding boards to discuss the calls they received from executive recruiters.

Given the commitment to understand each participant as a *whole* person, the company provided an optional and confidential "spousal partner" module to those who wanted to explore the work-family integration issue. A number of the company's recent C-suite executives pioneered this dimension of the program and affirmed its help in managing the relentless tension between career and personal priorities. The authors are unaware of other companies that include this holistic element in high-potential development activities.

In the spousal partner module, Rohm and Haas used a customized interview protocol with each partner individually. The data were then analyzed and captured in a report provided to the couple as the basis for a facilitated and action-focused conversation with the consultant. Each couple examines the stressors, strains and opportunities of executive-couple life. The outcome—constructive problem solving—proved useful to couples grappling with such issues as expatriate assignments or repatriation.

Finally, the holistic intent and flexibility of Leadership 3000 were evident by efforts to be there for participants when they were faced with difficult personal events. For example, when the father of a French executive died unexpectedly, the consultant arranged for the executive to meet with a bilingual bereavement counselor. On some level, customized efforts such as this contributed to the overall credibility of the program and helped build relationships that deepened over time.

Trust: Data Confidentiality

In an effort to underscore the developmental (versus evaluative) intent of this work, all the data generated became the property of the participants. This meant they were free to share data with their bosses and/or others but the consultant was not. No reports were written. The traction, momentum and value of Leadership 3000 were maintained through the participants' presentation during an action planning meeting of their strengths to leverage and their areas for improvement.

In addition, participants created a master action plan (MAP) to guide ongoing development activities. The promise of confidentiality also surrounded all data-gathering and feedback meetings, as well as subsequent discussions and/or ongoing coaching of participants once the core components of the program were completed.

The Power of Psychological Insight

Rohm and Haas used a number of resources to deliver on the goal of psychological insight or, in Feck's words, "accurate self-awareness." In addition to a battery of standardized psychometric tools appropriate to a business setting (See sidebar below.), participants were offered the option of including a projective technique, the Rorschach. Tools like the Rorschach are based on the projective hypothesis that one's response to an ambiguous stimulus—in this case an inkblot—can reveal deeper facets of the personality. Interestingly, every Leadership 3000 participant elected to include the Rorschach despite how "far out" Feck thought this particular tool would seem to them.

In hindsight, this outcome was influenced by participants' appetites for holistic experiences, trust in the process, genuine desires for greater self-awareness and confidence that the consultant would apply the information to their development agendas. Each participant also spent a half-day giving a life history that revealed key thematic material with implications for leadership effectiveness.

The Conveyance of Executive Wisdom

Each participant was invited to choose a member of Rohm and Haas' Executive Committee (EC) to be part of his or her development "brain trust" in the action-planning phase. This meant that the CEO or another C–suite executive attended *every* action-planning meeting. The C-suite member joined the participant's boss (who may or may not have been a member of the EC), the corporate head of HR (initially Feck and then four others after his death in 2000) and the consultant, who facilitated the discussion.

While time consuming for EC members, their active involvement sent an emphatic signal about their commitment to development. Their participation also reinforced the power of conveying wisdom, i.e., that their work experiences, triumphs, mistakes, emotions and other accumulated learning could enrich action planning in inestimable ways. .

Leadership 3000 Data-gathering Sources

Leadership Competencies

I. Outside-in Perspective
- Market-aware and Customer-driven
- Strategic Focus
- Global Perspective

II. Speed to Market
- Bias for Action
- Adaptive to Change
- Creative Problem Solving

III. Pursuit of Profitable Growth
- Professional Credibility
- Business Acumen
- Persuasion and Influence
- Safety Performance
- People and Performance Management
- Interpersonal Effectiveness

Rohm and Haas Essential Leadership Behaviors
- Courageous Leadership
- Emotional Fortitude
- Enterprise Thinking
- Pragmatic Optimism
- Steel Trap Accountability
- Truth-telling
- Tough on Talent

Battery of Psychometrics
- Life History
- Watson-Glaser Critical-thinking Appraisal
- Life Styles Inventory 1
- Revised NEO Personality Inventory (NEO PI-R)
- BarOn Emotional Quotient Inventory (EQi)
- Rorschach

The Model

This high-potential development model consisted of four distinct phases:

1. data-gathering;
2. feedback;
3. action planning; and
4. follow-up.

The nine- to 12-month timeframe for the model to unfold gave participants sufficient time to "work" their master action plans (MAPs) and to be ready to probe for further development guidance from their "brain trust" in the follow-up phase. On the surface this model appears similar to high-potential development initiatives in other companies. However, as indicated in the previous four principles, there were distinctive differences in the nature of the data gathering, action planning, follow-up and activities beyond the actual program. It was through these differences that participants experienced the "going inside-out" that Feck believed essential for sustained learning to occur.

The multifaceted nature of the data gathering (See sidebar on previous page.) surfaced a rich tapestry of biographical, psychological, leadership-competency and behavioral information. While companies can spend considerable time and other resources identifying their leadership competencies, it is worth noting that CEO Wilson identified the first competencies used for 360 data-gathering saying, "We don't need to spend any more time on this—these are the fundamental competencies our leaders need to have so let's get started."

These were:

1. the ability to earn trust and support among superiors, colleagues and subordinates;
2. the ability to form realistic vision for the organization;
3. the ability to communicate vision and inspire commitment/quality performance;
4. toughness and drive to overcome obstacles;
5. the ability to size up opportunities/problems and take effective action; and
6. managerial and administrative competence.

TABLE 1: STRENGTHS TO LEVERAGE

Top 5 Leadership Strengths to Leverage	Number of Participants: 1986-1999	Number of Participants: 2000-2008
Bias for action	7	12
Strategic focus	5	11
Creative thinking	2	10
Business acumen	5	8
Courageous leadership	4	8

When Gupta became CEO in 1999, these competencies were amplified and the Rohm and Haas Essential Leadership Behaviors were added to the data gathering as indicated in the sidebar on the previous page.

These data were woven together in the feedback phase that concluded with the identification of specific strengths to leverage and improvement areas. Unlike other high-potential development programs—where action planning can be left to the individual in concert with an HR professional and/or coach—this action planning was enriched by the active participation of C-suite executives.

These same executives, i.e., members of a participant's "brain trust," also attended the follow-up meetings. During these meetings, several months after the action planning event, participants presented annotated versions of their original action plans that indicated progress made and areas in need of further guidance. The follow-up phase also allowed considerations of next roles, including potential expatriate assignments.

Findings—Strengths to Leverage

As the due diligence in the Dow transaction found, this Rohm and Haas high-potential group possessed leadership competencies and behaviors on a par with talented leaders in other companies. What is more significant about these findings is the variance represented between Wave 1 (1986-99) and Wave 2 participants (2000-2008) as indicated in Table 1 above.

In terms of leadership competencies and behaviors—as first articulated by Wilson and Feck—Wave 2 participants showed considerable progress. No doubt many factors contributed to this variance, and it is difficult to pinpoint with precision which factors were most significant. However, based on anecdotal data, the following factors merit mention:

- the increased and active participation of the CEO and other C–suite executives in the action planning phase;
- the learning and experiences of Wave 1 participants—as transmitted to Wave 2 participants;
- the intensified scrutiny of potential Leadership 3000 participants;
- the use of Leadership 3000 as an assimilation tool for external C-suite hires; and
- a more rigorous corporate talent-management process informed by a steady set of leadership competencies and behaviors.

For this article, we have focused primarily on the Wave 2 (2000-2008) participants. This group demonstrated these traits:

1. bias for action (high energy, boldness, and accountability);
2. strategic focus (high impact on business unit success and strategic thinking);
3. creative problem solving (analytical skill/problem-solving and strong innate capacity);
4. business acumen (industry knowledge, financial skill and legal expertise); and
5. courageous leadership (creating/leading energized teams and standing up to senior management).

As compared to Wave 1, there were significant increases in the number of participants in each of these strengths to leverage.

Findings—Improvement Areas

The improvement areas also tracked with experiences of other global companies committed to high-potential development. Again, what was most significant about the Rohm and Haas findings related to the variance between Wave 1 and Wave 2 participants as indicated in Table 2.

Specifically, the top five improvements areas were:

1. emotional fortitude (included a host of behaviors related to the four core dimensions of emotional intelligence—self-awareness, managing emotions, especially anger and frustration, attunement to/empathy for others, and quality of relationships—transactional versus meaningful, listening and stress management;
2. persuasion and influence (clarity of objectives and communication skill);
3. people development/performance management (focus on career development, teamwork, motivation and dealing with performance issues efficiently;
4. courageous leadership (impact and boldness as a leader); and
5. strategic focus (developing a business vision, need for greater external perspective and customer focus).

As compared to Wave 1 participants, there were considerably fewer in Wave 2 with courageous leadership as an area for improvement. There was a notable decrease in the number of individuals who had some aspect

Excerpts from a Leadership 3000 Master Action Plan (MAP)

Strengths to Leverage

- Leadership Impact
- Business Acumen
- Strategic Focus

> ***Leadership Impact***

- Shift my leader focus from micro to macro—promote the "we."
- Commit more time to coaching high-potential talent (e.g., quarterly 1:1 meetings focused exclusively on specific developmental activities and direct reports' career aspirations).
- Export talent to other parts of the company.
- Make necessary personnel changes, i.e., get right people in right roles and ensure conditions for them to be successful.
- Manage my "brand" more proactively, i.e., convey to all stakeholder groups the what and why of my key objectives more clearly.
- Schedule quarterly lunch/dinner times in effort to get to know and explore potential synergies with other (non-U.S.) business unit and functional leaders.

> ***Business Acumen***—Deepen financial knowledge, increase understanding of financial strategy at corporate level.

- Establish quarterly informal mentoring meetings with company CFO.
- Lead new business unit turnaround (relocation to Europe).
- Enroll in Wharton Advanced Management Program (Q4).

> ***Strategic Focus***

- Step up meetings with external customers and prospects.
- Leverage experiences in Asia especially in terms of supporting peers' relationship-building with key stakeholders in this priority-growth region.
- Temper tendency to push my strategic growth agenda too aggressively at both the customer and supplier levels. Repair two strained customer relationships.

Development Areas

- Boldness
- Impatience
- Political Savvy
- Work-family Integration

> ***Boldness***—"My leadership metamorphosis"

- Do not be held back by process; use and trust my gut more on out-of-the-box staff appointments and on how my organization needs to be structured to support recent realignment of strategic priorities.
- Set and actively follow up on bolder stretch development objectives for each member of my leadership team (LT).
- Step up the quality and candor of this year's performance reviews; make certain each LT member is clear regarding how I see his/her respective strengths and weaknesses. Ensure focused development plans are in place.
- Challenge corporate barriers and/or organization totems (e.g., the sales incentive plan).

> ***Impatience***—The "dark side" of my bias for action

- Keep things in perspective with reality-testing questions like, *"What must be done now? What can wait? How long can certain things wait?"*
- Delegate realistically versus putting people in unnecessary overload.
- Stay close to individual team members—especially during high-stress periods. Be attuned to their needs and display empathy.
- Intensify alignment on key objectives by ensuring monthly team and scheduled 1:1 meetings.
- Take a "burn-out audit" of my team in an attempt to understand where everyone's limit is—and then be responsive to those limits by not piling work on people who are already in overload.

> ***Political Savvy***

- Have direct conversations with key peers and members of my leadership team to ensure that they understand what's motivating me versus the perception that it is all about my career ambition.
- Deepen relationships with one or two confidants in the company with whom I can close the door, hear what I need to hear about how I'm perceived and vent my frustrations when venting is what I need to do.

> ***Work-Family Integration***

- Participate in Leadership 3000 Spousal Module—use this as a springboard for planning of upcoming family relocation to Europe.

of emotional fortitude as a development focus. Nearly one-third fewer Wave 2 participants had persuasion and influence issues compared to Wave 1. There was a small decrease in Wave 2 participants who had strategic focus as an improvement area.

Because strategic focus is one of the most challenging leadership competencies, we were not surprised to see it persist as an improvement area. However, given the significant increase in Wave 2 participants with strategy as a strength, a common action step was to pair participants in informal peer mentoring relationships that helped individuals capitalize on their respective strengths.

There was no change between Waves 1 and 2 on the competency of people development/performance management—one of the perennial and most challenging of high-potential development areas. A host of issues continued to thwart and probably intensify the lack of progress in this area. These included the accelerated pace of business challenges, demanding economic conditions, work overload, cultural differences (particularly as related to providing sound performance feedback to people in other geographic regions) and the lack of user-friendly performance-management systems. For the most part, actions related to the people development/performance-management competency involved ongoing coaching by the boss and/or external consultant.

TABLE 2: IMPROVEMENT AREAS

Top 5 Leadership Strengths to Leverage	Number of Participants: 1986-1999	Number of Participants: 2000-2008
Emotional fortitude	27	16
Persuasion and influence	17	12
Developing people/ Performance management	11	11
Courageous leadership	22	10
Strategic focus	10	9

Action Planning

Rigorous adherence to creating targeted, realistic and robust master action plans (MAPS) as the tangible outcome of Leadership 3000 continued as an overarching priority. A wide array of development resources was represented in these MAPS—some familiar and others less so. In the broadest terms these resources included:

1. job rotations;
2. assignments in other cultures;
3. executive seminars (both brief and residential in world-class business schools);
4. specific courseware in areas such as strategic thinking and innovation management;
5. formal communications skill training;
6. company-based courses in functional areas such as finance and information technology;
7. short-term mentoring relationships;
8. participation in community-based nonprofit organizations to build leadership skills;
9. the orchestration of for-profit board appointments;
10. mindfulness meditation; and
11. coaching in emotional intelligence.

While participants benefitted from working their MAPs, we believe the sustainability and impact of Leadership 3000 tracked back to the interaction of its four guiding principles—holistic approach, trust grounded in confidentiality, the power of psychological insight and conveyance of executive wisdom. From the moment of invitation, participants were made to feel honored, respected and safe. This ignited an attitude of discovery and sustained learning. For some, this had cascading effects for their spouses and families. See Sidebar B for excerpts from the MAP of one of the company's most gifted business unit directors. Of note is his inclusion of the Spousal Module.

Some Final Thoughts

As the global business environment continues to evolve in its complexity and Darwinian challenges, the demands of its leaders will intensify exponentially. Surely the economic disruptions of 2008-2009 had significant adverse effects on most industries, including chemicals and electronic materials. This economic volatility has yet to settle and, in tandem with efforts to manage the immediacy of this issue, business leaders will have to deal with increased regulations, other government and political influences and geo-political conflicts.

Given these relentless pressures, the most effective business leaders will continue to leverage their strategic, financial, operational and people-management capabilities—people management especially as it relates to the empowerment of their most talented employees. These leaders also will value the power of continuous learning, and they will be rewarded by the significant time they spend deepening their global networks and ensuring the authenticity of the relationships within these networks. Furthermore, they will be distinguished by their ability to integrate and apply intellectual (cognitive) and emotional (behavioral) intelligence.

Finally, these leaders will ensure that sufficient resources and time—including their own—are allocated for the development of the next talent wave. Talent management, with leadership development as a critical dimension, persists as a "burning platform" issue in emerging markets, as well as in the United States. Fully talented leaders are in dangerously short supply. So while there are specific lessons that might be taken from our work at Rohm and Haas in developing world-class leaders in the end, it is as simple—albeit as demanding—as creating a robust leadership development model and staying with it. P&S

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Knowledge Management:

A Glass Half Full

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Peter Drucker was convinced that to succeed in a dynamic, global economy, leaders must not only recognize the principles of knowledge management (KM), they also must engage fully in KM practices across the organization. Drucker noted as early as 1959 that "productive work in today's society and economy is work that applies vision, knowledge and concepts – work that is based on the mind rather than the hand" (Drucker, 1959). Indeed, Peter Drucker first coined the concepts of the "knowledge economy," "knowledge worker" (Drucker, 1959, 1966, 1969, 1973) and "knowledge organization" (Drucker, 1973, p. 450). The term "knowledge organization" has since evolved to be called the "learning organization" (Senge, 1990).

Conditions for Knowledge Work

Drucker goes so far as to say, "Knowledge worker productivity is the biggest of the 21st century management challenges. In the developed countries it is their first survival requirement. In no other way can the developed countries hope to maintain themselves, let alone to maintain their leadership and their standards of living" (Drucker, 1999, p. 157). To maximize effectiveness and productivity of knowledge workers, he described the six conditions that must exist (1999, p. 142):

- Clarity is essential about the tasks to be performed.
- They must be able to manage themselves with some degree of autonomy.
- Their primary focus must be on continuous innovation and creativity.
- Continuous learning is essential and is a core responsibility.
- Quality counts as much, if not more than, the quantity of work they produce.
- And they must want to be part of the organization with aligned goals and their presence must be seen as an asset rather than a cost to the organization.

Drucker was concerned with the manager's role in making sense of the complexity of taking created and shared knowledge to build operating efficiency and performance. His passion for making operating performance show up on the bottom line through focused knowledge application is quintessential Drucker. Consistent with the six points above, he believed this was best accomplished by creating a supportive environment and culture for knowledge creation, sharing and retention.

We now call this focused attention on knowledge application "knowledge management." There has been more than a decade of intensive cultivation of the ideas and practices surrounding it by such thought leaders as Davenport & Prusak (1998), De Geus (1997), Edvinsson & Malone (1997), Nahapiet & Ghoshal (1998), Nonaka & Takeuchi (1996), Stewart (1998) and Liebowitz (2009). Literally thousands of research studies have since followed.

Given the importance attached by Drucker and these successors to KM, we now ask how far we have progressed in meeting the knowledge challenges he first identified. To find out, we investigated the extent to which this is occurring today. Are leaders fully embracing management strategies that promote KM? Is it becoming commonplace for organizations to promote "a learning culture"? What business and financial payoffs are organizations experiencing as a result of KM? What barriers are being encountered when organizations attempt to implement KM practices?

For further investigation and learning, we contrast Toyota and General Motors as a case study—a poignant comparison because Drucker critiqued GM for its inability to learn from customers and focus on sustainable markets (Drucker, 2006).

Research Design & Method

To gain deeper insights into the current knowledge management practices of organizations, the Institute for Corporate Productivity (i4cp), together with the Center for Effective Organizations (CEO) and the Human Resource Planning Society (HRPS), conducted a comprehensive study on knowledge management in the fall of 2008. The survey was completed by 426 organizations and administered online to a mix of industries. The survey focused on KM practices in general, as well as knowledge retention, as both have implications for how well organizations manage employees and the potential loss of knowledge through retrenchments, "boomer" retirements and normal knowledge worker exits (Key, 2008).

Survey respondents are from a wide variety of levels within the organization. About 25 percent are managers; 29 percent are directors; and almost one-third are at the vice-president level or above. Similarly, these surveys reflect a broad range of industry participation: 18 different industries are represented with the most respondents identifying healthcare and related fields (12.8 percent); retail (11.5 percent); entertainment and hospitality (10.8 percent); and transportation (10.8 percent). About 35 percent of the sample are from organizations with fewer than 1,000 employees and 32 percent are employed in midsize companies (1,000-10,000 employees); 33 percent of respondents are from large organization with more than 10,000 employees.

The survey data were analyzed and correlations between KM efforts and major indicators of market performance were examined. Organizers developed a Market Performance Index for these analyses. It was determined through self-reports from the respondents in the areas of revenue growth, market share, profitability and customer satisfaction. The survey primarily sought to understand the frequency with which organizations were engaging in KM practices and the extent to which these practices were related to improved market performance. Survey questions focused on the prevalence of organizational cultures that promote learning, the benefits of KM practices and the barriers that keep organizations from effectively creating, sharing and retaining knowledge.

Research Findings

Promoting a Learning Culture

These results suggest that the majority of organizations are not taking the necessary steps to build learning cultures, as evidenced by the consistently low percentages in the High or Very High response columns in Exhibit 1. It also appears that organizations are having difficulties deciding how to prioritize their KM initiatives, with only 18.1 percent stating that they believe they are effectively focusing their KM initiatives on business critical targets.

On the "glass-half-full" side, organizations report they are doing a good job of sharing the knowledge they have created, with 38.4 percent stating that they do this to a High or Very High extent and 34.4 percent also indicating that they are increasing the knowledge content of their products and services.

Drucker wrote "management's task is to make people capable of joint performance, to make their strengths effective and weaknesses irrelevant" (Boudreaux, 2005, p. 20). He redefined the role of manager, at a time when the command and control approach was prevalent. Drucker emphasized the importance of managers making valuable knowledge accessible and coaching others. Given these views, he might be disappointed that the survey only shows 23.8 percent of managers viewing themselves as mentors and coaches to a high or very high extent. When the Moderate response scale category is added, with another 42 percent, there are 65.8 percent responding in total that they viewed themselves as mentors and coaches, at least some of the time.

Similarly, Drucker's point that "continuous learning is essential and a core responsibility" directly relates to the survey item that asked whether "managers view themselves as active learners." Again, there were only 27.3 percent of managers with High or Very High responses, but an additional 40.9 percent in the Moderate response scale category resulting in 68.2 percent total. These are respectable percentages overall, indicating that about one in four organizations overall are at the highest level of practices most associated with active learning cultures.

The Payoffs for KM

Why would leaders today, with all of the various pressures and demands on their time, pursue KM initiatives? Do KM practices actually pay off in terms of measurable business results, and are those results reflected in actual financial performance? Because most managers can only target a few change initiatives each year, they need to make sure that the ones selected will result in the anticipated payoffs.

Respondents were asked to comment on the extent to which their KM efforts have helped them achieve business outcomes: "Was there a pay-off for investing in KM initiatives? If so, to what extent was your performance in the market affected?"

Clearly, some outcomes for organizations implementing KM practices occur more frequently than others, but the overall impression from Exhibit 2 is that benefits are relatively limited in the majority of responding organizations. The highest rated item, Improving Client and Customer Relationships, was reported to a High or Very High extent by only 29 percent of respondents. Efforts to speed up the time it takes for employees to move up the learning curve and acquire new skills and competencies were reported to be occurring to a High or Very High Extent for only about 22 percent of respondents. These results suggest that the benefits of KM are not being realized to the greatest extent possible in the majority of organizations.

Nonetheless, for organizations that do make the investment in KM practices, there is a substantial payoff in terms of improved market performance. In fact, each of the KM efforts listed in Exhibit 2 is significantly correlated with the Market Performance Index. The KM

EXHIBIT 1: ARE ORGANIZATIONS PROMOTING A LEARNING CULTURE?

Response Items	Not At All	Small Extent	Moderate Extent	High Extent	Very High Extent
We are aware of where our critical knowledge deficiencies are.	4.1%	8.7%	43.6%	19.9%	3.7%
We are increasing the knowledge content of our products and services.	4.1	20.3	41.2	25.3	9.1
We support open, ready access by employees to the knowledge we create.	5.4	22.7	33.6	30.9	7.5
Managers view themselves as active learners.	3.4	28.4	40.9	20.6	6.7
Managers view themselves as active mentors and coaches.	4.1	30.2	42.0	18.0	5.8
Knowledge is easily acquired from experts and co-workers within our organization.	2.0	26.4	44.9	21.3	5.4
We are effective at focusing our knowledge retention initiatives on business critical targets.	12.7	29.1	40.1	15.4	2.7

EXHIBIT 2: THE PAY-OFF FOR KNOWLEDGE MANAGEMENT

Potential Business Outcomes/Benefits	Percentage Answering to a High or Very High Extent	Correlation with Market Performance Index*
Increase operating efficiency and productivity	22.1%	.24
Improve client/customer relations	29.2	.20
Improve vendor/supplier/partner relations	19.8	.19
Successfully add new products/services	24.5	.19
Capture and retain critical knowledge from exiting employees	23.6	.14
Speed up employee learning curve regarding new skills/competencies	27.8	.18
Improve knowledge sharing across operating units	24.8	.18
Improve knowledge sharing across management levels	21.6	.19
Prevent research duplication/development efforts	16.7	.21
Retain key knowledge workers/talent	24.2	.19
Improve on-boarding process for new employees	25.7	.13
Identify key competencies and success factors for specific roles	26.9	.16

**All correlations are significant at the p<.05 level (2-tailed).*

EXHIBIT 3: BARRIERS TO EFFECTIVE KNOWLEDGE MANAGEMENT (Select all that apply)

Response Items	Percentages (most cited)
Not enough time	62.5%
Not enough financial resources available	48.5
Lack of management support	48.5
Lack of accountability	47.8
Difficulty in calculating an ROI for knowledge retention efforts	37.9
Difficult to maintain/pass on	35.9
Organization/technology changes too fast for knowledge retention efforts to be valuable	15.0

initiatives having the closest association with improved market performance appear to be efforts to improve operating efficiency and productivity (r = .24) as well as initiatives aimed at eliminating duplication of efforts in research and development (r = .21).

To illustrate this point, Accenture, the global consulting and technology services company, recently created a knowledge management system called The Knowledge Exchange (Aaron, 2009). Its primary purpose is to help employees gather and make more efficient use of vast amounts of business information. If successful, it would allow employees to increase operating efficiency as well as overall productivity. Like other programs, The Knowledge Exchange had to prove itself. Was it worth the financial investment to maintain it? To answer this question, business impact and ROI were assessed across time and groups. While the process of deciding what to measure and how to get precise measurements was labor intensive, researchers found an overall benefits-to-cost ratio of 20:1. The final assessment was that it is worthwhile to implement well-designed and supported KM tools, given the resulting improvements in productivity.

Barriers to KM

Why don't more organizations implement KM initiatives if they are beneficial? The study revealed several basic and pervasive barriers to KM. Survey coordinators asked respondents: What are some of the top factors that prevent you from effective KM practices? These primary barriers are cited in Exhibit 3 and include "not enough time and financial resources" and "a lack of management support and accountability."

By far, the ability to devote sufficient time to designing and implementing KM practices is the key barrier. On the other hand, keeping up with technology changes was not viewed by respondents as a primary factor in preventing KM practices, with only 15 percent saying that this is the case. Competing priorities exhaust an organization's resources and the ability of managers to focus long enough to see these initiatives pay, despite clear evidence that KM can yield positive business outcomes.

Hewlett Packard (HP) provides a good example of a technology company that takes the time to effectively capture knowledge in a very dynamic organization (Gotthart & Haghi, 2009). Managers create Knowledge Briefs, or KBs, that are short documents of no more than 10 pages that describe new technologies, lessons learned, best practices and/or strategic and technical data that are written exclusively by employees. KBs went into practice in April 2001. To date, 4,000 KBs are available to anyone in the company, and about 600 new KBs are published annually. Each KB goes through a peer review and editorial process, and only those that are relevant and of high quality are chosen.

To make writing KBs more attractive, HP offers incentives that become part of employees' career paths. Monetary awards are given to employees who write several KBs, and the best KBs are selected for publication in the *HPS Technical Journal*, read throughout the HP community and often provided to customers. Time is an issue, but taking the time has to be a priority since it produces big results.

Implications—What Would Drucker Recommend?

Based on these results, we are forced to say that Drucker's "glass is half full." Notable progress has been made across a entire cross section of organizations in recognizing the importance of KM, but practices vary wildly and multiple issues remain undermanaged. Our research demonstrates that there are significant correlations between specific KM practices and business performance, but it

GM and Toyota

In the fall of 1994, Drucker outlined how GM was on a losing path (Drucker, 2006). He observed that GM's lack of market focus and inability to take decisive action would have dire consequences. Drucker stated that GM did the right things for 70 years, even withstanding the Great Depression without a loss of market share. However, in the late 1970s, GM's assumptions about the market and production were no longer valid. The market changed to reflect "lifestyle" segments and income became only one factor in the "why to buy" equation.

GM attempted to compete by automating the large-scale mass production process and ignored the benefits of lean manufacturing. Lean manufacturing occurs when small-scale production allows for short runs and variations in models so that they are less costly and more profitable than long runs of uniform products.

Drucker saw GM as "patching things over with prodigious energy, hard work and lavish investments of time and money" (Drucker, 2006, p. 146). However, this strategy only confused the customers, dealers, employees and even GM's management. In Drucker's estimation, GM neglected its real growth market in light trucks and minivans. Long a proponent of the importance of effectiveness over efficiency, Drucker saw both effectiveness and efficiency together as the ideal. GM ignored both operating principles in how it has run its business (Drucker, 2006).

In contrast, Toyota took a different path and the results speak for themselves, with Toyota's success as a top performer in many car segments. Toyota is an example of laser focus on its market and, unlike GM, has clarity in its brand categories. Customers have clear choices with Toyota, unlike GM's brand confusion. The *Ivey Business Journal Online* (More, 2009) gives the following example: Let's assume you have $25,000 to spend on a car. You could choose from two to three different Toyotas, while, with the GM divisions, you could buy many different cars across a confusing array of brands, models and dealer portfolios.

GM cars have been competing with each other by targeting the same car buyers and market segments for a long time: This requires the size of the market share to be larger before a particular vehicle can be profitable and create positive cash flow. Unfortunately, GM's market share continues to slide. Toyota's focus on fewer car styles that appeal to different segments with less overlap is far more profitable than GM's unwieldy and unprofitable approach in the past. It is only under the orders of a government-forced restructuring that GM is reducing its number of brands.

Toyota also serves as a model for manufacturing effectiveness, and its use of lean manufacturing has helped set it apart from its competitors. Furthermore, Toyota's culture reflects Drucker's belief in the importance of ongoing education for the knowledge worker. In 1999, Toyota established the University of Toyota and provides ongoing training and development programs for its 8,500 employees and over 100,000 dealer associates worldwide (Morrison, 2008).

In this time of widespread cutbacks, layoffs and furloughed workforces, Toyota models how to address knowledge and talent retention. Toyota announced in late 2008 that a decision had been made to retain all well-performing, nonunion, U.S. employees despite the economic downturn. Like other automakers, Toyota is facing a huge cutback in production – the cost of two idle U.S. plants has been estimated to be approximately $35 million a month. But, while some of Toyota's workers may not be on the production line, they are not idle; workers are engaged in learning and focusing on longer-term maintenance and quality improvement projects that they didn't have as much time for when production was brisk. Workers spend time in training sessions and in exploring better, more efficient ways to assemble vehicles. "It would be crazy for us to lose people for 90 days and then rehire and retrain people and hope that we have a smooth ramp-up coming back in," Jim Lentz, president of Toyota Motor Sales, told the Wall Street Journal (Linebaugh, 2008).

GM has been moving to a debilitating cash position for years and, in turn, GM's cash needs have now gotten so out of hand that the company is depending on government money to survive. Although Toyota is also having short-term cash-flow difficulties at present, it does not have GM's record of years of cumulative cash-flow losses (More, 2009). Unlike GM's resistance to learning and focus, Toyota has modeled it and that has paid off. Toyota has minimized its cash losses during the downturn in the global markets and continues to be playing at the top of its game.

Here are some of the comparison factors between GM and Toyota that reflect Drucker's observations:

GM	Toyota
Loss of market focus and an unwillingness to trim its portfolio of cars (95+ in its portfolio)	Highly market focused and willing to limit its portfolio
Assumption that every car in the portfolio must produce long-term, net cash flow and high market share in those segments, while competing with itself in many market segments	Has selected its market segments and unlike GM doesn't compete with itself in them
In need of government bailout – negative net cash flow	Solid net cash flows until recently
Customer confusion	Clear choices for the customer
Vast amounts of mechanical and cosmetic variations leading to inefficient production and increased numbers of outsource suppliers	Offers two basic engine choices and builds on efficiency of less options and outsource suppliers
Confusion among many employees on what they can do to improve efficiency and effectiveness	Clear strategies and programs to educate employees on their role, work requirements and how they can innovate to improve efficiency and effectiveness
Excessive duplication of people and resources	Streamlined approach to adding people and use of resources
Complex and fragmented manufacturing, huge increases in the number of different parts, platforms, engines, and transmissions, driving up the unit variable costs of producing each car and dramatically reducing unit margins	High degree of market focus yields lower car unit variable costs, and therefore higher unit margins, e.g., high positive cash flow for Camry

also illustrates that the organizations most benefitting from these practices are still relatively limited in number. It is unfortunate that more organizations are not fully engaged in KM practices: Their business performance could be positively impacted. Still, high-performing companies incorporate KM into the daily life of the organization and have systems in place to capture, transfer and replicate best practices. That is quite clear from this study.

KM activities should be embedded within the DNA of the organization. Employees should be recognized and rewarded for engaging in KM activities and their use should be reflected in performance plans. Many organizations haven't developed cultures in which learning and KM are priorities. By doing so, an organization can model the principles Drucker emphasized: clarity on tasks, continuous learning and innovation, focus on quality and goal alignment with the overall direction of the company. KM strengthens the role of the knowledge worker, reinforces the view that workers are assets and supports the effectiveness of a knowledge-based learning culture. P&S

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Turning 'Survive' into 'Thrive':

Managing Survivor Engagement in a Downsized Organization

Brenda Kowske, Kyle Lundby and Rena Rasch, Kenexa Research Institute

Layoffs, downsizing, right-sizing, reduction-in-force: to the workforce they add up to job loss and a great deal of stress for employees and their loved ones. Laid-off workers are left with uncertainty, often in a state of near panic. In this recession those numbers are large and getting larger.

But there is often more to the story. Although still employed, the survivors of reductions in force are often demoralized—left as walking wounded. Blindsided by the extrication of their friends and colleagues, the remaining employees question their own security. Mistrust in senior management festers as survivors struggle to understand why the layoffs were necessary, why certain people were chosen and what they need to do in order to be among the blessed that stay.

Amid this bleak scenario, senior managers are tasked to motivate the remaining workforce and lead the organization to recovery and beyond. Peter Drucker once pointed out, "Accept the fact that we have to treat almost anybody as a volunteer." Those remaining at the organization are choosing to be there, and it is up to management to reinvigorate the survivors.

To discover the most effective way to emerge from downsizing with an intact, energized workforce, the Kenexa Research Institute (KRI) used the WorkTrends™ data to explore the effects of layoffs on employee engagement and turnover intent, and to identify the work characteristics most important to layoff survivors' engagement with their work and the organization. Our findings translate into recommendations meant to enable executives and HR practitioners who are seeking to retain the talent they chose to keep.

The Outcomes of Downsizing

Downsizing, planned or unplanned, often accompanies attempts to reduce costs while improving efficiency and sustaining efforts devoted to meeting production and performance goals. Simplistically speaking, organizational leaders are looking to maintain or improve profit margins. In healthy times leaders seek a "lean-and-mean" organization by aligning with core strategy and reducing redundancies. When times are hard, leaders compensate for lower sales by reducing human capital-related operational costs. Some studies have argued that the impact of downsizing on profitability and shareholder value is actually quite limited (Lewin & Johnston, 2000, Cascio and Young, 2003; De Meuse, Bergmann, Vanderheiden, & Roraff, 2004).

"Survivor sickness" (Band & Tustin, 1995) and "survivor syndrome" (Kim, 2003) may very well work against potential returns. And layoffs can negatively affect the organizational culture, creating ramifications for employees and customers (Bastien, Hostager, & Miles, 1996; Shah, 2000). A review of survivor engagement in the 2007-2009 economic crisis provides some valuable insights.

The data used in this study demonstrated that U.S. workers' employee engagement, as measured by the Kenexa's Employee Engagement Index, was significantly lower ($p < .001$) if layoffs had occurred in the preceding 12 months. If no layoffs had occurred, U.S. employees scored a 71 percent on the Employee Engagement Index in 2009. Only an average of 57 percent of U.S. employees answered in the affirmative to the of the Index's four items[1] if a layoff event had taken place. In short, organizations may have cut operational costs, but they are more likely to have a portion of their workforce disengaged—fertile ground for the symptoms that accompany survivor sickness: anxiety, depression and low self-confidence (Kim, 2003) that may negatively affect the organization's competitiveness over the long term.

Conventional wisdom assumes that, in the context of high unemployment rates in an economic downturn, employees who made the cut and avoided layoffs stay at the organization, at least until the job market loosens. Not so, according to research by Trevor and Nyberg (2008): Voluntary turnover rates increase within the calendar year of, and 24 months following the downsizing event. It is difficult to say where employees go after leaving an organization after downsizing: Perhaps they choose to pursue educational opportunities or personal life goals. Presumably, marketable talents such as high-performance and a jack-of-all-trades capability are also valuable to competitors (despite the slowing of hiring rates) that some organizations are picking up top talent.

Previous research reveals some hopeful insights: For example, employee perception of control over outcomes, trust in management a lack of identification with laid-off employees and a sense of fairness may mitigate the negative effects on phenomena similar to employee engagement, such as survivors' organizational commitment (Brockner et al., 2004; Brockner, Grover, Reed, DeWitt, & O'Malley, 1987). Our research points to other bright spots that should be considered as companies seek to minimize the downside of downsizing.

Retaining the Survivors

There are aspects of the organization and the job that employers can manipulate in order to engage and retain the survivors. Previous research (Trevor & Nyberg, 2008) has demonstrated that organizational commitment moderates the relationship between layoffs and turnover–in other words, the more committed and satisfied employees were with their choice to join an organization, the weaker the relationship between layoffs and turnover.

In the same study, HR practices also mattered, specifically formal arrangements for addressing perceptions of injustice (referred to as "procedural justice"), feelings of "fitting in" and job fit, plus the cost of leaving to the employee (i.e., "job embeddedness"), and career development support, such as succession planning.

1. Kenexa's Employee Engagement items include the concepts pride in the organization, likelihood of referring a friend to work at the organization, overall company satisfaction, and that the employee rarely thinks about leaving the organization.

The magnitude of the reduction has an uncertain impact on employees. While some research has demonstrated that the magnitude of the layoff event is virtually irrelevant (Trevor & Nyberg, 2008), others have shown no effect when smaller reductions are compared to larger reductions of more than 10 percent of the workforce (De Meuse et al., 2004). Therefore, any employer seeking to soften the blow to the organization after downsizing should attend to certain employee characteristics regardless of reduction magnitude, but certainly in cases of a large reduction of force.

The Effect of Employee Engagement on Retention

Employee engagement is a critical piece of a satisfied, stable workforce. Defined as the extent to which employees are motivated to contribute to organizational success, and are willing to apply discretionary effort to accomplishing tasks important to the achievement of organizational goals, our study found employee engagement significantly and negatively related to turnover intent, i.e., if the employee is "seriously considering leaving in the next 12 months" ($r = -.41$, $p < .01$). Although we were not able to correlate engagement with actual turnover, turnover intention has been shown to be an antecedent to actual turnover (Mitchell, Holtom, & Lee, 2001).

Other closely related constructs to engagement, such as job satisfaction, job involvement and organizational commitment have been found to be related to turnover itself (Griffeth, Hom, & Gaertner, 2000). Beyond the costs of hiring and training that accompany high turnover rates, engagement positively affects business outcomes as well. Prior research has found it to be significantly related to customer service scores (Wiley, 1996) and business financial performance metrics (Wiley & Campbell, 2006).

In the context of layoffs, employee engagement is even more important. Using statistical regression analysis to investigate interaction effects, we found that employee engagement makes the difference between employees' intent to stay or go, but even more so if the organization has downsized. If layoffs had occurred, disengaged employees were 2.5 times more likely than engaged employees to consider leaving their organization in the next 12 months. Given the relationship among layoffs, engagement and turnover intention, organizations that wish to retain the remaining workforce should seek ways to reengage them.

Research Method

The Kenexa Research Institute (KRI) investigated possible influencers of turnover intent following layoff events using the WorkTrends™ data, an employee opinion database resultant of the 2009 WorkTrends survey. This survey is administered annually online to randomly selected people in the United States, and they are allowed to take the survey if they work full time at an organization with at least 100 employees. From a total sample size of 9,998 U.S. employees, we were able to focus on the survivors of layoffs, or the employees whose organization had "laid off employees in the last 12 months" (n=4281).

For the sake of context, 54 percent of the employees who worked at an organization with layoffs were men and 46 percent were women. Layoff survivors were generally equally distributed among employees aged 25-34 (27 percent), 35-44 (24 percent) and 46-55 (25 percent), with a smaller percentage of employees in the youngest (18-24; 8 percent) and eldest age groups (55-64; 15 percent; over 65, 1 percent); 18 percent of employees in organizations that had conducted layoffs were represented by a union and 82 percent were not.

The largest groups of employers who had conducted layoffs were in retail/wholesale trade (10 percent), heavy manufacturing (10 percent) with fewer in healthcare services (8 percent), light manufacturing (6 percent), education (6 percent) and construction or engineering (5 percent).

In this research, we identified the pivotal aspects of work related to layoff survivors' engagement, the results of which enable leaders to prioritize intervention strategies. To investigate exactly how to build engagement during times of layoff stress, we used the relative weights analysis technique (RWA; Johnson, 2000; Lundby & Johnson, 2006). By selecting the sample of U.S. employees who indicated that their organization had completed layoffs in the last 12 months, we were able to use RWA to identify the most important aspects of work as they relate to employee engagement, thereby answering the question, "How can employees' engagement be strengthened in the year following layoffs?"

To identify the most critical items for bolstering employee engagement from the 115 items in the WorkTrends survey, we used the RWA cascading technique suggested by Lundby and Johnson (2006). In order of importance, RWA identifies potential ways to drive employee engagement. Unlike correlation and regression, RWA reflects the unique variance each aspect of work accounts for in engagement. For example, let's say the WorkTrends' dimensions, or items grouped into themes, make up the whole pie of engagement. RWA identifies each dimension's slice size: aspects of confidence and security account for 9.8 percent of the pie, while career advancement's slice is 7.9 percent of the pie. The benefit of RWA is that the slices do not overlap; that a piece of the pie is assigned to only one dimension of work. These percentages give you the relative importance of dimensions of the workplace to engagement.

In the WorkTrends survey, KRI measures employee engagement in addition to 18 dimensions encompassing 115 employee attitude items. This analysis used RWA to select the dimensions and items most closely related to engagement, taking into account the extent of their relationship to each other[2].

EXHIBIT 1: RANK ORDER OF LAYOFF SURVIVOR ENGAGEMENT DRIVERS AND THEIR RELATIVE WEIGHT.

Rank	Theme	RW	Item (shortened text)
1	Confidence & Security	9.8%	Confidence in the future of company
2	Career Advancement	7.9%	Feeling of a promising future for me at my company
3	Stress & Balance	7.8%	Organization supports work/life balance
4	The Work Itself	5.9%	Get excited about my work
5	Senior Management	5.7%	Confidence in senior leaders
6	Corporate Responsibility	5.6%	Corporate responsibility (CR) efforts increase work satisfaction
7	Rewards & Recognition	5.5%	Satisfied with the recognition received for the work done
8	Training & Development	5.4%	Given a real opportunity to improve skills in my company
9	Ethics & Integrity	5.3%	Organization strives to serve the interests of multiple stakeholders
10	Quality & Improvement	5.2%	Day-to-day decisions prioritize quality and improvement
11	Customer Orientation	5.1%	Employees recognized for delivering outstanding customer service
12	Work Processes	5.0%	People I work with do their very best
13	Health & Safety	5.0%	Safety is a priority
14	Manager Effectiveness	4.8%	Overall managerial performance
15	Diversity	4.3%	Employees have equal opportunities for advancement
16	Innovative Climate	4.1%	Action on promising new or innovative ideas.
17	Communication	4.0%	Open, honest two-way communication
18	Goals & Performance	3.5%	Fair job performance evaluation

Driving Employee Engagement throughout the Downsizing Process (and Beyond)

It seems a lofty goal to maintain or increase employee engagement despite layoffs. Strengthening engagement can be counteraction taken against the collective angst and anxiety felt by employees during downsizing. Exhibit 1 lists those aspects of work most important to layoff survivor's engagement in order of magnitude.

Many of the issues that are important to survivors are also important to employees whose organizations have not downsized in the past 12 months. For comparison purposes, a separate RWA ($R2 = 0.77$) on employees in non-layoff organizations demonstrated that these employees also place primary importance on their confidence in the organization's future, are looking for a promising future for themselves and seek recognition and training opportunities.

However, those experiencing layoffs place more importance on the organization's corporate responsibility efforts and its attempts to serve multiple stakeholders, not just shareholders. They value their confidence in senior leaders over the non-layoff employees' interest in management showing a concern for employees' well-being. For those who have experienced layoffs, concerns about safety being a priority are downgraded out of the top 10 important issues, unlike their colleagues who have not experienced a recent downsizing.

Beyond the most important issues in survivors' engagement, we can also look to the gap in ratings between those who have been through organizational layoffs and those that have not. By looking at employees' reports of favorability and fulfillment of the top 10 items most important to employee engagement, we can identify the aspects of employees' work and attitudes which downsizing most affects. (See Exhibit 2 on next page.) Overall, layoff survivors were significantly less satisfied with these aspects of work. In addition, the sentiments of employees in managerial and supervisory positions raise the scores' averages; after layoffs, managers consistently rate their workplace opinions as more favorable than individual contributors. (See Exhibit 3 on next page.)

Several conditions of the layoff event may be associated with employees' engagement. In WorkTrends, we measured two such conditions: the time since the layoff event and the "proximity" of the event through the question, "Were members of your workgroup laid off?" If we correlate the time since the layoff event with engagement, we can preliminarily investigate if and when effects of layoffs on engagement might subside. The WorkTrends data find a very small but significant correlation ($r = .06$; $p < .01$) between the Employee Engagement Index and the time elapsed since the layoff event. (See Exhibit 4 on next page.) Using t-test and Cohen's d effect size analyses, we also found

2. RWA attempts to "orthoganalize" predictors (i.e., force/rotate predictors to be uncorrelated) while measuring the strength of relationship between the dependent and independent variables. For this analysis, the RWA model accounts for 77 percent of the variance ($R2 = .77$) in the engagement measure. For a technical explanation, see Johnson (2000).

that, in unaffected workgroups, survivors' engagement was slightly but significantly higher (d = 0.2 standard deviations) than for survivors in workgroups whose team was downsized. (See Exhibit 5.)

If we examine the top 10 aspects of work that are important to survivor engagement, items identified in the RWA could be logically classified into three categories:

- confidence in the vision for the future;
- supportive management; and
- the work itself.

Other studies have demonstrated the influence these forces may have on engagement (Schaufeli & Bakker, 2004). We also know that engagement at the organizational level is related to turnover (Harter, Schmidt & Hayes, 2002). Recently, Macey & Schneider (2008) have posed a hypothetical model, based on previous research, that suggests engagement and related constructs such as motivation and commitment can be influenced by organizational innovations.

EXHIBIT 2: PERCENT OF EMPLOYEES RATING TOP 10 ITEMS FAVORABLY: LAYOFF SURVIVORS AS COMPARED TO EMPLOYEES IN ORGANIZATIONS WITH NO LAYOFFS IN THE LAST 12 MONTHS[3].

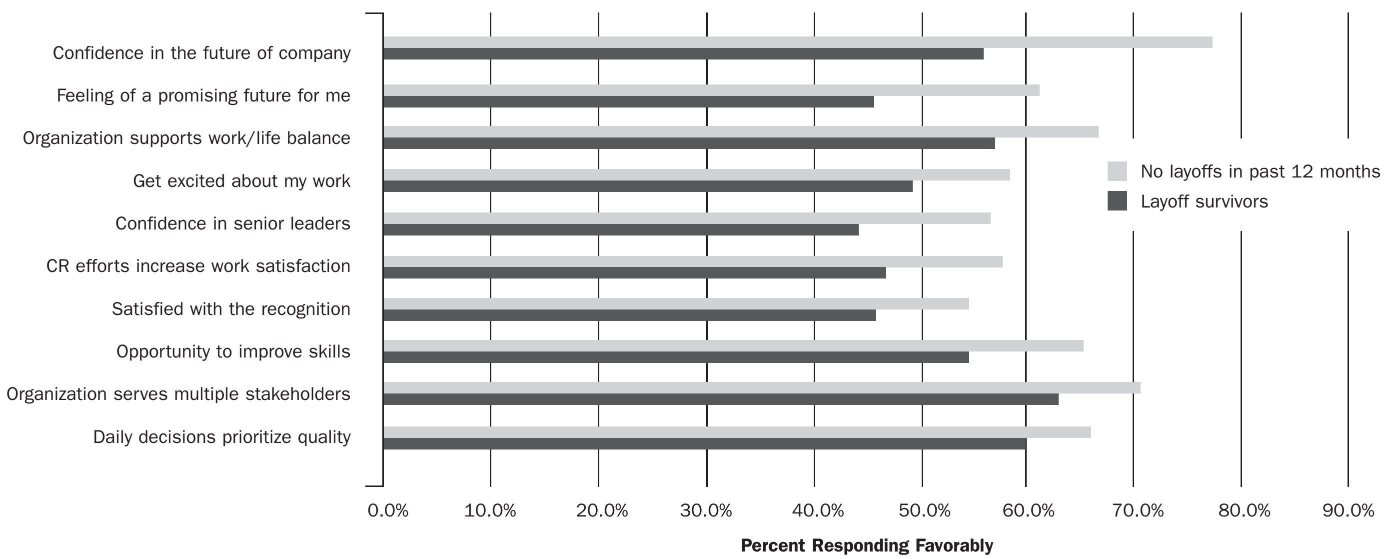
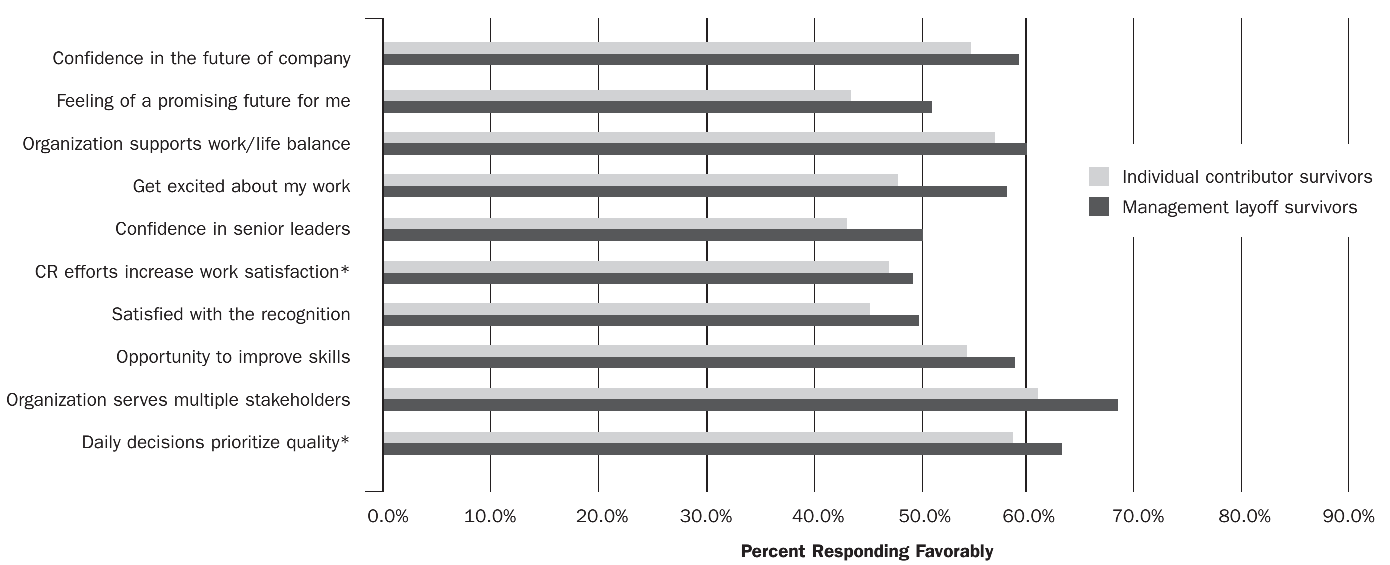


EXHIBIT 3: PERCENT OF EMPLOYEES RATING TOP 10 ITEMS FAVORABLY: MANAGEMENT LAYOFF SURVIVORS COMPARED TO INDIVIDUAL CONTRIBUTOR SURVIVORS[4].



3. T-tests demonstrate that all comparisons were significantly different at p<.01 level.
4. Asterisks denotes results of t-tests when comparison was not significant at the p<.05 level.

These three broader categories provide a direction for leaders to begin their drive for improved employee engagement. Following a discussion of these aspects of work, we will lay out a few action steps that could help support the organization as it attempts to improve survivor engagement.

Confidence in and Vision for the Future

As we can see from the results, there is a focus on – and no doubt uncertainty in – the future. The confidence and security dimension was the most important issue for strengthening employee engagement, followed by a view of a promising future for the employees themselves. This substantiates earlier KRI research on engagement (Kenexa, 2008). However, additional analyses demonstrated that, compared to employees who have experienced layoffs, employees who have not experienced layoffs are 3.5 times more likely to have confidence in the future and 2.4 times more likely to envision a promising future for themselves at work. With the other items' layoff/no layoff group differences at approximately 10 percentage points, employees' confidence in and vision of the future is a clear opportunity area.

It is difficult to build confidence without foundational trust in leadership, and by proxy, the organization's future viability. Trust and confidence go hand-in-hand because both constructs are based on an employee's expectation of desirable outcomes that matter to him/her. While an employee builds confidence in the organization by looking out for social cues, such as organizational and coworker opinion, that will help predict personal outcomes (Leiter & Harvie, 1997), trust is based on the expectation that future interactions will be positive (Robinson, 1996). The question now arises, "How do we build trust and confidence?"

Communicate about the change.

In a world of unknowns, employees will likely attempt to predict the future by reflecting on the past. Trust can be built by openly addressing the past, and then moving on to a vision of the future. In a unique sample of layoff victims and survivors, research demonstrated that trust in management was strongly and positively related to the quality of communications about the downsizing event, specifically messages surrounding the rationale for the layoffs, a post-layoff vision for the organization, examples of previous successful change implementations, and the potential down-side of their actions (Paterson & Carey, 2002).

Thus, leaders can pursue strengthening trust and confidence by clearly communicating why the layoffs occurred and how the action of downsizing, as a fulfillment of organizational strategy, will position the organization for future success. While senior leaders often take center stage in articulating strategy, managers can play a particularly important role by transmitting that message to employees, given the closer relationships they often enjoy with the workforce.

EXHIBIT 4: EMPLOYEE ENGAGEMENT INDEX (EEI) LEVELS SINCE LAYOFF EVENT.

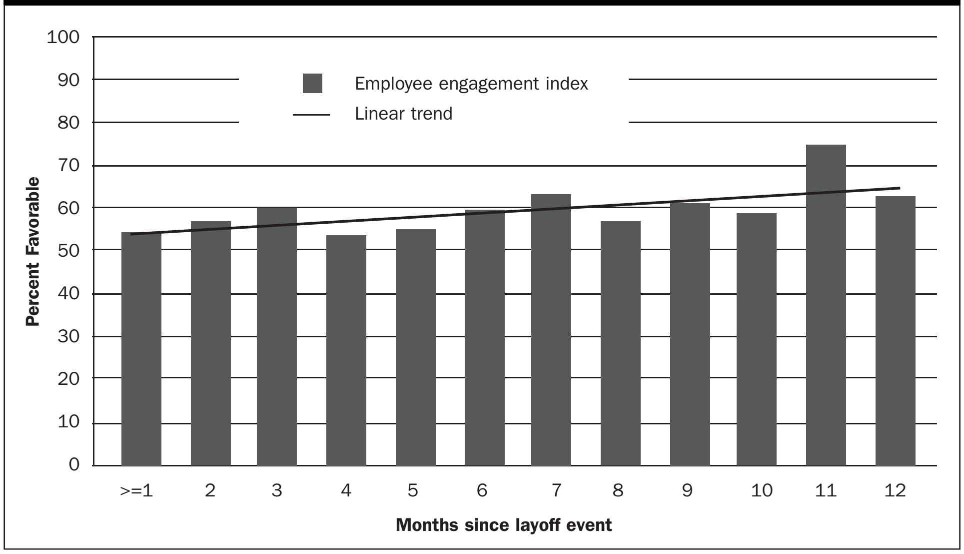
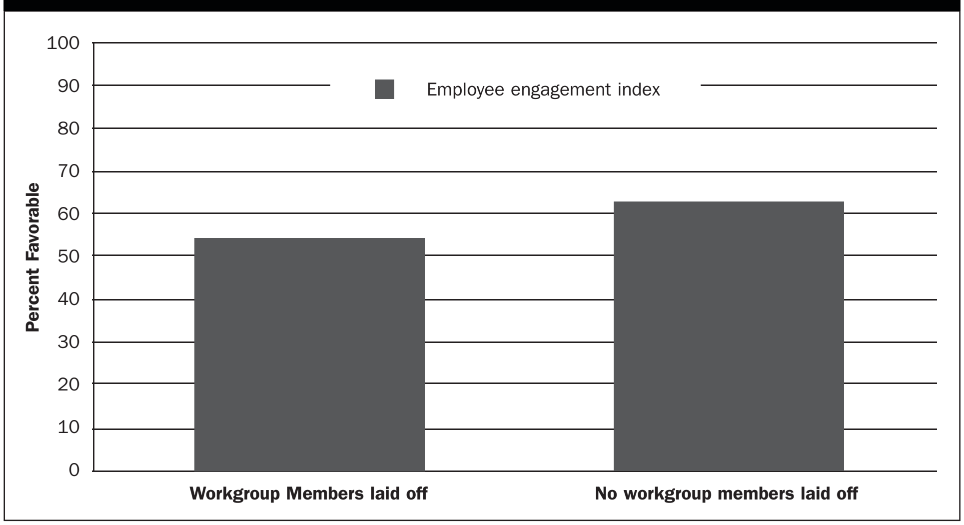


EXHIBIT 5: EMPLOYEE ENGAGEMENT INDEX (EEI) LEVELS SINCE LAYOFF EVENT.



Communicate the long-term strategy.

During times of high organizational stress, senior leadership is likely continuously evaluating its strategy against progress and making adjustments in response to the current conditions. Sharing the strategic discourse with employees, and conveying a confident vision, can help create confidence and a feeling of involvement (Cobb, Wooten, & Folger, 1995).

Confidence in management is also important to survivors' engagement. Confidence cascades: Supervisors' confidence in the organization has been found to be positively related to their subordinates' confidence in the organization (Leiter & Harvie, 1997).

Show what a bright organizational future means for each employee.

It is all well and good that the organization will be viable in five years, but employees are also concerned with what it means for them, both in terms of security and career growth. If competitors recover faster, the survivors that saw the organization through layoffs may be tempted to catch the rising star. Communicating a clear path for their growth and tangible investment in training and development may help employees remain excited about their current employer.

Play fair.

According to past research, fairness and communication likely support trust. Hopkins and Weathington (2006) supported the findings presented here: In a sample of lay-off survivors, trust was found to be strongly and positively related to organizational commitment and organization satisfaction, and strongly, negatively related to turnover intentions. These authors threw fairness into the mix—distributive justice (rewards and resources are doled out fairly, procedural justice, and that decisions are made based on fair processes) and interactional justice (the degree to which people are treated with respect and dignity).

Fairness had a role to play in that perceptions of distributive and procedural justice mediated the relationship between trust and organizational commitment and satisfaction. Paterson and Carey (2002) found that perceptions of interactional justice mediated the relationship between leaders' communication about the layoff event and its positive effect on employees' post-downsizing trust in management. Leaders should ensure that resource allocation decisions (distributive justice), the procedures used to implement decisions (procedural justice) and the treatment of subordinates (interactional justice) are perceived as fair (Greenberg, 1990) if they wish to belay the negative effects of layoffs.

Supportive Management

Our research demonstrates that management plays a role in engaging layoff survivors. Employees associate support for work/life balance with their own feeling of engagement, perhaps testament to the emotional toll layoffs take on employees. It is often managers who translate the organization's work/life balance policies or culture into actual consideration for individual employees. Engagement may also be related to support and recognition, the seventh-ranked item among the top 10. During times of uncertainty, recognition for a job well done may be all the more important.

The ninth most important aspect of work underscores the value of supportive management. Employees associate their engagement after layoffs with a leadership team that is concerned with the needs of multiple stakeholders, not solely stockholders. The sixth element of work also supports this assertion: Survivors value their organization's role in the larger community through their corporate responsibility efforts. Together, these results indicate that after the layoffs have taken place, employees are also looking to management at large to show that company leaders care and are concerned for the well being of the workforce and the greater external community.

Support work-life balance.

While there is no easy solution to keeping work hours reasonable and work time flexible after layoffs, there are approaches that a manager can use to help find the efficiency that will allow workers to balance home and work lives. For example, employees are often a tremendous resource for creative ideas around workforce planning and production activities.

Whether the staff reduction is permanent or temporary, managers can involve employees in identifying work-arounds and modifications to enhance efficiency. Doing so not only would help alleviate the workload so employees can work reasonable hours, but also it could have the benefit of helping employees feel more confident in their position with the organization and more in control of their job and work environment.

If survivors feel more in control of outcomes at work, negative effects of layoffs on survivors can be partially mitigated (Brocker et al, 2004). Managers who demonstrate empathy by supporting employees' attempts to maintain work/life balance and sympathize when work is overwhelming stand to strengthen their professional partnership through a genuine concern for their employees' well-being.

Recognize achievements.

Morale usually runs pretty low after a downsizing event, as this and other research has shown. A little pat on the back, particularly for survivors who are working harder to cover for the absence of others, might really make a difference to employees. Managers can also use recognition to convey to direct reports that their role in the organization is indeed important, strengthening their team's feelings of job security. Interestingly, the satisfaction with recognition emerged as more important to engagement than both fair pay and satisfaction with the amount of pay.

Broaden the definition of "important stakeholders."

Companies are increasingly making investments in social responsibility. Employees value these efforts. In fact, according to the historical WorkTrends data and data used in this study, U.S. employees' reports of their satisfaction in and the "genuineness" of their organization's corporate responsibility efforts have risen each year since 2007, and significantly so between 2007 and 2008 ($p < .01$). This finding supports the preliminary notion that employees' engagement with and commitment to an organization is supported by the organization's involvement not only with employees themselves but in perceived sustainability.

The Work Itself

Our results suggest that satisfaction with one's work and the perception that management values quality are also positive forces in engagement with layoff survivors. It is easy to see why these aspects of work made it on the list: Excitement can be tough to muster in a post-layoff environment, and quality might decease as fewer employees attempt to hold fast to pre-layoff standards.

Bolster work excitement.

Being excited about work can be difficult when employees are preparing themselves for the next round of layoffs. Prior research has found that layoff survivors suffer from negative health outcomes (Matthew, 1987), such as the significant association between measures of anxiety and depression and perceptions of low job autonomy and security, and high work load and group conflict (Kim, 2003). Chances are increased employee anxiety and depression will severely mitigate the existing work excitement employees had prior to downsizing. Work design and career opportunities may be ways to keep jobs intrinsically motivating to employees.

Which is More Important for Successful Change: Commitment to the Organization or the Inititative?

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We all have heard the famous statistic that 60 to 80 percent of change initiatives fail to produce their intended business result (Beer & Nobria, 2000; Kling, 2004). Much of the literature in organizational development suggests that change success depends on new behaviors acquired by employees (Burke & Litwin, 1992; Pitts, 2006).

We set out to answer the question: "Is a company better off focusing on building employee commitment to the *organization*, or should it focus on building commitment to the *change initiative* to create the desired new behaviors?"

To answer this question we surveyed more than 800 employees at multiple levels in three different manufacturing facilities. We focused on the dimensions of commitment, behaviors and demographic characteristics. All three organizations were converting from a historical mass-production mode to just-in-time or lean production manufacturing.

We found that an employee can be committed to the organization or the change initiative in two different ways:

- *Emotional* commitment reflects belief in the merits of the target.
- *Continuance* commitment reflects a cost associated with not being committed. For example, an employee may be committed to the organization because he or she cannot afford the perceived cost of changing jobs. (Herscovitch & Meyer, 2002).

Behaviors also manifest themselves in different ways:

- *Compliance* behaviors represent meeting the minimum requirements of the change initiative.
- *Discretionary* behaviors go above and beyond the minimum, such as actively cooperating or championing the initiative. For the organizations we studied, for example, "taking charge" to improve processes and eliminate waste was the most desired discretionary behavior and the one we measured.

Our hypothesis was that an *emotional* commitment to the *change* initiative would best predict the desired *discretionary* behaviors. We were surprised by the findings:

- Among production associates (those actually creating products), we found a focus on building emotional commitment to the organization, not the change itself, was more powerful in accounting for the desired behaviors.
- For support associates, however, we found the opposite. The company is better off focusing efforts on building emotional commitment to the change initiative, not to the organization.
- Employees with less than one-year tenure at their organizations had the highest correlation between desired behavior and commitment to the change initiative.
- The longer the tenure with the company, the less that desired behaviors could be explained by commitment to the change.

These findings suggest that human resources, often in the role of designing, supporting and communicating change projects, can tailor efforts to engage employees and foster desired behaviors. Because there does not seem to be a universal relationship between commitment and behavior, customized approaches may have more impact. For example, in the companies we studied, it appears that new support associates would be more likely engaged by understanding how certain behaviors will help the project be successful. Conversely, a longer tenured production associate may be more swayed by understanding how his or her actions will help the company.

For more on the methodology and results of this study contact Chris Harris at chris.harris@harrisleansystems.com or Doyle Lucas at djlucas@anderson.edu.

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Institutionalize quality assurance.

Quality continues to be a priority for employees' post-downsizing. For employees who want to feel as though they are doing a good job (and indeed, may be feeling as though doing a good job will help them keep their job), the degradation of quality may contribute to de-moralizing the workforce. Total Quality Management (TQM), Six Sigma and process redesign strategies may be ways to further engage the workforce in meaningful ways that service customers well, while adding to a sense of meaning for employees.

As we pursued this research, additional questions and research opportunities came to light. A predictive, peer-reviewed study investigating the effects of layoffs on survivors' engagement in different industries and under various economic conditions is needed. The intersection of country culture and economics, downsizing and engagement also has yet to be explored. However, our research provides some direction that employers might consider immediately as they prepare for their organization's recovery.

Summary

With proper leadership, the act of downsizing, however painful, presents an opportunity for business leaders to bring the surviving employees together to help make the business more competitive. This takes attention, effort and heart.

Our research demonstrates that downsizing can have a profound impact on how employees see the workplace, and in turn, their commitment to stay or their intention to quit. In the wake of layoffs, leaders are tasked to bolster employees' confidence in the organization's leadership team, provide a vision for the future, equip managers to be supportive and reinvigorate the work itself, demonstrating their belief that employees are the organization's most important asset.

Layoffs have a significant effect on the optimization and utilization of the organization's workforce. Retaining key talent will be critical for supporting recovery; leaders who fail to remember this may emerge in a strong fiscal position but without the hearts and minds of their workers.

In the words of Drucker, "Unless commitment is made, there are only promises and hopes... but no plans." Organizations that emerge with a healthy balance sheet and employees that are committed and engaged are far better positioned for future growth. P&S

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Lost in a Time Warp

How Age Stereotypes Impact Older Baby Boomers Who Still Want to Work

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Worry about an adequate supply of labor while in the throes of the worst economic downturn in 25 years? Really? Yes. Even now, there are signs that the economy has bottomed and is starting to recover. When it fully recovers, businesses should expect to face a phenomenon seldom witnessed in the United States: a struggle to keep aging workers far beyond the customary age of retirement. Will those workers delaying retirement be subjected to the time-warped stereotypes about aging that burdened past generations? Could this stereotyping hurt their employers?

A Strange Phenomenon

If the anticipated economic upturn is somewhat sharp and rapid, rather than having an ample pool of labor to meet the increasing demand for goods and services, U.S. businesses may be competing for labor from a shrinking pool. If the economy recovers as expected, by the year 2012 there will be approximately 21 million new jobs, but only 17 million new entrants into the labor force (Schramm and Blake, 2004).

Lurking behind the relatively small number of working adults today over 64 years of age (5.6 million) looms 36.4 million workers between the ages of 50 and 64. As the leading edge of the post-World War II baby boom, this cohort represents fully 25 percent of the current workforce (Grossman, 2008).

If these baby boomers choose to retire and leave the labor force as past generations did around age 65, there simply are not enough younger workers to take their places in an expanding economy. An increasing inability to find the necessary number of replacements suggests that employers will seek to keep the boomers at work.

Employers are aware of this impending shortage, and even in the presence of the current economic downturn, a recent survey of more than 140 midsize and large U.S. employers revealed that 61 percent have developed or will develop programs to retain targeted employees near retirement age (Miller, 2009).

There are indications that many of these aging workers will be inclined to respond positively to offers of extended employment. For one, people are living considerably longer than they did 50 years ago. So there is reason to believe that the physical ravages of aging may not force the baby boomers to exit their jobs at the traditional retirement age. For another, baby boomers have done a lousy job of saving for retirement: Anywhere from 15 to 23 million of the approximately 78 million baby boomers may be forced to remain in the workforce because of inadequate financial resources (Stark, in press).

Coming to terms with an aging population and a growing tide of graying workers represents a very strange phenomenon for U.S. businesses. Many business leaders would love to emulate the Google business model in which bright young people are hired and turned loose in an internal environment designed to foster peak performance, speed and innovation. Such a desire will soon run headlong into the harsh realities of a shrinking labor market, increasing competition for those bright and energetic young employees, and reconciling corporate images of vigorous and energetic organizations with the reality of an increasing portion of the workforce composed of individuals at or near the end of their traditional 40- to 45-year career spans. Perhaps, we are moving into an era in which having one's car fixed or tonsils removed by a 75-year-old will seem normal (Collins, 2009)?

Across a New Landscape Carrying Old Baggage

Age-related biases and preconceptions in which youth is the standard held in highest esteem—young is always better, and old age is bad—permeate U.S. society, and research documents this reality. People, in general, are simply more negative toward older people (Kite and Wagner, 2004). In situations lacking relevant information, younger workers, on average, received higher performance ratings than older workers, and younger workers are, in general, favored over older workers when performance ratings are compared against each other (Finkelstein, Burke, and Raju, 1995).

"Ageism" as a term was first coined by Robert Butler, former director of the National Institute on Aging, in 1969. Like any prejudice, it is an unconscionable discrimination based on actual or perceived chronological age to mark out a class of people who are systematically denied opportunities and resources that others enjoy (Glover and Branine, 2001). Not only does ageism operate without conscious awareness, the resulting discrimination often is without intent to harm (Levy and Banaji, 2004).

Time-warped stereotypes driven by experiences with past generations can be expected to motivate ageism, as an increasing number of baby boomers work past the customary age of retirement (Grossman, 2008).

One of these stereotypes is that older workers experience greater fatigue and have less energy than younger workers. While it is undeniable that physical capacities decline with increasing age, this occurs with varying degrees of gradation (Shah and Kleiner, 2005). A belief that these baby boomers cannot bring levels of energy to work necessary to keep up with their dynamic younger peers increases the potential for time-warped, ageist behavior and language by and among management and younger employees.

A second prevailing stereotype is that older individuals are more resistive to change, less interested in receiving training and less willing to gain new knowledge than younger workers (Swift, 2004). A recovering economy drives the need to create and maintain cutting-edge innovation, and this implies that management constantly will require employees to engage in ongoing training and skill upgrading. Stereotyped as unenthusiastic about and unresponsive to ongoing training in their jobs, older baby boomers quickly may be identified as constituting a hindrance to a firm's ability to adapt and respond to change. This stereotype is likely to encourage further ageist behavior and language.

A third prevailing stereotype is that older individuals are less knowledgeable than younger workers regarding the technical aspects of their jobs due to the half-life of technical knowledge (Latchman, 2004), and they do not possess the intellectual ability necessary to cognitively master advances in technology (Kanfer and Ackerman, 2004). Time-warped beliefs regarding the outdated nature and decreased usefulness of the knowledge inherent in baby boomers forestalling retirement may well motivate management and younger workers to see them as "dead wood" that should be pruned from the firm.

Ignore These Stereotypes

We studied how stereotypes about aging likely to accompany post-retirement working baby boomers might influence behaviors in the workplace using a sample of 1,958 individuals. These 913 females and 1,045 males, ages 30 to 75 and working a minimum of 30 hours per week for wages or salary, were drawn from the database of the *National Survey Of Midlife Development In The United States 2* (Ryff, et al., 2006). For this study, individuals were classified according to the decade grouping into which they fell at the time of the survey (30-39, 40-49, 50-59, 60-69 and > 70 years of age).

Working Past Retirement Will Not Mean Retiring On the Job

Older workers (age 60 to 69) did not report experiencing any appreciably greater decline in energy during the five years prior to the survey than their younger peers, who were between 40 and 59 years of age. Given that a decline in physical energy accompanies increasing age due to decreasing physiological functions, we would logically expect a greater degree of difference between respondents 60 to 69 and those 20 years their junior. Physical energy is defined as relating to the activity level of one's body ranging from low physical energy (e.g., lethargic) to high (e.g., heart racing), while mental energy relates to the activity level of one's mind ranging from low (e.g., no motivation) to high (e.g., racing thoughts) (USA Swimming, 2008).

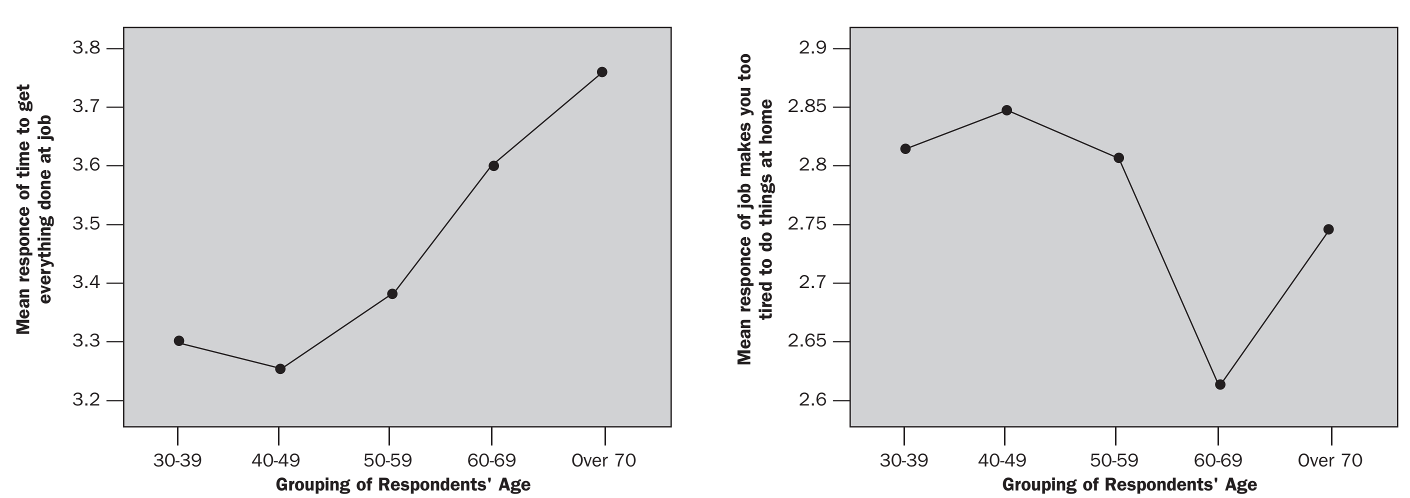
Perhaps older individuals in this study were referencing their mental energy, whereas the younger were referencing their physical energy. Furthermore, if mental energy degrades at a slower rate than physical energy, perhaps baby boomers will draw on mental energy to compensate for the inevitable decline in physical energy as they work past retirement age. Witness the venerable Bobby Bowden and Joe Paterno, whose mental energies led their college football teams to bowl victories in their late '70s and early '80s, for an example of this possibility.

Or, perhaps this was the wrong question to ask, because we might expect that indicators of energy levels should be evident during the workday. For example, individuals with high energy levels may engage more frequently in intense levels of work than individuals with lower levels.

From a time-warped perspective, older workers with dwindling reserves of energy would be expected to pace themselves rather than engage in frequent displays of intensity. And, a lack of energy reasonably could be expected to contribute to not getting all necessary tasks done. Viewed from a time-warped stereotype, younger workers with higher levels of energy will respond to increased levels of job intensity and meet all the demands of their job rather than leaving job demands unmet, as might older workers who have lower energy levels.

To study this, individuals were asked, "How often do you have to work very intensively? That is, how often are you very busy trying to get things done?" and, "In the past year, how often at your job have you had enough time to get everything done?" A lack of energy might be observable in not having adequate

EXHIBIT 1: FREQUENCY OF HAVING ENOUGH TIME TO GET EVERYTHING DONE AT THE JOB (LEFT) AND FREQUENCY OF INCIDENTS WHERE THE JOB MADE RESPONDENTS TOO TIRED TO DO THINGS AT HOME (RIGHT).



reserves upon leaving the job to meet demands at home. So we also asked: "How often in the past year has your job made you feel too tired to do the things that need attention at home?" Responses (reverse coded from the original survey) ranged from 1 = *Never* to 5 = *Almost all of the time*.

According to the data, workers over age 60 appeared no less likely than younger workers to report that they worked intensively at their jobs. There was no statistically significant difference in the responses of the various age groups. If working intensely reflects one's energy level, it does not appear that older workers have any less energy than younger workers. Furthermore, as represented in Exhibit 1, workers younger than 60 appeared more likely than workers over 60 to report problems with having enough time to get everything done ($p<0.05$). Certainly not what one would expect if workers in their late 60s are experiencing declining energies and vitality.

However, we might consider that the lack of difference between older and younger workers in experiencing intense work situations (even allowing for declines in physical energy) results from experience and previously learned strategies and procedures (often called crystallized intelligence) that enables older workers to organize, prioritize and manage their work to a degree greater than younger, less experienced workers (Meyers and Conner, 1992). They may actually work "smarter" rather than "harder." Such ability might predict that baby boomers working past retirement ultimately position themselves in jobs in which they can cope well, both mentally and physically, while younger workers still are attempting to master the complexities of their jobs.

Finally, as represented in Exhibit 1, individuals in this study between 60 and 69 years of age gave fewer indications of job demands making them too tired to do things at home than younger workers between 40 and 59 years of age ($p<0.05$). Individuals over 70 years of age also demonstrated no statistically significant difference in their responses when compared with workers younger than 59.

In reflecting on this, we might consider that home-related demands experienced by younger workers (e.g., children, shopping, housework, yard work, community activities, etc.) are likely to be more intense and require greater levels of energy (both physical and mental) than for baby boomers with empty nests, established careers and decreasing mortgages (Huffman, Youngcourt, Moncher, Henning, and Goh, 2008).

To the point, we could predict that baby boomers working past retirement would report fewer incidents of work-related demands draining the energy required to meet demands at home, along with fewer occurrences of work-family conflict negatively impacting their job performance.

Working Past Retirement Will Not Mean Avoiding Learning Something New

There certainly is reason to expect that the stereotype about older workers resisting training will be attached to baby boomers choosing to work past retirement. Researchers have reported that as people age, they are less likely to engage in mandatory or non-mandatory job training and demonstrate less motivation to learn (Colquitt, LePine, and Noe, 2000; Maurer, Weiss, and Barbeite, 2003; Renaud, Lakhdari, and Morin, 2004).

In response to a global question about the value of learning and growth to experiencing a good life, the percentage of workers age 60 to 69 indicating these were important to experiencing a good life did not differ appreciably from the percentage of younger workers giving the same indication. Young and old appeared to place equal value on learning and growth.

Next we asked, "How often does your work demand a high level of skill or expertise?" From a time-warped perspective, older workers resistant to learning new skills could be expected to perceive their jobs increasingly demanding higher levels of skill and expertise than their younger peers. A second question inquired, "How often do you learn new things at work?" From the time-warped view, because they are resistive to learning situations, older workers would be more likely to perceive they are forced to learn new skills and acquire new information than younger workers. Still, no evidence was found of a statistically significant difference in the response to these two questions across the age groupings.

Finally participants responded to, "Please indicate how strongly you agree or disagree with this statement: 'I do not enjoy being in situations that require me to change my old familiar way of doing things.'" The rather uncomplicated logic here is that if the time-warped perception that older workers are innately resistance to workplace change wrought by new knowledge and practices is true, the responses of older workers would be more strongly in agreement with the statement than would the responses of younger workers. Responses (reverse coded from the original study) ranged from 1 = *Disagree strongly* to 7 = *Agree strongly*. Here again, no statistical difference in response was found across the various age groupings.

These results certainly appear at odds with earlier research about older workers and training, and there are numerous factors that appear to moderate any relationship between aging and receptiveness to training and learning:

- First, training that is not generalizable across a wide range of tasks and not immediately task-applicable has been shown to carry less value for older workers than training related to specific tasks and behaviors (Roβnagel and Hertel, 2008).
- Second, management frequently fails to use methods that meet the needs of older workers, such as ensuring that training emphasizes "hands-on" learning techniques, is self-paced and takes a practical approach (Armstrong-Stassen and Templer, 2005).
- Finally, certain employment policies and practices such as age bias in recruitment, selection, performance appraisal and assignment to training opportunities act to dampen the enthusiasm of older workers for job-related learning activities (Spitulnik, 2006). Thus, we have reason to speculate that any aversion to job-related training and learning opportunities by baby boomers working past retirement age will be due more to work environment issues than to characteristics associated with aging.

If the knowledge acquired by older workers throughout their careers was perceived as being obsolete and outdated, it would be reflected in reports of being slighted or discredited by their boss more frequently.

Gold Among Those Silver Hairs

Individuals were asked, "To what extent does the statement 'I feel that others respect the work I do on my job' describe the way you feel about your current job?" From a time-warped view, if the accumulated knowledge acquired by older workers throughout their careers was perceived as being obsolete and outdated, this likely would be reflected in reports of older workers experiencing less respect for their efforts than younger workers, whose efforts would reflect more current knowledge and mastery. Responses to this questions (reverse coded from the original survey) ranged from 1 = *Not at all* to 4 = *A lot*.

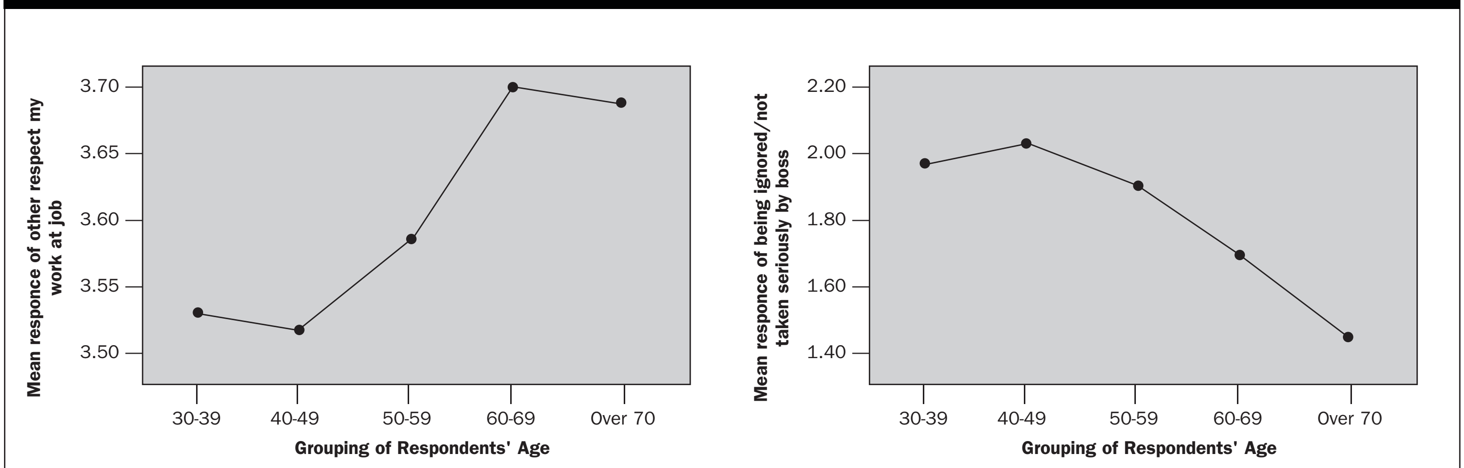
Another question inquired, "How often do you feel that you are ignored or not taken seriously by your boss?" The logic here was much the same as with the previous question: If the accumulated knowledge acquired by older workers throughout their careers was perceived as being obsolete and outdated, it would be reflected in reports of being slighted or discredited by their boss more frequently than their younger peers because of a perception that they possess more current knowledge and mastery. Responses to this question (reverse coded from the original survey) ranged from 1 = *Never* to 5 = *Once a week or more*.

As illustrated in Exhibit 2, older workers reported, on average, a greater frequency of sensing that their work efforts were respected by fellow workers than did workers younger than 50 ($p<0.05$). Kanfer and Ackerman (2004) allow for such a reality in their discussion of crystallized intellectual ability. Crystallized intellectual ability is associated with a totality of educational and experiential knowledge, tends to increase well into middle age and includes both occupational knowledge and avocational knowledge (e.g., hobbies, music, culture, etc,). This knowledge is likely to be highly intuitive and will have been obtained and stored through an accumulation of episodes acquired over years of experience (Raelin, 2007).

This suggests that younger workers may well perceive baby boomers working past retirement as having an accumulation of unstated knowledge acquired from a lifetime on the job, knowledge that they desire but that organizational training can neither identify nor provide.

Furthermore, as illustrated in Exhibit 2 older workers reported, on average, fewer incidents in which their boss failed to take them seriously or ignored them than did their younger peers age 40 to 49 ($p<0.05$). Precisely why such a difference would pertain only in comparison to those 40 to 49 years of age remains unexamined. However, we may assume that

EXHIBIT 2: A GRAPHIC REPRESENTATION OF MEAN DIFFERENCE IN THE FREQUENCY OF SENSING THAT WORK IS RESPECTED BY OTHERS AT THE JOB (LEFT) AND THE FREQUENCY OF FEELING IGNORED OR NOT TAKEN SERIOUSLY BY ONE'S BOSS (RIGHT).



rather than being devalued by their boss because of a perceived lack of applicable knowledge and experience, many baby boomers working past retirement age will be given greater deference than a large segment of their younger colleagues.

The Potential High Cost of Time-Warp

The three age-related stereotypes examined in this study undoubtedly have an extensive following throughout the general population, but our results suggest that they may not represent reality. Yet, even when presented with facts to the contrary, disconfirmation of stereotypes is a slow and begrudging process (Hilton and von Hipple, 1996).

An issue of great concern for any employer should be the potential of dissimilarities, such as age within an organization, and wrong beliefs, such as age-related stereotypes, to produce organizational fissures, fractures and fault lines. These organizational divisions can engender task conflict, emotional conflict and behavioral disintegration, all of which negatively impact performance (Li and Hambrick, 2005). Driven by time-warped stereotypes about older workers, expanding ageism by managers and younger employees carries the potential to produce real performance problems.

Nor should these concerns be taken lightly in the face of recent court rulings involving the Age Discrimination in Employment Act (ADEA). Because the courts have avoided second guessing employers when exercising their rights to make personnel decisions, individual plaintiffs traditionally have difficulty prevailing when filing claims under the ADEA using disparate treatment (Schuster, 2009). However, increased sensitivity on the part of older workers to ageist-oriented language and behavior in the workplace is likely to become a focal point in establishing a prima-facie case of disparate treatment.

With the Supreme Court's ruling in *Smith v. City of Jackson*, plaintiffs can now advance a claim of disparate impact under ADEA. A unique provision associated with any claim of adverse impact is that when the plaintiff is unable to point to a specific requirement or practice resulting in violation of the four-fifths rule, the law allows the plaintiff to bundle related practices together and challenge it as one discriminatory practice (Walsh, 2007). The potential of an increasing proportion of older workers perceiving discrimination because stereotypes are motivating ageist behavior may put many a firm at risk of an ADEA suit in which the plaintiff cites a bevy of comments from management and younger workers as the single discriminatory factor.

Employers must realize that older workers will not sit idly by and accept age discrimination; they will file age discrimination suits, and they will win (Santora and Seaton, 2008). The financial implications of this caution should not be ignored. Between 1994 and 2000 the median award in age discrimination cases was $268,926 (Rupp, Vodonovich, and Crede, 2005), and later settlements have ranged from $6.2 million to $58.8 million (McCann and Giles, 2002). Thus, it behooves employers to achieve a greater understanding of the influence of age-related stereotypes in the workplace and the potential for negative outcomes as these fractures, fissures and fault lines threaten to split things apart.

Escaping the Time Warp

What should you take away from this article? Most importantly, stereotypical beliefs about older workers associated with past generations are not likely to hold for baby boomers. Existing perceptions regarding the energy of older workers will be much more complex than previously thought. Certainly, baby boomers likely will have less energy to engage in physically intensive tasks than their younger peers, but do not be surprised if their level of mental energy is indistinguishable from their younger peers. And, this admonition takes on greater importance since physically demanding jobs are decreasing and cognitively demanding jobs are increasing (Rix, 2006).

Consider that rather than avoiding intense work situations because of a lack of energy, baby boomers may be more energy efficient than their younger peers because their job and career history have enabled them to become proficient in recognizing, prioritizing and organizing resources critical to responding to intensive work demands. Furthermore, expect baby boomers to be less likely than their younger peers to report work-family conflicts resulting from job demands that leave little energy for home.

Reconsider the stereotypical view that older workers are less interested in job-related learning experiences and access to job-related training than their younger peers, and ensure

that learning opportunities for older workers are not reduced. Certainly, you will need to incorporate training techniques to which older workers positively respond, but perhaps a greater training challenge will be to design and implement training programs for supervisors who will be managing older baby boomers.

Finally, recognize the value accorded the job knowledge and expert mastery represented by baby boomers working past retirement age. Take steps to identify the knowledge, skills and relationships that constitute the expertise possessed by these older workers and transfer this information to younger workers before the boomers exit from the workplace. Allow these aging baby boomers to mentor younger workers who desire to access their lifetime of work experience.

"Managers and companies need to work to change their attitudes toward older workers. Older workers are not just a commodity that can be thrown away…It is incumbent upon managers to seize the opportunity to make the workplace a better place for all concerned." (Santora and Seaton, 2008, p. 104). P&S

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Older workers are not just a commodity that can be thrown away…It is incumbent upon managers to seize the opportunity to make the workplace a better place for all concerned.

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book reviews

edited by John Bausch and Patsy Svare

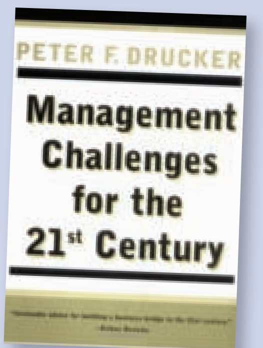
A Must Read · Worthwhile · Skim It Over · Bottom of the Stack

Management Challenges for the 21st Century

Author: Peter F. Drucker

Publisher: Harper Business

Reviewer: Marcie Schorr Hirsch, Ed.D., HirschHills Consulting



Peter Drucker published *Management Challenges for the 21st Century* in 1999 as a "call for action." His predictions 10 years hence are spot on: Things have changed and the discipline of management needs to keep up. Was he prescient? Yes and no. Drucker shrewdly pointed out what the rest of us should already have known: "The challenges of tomorrow" (as he called them) can be seen all around us today.

Working from trajectories built through an examination of history and the evolution of the field of management in developed countries, Drucker reminds us of what transpired and suggests where we are headed. He constructs a prism of key "certainties"—phenomena sure to affect organizational strategy—ranging from demographics to politics, and projects the patterns of 21st century management through that filter. What results is a spectrum of directions for the future that likely result from pressures impacting organizations as contexts shift and circumstances morph.

Drucker's prognoses are powerful because his orientation is toward creating new paradigms for what management will mean in the future. Rather than reading tea leaves, he provides a lens that allows for new understandings of familiar issues. He relies on a "from-to" model of comparison, presenting the "old" management constructs and re-envisioning them. In each instance, he provides the key to understanding the change and identifies the contextual variations that give birth to new thinking. For example, he reflects on the 20th century's attachment to the notion of teams as the optimal organizational structures.

In his analysis of how organizations should be structured in the future, Drucker reframes the issue. Instead of addressing the question, "What is the right structure for organizations in the years ahead?" Drucker points out that there may well be no "right" organizational structure. What we will need, he contends, is "the organization that fits the task."

Similarly, Drucker contrasts the "old" concept that management's domain is inside of organizations with what he proposes is the new: that "management exists for the sake of the institution's results." In other words, ditch boundaries. To thrive in the future, organizations will draw resources from anywhere they can be found and use them however is required.

Although Drucker's ideas are sophisticated, his thinking and writing is so lucid as to make them seem obvious. His concepts are explained simply, and they resonate with reality. The ideas featured in *Management Challenges for the 21st Century* are accessible and inspiring. Will they bring about widespread organizational change? It is difficult to say. But I would be willing to consider the serious possibility that they might. Our "old" model regarding change, "You can't teach an old dog new tricks," might need to be reconsidered. Perhaps "old dogs can teach us all a few new tricks" is the new organizational change paradigm for the 21st century.

Thanks, Peter Drucker. And keep teaching us. We can always use a few good new tricks.

The Essential Drucker

Author: Peter F. Drucker

Publisher: HarperCollins

Reviewer: John Noonan, Vice President, HR Services, Conseco Services, LLC

The Essential Drucker is a collection of chapters and articles from Drucker's 60 years of writings. Drucker explains that the book has two purposes: to provide an introduction to management and to give an overview of his works on management. The book draws from 10 of Drucker's major works from 1954 to 1999 and is organized into three sections: Management, the Individual and Society.

The question to ask today is "Are Drucker's essentials still essential?"

The answer is an unqualified yes. Here is why: Drucker understood that successful judgment and decision making are the core challenges for executives. Technology, populations, economics and regulations will change over time. But the heart of how individuals address these changes is how they size up situations, analyze relevant aspects, weigh alternatives and apply judgments to arrive at decisions that move organizations forward.

Moreover, Drucker's concepts of the "knowledge worker" and the transformation of the workplace from manual labor to knowledge work are central to understanding management work today. The key task of a knowledge worker is to make effective decisions, and managers are a special kind of knowledge worker. Drucker's writings dive deep into all the factors affecting how managers make decisions.

book reviews

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The Essential Drucker

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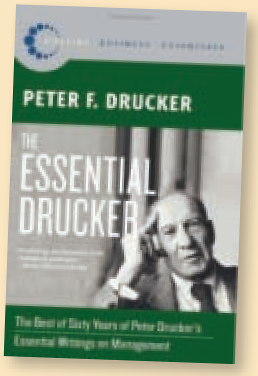


Drucker's writing style is direct and straightforward. There is elegance to simple declarative sentences: When you read Drucker you will not suffer through the jargon and hyperbole that afflicts most business writing. Drucker's books tend to be long and some readers complain that he is wordy. However, unlike many of today's business books, where authors expand 30 pages of content to fill a 250-page book, Drucker's books are long because he has a lot to say.

In *The Essential Drucker*, many of the selections have been abridged from the original. Chapters have been shortened, examples and context edited out. The result is a series of chapters that get right to the point and provide a comprehensive overview of Drucker's thinking.

My personal favorite is Chapter 3, "The Purpose and Objectives of a Business." This selection highlights many of Drucker's key contributions: the purpose of a business is to create a customer; a business has two basic functions—marketing and innovation; and the critical question for top management is, "Who is our customer?" This chapter alone should be required reading for anyone in business because it foreshadows several key movements, including strategic planning, TQM/Six Sigma, Balanced Scorecard, Management by Objectives and Social Responsibility. Better yet, go back to Drucker's seminal work, *Management: Tasks, Responsibilities, Practices*, and read the five chapters from which Chapter 3 is drawn. It is even richer.

The Essential Drucker also contains four chapters drawn from my favorite Drucker book, *The Effective Executive*. These chapters provide penetrating and practical advice on how effectiveness can be learned, such as determining where and how to make a contribution, leveraging your strengths and making the best use of your time. It is very practical and straightforward.

Everyone in business should be grounded in the writing of Peter Drucker, and *The Essential Drucker* is an excellent place to start. Over the years, some have discredited Drucker, but my sense is that people who do not appreciate Drucker are like those who do not appreciate Shakespeare. Genius is timeless.

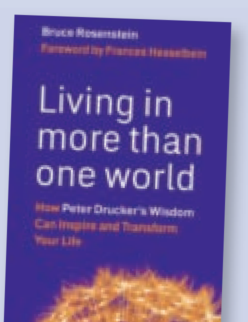
Living in More Than One World:

How Peter Drucker's Wisdom Can Inspire and Transform Your Life

Author: Bruce Rosenstein

Publisher: Berrett-Kohler Publishers

Reviewer: Steven H. Hanks, Director of Graduate Studies in Human Resources, Jon M. Huntsman School of Business, Utah State University



Peter Drucker is famous as a scholar, teacher and consultant. Anyone who has read Drucker's work has no doubt noted the breadth of his perspective and insight. Bruce Rosenstein in *Living in More Than One World*, introduces the reader to Peter Drucker as a person, his philosophy of life and learning and suggests that Drucker's holistic approach to life might be a model for others to follow.

The book is neither biography nor compendium. Rather, drawing insights from interviews and association with this master teacher, Rosenstein takes the reader on a journey of thoughtful reflection regarding life and career.

The journey Rosenstein proposes challenges the reader to reflect on life in its fullest sense. Drawing artfully on Drucker's self-development and self-management advice for leaders and knowledge workers, Rosenstein amplifies the sage's call to knowledge workers to live in more than one world—to find passionate interests outside one's work and job; to open new avenues of growth, friendship and community; to find and develop one's core competence and apply it in multiple venues; to be self reflective and align one's values and place; to create the future through spreading out, defining interests and values, developing parallel careers and abandoning avenues that no longer hold promise for personal growth and development; and finally, to enhance generosity through volunteerism, social entrepreneurship, teaching and mentoring.

"One reason Drucker's ideas resonate so powerfully for knowledge workers," notes Rosenstein, "is that his is a perfect prototype of the species. For many years, he lived a complex life, juggling multiple careers as a successful teacher, writer and consultant and made it work. He thought through his own contributions and said it was important for his readers to be thoughtful about their own lives."

While one could peruse the book's 129 pages in a three-hour airplane ride, I am not sure that is the right venue for this volume. Far better would be to pack it along on your next fly-fishing trip in Montana or that ocean cruise you've been planning. Thoughtful reflection is essential to truly capture the classic Drucker insight contained in its pages. A careful read will leave you feeling you have spent the day with Professor Drucker, reflecting on purpose, self-leadership and life—certainly a day well spent.

book reviews

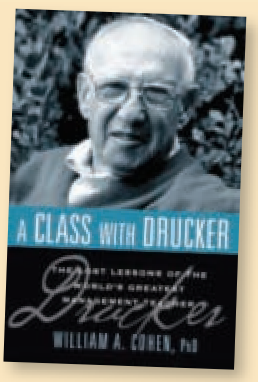
A Class with Drucker:

The Lost Lessons of the World's Greatest Management Teacher

Author: William A. Cohen, Ph.D.

Publisher: AMACOM

Reviewer: Sarah Smith Orr, Executive Director, Kravis Leadership Institute, Claremont McKenna College; Adjunct Professor, Peter F. Drucker and Masatoshi Ito Graduate School of Management, Claremont Graduate University



What would it be like to be in the classroom with Peter Drucker? What would he say? How would he say it? And what would it be like to experience Drucker in action? Bill Cohen effectively engages the reader as he captures the essence of Drucker's classroom, and the power and simplicity of his teaching methodology, in *A Class with Drucker*. This book is for you whether you, like this reviewer, were privileged to have been in Drucker's classroom, or, you like millions of others, are eager to simply learn the management and self-development lessons Drucker taught.

This book follows Drucker's primary teaching model: asking questions, coupled with anecdotal accounts of real-life situations. Through this literary classroom, you can experience lessons as Drucker presented them, and benefit from Cohen's capacity to ferret out, summarize and offer practical applications of the learning jewels that evolved in class.

As Cohen points out, Drucker "frequently taught in 'shorthand' giving guideposts that needed to be developed fully by those who received them." This was sometimes frustrating to Drucker's students, as he rarely taught students how to do something but rather challenged learners by asking questions. Cohen, with humility and honesty, also gives the reader insight on how he performed as a student and what he learned.

He weaves in anecdotes based on his experiences, feelings and perceptions to build on the simple, yet profound concepts he acquired as a Drucker student.

Here are some of Drucker's basics that stand out in this book:

- Approach Problems With Your Ignorance—Not Your Experience
- You Can't Predict the Future, But You Can Create It
- You Must Know Your People to Lead Them
- People Have No Limits, Even After Failure
- The Management Control Panel
- Base Your Strategy on the Situation, Not on a Formula
- How To Motivate the Knowledge Worker
- Drucker's Principles of Self-development

This book will challenge your thinking through Drucker's teachings, while expanding on those lessons with insights into Drucker as a person and a teacher. The impact Drucker has had on his students, whether in the classroom or the corporate boardroom, is profound. As Drucker said, "It is not up to others to develop us once we leave the comfort of the home or school, it is up to ourselves." *A Class with Drucker* is one viable means of achieving self-development.

HRPS news

The 2009 HRPS Fall Executive Forum: Talent Advantage is More Important Than Ever

The October 2009 HRPS Fall Forum was right on target because the "it" topic of 2010 will be talent: how to find it, how to develop it and how to keep it. The issue of a talent shortage may seem unusual with 10 percent+ unemployment in the United States, but we know this recession is ending and the aging of the baby boomer has changed forever the way we do business. A large group of HR and talent leaders from across North America came together to discuss these issues, learn from the speakers and case studies and network with each other.

The conference began with an intriguing story from the CEO and the HR executive of a family-owned, multi-generational national food products company. The company was forced into great change with the death of the father/CEO who built the business. With that came big decisions—the wife/mother became CEO, she installed one son as COO and they decided not to sell the business but rather to grow it. By creating a vision, building a strategic plan, engaging employees in a structured method and generating confidence in the future, the company grew and prospered, and continues to do so today, with the son now CEO.

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HRPS news

The family believes in measurement: “If you don’t measure, you cannot move the needle.” The family also evaluates results to stay on the cutting edge of its highly competitive industry.

Jack Zenger of Zenger Folkman drew on his years of research and consulting to depict the reality of great leaders. He defined leaders as people who set stretch goals and have the ability to articulate a vision, communicate and develop people, collaborate and innovate and create emotional bonds. His stories of leaders who have created heartfelt connections with people were clear and thoughtful. Imagine life without the bonds created by Walt Disney, Oprah Winfrey or Lee Iacocca.

The variety of corporate case studies allowed participants to choose from a list that included PPG, IBM, Raytheon and JDS Uniphase, covering a variety of issues. At PPG, we walked through a project of talent management assessment and measurable results in a business unit with a strategy that opened the search process to avoid regrettable turnover of employees. At IBM the hiring process needed to define specific levels of leadership skills, those who could lead in a very distributed, global way. That model had changed since 2005 because the way business is conducted at IBM has changed.

Another presentation showed how recruiting is affected by the financial crisis. Statistics indicate that 90 percent of employees, director level and above, are listening to recruiter calls, giving the impression that when the market takes off, many employees will change positions and their companies will be left recruiting and competing for the same talent. And what of those people who have been working 12-, 14- or 16-hour days? When will they simply be too tired and leave? Finally, what happens to diversity when speed-to-hire becomes a top issue again?

Our good friend Beverly Kaye of Career Systems International summed up the coming talent shortage so well when she told us the employee base is divided into POBBOs (pushed out but better off), SOBBOs (staying but building options) and HOBBOs (hanging on but bummed out). And she reminded us that there are “always choices for great talent.” She left us with the question: “Can people do their best work in YOUR organization?” A big pause…and the audience left with new and better tools to try to answer this very big question.



HRPS, *People & Strategy* Attend First Global Drucker Forum

The First Global Peter Drucker Forum convened in Vienna, Austria on November 19, 2009, to celebrate the centennial of Peter F. Drucker. Drucker devotees gathered to laud and further study the world’s most prolific management thinker, first-ever Professor of Management and the founder of management science. They discussed the impact and enduring relevance of Drucker’s thought leadership in the 21st century.

The Vienna Conference was part of a series of commemorative conferences and workshops, including Drucker centennial events at the Drucker Institute in Claremont, California, and Drucker Centennial Global Conferences in China, Korea and Brazil.

Anna Tavis, Perspectives Editor for *People & Strategy*, attended the Vienna forum and led a panel discussion. *People & Strategy* distributed pre-publication copies of the Perspectives section from this special issue to all conference participants. Copies also were distributed at The Drucker Institute’s annual Drucker Day on November 7 in Claremont. Participants at both meetings welcomed HRPS’ contribution and appreciated the depth of thought presented in our journal.

More than 300 of the world’s leading management thinkers and practitioners came to Vienna, Drucker’s native city, for this landmark event. Among the presenters were Yves Doz, Charles Handy, Philip Kotler, Peter Lorange, Fredmund Malik, C.K. Prahalad and Hermann Simon.

The focus of the two days of rich debates was the relevance of Peter Drucker’s thinking for current management issues. Most participants attempted to answer the same question, speculating on Drucker’s interpretation of the current financial crisis and the state of the world’s economy. Many of the commenters in this issue’s Perspectives section take on the same topic.

C.K. Prahalad, the Paul and Ruth McCracken Distinguished University professor of Corporate Strategy at the Ross School of Business of the University of Michigan, remarked, “No other person has had the impact on the practice of management that Drucker did.”

Additionally, Drucker’s importance for the human resources professional cannot be underestimated. HR professionals confidently can claim Drucker as the first advocate of “talent management,” and the strategic view of the employee’s value to business success.

Celebrated as a visionary by most at the conference, and by most that have ever read or heard him, Drucker himself rejected the label of “guru.” “I never predict,” he wrote, “I simply look out of the window and see what is visible but not yet seen.”