RISK FREE TO RISK TAKING

DEVELOPING THE RENAISSANCE MANAGER

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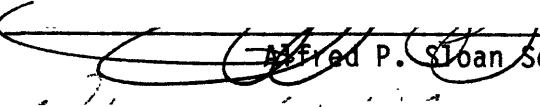
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ABSTRACT

The objective of this research project was to investigate the effect of deregulation, increased competition, and extensive technology changes on the management development process. This investigation pursued a comparative analysis of two large firms that were both encountering these similar environmental changes. Both companies were technology-driven and were facing increased competition in part brought about by partial deregulation of the industry. The firms, however, differed in management style and historical background. Each firm also possessed different levels of expertise in areas of marketing, technology, and international operations.

The basis of the thesis material was senior management's personal perception of the environmental changes, their effect on organizational structure and culture, and specifically their impact on the management development process. Collecting this information was accomplished through personal interviews of thirty-nine top executives from both companies.

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CHAPTER 1

THE PENDULUM EFFECT

LIFE IS NOT BLACK OR WHITE, BUT WOULD YOU EVER AIM FOR THE GRAY?

Both AT&T Communications and Citicorp senior executives have management development as their highest priority. Yet the environment is changing and significantly impacting people. The heart of our thesis research rests on people's reaction to change. The environment is no longer "relatively stable." Technological innovation and increased competition, brought about in part by deregulation, have dramatically changed the market structure. Businesses are reacting to this change, trying to adapt to this new environment. Since businesses are really only a product of their people, the prime focus is on the changes in people development: how companies will grow managers to cope with this changing environment.

The objective of this research project was to investigate the effect of deregulation, increased competition, and extensive technology changes on the management development process. This investigation pursued a comparative analysis of these two large firms that were both encountering these similar environmental changes. Both companies were technology-driven and were facing increased competition. The firms, however, differed in management style and historical background. Each firm also possessed different levels of expertise in areas of marketing, technology, and international operations.

The basis of the thesis material was senior management's personal

perception of the environmental changes, their effect on organizational structure and culture, and specifically their impact on the management development process. Collecting this information was accomplished through personal interviews of thirty-nine top executives from both companies. They included the CEOs, many of their direct reports, and a sample of vice presidents. The executives had a high level of interest in the topic area. Most stated that they considered the area of people development their most important responsibility.

We basically learned three things from the research. First, people development must be the company's highest priority. Second, management development is establishing the environment where managers can develop. And third, any dramatic change is likely to cause frustration and tension.

Managing Change - The Pendulum Effect

Any change normally produces frustration and tension. It is always easier to stay with the familiar. Although one may intellectually realize that change is required, emotionally it is`never "easy" to do. When going into the unknown, one wants to retain the essentials but discard the items that will hinder progress. Producing this "list" of items is highly subjective and especially difficult when many people and opinions are involved.

The perspective that we have gained through our interviews is that most changes can be described by the pendulum effect. One is continually trying to determine the appropriate equilibrium point and move toward

it. Often the target is set past the point where you eventually end. Having the vision to set the proper target is a critical leadership requirement and talent. This pendulum effect normally causes tension and frustration. While the world is seldom black or white, one rarely sets his sights on the gray area. Yet it is often the golden middle where we end.

We found that the momentums of the pendulums for AT&T Communications and Citicorp were different due to their historical positions. One company was recently coming from a regulated monopoly position toward a deregulated environment, while the other had been in an internationally competitive environment and had been pushing for deregulation for over a decade.

When people realize that change is required and begin to move, there is the normal frustration associated with determining the pace of change. Some will feel that there should be a sense of urgency, a rapid movement toward the new target. Others will advocate a gradualism so that the essentials to be retained are not inadvertently lost in the haste. In cases where dramatic changes are required, some will even argue for a complete "reversal" of all actions and approaches to enhance the pace, i.e., one does everything differently to cause rapid action.

Once the pendulum begins moving toward the target, a second form of tension normally sets into the organization. People become concerned that there has been an "overreaction" to the change, that the pendulum has swung too far. This often happens when the target has been purposely set past the equilibrium point. There also is the reverse

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when people fear that there has been an "underreaction" to the required change. This is common when a gradual pace is employed.

The third type of tension comes from the realization that the equilibrium point rarely holds still. The problem with change is that it is dynamic. Often after one has put the pendulum into motion, the target needs to be moved. Changing the direction once you have started can be more difficult than starting in the first place.

The fourth and probably most frustrating effect is that of external constraints. After realizing change is necessary and trying to move toward the target, an external constraint hinders you from acting the way you "feel" is correct. An obvious example is unequal regulation of a business in a competitive marketplace.

The level of this tension and frustration can vary significantly from situation to situation. There is a zone of tolerance, an acceptable range around the equilibrium point, where people are comfortable. When the pendulum is moved too much out of this range of acceptance, or when the point of equilibrium suddenly shifts because of drastic environmental changes, frustration and tension have the potential for becoming anxiety. This is a serious situation for the survival of an organization.

The Issues

"Establishing the environment where managers can develop" encompasses many broad issues. The issues that emerged from the interviews are as follows:

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1) <u>Strategy Issues: CEO Makes It Work</u>. Management development requires clear and visible leadership from the CEO. The CEO sets the tone and is the visionary. The CEO's first priority is people. The CEO's actions, not words, are what makes it work. One can judge a good manager by the quality of people that he has surrounding himself. The CEO must project the strategy of the firm.

Strategy styles are going through a pendulum swing. Before the 1960s the approach to strategy formulation could be described as entrepreneurial. There was more of an emphasis on instinct. In the 70s there was a swing toward professional planners with more emphasis on analysis. The following compares these two strategy styles:[1]

Entrepreneurial	Administrative
Instinct	Analysis
Flexibility	Rigidity
Ambiguity	Numbers
Art	Science
People	Systems/Methods
Broad	Narrow
Generalist	Specialist
Qualitative	Quantitative
Words	Symbols/Numbers
Knowledge	Technology

Moving now into the 80s and 90s, there is a tension between these two styles. The pendulum appears to be swinging back toward the entrepreneurial style. <u>Business Week</u>'s article on strategic planners stated

that "Number-Crunching Professionals Are Giving Way To Line Managers."

> Clearly, the quantitative, formula-matrix approaches to
> strategic planning developed by BCG in the 1960s are out
> of favor. One reason is that these concepts grew out of
> the boom decade of the 1960s when growth seemed eternal
> and market structures were relatively stable.[2]

2) Structure Issues: Decentralization is a Religion. A decentralized

structure enhances management development. It provides a structure that

produces autonomy, authority, accountability, and responsibility. It

also provides an atmosphere that encourages innovation and entrepreneur-

ship. However, we discovered in the interviews that the primary reason

for a decentralized structure was customer focus and orientation;

management development was an important by-product. In addition, use of

an international experience provided young managers an opportunity to

have greater responsibility and autonomy earlier in their career. Line

assignments are preferable to staff, since managers are closer to the

customer and have a greater level of measurable responsibility.

There is a move in the pendulum toward the view that small is beautiful.

Large functional organizations are giving way to decentralized strategic

business units. While it is a move that reinforces autonomy, freedom,

and, more importantly, personal responsibility, there is still a desire

to maintain a central coordination, a central vision, a common purpose,

all to preserve the identity and personality of the culture. Here we

find the normal tension from the challenging effort of maintaining the

proper balance between the needs of the individual units and the whole.

Teamwork is mandatory. Dependence on group performance is high so that

individualism must be balanced with interpersonal skills and mutual

support.

One also finds more emphasis on sensitivity toward client satisfaction rather than satisfaction based on internally engineered standards. Freedom and flexibility are the new working environment. Closeness to the customer is important; line driven accountability is the direction of the pendulum since the customer really is the only judge of his own satisfaction.

3) Systems Issues: Give Them Freedom. Management development is establishing the environment where managers can develop. Management development is best when it is informal, not relying on a formal, bureaucratic process. The importance of management development to an organization cannot be overemphasized. Providing clear responsibility is essential to management development. Managers should have responsibility for profits and be measured. Measurements should be results-oriented, not activity-oriented. One should reward risk-takers.

The movement is away from bureaucratic procedures toward individual freedom; the freedom to experiment, to innovate, to take risks. History again provides a lesson in tension when one considers that it was usually an era of revolution that promoted freedom. Jefferson believed that you should maximize individual liberty. Inherent to the American culture is the notion of "rugged individualism." With freedom also came responsibility, and this powerful combination produced a "results orientation."

The marriage between personal aspiration and team expectation is the

smooth result of a stimulating relationship. Personal development is the individual's responsibility, while the company's responsibility is to provide the conditions for this marriage to be explored. Management provides the conditions and empathy to expand the individual's potential and approach the limits. Exploring is practice, and the better practice is based on "doing it."

4) <u>Skills and Staff Issues: Young Tigers Leading Old Pros.</u> When identifying high potential managers, look foremost to personality. Identify people with integrity, drive, flexibility, and a sense of vision. High personal standards provide a clear indicator. Be careful not to emphasize development of functional specialists over developing the well-rounded generalist. Although there will be a smaller fraction of generalists in the future, their development is paramount to the success of the organization.

When staffing organizations, a proper mix of aggressive leaders and seasoned specialists is desirable. Extremes do not make sense; one should both develop from within the organization and also hire from the outside market. Experiences and attitudes, not chronological age, seem to influence one's ability to adapt to change.

Even with movement there are some essential equilibrium values that appear to remain stationary. These are integrity and high personal standards. More recognition is being given to personality, drive, and flexibility. Personality is the best qualification for adaptation. It is based on motivation, experiences, and desires. The swing is from personalities that enjoy details and perfectionism to those who enjoy

action with a degree of adventure and risk.

A mix of different skills is important during change. There is the necessary stability and expertise of the seasoned veterans and the radical fervor of the Young Turks who advocate change within the establishment. A swing too far in either direction can be counter-productive. Still we find in times of dramatic environmental change people advocating one type of skill to the exclusion of the other. To minimize the level of frustration, it is more important that both agree on the direction and pace of movement toward the target.

"Young" is not a chronological term. It refers to young in spirit; the personality and willingness to motivate, to influence others and to constantly challenge values.

> If a person is a creative risk taker, it does not matter whether he is 20 or 70. He is still young. The person who is old is the one who just wants to sit tight. To sit tight in a private enterprise society is death in the long run. You miss out on the innovations that have to continue. Again Schumpeter comes to mind; the idea that the history of capitalism is a process of creative destruction. Something is always becoming obsolete and being replaced by something new.[3]

There has been a movement toward developing the functional specialist to deal with the complex and sophisticated business market.

> The pendulum swung almost too far from rewarding banking professionalism to rewarding managerial skills. Walter [Wriston] was concerned about that. He expressed his concern but had difficulty from time to time convincing group heads to take many people whom he believed the institution needed. He would manufacture jobs to save them.[4]

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The pendulum is just beginning to swing back toward developing the well-rounded general manager. Now there is a concern that there may have been an overreaction to the need for specialization. While many companies were buying specialists from the outside marketplace, most were still developing their general managers internally in order to take advantage of the company's culture and values. There is no doubt that the competitive environment is forcing an emphasis on specialization, but often the customer is also demanding a common perspective from the company. This need for understanding of the broad picture will demand an attention again toward the generalist - more toward the Renaissance Manager. As Montaigne stated in his "Of the Inconsistency of Our Actions,"

> A man who does not have a picture of the whole in his
> head cannot possibly arrange the pieces.[5]

5) <u>Shared Values and Style Issues: Change: Opportunity and Threat.</u>
Change is an essential ingredient of management development. Change must be inculcated in the culture and viewed as an opportunity. The style of management must reflect this attitude. Actions speak much more loudly than words. Management development should require a standard of quality, but a sense of urgency is healthy. Inter-business segment movement of personnel is critical not only for developing well-rounded general managers but also for maintaining an overall core corporate culture.

Differing attitudes toward the pace of change and the impact of decentralization on maintaining a single corporate culture versus creating multiple cultures within each segment can cause tension and

frustration within an organization.

The Renaissance Manager

> Suddenly entrepreneurship is in vogue. If only our
> nation's businesses - large and small - could become more
> entrepreneurial, the thinking goes, we would improve our
> productivity and compete more effectively in the world
> marketplace.[6]

Changes in leadership skills and the art of setting strategy will impact

the process of executive succession. There is the swing toward the

visible risk taking entrepreneur who will set the vision for the future.

David Rockefeller in an article describing the executive qualities

needed for the year 2000 found that:

- He will need to have a decidedly global perspective...

- He will be more involved with strategy than his
  predecessors, anticipating and planning for constant
  change, and he will be expected to provide the vision,
  state the mission, and set the tone for his organiza-
  tion's future...

- ...In addition to being a "generalist" in the very best
  sense of the word - with a feel for history, politics,
  literature, current events, and the arts - he will have
  to be sensitive to public opinion...

- The changing attitudes and aspirations of his workforce
  will test the chief executive's human relations skills.

- ...have to demonstrate an unstinting commitment to the
  fundamental morality of democratic capitalism...

- ...will have to have an increased capacity to cope with
  the expanding social forces that will play on their
  enterprises...

- Finally, and perhaps most important, the chief execu-
  tive in the year 2000 will have a personal respon-
  sibility for advocacy, activism, and outspokenness.[7]

A recent cover story in <u>Business Week</u> focused on "The New Corporate

Elite."

> The Organization Man is dead. He thrived when smokestack
> America thrived, when airlines, banks, and telephones
> were highly regulated... Today, in an era of innovation
> and entrepreneurs - in everything from high technology to
> financial services - a new business elite has emerged...[8]

The article describes the change from the managers of the 1950s and
1960s. "In the 1950s and later, the tradeoff was anonymity for bureau-
cratic power."[9] "...managers were dedicated to tradition and
conservatism."[10] The new elite are building a meritocracy. "They are,
for one, willing to take big risks. Their managerial predecessors, the
organization men, were just the opposite - risk avoiders."[11]

These changes appear to be almost cyclical. "[The new elite] have more
in common with the flamboyant entrepreneurs of the turn of the century
than with the colorless organization men of the postwar years."[12]
Joseph Schumpeter's entrepreneurs were men of intelligence, imagination,
ambition, and persuasiveness. They were men of daring, creative risk
takers, and disturbers of stability.[13] It is interesting to compare the
alternative styles of Durant, Sloan,[14] and now Smith[15] of General
Motors. You often see things through the eyes of your own times.

> In fifth century Athens it was a known fact that a man
> who wanted to succeed had to be versatile. He was not a
> specialist. They did not believe in specialists. They
> wanted individuals who could do many things and do them
> well. This made for what they called the whole man.
>
> Conversely Sparta specialized in highly rigorous military
> training. From the point of view of the arts, they were
> practically null and void. But because they were able to
> focus on that one thing, with fanatical persistence, they
> were able to win the Peloponnesian war. The era of the
> whole man faded out because of the onset of military
> specialization.

Now when you come to the era of the Renaissance in
Western Europe, they were trying to recreate the values
of classical antiquity. Of course no renaissance is just
a recreation of a previous age. You cannot go back.
They found certain values and then transported them into
the modern world and adapted them to their own circum-
stances. In the Renaissance you had this great ideal of
versatility.

The traits of a Renaissance man:
• has wide interests and is expert in several areas
• has a mind sharp, alert, versatile, open to every
  impression and idea
• is sensitive to beauty, literature, philosophy
• is eager for fame
• has an individualistic spirit, set on developing all
  its potential capacities
• has energy, force of character, direction and unity of
  will, and manliness
• is a realist, does not talk nonsense
• is always in motion, frets at limits, longs to be a
  "universal man"
• is bold in conception, decisive in deed, eloquent in
  speech

No one man could fill all of these traits, but there were
some great examples like Leonardo da Vinci and
Michelangelo.

We are living in an era of increasingly narrow speciali-
zation and a premium is placed upon in-depth knowledge in
one single field. When President Kennedy honored a
number of Nobel Prize winners at a White House dinner, he
greeted them as "the most extraordinary collection of
talent that has ever been gathered together at the White
House, with the possible exception of when Thomas
Jefferson dined alone." Thomas Jefferson's areas of
competence were writer, statesman, architect, educator,
lawyer, experimental agriculturalist, expert violinist,
good singer, good dancer, and excellent horseman.
Jefferson was really a revival of the Renaissance Man
concept. Today we have to start looking more and more
for that kind of ideal.[16]

FOOTNOTES

1. Mel Horwitch, MIT Sloan Fellow, class notes, spring 1985.

2. "The New Breed of Strategic Planner," Business Week, September 17, 1984, p. 63.

3. William F. Bottiglia, personal discussion.

4. Harry Levinson and Stuart Rosenthal, CEO: Corporate Leadership in Action (New York: Basic Books, Inc., 1984), pp. 65-66.

5. William F. Bottiglia, personal discussion.

6. Howard H. Stevenson and David E. Gumpert, "The Heart of Entrepreneurship," Harvard Business Review, March-April 1985, Number 2.

7. David Rockefeller, "Executive Qualities for the Year 2,000," Christian Science Monitor, March 20, 1980.

8. Bruce Nussbaum, "The New Corporate Elite," Business Week, January 21, 1985, p. 62.

9. Ibid., p. 65.

10. Ibid.

11. Ibid., p. 69.

12. Ibid., p. 65.

13. William F. Bottiglia, personal discussion.

14. Alfred D. Chandler, Jr., Strategy and Structure: Chapters in the History of the American Industrial Enterprise (Cambridge: The MIT Press, 1962), pp. 114-162.

15. Melinda Grenier Guiles, "Hazardous Road," The Wall Street Journal, March 14, 1985, p. 1.

16. William F. Bottiglia, personal discussion.

CHAPTER 2

GOOD CHEMISTRY: A POSITIVE REACTION

As we met with the CEOs, a clear trend emerged: developing people was their top priority. The fall executive seminars and the New York field trip provided unique opportunities for the MIT Sloan Fellows. Here were chances to meet and discuss topics with some of the top executives in business. As they were probed, the critical importance of management development and succession planning was evident.

In Levinson and Rosenthal's book, CEO, they found that

> Despite our experiences and our biases, we learned much
> that surprised us... We did not anticipate the huge
> amount of time that leaders at this level spent
> developing other people and ensuring succession.[1]

We considered jointly working on this topic area due to our common interest in exploring the effect of significant environmental changes such as deregulation and extensive technology changes on the management development process. We felt that the research could be enriched since both of our companies, Citicorp and AT&T Communications, were facing similar changes. However, while similar, these firms had differences that made comparative research of particular interest.

The basis of the thesis material was senior management's personal perception of the environmental changes, their effect on organizational structure and culture, and specifically their impact on changes in the management development process. Collecting this information was accomplished through personal interviews of 18 top executives in AT&T

Communications and 21 in Citicorp. Emphasis was placed on interviewing the key decision makers of both companies. The diversity of responsibilities can be seen in the list of titles in Table 1.

Instead of each author interviewing only his own company's executives, both authors participated in all of the interviews. To arrange the interview schedule, a letter of introduction was sent to the executives by a vice president in each company. A sample of the letter is in Appendix 1. The letter requested 30 minutes for each interview. Although there was concern that the time allotted would be too short, it was believed that we would be able to schedule a higher percentage of top executives if we limited the time. The response to the request was excellent. Everyone was receptive and made the time available to meet with us. Only in a few cases did people have to cancel because of a conflict that arose.

As promised in the first letter, a list of topic areas was sent with a meeting confirmation letter. Samples of this letter and attachment are shown in Appendices 2 and 3. The list of topic areas was meant to provide a sense of the thesis orientation, not a strict set of questions that would be used during the interview.

Our approach to the interviews was to take on the role of observer or anthropologist, not of questioner. Although we had initially considered postulating several hypotheses and then testing them in an ordered way in the interview, we feared that by not listening to what was on the minds of these executives we would miss an important issue. To insure that we would not get lost in generalities, we asked the executives to

Table 1

Interviewees

AT&T Communications

1. Chairman and Chief Executive Officer*
2. President and Chief Operating Officer
3. Executive Vice President, Marketing
4. Executive Vice President, External Affairs
5. Vice President and Chief Financial Officer
6. Vice President and General Counsel
7. Vice President, Personnel
8. Vice President, Service Provisioning
9. Vice President, Public Relations
10. Vice President, Business Markets and Services
11. Vice President, Marketing Services
12. Vice President, Northeastern Region - Marketing
13. Vice President, Northeastern Region - Network
14. Vice President, Marketing Planning
15. Vice President, Consumer Markets and Services
16. Vice President, Customer Service and Billing
17. Vice President, Regulatory Affairs
18. Senior Vice President, AT&T Corporate

*During the interviews, a new Chairman and Chief Executive Officer was appointed. Both the current and newly appointed CEO were interviewed.

Citicorp

1. Chairman and Chief Executive Officer
2. Vice Chairman
3. Executive Vice President, North America Institutional Banking Group
4. Executive Vice President, Europe, Middle East-Africa Institutional Banking Group
5. Executive Vice President, Caribbean, Central and South American Banking Group
6. Senior Vice President, Asia Pacific Banking Group
7. Senior Vice President, Overseas Consumer Services Group
8. Senior Vice President, Personnel Planning and Development
9. Senior Vice President, General Counsel
10. Senior Vice President, Global Markets Group
11. Senior Corporate Officer, Latin America and Africa
12. Senior Vice President, Marketing, North America Institutional Banking Group
13. Senior Vice President, Investor Services
14. Senior Vice President, Services Management, North America Institutional Banking Group
15. Senior Vice President, Global Cash Management and Information

16. Vice President, Institutional Banking International Services Management
17. Vice President, International Technology Group
18. Vice President, Investment Banking Services Management
19. Vice President, Communications Services
20. Vice President, Personnel, South America and International Financial Institutions
21. Vice President, Head of Corporate Technology Offices and Human Resource Development

focus on specific personal observations and experiences. We were concerned that this approach could produce random observations that would not lead to any patterns and would be hard to analyze. However, we concluded that the significance of these interviews lay in the level of key decision makers we had accessed and, more importantly, how they defined the issue of the change in the management development process.

The interviews were informal and usually conducted in the executive's office or conference room. Both of the authors took notes during the interviews. We initially spent two or three minutes recapitulating the background of the thesis. We normally made the point that the issue of management development change was very subjective and that we had intentionally avoided defining the term "management development." We reinforced the concept that we did not want the interview to become a question and answer session and that we were primarily interested in hearing their perceptions. Normally the interview began with the executive discussing his own personal career experiences.

This approach worked exceedingly well. The officers were very open and talked freely. Although one of us was not from the executive's own company, we never experienced a sense of hesitancy to freely discuss the issues. During the interviews we did ask questions, but we attempted to question for clarification. We did attempt to honor our 30-minute time commitment. However, the officers were usually very enthusiastic about the subject, and they would extend the discussion. On the average, the interviews lasted one hour. In some cases, they lasted from two to three hours.

We consistently found a high level of personal interest in the topic

area. Most stated that they considered the area of people development

their most important responsibility.

> The most important part of my job is management develop-
> ment. People are key. You can judge a good manager as
> one who has good people around him.
> - CEO

> First, people and second, vision. My number one priority
> is to develop people.
> - CEO

We found almost unanimous agreement in our interviews that an emphasis

on management development was critical to the company's success.

> Management development is absolutely fundamental for the
> survival of the organization.
> - Vice President

Many indicated that they found the topic relevant in today's environment

and that the interview process provided them the opportunity and struc-

ture to think about the issue. The topic areas attachment (Appendix 3)

had proved useful. Many brought copies of the attachment to the

meeting. In some cases, people had prepared written notes prior to the

interviews.

As psychologist Nevitt Sanford stated,

> How do people benefit from being interviewed? They have
> a chance to say things for which there had not previously
> been an appropriate audience. They can put into words
> some ideas and thoughts that had been only vaguely for-
> mulated. When these are met with attention and interest,
> self-esteem rises. People who are interviewed have a
> chance to reflect on their lives, to take stock, to think
> out loud about alternatives...[2]

Throughout the interviews, we observed an underlying tension or

frustration. In some cases, people were very explicit about the causes.

We also found that the executives readily agreed that their companies were undergoing dramatic change and that this was affecting management development. Although deregulation and technology changes were affecting the companies, most officers emphasized that increased competition and a more complex and sophisticated market were the significant change agents.

At the end of the interview, many asked us what we were finding in the previous interviews. Almost everyone requested a copy of the final document, and we have had follow-up letters in some cases. We obtained a wealth of data, 150 pages of typed notes. We used these notes to reconstruct the quotations in the Interview Observation sections in Chapters 3 through 7. Our concern about random observations never materialized.

In order to organize the issues from the data collected, we employed the McKinsey 7-S framework: Strategy, Structure, Systems, Staff and Skills, and Shared Values and Style.[3] Patterns did emerge, and the five basic issues we found are discussed in Chapters 3 through 7. The companies' momentums are discussed in Chapter 8.

FOOTNOTES

1. Harry Levinson and Stuart Rosenthal, CEO Corporate Leadership in
    Action (New York: Basic Books, 1984), p. 14.

2. Nevitt Sanford, "Social Psychology," American Psychologist, 37
    (1982), pp. 896-903.

3. Thomas J. Peters and Robert H. Waterman, Jr., In Search of
    Excellence, (New York: Warner Books, 1984), p. 10.

CHAPTER 3

CEO MAKES IT WORK

In this chapter we will focus on management development from the strategy point of view. We found that management development requires clear and visible leadership from the CEO. The CEO sets the tone and is the visionary. The CEO's first priority is people. The CEO's actions, not words, are what makes it work. One can judge a good manager by the quality of people that he has surrounding himself. The CEO must project the strategy of the firm.

One of our discoveries relates to the dramatic change that increasing competition brings to a former restricted environment whether monopolistic or oligopolistic. The immediate consequence of increased competition is that the company must set a strategy usually with limited information from industries that have previously experienced this process of change. It is safe to say that the change is probably more risky when a company decides strategically to grow and compete in the main low-cost segment of a market. The definition of the right sense of urgency is one of the first and most important decisions to be made, because it is going to set the pace of change.

The ultimate question becomes what to do and, secondly, who should be responsible for the transition. The determination and articulation of the corporate strategy seems to us to be the correct place to start. The major change we found was increased competition in a traditionally protected environment. It is fundamental to think about the possible

implications of these forces and reassess the internal posture of the company. Strategy, control, structure, communication, and reward are all interrelated and need to be clearly formulated and implemented, not just articulated. There should be no doubt that the chief executive officer is the ideal person to command this process.

It is important to consider the role model of the visionary and the entrepreneurial leader. In their book, CEO, Levinson and Rosenthal define this leader as one who: "(1) is able to take charge; (2) has a strong self-image and ego ideal; (3) interacts with customers, employees, and other constituencies supportively; (4) provides permission to take risks; (5) is a thinker as well as a doer."[1] When these elements are not in place, the organization loses its sense of perspective. It is like stopping the clock and only praising past memories without the motivation for future life enhancement. The risk is that the company becomes so conservative that when crisis develops its strategy becomes reactionary. The competitive environment affects management succession by requiring a new dimension for future managers. Management development requires visible leadership and direction. The CEO's top priority must be people in order to help in the transition from the old to the new business environment.

Who is Going to Take Charge?

> In reporting on the retirement of Walter B. Wriston, the New York Times described the Citicorp chairman as "the ultimate risktaker," a man whose vision, intellect, and faith in the open marketplace were instrumental in transforming the buttoned-down world of banking into a visionary new business frontier. During his 14-year reign at Citicorp, Wriston pushed for industry

deregulation with near evangelical fervor.[2]

The CEO should be the visible leader and have this magic combination of statesman, strategist, gamesman, motivator, coordinator, and communicator. This is a pretty outstanding set of qualities for one particular person. When you consider that the CEO's role in management development is not totally an individual game but rather that of motivating a team effort, his personal sensitivity and desire to excel are critical toward building a successful organization. Actions, not words, are what really count.

The Statesman

> An artist is judged by how well he communicates his purposes to the viewer by reflecting his visions in his works of art.[3]

In a very dynamic and complex world, the ability to communicate at various levels both to gather information and seek support from different types of constituencies is becoming mandatory.

The Strategist

> Visions spring from contemplation of problems, events and possibilities; the realization of visions requires passion and action.[4]

According to Herbert Simon, decision-making has three stages: intelligence to identify opportunities; design to identify alternatives; and choice to select the more convenient one.[5] This is usually a top-down approach. The visionary ability is the most required and consequently the most admired quality in a strategist.

The Gamesman

> The positive traits of the gamesman, enthusiasm, risk
> taking, meritocratic fairness, fit America in a period of
> unlimited economic growth, hunger for novelty, and an
> unquestioned career ethic.[6]

This quality could perhaps be viewed as an innate ability. It is the

quality of looking for something new coupled with the willingness to

take the risk. There are many marketing and operations techniques that

"statistically" minimize the probability of risk failure. These

devices, however, merely reinforce the entrepreneur spirit that is

always searching for innovation.

The Leader

> Fine art is that in which the hand, the head, and the
> heart of a man go together.[7]

Whether a gifted, charismatic personality or a more low key, low profile

individual, the leader is the man in charge every time a decision is

required. Decisiveness is the element appreciated. In our study, the

prime element for management development was the time and dedication

that the leaders had applied to their succession. The amount of expec-

tation found in the rest of the management team was directly propor-

tional to this level of dedication. Priority for people is critical for

a leader who is a role model. This may be transparent to our eyes in

more routine times, but it is the center of attention during times of

change. A leader has to be constantly conscious of his powerful image.

While it can be argued whether "people development" is an art or

science, the "proper" process, style, or method seem irrelevant or at

least of marginal interest as long as the leader applies his full personal potential to developing people. The only basic requirement we have heard <u>consistently</u> is integrity. The talent in a leader is to explore his own limits and orchestrate an environment where the synergism of a heterogeneous team creates the opportunity for people to express and influence the decision process.

> Management development is establishing the environment
> where managers can develop.
> - Senior Vice President

AT&T Communications Interview Observations

During our interviews we found that there was a concern surrounding the lack of vision and visible leadership. The importance of having a vision of transition was often discussed.

> The internal frustration is high. At our officers'
> meetings we listed our key action items. Out of
> thirty-two, the number one item is the need for
> leadership - a leadership role model that sets the
> vision contrasted to bureaucrats with large staffs. We
> need more visible leadership.

> We do not have a clear vision of transition... After
> articulating a vision, managers did not see it come to
> pass.

> The issue - are we clear on vision, environment -
> developing it toward what? We want post-regulation
> behavior versus pre-regulation behavior... Must
> develop managers with an eye on the environment, a
> visionary who can translate the environment.

> People are not going to change just because of a drama-
> tic change in the environment. One alternative is to
> bring in people from the outside. We probably have not
> done enough. There are not enough role models.

> We do not have a visionary - one-person mentality to
> rally around.

> Our officers should be as visible as possible - walking
> around, seeing people. It is very important.

> You can judge a good manager as one who has good people
> around him.

While there was general agreement on the need for visionaries to rally
around, there was really no consensus on how to effectuate a change.
Some suggested bringing young leaders up from within the organization;
others suggested outside recruitment. Others advocated following a
gradual state of change, letting things progress as they are now.

> We must reach down to find the "Eisenhowers" in the
> organization. We need to grab a few decisive leaders to
> change.

> We need to pull more younger people into important
> roles. Our executive succession is in trouble.

From the corporate strategy point of view, people allocation and people
development are one of the CEO's prime responsibilities. The criteria
for selecting and assigning people to missions mentioned in the inter-
view are based on the quality of the people. AT&T has a large number of
highly qualified people in most of the needed areas and has been quite
aggressive in bringing in new people when required. Even though we
advocate decision-making in a decentralized fashion, at the same time we
believe senior management has the responsibility of setting the standard
before delegating authority and certainly being involved in the decision
process for the critical success factors.

Citicorp Interview Observations

> How do we go about change? If the whole group reads the
> newspaper, and the group says, "We need to be

different," it will not work. You need a person with a
new vision. To accomplish any major change, the top guy
must have the vision. He needs to inspire and communi-
cate the vision to the people... Someone must translate
the vision. You must have a mentality that raises [people
and] forms teams. Everyone must feel they own the company.

[For management development to work] it is very key to
have the leader providing signals. He must be serious
about reviews. The CEO makes it work. It [management
development] only works if action is taken early on.

We don't have a monopoly on brains. Citicorp's CEO has
been out front trying to make deregulation happen since
18 years ago.

We are using more technology to deliver products. It
provides greater flexibility. How do you do it? It
does not come automatically. The top leader sets the
tone.

Our leaders are pushing for change. Usually senior
management is the hardest to change.

It is vital that one develops people's awareness that
change is happening. The business plan is a very good
way of explaining change. We insist on always having a
strategic plan... Development of this awareness causes
people to look at today's jobs differently. You develop
confidence in managers who think past tomorrow. The
problem is you worry that you do not have enough of these
kinds of people. There is a need to seed the organiza-
tion with trend watchers.

In discussing change, the interviews supported the need for a visionary

and the role of the CEO in making management development work.

Strategic planning provided a good way of explaining change.

Environmental Changes - What is Going On

In the interviews we found unanimous agreement that the business

environment was undergoing dramatic change. People placed different

emphasis on the reasons, but increased competition appeared to be the

one most frequently cited.

It is worthwhile from our point of view to briefly review some of the
general strategic issues involved with deregulation and increased
competition. We will rely on some of the information in Linda J.
Laskowski's thesis[8] and our own interviews in both companies.

1. Less Stability

It is clear that the change in environment is dramatic. There are
differing arguments whether the pace of change should be fast or
gradual. The key factor is that increasing competition demands a sense
of urgency.

2. New Products

In the competitive environment, the barriers to entry are removed, and
new players come in trying to position themselves in one of the
following business strategy classifications: overall cost leadership,
differentiation, or focus aimed at a niche of the market.[9] The variety
of products at the beginning of the transition creates a kind of
proliferation of options for the consumer.

3. New Markets

One strategic option is to emphasize different markets, whether new or
previously uninteresting ones that can be reinvigorated in the new
environment.

4. Push Deregulation Boundaries

Usually the most successful companies who moved into a deregulated

environment are those who were originally in favor of deregulation. In the process of fighting regulation, managers developed a mind set for competition based on their willingness to compete. They clearly convinced themselves about the advantages for future growth. By the time deregulation arrived, they had already been through the transition process, which sometimes can be the most difficult challenge.

5. Strong Emphasis on Marketing

The prices of products are determined by the marketplace rather than by the regulators. This requires a balanced analysis from the company regarding how much its products are needed and what the perceived value is from the consumer point of view. Marketing disciplines in general play an important role. These include communication, advertisement, and media relations. Heavy emphasis must be placed on the customer.

6. Cost Control

As mentioned before, one business strategy is to compete as a low-cost producer. The competition from new products and newcomers automatically reduces margins and demands an immediate counter action on the cost side of the equation.

7. Quality

Quality and reliability are one set of competitive tools in a competitive environment. Again, a proper balance with costs is essential to guarantee proper margins. Even though new features associated with a product are key marketing elements, experience has shown that the timing

of launching changes is very critical.

8. Technology

Although technology is not an end in itself, it allows a new framework in which to think about three areas: cost, quality, and new revenues. Technology has been a powerful agent of change, bringing an enormous amount of uncertainty and dynamics to the marketplace. Those companies that succeed in properly using technology are gaining a significant competitive edge over their competitors.

What Needs to be Done

According to Hax and Majluf,[10] the ultimate goal of strategy is to achieve a long-term, sustainable competitive advantage over all the company competitors. Ironically, this appears equivalent to achieving a monopolistic position in a free, competitive market environment. What we have learned is that during the transition period the corporate strategist should welcome ambiguity and turn what is uncertainty into a proper scenario for growth. We will comment later on the other components of this analysis based on the seven S's: strategy, structure, systems, staff and skills, and shared values and style.

The final point to be stressed is the need for clear corporate strategy with central coordination coming from the CEO level. Often the process of articulating the corporate strategy becomes a binder-building exercise relegated to a planning staff. This is where the CEO has an important role to play. Instead of just writing down a vision or a mission statement, he must take decisive actions to project his strategy

to the organization. He is the role model.

Hax and Majluf[11] have suggested a methodology for developing a corporate strategic plan. The vision of the firm consists of the corporate philosophy, the mission of the firm, and the identification of strategic business units and their interactions. The corporate philosophy is an articulation of the relationship between the firm and its primary stake-holders, a statement of broad objectives of the firm's expected performance, and a definition of the basic corporate policies and nature. The mission of the firm is an articulation of the current and future expected product, market, and geographic scope as well as the way to attain a competitive leadership position.

The CEO should assess the company's internal strengths and weaknesses. This should consist of past performance and future projections of the company's distinct competencies, potentials, and driving forces. He should also do an environmental scan to assess market threats and opportunities. In determining the company's strategic posture, the CEO should define corporate strategic thrusts, challenges, and performance objectives. Finally, managerial responsibilities are assigned to achieve proper implementation.

Probably one of the extreme descriptions of a completely successful implementation is the characterization of the visionary hero according to Terrence Deal and Allen Kennedy[12]:

1. "Nothing succeeeds like success." Be right in a big way.

2. Persistence; being virtually obsessed with seeing

their vision become reality.

3. The sense of personal responsibility for the con-
    tinuing success of the business.

[Thomas] Watson once said, "You have to put your heart in
the business and the business in your heart."

And if a hero hasn't been born, one must be made.

FOOTNOTES

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CHAPTER 4

DECENTRALIZATION IS A RELIGION

Dramatic change, especially increased competition, often precipitates structural responses. In this chapter the organizational structure and its impact on management development are explored.

We found that a decentralized structure enhances management development. It provides a structure that produces autonomy, authority, account- ability, and responsibility. It also provides an atmosphere that encourages innovation and entrepreneurship. However, we discovered in the interviews that the primary reason for a decentralized structure was for customer focus and orientation; management development was an impor- tant by-product. In addition, use of an international experience pro- vided young managers an opportunity to have greater responsibility and autonomy earlier in their careers. Line assignments are preferable to staff, since managers are closer to the customer and have a greater level of measurable responsibility.

There are many dimensions along which one can decentralize, for example, geography, product, function, or strategic business unit. "The structure follows the strategy."[1] What are the driving forces that influence an organization's design? The customer seems to be the pri- mary motivation. Based on this assumption, the traditional functional organization is being affected by its inability to respond quickly in a more dynamic and competitive environment. Companies in a stable and captive environment are usually more functionally oriented. They grow

and think big. Expansion in capacity is an obvious concern, and integrated systems make them very complex. This traditional structure has a rigid, pyramid-shape, hierarchical design in which the power naturally tends to concentrate upward and is handled in a more centralized way. Because they are internally driven, there are fewer uncertainties to handle, and perfectionism easily tends toward authoritarian behavior and bureaucratic procedures, leaving little room for creativity and decision-making. This is a remarkable contrast to the strategic business unit concept. The SBU is an attempt to move toward smaller organizations which are built around the customer base and take into consideration the competitive implications of the marketplace.

> The Lawrence and Lorsch study examined ten firms in three different industries. There are several portions of their research, but one piece is directly relevant here. They showed that high performing firms in an uncertain environment had greater decentralization than low performers, and that in the predictable industry, the high performer was the more centralized. The high performers in both industries had achieved a fit with their environment.[2]

The decentralization in this case is based precisely on authority and delegation of power to identify new opportunities as well as to understand the customer's needs in a flexible, diversified, independent, and accountable manner. It is preferable to measure the unit on a profit center basis. It is definitely a line-driven process, with key technological support. Technology today is portable and can be delivered to clients almost anywhere. It is less a factory and more a shop or even a boutique, depending on the market strategy. But it is always very responsive. If you believe that creativity flows from market needs

rather than a laboratory, you will find quick rewards in this particular approach. It is also heavily market-driven rather than operations-oriented.

According to Alfred Chandler,[3] organizations also tend to be influenced by the corporate strategy discussed in the previous chapter. Most organizations use a hybrid type of organization more suitable to their particular momentum. This is the "share of resources approach," mentioned by Hax and Majluf,[4] which balances the flexibility of the SBU concept associated with economy of scale necessary to keep productivity high. A full matrix approach appears too complex. We believe that divisionalization introduces enough challenge to an organization due to the interdependence between some of the functions as well as customer bases that often are the same.

Besides coordination, decentralization requires careful management development, specifically, whom you pick to run the business and how you prepare them. It is common to bring in some experienced external people to create a better mix. The integration of specialists into the business at various levels, for example, was considered appropriate according to many of the respondents.

Another issue is how one overcomes the reactions of middle managers to changing structure. They are often the most affected group in the process of change. Normally there is a hard line trend to squeeze layers and to "smash the pyramid." Being stuck in the middle will tend to force managers either to become entrepreneurs or specialists. It seems the pendulum effect here is less compromising. This issue will be

covered in more detail in the next chapter.

One way of testing new structures is through task forces. Here a group of people can go through a real life change process. The action is more "real" than self-assessment. The task force also has its own built-in sense of urgency for change. Organizational experimentation is healthy. An executive in Citicorp said that "if there are five different ways of doing it, I want to try them all." Along the same line, in AT&T it was said that "informality is making things work in a kind of open organization chart."

Citicorp Interview Observations

Citicorp management strongly supported the structural approach of decentralization. As the literature suggests, breakdown of a functional structure usually follows increased competition.

> We must be decentralized - it is almost a religious issue.

> Decentralization is vital.

> We believe in decentralization.

> The hierarchical structure is dead. In Citicorp, the indications are that we are moving more to decentralization.

We found that the main reason for decentralization was to enhance responsiveness for the customer. While important, the advantage for management development was secondary. Decentralization provided a structure that moved more autonomy, authority, accountability, and responsibility to managers. In addition, it provided an atmosphere that

rewards innovation.

A centralized structure limits opportunities, people give up responsibility, and the work force is demoralized. We want to react to customer needs as fast as possible. If you send a problem to a central group, you do not have the necessary priority. Do it [decentralization] for the customer's benefit - not management development - that's only a by-product.

People can do their own thing. I benefitted because of decentralization [since] the corporation rewards innovation.

A highly decentralized experience is valid [for management development] since people are forced to run their business.

Deregulation is forcing decentralization. We have more independent people.

We are trying to flatten the organization.

Development experiences in a decentralized responsibility are very positive.

Legal is also very decentralized. Lawyers report solid-line to the line manager - dotted to headquarters. I believe in decentralization... How does decentralization help? It gives the lawyer a better job. They get a flavor [for the issues], a more exciting job, and a piece of the action.

Being a change agent comes best through a line-driven process. The best job is the line, to have line responsibility.

Decentralization is an asset. It provides a place to test them.

We are highly decentralized, with focus on the "business" manager. Highly autonomous units succeed or fail on their own merit. The business manager culture was originally based on operations - dominated by operating types. We needed to set marketing as number one - so we brought in senior marketing people. It was important that the business unit segments existed to place these people. The most important point was the decentralized structure.

As pointed out in the book In Search of Excellence, "The excellent companies are both centralized and decentralized. For the most part, as we have said, they have pushed autonomy down... On the other hand, they are fanatic centralists around the few core values they hold dear."[5]

> The efficiency of decentralization is good, but it can limit [company] creativity. The complexity demands a different style of management - more of a matrix management.
>
> There is pain trying to adjust to more matrix management. We need to integrate on other common denominators. I would like to see more SBU movement [people moving from SBU to SBU]. The changeover should be at more senior levels.
>
> Citicorp is highly decentralized, but we are probably going to see some centralization.

There was an emphasis on increasing spans of control, reducing levels of management, and reducing functions that inhibited people working with the customer.

> We sent the best people because they would be next to the customer. We are trying to flatten out the organization. Move the administrative function out of the line. Do not worry about it. We tell our people to go out and sell - meet with the customer. The management content changed in marketing. Operations in the past were more like a factory. We moved the work station near to the marketing person. We increased the amount of training. We put operations people through sales training.

While the officers strongly supported decentralization for management development, there was a concern that this structure would tend to create specialists who did not have broad-based experience and the ability to integrate. This topic, developing functional specialists versus generalists, is examined in Chapter 6.

There is a negative, strong tendency to hire a person
that can only handle a specific job - no broadening. In
a centralized structure, one usually looks for a broader
set of capabilities. In a decentralized structure, one
usually hires from a more specialized market. Being
decentralized, there will be more hiring in specific
geographic areas.

Based on customer needs, we will be moving further and
further apart in certain areas.

Citicorp relies on international assignments for management development.

The underlying reason for using the international experience appeared to

be very similar to that of decentralization. It provided an opportunity

for more autonomy, authority, accountability, and responsibility.

Citicorp has a unique advantage. Senior managers have
fought it out in an international experience.

Is the international experience critical? No, but it is
very important. More senior people will need inter-
national experience since our business is international.

We use the international experience as a management
development process. As a rule, you should run a busi-
ness outside of the country.

No question that the company is becoming more inter-
national. International exposure over time is
important.

International exposure forces one to be on one's own.
It is very decentralized.

You can become a general manager much more quickly,
especially in a larger company. You have faster respon-
sibility, learn more skills more rapidly. We use the
international experience [for management development].

AT&T Communications Interview Observations

With the recent divestiture past, we found that AT&T Communications was

still wrestling with organizational structure issues.

We are still going through the philosophical question -
centralized versus decentralized. Who is responsible?

There is no question about the need to change organiza-
tional structure with an emphasis on the customer.

We need to restructure the organization with larger
spans of control and fewer levels.

The organization chart was put together by a committee
for full employment. There is massive overlap and
blurred responsibility. No one person is responsible.
There is no accountability. Incompetence is covered
easily. We got tired of complaining. We got away for a
day and put together a proposal for reorganization. It
was turned down.

I'm up to here with organization solutions. We will
leave the organization alone for the time being.

Good people can make any organizational structure work.
Simply rearranging boxes does not make a profit.

The frustration is that no one is really in charge. We
have territories with many levels; a grab for turf. We
must give clear authority to people.

I do not think we should call it reorganization. We
need a mental set that says we change normally.

The consensus of those interviewed was that the organization should be

customer-focused.

We must change our organization charts to focus on
customers first.

What drives a business to an organizational structure is
what the customer needs.

We are organized as a regulated and unregulated company.
We should focus on who services the end user.

The basic assumption [for organizational structure] is
controlled by customer needs.

People who have direct contact with customers have a
much higher sense of urgency.

Again, the underlying theme was that management development required an organizational structure that promoted autonomy, authority, accountability, and responsibility. This view was reinforced by some of the comments on line and staff organizations.

> We have some great examples. We had to set up separate organizations to handle [specific problems]. They provided good opportunities for management development. People were responsible and had exposure.
>
> We have actually downsized. We have larger spans of control.
>
> Management development includes downsizing and restructuring.
>
> The company is trying to enable managers. We are demanding higher standards and performance. Downsizing has had an effect.
>
> I see a difference between line and staff in management development. The line is easier because you get quick feedback.
>
> We need only one staff. There is too much overlap, too much fragmentation.
>
> Staffing and management development are always high on the list. The line loves autonomy. There is a big difference between line and staff management development.
>
> In the staff there is too much bureaucracy. There is not enough time. There is no priority to management development, and their people clearly understand it. There is an unusual level of frustration between the line and the staff. On the line everyone has a job. There is no overlap. We are very lean.
>
> The closer you are to the customer, the less frustration. There are too many people with overlapping jobs - bright people. The line job is better than the staff.

Finally, we found that the company had successfully relied on task forces during the transition period.

> 1983 and 1984 were major transitional upheavals...
> caused the use of project approaches using task forces.

> We are becoming more of a matrix-oriented organization
> because of the increasing variety of services. There
> has been a heavy use of task forces.

> We had a crisis... The reaction was to set up a task
> group.

Holding It Together

In their book, Corporate Cultures, Terrence Deal and Allen Kennedy

describe an organizational revolution and the trend toward what they

call the "atomized organization." The terminology emphasizes

> ...the small size and flexibility of its basic units in
> relation to their present counterparts. Still, the
> "atoms" here are not bouncing around in blind chaos but
> are linked through telecommunications capabilities and
> are bonded together like molecules into a strong cor-
> porate whole through the shared cultural ties that
> define what the company of the future is all about.[6]

For the entrepreneurial organization, Norman McCrae believes that

> ...the aim should be to give ordinary people more scope
> for becoming tycoons than they have had since the
> industrial revolution was young.

> The mechanism should be for the management in each
> progressive firm to define the module of work that it
> wants to be done, and then invite "bids" from parts of
> the staff who think they could achieve the module more
> efficiently and happily than under the existing corporate
> bureaucracy.[7]

Deal and Kennedy cite three areas of evidence that this new
organizational form is emerging:

1. The phenomenal growth of franchising by selling
    exclusive rights to a local entrepreneur, supporting
    the overall system by the efficient provision of
    needed central services (like advertising), and
    paying the central business a fee based in percen-
    tage of sales, to ensure that all are working toward

common goals.

2. If the 1960s were known as the decade of the conglo-
   merate, the 1980s are likely to be known as the
   decade of the divestiture. ...divestitures consti-
   tute an incomplete form of the atomized organization
   - more forward-looking parent companies would retain
   shares in these divested entities and thus share in
   whatever economic success they achieve on their own.

3. Finally, a third bit of evidence of the spin-off phe-
   nomenon. In many areas of relative modern technology
   - electronics, instrumentation, software, biotech-
   nology - a handful of knowledgeable people with only
   modest financial backing are fully capable of con-
   ceiving and building new generation products.

In the dispersed, helter-skelter world of the radically
decentralized atomized organization, some glue is
absolutely essential to hold independent work units
together... Whether in regard to conventionally struc-
tured organizations or atomized hybrids, we think that
building strong corporate cultures is one of the fun-
damental tasks of the next decade.

When new challenges arise, they can adjust. This is
exactly what companies are going to have to do as we
begin to experience a revolution in the structure of the
modern organization.[8]

FOOTNOTES

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8. Deal and Kennedy, pp. 191-196.

CHAPTER 5

GIVE THEM FREEDOM

The company is a product of its people.

What is management development? What is the system? As mentioned
earlier, we had been careful not to define the term in our letters or
interviews. We had hoped to learn about the concept of "people develop-
ment" from the executives who were doing it.

> Management development is establishing the environment
> where managers can develop.

While the statement at first seems simplistic, we really felt that it
captured the essence of the respondents' comments.

> One cannot talk about career development in process
> terms. Challenging people, allowing for differences,
> expanding, broadening, changing mind sets - this is
> career development. Company survival comes from it.

We found in the interviews that management development is best when it
is informal, not relying on a formal, bureaucratic process. Informal
networks of trusted peers are used to supplement the formal process.
Although the formal process is necessary for creating and documenting
lists of high potential managers, the informal transfer of "trusted"
information really allows risk taking with people. Informal opinions
and recommendations are essential when moving managers between functions
or between business segments. Inter-segment moves are critical for
developing well-rounded general managers and for maintaining an overall
corporate culture.

The importance of management development to an organization cannot be overemphasized. Providing clear responsibility is essential to management development. Managers should have responsibility for profits and be measured. Measurements should be results-oriented, not activity-oriented. Measurement systems can take many forms, for example, profit centers, revenue centers, and cost centers. Profit measurement provides the manager with a sense of running his "own" business and is preferable. Whichever system is used, it is important to establish targets and measurable objectives. Often objectives that are stated in activity terms do not produce results. Most importantly, one should reward risk takers.

> As organizations become more vulnerable to environmental
> turbulence and to the vicissitudes of their people, it
> becomes increasingly important to maintain a healthy
> balance in the system between activities which serve the
> needs of the organization and those which serve the
> needs of individuals.[1]

Based on our study, management development should be performed considering the marriage of both the company's and the individual's needs. Self-assessment is the individual's strategic planning process. Self-assessment is primarily the responsibility of the individual and should be routinely done throughout one's career. This can be an informal or formal process, on your own or with your supervisor. London and Stump[2] provide an exemplary summary of self-assessment exercises and instruments. One example of this process is using the career anchor assessment. According to Schein, after a period of time the individual that usually starts in an organization as a specialist is able to gain self-knowledge and develops a clearer occupational self-concept. This

self-concept has three components:

1. Self-perceived talents and abilities (based on actual successes in a variety of work settings);

2. Self-perceived motives and needs (based on opportunities for self-tests and self-diagnosis in real situations and on feedback from others);

3. Self-perceived attitudes and values (based on actual encounters between self and the norms and values of the employing organization and work setting).

    ... (and) is designed to explain that part of our lives which grows more stable as we develop more self-insight based on more life-experience.[3]

The company can also provide formal opportunities through training courses and seminars. Some companies use assessment centers or business simulations to identify strengths and weaknesses for development purposes.[4] However, we found that on-the-job opportunities provided the best mechanism for both corporate and self-assessment.

In transitional periods like today, this process also involves the understanding of environmental and organizational changes that lie ahead. On the company side, there is a recognition of the importance of these issues as well as the commitment from the CEO to dedicate the time and resources to the process of identifying high potential talents. They should be identified at an early stage in their career.

The process, even though described as informal, in practice seems to follow a kind of formal concept. This is the description of management development as a free market concept that is based on providing opportunities and clear responsibilities in multi-functional jobs and then letting the best talents rise. The advantages of inter-segment job

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opportunities are substantial. The manager has a broader experience base on which to rely. He gains an appreciation for the complexities of each of the segment's responsibilities and enhances his own ability to integrate. He also creates peer trust that facilitates future cross-business job rotation. Most importantly, cross-business rotation provides the glue for maintaining a common culture in a decentralized structure. On the other hand, the risks associated with cross-business moves are real. The business environment is complex and highly competitive. Customers are very sophisticated. There are risks associated with bringing an "untried" and "unskilled" person into a new area of responsibility. Good people have failed. While there are some serious arguments for and against cross-business rotation related to developing the generalist versus the specialist and to maintaining a common culture versus a multiculture firm, job mobility always aims to improve by practice - learning by doing it. In this case, to minimize and correct mistakes, coaching seems to us of fundamental importance. Finally, one must have constant feedback through measurement by results.

> It is more useful to judge an administrator on the results of his performance than on his apparent traits. Skills are easier to identify than are traits and are less likely to be misinterpreted. Furthermore, skills offer a more directly applicable frame of reference for executive development, since any improvement in an administrator's skills must necessarily result in more effective performance.[5]

At this point promotions would be a natural by-product of matching performance and opportunity. We found that actual career plans and specific job assignments are less than predictable. In a major way, this unpredictability contributes to the informality of the development

process. As companies change, whether through evolution or revolution, people also evolve as they grow. We advocate the idea of giving both the organization and the people a chance to test and experiment through real life assignments. This experimentation will not only benefit future learning but also support morale. At the same time, the recognition of a mismatch should have the same positive effect. It should be followed by an immediate corrective action.

> If a person doesn't fit his or her job, then he has to constantly expend extra energy to get things done right. He has to fight the natural flow, so to speak... and unless the individual really understands that he was in the wrong job in the first place, the blow to his self-esteem can be very damaging.[6]

Following the decentralization concept, the natural attitude then is to give them freedom to grow by themselves. Without that freedom there is no real accomplishment in the manager's development.

> Freedom to make mistakes and achieve success is more productive in developing executive skills than practice in following detailed how-to-do-it instructions designed by superiors or staff specialists. Commitment to purpose rather than to procedures appears to energize initiative.[7]

AT&T Communications Interview Observations

We found that people development was very important to the officers we interviewed. Career development for all managers really meant providing opportunities for growth. Specific attention must be given to providing development opportunities for high potential managers. There was a sense that the pace had to be accelerated.

> I feel career development is the most important part of
> my job. I consider it _my_ job. I _will not_ delegate it.

> The most important part of developing managers - it's to
> recognize the fact that you must develop them. [It
> requires] opportunities to grow, new challenges, formal
> attention, and a lot of evaluation. We deliberately
> evaluate high potential people and give them oppor-
> tunities.

> Management _levels_ connote a routine or process.
> Management _development_ is not that! ... It is
> necessary to _identify_ people early on in their career
> and insure that they have opportunities. Management
> development is getting people working at full capacity.

> Management development in the classical sense is
> assuring executive succession. We develop resumes and
> time frames and determine how far people can go. We are
> now developing plans to move people between units...
> Management development has a high priority, a heavy
> emphasis. I spend a lot of time on career development.

> It is absolutely clear with increasing competition that
> the pace of career development must be rapidly
> accelerated.

We also discovered that management development really relied on an

informal system. When companies experience major changes, these infor-

mal systems can break down and require rebuilding to facilitate cross-

business movement.

> Most career development activity is done on an informal
> basis.

> One important thing - the informal process is what makes
> it work. With the big change [divestiture], we had to
> work by the book since the informal process was not
> there. The system collapsed. We are now reforming [the
> informal system].

Dramatic changes, such as divestiture, place unusual pressures on an

organization. We heard repeatedly that executives were concerned that

the emphasis on management development had slipped because of the

practical time demands of divestiture. There was universal agreement

that this had to be only a temporary phenomenon and that actions were

needed to raise its priority.

> I used to spend a lot of time on the management develop-
> ment process. In the last couple of years we went
> through the major trauma of divestiture. The last two
> years were not good - we did not have enough time to
> deal with management development.
>
> It was a period we suffered through. It was hard work
> to divest, and we spent a lot of time on the effort.
> There was no time for management development. It was
> not due to a lack of interest.
>
> At one time, AT&T was considered the best in human
> resource management, but we were so distracted with
> divestiture issues. Management development will get a
> lot of attention now.
>
> Only recently have we again placed more emphasis on
> management development. It was always in the back of
> our mind. It's the realization that if we were building
> for the future, then we needed to take more time.
>
> We've done a good job identifying people. We have good
> lists, but we have not done enough career planning.
>
> My greatest fear is losing good people... We have lists
> of high potentials, but we do not go directly to them...
> We need drastic moves in the next year.

When developing people, the respondents said that the jobs must have

responsibility and challenge. Feedback was important.

> How do you develop people? You put them into positions
> where they are challenged. You put them into many jobs
> and test them all along the way. Find out their batting
> average.
>
> To insure [good] management development you cannot have
> inadequate work. You need full responsibility and
> continuous feedback... It is the simple things like
> just talking. It gives them a chance to express their
> feelings. It creates an openness and lack of intimida-
> tion.

> I believe very strongly that we should let people run.
> They should have authority and should meet commitments.

> More responsibility is key - it creates more innovation.
> Give people much more responsibility at lower levels.

> We are more willing to put high potential managers into
> real jobs. I feel it is very necessary and very good.
> Many traditional jobs had been constrained. They would
> cause boredom and routine.

Personal initiative is also required in management development. Career development is a two-way street. The supervisor's role is critical, but the individual manager cannot merely play a passive role.

> Development resides 90% with the person. You must
> assess your own needs and try to fill them... Bosses
> really provide opportunities. My people have good
> assignments.

> The individual bears the prime responsibility for career
> development. The old system was more formal where per-
> sonnel took care of it. Now the person must show
> interest and make decisions.

Measurement systems had also changed to emphasize performance and accountability. This was helping the management development system. The changing environment had required more emphasis on customer satis-faction and risk-taking. We found that officers were wrestling with the proper measurements for these goals.

> We are finding superstars faster today since they have a
> true opportunity to succeed or fail. Jobs today are
> giving them a better chance...

> Our measurements for management development are based on
> performance criteria versus process orientation. We
> came hard at performance and skills. Our expectation
> levels have significantly changed.

> ...We are building in very strongly disciplined finan-
> cial controls to assure accountability. It is important

to look internally to save money. Career development requires that people think about these problems themselves.

Our measurements have changed away from being only quantitative to more subjective - was the customer satisfied?

We are not sure how to measure risk taking.

In the old days we put a premium on avoiding mistakes - not on doing things right but avoiding making mistakes. Out of 100 opportunities you would avoid 97, take 3, and have no problems. Now we want people to try 50 even if only 35 succeed.

I am not sure we have addressed how to reward a person who took a risk and failed. In the past you were right 99.9% of the time. If it were 99.8%, you were in trouble. Since we wanted high quality, the technical measurements influenced the rest of the business... Now we are trying to reward risk but not really doing it.

Citicorp Interview Observations

Management development is an informal system. This is due to the

constantly changing environment. The system relies heavily on learning

by doing and having a variety of experiences. People look for develop-

ment opportunities, not jobs.

There is no real career development system. The pace of change gets in the way. A program would imply that you could predict five years ahead - you cannot. ... We use an informal system since the environment works against a formal system.

I'm not sure there is a conscious management development process. It is the myth of career development. The informal process is really a good idea - the way to do it. I call it the free market concept.

The major part of [management] development is experience.

My whole career has been in different countries. I was better equipped to manage because of experience. I had

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a variety of jobs in a variety of locales.

Our culture says to throw them into the pit. They learn from doing.

We have on-the-job development.

Grow your subordinates to replace you. It gives you more opportunities, and you are respected by your people. I have been lucky to work for good developers. When you look for a new job you look for development opportunity. Most people ask, "Who am I going to be working for?", not "What is the job?"

Identifying the right people, assessing their strengths and weaknesses, and locating the proper development assignments are all part of the system. The key element seems to be finding positions that gave them responsibility.

The management development process has a high priority. We review people and discuss assignments. We work hard at it. Ultimately this ad hoc review process provides an inventory with a strength and weakness assessment.

After you identify them, push them and follow them. We look to see how to move them to positions where we get better payoff - and we track them carefully.

Heap a lot of responsibility and test... Give them more responsibility and keep testing.

If you work on a project then you can own it. It creates efforts where you make your own opportunities.

Our MBO system signals desire - people who want more responsibility.

A lot of people are pushed into senior jobs at a young age. It is the sink or swim school.

There is no real formula for management development. The idea of giving a person full responsibility is now being violated.

In some of the interviews we found people who felt that the performance

measurement systems were at odds with the goals of the company.

> Our performance measurement system has not followed [the changes]. For example, the more people you managed, the higher your salary. The motivation should be to lower head counts, reduce costs... Management controls are not consistent with goals. Perhaps it is the built-in concern that you create problems when you come up with new systems - a reluctance to make revolutionary changes in the way people are assessed.

> Senior managers feel that everyone has gotten the message - but our compensation measurement system may be at odds with the change message.

> We have many different forms of compensation based on risk. We used to have only a base salary. Now some people are making more than the Chairman. There sometimes is a problem of cross-comparison from group to group.

Training was cited as important for management development. However, personal initiative to find the proper training was stressed.

> You should take the personal responsibility to find training. We look for people with personal initiative. We do not coddle people; we reinforce initiative. We make things available but do not force feed.

> Training is very important. The exchange of ideas is also very important.

> Nobody really told me what to learn. It is better to have people go out and find it out themselves. The downside is obvious. If someone goes in without knowledge, then there could be a possible disaster.

Our interviews in Citicorp covered the whole organization including the three major banks. Even though the three have mixed product portfolios, they are in different business stages - the institutional bank in a more mature stage, the individual or consumer in a growing phase, and the investment bank in an embryonic phase.

It depends on their stage of maturity. The more mature
SBUs spend more time with management development. [In
the newer businesses] a committee meets to decide where
to move people. But it really does not work since all
of these businesses are people takers.

Development Tasks

Management is becoming increasingly complex. In addition
to a rapidly changing technology, management today has to
be able to handle many new "relations" problems - rela-
tions with government, relations with suppliers and
customers, relations with employees and with labor
unions. On top of this are demands for entrepreneurship
and innovation; for managing knowledge and the knowledge
worker; for multinational and, often, multicultural
management; or for managerial responsibility for the
environment and for quality of life. All these increase
the standards against which managers are measured.[8]

Much of today's literature on career development is devoted to training

and the teaching of technical skills. From Drucker's statement we can

recognize the need for technical skills, multi inter- and intra-relation

skills, entrepreneurial skills, and social as well as cultural skills.

This is a very broad set of qualifications which are unlikely to be

found in one person, even if you believe in the hybrid manager. As

described in the next chapter, it is our view that a team of specialists

led by a well-rounded generalist is necessary to pull all of these

skills together.

We learned during the interviews that the companies are hiring

specialists from the outside marketplace, mainly from the marketing and

technology areas. It appears to us that business schools through their

MBA programs are more successful in generating specialists than general

managers. Business schools do play an important role in the development

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of general managers through executive programs. For example, the MIT

Sloan Fellows Program and Harvard's AMP program tend to emphasize the

broader perspectives. Also, the marketplace has more technicians

available than general managers. In the case of the general manager,

there appears to be a common strategy to develop them internally.

Kotter suggested that his study findings showed that developing managers

with high potential required systematically fostering "success

syndromes."

> An important aspect of the "success syndrome"... is
> related to growth. The most effective GMs [general
> managers] had careers characterized by almost constant
> growth in their interpersonal and intellectual skills, in
> their knowledge of the business and organization, and in
> their relationship with relevant others. They never
> stagnated for significant periods of time in jobs where
> there were few growth possibilities. Likewise, they were
> seldom, if ever, moved so often or put into positions
> that were so rapidly changing that they could not learn
> and perform well. In a sense, they never moved too fast
> or too slowly.[9]

While experience is a matter of time, an important part of management

development is having the chance to turn knowledge into action.

> One of the principal impediments to effective execution
> of plans is shortage of management manpower of the
> breadth required at the time required. This shortage is
> the result of faulty planning, not of a natural scarcity
> of good raw material.[10]

The planning process should identify the appropriate numbers and

qualifications of general managers needed by the different strategic

business units. The strategic management development plan will focus on

providing the right combination of personality, necessary training, and

practical experience. These are the basic elements for future general

manager development opportunities.

FOOTNOTES

1. Edgar H. Schein, Career Dynamics: Matching Individual and Organizational Needs (Reading, Massachusetts: Addison-Wesley Publising Company, Inc., 1978), p. 199.

2. Manuel London and Stephen A. Stumpf, Managing Careers (Reading, Massachusetts: Addison-Wesley Publishing Company, Inc., 1982), p. 36.

3. Schein, pp. 125-126.

4. London and Stumpf, pp. 61, 117-118, 127-128, 221, and 223.

5. Robert L. Katz, "Skills of an Effective Administrator," reprint from Harvard Business Review, September-October 1974, p. 30.

6. John P. Kotter, The General Manager (New York: The Free Press, 1982), p. 138.

7. Kenneth R. Andrews, The Concept of Corporate Strategy (Homewood, Illinois: Richard D. Irwin, Inc., 1980), revised edition, p. 158.

8. Peter F. Drucker, Management - Tasks, Responsibilities, Practices (New York: Harper & Row, Inc., 1973), p. 420.

9. Kotter, p. 135.

10. Andrews, p. 156.

CHAPTER 6

YOUNG TIGERS LEADING OLD PROS

> Suddenly, big business is in love with creativity. With
> the same fervor with which it courted MBAs in the 70s,
> American industry is now trying to lure entrepreneurs
> into managerial positions. It was discovered that
> survival in today's volatile, global marketplace means
> finding, developing, and sustaining the very mavericks it
> rejected only a few years ago.[1]

During our interviews, one vice president said he would never downgrade

his requirements for staffing. He would always hold out for the best.

In this chapter we explore management development from the skills and

staff perspective.

We found that when you are identifying high potential managers, the

"best," look foremost to personality. Identify people with integrity,

drive, flexibility, and a sense of vision. High personal standards

provide a clear indicator. Be careful not to emphasize development of

functional specialists over developing the well-rounded generalist.

Although there will be a smaller fraction of generalists in the future,

their development is paramount to the success of the organization.

When staffing organizations, a proper mix of aggressive leaders and

seasoned specialists is desirable. Extremes do not make sense; one

should both develop from within the organization and also hire from the

outside market. Experiences and attitudes, not chronological age, seem

to influence one's ability to adapt to change.

People are the most important asset of an organization, and due to their

complexity they are also the most difficult resource to manage. There really is no complete predictability in relation to a person's reaction to change. One can imagine the human reaction when a company has to review its basic culture due to a revolutionary change in the environment. The compound effect can be enormous when many changes take place and "experimentation" becomes a top priority. This sense of losing identity and no longer belonging to a stable and protected environment can cause real turbulence in an organization. While there is no single answer to managing this complex psychological problem of handling change through experimentation, one line of thinking from our interviews can be summarized in this concept of "young tigers leading old pros."

How does one manage in a transition situation and come up with positive results? Successful results are gained by line people because they are closer to the customer base. Also, they are coming from the task forces that have clear goals and are implicitly getting a free hand from top management to experiment. A normal task force life is six months; more than that is reorganization. This sense of urgency is an important motivational factor in these kinds of situations. This sense of urgency is the agent of change.

The young tiger image is key. The personality of the leader is of utmost importance, particularly in times when experience is being challenged and stable approaches give way to experimentation. The ability to approach the transition with a fresh perspective and no prior bias is critical.

Two types of creative entrepreneurs: the activists and

> the creative thinker. The activist is a doer... and...
> is a natural dance partner to business, and activists
> have an intuitive, sixth sense when it comes to moti-
> vating personnel, marketing new products, and dealing
> with financial issues... The creative thinker, on the
> other hand, is more like an artist or inventor...
> Achievement for him comes when mental abstractions are
> transformed into concrete forms - when idea becomes
> reality... These types must have lots of room for
> experimentation and "play." Such license is like air for
> breathing for the bright, inventive mind, yet it is only
> the rare organization that can provide this.[2]

The old pro image is the degree of quality usually expressed by the level of knowledge applied to the solution of the task. We have learned that old pros, because of their know-how and maturity, are key factors in a transition period. They replace the stability factor lost in the environment. They are more likely to recognize familiar patterns when the problem is broken down in pieces. The transition is also being supported by two new elements, the specialist brought into the organization from the outside and the young prospect from inside. At the same time, the transition requires experience to keep the balance; it requires the power of "youthful" urgency to give it the necessary speed.

It is a powerful mix when it works. In order to make it work, you first have to try, and secondly you have to hand the transition responsibility to the young tiger. We proved this in our research. Given the choice between "knowledge" and "risk taking," the answer was: it works when the risk taker is in charge. Ultimately it is his own risk. It didn't work the other way around. Specialists by choice could not make the transition happen, especially during times of crisis.

We learned also that this attitude has nothing to do with chronological

age. If it is not the age, it is the spirit. It is a matter of personality, the inner contagious motivation that builds up people's confidence to give it a try.

In the foreseeable future, the whole scenario will be built around customers. Once the strategy is defined, the personalities who are going to be assigned to run them will not vary too much from these first experiences. It does not look like this changing environment is merely transitory. Innovation and entrepreneurs will be given their chance in the pendulum effect.

A management that wants to create this new environment has to realize that it will require a major effort to feed the young talents, to empathize with their actual values, and to design a bridge for those who want to transition to the new environment. They will also have to address the situation of those who cannot transition. Since this is a very personal decision, management must be supportive and create the climate and opportunity for these decisions to be made. This preserves morale.

A complex, changing environment also places a premium on developing expertise and functional skills. Management must be careful, however, not to overreact. The development of well-rounded general managers will be essential to preserving the proper mix of young tigers and old pros.

> The super-companies instinctively know what the French
> statesman, Clemenceau, learned when he became premier
> toward the end of the first world war. "War is too
> important to be left to the generals," he said - and
> business is too important to be left to the specialists.
> They all tend to believe that their specialty is the

element most critical to the company's well-being.[3]

One of the major studies investigating the nature of the general
manager's job, the background and personality of managers, the general
manager on-the-job behavior, and the impact of this behavior on the
results of his job, was performed by John Kotter. The results of his
studies of fifteen sucessful managers were published in his book, The
General Manager. Some of his study findings were:

- A large number of characteristics are important including
  ambition, achievement and power motivation, temperamental
  evenness and optimism, certain types of cognitive and
  interpersonal skills, detailed knowledge of the business
  and organization they are in, and many cooperative
  relationships with other people in that business and
  organization.

- They are somewhat specialized.

- They developed throughout life - in childhood, via
  education, and in the early career.

- Initially, they use their many personal assets to create
  agendas for their areas of responsibility, and networks of
  cooperative relationships with all those upon whom the
  job and their emerging agendas make them dependent. They
  do so using an ongoing, incremental, largely informal
  process that utilizes many subtle methods. After six to
  twelve months, they begin to spend more time focusing on
  execution, in which they get their networks to implement
  their agendas by directly and indirectly influencing
  other people.

- They spend the vast majority of time with others
  (including peers, outsiders, bosses, and subordinates)
  discussing a wide range of subjects, often in short and
  disjointed conversations that are not planned in advance
  in any detail, in which the GMs [general managers] ask a
  lot of questions and seldom give orders.

- It can vary a great deal in different settings.

- Because of the nature of executive jobs, which require:
  (1) decision making in an environment characterized by
  uncertainty, great diversity, and an enormous quantity of
  potentially relevant information; and (2) implementation

through a large and diverse group of subordinates, peers, bosses, and outsiders, despite having relatively little control over them.

- Having a large number of personal characteristics that fit the complex demands of the job.[4]

During the interviews there was significant attention given to the area of the personality traits.

Ten traits usually found in successful entrepreneurs:

1) Strongly competitive
2) Aggressive
3) Impatient, with a sense of urgency
4) Adventuresome and willing to take risks
5) Decisive (right or wrong - this is the way!)
6) Action-oriented
7) Generalists (they are strong on the big picture, weak on details)
8) Innovative (they solve problems creatively, not with a cookbook)
9) Authoritarian - with a do-it-my-way leadership style
10) Self-confident, bordering on arrogant[5]

The traits associated with people who are able to deal with change are pursued in the interview observations sections.

We observed the critical nature of identification and assignment in management development, especially when developing young tigers.

Whereas the technical/functional person is concerned about the content of the work, the managerial person is much more concerned about the size of the task, the degree of challenge, and the amount of responsibility. Managerially anchored people are in what Driver (in press) calls "linear careers" as contrasted with "steady state" careers, and they measure their success by promotions, rank, and income, all of which measure "amount of responsibility."[6]

Citicorp Interview Observations

Our interviews covered the area of identifying high potential managers.
We found that personality was the major item people looked for in
managers.

> The most important trait - personality - then intellec-
> tual curiosity. Academic success does not normally indi-
> cate business success. I look for a style, a mental set
> of "can do," someone with aggressive get-up-and-go and
> flexibility - flexibility and push. They should always
> be looking for change - not rigid - always looking for
> growth areas. They should have the ability to synthesize
> - relate how old and new work can be put together.
> That's the process at Citicorp - looking for oppor-
> tunities. You can sense it in them by watching how they
> behave in meetings and conversations. You can watch how
> they do things.
>
> Success is based on personality, especially for the
> leadership role. Experience is also necessary, but a
> little more complicated. You must internalize the
> experience factor for gut reactions. Some use different
> words - insight, wisdom. Without experience, what you
> miss is [the ability to predict] how other people will
> react in a situation. This is a great quality of good
> leaders. It can be acquired... Basic behavioral traits
> do not change. For example, integrity - the way you
> react to people and deal with people. You cannot change
> the way a person interacts with people.
>
> The profile? We look for people who can talk to others.
> We rely more on personality than technical skills. You
> need it for leadership. It's a result of the complexity
> of business.
>
> First there are the general social skills, the per-
> sonality traits that you look for in a person. I look
> for very different backgrounds to round out the organiza-
> tion. He should have the ability to keep learning
> forever. Learning never ends. If the person is too com-
> fortable, be careful. Whatever you know when you join
> the job will soon be obsolete. What you know from the
> past will not help too much when you want to innovate.
>
> The type of people who join Citicorp are the same. They
> tend to be aggressive - achievers - movers and shakers.
> They enjoy responsibility and decentralization.

Find someone who can clearly operate on their own. The basis for success at Citicorp is well known. High personal standards is clearly number one.

The type I see is an entrepreneur with common sense and a sense of humor. They must be able to think broadly - to conceptualize - a Renaissance Man. Their background is irrelevant. They must be able to relate. They must be able to get people to work. It will require some degree of specialization - at least an understanding of details.

We found many views on the need for developing specialists versus generalists. With an increasingly complex environment there was general agreement that more emphasis was required on skill development. However, we noted concern that there might be overreaction. People held strong beliefs that they should also be developing a set of generalists with the ability to integrate.

A small fraction [of managers] will be generalists. We must have a greater respect for the functional specialist, but I still have great respect for the general manager. We need to start crossing jobs or there will be too many one-eyed geniuses. I am trying to insure that we have cross-fertilization. We don't want to allow a move to everyone being a "specialist" or we are dead. It is too important to let happen! The fact is, we need more generalists.

Do you cross-develop? In the past there was heavy SBU transfer. It was caused more by the needs of the business. We are really reconsidering today. It gets more difficult to move across [SBU] lines because of the skill demands. Today you must have a strong background in an area. In the past it was two parts general and one part skill. Now it's one part general and two parts skill. Senior managers have worked in at least two functions. In the future it will require more effort to make it happen. We will have to plan it so that it happens more.

The bank is becoming more specialized. It is harder to switch people from SBU to SBU.

We will try to move to 90% [of our people being] specialists and 10% general managers. We must watch out for overreaction.

In the past we have overemphasized being a "general" manager. Now we need more specialty. It is most important <u>now</u> to be able to integrate. Cross-functional experience is critical. There is a <u>great</u> need to build a general manager. It is so important to emphasize technical expertise. A good manager must understand all sides of the business.

We are looking for a new type of manager. In the old days we wanted one with good social skills, pleasant, and cooperative. Now we have a broader customer base. We now have the need to be much more of a generalist from the sales point of view and still have the need for specialists. There will be two tracks with modest crossover.

The trend is toward specialization. Tomorrow's senior management will be today's specialist. The ability to integrate on a functional basis will help.

The group that makes up senior management are generalists. The people ran full businesses.

We are moving more toward functional development. In some special cases, like executive succession, we will use cross-fertilization for career development.

We will have to specialize. One of the specialist groups will be the generalist.

We need relationship managers - a "point" person who is sensitive to behavior, one who can match personalities and alert people to get in touch. In the past, one guy could handle it all. The old way was to move people around a lot - for broadening. Now we have more of a specialist's approach. There is not as much cross movement due to the complexity of the environment. We only move the high flyers. The quality of the relationship with the customer is of great importance. These people manage the relationship and can find specialists when necessary.

There is the fear of limitation - the perception that the functional skill you have is not important. We need to create career paths within functional areas. How many general managers will you need? Only a select few.

There is the potential that functional specialization will cause new mobility problems. Another problem is that our minor level recruiters may not be letting the right people through. It is the same problem with professional hires when we are looking for a specialty...

"Would Hoffmann [executive that has a Ph.D. in
biophysics] be hired today?" Or have we become so
specialized that we could not hire a Hoffmann type? The
perception was that it might be difficult.

We found that most executives supported the idea that skills development

could come through outside hiring. In addition, rapid growth would man-

date extensive outside hiring.

> You look first internally since the guy knows the
> culture. But you can bring someone in with the skills
> and also with a different way of looking at things.

> For the past 10 years the profit centers have forced more
> general manager skills. Cross-fertilization happens at
> higher levels with profit center responsibility. When
> you look for potential, try to find someone with general
> manager skills. Things are getting so technologically
> based that you need specialists. We will first go to the
> outside [market] for skills.

> As you go into a new business you start by hiring
> [outside] professionals. At first 100% of the people
> joined as trainees. However, in [a new business] we now
> have four [outside] professional hires per trainee. Over
> time the balance will move back. The single biggest area
> we are looking for are technology skills. Secondly, we
> are looking for very special skills like marketing or
> investment banking skills.

> We have used outside hiring extensively. We had to look
> outside because we were growing very, very rapidly.
> There was a demand for outside people. We were bringing
> professionals in at senior levels. Seventy-five percent
> of our senior positions came from the outside. Now it's
> fifty-fifty. After 10 years we can now look to the
> trainee program.

> The change we needed to implement here could not be made
> by putting existing people through new training. In
> general you cannot do it. You must go to the outside and
> get the new type of person. Sending to a program will
> not change people. After 15 or 20 years it's hard to
> change. In setting up [this type of business venture] we
> looked for a very specific skills background. We were
> not really concerned with personalities. The management
> development for their careers will be more functional
> than cross-fertilization.

On the technology side there is absolutely no choice. We must bring in people from the outside. Our committee feels we should raid when necessary.

We also heard that age was not important when considering whether a person could change.

It depends on the person and not the age. Some 22-year-olds cannot change. Some 56-year-olds really change. When trying to identify which person can change, [I have found that] personality is key. It is not educational experience or background. Give everyone the opportunity. Also let people have the chance to opt out.

AT&T Communications Interview Observations

There was general agreement on the type of person that people were looking for during the change. The person needed to be more of a "risk taker" with an entrepreneurial spirit. Having a broad-based background and being able to integrate were important. Finally, a good personality was necessary. We also found that when one staffs organizations a proper mix of aggressive leaders leading seasoned specialists is desirable.

If I were to hire the ideal person for CEO, I would want him from a good liberal arts school with graduate work in something disciplined - perhaps a joint MBA/ engineering degree. I want a broad-based background... We need a generalist who is comfortable about technology.

The type of people we were looking for to populate the task force? At first we went after the people who had the responsibility [for the area]. They didn't fix it. Finally I took a guy from another area. I went after smart people, not necessarily with understanding or skills. They had to work hard - long hours. It required personal drive. I want people who are willing to make decisions. They have to be confident... I personally have no problem putting people into key areas from other areas. It is very important to have generalists.

Leaders are people who have a wide experience base. They need to have specific details, too. It is necessary that a leader needs more hands-on information.

Why was I selected for the task force? I was a line officer and knew the problem firsthand. I had the choice of the task force members. I individually picked them... The profile? I considered past precedent but was not constrained by it. I wanted a fresh perspective. We took people who were working in [another area]. There was no bias and a willingness to challenge smart people. People in the past might defend or try to build upon the old systems. We found "non-experts," college grads. I took a few people who were 60, 62 years old. They we considered burned out, but they were cantankerous. They would question everything. But I also replaced a set of the old pros. At first there was a lot of self-defense. A lot could not break with the past. I wanted young, aggressive people combined with some experience. The proper mix for a team is a young tiger in charge of old pros. They actually accomplish the most.

The profile? The number one quality is the ability to think - and think quickly. That coupled with a willingness to act - to act aggressively. We talk a lot about "risk," but I do not think we understand the word. If you think or study too long, it will probably be too late. I'm not sure that we would have looked for those people in the past - people who could act through a maze.

I do see a significant change in my job - the realities of making a profit in a competitive world. We must behave in a competitive way. There is a strong need to integrate. We need a new type of manager with the intellectual capacity to understand the strategy - one who is able to act and move much more rapidly to deal with problems. In the past we didn't have to worry about sensing when new products were necessary. Today the implementation must be faster. They must sense when they have their own problems. They cannot wait until instructions are available. The new type of manager is more the entrepreneur seeking a way to make a buck. They need a sense of how profits are made, where competitive advantages are, and understanding of products and services. We need to integrate functions. We need managers who can understand how these functions work together - a greater sense of shared values.

...a person closer to holistic than systematic - an entrepreneur - a person who worries about getting results. I need a "do what I have to" person. Our recruitment has focused on the MBA type. I would like to

see more of a search for people with a highly technical, innovative view of the world. I'm looking for a broad-based person.

What profiles are appropriate? The most important [characteristic] is the ability to read the environment. They need to be visible and have strength of character. They need to also have an in-depth knowledge and an understanding of our fundamental thrust. They must understand some definition of the management team - that the synergy of the team can accommodate multiple styles and they cannot polarize it. They need to provide a good mix - move with the team. There is a need to mix good personalities.

I look for some experience - some background. But if you find the best pick in the draft, you can put that person in any position.

Executives stated that there was a need to concentrate more on skill development. However, there was still a need for interdepartmental moves to develop the well-rounded general manager.

Our management development has been functional. We have not done the job of developing the well-rounded general manager. There is more need for the well-rounded experience.

Moving people from department to department is a developmental technique that needs to be examined. In the past framework we developed the "generalist" manager. We want marketing professionalism. In the past there really were no "decisions" to make. You could not really make mistakes. The requirements are much harder today. I'm a little nervous about seeing only generalists. We should do interdepartmental development only for a select group - only for executive succession.

Rotation is slowing down. There is more specialization. People are working in a family of functional jobs. We were generalists - now specialists.

There is a general skewing back to vertical skill utilization. We are more refined and have a targeted view of the broad gauge development. We do not assume that it's good for everyone. We need to diagnose these people early and identify skill paths. In addition to the general manager development, the other need is skill

development in functional areas.

In the past the organization has been a functional organization. We have a bunch of specialists. We cannot have it now. We need generalists - with skills obviously.

There should be more interdepartmental moves. Management development does not need process change - change the content, not the process. There should be more emphasis on content. New areas are needed to provide opportunities to change jobs. Moves to and from the sectors are important.

As AT&T has moved into a more competitive environment, it has required a new set of external skills. It has been relying more on outside hiring. Extremes, however, do not make sense. Completely using outside talent and not developing internally is inappropriate.

In the past I would be hesitant to bring someone into a job without prior functional experience... [When the skills are available] I prefer to use people internally. When the skills are missing, it is OK to go outside.

Most things are not black or white. Extremes are bad, for example, completely hiring all new outside people to replace the existing ones or keeping all the old ones with no outside hiring... We desperately need new control systems. We really needed a new CFO. We have brought in an outside financial officer.

We have needed to go to the outside for talent. Half of the organization in consumer marketing is from the outside. Before we would have brought someone in from operations... The external hires were very skilled in their areas. The new outside infusion is good.

I further feel that we are so inbred - similar background, education - that we need to reconsider the "promotion from within value." We should bring in people from the outside. We need their skills.

Many people cannot adapt. We will have to bring in some from the outside. We will be looking primarily at the skill basis, then the experience and personality.

By necessity we had to go outside. It was very healthy

to bring in outside people at every level... The fresh
infusion is great for the organization. Both [parties]
learned.

When you come into a radically changed situation or when
you go outside to hire, you usually look for skills. But
it is hard to separate personality and skill. Change
agents are important.

Some outside hiring causes tension within the existing work force.

Internally we have great managers - the best. We have
gone out for two senior executives. This may give the
message to the internal troops that they may be
unacceptable.

If you do not have a skill, and it's the only way to get
ahead, then it's a problem. There is some intimidation
from the new hires coming in with new skills.

We heard that age had little to do with one's ability to change and

adapt to a new environment.

A lot of people took early retirement. It is not
necessarily an age issue. It is a confidence issue - can
you perform with the skills? You know if you can make
it. The ones who find it easier are the ones with nego-
tiation skills and the ability to change. Education adds
to confidence.

Age has nothing to do with it... It is increased respon-
sibility. Move responsibility downward.

In my case [when taking risks was dangerous], age helped
- being young allowed me to take risks. Now we should
make the penalty for taking the safe route more severe
than taking the risk.

The age issue. Our officers have had at least six to ten
different jobs. They have shown adaptability. The
people who have had problems [with change] are those in
the lower to middle years of service. They have not seen
that many jobs or moves. It's been much more stable.
This has been a more discontinuous change [for them].

Finally, we learned that the downsizing activities had created

frustration and that the executives wanted to move quickly back to an environment that supported normal promotional opportunities.

> I want to get through downsizing quickly and go back to normal growth and promotional opportunities.
>
> We are losing people - the older people who cannot change and the young, high potential people. We have a much higher loss rate of high potentials than in the past. They see tight times. The opportunities are not there, and they cannot move ahead. They are worried about the process. Both the inside [people] and outside [hires] are concerned about the tight numbers... At first they [outside hires] see fantastic opportunity - I can make my mark. But this second reaction is culture shock. They are taken aback by the long way you have to go to turn around the bureaucracy. There is frustration when they hit the bureaucracy wall. They see a need to speed up the process.
>
> We have had aggressive downsizing. The stables were full - why bring more in? Now this has become a major concern. This dichotomy - lots of opportunity versus downsizing - has caused confusion. We have not been doing enough. We need to create promotion opportunities. We are the primary source of good management for others.

FOOTNOTES

1. Marsha Sinetar, "Entrepreneurs, Chaos, and Creativity - Can Creative People Really Survive Large Company Structure?" Sloan Management Review, Winter 1985, Volume 26, Number 2, p. 57.

2. Ibid., pp. 57-58.

3. F. Ross Johnson, CEO of Standard Brands, Inc., Management Review, January 1980, pp. 43-45.

4. John P. Kotter, The General Managers (New York: The Free Press, 1982), p. 133.

5. T. W. Samuels, Jr., President of Maker's Mark Distrillery, Inc., May 1983, pp. 17-18.

6. Edgar H. Schein, Career Dynamics: Matching Individual and Organizational Needs (Reading, Massachusetts: Addison-Wesley Publishing Company, Inc., 1978), p. 145.

CHAPTER 7

CHANGE: OPPORTUNITY AND THREAT

Change is an essential ingredient of management development. Change
must be inculcated in the culture and viewed as an opportunity. The
style of management must reflect this attitude. Actions speak much more
loudly than words. While management development should require a
standard of quality, a real sense of urgency is healthy. Inter-business
segment movement is critical not only for developing well-rounded
general managers but also for maintaining an overall core corporate
culture.

In this chapter we examined management development from the shared value
and style dimension. We considered the attitudes toward the pace of
change and the impact of decentralization on maintaining a single
corporate culture or creating multiple cultures within each segment.
The discussion of fundamental cultural change also created the highest
level of frustration that we witnessed during our interviews. We
attempted to present an understanding of this frustration and tension.

The best definition of the informal cultural elements of a business is
presented in Deal's and Kennedy's book, Corporate Cultures. It is
attributed to Marvin Bower, author of The Will to Manage, and is
described as "the way we do things around here."[1] According to Deal and
Kennedy, the elements of culture are:

    1. Business environment - considered the single greatest
    influence in shaping a corporate culture.

    2. Values - which are basic concepts and beliefs of an

organization and set the standard, "If you do this, you too will be a success."

3. Heroes - these people personify the culture's values and as such provide tangible role models for employees to follow. Strong culture companies have many heroes.

4. The rites and rituals - these are the systematic and programmed routines of day-to-day life in the company.

5. The cultural network - as the primary (but informal) means of communication within an organization is the "carrier" of the corporate values and heroic mythology.[2]

Why is the culture so important? The answer is because developing people is important. The understanding of culture is the proper way of starting a formulation of a strategy that ultimately is going to influence organization behavior. Our interest, though, is more focused on the transition period in a changing environment. It is clear that deregulation and technology are dramatically changing the telecommunications as well as the financial industry.

These two companies have been adapting to these changes after coming from a very strong cultural stereotype of "conservative bankers" or "utility monopolists."

We have heard that it is very hard to change behavior. The conflict is between the acceptance and the resistance of moving from a comfortable structure to the uncertainty of an unknown future structure. One is conscious that life evolves in cycles, but there is always present the sense of loss, the mourning of the death before the rebirth. This internalization process is handled more easily intellectually than emotionally. Dealing with the fundamentals is a really threatening process.

The change in mind set is accomplished only by constant interaction, communication, and feedback. Rationalization through the thinking process will precede the decision-making process. Here the elements of culture, like heroes, rites, and networks, can play a fundamental role. Stimulating the process, motivating through the gospel of the future, looking for participation at all levels, creating a teamwork environment, aiming at plurality rather than homogeneity of people, and building this sense of urgency are the proper reactions to avoid paralysis or loss of control of the situation. Meritocracy should reward those who are contributing to the process of change in an effective manner by daring to take risk and bring forth innovation. Rosabeth M. Kanter in her book, The Change Masters, describes this change process from the bottom up, from micro to macro reorganization that has the benefit of involving all people in the process.[3] What else is this action than a cultural change?

Amitai Etzioni in the AT&T Magazine described two different views related to behavioral change:

> One arrogant, full of hubris; the other humble, even
> anxious. The first view is often embraced by operations
> researchers and by many planners, most MBAs, numerous
> executives, and administrators. A key tenet of this
> perspective is that the world can be transformed, that it
> can be tailored in one's image... In contrast, many
> psychologists, sociologists, anthropologists, and psycho-
> analysts have a much more humble view of change... They
> see numerous sources for resistance to change... This
> school of thought does not hold that change is impossible
> - only that it is much more difficult, slow, costly,
> likely to lead to unanticipated consequences, and more in
> need of fine-tuning than the first school assumes... As
> in many other areas, the golden middle has much to com-
> mend itself.[4]

The majority of the executives agreed that basic traits like integrity, for example, don't change. On the other hand, no one is so entrenched that they cannot change, especially if the change will bring a better future. Most people will go with the change.

Citicorp Interview Observations

The executives wanted to be pushing the boundaries of deregulation and clearly saw change as an opportunity.

> We're out front trying to make deregulation happen... We have been competing long enough that we are not concerned with going ahead quickly with deregulation. My only [complaint] is that we cannot assimilate deregulation opportunities fast enough. Our culture has been in place for a long time. Our culture is to provide service whenever we can and make a buck.

> In Citicorp, if we are not doing something new, then something is wrong.

> We are now going into huge disruptive changes - great opportunities.

> Citicorp has been leading changes. The whole effort of deregulated interest rates started at Citicorp. We had the first effort for multistate banking. Our response was to force the issue... It's the willingness to push the boundaries; we viewed them as opportunities.

> The culture is "decentralized" and "innovation." The reasons that people get ahead is that people can do their own thing... There is no defineable way management is done. It is a free style - no real formal mechanism.

> Citicorp has a very similar culture from the international standpoint.

> The marketing culture must pervade the entire organization.

> Our culture forces people to be willing to change... Home grown people are most successful since the culture is "change."

Deregulation provides the ability to do joint ventures -
find new businesses - revenue opportunities. We can now
pursue other opportunities. The spirit - lots of people
experimenting in new businesses. Technology is clearly
related.

There is no mature business unless the brain is becoming
soft.

We found the most diverse set of opinions regarding the need to maintain

a single common culture at Citicorp. In our view, it was the area of

most tension. Decentralization, a major component of Citicorp culture,

had been in part responsible for creating different cultures within the

company. Yet some executives felt very strongly about the need to pre-

serve an overall culture. Movement of people from SBU to SBU was very

important, but the differences in technical skills required by each

group made it difficult to transfer people.

We do permit decentralization to happen, but we also have
integrating mechanisms. You are first a "Citibanker."

The bank is becoming more specialized. It is harder to
switch people from SBU to SBU. Then why would you make
the change? You need a common culture overall, but
differences in units is good.

The corporate culture concern is very valid. When you do
a merger or acquisition, the most important thing to look
at is the culture. Citicorp is not different companies.
It is one company with different SBUs. The movement of
people will be critical to maintain that culture - that
attitude. Tension is possible.

Realistically, will we move people around as general
managers? The situation now - opportunities are more
specialized, quite technical, and complex. There is a
need for specialists who know their stuff. We're
demanding a great knowledge of technology.

We need a lot of movement at senior levels from SBU to
SBU. We'll probably do it at lower levels. It's good
cross-training. There is a concern that decentralization
will lead to the loss of the overall Citicorp culture

across the company.

In the past we were pretty monolithic in terms of
culture. Now we're very different. There is no single
profile for college recruiting. We're driven by diver-
sity to our own hiring for our own culture.

There is very little movement from SBU to SBU. Each
group is pretty big, so the opportunities are there...
We are run more as a conglomerate. I see no clear
problem.

Different businesses are a reality. I am afraid to lose
the common Citicorp approach.

There are already different cultures in the bank because
of the heavy decentralization. Retail banking is a very
different culture than corporate banking. In each group
you have different training needs. There is some cross-
fertilization, but it's getting less.

There are a lot of inter-corporate moves - why not within
the company?

Ultimately the critical strengths of people are different
from SBU to SBU.

There is less movement from business to business. It is
an accident that the businesses are under one bank.
There is no need to move back and forth. There is a move
to set up five [groups] as different businesses with dif-
ferent cultures in each. This is OK. The people in each
group are different. There is different recruitment.
People who are being developed in one group will not fit
in another group.

There was also a perceived tension between managers and technologists.

In the organization there are still gaps between managers
and technologists... We really have a culture gap
between technologists and office managers - problems of
burning out the technologists. The typical senior
manager joined the corporation with a Master's and
progressed by getting different assignments and inter-
national experience. The typical technologist comes in
at a senior level for specific needs. He does not
progress rapidly and then moves out [of Citicorp] to a
better job.

There is a major risk of getting a title of specialist -

when you get focused as a technologist. You want to be considered a general manager so that in the future you will be able to choose jobs.

Change is not easy. We found that change could be very frustrating, especially when you have decided to change and regulation is still in effect. The speed of change is often controlled by the pace that you follow when replacing people who cannot change.

> The pace of change has been significant... The people who could not cope left ten years ago.

> The speed will be dependent on how fast you bring new people in... the speed of change is pretty well set.

> We are still a bank. We are being run by people with twenty years of banking experience. It is very difficult to change that mentality... There is more emphasis on technology change. We are now dealing with information transfer... Careers were based on on-the-job training. It does not help creativity. The problem is you are tied into a framework.

> We are failing to give people an opportunity in Citicorp. We are becoming a supplier to the outside. We are still not tough enough to fire people with 20 years.

> [Technology] puts a tremendous strain on management to change - change in the way you do things. Many people worked in New York City. Only now are we asking them to move around. We've gone far enough down the road to show it works. First better customer opinion and second we have attracted the right people - change-oriented.

> Again it's fairly easy with no regulation. Find out what the customer wants and give it to them. The transition period was a hard and long period. We knew what the customer wanted and yet couldn't give it to them. Being a marketing person, it was very difficult on me. You had to invent ways around regulation to meet customers' needs. There was not a lot you could do about it. It was frustrating, but you had to do it. It was very hard on people - very frustrating. You have to be very sensitive. We were not doing it because we were dumb. Technology was the same. The customer knows all the services that they have. Why doesn't Citicorp know all about me? Technology constraints can also cause

frustration. You want to build technology as a tool to
help customers - help cause less tension. Technology is
the only way to really know the customer - the only way
to bring back "personalized" service.

The process of deregulation will cause a blood bath in
the banking industry. It will be much worse than the
airline or trucking industry. The vast majority of
bankers are unable to cope in the new environment. We
all complained about regulations, but we hid behind them.
It will require a significantly new set of management
skills. A small number of people in the industry will be
able to change.

AT&T Communications Interview Observations

We learned that the change had been very painful in some cases. Change

was not easy, especially when it involved the very fundamentals of the

culture.

It is not easy to change. It is painful to me. That's
not to say that we don't have lower levels that can
change. Culture equals the way you do things. The way
you do things is important. I'm frustrated. For two
years I've been trying to change [the way people do
things]. I have not been successful.

I had spent twenty-five years being responsible for
providing quality end-to-end service. It is hard to
change. It is very painful to change. If you started
out today it would be easier. After two-thirds of my
career, it's harder because of my personal commitment [to
end-to-end service].

We realized that it was a competitive world and we needed
to become more aggressive. In some cases it was a pain-
ful change. There was a concern about image - not sure
they liked the type of company we were becoming.

Shock and disbelief - we never did a "what if" on
divestiture. It was the most painful, excruciating
experience, but we carried off divestiture in a classy
way.

AT&T has undergone traumatic transformation. We are no
longer a simple public utility. It is intensely com-
petitive. In a monopoly you manage the supply side -

cost and capital. It is "neat" and comfortable. You
could round to 10 million with no concern. It was a com-
fortable style of management. The new management style
has to be extremely sensitive to earnings volatility.
Small changes in revenue and expenses have big impacts on
profit. We're getting our hands dirty. The aloofness of
upper management cannot stay. You have to challenge -
know more about what's going on... Twenty years ago I
had a psychological contract with the company. You knew
the rules and you would move up. You were never fired,
never downgraded. Now we have involuntarily separated
some middle managers. There was great shock... There is
resistance to change. People fell into a routine, a
comfortable structure. Any change is hard. There is a
cycle. First there is a sense of loss, then mourning,
then internalization, and finally productive change. But
we are dealing with the fundamentals. It is really
threatening.

One word that came through in almost every interview was "frustration."

The primary reason for frustration seemed to be the differences in view

concerning the pace of change. Some advocated gradualism; others

reflected a sense of urgency. There was no real consensus.

I do not see a hands-on attitude coming. Like Darwinism,
it must happen, but it will take a long time. It will
not really happen until top management changes... Is it
possible that a fundamental change will come from an
infusion at the middle and have a push-up effect? There
is frustration - upper levels must empathize. It is a
nightmare not to listen to people below. I do not feel
it is happening. It's more a military approach. You do
not assert authority, you must understand. You could
argue that now is the time for healing. My gut feels
that major change is necessary. There is a critical
need.

The frustration level will probably stay. Everything is
too gradual - very gradual. We have forums [to discuss
change], but I cannot think of anything that has changed.

The most painful time is to come. Right now we are
trying to make changes gradually. We still think we have
the time. We need radical measures. What will trigger
it - maybe financial results. There is real frustration
- feeling there is a real need for urgency. There is an
inability to make it happen. The freedom is not here.

If we were really new managers we would be taking more risks without worrying about what [people] think.

The financial results will force a change. It could be dramatic.

Maybe 50% of the people have not changed. 100% would say they have changed. We are not on the brink of disaster.

The pace of change can go pretty fast. Most managers have changed. We have stereotyped ourselves as a utility. The rate of change is based on technology... We tell ourselves that we have not changed, but actually we have.

There is a pulling together when the family is under attack. There will be no big blood bath. People can change more quickly than most people think.

Short of cataclysm, I do not see any alternative to gradual change... I believe in incrementalism. You do not change people overnight. You do it gradually - you have to test ideas.

In the old Bell System we would try people. We moved them into different jobs - environments. This has been characteristic for a long time. The business environment has not changed. Job moves have helped people. We will deal with the change in the market in the same way. We have lived in a world where technology has been changing. I do not see the need for a new type of man.

We cannot wait. We need risk-taking - entrepreneurs. The need for those things is very important in AT&T... There is a common thread. It is very troublesome - waiting for this to happen impedes the development of culture. We are inviting external crisis. It causes paralysis. While we are a new business organization with competition, nevertheless it's the way people do their jobs that makes it a new business... My concern is that while we say all the rights things, we need to internalize them - reflect them in the way we do the job. Frustration is not the right word - overwhelmed... The [old] organization was very successful. It very efficiently operated a network and innovated. It was internally focused. All solutions to any problem were internal solutions. I'm very concerned about that mind set. Solutions today are external. We must look outside... My concern is that we are racing the clock. Can we focus on the customer fast enough? That change is the most critical in the immediate future.

There was also a sense of frustration due to a lack of action. People were concerned that the words were there but that they were not reflected in what people were really doing. There had been an emphasis on risk-taking, but management was not rewarding risk takers.

> There is a lot of talk but not much change. It is the same old bureaucratic stuff as usual. I do not see any action. I see words. I do not see risk-taking. There is a lack of action, no sense of urgency.

> We cannot keep sending bad signals to the troops. The signal from senior management is to be safe - not to take risks. The big issue - how to translate words into actions.

> We are writing that we will push decisions down. The words are there, but there's no evidence, action that we have.

> The notions have not taken root. Theories are easy to intellectualize, understand clearly. But it is very hard to change behavior, emotion. I do not see signs that people are willing to behave differently. People are saying, "I hear you, but the jury is still out on whether I believe you. I want to see behavior." Employees are watching to see how we behave. Actions are important.

> We need to let go of the culture that says you must be able to answer every question. Our conservative top managers are up tight over new market thrusts. The worker levels can become very frustrated. We need to champion them to take risks - not to cry over spilled milk. Go act - our culture is action. Develop people to be risk takers.

> I'm frustrated. It's the same old problem. The signal is to talk risk but actually play it safe. The people who are talking have never experienced the risk.

The basis for the frustration was not all internal. People were frustrated because of the external environment, the residual regulation that prohibited AT&T from meeting their customers' needs.

> There is a perception of total unfairness. We

substantially subsidize our competitors. The frustration
is really due to the constraints of regulation. We are
frequently good as business managers. We choose to win
- then are told you cannot because of regulatory
constraints. Management has to rationalize decisions
because of the outside environment. We may have to
develop managers to understand the transitional environ-
ment. The time frame contributes to confusion. We do
not have a clear vision of transition. The team relation
is confused, erratic. We have conflicting incentives -
different incentives. We have individual experiences
from the last five years. After articulating a vision,
managers did not see it come to pass. They have a
different view from what management says. However, this
may be the nature of American business. Possibly it is
the new direction. Internally we have great managers -
the best... The big problem is external constraints.
Let AT&T managers do their job... The frustration is
from the external. We want to compete but cannot
compete.

Although there was a pragmatic assessment of the problems and frustra-

tions associated with change, there was an optimism that the change

could be accomplished. And more importantly, the organization would be

better off because of the change.

On the balance I'm optimistic. People clearly understand
the attitude and skills necessary. I'm anxious to get
this out of the way and go on with it. I'm encouraged.

The external thrust has been a great motivator. The
crises have driven us in the right direction.

The past experience has been useful. People are willing
to change. People will rise to where they have to be.
We have smart people who will rise to the challenge. I
feel that the organization has the talent to make it.

I've decided to tell people what I think - put my career
on the line. I will make change, work to make change,
then go some more. If you love your company, you must be
a change agent.

While we need to get rid of certain things, we must carry
forward integrity, honesty, trust, and loyalty... I wish
I were a lot younger. The future is great!.. if we can
survive the next two years.

FOOTNOTES

1. Terrence E. Deal and Allen A. Kennedy, <u>Corporate Cultures: The Rites
    and Rituals of Corporate Life</u> (Reading, Massachusetts:
    Addison-Wesley Publishing Company, 1982), p. 4.

2. <u>Ibid</u>., pp. 13-15.

3. Rosabeth Moss Kanter, <u>The Change Masters</u> (New York: Simon & Shuster,
    Inc., 1983), p. 180.

4. Amitai Etzioni, <u>AT&T Magazine</u>, Volume 1, Number 2, 1984, p. 13.

CHAPTER 8

COMPANY MOMENTUM

The pertinent question is not how to do things right, but
how to find the right things to do, and to concentrate
resources and efforts on them.[1]

The approach to the research investigation was to pursue a comparative

analysis of two large firms that were both encountering similar environ-

mental changes. While similar, the momentums of these companies were

different. AT&T Communications had recently concluded the divestiture

process and had only begun in the last few years to actively endorse

deregulating interstate services over time. Citicorp had been leading

the push for deregulation for almost a decade. AT&T had been in a world

where technology had been constantly changing, while Citicorp had

recently begun to actively promote the use of technology in the

industry. Although there were differences, there were similarities.

Rapid environmental changes and increased competition were impacting the

management development process. Telephone utilities as well as banks

had been stereotyped as conservative and traditional businesses for a

long time. Yet the change in both industries was dramatic. Our main

curiosity, then, was how management, both present and future, would be

affected. What were the key elements of change being contemplated and

implemented to cope with this process in AT&T Communications and

Citicorp?

The AT&T Communications Momentum

The momentum in AT&T Communications can be described as post-

divestiture. One cannot ignore the amount of energy and psychological impact of the break-up process. The current questions are, "What needs to be done?", "Who will do it?", and "How quickly should it be done?" These are classical strategic questions. We identified that AT&T is still in the middle of the transition phase. Debate about these questions, as well as the process of changing the company's cultural values, is still in progress. There is a recognition of the need for change, which was often described as painful to varying degrees. All changes are very hard. For a long time, AT&T has been very successful under a very strong set of values. They want to save some of the old values, yet they realize that they must also define new ones. Experimenting with new values, rewards, and approaches has added pressure during this time of environmental change.

Quality was central to the culture in AT&T; a service organization at almost any price. It was frequently related to us in terms of 99.9% reliability. In order to be successful, one common value was to avoid making mistakes. There was the "myth of infallibility." However, AT&T no longer can afford this luxury. Competition is already in place, and the information age is bringing more formidable competitors. Some may not be as technically knowledgeable, but many have an excellent understanding of the free market and the required marketing skills. This will be as important as the technological skills in the new environment. The "risk free" or "fiasco avoidance" syndrome must quickly give way to risk taking. The myth is gone. The new values will require a tolerance for making mistakes and an emphasis on what one learns from one's mistakes.

One reality is clear. The success of the firm will depend more on understanding the external factor created by increased competition. Here the corporate strategy and vision can be a useful contribution. It really does not depend so much on the answers from the process but more on the methodological focus of analyzing and adapting to the whole spectrum of variables involved. This exercise provides the inspiration to formulate the strategy and vision.

Besides the learning benefit, another key element of the strategic process is the involvement of line managers in the creation and discussion of the decision process. You must have participation and commitment from those closest to the client base. We believe that there is no one widespread answer to the set of problems that AT&T is going to face in the future.

At this point it appears that there will continue to be a rapid expansion of competition accompanied by a gradual deregulation of AT&T Communications. A sensitivity toward this reality should be in place. "Compete no matter what" should be the mission. Actively work to remove the regulation barrier. The management must read the environment and find opportunities that meet client needs. There is a whole spectrum of known issues that comes with deregulation. On one side, there is less stability and cultural change, while on the other side, there are new markets, new products, and new opportunities. Quality and cost control, marketing emphasis, and customer focus are becoming more and more at the discretion of the organization rather than imposed by regulation.

Who triggers the process has been extensively discussed in Chapter 3,

"CEO Makes it Work." The vision, the reward system, the inspiration, and the enthusiasm should start with the CEO. There should be leadership by example and action. The company leaders need to be the role models. These are the so-called heroes due to their love and dedication to changing AT&T for the future. They should be able to mobilize every available resource for this mission. The momentum requires the transformational leader described by Tichy and Ulrich:

> The change invokes simultaneous positive and negative personal feelings of fear and hope, anxiety and relief, pressure and stimulation, leaving the old and accepting a new direction, loss of meaning and new meaning, threat to self-esteem and new sense of value. The challenge for transformational leaders is to recognize these mixed emotions, act to help people move from negative to positive emotions, and mobilize and focus energy that is necessary for individual renewal and organizational revitalization.[2]

The traditional organization in the old environment was functionally oriented. It has been described as bureaucratic, hierarchical, resembling the civil service or the military system. It was services and production oriented. It was considered rigid and was certainly large in size. The ideal organization today goes in favor of smaller units, flexible in design to cope with changes in the external environment. They have few layers of responsibilities and are designed around different businesses.

The "reverse approach" mentioned in our opening chapter and by some of the respondents seems particularly suited to the organization structure. The bigness that is associated with the traditional AT&T could give room to the small profit-oriented units with more customer focus. The centralized power would change to a decentralized managerial unit.

Flexibility would replace rigidity. Since the motivation is to satisfy customer needs, it would be more line driven rather than large central staff designed.

The idea is to internally capture the dynamism of the market. This is contrary to the past stability. The task forces could become the first experimentation in this field. It is also essential that this delegation process be followed by control systems that would monitor performance and provide feedback for coordination purposes. One of the obvious consequences would be a dramatic change in middle management job design. Sharing common resources that could not be broken down without major damage to the cost structure should be considered, and classical matrix situations will not always be avoided. The rate of risk is balanced with the gain in customer satisfaction. Accountability would be assigned based on profit generation.

The first priority in terms of resource allocation is people. Here again the experience from the task forces actually in place provides a live test. These tests have shown us that "young" leaders should be assigned to different challenging situations. They should be combined with seasoned specialists that have the necessary amount of expertise. This could be complemented by outside hiring in areas lacking in-house specialization. As discussed in Chapter 6, personality is a key component in the selection of the team in general and the leader in particular. Interrelation skills to communicate internally as well as externally with the customer are fundamental. Conceptual skills to understand the business and formulate alternative options to unknown

problems are necessary. In our opinion, these are attributes of a well-rounded general manager.

At the same time that organizations are concerned with the growing complexity of the technical skills involved in their operations, they should also stress that the proper selection of the leader should be based on creativity, enthusiasm, a sense of business opportunity, and a willingness to take risk. This is the entrepreneur or the renaissance manager. This type of leader thrives on freedom and opportunity. It is important to provide that opportunity in the context described by Andrews:

> A high risk strategy that has failed was not necessarily a mistake, so long as the risk was anticipated and the consequences of failures carefully calculated. In fact, a planning problem confronting a number of diversified companies today is how to encourage their divisions to undertake projects where failure can be afforded but where success, if it comes, will be attended by high profits not available in run-of-the-mill, low-risk activities.[3]

AT&T, once considered a role model in management development, has lost some ground during the divestiture process. In the past, its basic strength was in the area of technology. There was an emphasis on developing generalists. The process of cross-business rotation has broken down and needs to be reestablished. Organizational vitality depends on executive succession planning. Identifying people early on, making decisions to move them quickly, and providing good career opportunities are important.

Some interesting self-assessment programs were mentioned throughout the interviews. They are helping people to assess how they stand vis a vis

environmental changes. As a result, management is reassessing person by person in an interactive mode. People are reviewing what behaviorists call the psychological contract. The ultimate effort is to arrange the marriage between the employee's aspiration and the company's needs. Some employees, as a result of this program, have decided to leave the company. It seems to us a fair way to solve the difficult mismatch issue. After this selection process, the necessary training program can be identified. It is clear that the amount of effort in training in marketing, business, competition, and creativity types of disciplines will be intensive and costly.

There is a common trend toward teams of heterogeneous people. In this case, participation in problem identification and solution would be stimulated through intensive communication, coaching, and reward systems. Some of the respondents mentioned the need for the coalition for success. The informal system today is carrying out the changing manpower development program. On-the-job learning is also a practical way to measure performance in real time basis.

We believe that AT&T is beginning to move to set the vision about the business they want to be in, to really believe in and internalize risk taking, to decentralize power to the line business units at the lowest level and as close to the customer as possible, to staff these units as heterogeneous teams of specialists led by well-rounded general managers, and to give them freedom to improve business profit. This should be coordinated by the corporate heroes, the organization lovers that will lead the transition of this company to the future. The sense of urgency

will determine the pace of this change.

The Citicorp Momentum

The momentum at Citicorp can be described as pushing the boundaries.
"You cannot stop the progress." Citicorp has been aggressively pushing
the deregulation boundaries. One of the interview comments that banking
deregulation will cause a blood bath, much worse than airline or
trucking, illustrates the degree of change that is about to come in the
industry. Banking deregulation brings new competitors, takes away price
umbrellas, generates more supply than demand, and forces lower margins.
It will cause reductions in the money float. The whole concept of
"traditional banking" has changed.

Banking deregulation will also create more alternatives for both
companies and customers. The credit card is a dramatic example of the
new creative banking system. Technology is also transforming the
industry. Technology improves customer service. It provides the oppor-
tunity to return to "personalized" services. It has the unique value of
being able to leapfrog geography, combine services, and transform pro-
ducts. It creates process compression, integrates functions, and impro-
ves control. It totally changes cost curves. It requires more up-front
investments. Added volume lowers unit cost. The market implication for
companies like Citicorp that have opted for growth then is to go for big
volume. This change is just beginning to affect the banking industry.

During the interviews people said that Citicorp had been competing long
enough that they were for going ahead with deregulation as quickly as

possible. The concern was that the organization could not assimilate deregulation opportunities fast enough. The reasons appear to be two-fold. There appear to be insufficient numbers of people to cope with all of the opportunities, and there is the challenge of matching businesses and technology.

Our interviews in Citicorp covered the whole organization - the so-called five I's. In general, the institutional bank is a more traditional business, the individual bank is in the growing phase, and the investment bank and the information and insurance businesses are in the embryonic phase. All of these businesses have products in different life cycles. There are remarkable geographic differences in the same business. It is difficult to assess Citicorp as a whole as well as their companies and regions without going down to the strategic business unit level.

It is clear that in a more mature business there is more time devoted to management development. The new businesses are more "people takers." There is a large demand for good people. The specialized areas of marketing and technology are in strong demand. However, the increasing amount of new products and markets associated with technology capabilities are also generating tension between account officers, who are more customer focused, and technologists. The technologists are having more difficulty transitioning to the managerial stage and even more problems moving to the entrepreneurial mind set. It is essential that Citicorp bridge these differences.

A combination of forces - from the rapidly changing busi-

ness environment to the new work force to astonishing advances in technology - is forging a breakdown of the large traditional, hierarchical organizations that have dominated in the past. We think that this dismantling will result in highly decentralized organizations in which the work of the corporation will be done in small, autonomous units linked to the mega-corporation by new telecommunications and computer technologies. This change can turn us all into entrepreneurs and in the process will transform the role of the middle management. Motivation will come from the opportunity to accomplish complex tasks in an intimate, relatively simple work environment.[4]

The current discussion in Citicorp is whether the heavy emphasis on decentralization will eventually lead to fragmentation and to a multi-culture situation. There are more matrix committees being established in Citicorp. Some of the committees are precisely the "glue" mechanisms that are bringing the culture together. All of the groups share information and experiences. They establish common approaches in areas of policy decision, financial decision related to the generation and allocation of funds, and personnel matters. The downside of this process is that some of the groups are complaining about the lack of independence and flexibility. They want to allow for differences. The decentralized approach in Citicorp has advantages of creating smaller units which have more visibility, are closer to the client base, and are more flexible. The disadvantages arise from the difficulty of coordination and the parochial views of the marketplace. Citicorp still struggles with the number of committees, meetings, and presentations necessary to overcome these multiple initiatives.

The other area being debated today is the advantage of cross-business mobility. Some of the executives are not in favor of inter-business

moves because of the specialization trend in each business. They feel that complexity and specialization are making cross-fertilization more difficult, if not impossible, since the customer is demanding this sophisticated expertise. In fact, the amount of mobility across groups has decreased considerably. The role of the strategic business unit head in a decentralized environment is to emulate the key executive of the company or division. It was said that the success of the management development system depends upon this local leader's effectiveness. The fervor for acquisition, innovation, and growth considerably broadens his responsibility and brings complexity to his performance as a management development agent.

There is, however, serious concern at the senior management level with the promotion of the cross-culture career path. At the same time they want to allow for local differences. There is this notion of doing it "the Citicorp way" and the "Citibanker." The key reinforcement of this concept is attributed to customer perspective. Customers buy "Citicorp" services regardless of the organization structure. In addition to the customer, there is a desire to maintain an overall Citicorp culture.

It is always important to remember that the quality of the company is a by-product of the quality of its people. The question faced today is whether it is possible to create the common Citicorp for the customer only with excellent local specialists. Both AT&T and Citicorp have the quality of their management teams and the preference of developing and promoting from within as much as possible. One area under study is the idea of creating pools of talent from the best schools to be trained and

developed in-house for multi-disciplined expertise. This could provide a counter effort to offset the specialist raid in fashion today.

During our interview in Citicorp with the CEO and the Vice Chairman, the conversation suddenly turned to the selection process of a country head in the organization. Both executives, after discussing the personality of one of the internal candidates, quickly decided that he was considered to be a bright person and had a proven record in his field. Even though the candidate had no practical line experience in the proposed function, they didn't hesitate to consider him a serious candidate for the job. It was really contagious to witness the excitement of the discovery of an excellent athlete and to see the decisiveness of the final decision - "Why not give him a shot?" It was exciting to see how opportunities are so spontaneously opened for those individuals with potential and how quickly senior management functioned as a role model in the management succession decision making process. The response to query on the decision process was, "We have an ethic to take risks on people in Citicorp." The entrepreneurship in Citicorp today is ingrained at the senior level. Yet it is recognized that it is still more complicated to create this attitude at the lower levels. It was described as a hard change. For example, "When the horse is not drinking, then we will bring it to the water." The approach was to inculcate by example, endless training, and an extensive two-way communication process. When probed on what would happen if a group head would not want to take a staffing risk on a person, the answer was a smile and the comment, "I would simply ask, 'Are you hesitating to take a risk?'" It seems that this simple reminder triggers the values.

Levinson and Rosenthal summarized their interviews with Wriston as follows:

> Where did all that lead - the perfectionistic standards, the selection of the world-class people, the intense competitiveness along with freedom to make mistakes, the satisfaction from having those he had chosen and cultivated achieve new highs, the wish to be liked by those close to him coupled with challenges that risked the hostility of those more distant, the faith in the eventual potency of written and spoken ideas? In Wriston's perception, the outcome is an innovative institution, constantly pressing against the frontiers of knowledge and evolving new ways of doing things - occasionally brash but of the highest integrity.[5]

The Responsibility to Develop the Next Generation

In the current environment, it is now time for risk taking rather than risk avoidance. It is doubtful that companies can survive by avoiding change. They cannot avoid innovation and the progressive market pace. The common message is action. It is a time for experimentation and evolution. There will be no growth without change and no change without frustration and tension. Less stability generates less security, but immobility generates obsolescence.

The responsibility of managers now is to develop the next generation. It is like raising children. You want them to retain some of your image, yet you also want them to be able to adapt to changing circumstances.

> Human beings are at the heart of any creative enterprise. To develop them is to insure the future of the organization. Your responsibility is to educate the new generation and provide them guidance.[6]

What managerial monument did Wriston want to leave

behind? According to him, the next generation of mana-
gers... The history of the bank from 1812 reflects four
alternating cycles of innovation and expansion or
retrenchment and consolidation. The cycles of innovation
were triggered by a leadership group that was innovative
and entrepreneurial. It is deeply ingrained in Wriston's
thinking that at critical points, when the environment
changed in a decisive way, the bank survived and
prospered because it was able to innovate.[7]

FOOTNOTES

1. Peter F. Drucker, <u>Managing for Results</u> (New York: Harper & Row, 1964), p. 5.

2. Noel M. Tichy and David O. Ulrich, "The Leadership Challenge - A Call for the Transformational Leader," <u>Sloan Management Review</u>, Fall 1984, Volume 26, Number 1, p. 65.

3. Kenneth R. Andrews, <u>The Concept of Corporate Strategy</u> (Homewood, Illinois: Richard D. Irwin, Inc., 1980), p. 43.

4. Terrence E. Deal and Allen A. Kennedy, <u>Corporate Cultures: The Rites and Rituals of Corporate Life</u> (Reading, Massachusetts: Addison-Wesley Publishing Company, 1982), p. 177.

5. Harry Levinson and Stuart Rosenthal, <u>CEO: Corporate Leadership in Action</u> (New York: Basic Books, Inc., 1984), p. 92.

6. William F. Bottiglia, personal discussions.

7. Levinson and Rosenthal, pp. 92-93.

Letter of Introduction

Jim Cosgrove is currently a Sloan Fellow at MIT. As partial
fulfillment of the course requirements, Jim is completing a joint
thesis with Ubiratan Guzzi, Vice President-Citicorp. The objective
of their thesis is to investigate the effect of deregulation and
extensive technology changes on the management development process.

A portion of the thesis would be devoted to senior management
interviews from both companies. Senior management's perception,
relative to what the new management profile should be, will be of
prime importance. The thesis will focus on senior management's
view of the environmental changes, their effect on organizational
structure and culture, and specifically on the impact on the
management development process.

I would appreciate your participation in these 30-minute interviews
during the week of January 7 or 14, 1985. Bob Gebo (201-221-2584)
will be contacting your secretary for the arrangements. A list of
specific topic areas will be provided prior to the interview.

Should you have any questions, Jim can be reached at 617-235-8254.
Thank you for your personal cooperation and help.

R. H. Gaynor

Appendix 2

Meeting Confirmation Letter

Thank you for agreeing to be interviewed by Ubiratan Guzzi and me for our thesis project investigating the effect of deregulation and technology changes on the management development process. We are scheduled to meet on Wednesday, January 9th at 2:00 p.m.

We would like to understand your personal perception of the changes in the management development process. Our focus will be on specific examples and observations. I have included a list of topics to provide you a sense of our thesis orientation.

Should you have any questions, I can be reached in Boston on (617) 235-8254 or through Bob Gebo's office on (201) 221-2584. Thank you for your personal time and effort.

Sincerely,

James Cosgrove

Attachment

Appendix 3

Topic Areas

· Have you experienced your job changing?

· What are the new demands for your career development?

· Where did you get the experience to handle these changes?

· When did you sense the need to change? What was the trigger for change in your job?

· Do you see the need to have a new type of manager in your organization?

· Are these managers available internally, or will you have to look outside?

· Can you identify the type of manager needed? Any patterns for the future?

· To what degree have you personally probed the impact of change on management development? How high is it on your list of job priorities?

· How do you personally obtain information regarding management development? How do you verify this information?

· Can you cite observations or examples of how jobs and management development have changed?

· What is your "sense of the organization" with respect to change?

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