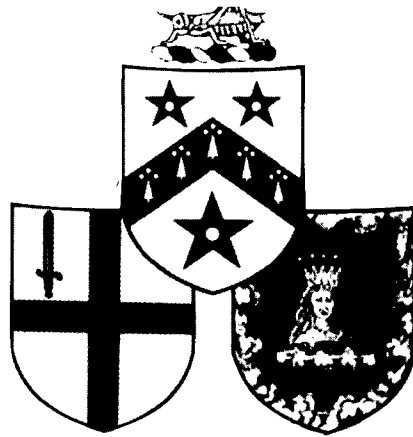


G R E S H A M
C O L L E G E



**YESTERDAY'S EDUCATION
FOR TOMORROW'S BUSINESS**

Lecture 5

**VISIONS, DIRECTIONS
AND UNDERSTANDING**

by

**PROFESSOR TOM CANNON CIM FInstEx FRSA FCIM
Mercers' School Memorial Professor of Commerce**

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Gresham College

Visions, Directions and Understanding

Tom Cannon, Mercers' School Professor of Commerce at Gresham College

Earlier in this series, I talked about the key features of the successful enterprise of the 21st Century. The point was made that a key feature of these businesses is the need to be vision directed. The need for a clear vision is as true for education for business as it is for business itself. The meaningful vision, however, must be capable of delivery. Resistance to the implicit changes is inevitable. Achieving the new vision, a sense of direction and real understanding in education for business involves overcoming these changes.

A Princely Price

There is nothing new about resistance to change. In the Prince, Machiavelli points out the difficulty of introducing change.

"There is nothing more difficult to execute, nor more dubious of success, nor more dangerous to administer than to introduce a new order of things; for he who introduces it has all those who profit from the old order as his enemies, and he only has lukewarm allies in all those who might profit from the new. This lukewarmness partly stems from fear of their adversaries who have the law on their side, and partly from the scepticism of men, who do not truly believe in new things unless they have personal experience of them. Therefore it happens that whenever those who are enemies (of change) have the change to attack, they do so enthusiastically, whereas those other defend hesitantly, so that they together with the prince are in danger¹."

More recently, Corelli Barnett² attributes much of Britain's post-war decline to the resistance to change.

If Britain after the war was to earn the immense resources required to maintain her cherished traditional place as a great power and at the same time pay for a New Jerusalem at home, she had to achieve nothing short of an economic miracle. Such a miracle could only be achieved through the transformation, material and human, of her essentially obsolete industrial society into one capable of triumphing in the world markets of the future. Had all the most powerful groups and institutions in that society been willing to throw themselves behind the process of transformation, it would have still been

¹ Machiavelli, Niccolo *The Prince* 1513

² Barnett, C. *The Audit of War : The Illusion and Reality of Britain as a Great Nation* London, MacMillan 1986

difficult to achieve, given the scale of the inherited problems. Instead of such a willingness there existed the massive internal resistance to change which was so manifest in the history of Britain as an industrial society: a resistance that not even the shock of war had proved strong enough to budge more than a little.

Managers in steel, shipbuilding, aerospace and mining were as resistant to new techniques, novel technologies and innovative products as artisans, riveters and miners. Both were reinforced in their reluctance to adapt by a civil service which did not see a transformation of the quality of the labour pool as a national priority.

Machiavelli highlights the central problem of introducing organisational change - most do not see the need for change and many feel they will lose out from change. In the UK after World War 2, resistance to change affected many key sectors.

Resistance to Change: The Real British Disease

<u>Management</u>	<u>Workers</u>	<u>Policy Makers</u>
No to	No to	No to
Management Education	Training centres	Priority for vocational education
Specialist technical staff	Qualifications	Training for engineers
Agreed quality and delivery standards	Proper apprentice training	Redirection of science and technology to industry
Retooling by choice not necessity	Dilution of "skilled" by "trained" staff	Industrial strategy
Systematic replacement of obsolete equipment	Productivity agreements	Management & supervisory education
Reinvestment	Rationalisation of trades unions	Design education
Modular and batch production	End of restrictive practices	Concentration
Production engineering	End of "slack" time	Investment and training allowances
Air-conditioning and properly lit plants	End of demarcation disputes	Large scale investment in industrial modernisation

There were those who demanded these changes but even when difficulties are public and widely discussed, it is easy for those involved to ignore the messages.

The Price of Success

An insider at American Express acknowledged, after its crisis in the early 1990s, that they resisted change because "we let success blind us. We were inflexible. We were arrogant. We were dreaming." An external crisis is often the most powerful stimulus to change. Ed. Artzt, the Chief Executive of Procter and

Gambol says that following a crisis 'we have a much better view of our own mortality, and that is a great reliever of arrogance.'

Clear outward symbols of change can be a more acceptable substitute than a crisis. Many of the successes of privatised corporations like British Airways and British Telecom owe part of their success to the change in their institutional set up. The success of AT&T and the "baby" Bells since the break-up reflect the same formal change. In effect the defender of the old rules cannot turn to them for protection because they no longer exist. Continuity and persistence are equally important. Change programmes often come unstuck because the leadership group are not ready for the "long march" that change involves. The implications of the long march analogy go beyond determination and persistence - although both are important. The long march is more likely to reach its destination if people agree about the goal and have a good map. The map has greater value when there are guides who can find new routes if obstacles appear. There will always be people who need different forms of support at various times. Their needs ought to be designed into the plan.

The resistance to change is often passive. This is frequently associated with the helplessness people feel when faced with change. Liddell Hart, the British Military historian highlighted the dangers of this sentiment when he commented that "helplessness leads to hopelessness and hopelessness invariably leads to failure." Corporations now face an additional challenge - the institutionalisation of change. Endemic change in the external environment forces firms to build continuous change into their own operations.

The last decade has, however, seen real progress. At the start of this decade, the CBI called for a skills revolution to address the challenge

"Britain's skills levels are lower than those of its competitor countries and the gap is widening. Despite annual employer expenditure on training of over £18 billion and important innovations in the education field, a quantum change is needed in Britain's education and training performance. To maintain and improve Britain's position in an increasingly competitive world nothing short of a skills revolution is required."

Revolutionary change in the external environment requires fundamental change in the internal environment of the enterprise. Robert D Haas, the CEO of Levi Strauss accepts the need for fundamental change. He argues that "the most visible differences between the corporations of tomorrow and their present day counterparts will not be the products they make or the equipment they use - but who will be working, why they will be working and what work will mean to them ... organisations (must) create the common vision, sense of direction and understanding of values that binds the enterprise together³." The quality of this workforce and its understanding of business will determine its ability create and sustain a common vision, achieve a sense of direction and sustain a set of

³ M. Ray, & Rinzler, A. 'The New Paradigm for Business' Los Angeles, Pedigree Books, 1993

values that adds continuous value to the enterprise over time and in different environments.

Hanging Together

The forces which bind the organisations vary widely. Some are reinforced by wider national or cultural forces. In Germany, notions of industrial co-determination date back to the first half of the nineteenth century. Proposals for co-determination won support from the interventionist Prussian state. Only during the Nazi era was there widespread opposition from business and political leaders. The greater integration of German firms is well rooted in its national, industrial tradition. Integration is further reinforced by the emphasis on on-the-job training. Anglo-US corporations place greater emphasis on off-the-job training which is often rigidly hierarchical and divisive. Managers being groomed for leadership are sent to an international business school like Harvard. Senior managers are sent to leading national business schools like Cranfield or Kellogg. Middle or junior managers go to schools like Manchester in the UK or US state universities. Supervisors receive on-the job training.

The integration of Japanese firms is reinforced by deep rooted cultural and social forces. There is a strong sense of group in Japanese society with, for example, "a relative absence in the Japanese language of anything remotely resembling the personal pronoun⁴." Notions of duty, group and social responsibility permeate language, literature and social interaction. Robert Locke contrasts these values with the US approach which "during its great industrial boom (1880-1929) adopted a low-dependency strategy, one where management carefully spelled out job descriptions, without much worker input and implemented control techniques that permitted management to measure performance." The US approach suited the needs of a fragmented workforce, low levels of technology and mass markets.

The strengths of more integrated, better educated and cohesive workforces had limited impact on these market conditions. Technological changes which placed a premium on products and services differentiated by quality, with high rates of change and market fragmentation shifted the balance of advantage. This balance has shifted in favour of the cohesive, flexible and more involved workforce. The environment determines the appropriate organisational form. A common platform of understanding based on an education for business curriculum which permeates the wider educational curriculum must stand alongside a more focused business education agenda. These, in turn, must reflect the shifts and needs of the wider environment.

Four features of the new environment dominate the education for business agenda. These are; globalisation, diversity, computers and telecommunications

⁴ Smith, R. E. *Japanese Society: Tradition, Self and the Social Order* Cambridge, Cambridge University Press, 1983

and information and knowledge. Each affects the nature of the enterprise and its management and the kind of management structures most likely to produce success.

Globalisation

Globalisation shifts the focus of economic and industrial development beyond the rich, Northern industrial markets. East Asia's share of world economic output grew from 4 per cent to 25 per cent between 1960 and 1990. The same region is expected to account for 40 per cent of world economic growth during the 1990s. The sphere of growth is extending beyond Japan, South Korea, Hong Kong, Singapore and Taiwan to include Malaysia and the giants of India, China and Indonesia. North American and European corporations cannot afford to ignore these markets. The UK's failure to compete effectively in North America, Germany and other growth markets at the start of this century was a key stage in its decline as a major industrial power. Imperial markets were more easily accessible and required a minimum of change but the action was elsewhere.

Learning to compete where it matters is one of the most important and difficult challenges facing organisations striving to use globalisation as a means to strengthen the enterprise. The main characteristics of organisations that have established this capability are; awareness of emerging opportunities, understanding of the organisation's capabilities, organisational flex and the ability to deploy capabilities against opportunities. The education for business agenda must be rooted in a level of economic, social and cultural awareness that reflects this new environment. There are, for example, dangers in the type of ethnocentric approach to general education that is popular among some education writers today.

Most firms and managers have the capacity to scan the environment and identify opportunities. The difficulties lie in filtering out the noise and turbulence that cloud assessments while avoiding the easy route of interpreting opportunities in terms of preconceived beliefs or assumptions. Education for business must, of necessity, place a premium on analytic skills as a supplement to action - not as an alternative. IBM, for example, were not ignorant of the personal computing revolution especially the shifting role of software. Their problems were caused by the assumption that it would produce few real changes and that the computer market would change in ways IBM hoped it would change.

Selectivity is crucial to globalisation strategies. There is a considerable literature on the questions face by managers and organisations in choosing these strategies. Issues like competitive superiority have received considerable attention as organisations have tried to concentrate their resources in markets in which they have a distinct or unique fit of capabilities to opportunity. Marks and Spencer have a set competitive advantages that confirm their leadership position in the UK market. Some of these, notably close supplier links, distinct reputation, outstanding locations, reputations with important market segments, do not translate easily into non-UK markets. They might not be easily duplicated. Rivals might match them. They are obliged to rely on more generic capabilities like

management capabilities or competencies, operating systems or product development.

Successful globalisation goes to the heart of the organisation's values and mission. The policies, skills and attitudes of managers in a successful global corporation show an inclusive world view not the exclusive world view that characterises many executives today. An inclusive world view recognises the distinctive nature and value of different world views. North American and European firms tend to adopt a Judeo-Christian world view. Increasingly this needs to be tempered by an appreciation of the Shintoist, Hindu, Confucian and other ways of viewing the world. The pressure imposed by many companies for homogeneity and conformity is gradually getting replaced by an acceptance of the positive features of heterogeneity and diversity. The clearest short term challenge for business education is to absorb the implications of these shifts. An ethnocentric view of the world dominates most Business School, university and college curricula. The favoured solution - adding an option or elective on international business - makes little difference. The same pattern is reflected in the associated literature and thinking. Textbooks add a chapter on exports or international trade but make no changes in the language and assumptions elsewhere.

Sanrio, the Japanese toys and entertainment's group, faced a major crisis in its US operations because of its insensitivity to the US market. In 1988, there was a crisis in US Japanese relations when a Japanese government official criticised African-Americans. The backlash hit Sanrio who sold a range of "Little Black Sambo" dolls. The image these dolls presented was deeply offensive to African-Americans who were already angry at the comments of the government officials. The wave of protest forced Sanrio to withdraw its entire range of products and had a deeply harmful effect on their trade in North America.

Sanrio's problems occurred because they did not build up the intensive market knowledge they required for effective market penetration. Some firms succeed globally because they identify distinct and, often highly specialised, global markets. Piranha Mouldings in the UK specialise in competition quality, white water canoes. They chose their name because they were going to "eat up the opposition." They concentrate on the top end of the quality market - where fractions of seconds make the difference between success and failure. They have over sixty per cent of this market and at a recent world championship fourteen of sixteen national teams used their canoes. Koenig and Bauer showed the same dedication to their niche in building a ninety per cent market share of the global market for money printing presses. These companies succeed because they effectively integrate their vision, strategy and capability from a global perspective.

Diversity

This shift to global view affects every aspect of the organisation - from its view of markets to the kind of control systems it operates. It is linked with a renewed awareness of the diversity of the business environment and a wish to recognise this diversity in the firm's culture and operations. Education for business often

makes assumption about operations, systems and people that have hardly shifted over the last decade. The problem is equally true in key operation areas. Management control systems typically assume that all members of the management team speak the same language, expect the same rewards and punishments and share the same values. Education for business must question each of these assumptions and provide the tools to handle the needs of organisations with many languages, various aspirations and diverse values.

An important feature of the failure of Britain to respond to the last industrial revolution was rigid mind-set of so many UK business executives in the first half of this century. They were a closed group who went to the same schools and shared the same beliefs - especially of their own superiority. The diverse origins of US and Germany business leaders made them far more responsive to the new expectations of the new consumer and industrial markets. The Japanese pioneers of industrialisation recognised the importance of a society which was well integrated with a unity of vision. Schoppa highlights the importance placed by policy makers following the Meiji Restoration to "mobilise the talents of the whole nation, regardless of class." British observers were surprised to see that "children of all classes attended the same school." This emphasis on integration was translated in work practices and individual behaviour. The pattern is being repeated in Korea, Taiwan and Malaysia. In several of these countries it is reinforced by a mixture of a sense of external threat (Korea and Taiwan), group consciousness (Bumiputra in Malaysia) and state policy.

In the Economist Intelligence Unit's study of the Successful Corporation of the Year 2000 almost forty per cent of business leaders identified "increasing diversity" as a major feature in the developing business environment. Culture, gender and ethnicity are just the most visible aspects of the increasingly diverse, external environment that is reshaping the internal and operational environment of firms that seek to prosper. There is growing evidence that enterprises that try to ignore this diversity are cutting themselves off from talent, missing major market opportunities and creating resistance to their development in home as well as overseas markets. Policy makers who wish to support globally competitive enterprises will need to legislate and regulate to reflect these issues. Business leaders who wish to operate in these environments need to frame ethical and value systems which can cope with the challenges of this environment.

Computers and Telecommunications

The computing and telecommunications revolution makes it practically easier and conceptually harder for managers to design, develop and implement the changes require in the new global, heterogeneous and diverse environment. Advanced computer systems provide corporations with the capacity to manipulate far more data and variable than in the past. This often produces manipulation myopia or a sense that manipulating vast qualities of the data is the same as managing useful information or knowledge. Computing power is dropping in price while systems are more accessible. The integration of computing and telecommunications systems allows providers, users and

intermediaries to open up new ways to communicate, manage operations and innovate. Integrating information management into education for business provides opportunities and challenges. The opportunities lie in harnessing the new technologies to new thinking. The challenges lie in avoiding technology myopia - the assumption that having data is the same as have knowledge.

These changes give managers access to information on the different aspects of the firm's operations and the ways in which it interacts with markets and others. It enhances their ability to understand, control and direct resources. It is, however, easy to be concentrate on the superficial aspects of computing power and ignore their scope for improving information systems, enhancing knowledge and understanding and changing the nature of management. Novel developments in information systems will move the technologies out of the routine and the repetitive in areas that enhance the abilities of managers to develop and innovate. Korendo Shiotsuke, Fujitsu's director of public relations believes that 'most systems in the past were used to replace human beings. In the future, we see the role of systems as supporting the creative work done by human beings.'

The Anglo-US approach to business is dominated by a much more impersonal reductionist approach. Work and tasks are reduced, as much as possible, to their component parts. The role of workers is prescribed and controlled with efforts concentrated in avoiding human error, minimising risking risk and replacing human systems with machine based systems. The different economic and social traditions of Japan and Germany produced a pattern of work that was far less reductionist than the UK and USA. The focus on added value in Japanese factories, novelties like quality circle, co-determinism in Germany and employee representation on supervisory boards create a much more integrated set of working relationship. This is reinforced by the smaller gaps in remuneration, the high proportion of technically qualified staff on the shop floor and the lower social barriers between workers. Technical and technological competence creates a level of credibility that the highly mobile, professional manager with an administrative background cannot match.

This lack of credibility raises questions about the current emphasis on human relations skills, coaching and mentoring in Anglo-American management writing and advice. Many firms are drawing the superficial lesson from the integrated people focus of Japanese and German industry and successful firms like Asea Brown Boverie (ABB). Christopher Bartlett⁵ describes how Goran Lindahl an executive vice president of ABB "spends 50 to 60 per cent of his time communicating directly with his people in a process he calls 'human engineering'." This prompts the notion in some firms that a greater emphasis on communication, more time spent walking and talking by the managerial bureaucrats will transform their separated, adversarial, low trust firms into

⁵ Bartlett, C. And Ghoshal, S. "Changing the Role of Top Management: Beyond Systems to People" Harvard Business Review, May-June 1995

integrated, value adding enterprises. The sunk investment of the managerial groups in firms like ABB is wished away.

Closer analysis highlights the strong links within the labour force - managerial and operational. Many managers have engineering and technical backgrounds and serve long periods in the heartland of the business in operations or production. This establishes their credibility and provides a platform for trust building. Trust is reinforced by open lines of communication, greater sharing of benefits and more secure employment. The confidence goes both ways. Lindahl asserts that "people want to learn and are greatly motivated and satisfied when they do. Top management's challenge is not only to help people develop but to ensure that they do so in ways that support and reinforce the company's objectives."

Conclusion

Entrepreneurs succeed because they take a minimum of assumptions into an environment. Besides this, the ratio of start-ups to successes is so high that the odds shift in favour of some successes. Competing where it matters, requires that managers select markets on the basis of real and substantial potential. In effect, if you want to be the best - you have to compete with the best. Implicit in this determination to compete with the best is the emphasis on continuously competing with the best. Life time learning is increasingly recognised as central to this effort. The UK government's Lifetime Learning consultation document summarised the required shift in behaviour. "Rapid technological and organisational change mean that, however good initial education and training is, it must be continuously reinforced by further learning throughout working life." The biggest shifts in education for business lie along three planes:

- Coping with environmental change
- Refocussing around the needs of smaller, more entrepreneurial ventures
- Incorporating life long learning.

GRESHAM COLLEGE

Policy & Objectives

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- to continue the free public lectures which have been given for 400 years, and to reinterpret the 'new learning' of Sir Thomas Gresham's day in contemporary terms;
- to engage in study, teaching and research, particularly in those disciplines represented by the Gresham Professors;
- to foster academic consideration of contemporary problems;
- to challenge those who live or work in the City of London to engage in intellectual debate on those subjects in which the City has a proper concern; and to provide a window on the City for learned societies, both national and international.

Gresham College, Barnard's Inn Hall, Holborn, London EC1N 2HH
Tel: 020 7831 0575 Fax: 020 7831 5208
e-mail: enquiries@gresham.ac.uk