

The Enigma of Steve Jobs

Fortune has judged Steve Jobs as the CEO of the decade. Defending the decision, Adam Lashinsky, the editor-at-large for Fortune argued: “How’s this for a gripping corporate storyline: Youthful founder gets booted from his company in the 1980s, returns in the 1990s, and in the following decade survives two brushes with death, one securities-law scandal, an also-ran product lineup, and his own often unpleasant demeanor to become the dominant personality in four distinct industries, a billionaire many times over, and CEO of the most valuable company in Silicon Valley.” This, in essence unravels the enigma of Steve Jobs. “Remaking any one business is a career-defining achievement; four is unheard-of.” The four industries – computing (Apple), music (iPod), movies (Pixar) and mobile phones (iPhone) – have altered the way businesses are done, thanks to Steve Jobs.

While Randall E Stross (the author of *Steve Jobs & The NeXt Big Thing*) described Steve Jobs as, ‘arrogantly oblivious’, ‘unmerciful’, and an ‘unapologetic snob’ who is ‘imprisoned... by his selected historical memory’. Others describe him as ‘the perfectionist’, who “sets expectations for quality, challenging the status quo... and never accepts no for an answer”, someone who is ‘too good a human being’ and ‘unparalleled institutional builder’. Who is the true Steve Jobs? Commenting on Steve Jobs, Andy Grove said, “There’s no other company in technology that’s started with a strong

core business and developed another very strong one. The rest of us are lucky, or good (if we’re) right once”. How could Steve Jobs be right more than once? Was it his predictive abilities or iconoclastic arrogance?

It has been 32 long years since Steve Jobs and Steve Wozniak began selling the Apple II, the first commercially successful mass-produced microcomputer. Many argue that he is reclusive and secretive and end up describing his leadership as secretive leadership and quote examples of similar kind of leadership from Phil Knight, Ratan Tata, etc. Is there any such thing as a secretive leadership? What would be the impact of such leadership on the organization in the short run and in the long run?

In one of the widely watched and read speeches (commencement address at Stanford, in 2005), Steve Jobs observed, “Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do”. What specific qualities make Steve Jobs stand out as a unique and enigmatic leader? Is it his love for what he is doing or is it his love for what he has created? Effective Executive, while saluting the spirit of Steve Jobs, wishes him and Apple the best of luck. Wish Steve Jobs finds “who’s next” for Apple?

Dr. Nagendra V Chowdary



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Your time is limited, so don't waste it living someone else's life. Don't be trapped by dogma – which is living with the results of other people's thinking. Don't let the noise of other's opinions drown out your own inner voice. And most important, have the courage to follow your heart and intuition. They somehow already know what you truly want to become. Everything else is secondary.

US computer engineer & industrialist

A lot of companies have chosen to downsize, and maybe that was the right thing for them. We chose a different path. Our belief was that if we kept putting great products in front of customers, they would continue to open their wallets.

US computer engineer & industrialist

Here's to the crazy ones, the misfits, the rebels, the troublemakers, the round pegs in the square holes... the ones who see things differently—they're not fond of rules... You can quote them, disagree with them, glorify or vilify them, but the only thing you can't do is ignore them because they change things... they push the human race forward, and while some may see them as the crazy ones, we see genius, because the ones who are crazy enough to think that they can change the world, are the ones who do.

US computer engineer & industrialist

I didn't see it then, but it turned out that getting fired from Apple was the best thing that could have ever happened to me. The heaviness of being successful was replaced by the lightness of being a beginner again, less sure about everything. It freed me to enter one of the most creative periods of my life.

Stanford University commencement address

Innovation has nothing to do with how many R&D dollars you have. When Apple came up with the Mac, IBM was spending at least 100 times more on R&D. It's not about money. It's about the people you have, how you're led, and how much you get it.

Fortune

On Hiring

Recruiting is hard. It's just finding the needles in the haystack. You can't know enough in a one-hour interview. So, in the end, it's ultimately based on your gut. How do I feel about this person? What are they like when they're challenged? I ask everybody that: 'Why are you here?' The answers themselves are not what you're looking for. It's the meta-data.

On Firing

We've had one of these before, when the dot-com bubble burst. What I told our company was that we were just going to invest our way through the downturn, that we weren't going to lay off people, that we'd taken a tremendous amount of effort to get them into Apple in the first place – the last thing we were going to do is lay them off.

On a CEO Succession Plan

I mean, some people say, 'Oh, God, if [Jobs] got run over by a bus, Apple would be in trouble.' And, you know, I think it wouldn't be a party, but there are really capable people at Apple.

My job is to make the whole executive team good enough to be successors, so that's what I try to do.

On Management

My job is to not be easy on people. My job is to make them better. My job is to pull things together from different parts of the company and clear the ways and get the resources for the key projects.

And to take these great people we have and to push them and make them even better, coming up with more aggressive visions of how it could be.

On Focus

People think focus means saying yes to the thing you've got to focus on. But that's not what it means at all. It means saying no to the hundred other good ideas that there are. You have to pick carefully.

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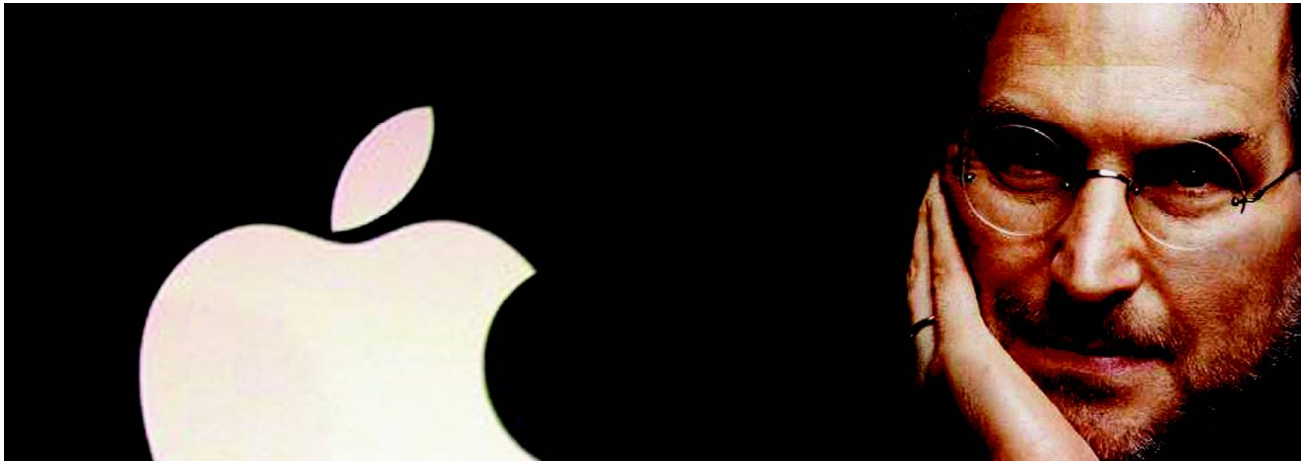
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Bill Campbell Chairman and Former CEO, Intuit

I've never seen him not intense. I've known him since 1983. I started at Apple then as the vice president of marketing, and now I sit on its board. There hasn't been a day in Steve's life that he doesn't get up, think about the company he works for, or what he's going to do next. These are things that drive him. He is a wonderful husband and a wonderful father, but his life is all about doing this kind of thing.

He wants to create something that has value, that has a legacy. "Legacy" is my word. I'm not sure he ever thinks about legacy. He's just driven like that. The biggest thing for me was to watch him hire. He's a terrific interviewer. He understands what he wants, and he knows how to get great people. And if you take a look at his management team after 12 years, some are still there, some are gone, but in every position, you'll find a high-quality person.



When you watched how the company performed without him, I think the durability of what he created was pretty evident. Who knows what it would look like if he had stayed away longer? As close as I am, I don't even know. But I know that him coming back puts real excitement into the product development process.

– Interview by A.L.

Jimmy Iovine Founder and Chairman, Interscope Records

Whatever anyone says about Apple, if it wasn't for Steve Jobs there would be no legitimate music online.

Everybody was lost. The record labels were frozen. When he came up with iTunes, it gave us a [legal] way to get the license ready to go online.

Before iTunes, Napster was out of business for two or three years, and then Kazaa and other file sharing started. There was no legitimate way to buy music. I think his impact on music has been extraordinary.

– Interview by Jon Fortt

Ralph de la Vega President and CEO, AT&T Mobility

When I first saw the iPhone, even though it wasn't in its final state, I was blown away by what Steve had been able to put into that device.

He'd found a way to squeeze the Mac OS X operating system into a handheld device. That's when the light bulb went off for me — this device was going to change the industry forever. And it has. It's made the US the epicenter of smartphone development.

– Interview by Stephanie N Mehta

Bob Iger Chairman and CEO, Disney

When I think of Steve, the word "friend" comes first. Second, he is an incredible sounding board.

We recently decided to revamp our Disney stores, and his contribution, very early in the process, was to ask that we create a statement—in other words, ask ourselves, "What do you want the stores to say to people when they walk in?" He didn't tell us what it would be, but he told us it was necessary that we have one.

Another piece of valuable advice he gave to me was to build a prototype of the new store on your property—don't put it in a mall or on the street—build it close enough so that you can visit it often, massage it, and learn from it. And when you're really ready, roll it out.

One remarkable thing about Steve is how he sets expectations on people. I worked for [the legendary ABC News chairman] Roone Arledge for 10 years. He demanded perfection, never accepted mediocrity.

Steve is the same. I see that in the way he manages his people. He sets expectations for quality, challenging the status quo — and never accepts no for an answer.

– Interview by Richard Siklos

Marc Andreessen General Partner, Andreessen Horowitz

I don't know if publicly this is known, but when he came back [to Apple in 1997], they were weeks away from going bankrupt. He went from weeks

away from bankruptcy to building these kind of products. He was under pressure the entire time. But he set the performance standard for product thinking and product execution that all the rest of us should aspire to hit. And he's taught us that in this industry, the products really, really matter.

– Interview by A L

Andrea Jung Chairman and CEO, Avon

All of us like to think that we're as focused on the consumer and the end-user experience as Steve is—that maniacal passion for the best phone, the best MP3 player, the best PC, the best retail experience.

He does it in a very black-and-white way, while the rest of the world gets caught up in the gray—or caught up in themselves. He makes it sound so simple, but he's taking on things that are extraordinarily complex and arguably risky. He's laser-focused on getting it right. It's a great lesson in this quarter-to-quarter world.

With seven directors, the Apple board—which I am on—is smaller than most, including Avon's. There's an extraordinary openness in the boardroom. Any board member would feel free to challenge an idea or raise a concern.

It's not only been gratifying, it's been great. I feel like I'm part of history being made. I leave Apple board meetings thinking, "I've got to do a better job."

– Interview by Patricia Sellers

Andy Grove Former Chairman and CEO, Intel

When you talk about Steve, you need to distinguish between Jobs 1, the young man who started Apple, and Jobs 2, the guy who came back to Apple and turned it around.

During the Jobs 1 era, some of us from Silicon Valley were invited to a dinner in Palo Alto. It was 1983. At one point during the meal, Steve stands up and yells, "Nobody over 30 can possibly understand what computing is all about."

I pulled him aside, waved my finger, and lectured him, telling him, "You're incredibly arrogant. You don't know what you don't know." His response was, "Teach me. Tell me what I should know."

We had lunch and talked, mostly about personal stuff. I don't think I taught him anything. But he was wrong when he singled a generation out. How old was Steve when the iPod came out — 46?

As Jobs 2 he became the turnaround artist of the decade. There's no other company in technology that's started with a strong core business and developed another very strong one. The rest of us are lucky, or good, if we're right once.

– Interview by Michael V Copeland

Larry Ellison Co-founder and CEO, Oracle

I remember when Steve was my neighbor in Woodside, Calif., and he had no furniture. It struck me that there wasn't furniture good enough for Steve in the world. He'd rather have nothing if he couldn't have perfection.

And I jokingly said, "The difference between me and Steve is that I'm willing to live with the best the world can provide. With Steve that's not always good enough." And if you look at how he tackles building a phone, or building a laptop, he really is in pursuit of this technical and aesthetic perfection. And he just won't compromise.

But he's never been motivated by money. Once we were hiking, and Steve looked at me, put his right hand on my left shoulder and his left hand on my right shoulder, and said, "Larry, that's why it's really important that I'm your friend. See, you don't need any more money."

He's enormously proud of the fact that Apple is now the highest-valued company in Silicon Valley, higher than Cisco, higher than Intel, higher than Google, higher than Oracle.

– Interview by Adam Lashinsky

Source: <http://money.cnn.com/>



Business Wargaming

The Rules of Engagement in an Unstable Environment

In today's uncertain business environment, traditional strategic planning tools may no longer be sufficient. Business wargaming can help decision-makers prepare their companies for special situations that are not in line with well-known trends or past experience. When the rules of the game change, companies that have planned for all the possible scenarios will be better able to tackle the challenge.

Source: <http://www.atkeamey.com>



How the Recession has Changed US Consumer Behavior

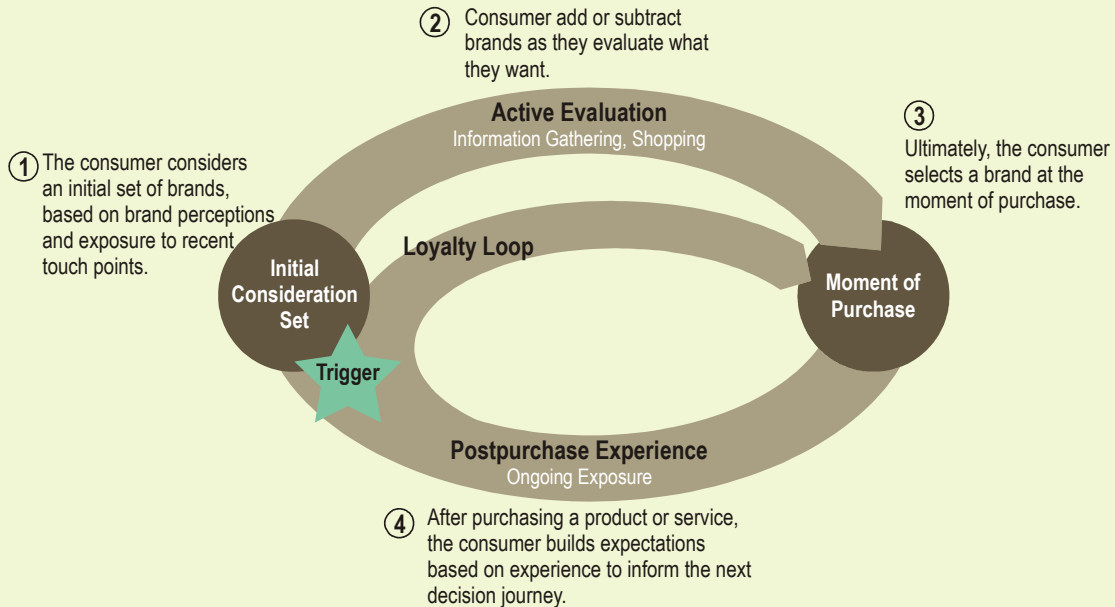
While the downturn has certainly changed the economic landscape, it may also have fundamentally altered the behavior of numerous US consumers, who are now learning to live without expensive products. Many companies with strong premium brands are anticipating a rapid rebound in consumer behavior—a return to normality, as after previous recessions. They are likely to be disappointed.

Source: www.mckinseyquarterly.com



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The Consumer Decision Journey



Source: McKinsey Quarterly, 2009

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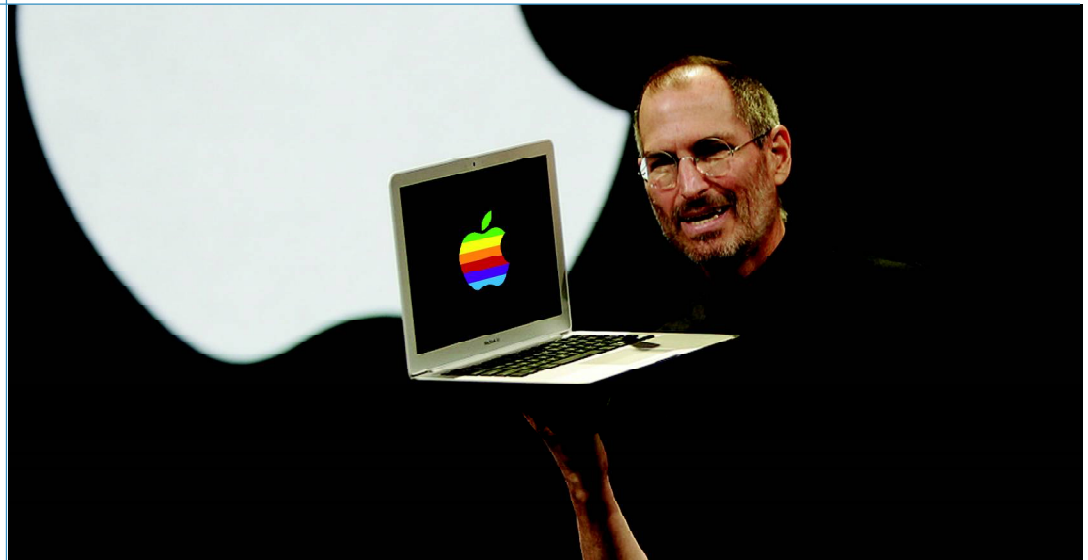


Innovator or Inspirer

Building a Company The Steve Jobs' Way

A Positive Deviance Approach to Strategy

This article proposes that the success of Apple is embedded in Steve Jobs' strength-based approach to the company's strategy. This approach concentrates on creating positive deviant performance—the achievement of extraordinary success beyond the expectations of both stakeholders and outside observers. The pillars of Steve Jobs' strategy are built upon a core of capabilities, the seizing of opportunities, and an organizational culture that enables the attainment of Apple's goals. Furthermore, through the execution of strategy, Steve Jobs has created a learning organization that is result-oriented.



Most of the strategic planning tasks start with identifying a problem, analyzing its root cause, developing solutions, and then formulating a set of initiatives to address it. This approach can work for many organizations, but it will not result in a state of positive deviant performance – the achievement of extraordinary success beyond the expectations of both stakeholders and outside observers. In other words, a state of positive deviance is when the organization is flourishing at its best functionally and achieving optimal performance. When organizations embrace positive deviance as a goal, it demands a strength-based approach to strategic planning. Focusing on strengths does not ignore the organization's problems or threats, but energy is channeled into organizational members digging deep to truly

understand the organization's core capabilities that have the potential to generate and sustain positive deviant performance.

To achieve positively deviant outcomes from the strategic planning process, leaders form a different mindset supported by value-creating processes that make it possible for organizational members to achieve excellence. Steve Jobs, CEO of Apple, is an example of a leader who has built a company around a strength-based strategy that has achieved positive deviance. In 2000, when Jobs returned to Apple, the company was worth about \$5 bn. Today Apple is valued at approximately \$170

¹ Lashinsky, A. & Burke, D. (2009). The Decade of Steve. *Fortune International*. 160(9): 7-10.

bn.¹ Financial performance is not the only indicator of Apple's success. Although the company's market share in the personal computer industry is only 9%, which is a substantial gain since Jobs' return, it also has 73% in the US MP3 player market and 11% market share in the worldwide smart phone market.² In addition, Apple has won "best company" awards for innovation, marketing, and management.

In this article, I propose that Steve Jobs' ability to combine a generative set of "ingredients" into Apple's strategic planning process produced positively deviant results. The next sections of this article delve into Jobs' recipe for strategic planning by exploring his skill set for framing Apple's strategy through storytelling, formulating a strategy around seizing opportunities, and creating core capabilities that differentiate Apple in the marketplace. In addition, this article examines the role that organizational culture played in Jobs' leadership as a prop for executing strategy and creating a learning organization focused on results.

Steve Jobs as a 'Strategic Storyteller'

Throughout Jobs' tenure at Apple he received accolades for this ability to frame the firm's strategy as story. This is because Jobs crafts a compelling, coherent narrative that interweaves the organization's implicit mission and value proposition as a dominant theme of Apple's strategy. For example, Apple, in its 2009 Annual Report, states its formal strategy as:

"Bringing the best personal computing, mobile communication, and portable digital music and video experience to consumers, students, educators, businesses, and government agencies through its innovative hardware, software, peripherals, services, and Internet offerings."

This strategy may not sound different from other firms in the electronics or computer industry. However, Jobs and his management team have brought Apple's strategy to life by adopting narratives that incorporate metaphors, images, and rhetoric. In some instances, these narratives have been birthed by marketing campaigns, such as the series of 'Think Different' advertisements. Symbolically, the 'Think Different' marketing campaign gave Jobs a platform for distinguishing Apple from its competitors by making it cool to be different as described in the commercial sound bite:

Here's to the crazy ones.
The misfits. The rebels. The troublemakers.
The round pegs in the square holes.
The ones who see things differently.
They're not fond of rules.
And they have no respect for the status quo.
You can quote them, disagree with them, glorify or vilify them.
About the only thing you can't do is ignore them.
Because they change things.
They push the human race forward.
And while some may see them as the crazy ones,
We see genius.
Because the people who are crazy enough to think they can change the world
are the ones who do.

Dr. Lynn Perry Wooten is a clinical associate professor of strategy, management, and organizations at the University of Michigan's Ross School of Business. She co-directs the Center for Positive Organizational Scholarship and the Executive Leadership Institute. She teaches corporate strategy, human resource management, leadership, and organization behavioral courses. Her research has been funded by the National Institutes of Health, Sloan Foundation, and the Society for Human Resource Management. Her research on executive development and diversity won awards from the Academy of Management and the consulting firm McKinsey and Company, and The Financial Times selected her as a "Next Generation Business Thinker in Human Resource Management." Her work has been published in academic journals such as, Academy of Management Journal, Human Resource Management, Journal of Management Inquiry, and Organizational Dynamics and has been featured in newspapers and industry trade journals and on radio programs.

Wooten is an associate editor of Human Resource Management Journal and a consulting editor for the Journal of Business and Education. She consults in the areas of strategic HRM, positive organizing practices, and workforce diversity with both profit and not-for-profit organizations.

² Dalrymple, J. (2009). Apple doubles its iPhone market share. Cnet News, http://news.cnet.com/8301-13579_3-10245339-37.html, Accessed, December 2009.



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Icons accompanying this marketing campaign represented Apple's strategic story and included historical heroes and politicians who were known for breaking barriers and thinking differently, such as civil rights activist Rosa Parks and Jimmy Carter, the former President of the United States, founder of Habitat for Humanity, and Nobel Peace Prize Recipient. These historical figures allowed Jobs to represent Apple in a positive light by aligning the company's values with their social identities.³

However, Jobs' use of strategic stories was more than marketing gimmicks. The strategic stories created by Jobs informed employees and stakeholders of Apple's actions by setting a stage that provided both insightful and futuristic descriptions of how Apple would compete in different industries and respond to its macro-environment. Jobs' strategic story defined Apple strategy. For example, early on in Apple's history Jobs set to create a strategic story that portrayed the firm as a company committed to bringing user-friendly and aesthetically designed computers to "ordinary" people and prophesized that the personal computer would change lives similar to the automobile and telephone.^{4&5} In 1981, Jobs' strategic story was infused with a mission to put "An Apple computer

on every desk." To bring this story to life, Jobs started internally by issuing a memo to Apple's employees:

Effective Immediately!! No More Typewriters Are To Be Purchased, Leased, etc., etc. Apple is an innovative company. We must believe and lead in all areas. If word processing is so neat, then let's all use it! Goal: by 1-1-81, No typewriters at Apple... We believe the typewriter is obsolete. Let's prove it inside before we try and convince our customers.⁶

Over time, Jobs' strategic stories evolved to include a dramatic tension between Apple and its competitors so that stakeholders would rally around its products. For instance in 1984, the villain was IBM; and to motivate Apple's sale staff Jobs made the statement, "IBM wants it all. Apple will be the only company to stand in its way."⁷ Similarly when communicating in the company's 1984 annual report, Jobs' narratives portrayed a David versus Goliath battle between Apple and IBM to encourage MAC users to rebel against IBM. The goal of this war was for the user-friendly Mac computer to win over the blandly

functional IBM PC.⁸ Later on in Jobs' strategic stories, Microsoft became the villain, such as discussed in the PBS documentary, *Triumph of the Nerds*:

The only problem with Microsoft is they just have no taste. They have absolutely no taste. And I don't mean that in a small way, I mean that in a big way, in the sense that they don't think of original ideas, and they don't bring much culture into their products... I am saddened, not by Microsoft's success – I have no problem with their success. They've earned their success, for the most part. I have a problem with the fact that they just make really third-rate products.

As can be surmised from Jobs' narratives featured in this article, strategic stories help organizational members develop the capacity to lay out paths for the future by painting a clear picture that defines the organization's identity and the journey it plans to take. Moreover, strategic stories implicitly explain the purpose and objectives of a given strategy. Hence, Steve Jobs' ability to craft strategic stories empowered him

³ Harvey A (2001), A Dramaturgical Analysis of Charismatic Leader Discourse. *Journal of Organizational Change Management*, 14(3): 253-265.

⁴ Harvey A (2001).

⁵ Westley F and Mintzberg H (1989). Visionary Leadership and Strategic Management. *Strategic Management Journal*, 10:17-32.

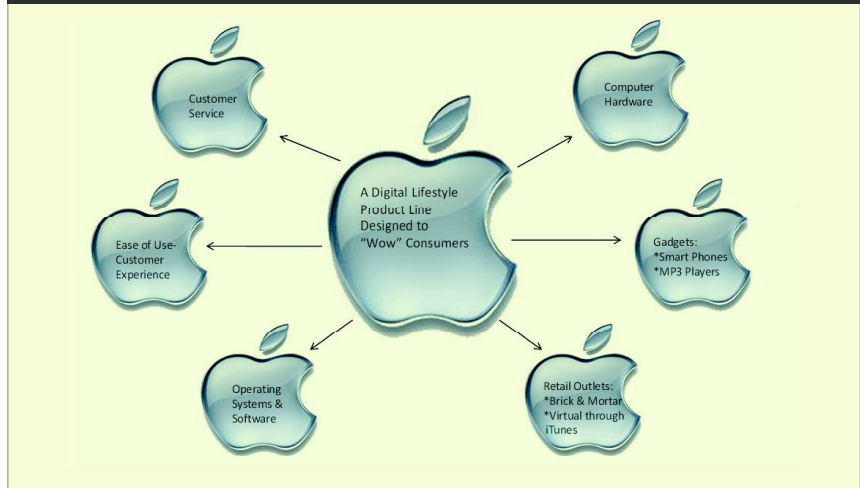
⁶ Ditlea S (1981) An Apple on Every Desk. *Inc. magazine*. Accessed from <http://www.inc.com/magazine/19811001/2033.html>, December 2009.

⁷ Gallo C (2009). *The Presentation Secrets of Steve Jobs*. New York: McGraw Hill.

⁸ Mayo A and Benson M (2008). *Bill Gates and Steve Jobs*. Harvard Business School Publishing, Case # 9-407-028.

⁹ Westley & Mintzberg (2009).

Exhibit I: Apple's Positive Core



to collectively create a market and convince investors and consumers of the 'worthiness' of Apple's products.⁹ These strategies set the tone for how Apple would interact with its external environment and leverage its strengths in the marketplace.

Steve Jobs as a Leader Who Seizes Opportunities

A positive deviance approach to strategic planning challenges a leader to identify opportunities in its external environment and to position the organization to seize these opportunities. Fundamentally, this requires a leader to think not only about the needs of stakeholders, and how these needs will change, but also how the organization can reinvent or create new markets, products, customers, and services. The skill set to seize opportunities is a function of a leadership's ability to make sense of external trends and forces, and then take this knowledge to build scenarios and formulate a strategy that differentiates the organization from others.¹⁰

To position Apple for seizing opportunities, Steve Jobs aligned the firm's strategy with insights into external opportunities. He acknowledged that Apple had a very small niche in the personal computing industry. However, Jobs emphasized that the company had a longer-term strategy beyond personal



computers, and that he was waiting for the next big thing, which turned out to be such technologies as the iPod and iPhone.¹¹ Jobs succeeded at seizing opportunities because he is adept at recognizing and initiating trends.

Furthermore, Jobs' strategic solutions embraced an opportunistic perspective because he pushes organizational members of Apple to create the future. Jobs perceives his role as a leader to innovate by creating products that consumers do not know they want. He perceives himself similar to Henry Ford who, when commenting on the design of the automobile stated, "If I'd have asked my customers what they wanted, they would have told me 'A faster horse.'" Therefore, Jobs' ability to seize opportunities has succeeded because he is a risk-taker. He embraces creative disruption by changing the rules of the game in an industry. Jobs' description of the iPhone captures this creative disruption:

We all had cell phones. We just hated them, they were so awful to use. The software was terrible. The hardware wasn't very good. We

talked to our friends, and they all hated their cell phones too. Everybody seemed to hate their phones. And we saw that these things really could become much more powerful and interesting to license. It's a huge market. I mean a billion phones get shipped every year, and that's almost an order of magnitude greater than the number of music players. It's four times the number of PCs that ship every year.¹²

Note, though, that seizing opportunities is more than creating markets. It also entails the ability to understand industry dynamics and the key success factors that drive performance. It involves context mapping of the macro-environment to analyze the implications of the economy, demographics, sociocultural trends, and the global marketplace. Furthermore, knowledge of competitors' strategy is useful because this helps leaders to identify where the potential 'white spaces' are and attain first mover's advantage for seizing opportunities. Jobs is known

¹⁰ Stavros J and Hinrichs G (2009). *The Thin Book of Soa: Building Strengths-based Strategy*. Bend, Oregon: Thin Book Publishing Company.

¹¹ (McKinsey, 2007). McKinsey on Strategy – Interview with Richard Rumelt.

¹² (Fortune, 2009). American's Most Admired Company: Steve Jobs Speaks Out. CNN Money.com – <http://money.cnn.com/galleries/2008/fortune/0803/gallery.jobsqna.fortune/>, Accessed December 2009.

¹³ Hartung A, Value Creating CEO – Steve Jobs, Innovation and Apple. The Phoenix Principle Blog, <http://www.thephoenixprinciple.com/blog/2009/11/value-creating-ceo-steve-jobs-innovation-and-apple.html>. Accessed December 2009.



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to obsess about the strategic action of Apple's competitors and encourages his employees to do the same so that the company does not become complacent.¹³

Steve Jobs and Apple's Core Capabilities

Central to the plot of a positive deviant approach to strategy is the organization's

core of Apple's business model is a closed system of technology since Jobs will not license Apple's operating system, allow for iTunes music or video to be played on other MP3 players, and so far Apple has only partnered with AT&T for sale of iPhones.

Although technology is an essential asset in Jobs' strategy for Apple, the real value generated from its core capability

Store has become the ideal retail experience with features such as glass staircases and contemporary architectural design. Beneath the structural design are all of Apple's products under one roof coupled with stellar customer service. The customer service encompasses product tours, consultations on the right product for a consumer's usage, workshops, and

On Jobs' return, the Apple's core capability has expanded from innovative and easy-to-use computers to a digital lifestyle product line designed to 'wow' consumers

core capabilities, which are the essence of its collective DNA that explains how it uniquely creates value and achieves superior performance. Core capabilities are the proven strengths that differentiate one organization from another because of tacit knowledge, historical investments over time, relationships, human capital, and its culture. Examples of core capabilities include customer service practices, brand equity, strengths of products, work processes, human capital, and financial assets.

Since Jobs' return to Apple, the firm's core capability has expanded from innovative and easy-to-use computers to a digital lifestyle product line designed to 'wow' consumers. As illustrated in Exhibit I, this core capability is leveraged through Apple's value chain to include the development and sales of hardware, operating systems, and software for computers, cellular phones, and MP3 players. Jobs depicts Apple's core capability as a chair supported by three legs with maybe one day the Apple TV representing the fourth leg.¹⁴ Sealing the

is the "wow factor" that consumers feel about Apple products. Several components contribute to this 'wow factor.' Dominating this is the design of Apple's products. In the eyes of a typical consumer, the design of Apple products is technologically state-of-the-art and fashionable. Yet, in contrast to other firms in Apple's industry, its technological advantages are rooted in a holistic process that starts from the outside and works its way to the inside.¹⁵ After product architects and industrial designers figure what the product should look like and designate its features, then Apple engineers configure the electrical and mechanical work that brings the product to life. This process has resulted in Jobs being compared to fashion designer Marc Jacobs because Apple products are exquisitely wrapped with a user-friendly interface.¹⁶

Another contributing component of the 'wow factor' is how Jobs has diffused Apple's core capabilities into the ultimate brick and mortar and virtual retail experience. The Apple

Apple 'geniuses' that are on-site and will help you troubleshoot hardware and software problems. Likewise, the iTunes store is a virtual retail experience focused on the consumer through a library of videos, music, and podcasts with the ability for customization. Interestingly, iTunes is one example of Jobs allowing partners to create applications for Apple's mobile devices and MP3 players. Hence, this alliance expanded Apple's core capability to create a superstore of games and productivity tools while Apple pockets 30% of the revenue earned for any App program. This revenue has been estimated at billions of dollars a year for Apple.¹⁷

¹⁴ Penenberg A. (2008). All Eyes on Apple. *Fast Company*, January/February: 83-87; 133-135.

¹⁵ Burrows P (2005). Apple's Blueprint for Genius: Handling its Own Design Work is One Reason for Best-sellers like the iPod and Shuffle. Steve Jobs is the other. *BusinessWeek*, http://www.businessweek.com/magazine/content/05_12/b3925608.htm. Accessed January 2009.

¹⁶ Penenberg A (2008).

¹⁷ Wortham J (2009). Apple Game Changer, Downloading Now. *The New York Times*, http://www.nytimes.com/2009/12/06/technology/06apps.html?_r=1. Accessed, December 2009.

Organizational Culture as Steve Jobs' Leadership Prop

Very often when we think of a company's strategy, organizational culture is found to be the missing puzzle piece. Instead, attention is focused on customers, competitors, and financial resources. The neglect of organizational culture is unfortunate since leaders are responsible for so many other demands, but an understanding of the organization's culture and its potential for enabling a positive deviant strategy is important.

Organizational culture is the shared beliefs, principles, values, and assumptions that shape behavior by building commitment, providing direction, establishing a collective identity, and creating a community. It manifests as the organization's behavior that has endured over time and allowed the organization to adapt to the environment. Therefore, culture is the glue that holds together an organization's strategy and becomes institutionalized as members repeat patterns of successful behavior.

The effectiveness of culture depends on its alignment with the organization's environment, resources, values, and goals. Moreover, it requires leaders to understand how the culture can be a vehicle for creating positive deviance. Steve Jobs excels at aligning Apple's culture with its strategy. Jobs has built a culture that is driven by a vision to make great products. Innovation is the dominant value of Apple's culture.

¹⁸ *Fortune* (2009).

¹⁹ *Fortune* (2009).

²⁰ Garvin D (2000). *Learning in Action: A Guide to Putting the Learning Organization to Work*. Boston, Massachusetts: Harvard Business School Press.

²¹ Barrett F (1995) Creating Appreciative Learning Cultures. *Organizational Dynamics*, 24(2): 36-49

Employees are rewarded for experimenting, risk taking, and creativity. As Jobs describes in an interview, the challenge to innovate is a norm of Apple's culture:

It was a great challenge. Let's make a great phone that we fall in love with. And we've got the technology. We've got the miniaturization from the iPod. We've got the sophisticated operating system from Mac. Nobody had ever thought about putting operating systems as sophisticated as OS X inside a phone, so that was a real question. We had a big debate inside the company whether we could do that or not. And that was one where I had to adjudicate it and just say, "We're going to do it. Let's try." The smartest software guys were saying they can do it, so let's give them a shot. And they did.¹⁸

Going beneath the surface of Apple's culture, Jobs has infused the quest for excellence as a mantra. Jobs has purposely created a culture where employees are encouraged to treat their work as a calling that is worthwhile and to pursue excellence in their endeavors. Therefore, a large role for Jobs and his leadership teams is creating processes to recruit and socialize employees into Apple's culture. When recruiting for Apple senior positions, Jobs contended that intelligence is the baseline. More important, however, Jobs recruits employees who can fall in love with Apple because if an employee has love for Apple, he/she will do what is best for Apple.¹⁹

Steve Jobs, Apple, and the Learning Organization

Finally, I propose that Steve Jobs has formulated a positive deviant strategy

because of his talent for building a learning organization. Learning organizations are skilled at creating, acquiring, transferring, and retaining knowledge so that collectively members can use knowledge to produce results.²⁰ In learning organizations, knowledge is not only used to react and adapt to the organization's external condition, but also is employed as a double-loop feedback system to inform the organization's actions for holistic, reflective thinking and experimentation.²¹ Learning organizations are resourceful in their approach to strategy because organizational members can reconfigure knowledge to achieve organizational goals.

As illustrated in Exhibit II, the spokes of Jobs' brain are constantly churning to craft strategic stories that engage, inspire, and provide directions for stakeholders. His transformational leadership positioned the company to seize opportunities and build a positive core of capabilities that produced results which exceeded the expectations of its stakeholders. At least for the next couple of decades, students of business will study Jobs' leadership strategy, because it is an exemplary case of how a leader revived a company with more than fixing problems or conventional solutions. Steve Jobs envisioned possibilities in the marketplace by expanding Apple's value proposition from the status quo to connecting with consumers beyond their imagination. Thus, through a strategic leadership lens, we will all remember Steve Jobs for his ability to create 'aha' moments in business history. ☺



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Why Apple, Not Sony?

The Smart Moves

By killing Sony's music download service 'Sony Connect', Jobs not only proved his technical expertise in digital music but also the mastery of designing one of the most successful business models for the Internet age. Whether Jobs delivered a decisive blow to Sony by knocking it completely off from the much awaited 'digital convergence' remains to be seen.



With brisk sales of iPod, soon to hit three hundred million worldwide, making it the best-selling digital audio player series in history, and equally impressive sales of iPhone, Apple is riding high. This kind of cute 'must-have' electronic gadgets used to be Sony's game – the Japanese inventor of Walkman and Minidisc was synonymous with electronic gadgets that were cute, portable, and of high quality. While one man, former CEO of Sony, Akio Morita, carried the company he co-founded to world prominence in electronics, now, another man, the CEO and co-Founder of Apple, Steve Jobs, had come from a different direction to challenge the king of electronics.

Though a direct comparison of late Morita with Steve Jobs may not be proper, an examination of how Apple reemerged from

the brink of extinction with the second-coming of its former CEO, to dominate the music player industry once dominated by Sony could have enormous significance from a strategy perspective.

iPod, iTunes and Walkman

To set the stage, a good place to start is year 2004. Following his return in 1997, Jobs had already launched iPod in the year 2001 and two years later, in 2003, opened iTunes Store with 200,000 songs that could be downloaded via the Internet at flat price of 99-cents (US) a song. From day one iTunes Store became a hit; during the first five days of opening, it sold more than one million songs. By end of year 2003, more than 25 million songs sold. Time Magazine named iTunes Store the 'Coolest Invention of 2003'.

The success of iTunes did not go unnoticed by Sony, which had a long association with the music industry. Sony considered music as 'software', as opposed to 'hardware' which consisted of entertainment equipment such as Walkman, Minidisc players, various high-fidelity equipment, and TV. In the 1980s and through much of 1990s, Sony was clearly the 'hardware' leader in the world. To bridge hardware and software, the strategy adopted by Sony was to own music and movies so that they could be marketed together with music players and TVs. In the 1990s, the company consolidated the focus by establishing Sony Music Entertainment and Sony Pictures Entertainment, by acquiring assets of various music and movie production companies, such as CBS Records and Columbia Pictures.

It is said that co-founder of Sony, Ibuka, who used to travel often between New York and Tokyo for business, was looking for some device to listen to orchestra music while sitting in the airplane and limousines. There was nothing like that in the existing market and nothing called the 'headphone' existed. And, Sony engineers created Walkman, mastering the engineering and design skills which Sony was known for at that time. It went on sale in Japan in 1979.

Though the initial reception was cool, it is said that Sony asked its own engineers and even fashionable girls to wear them in Tokyo's subways to hype up and create a cool image to the device; and the sales exploded. Ten years after the launch, Sony had sold 50 million of them worldwide; and, then doubling that number three years later.

While initial walkmans were tape-based, the technology changes made it possible to launch CD-Walkmans. But they were bulky and not recordable. Thus, Sony embarked on extensive research to create Minidisc (MD), which could be fitted to a cigarette

size box. MD-Walkmans, which could store 80 minutes of digital audio and introduced in 1992, were also a hit, especially in Japan. By 2004, 25 years from its initial launch in 1979, Sony had sold about 350 million Walkmans around the world; in the US alone it had sold 150 million, thus making it one of the most successful products in the world.

Sony Hitting Back at Apple

Jobs was focusing on iPod and finding ways to increase its sales through innovative iTunes Store, which was fast approaching 100 million downloads since its launch. In the summer of 2004, a 20-year youth bought the 100 millionth iTunes song, prompting Jobs to make a congratulatory call to the excited buyer. iPod and iTunes were a great concerns for Sony, which initially created the portable music player industry. The technology changes however opened up the space for struggling Apple, which was trying to find some way to resurrect the Mac computers which were hardly hit by Intel-Microsoft platform.

What made iPod and iTunes were the triumphant return of Steve Jobs to Apple in 1996. One can recall that 1996 is almost the beginning of Internet boom. Internet sites of all sorts were exploding and Jobs strategy to make use of the Internet was through the creation of candy-colored iMacs, where 'i' stood for Internet.

People give Jobs credit for realizing the value of the mouse-driven graphical user interface. Indeed, the Windows type graphical interfaces were first introduced by Apple in 1980s under Jobs when Macs were successful in personal computers. The new iMac became quite popular among writers and graphic artists, but still PCs were dominating the market.

Trying to avoid a direct fight with Microsoft, Jobs and his people noticed the success of Napster where music loving people

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were trading tunes over the Internet creating havoc in the music CD industry. Though it was illegal, Napster sites were exploding and music CD industry had neither effective countermeasures nor technology to control it. In fact, many music lovers preferred the convenience of downloadable music over the Internet, but were very much concerned about the illegality of Napster type sites.

Jobs' big breakthrough was to see the opportunity to create a legitimate business model using the blueprint of Napster. This is where perhaps Job's experience with user interface also played a key role. He noticed that the existing methods for arranging music files were highly disorganized, and the result was iTunes, introduced in 2001.

iTunes allowed personal computer users to arrange downloaded music and create playlists which could be played in sound systems attached to a computer. But, around that time, portable music players using flash memory sticks were also coming out and music lovers could download a few songs to such portable devices and play on the run, just like Walkmans. But, the popular MP3 format used in Napster were not directly playable in Walkmans. While Sony was purifying Minidisc to produce superior sound quality, Apple was working on a digital device that could directly play the music downloaded from the Internet. Indeed Apple was not the first to think of digital player. The device from Creative, the Singapore electronic company, was indeed the first to pose a challenge to Sony in terms of recordable time. While Minidisc player could record about 80 minutes of digital sound, Creative's player could record up to 100 minutes.

The problem with portable digital recorders such as Creative's was that they

were kind of bulky and user interfaces were not very good. Apple, where Jobs had a great eye for user interface, saw the opportunity and within a year came out with iPod. Within two years of launching in 1979, Sony sold 1.5 million Walkmans, worldwide. Within two years of launching in 2001, Apple sold 2 million iPods. Given the time it happened, it is reasonable to say that Walkman had a solid start.

With iPod Jobs saw an opportunity to connect directly to music. In iTunes, he saw a dramatically simpler user interface that had brought more people into the digital music revolution. By 2004, Apple sold more iPods than Macs. And, iTunes Store had started bringing in good money. Jobs' strategy on digital devices also included staying away from Sony's main business of home-based TVs and recording equipment where Sony was doing well at that time. While Apple was an \$8 bn a year business, Sony far exceeded it by raking in annual sales that were 10 times more than Apple's. In the summer of 2003, Fortune Magazine had named Nobuyuki Idei, the then Chairman of Sony Corporation the second most powerful business leader outside of the US.

Sony's Computer Entertainment business, with booming PlayStation sales

of over 30 million units sold, were bringing in \$8 bn a year. Sony had partnered with IBM to create a new computer chip to power PlayStation 3 and computers. The company had also signed a deal with Samsung to create a new flat-panel Liquid Crystal Display (LCD) television. And, Sony Digital Creatures Laboratory was developing robots for the home market. Sony also had music business which was selling songs in iTunes Store. By all sense, Sony was a well-diversified business.

But, Sony saw Apple's iPod as a threat to its Minidisc-based Walkman business. By 2004, Sony was prepared to strike a blow to Apple. The company did not have a product that could be in the same category as hard drive-based iPod, but, it owned a vast collection of its own music CDs. The iTunes Store was offering downloadable music over the Internet. Sony had thought that iTunes Store was a major reason for iPod's success. And, in order to compete or stop Apple, Sony needed a music store more appealing than the one Apple had, Sony reasoned.

Indeed, with a long association with the music industry, Sony itself, through Sony/ATV, owned a sizable collection of songs, including songs of top artists of the day like Stevie Wonder and Michael Jackson.

Exhibit I Sony's Formidable Challenge to iTunes Store		
2004 Music Player Scene		
	Sony: Connect	Apple: iTunes Store
Opening date	May 2004	April 2003
Initial number of songs	500,000	200,000
Number of Compatible Devices (by May 2004)	2.5 million (CD players, Minidisks)	3.5 million (iPods)
Walkmans in the market	330 million (worldwide)	
	150 million (US alone)	
Company's Revenue	\$85 bn	\$8.5 bn
Music business sales (2003)	\$4 bn	\$36 mn

Ext Ad 2



In May 2004, with much fanfare, Sony opened 'Sony Connect' music download site. The opening of Connect was considered "setting the stage for a high-stakes battle" between Sony and Apple by the industry watchdogs and the media. They predicted that Apple may have met a worthy competitor in Sony. Indeed Sony's main field was electronics – TVs, audio, video, and recording business, what they called 'hardware'. Almost two-thirds of Sony revenue came from electronics. The 'software' for Sony was their music and movie business which, in 2003 brought in revenue exceeding \$4 bn. For Apple, music business was rather new. The iTunes Store income in 2003 was a mere \$36 mn, but it was on a roll.

For Sony, partly due to music piracy, the income from music business was decreasing. The 'Sony Connect' music download service had two intentions. One, to boost the sales of Minidisc and other portable recording devices and stop iPod; and two, to cash in on the success of iTunes Store by outdoing it in the music business wherein Sony clearly had a lead. The music was available in a proprietary format that suited Minidisc Walkmans. In an interview, the current CEO of Sony, Howard Stringer, disclosed Sony's rationale for sticking to proprietary format by saying: "There was a time when it made sense to divide the market with closed technology, and monopolize a divided market."

Though Sony looked strong on paper (see Exhibit I), it lacked experience on the Internet. The 'software' business it had an edge in was not the 'computer software' which could deal with Internet, websites, and user-interfaces the way Apple was adept at, but its vast collection of music and movie recordings.

The 'Sony Connect' itself was mostly done by an outside company because Sony

did not feel comfortable developing a high-profile web tool to challenge Apple. Though Sony's challenge to oust Apple from the music scene was dubbed a battle between two titans, both known for style and electronic widget, Sony's challenge failed miserably. There was no battle at all – Apple was too strongly positioned as it had vast resources.

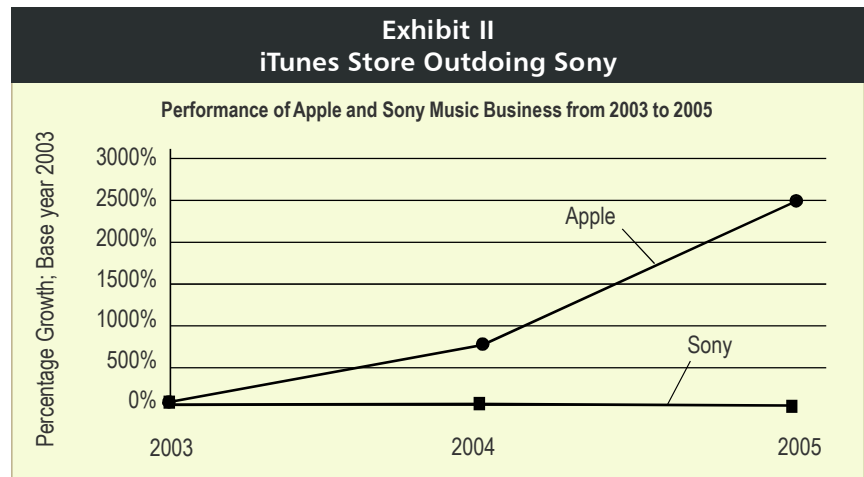
The user-interface of Connect was a major disaster that crashed or did not function at all. Despite having an initial collection of more number of songs that iTunes had, users could not download them and manage properly with Connect. In fact, within three years of its launch, Sony announced the closing of Connect service – Connect simply 'did not connect!' (See Exhibit II)

By killing Sony Connect, Jobs not only proved his technical savvy in digital music but also the mastery of putting together one of the most successful business models for the Internet age. Whether Jobs delivered a decisive blow to Sony by knocking it completely off from the much awaited 'digital convergence' where a single device can navigate Internet, manage music and movies, play games, and function as a home entertainment center and telephone remains to be seen.

Strategy: Sony vs. Apple

From a strategic point of view, the battle between Sony and Apple has greater implications. Indeed, it exposes the differences between primary ways of thinking in the Internet age. The digital revolution has merged many of entertainment businesses along with the computer and the Internet. The entertainment devices such as radios, TVs, and recorders have become very close to the computers. The contents, what Sony called 'software', have been converted to digital formats. And, the delivery methods of entertainment have rapidly moved on to Internet.

Though failure of Sony Connect can be addressed in different perspectives by looking at several strategic blunders by Sony, it is more interesting to dig out how Jobs established himself in a new turf and defended it. In iTunes Store, it was clearly the Internet interface that killed Connect. But, success of iTunes had more than interface – it was a combination of a few strategic moves and missteps by others, including Sony, not to properly understand the digital convergence. By the time Sony got into the act, it was too late. Sony's first mistake was perhaps dwelling too deep and too long in Minidisc while hard drives offered excellent opportunities to switch



to high-storage recording. It is said that one of the major breakthroughs for the original iPod came when one of Apple engineers in iPod project under Jobs was visiting Tokyo and made a visit to Toshiba, one of Apple's supplier of hard drives and saw a 1.8 inches hard drive, just invented. The Toshiba guys had said that they "did not know what to do" with it. But, the Apple engineer immediately realized what he could do and Jobs got a big chance to break into digital player business.

Sony's trademark was making tiny gadgets, but somehow never focused much on the computer side. It is only recently that Sony had been coming up with notebook computers where it is trying to establish itself. Though Toshiba was in the backyard of Sony, in Tokyo, the Sony engineers were deeply dwelling on the success of Walkman and apparently did not see the seriousness and the possibilities of digital convergence. While Apple, under Jobs' second arrival, had a focused strategy, Sony had diversified into many different areas and was losing its competitiveness. By the time Jobs had established himself with iPod, in year 2003, Sony created the so-called 'Sony shock' by announcing that it suffered a quarterly loss of \$1 bn in April 2003 – something the business world did not expect from a blue-chip company that had delivered solid results for a long time, quarter after quarter.

The shock was too much that by early 2004 BusinessWeek decided to name Sony CEO, Idei, one of the world's worst managers. Though Jobs can be credited with coming up with iPod, Sony can be blamed for not staying vigilant to competition. Jobs also must get credit for creating software-based strategic business model, as opposed to a hardware based one.

Jobs' Software Model

While the attractive design of a product along with its functionality and quality are important, how it could be operated in a simple and user-friendly way, with minimum instructions, had become the norm of the day. Using Internet, for example, has become so simple that no browser maker distributes a user manual, yet attracts billions of users to navigate the net at any given time. The end-users have got accustomed to expecting the same kind of high quality interface whether they use a TV, music player, mobile phone or a washing machine.

For manufacturers of any product, product variety is a major concern when it comes to staying competitive. With digital devices such as mobile phones, computers, digital TVs, cameras, etc., variety can be provided by coming up with an array of different colors/features, or by allowing changes to the user experience via software interfaces that differentiates it from the competitors'.

A company which is good in manufacturing technology, often drags their products – especially the successful ones – too far and too long. Many electronic companies in Japan are known examples; they are big on 'hardware differentiation' (Exhibit III).

How many colors or styles does iPhone, for example, come in? The first iPhone came in just one style, a black front and silver back. iPhone 3G has two colors for the back side, black and white. Now compare it to that of mobile phone designs of just one manufacturer offered in 'zillions' of colors in a Tokyo electronic store! Jobs' software-based differentiation allows users to download user applications that they prefer and easily install on iPods or iPhones. A typical iPhone has tens of such applications whose icons are spread

across its touch screen, as seen in the Exhibit III, on the right side.

For iPhone, at present users have the option to download and install whatever application they like from a selection of 100,000. It provides much easier 'customized differentiation' where customer incurs almost all of the cost.

The hardware differentiation is very costly, because each piece incurs a manufacturing cost, the manufacturers following this strategy needs to sell the product at a high cost, but with thin profit margins. The current problem of negative profits that the high-end mobile phone manufacturers are facing in Japan had been caused mostly because of this. Even if one could manufacture different designs, it would be impossible to make 100,000 different designs and sell at a profit. Jobs must clearly get credit for coming up with iPhone type software differentiation model where he basically incurs no cost as thousands of developers develop applications on their own. When they sell a downloadable application via Apple store, Apple picks up 30% of the sale. Since basically no distribution cost is involved, applications can be sold at low costs – often in the range of \$2-\$10 apiece. In 2008, Apple raked in more than \$2 bn from software business; and it was growing at more than 40% a year!

Of course, Apple has a certification process to make sure third party applications are virus free and of the expected quality. It is said that Apple receives 10,000 submissions a week from developers around the world.

Jobs' Advantage

In a published interview in 2005, Jobs described his way of thinking: "Apple has done what Apple does best," he said, "make complex applications easy, and make them



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even more powerful in the process . . . and we hope its dramatically simpler user interface will bring even more people into the digital music revolution.”

Indeed, this is exactly what happened with iPod, iTunes, and iTunes Store. Jobs’ experience in designing computers and graphical user interfaces is hard to match by any Fortune 500 executive of the day. This is perhaps one reason why Jobs was just named the ‘CEO of the Decade’ by Fortune magazine. In another interview, Jobs said: “We realized that almost all – maybe all – of future consumer electronics, the primary technology was going to be software.”

Jobs’ hypothesis may be true, but how many CEOs have what it takes to implement it. Knowing what he knows, he could go to any audience, even one not in his own sphere, for example, the top music companies such as BMG, EMI, Sony, Universal and Warner, and convince them that he could protect their music from piracy with a legitimate download business, where software provides the protective gear. He could go to AT&T, a top mobile operator, and convince that iPhone has the best software interface of any phone on earth. Jobs’ hypothesis is, however, good and bad news for many companies in consumer electronic and software businesses.

Sony Problem – A Japanese Problem

Sony lost to Apple’s iTunes because of software. Sony also lost to iPod because it could not think out of its own ‘hardware’ box in time. But, lack of software skills, in general, is an inherent problem in Japan. This could be a traditional problem for Japanese who had gotten used to appreciating tangible products coming out of a production line. Software is not



produced on a production line. It is hard to see if someone really is productive in a software job until the final product comes. To complicate the things, almost all software languages are using English scripts. Even when Japanese companies hire foreign Software programmers, the first priority goes to their knowledge of Japanese. Now how many top programmers from India would master Japanese, just to work for a Japanese company?

Though Japanese companies clearly have an edge in some industries, lack of software strategy is making them less competitive in the world market. Even in the new Tablet notebook that Jobs is planning to bring out, Sony may have lost a great chance. Sony Vaio, for example had a great screen, good size, similar to what Jobs is planning 7" screen. Vaio is already out, for about two years now, but its software OS is clumsy and its battery life is poor.

The model that Jobs puts out for application developers for iPhone and iPod is also a difficult one for the Japanese to apply because it needs to have a superior developer kit that can be used as a base for software interface with the hardware devices. In addition to Apple, American power players such as Google and Amazon, have also developed their own developer kits and are relying on programmers around the

world to make software applications. It is interesting to note that Sony still charges \$10,000 for the PlayStation developer kit, while prospective Apple application developers could download the Apple Software developer kit for free. The numbers tell the story; Apple’s application store opened with 500 applications in July 2008. In one-and-a-half years, its number of downloadable applications had grown to 100,000. Compare this to Sony’s game player PlayStation’s third party applications. PlayStation had been in the market much longer than either iPod or iPhone, but it’s got only 600 third party applications.

This could be bad news for PlayStation, which had been a bright spot in Sony since its launch 15 years ago. In fact, Apple’s iPhone has been doing well in Japan and if it has good game software, it could affect PlayStation. Jobs’ software hypothesis could be good news for emerging consumer electronics makers from developing nations such as India and China. As several computer parts such as chips and memory have become commodities, consumer electronics makers could add software features and attractive user interfaces to attract customers away from traditional big players such as Sony and Matsushita. The emphasis on software highlighted in Jobs’ hypothesis could also be good opportunity for Indian software companies to approach Japanese manufacturers by emphasizing the virtues of developing excellent user interfaces. Right now Indian software companies account only for about 1% of the Japanese IT market. Indian companies may have great potential in that country.

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Reference # 03M-2010-02-03-01

Ext Ad 3



Innovator or Inspirer

Embracing Innovation and Change

The Critical Moments

Innovation challenges managers and employees to think about solving internal and customer problems in new and exciting ways. Tough times require that firms do both things better and do different things – this is essentially the definition of innovation.



Innovate or die. This mantra, attributed to an anonymous entrepreneur and later popularized by management guru Tom Peters, has been repeated many times – by the media, governments, business leaders, business professors, and consultants.¹ At its core is the need to better understand the organizational processes leading to innovation and adaptability. As Apple's Steve Jobs puts it, "Innovate, that's what we do!"²

In a recent Max Gladwell blog, the blogger observed that: "As the financial crisis rips across the economy, it's forcing innovation and adaptation on a scale that should make Darwin proud."³ The challenge and opportunity for managers is to change fast enough in ways that delight customers, pay the bills, and at the same time allow the organization to retain and develop its

best people. Yes, change takes care and effort. But, given these tough times, managers need to ask themselves if there will ever be a better time for operational, service, or product innovation than when B2B and B2C customers are clearly stretched thin. Across good times, and bad, the axiom remains true that **if your customers find the future before you do, they won't be your customers!**

Management guru, Peter Drucker, once observed that "business has only two functions—marketing and innovation" (he

¹ Tom Peters (1999). *The Circle of Innovation: You Can't Shrink Your Way to Greatness*, NY: Vintage Press.

² <http://www.fastcompany.com/magazine/78/jobs.html>, accessed October 15, 2009.

³ <http://www.maxgladwell.com/2008/11/innovation-or-extinction-the-new-economic-reality/> Max Gladwell, 11/21/2008, accessed 11/26/2008.

went on to cynically note that all other business functions are expenses).⁴ While the current recession might suggest that other functions such as finance, operations, and so on, might be important too, the notion that innovation is a key source of competitive advantage has some fairly strong anecdotal support. For example, leading innovators like Apple, ArcelorMittal, Nintendo, Samsung Electronics, Tata Group, Research in Motion, Fiat, and Reliance Industries, are experiencing strong revenues in those areas where they have exciting products and services – even otherwise downtrodden stock analysts are asking whether such ‘creatives’ are perhaps recession resistant. Other observers suggest that innovations and the related risks taken in spaces characterized by great uncertainty, be that emerging economies or during economic downturns, explain major shifts in the competitive landscape.⁵ For example, Lakshmi Mittal, founder of Mittal Steel (now ArcelorMittal), built his fortune in the steel industry, a sector seemingly trapped in a perpetual downturn (and he placed some of his largest bets in emerging economies, such as highly volatile Kazakhstan).

However, the knowledge that innovation is important is a far cry from having the ability to create the innovative organization. As one set of experts has observed, “Like short skirts, innovation has traditionally swung into and out of fashion: popular in good times and tossed back into the closet in downturns. But as globalization tears down the geographic boundaries and market

barriers that once kept businesses from achieving their potential, a company’s ability to innovate – to tap the fresh value, creating ideas of its employees and those of its partners, customers, suppliers, and other parties beyond its own boundaries – is anything but faddish. Simply looking at BusinessWeek’s ‘50 Most Innovative Companies’ drives the fact home that no country has a lock on innovation – innovation leaders hail from the US, Japan, Canada, Finland, India, South Korea, Germany, Britain, Spain, Luxembourg, Switzerland, China, Italy, and the Netherlands.⁶ In fact, innovation has become a core driver of growth, performance, and valuation.”⁷

Who Leads Innovation?

Most company executives will tell you that they are always on the lookout for innovators; many of these same execs are working on ways to better their own capacity. Intuition might tell you that behind the highly innovative firm – large or small – lies a leader with the spirit of entrepreneurship running through his or her veins. Recent research suggests that your intuition may be right. Based on a detailed study of 25 innovative entrepreneurs and surveys of more than 3000 executives and 500 individuals who had invented new products and started innovative companies, my colleagues found two surprising differences between the haves (have innovated), and the have-nots (have not innovated).⁸ First, among the have-nots there was a pretty strong tendency for top executives to delegate the responsibility for innovation to lower levels in the organization – in other words, they expressed no personal responsibility for generating key innovations (be it in product, service, or process). Second, among the haves, the leader refused to delegate creative work. Moreover, this latter group comprised but 15% of the 3000

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⁴ P Drucker (1993). *Management: Tasks, Responsibilities, and Practices*, NY: Collins Business.

⁵ D Sull (2009). *The Upside of Turbulence*, NY: Harper Business.

⁶ http://www.businessweek.com/magazine/toc/09_16/B4127innovative_companies.htm, Accessed December 10, 2009.

⁷ J Barsh, M Capozzi and J Davidson (2008). Leadership and innovation. *The McKinsey Quarterly*, January, 37-47.

⁸ J Dyer, H Gregersen and C Christensen. 2009. The Innovator’s DNA. *Harvard Business Review*, December, 2-8.



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companies surveyed. It is also interesting to note that the innovator CEOs shared the ability to **associate** (successfully connect unrelated ideas), **question** (challenge common wisdom), **observe** (scrutinize common phenomena), **experiment** (construct interactive experiences to learn what is possible), and **network** (extend their knowledge domain, not just their influence and career prospects, by meeting different others).

It is important to note that this research concluded that innovation, and the fierce drive to be innovative was sparked from the top but it did not stop there. Indeed, even though we'd all generally agree that Steve Jobs, Jeff Bezos, and AG Lafley are innovative, most of the planet's population would not recognize their names until we also mentioned that they lead Apple, Amazon, and P&G, respectively. While the passion for innovation must be shared with the corner office, such passion typically permeates the organization in a systematic way for it to offer the firm some measure of sustainable competitive advantage.

What Does Innovation Look Like?

While we like to think of innovations as a product or service that is entirely new to the planet, experience has shown that timing plays a big role in innovation success. For example, very few of us remember Apple's Newton hand-held computer – it was a dismal failure. However, just some ten years later, a similar product – in the form of the Palm Pilot, and today, the iPhone – seem to have created an industry unto themselves.

What do great innovations have in common? Innovations, and the new markets that often accompany them, seem to have five common characteristics:

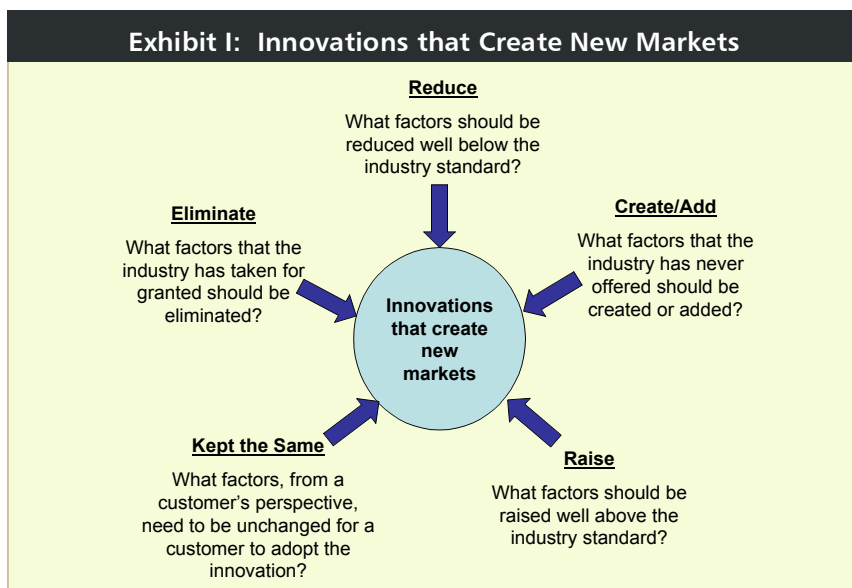
- ◆ Something is reduced
- ◆ Something is eliminated
- ◆ Something is created
- ◆ Something is raised, and
- ◆ Something stays the same.

These new market creation factors are shown in Exhibit I.

The first four characteristics are summarized in the Blue Ocean Strategy framework popularized by strategy

researchers Chan Kim and Renee Mauborgne.⁹ The fifth characteristic was developed through the work of their colleagues, Mason Carpenter and W Gerry Sanders, authors of the best seller, *Strategic Management: A Dynamic Perspective*.¹⁰ The general idea behind the first four changes is that an innovation will offer something new, but not necessarily because it is simply adding more features or costs. For instance, Amazon.com became successful because it provided a greater selection of books than any store on the planet (increase), allowed greater convenience when shopping for books (reduced time needed), developed the logistics and software infrastructure to manage the process (create/add), and threatened to make brick and mortar stores obsolete (eliminate).

New markets can be created when innovations orchestrate these four characteristics alone. However, experience has shown that the more that customers need to change their behaviors, the more slowly they will adopt the innovation. For this reason, the fifth characteristic – what stays the same – becomes a differentiating factor between innovations that take hold and those that do not, or only do so slowly. For instance, e-books have not really taken off, even though there is an increasing number of ways for them to be purchased and read. Similarly, innovations like Tivo have been slow to gain users because consumers have to change their behaviors; Skype faces similar obstacles (even though it is free to make calls you still often have to call



⁹ WC Kim and R Mauborgne (2005). Blue Ocean Strategy. *California Management Review*, 47: 3: 105-121.

¹⁰ MA Carpenter and WG Sanders (2009). *Strategic Management: A Dynamic Perspective*, NJ: Pearson-Prentice-Hall.

through a PC and also pay for high-speed cable connections). In contrast, Amazon's strategy worked largely because the book – the basic product – remained unchanged (as has been unchanged for the last 600 years, which means that consumers are likely to feel uncomfortable abandoning that medium very quickly). Google was a great success as well because it let us use the same browser but offered a far superior 'search' experience.

How Innovative Are You Now?

We can use a short survey to determine how innovative a company is now. The first question simply asks whether the firm has innovation processes in place, and provides an example of one – the stage-gate process. The second poses a series of questions about how an innovation might survive an organization's internal climate.

Do you Have a Process for Innovation?

Innovation is just a matter of spending time dreaming up new ideas, right? While giving employees free time to develop product ideas is a good start (as 3M and Google do by allowing employees to spend 10% of their time experimenting with new products and services), it is only a start.

Increasingly, experts suggest that the most innovative companies will take the principles and reasoned risk taking of venture capital, private equity, and R&D, and bring those perspectives inside the

firm to create new products, services, and businesses.¹¹ One of the key benefits to this migration from external to internal practice is that risk-taking becomes a managed process – the notion of project chunking is very relevant here and takes the form of what the best R&D companies call a 'stage-gate' process. The stage-gate process is a type of new product or service development that separates the innovation process into stages (typically 5 or 6) with each stage containing a set of parallel, cross-functional activities. Between stages are gates that open or close the door for projects to move to the next stage. Gates act as quality check points in the process. Moreover, gates have a common format:

◆ Deliverables

These are the inputs into the gate review – what the project leader and team propose to deliver. They are the results of the actions of the previous stage and are based on a standard menu of deliverables for each stage.

◆ Criteria

These are questions or metrics on which the project is judged in order to make the Go/Kill and prioritization decision.

◆ Outputs

These are the results of the gate review – a decision (Go/Kill/Hold/Recycle). An action plan is approved and the date and deliverables for the next gate are agreed on.

A Simple Test

Whether or not a firm has some type of innovation process in place, it still may have internal roadblocks to innovation. Managers can start by identifying the number of new products or services, or even process innovations,

that have been introduced in the current year. If the answer is 'none,' then that is a pretty good clue about the firm's level of innovation. Even if the answer is something more than none, it is a good exercise to identify the percentage of revenues that come from new products or services.

The companies that aspire to be innovative often set clear and specific new product or service innovation targets. For example, 3M states that 30% of sales must come from products that are fewer than four years old. Similarly, the Gillette subsidiary of P&G states that 40% of sales every five years must come from entirely new products.¹² These firms have also learned however that such sales must be profitable sales. Indeed, simply setting revenue targets for new products and rewarding employees for that can lead to a slew of high-sale, but unprofitable products! The objective is not innovation for the sake of innovation, but innovation for the sake of customer engagement and retention, and profitable growth. As a case in point, in 2004 critics pointed to Apple as "having issued 1300 patents, almost one-and-a-half time as many as Dell" but with Dell showing over twice Apples level of profitability – "if Apple is so successful then why is it so small?"¹³ And yet, today Apple boasts a market capitalization of \$174 bn, versus Dell's \$26 bn.

It is one thing to set high goals for innovation, and another to achieve them. For innovation goals to be realized there must be some pathway in the organization for developing new ideas and moving them forward – even if it is just to the beginning of the stage-gate or similar process. The companies that seem to do this best share a culture that

¹¹ http://www.mckinseyquarterly.com/Innovative_management_A_conversation_between_Gary_Hamel_and_Lowell_Bryan_2065, J. Burish, 11/2007, accessed 12/4/2008.

¹² MA Carpenter and WG Sanders (2009). *Strategic Management: A Dynamic Perspective*, NJ: Pearson-Prentice-Hall.

¹³ <http://www.fastcompany.com/magazine/78/jobs.html>, accessed October 15, 2009.



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Carol Bartz, past CEO of Autodesk and now CEO of Yahoo, describes as fail-fast-forward. What she means is that the way we learn is by making mistakes. So if we want to learn at a faster pace, we must make mistakes at a faster pace. The key is that you must learn from the mistakes you make so you don't repeat them. Bartz' goal is to have employees understand that failure is very acceptable within an established organization – the key is to identify it quickly, and move forward with lessons learned. This is an attempt to break free from those who are worried about risk-taking.

Beyond questions concerning your innovation culture, Gary Hamel, a business futurist and strategy guru, suggests that firms take this simple four-item test, based on responses from first-level employees, to see whether or not they can walk the talk in terms of innovation capability:¹⁴

- ◆ How have you been trained as a business innovator? What investment has the company made in teaching you how to innovate?
- ◆ If you have a new idea, how much bureaucracy do you have to go through to get a small increment of experimental capital? How long is it going to take you to get 20% of your time and \$5,000 to test your idea? Is that a matter of months or is it very easy for that to happen?
- ◆ Are you actually being measured on your innovation performance or your team's innovation? Does it influence your compensation?
- ◆ As you look at the management

¹⁴ http://www.mckinseyquarterly.com/Innovative_management_A_conversation_between_Gary_Hamel_and_Lowell_Bryan_2065, J. Burish, 11/2007, accessed 12/4/2008.

¹⁵ http://www.mckinseyquarterly.com/Innovative_management_A_conversation_between_Gary_Hamel_and_Lowell_Bryan_2065, J. Burish, 11/2007, accessed 12/4/2008.

processes in your company, do they tend to help you work as an innovator or get in the way?

Hamel concludes this questioning by observing that the answers will tell management very quickly how big the gap is between a vision that preaches innovation and the actual achievement of it. The questions themselves also provide a pathway for beginning to develop a culture that understands how innovation comes about.

Why Now?

Innovation challenges managers and employees to think about solving internal and customer problems in new and exciting ways. Tough times require that firms do both things better and do different things – this is essentially the definition of innovation. Tough times are also the mother of invention. As Hamel notes, “to become inspired management innovators, today’s executives must learn how to think explicitly about the management orthodoxies that bound their thinking – the habits, dogmas, and conceits they’ve never taken the trouble to challenge. For example, many people believe that it takes a crisis to change a large organization, and when we look at the evidence this seems to be the case.”¹⁵ Moreover, the innovative organization is one that is more likely to attract and retain the human capital that takes it farther when times are good – thus, the capacity to innovate and accumulate the best human and social capital become self-reinforcing. Again, if your customers find the future before you do, they will not be your customers, and will likely become the customer of someone else. ☺

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Leveraging the Corporate Ecosystem and The New Innovative Role for HRM

This article discusses the possibilities and opportunities that exist for further exploring the corporate ecosystem. It is based on a new work that is currently in progress. It elaborates on the need to innovate in management and more specifically in people management. It is a call for HR managers to be proactive in assuming new roles connected to the leveraging of the corporate ecosystem. It is argued that by doing so, they will add value to corporate sustainability as well as to their own HR sustainability.



This special issue is dedicated to the pioneering efforts of Steve Jobs. There is no doubt that Steven is a unique and innovative leader. His ingenuity in addition to the impact that his products have had on the world, lies in his ability to find the fine route of a leader that “wants to both change the game and stay in the game for the long haul”¹. This is a nice concept to appreciate, but very hard to follow.

In this article, we will try to extend the logic of change and innovation in people management and at the same time stay in the game, by tying together the triple concepts of: business ecosystem, sustainability and emerging new drivers role for human resource management in organizations. In 1996 James F Moore originated the concept of “strategic planning

applied to the business ecosystem”². In his book, *The Death of Competition: Leadership and Strategy in the Age of Business Ecosystems*, he did not suspect that he was talking about one of the most formidable value creation potentials of the corporation. The concept was introduced earlier by Moore in the *Harvard Business Review* in May/June 1993 and won the McKinsey Award for the article of the year.

All companies exist within a specific corporate ecosystem which are simultaneously connected to and

¹ See: Bill Taylor's Blog: "Decoding Steve Jobs: Trust the art, not the artist." *Harvard Business Review*, June 23, 2009 (http://blogs.harvardbusiness.org/taylor/2009/06/decoding_steve_jobs_trust_the.html)

² We prefer to use the term “corporate ecosystem” because the values created may go far beyond business values.

subsumed within many other ecosystems. Some have a very extensive ecosystem like post offices, telecommunication companies, universal banks and many of the insurance companies; but so far we do not have many examples of companies which have tried to leverage the wealth of their ecosystem.

Cisco Systems has widely used the ecosystem concept throughout the world by leveraging partners for all business functions except the development of their core patented functions and business strategy. Roy Hanif, who founded the Cisco's EMEA Services Ecosystem in 1999, managed to quickly attract over 200 international service providers to embrace this concept. Trading was estimated at over \$ 10 bn in services. The Cisco "locally global model" became the most respected business model in the communications industry in the 1990s. Many other companies followed this example and copied Cisco's highly successful model. Companies to follow suit included HP, IBM, Intel and Microsoft, to name a few.³

Marco Iansiti, a Harvard University Professor, pointed out that despite the current strength and promise of the internet software market, the future pace of growth and innovation are not assured; the principles of choice, opportunity and interoperability are important factors determining the growth of PC software and the overall health of the information technology

ecosystem, and these same principles will shape competition in the Internet software. He further adds in another paper with his colleague Roy Levien, that it is all about creating value within the ecosystem itself and sharing the value with the participating partners in the ecosystem.^{4 & 5}

The changing technological environment is another issue that requires new ways of thinking and managing. Riane Eisler in *The Real Wealth of Nations* points to the shift from the industrial to the post-industrial era as both a challenge and an opportunity. The primacy of service and knowledge as the criteria for success in a rapidly shifting global environment calls for long-term, rather than merely short-term thinking and planning that considers what will benefit all stakeholders.⁶

Leveraging the Ecosystem

A corporate ecosystem has a wealth of untapped talents, experience, expertise, knowledge and know-how. It has a wealth of processes, systems and organizational forms. This is a huge potential for value creation; but the creation of social networks and of real and virtual relationships can multiply this potential tenfold. The corporate ecosystem is therefore an untapped treasury!

The corporate ecosystem can be leveraged in different ways:

- ◆ The number of entities that form the corporate ecosystem involved in the process – entities such as private and corporate customers, providers, strategic partners and other stakeholders
- ◆ The number of assets used: Assets could include talent, knowledge, know-how, expertise, experiences,

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is a progressive thinker, a pioneer and a creative mind. Today he coaches and consults many industries about strategic innovation. He is Chairman of Learnità LTD, a London based company – "The Innovation Enabler" with a worldwide network focusing on strategic innovation. He teaches in many business schools throughout the world and is the co-author of the popular book, *Beyond* (Palgrave-Macmillan, 2008).

Dr. Simon L Dolan

is Ramon Llull University Chair in HRM, and the scientific Director of the Institute for Labor Studies in ESADE business School. He had co-authored more than 40 books, and over 120 scholarly papers published in academic journals. He is the chief Editor of *Cross Cultural Management: An International Journal*. He innovates and consults via his Montreal-based firm in the field of culture reengineering and coaching for values.

Dr. Riane Eisler

is a social scientist, attorney, and author whose work on cultural transformation has inspired both scholars and social activists. She has been a leader in the movement for peace, sustainability, and economic equity. Her bestselling books, *The Chalice and the Blade*, and the more recently the *Real Wealth of Nations* is being read and hailed all over the world. Dr. Eisler has published over 300 articles and currently she is dedicated to education via her role as President of the Center for Partnership Studies.

³ Marco Iansiti and Roy Levien have extensively treated the Cisco concept in their book: *The Keystone Advantage: What the New Dynamics of Business Systems Mean for Strategy, Innovation and Sustainability*, HBS Press, 2004.

⁴ M Iansiti, Principles that Matter: Sustaining Software Innovation from the Client to the Web, July 16, 2009 HBR working knowledge (<http://hbswk.hbs.edu/item/6237.html>)

⁵ Marco Iansiti and Roy Levien, Creating Value in Your Ecosystem, <http://hbs.edu/item/3967.html>

⁶ Riane Eisler, *The Real Wealth of Nations*, San Francisco: Berret-Koeler, 2007.



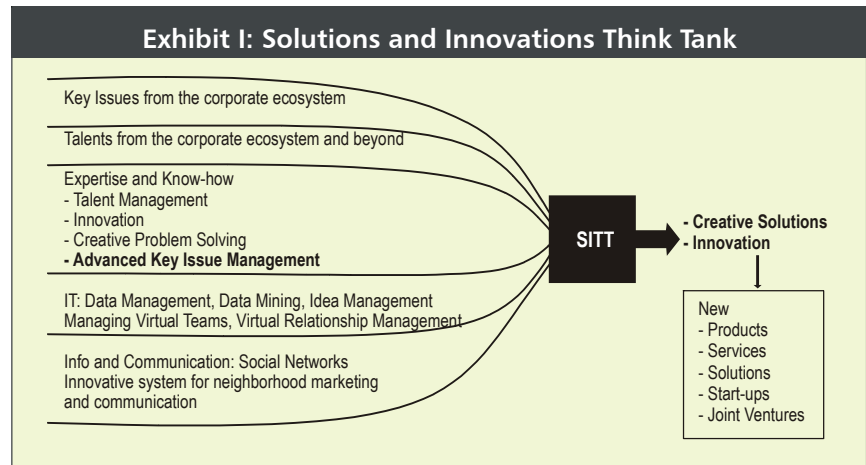
intellectual rights, brands, potential for the creation of smart solutions, techniques and methods mastered communication ability etc.

- ◆ The purpose: The purpose could be the creation of new business ventures, creation of new markets, development of innovations, increasing the employee and customer loyalty, leveraging the available talents, joint development projects, creation of a new industry, etc.

In contemporary practice, primary focus is given to entities representing the customer base which are managed actively through marketing and sales. Some companies are able to manage whole business communities. At times, we can see companies engaged in joint initiatives directed at specific support functions: e.g., purchase, HR, IT etc., but rarely do those initiatives engage a large number of entities, several assets and more that one purpose.

The value created by the management of the corporate ecosystem is directly related to the number of ways in which it is leveraged and the amount of entities, assets and purposes involved. The more the entities involved, assets leveraged and common purposes established, the higher is the value created. In addition, the creation of unique values is dependent on the ability to orchestrate the coordination of large parts of the corporate ecosystem.

An actively managed network of



entities focusing on one or multiple mutually beneficial purposes can be managed in a classical way up to a certain size and scope, but very soon a form of system support is needed to be able to leverage all the possible values⁷. Learnita, a London-based consulting firm, together with a group of associated companies has undertaken the endeavor to develop such a system.

Is the Corporate Ecosystem an Untapped Treasury?⁸

We argue that the corporate ecosystem is indeed an untapped treasury. Thus, it can be leveraged in different ways. Two excellent examples of global Internet platforms harnessing open innovation are provided by Innocentive⁹ and Ninesigma¹⁰. We argue that a similar platform conceived for the corporate ecosystem is thinkable and necessary. It will include a collaborative social network for the creation and

development of creative solutions and innovations leading towards new products, services, solutions, start-ups and joint ventures. This is a way to enable companies to leverage the assets of their corporate ecosystem. We call it the Solutions and Innovations Think Tank (SITT) (Exhibit I).

During the last couple of years, we have developed a technique called Advanced Key Issue Management (AKIM) through which participants in a new innovative program or process find and develop smart new solutions to solve a complex problem. This program was used successfully to facilitate global experts to help define and redefine major problems facing the corporate world in the next 20 years and also to identify the seeds of the solutions of the current and upcoming business transformation. The results of the implementation of this technique were the basis for the recently published book, *Beyond*¹¹. In the same vein, the innovation process of a SITT can be leveraged to address the corporate ecosystem. This means bringing together talent management expertise, IT technology (data management, data mining, virtual management of relationships and teams), in order to

⁷ In future, the artificial intelligence entities will be the perfect managers of such networks.

⁸ These concepts have been developed by Learnita Ltd (<http://www.learnita.com>), where they are developing tailor-made innovative solutions for our corporate clients leading to high performance, rapid growth, strategic innovation and lasting competitive advantage.

⁹ Founded in 2001, Innocentive (<http://www.innocentive.com>) connects companies, academic institutions, public sector and non-profit organizations, all hungry for breakthrough innovation, with a global network of more than 160,000 of the world's brightest minds on the world's first Open Innovation Marketplace™.

¹⁰ NineSigma (<http://www.ninesigma.com>) was founded in 2000 by Dr. Mehran Mehregany, Goodrich Professor of Engineering Innovation at Case Western Reserve University. The company's core mission is to work on behalf of their clients to source innovative ideas, technologies, products and services from outside their organization quickly and effectively by connecting them with the best innovators from around the world. NineSigma was launched in 2000 to leverage the revolution in open innovation.

¹¹ See: Mario Raich & Simon L Dolan (2008) *Beyond: Business and Society in Transformation*, Palgrave-Macmillan.

develop the capabilities necessary to create corporate social networks and innovative techniques for “neighborhood communication” within large networks.¹²

Another possibility includes the bundling of initiatives to be deployed by different functional units of the organization, as exhibited in Exhibit II. These kinds of initiatives can eventually encompass all activities of the organization.

The proposed initiatives can lead to higher performance and increased sustainability and eventually lead to

higher market value of the corporate ecosystem. Once these different initiatives show sustainable positive results, they can be developed into a SITT.

Who Should Be the Driver?

Looking at the large array of possible initiatives, it is clear that the management team has to be the driver of the entire process of leveraging the corporate ecosystem. Nonetheless, the human resources manager who normally possesses generalist business experience can be the facilitator. In some situations,

it would make sense to create a new position within the management team dedicated to this purpose. In any case, there have been many recent calls in the human resource management arena for new roles to be given to the HR position, especially during times when many of the traditional HR activities are being outsourced. Dave Ulrich, one of the leading HR scholars, proposed in the mid-1990s that the new core role of the HR professional in modern organizations is to be a champion of change¹³. Simon Dolan and his colleagues call for the HR manager to become the driver for culture reengineering.¹⁴ This is a unique opportunity for HR professionals to facilitate and to drive the creation of a significant new value for the corporation. Some of these initiatives include the implementation of a talent innovation board, expanded people management and smart solutions – these are all methodologies that can be used by this new generation of HR professionals.¹⁵

HR professionals are also becoming a principal voice encouraging companies to take into account issues of sustainability. There is growing evidence that companies whose policies and products are in accord with standards of sustainability, i.e., consideration of the effects on our natural environment as well as on people, both locally and globally, are gaining a larger and more

Exhibit II: Synopsis of Proposed Initiatives to Leverage the Corporate Ecosystem		
Tool, Instrument	Driver	Expected Outcomes
Talent Innovation Board A group of companies developing Talent Management innovations	HRM	- Talent Management Innovation - Innovative Leadership Development - Leveraging talents - Continuous access to a large base of talents, expertise, know-how and experience
Smart Solutions A new method leading in an easy way towards smart solutions	HRM	- High quality solutions and decisions - Transformation towards a high performance culture - Smart solutions for key issues - Cases for innovation
Expanding people management beyond the traditional boundaries	HRM	- People Advisory Board - Increased motivation and commitment - More possibilities for meaningfulness on the job
Smart Clustering Clustering based on the value creation framework	Sales	- Smart Target Marketing - Higher quality products and services
Smart Solutions A new method leading in an easy way towards smart solutions	Sales and Marketing	- Increased customer loyalty - Higher quality products and services - Innovation
Customer Advisory Board	Sales and Marketing	- Increased customer quality - Customer oriented innovation - Increased loyalty of customers
Systemic Finance New ways and new instruments of financing based on the Corporate Ecosystem	Finance	- Financial savings - Higher stability of the Corporate ecosystem - New financial instruments, e.g. CES securities
Advanced IT IT approaches shared by members of the Corporate Ecosystem	IT	- Shared development - Higher stability of systems - Better leverage of IT
Reinventing the corporate value creation	Business Development Corporate Development	- Fast enhancement of the value creation process - Higher value creation - Strategic innovations
CEO Circle A platform for CEO's of the Corporate Ecosystem for communication and cooperation	CEO	- Increased development speed - Increased corporate strategic and operational agility - Higher agility - CEO development - Improved partnerships

¹² For example, the solutions developed by Beabloo (<http://www.beabloo.com>). Beabloo proposes offering the closest link between citizens and their surroundings, creating a new method of being connected and experiencing the city.

¹³ David Ulrich (1996) *Human Resource Champions*, Harvard Business Press.

¹⁴ See for example: Simon L. Dolan, Salvador Garcia and Bonnie Richlie: (2006) *Managing by Values: Corporate Guide to Living, Being Alive and Making a Living in the 21st Century*, Palgrave Macmillan.

¹⁵ For more information on the emerging HR roles, see: Simon Dolan, Tania Saba, Susan Jackson and Randall Schuller (2008), *La gestion des Ressources Humaines: Tendances, enjeux et pratiques actuelles*, 4th ed, Pearson Education.



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loyal customer base. Also notable are the more loyal and energetic workforce that is produced by organizations that demonstrate care for employees and their families. Indeed, taking into account issues related to sustainability is increasingly becoming a key to innovative and successful management.

Recent writings predict that sustainability will become the next big topic for human resource management after internationalization and globalization. In a recently published book, Ina Ehnert explains how a paradox perspective contributes to understanding and coping with paradoxical tensions and how sustainability can be used as a 'deliberate strategy' for HRM. She argues that the notion of sustainability opens up a new strategic role for HR. She further examines how 50 European multinationals communicate their understanding of sustainability and HRM, and which HR issues and practices they are linking to the topic.¹⁶

All the above may suggest that new ways to manage people will emerge in the 21st century. For example, organizations could see the creation of a people advisory board comprised of representatives from different groups of people relevant to the company. Perhaps, even customer representatives will be invited to sit on the company board. This more participatory organizational structure is actually, as Eisler shows, extremely successful by encouraging innovation and building the

¹⁶ Ina Ehnert (2009) *Sustainable Human Resource Management*. Springer science.

¹⁷ Riane Eisler, Op. Cit. 2007

¹⁸ In the *Real Wealth of Nations*, Eisler explains the concept of hierarchies of actualization where the knowledge and talents of all members of the group are supported and used. Ibid.

²⁰ Raich & Dolan, *Beyond*, Op. Cit. 2008

²¹ *The Future of Management*, Gary Hamel. Harvard Business School Press, 2007

²² Ibid, p.12

mutuality that makes for trust and enduring relationships.¹⁷

The Organization of the Future is Being Explored Why Not?

Looking at the potential of the corporate ecosystem, one can ask why companies are not further exploring more adaptive and innovative management approaches. The answer is perhaps connected with the legacy of our management thinking and the way we have learned to manage an organization. The business schools prefer to research cases and to convey best practices learned from prior experiences instead of developing new ways to manage and create value. Other reasons could include all of the following:

- ◆ Companies are too internally focused and are not used to thinking and acting beyond the corporate boundaries
- ◆ Executives are absorbed with internal politics, restructuration and reorganizations
- ◆ Management action is only applied in areas where they have direct control
- ◆ Executives do not know how to manage people outside their structure
- ◆ Fear to open-up and to go beyond
- ◆ Customers are considered to be beyond the corporate firewall
- ◆ Companies are focused towards the top, i.e., inside
- ◆ The old paradigm equated managing to control whereas, the new one implies that managing equals to achieving.¹⁸

Conclusion

We need to go beyond the existing principles and paradigms in management

in order to find new ways and new solutions as we have argued in our book *Beyond* which describes the ongoing transformation of business and society.¹⁹ In his book, *The Future of Management*,²⁰ Gary Hamel argues that organizations need management innovation now more than ever. To thrive in the future, companies must reinvent management. He rightfully claims that we are becoming the prisoners of our paradigms²¹ and innovations are being curbed because of this. Perhaps the growing inability of organizations to independently solve their management challenges (which is the core concept of the ecosystem) will unleash a wave of innovations. Several new methodologies have been proposed in this short paper and more structured methodologies can be made available for corporate managers to proactively develop strategies for managing business risks and opportunities arising from their company's dependence and impact on ecosystems.

We need entrepreneurial managers who dare to go beyond the established and accepted rules, principles and paradigms. They run the risk that they will find themselves outside the accepted economic frameworks, but they may also reap the rewards of pioneers. All business schools that wish to contribute to the development of the field and the sustainable global economy should create management innovation labs where new ways of management are researched, designed, developed and tested.²²

Note: If you or your company is interested in these concepts, kindly contact Mario@learnita.com and we will be happy to make you part of this innovative social laboratory.

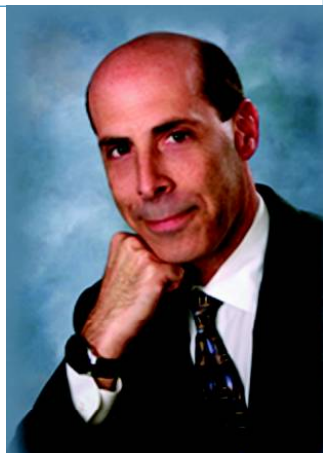
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Reference # 03M-2010-02-05-01

Ext Ad 5

The Moral of the Moment

Steve Jobs and The K.I.S.S. Theory



I've never been much of an "Apple Man." When it comes to computing, I guess you could say I'm a "Microsoft Man." What makes me a "Microsoft Man" you might ask? That I can answer in one word: simplicity. I happened to go to school in the late 70's and remember taking a computer science class. I can remember being told about Fortran and COBOL, and other computer languages. I can also remember punching holes in IBM cards to teach my computer how to execute my commands. Oh, and I can remember one other thing. I remember never wanting to take another computer science class or get near the university's computer science building with a ten foot pole.

Want to really go on a trip down memory lane? Start your computer and move out of your cozy windows environment and see what you can do with the "C prompt" that awaits you. I'm willing to guess one of the bad dreams you may have had in the past that you could not quite remember may have had something to do with you having to fix something on your computer in the land of "Dos."

Meanwhile Steve Jobs and Apple were busy working on one simple theory – the "K.I.S.S. theory" as we'll call it. We needed a better way to navigate around our computer. Apple came up with a way to work with icons on a screen, pull down

menus to get even more information and inserted this revolutionary approach into some of its first computers. I should know; I owned one. It was a Mac Classic, and it ran like a top. No more Dos prompts. No more programming headaches. It was so good and Bill Gates liked it so much, after visiting with his friend Steve Jobs he built one of his own using the same "K.I.S.S. theory" and called it windows... and we all know how well that went for Mr. Gates.

We also needed to be able to interface with the computer more effectively. Steve Jobs came to our rescue again, and presto; we were introduced to the "mouse." If you think the mouse was born and raised as an Apple invention you would be wrong. Xerox was working with a version of the mouse well before Apple. However, using the "K.I.S.S. theory", Steve Jobs made it easy to use, affordable and brought it to market. That went pretty well too.

No, I've never been an "Apple Man," - that is until about a year ago when I had to purchase a new phone. I was kind of old fashioned about my phones. I just wanted the phone to be, well, a phone. I had seen the other devices with all their bells and whistles, but I came from the Xerox school of selling. I guess you could say Xerox believed in the "K.I.S.S. theory" as well. We were taught, what good is a feature if no one knows how to use it?

No, my phone was a phone! Steve Jobs and Apple came to the rescue once again. Not only does my so-called phone answer calls, it gets my mail, coordinates my calendar, maintains my contacts, syncs up with my other computers, keeps my flight schedules, tells me the weather, lets me text, keeps stray notes, acts as a tape recorder, provides me directions, tells me the traffic, provides me with an alarm clock, provides me with any information I need from the Internet, takes pictures, lets me listen to music, and effortlessly connects me to Facebook, Tweeter, and the Internet. And that's just my first page of free apps. What's more, none of this would matter if Steve Jobs and Apple did not

make their product incredibly easy to use.

The moral of the moment is that Steve Jobs reminds us of one of the most important ingredients of success that remains a constant in business. He reminds us that utilizing the "K.I.S.S. theory" can not only improve our way of life, it can make you a very wealthy person. What does "K.I.S.S." stand for you ask? It's an old theory that some of us know and need to be reminded of, and others might be hearing it for the first time. K.I.S.S. stands for, "Keep It Simple Stupid." Words to live by. ☺

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Reference # 03M-2010-02-06-10

Rob Jolles

The founder and president of Jolles Associates, Inc., Rob Jolles is one of the most sought-after speakers in the US. Author of two Best-selling books, Rob inspires and demonstrates proven repeatable and predictable methods to improving sales-oriented businesses. A 15-year professional speaking veteran, it's not hard to tell why Rob's personal client list reads like a "Who's-Who" of Fortune 500 Companies. Rob provides valuable, experience-based sales training to his clients, in an informative, and enjoyable fashion.

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Innovator or Inspirer

The Need for Managers to Have Greater Cultural Intelligence

Building a New Competency

Cultural Intelligence focuses specifically on individual differences in the ability to discern and effectively respond to dissimilar cultures. This skill is vital for global managers, organizations and businesses so as to acculturate to multiethnic institutional environments.



Shifting patterns of globalization, internationalization and political environments can make intercultural work much more the norm for many organizations. Today's managers and organizations will be required to work in diverse (even multiple) contexts of multicultural, multiracial and multilingual environments. These render ethnocentrism in business even less relevant. Intercultural differences have long been a challenge confronting multinational organizations (Hofstede, 1991). In the face of new global challenges and cultural adaptation issues, Earley and Ang (2003) propose a model of cultural adaptation called 'Cultural Intelligence' (CQ). This is an area of increasing interest in relation to work,¹ along with the linked concepts of 'Emotional

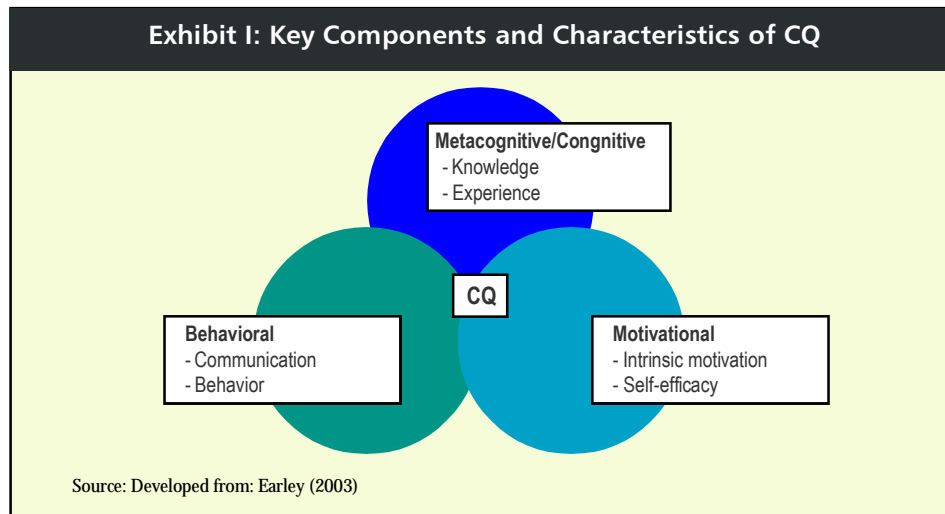
Intelligence' (EQ) and 'Social Intelligence' (SQ).

Cultural Intelligence (CQ)

According to Earley (2003), CQ refers to a person's capability to adapt effectively to new cultural contexts. This adaptation requires skills and capabilities quite different from those used by people within their own cultural context. Three general components capture these skills and capabilities, these are: metacognitive/cognitive; motivational; and behavioral (see Exhibit I).

The first component of CQ, metacognitive/cognitive CQ refers to a person's cognitive processing to recognize and understand expectations that are

¹ see, inter alia, Hooker, 2003; Peterson, 2004; Tan et al 2006



appropriate for cultural situations. It can be further broken down into two complementary elements – knowledge and experience. The first component, metacognitive knowledge, refers to what and how to deal with knowledge gained in a variety of circumstances and reflects three general categories of knowledge (Flavell, 1987). First, it reflects the ‘person aspects’ of knowledge. Second, it reflects ‘task variables’, or the nature of the information acquired by a person. Third, it refers to the strategy variables or the procedures used to achieve some desired goals (Earley, 2003). The second component of CQ, metacognitive experience, refers to conscious experience about what are relevant experiences and how to incorporate them as a general guide for future interaction.

People from certain cultures possess metacognitive characteristics that differ from those of people from elsewhere. Studies often confirm that differences in the pattern and style of decision making of western and non-western cultures relate to distinctive metacognitive experience. For example, deep-rooted differences in experience, culture and values in Asian economies may imply diverse management practices than those in the West (Rowley and Poon, 2008), hence requiring

different CQ from managers and businesses.

The second component of CQ, motivational CQ, is a self-concept which directs and motivates oneself to adapt to new cultural surroundings. Knowing oneself is not sufficient for high CQ because awareness does not guarantee flexibility. A certain level of cognitive flexibility is critical to CQ since new cultural situations require constant reshaping and people and managers must be motivated to use this knowledge and produce a culturally appropriate response. According to ‘cultural self-representation theory’ (Erez and Earley, 1993), the ‘self’ can be thought of as embedded within a general system of cultural context, management practices, self-concept and work outcomes. Early (2003) conceptualizes motivational CQ as: intrinsic motivation – the drivers of performance that originate from within an individual; and self-efficacy – people’s belief that they can be effective on a given task. These are both key aspects for organizations, management and performance, of course. The third component of CQ, behavioral CQ, reflects the ability to utilize culturally sensitive communication and behavior when interacting with people from cultures different from one’s own. This CQ component reflects a person’s/manager’s

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Innovator or Inspirer

Irene Hon-fun Poon, has been a human capital consultant for many years. She has extensive experience of consulting in the Asia Pacific, including the People's Republic of China, Japan, Hong Kong, Philippines and Southeast Asia. Her experience has covered a wide range of business environments from specialized compensation program to strategy management, from government to financial markets and entertainment. Key projects include corporatization of the first government department, design of compensation schemes for first Disney theme park in the Greater China, harmonization of organizational culture for merged entities, development of performance scheme for central bank, and so on.

ability to acquire or adapt behaviors appropriate for a new culture. Thus, the need for this for management and organizations is clear.

Cross-Cultural Competencies, Skills and Abilities

For organizations and management, the spread of global economic interactions and highly competitive marketplaces increasingly requires sophisticated competencies necessary to work with people with different values, assumptions, beliefs and traditions. A competency refers to areas of personal capability that enable managers and employees to successfully perform their jobs and achieve outcomes. Numerous authors have sought to describe competencies. Some portray competencies as motives, traits, self-concepts, attributes,

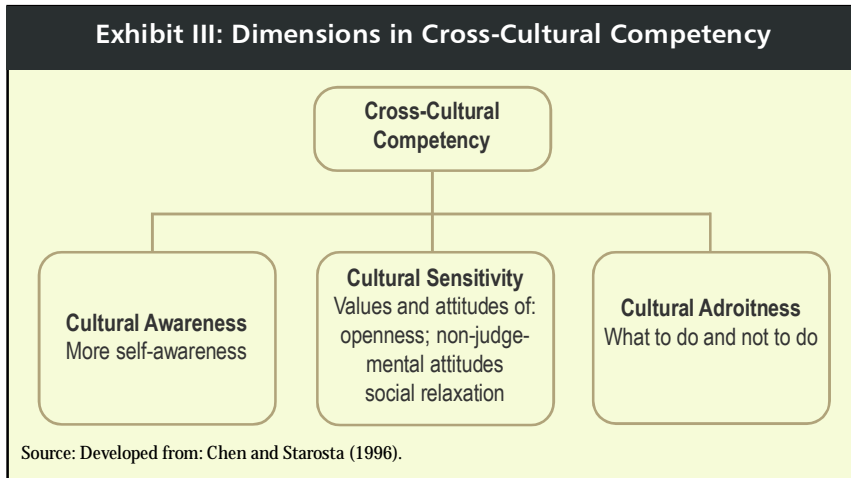
values, content knowledge, and cognitive or behavioral skills. Others describe competencies as any individual characteristics that can be measured or counted reliably and that can be shown to differentiate significantly between superior and average performers or between effective and ineffective performers (Spencer et al., 1994).

Furthermore, there are perennial issues concerning the competencies of successful managers. These include whether they are universal or organization-specific, whether they actually 'evolve' (Katz, 1955) and whether the absence of one can be compensated for by the presence of another. These areas are related to the training and development (T&D) of competencies.

Competency models are useful for T&D in several ways. First, models identify

Exhibit II: Examples of Cultural Competences





behaviors needed for effective job performance and provide a tool for determining the skills needed to meet today's needs as well as the organization's future skill needs. Second, models can provide a framework for ongoing coaching and feedback to develop employees and managers for current and future roles. By comparing their own current personal competencies to those required for a job, managers and employees can identify competencies that need development and choose commensurate actions to develop those competencies further.

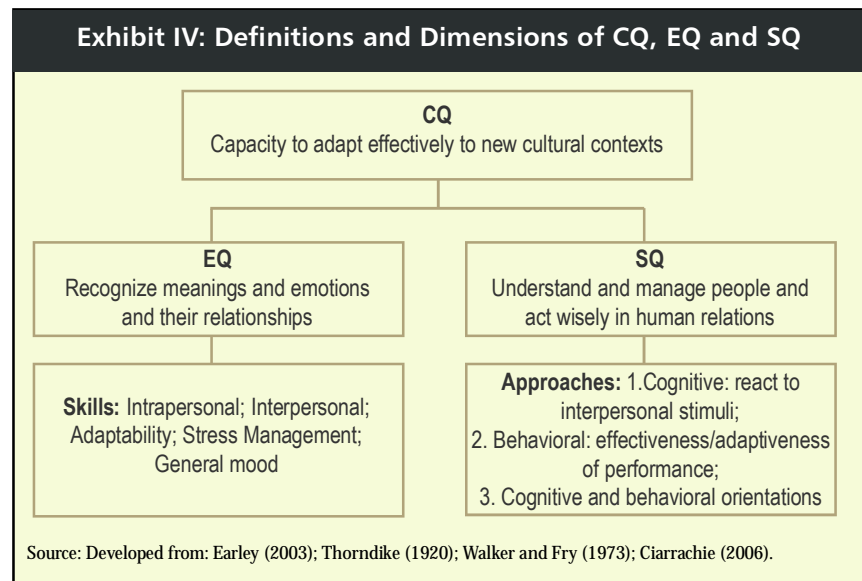
While general competencies are important, there are also unique cross-cultural competencies, skills and abilities required to respond effectively to people of various cultures, languages, classes, races, ethnic backgrounds, religions and other diversity factors (Rowley et al, 2010). Operationally defined, cultural competence is the integration and transformation of knowledge about individuals and groups of people into specific standards, policies, practices and attitudes used in appropriate cultural settings to increase the quality of service, thereby producing better outcomes.

Importantly, cultural competence is not static, nor does it come naturally, but it requires re-learning and un-learning about cultural diversity. An inventory of cross-cultural competencies identified by researchers and practitioners (e.g. O'Sullivan, 1999; Taylor, 1994) includes, among others, aspects such as: communication skills; tolerance for ambiguity; emotional stability; flexibility; ability to adapt to dual foci; focusing on both tasks and relationships; positive attitudes to learning; cultural knowledge; and ability to succeed in multiple and diverse environments (see Exhibit II).

Borrowing from Chen and Starosta (1996), cross-cultural competency can be presented as a three-part process that leads to 'cultural awareness', 'cultural sensitivity' and 'cultural adroitness'. This can be seen diagrammatically in Exhibit III. First, cultural awareness, wherein once people become more self-aware they tend to be better at predicting the effects of their behavior on others. After people learn something about other cultures, they know how to adjust their behavior to better meet the expectations of the new institution. Second, cultural sensitivity, includes values and attitudes such as open-mindedness, non-judgmental attitudes and social relaxation, in order to understand the value of different cultures and become more sensitive to the verbal and non-verbal cues of people from other cultures. Third, cultural adroitness, when people know what to do and what not to do, they will be able to communicate more effectively without offending any parties.

CQ vs EQ vs SQ

Two concepts closely related to CQ are





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EQ and SQ. EQ refers to a person's ability to recognize the meanings of emotions and their relationship and to reason and solve the problem basis of them (Ciarrachie et al, 2006). It involves a person's capacity to perceive emotions, assimilate emotion-related feelings, understand the information of those emotions and manage them (Mayer and Salovey, 1997). According to Goleman (1995), two processes demonstrate EQ. First, a person must be able to respond to the arousal from an external stimulus. Second, this person, within a short period of 'reflection' time, must assess the meaning and quality of their emotional response and act on that understanding in an adaptive fashion. For Bar-On (2000), EQ is conceptualized as a set of non-cognitive capabilities, competencies and skills that influence a person's ability to successfully cope with environmental demands and pressures. These capabilities and competencies comprise skills that include: intrapersonal, such as emotional self-awareness; interpersonal, such as empathy, adaptability, flexibility; stress management, such as stress tolerance and impulse control; general mood, such as happiness and optimism.

The second related concept is SQ. Earlier theorists, such as Thorndike (1920), conceptualize SQ as the ability to understand and manage people and act wisely in human relations. Walker and Foley (1973) further elaborate SQ in three approaches. First, it is the ability to react cognitively to an interpersonal stimulus. Second, it is defined in terms of behavioral outcomes and is conceived as the effectiveness or adaptiveness of one's social performance. Third, it includes both cognitive and behavioral

orientations. These concepts and main elements can be seen in Exhibit IV.

Conclusion

Clearly CQ is important, becoming even more so, for management with the internationalization of business. CQ is closely related to both EQ and SQ. However, an emotionally intelligent or socially intelligent person or manager is not necessarily then automatically culturally then intelligent. The emotionally intelligent manager is able to effectively separate out two features of a person's behavior: those that are universally human; and those that are personal and idiosyncratic. The culturally intelligent manager, in contrast, is able to separate out three features of a person's behavior: those that are universally human, those that are

idiosyncratically personal; and those that are rooted in culture. In other cases, some managers can be highly socially intelligent within their own cultural setting, but rather culturally unintelligent and, therefore, ineffective in novel cultural settings. The implications for management and business are obvious.

In sum, CQ focuses specifically on individual differences in the ability to discern and effectively respond to dissimilar cultures. This skill is vital for global managers, organizations and businesses so as to acculturate to multiethnic institutional environments. The lazy, more ethnocentric views and approaches to management and business that have all too often been seen, need to be updated. ☺

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Ext Ad 6



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Competing with Customer Value Added

For Better Service

Strategies that are successful against competitors should focus on creating CVA® that is greater than those produced by competitors. To do so, one must first regularly measure and monitor CVA® by examining its components, perceived value and variable costs per unit. Next, one must develop strategies and tactics to increase CVA® effectively and efficiently. In the long run, the organization that succeeds in achieving and maintaining the highest CVA® wins.



Well-known management consultants and authors have often tried to simplify competitive strategy by suggesting that winning strategies need to be focused either on customer value or on costs. Such a premise is false and potentially dangerous. Successful strategies must simultaneously balance both customer value and costs. Managers can achieve strategic success by focusing on customer value added – an objective that combines both customer value and cost.¹

Customer Value Added

Customer value added for a unit of a product or service is the difference between the perceived value and cost per unit (Exhibit I). Perceived value is the maximum a customer will pay for the product or service.

Perceived value is not price – it is the ceiling on the price of the product or service. Cost per unit is variable cost per unit, not average price per unit. Average price can distort decisions by masking the incremental profit for a product or service.

Customer Value Added (CVA®) is the net value per unit that an organization provides to the society – as perceived by members of that society. If CVA is high, then an organization is adding substantial value to society because perceived value exceeds costs. However, if CVA is low, then an organization is not adding substantial value to society but rather adding only a small amount in excess of their costs. At

¹ For more discussion of these ideas, see Donald E. Sexton, *Value Above Cost: Driving Superior Financial Performance with CVA®, The Most Important Metric You've Never Used*, Upper Saddle River, NJ: Wharton School Publishing, 2009.

the extreme, if CVA is negative, an organization is destroying value to society since the value of their outputs is then less than the cost of their inputs. When CVA is negative, in a free market, an organization will cease to exist.

Price divides CVA[®] between the margin per unit earned by the organization and the incentive per unit (perceived value less cost) obtained by the customer. Skimming pricing strategies – high prices – are characterized by high margin per unit but low unit sales volume since there is little incentive for most customers to purchase. Penetration pricing strategies – low prices – are characterized by low margins and high unit volume due to the large incentive for customers to purchase.

Measuring CVA

Perceived value can be measured in monetary units with a variety of approaches such as value-in-use, constrained choice models, econometrics, and judgment.² By estimating perceived value in monetary terms, it can be compared directly to costs.

Costs should be separated between variable and fixed costs. The variable costs per unit consist of the incremental costs required to provide the customer with a unit of the product or the service. Such costs

are the costs relevant to CVA since the variable costs are directly comparable to perceived value per unit. Fixed costs are not ignored in CVA analyses; they are considered later when profit is calculated.

CVA and Strategy

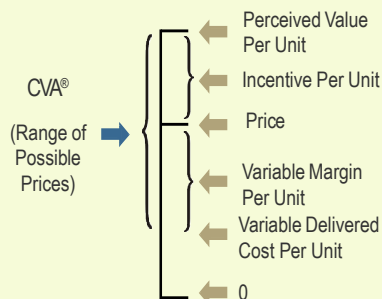
Business strategies can be classified with the Strategic Themes Matrix (Exhibit II). In the author's formulation of this matrix, the vertical axis represents the perceived value and the horizontal axis, the incremental cost per unit, so in the same matrix it is possible to see both the customer value theme and the cost theme.

The most powerful strategic position is in the upper right – highest perceived value and lowest cost per unit – which corresponds to the highest value of CVA[®]. An organization in that position will win against any other organization (Exhibit III). The organization can lower price and still have higher contribution per unit against another with an equally high perceived value. Against an organization with equally low cost per unit, the organization can provide the customer with higher value over price. It should be apparent that the strategy in the upper right cell – the cell corresponding to the highest CVA[®] – is the most powerful. However, studies have corroborated the strength of that position.³ Few companies achieve that position but, for example, at present the very successful Southwest Airlines occupies that position in the US airline industry.

If no organization occupies the upper right hand cell in an industry, then the strategies corresponding to the middle cell in the top row – highest perceived value

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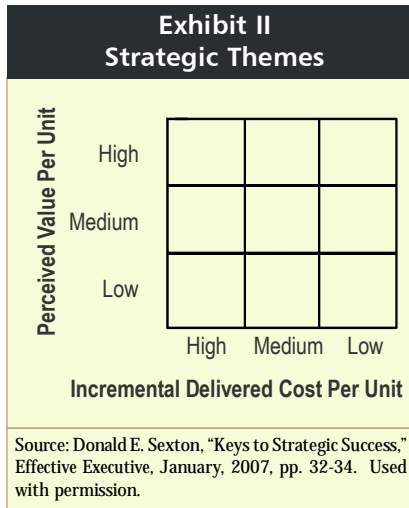
Exhibit I



Source: Donald E. Sexton, "Pricing, Perceived Value, and Communications," *The Advertiser*, April, 2006, pp. 56-58. Used with permission.

² See *Value Above Cost* for discussion of various ways to estimate perceived value.

³ See, for example, William K. Hall, "Survival Strategies in a Hostile Environment," *Harvard Business Review*, September, 1980, pp. 74-85.



and acceptable cost – and the middle cell in the right-hand column – lowest cost per unit and acceptable perceived value – can also be winning strategies.

The Problems with Generic Competitive Strategies

Some management gurus have suggested generic strategies based either on customer value or cost.⁴ Either type of generic strategy has weaknesses (Exhibit 4).

A cost-based generic strategy single-mindedly places lowering costs as the main goal. Decreasing costs can certainly be desirable but not if the process of decreasing costs results in a loss of value as perceived by the customers. If customer value falls more than the decreased costs, then CVA® declines and value produced for society is diminished. Depending on where the price is set, either the customer is worse off (due to a lower difference between perceived value and price) or the organization is worse off (due to a lower margin per unit) or both are worse off.

⁴ See, for example, Michael E Porter, *Competitive Strategy*, New York: Free Press, 1980; Michael Treacy and Fred Wiersama, *The Discipline of Market Leaders*, New York: Addison-Wesley, 1995; and Jack Trout, *Differentiate or Die*, New York: Wiley, 2000.

⁵ see Sexton, *Value Above Cost*.

A customer value-based generic strategy is preoccupied with 'delighting' customers. However, if no expense is spared in making customers happy, then costs may increase so that they more than offset any value increase. Again, depending on the price, either the customer is worse off due to a lower incentive or the organization is worse off with a lower margin per unit or both are worse off.

CVA® oriented strategies are focused on the relationship between perceived value and cost. Actions are taken which maximize CVA® as opposed to minimizing costs without regard to the impact on customer value or maximizing customer value without regard to the impact on costs.

Sexton's Contribution Law

Increasing CVA® increases contribution. However, the impact of changes in CVA® is non-linear. More precisely:

The change in contribution due to a change in CVA® is in proportion to the square of the relative change in CVA®.

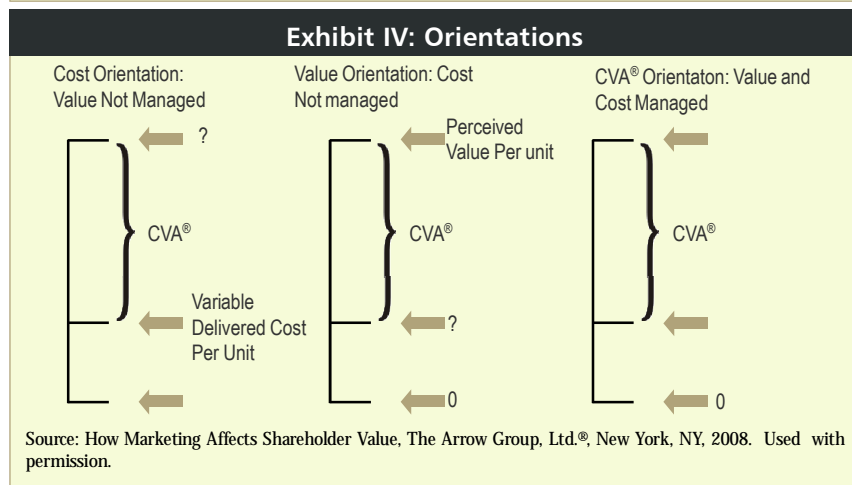
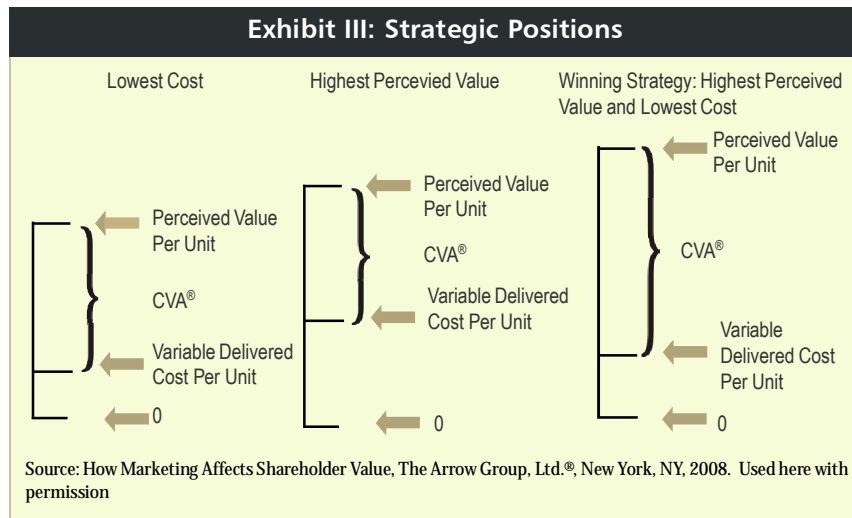
Sexton's Contribution Law can be proved with basic economics and the calculus.⁵ The law is also consistent with common sense. Any increase in CVA® leads to an increase in both variable margin per unit and unit demand. Because contribution is the product of variable margin per unit and unit demand, contribution increases with the square of the relative change in CVA®. The reverse is also true – any decrease in CVA® leads to a decrease in variable margin per unit and unit demand which affects contribution in proportion to the square of the relative decrease in CVA®.

Increasing CVA®

To manage CVA®, one manages its two components, perceived value and unit cost.

Perceived value can be increased by:

- ◆ **Understanding customer needs and designing products and services to satisfy those needs at reasonable costs.** The on-line retailer Zappos provides a wide product selection and unsurpassed service to its customers. The added costs of providing these services are more than offset by the additional value given to the customers.
- ◆ **Ensuring that customers know the benefits provided to them.** Eastman Chemical has effectively communicated the flexibility of its Spectar plastic to potential customers by using advertisements showing the plastic tied into knots.
- ◆ **Identifying gaps between what customers perceive to be the performance on a benefit and the actual benefit and then developing communications to close those gaps.** Early FedEx ads dramatically demonstrated their consistency in fulfilling their overnight delivery promise by showing the percentage of FedEx packages that arrived overnight versus the percentage for their main competitor.
- ◆ **Increasing the actual performance on a benefit of high priority to customers and communicating that improvement to the customers.** After Ford had enlisted the help of famed quality expert Dr. W Edwards Deming, they informed customers of their quality improvements with the ad tagline, "Have you driven a Ford lately?"
- ◆ **Adding desirable benefits to a product or service and communicating those changes to customers.** In the US beer industry, Coors and Budweiser have employed ads showing how their new



packaging ideas have improved the taste of their products.

- ◆ **Making customers aware of why certain benefits are important to them.** Land Rover has focused on features such as seating capacity to sell automobiles to families so that “no one would be left behind.”
- ◆ **Building associations with strong brands.** Over many years, Foster’s beer in the US has been described as “Foster’s – Australian for beer,” building a strong association between Foster’s and the country brand ‘Australia’ which has a very positive connotations in the US.
- ◆ **Bundling benefits.** Lenovo has focused on their many product

innovations to develop a bundled benefit connected to design engineering.

Per unit costs can be decreased by:

- ◆ **Removing benefits that the customers do not want or need.** Dow Corning developed their Xiameter brand for customers who were able to purchase it on the Internet and did not wish to pay for technical expertise they did not require.
- ◆ **Lowering performance on benefits of relatively less importance to customers.** One telecommunications company saved money by cutting back on telephone customer service response time when research showed customers were indifferent

to response time within a broad interval.

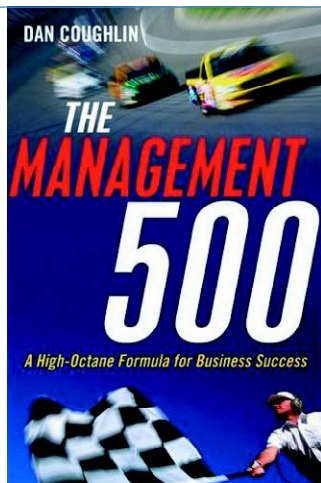
- ◆ **No longer communicating benefits of little or no importance to customers.** Most airlines no longer tout the quality of their food, drink, and entertainment – most focus on benefits of higher priority to their passengers such as courtesy or reliability.
- ◆ **Employing value-engineering thinking to change product or service design so that costs are decreased with little impact on perceived value.** Marriott utilized constrained choice modeling to optimize the customer value for guests in their Courtyard chain of hotels.
- ◆ **Evaluating brand communication expenditures and decreasing those with little or no impact on customer perceived value.** Decisions, such as whether or not to place a company name on a sports stadium should be subject to rigorous financial evaluations.

Conclusion

Strategies that are successful against competitors should focus on creating CVA® that is greater than those produced by competitors. To do so, one must first regularly measure and monitor CVA® by examining its components, perceived value and variable costs per unit. Next, one must develop strategies and tactics to increase CVA® effectively and efficiently. In the long run, the organization that succeeds in achieving and maintaining the highest CVA® wins. ☺

Why 2009 was the Most Extraordinary Year of My Life

Lessons for 2010



2009 was the most extraordinary year of my life not because of what I earned but rather because of what I learned. The year was filled with more learning experiences on more areas of my life than any other. My hope is that some of these lessons will be of value to you in 2010.

The Value of Life

The single biggest lesson for me was to value the value of life to a greater degree.

From July 2008 to May 2009 six important people in my life died: Aunt Loretta, Aunt Marie, Aunt Helen, my cousin Larry, my good friend Kevin Wade, and my dad. The hardest of all of these was losing my dad. Dad was an encourager. Even though I don't think he ever really fully understood what I do for a living, he always kept encouraging me and showing interest in my work. Dad died six weeks before his 80th birthday.

Next to my desk I have a letter I wrote to him on his 75th birthday. It summarized many of the main events and routine happenings in our lives together. Dad made a copy of it, wrote a note on it, and gave me that copy. I never understood why he did that since the letter was from me to him. Now I'm so thankful he did. At the end of the note he wrote, "Dan, I love you forever, Dad."

On his 75th birthday I took him to a St.

Louis Cardinals baseball game. We sat and talked all night. He told me about his volunteer efforts with the Hibernians and with Mother Theresa's Soup Kitchen. I said, "Where do you find the energy for all of that?" He said, "You never know how long you're going to live. You have to make the most of your time while you can." Two years later he was in stage two of a terrible disease called Dementia with Lewey Bodies. A little more than two years later he was dead.

I'm so grateful that for the last eight days of his life I got to kneel by his side, hold his hand, kiss his forehead, and tell him over and over how much I appreciated what he did for me and how much I loved him. His last three words to me a few days before he died were, "...love you, too." A few hours before he died almost everything shut down for him. His eyes glazed over, his mind was gone, his muscles stopped working, and the blood was leaving his feet and hands. However, his heart was pumping as strong as ever. I'll never forget that. The strongest part of Dad until his very last second was his heart. I NEVER let a day go by without hugging my wife, Barb, and our children, Sarah and Ben, multiple times. Remember the value of life.

A few months ago members of my church helped to organize a special fundraiser for our good friend, Shannon, who lost her husband to cancer in 2008. It was an awesome

night. 600 people showed up and we raised nearly \$30,000. As Shannon stood behind the podium with her three young children and celebrated her husband Scott's life, I was reminded again of the value of life.

These are tough economic times for the world. I know you're busy trying your best to create and deliver value for your customers and to take care of your family. However, in the end life is about relationships. Life is about making time for our family and friends and really investing ourselves in their lives. In the end our lives are not that long and we never know how much time we have left with anyone. Focus your attention on people, not things and not honors and not rewards.

The Value of Time

This is connected to the value of life. I can't imagine wasting time anymore. There is simply too much to do: my family, my work, my friends, my workouts, my volunteer efforts, my reading time, and so much more. Every month I have lunch and recess with each of my two children. Total investment: 100 minutes a month. That's priceless time to me. Every day I read for 30-60 minutes. Again, priceless. My wife, Barb, and I have four to five television shows a week we like to watch together by ourselves. That's our fun time. I write blogs, twitters, and articles almost every day. That's time well spent. I exercise for 60-90 minutes every day. Valuable. I have lunch with my mom at least every other week. That's time that can't be replaced. Every pocket of time can be filled with value or used to create value. See the value of time.

The Value of a Dollar

As with many businesses around the world, my revenues were down significantly in 2009. From that came something very good. I finally realized the wisdom of my

two parents who were both born during the Great Depression. They always talked about the value of a dollar, and I always ignored them. If I had money, I almost always found a way to spend it. This year I finally learned the empowering feeling of not spending money. I realized the utter foolishness of advisors who suggested you have to drive a certain car or wear certain clothes or use a certain pen in order to be seen as credible. My value added is in the user-friendliness of my practical ideas on improving business performance, not in what car I drive or what clothes I wear or what I write with. 2009 has been the beginning of what I hope is a life-long respect for every single dollar that I am responsible for.

The Value of Value

On May 30, Barb, Sarah, Ben, and I went to see the film, *Up*, by Disney/Pixar Animation Studios. I loved it. And I gained another lesson from this year.

Pixar Animation Studios has now made 14 films since their first one, *Toy Story*, in 1995, and all 14 films have gone to #1 at the box office.

Apple's iPhone came out in 2007 and it sells faster now than ever before. It didn't even exist three years ago, and now in the midst of a terrible recession everybody has to have it and they find a way to get it.

Mitch Albom and Malcolm Gladwell came out with books within the past 12 months and they both shot to #1 on the bestseller lists.

Lesson learned: Even in the midst of a terrible recession, companies and individuals who create great value generate extraordinary results. The absolute key for any business or any individual to prosper in bad economic times is to create and deliver incredible value that other people will feel they absolutely must have. What value can

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you deliver and what value can you help your organization to deliver that will help you to rise above this recession and be in greater demand than ever before?

The Value of Tough Times

People talk about 2009 as though it were the worst year of their lives. Ironically, one day we will all look back and realize that 2009 caused significant changes in behavior that led to incredible results. Let's step back in time and look at two examples of where greatness found its starting point in the 'worst of times'.

In her book, *The Definitive Drucker*, Elizabeth Haas Edersheim, does a great job of describing what Toyota Motor Company went through in its early days after it was founded in 1930. I admire Toyota as much as any company in the world. From Corolla to Camry to Avalon to Lexus, Toyota has managed to create magnificent cars at every price point from economy to luxury. They all ride beautifully and require very, very little maintenance. However, I think their real greatness can be traced to their earliest days.

The founder of Toyota was Sakichi Toyoda. The global business economy was so bad in 1930, that he changed the spelling of his last name to Toyota, according to Edersheim "because in Japanese the letter 't' has one fewer stroke than 'd' – thus saving time on printing signs and advertisements – an early indication of the ceaseless focus on efficiency that would come to characterize the organization." She goes on to say, "The car market in Japan at that time was small. Because the competition was so stiff and capital so hard to accumulate, Toyota had to do everything possible to minimize the time between when it purchased parts and

assembled vehicles and when it received payment – hence, the birth of the company's vaunted 'just-in-time' production methods."

She then explains that the extremely difficult economic period of the 1930s caused the Toyota management team to discuss every decision in detail and only to move forward when every member had an opportunity to offer their perspective in group consideration. They simply could not waste any money. This same careful, collaborative approach to decision making has been carried on to this day.

Would these highly effective management approaches been developed if they had not been faced with a very tough economic situation? My hunch is that it probably would not have happened. Only when trapped in a very tough situation do most humans begin to scramble mentally and physically to figure a way out.

In 1997 Apple Computer had reached nearly to the end of its rope. They had managed to lose one billion dollars in the previous quarter, and they were perhaps six months away from bankruptcy. Steve Jobs came back as the interim CEO and the rest is history. He quickly moved the company from having 80 different computers and variations of computers to just four. He then carefully introduced two new concepts in 2001: a digital music player, the iPod, and the iTunes music store. By staying remarkably focused on doing a great job with a few products, Apple transformed itself into one of the world's greatest companies and Steve Jobs was recently named the CEO of the Decade by *Fortune* magazine.

These extremely tough economic times can have a very big upside. What

is it forcing your organization to do that can ultimately lead to generating sustainable, profitable growth? What could it be forcing your organization to do that can improve its future dramatically?

The Value of Detoxing

A few weeks ago my computer had a terrible virus. I would enter websites and the Internet would take me to the wrong sites. I quickly shut down my computer and called a terrific computer consultant. He worked his magic, removed the virus, and installed a much better anti-virus software than the one I had.

This reminded me of my major personal theme for 2009. I wanted to 'detox my system' of a lot of bad habits. I define a toxic habit as anything a person does, thinks, or says that keeps them from performing at their best. I identified a number of toxic habits that I needed to focus on including eating, spending, emotions, language, immediacy, impulsiveness, and playing old mental tapes. Each day I reviewed how I did relative to these toxic habits. Like my computer consultant did for my computer, I was able to reduce the impact of these toxic habits little by little. I dropped 18 pounds and kept it off, realized the importance of not expecting an immediate positive result for every effort I made, and let go of some frustrations I have been carrying around for years. The lesson I learned is success is not just about learning new things and achieving new heights of achievement. Sometimes it's about removing the viruses we build up inside of ourselves.

The Value of Prayer

This was another major learning for me. This is only the second time I've

ever written about prayer in one of my business articles. If spirituality is not your thing, then you can skip this part. I've always prayed, but usually it was very sporadic and done only occasionally. This year I prayed consistently two to three times a week. I never pray for results. I never pray for health or safety or any type of outcome. Essentially, I pray for advice on what to do. My prayer is basically the same one over and over. I ask God four questions: How am I doing? What am I doing well? What am I not doing well? What should I be doing differently? Usually I hear something I don't want to hear, and it causes me to reflect on what adjustments I need to make. I think prayer helps me to be a better person, and I think it helps me to be more genuinely who I really am in all

situations. Praying has helped me to be more comfortable in every setting. I don't ask God for money or material things. I ask for insights. Based on those insights, I try to figure out what to do next.

The Value of Reading

This really isn't a new lesson. It's something I've known for 25 years. However, I thought you might like to see my reading list from 2009. I found value in every one of these books:

Outliers by Malcolm Gladwell; Uncommon by Tony Dungy; Battlefield of the Mind by Joyce Meyer; Enough by Jack Bogle; Have a Little Faith by Mitch Albom; Leading, Living, and the American Dream by John Gardner; The Score Takes Care of Itself by Bill Walsh and Steve Jamison; It's Not What You Sell, It's What

You Stand For by Roy Spence and Haley Rushing; Hit the Ground Running by Jason Jennings; The Shack by William Young, Development of Professional Expertise edited by Anders Ericsson; Broken Trust by Patrick Fleming, Sue Lauber-Fleming and Mark Matousek; Take the Risk by Ben Carson; Shooting Stars by LeBron James and Buzz Bissinger; and Obstacles Welcome by Ralph de la Vega; Greater Than Yourself by Steve Farber; The Definitive Drucker by Elizabeth Haas Edersheim; Mockingbird by Charles Shield; To Kill a Mockingbird by Harper Lee; and Dutch Total Football by Terry Michler. ☺

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Innovator or Inspirer

Stewardship as Leadership

An Empirical Investigation

This article examines the factors that stymie contemporary leaders in their quest to practicalize the concepts of stewardship as an alternative form of leadership. Stewardship is herein argued to be a more viable form of leadership than current leadership concepts, and nine dimensions have been identified as personifications of the stewardship concept. The results show that stewardship, as a leadership alternative, has not yet begun to supplant traditional forms of leadership.



The concept of leadership and the promises – and failures – that it has held for humankind over the centuries is a well-researched area. Burns (1978) asserts that leadership is one of the most observed, but the least understood phenomena. Goodwin (1998) asserts that there are as many different leadership styles as there are leaders. Consequently, the theories of leadership are many and they originate from diverse sources. Various leadership theorists, in defense of their leadership models, have suggested various definitions of leadership. Burns (1978: 43-44) asserts that: “The essence of leadership in any polity is the recognition of real need, the uncovering and exploiting of contradictions among values and between values and practice, the realigning of values, the reorganization of

institutions where necessary, and the governance of change.” Bennis and Nanus (1985: 225) describe leaders as individuals who “lead by pulling rather than by pushing, by inspiring rather than ordering, by creating challenging, but achievable, expectations and rewarding progress towards them rather than by manipulating, and by enabling people to use their own initiatives and experiences rather than by denying or constraining their experiences and actions.”

The theories and models of leadership that have been mentioned supra have in common their focus on the leader as a pedestal personality who is separate from the people being led. However, as Zaleznik (1996: 2) points out: “Leadership is not restricted to the occupants of formal positions.” Therefore, we must begin to

refocus our leadership lenses to recognize not only the appointed leaders but also their followers and the nature of the relationship that exists between the two groups.

April, MacDonald, and Vriesendorp (2000) submit that an alternative leadership idea, which boosts personal growth and reciprocal care through teamwork, total involvement, and a strong sense of ethics, is supplanting traditional and hierarchical leadership principles. Spears (2002: 2) asserts: "In these early years of the 21st century, we are beginning to see that traditional, autocratic, and hierarchical modes of leadership are yielding to a newer model that is based on teamwork and community, one that seeks to involve others in decision-making, one strongly based in ethical and caring behavior, and one that is attempting to enhance the personal growth of workers while improving the caring and quality of our many institutions." This new wind of change, which has gathered tremendous momentum on the leadership landscape over the last four decades, is the concept of stewardship. Admittedly, stewardship is a hoary concept, the antecedents of which are replete throughout the Christian Bible (Matthew 25:15-30; Matthew 10:8; Genesis 2:15-20; Luke 16; Mark 12:41-44). As a form and alternative to traditional leadership understanding, however, the idea (in business) owes its origin to Robert Greenleaf who first envisioned, in 1970, the potentially benefitting concept of the leader as a servant, which he termed servant-leadership. Since Greenleaf laid the premise for stewardship as an alternative form of leadership, several other prominent theorists (Covey, 1989; Autry, 1992; Depree, 1992) have written about, and buttressed, the concept from different perspectives. Macnamara (2004) perhaps best captures the crux of stewardship when he describes it as passing

the present on to future generations in as good a shape as, or better than, when it was received. This concept is the most viable alternative to current leadership.

However diverse the sources of competing leadership models and theories are, there is a common denominator that connects them all. They all seem to be focused primarily on the underlying the need for, and the qualities of, good leadership. These authors (Kotter, 1996; Kouzes and Posner, 1987; Rost, 1993) are all basically saying that leadership is an indispensable factor of any institution and they all seem to be in agreement as to the qualities that leaders must have in order to have a viable organization. The same is true for the writers who propound stewardship as an alternative to leadership (Spears, 1998; Macnamara, 2004; Block, 1993; Covey, 1989). They have all listed and expounded on the factors that distinguish stewardship from traditional modes of leadership and the factors that make stewardship a more acceptable, indeed more realistic, approach to leadership. The question, then, is why has stewardship not, to any extent, supplanted these traditional modes of leadership in practice? Block (1993: 10) highlights this concern when he states: "What is troubling about ideas like stewardship is that even though they are intuitively appealing, they seem far removed from the heart of the way we run our organizations." This is an outright admission, from as authoritative a source as you can ever hope for, that stewardship has not begun to substitute for current leadership methods in practice. What are those factors that are inhibiting contemporary leaders from subjugating themselves to the dictates of the stewardship concept?

In order to investigate reasons why stewardship is not as prevalent a concept

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as it should be with contemporary leaders, this research makes use of a Stewardship Framework first developed by April, Hendrikz and Peters (2010 forthcoming), which proposes nine dimensions around which stewardship revolves.

The Stewardship Framework

The nine dimensions of the April Stewardship Framework—(1) Personal Mastery, (2) Personal Vision, (3) Mentoring, (4) Valuing Diversity, (5) Shared Vision, (6) Risk-taking and Experimentation, (7) Vulnerability and Maturity, (8) Delivering Results, and (9) Raising Awareness—represent factors that this research argues are the attributes that an individual must possess in order to be an effective steward of his or her organization, group, or community. Each of the nine is discussed below, providing a basis for its inclusion in the framework.

1. Personal Mastery

Senge (1990) describes personal mastery as being about creating what one wants in life and in work. He asserts that personal mastery is based on personal vision and purpose, maintaining a creative balance between vision and reality, minimizing the impact of beliefs that run contrary to personal mastery, commitment to truth, and developing an understanding of the subconscious. Covey (1989) views personal mastery as having the ability to identify objective reality and align one's subjective values with principles, as this leads to an inward strength of character and genuine caring and serving.

However way it is described by the experts and theorists of leadership concepts, the common thread that runs through all their descriptions is that personal mastery is a personal journey to continually improve one's ability and continually grow by learning

and being willing to supplant old concepts with new and better ones. What then ties personal mastery to stewardship? Throughout much of the literature, stewardship has been touted as a concept whose primary consideration is a focus on the community, the group, or the organization—rather than the individual. Personal mastery, on the other hand, advocates self development and a continual improvement of one's personal abilities. Because of this, personal mastery and stewardship seem to be antithetical concepts, two extreme ends of a continuum. What bridges these two ends of the gamut and aligns them into one coherent structure is the fact that the concept of stewardship presupposes a social contract between the individual and the community, group, or organization. A further presupposition is that both parties to this social contract bring to the union the best of their personal abilities. Stewardship requires an individual who is the master of his/her game, someone who is confident enough in his/her ability to allow others to achieve self-actualization. Essentially, stewardship is about trust—trust from both the individual and the group—and, unless a person is a master of his/her own abilities, s/he is not going to inspire the trust in others that is necessary to make stewardship a reality.

Giuliani and Kurson (2002) assert that a person's ability to get people to perform depends largely on what they perceive when they look at, and listen, to him/her. They state that people need to see someone who is human, but is stronger than they are, and such leadership strength is acquired through personal mastery, which is a lifelong journey. This is the link right here. People seek an effective leader, but they need to trust that person enough to bestow upon him/her the mantle of leadership. Trust is – has to be – earned, and the quickest way

of achieving that is by demonstrating that one is the master of his/her own abilities and that s/he is continually seeking ways to improve these abilities. Senge (1990) uncovers the link between personal mastery and effective leadership – stewardship, for example – when he postulates that the core leadership strategy is to be a role model and commit oneself to one's own personal mastery. Personal mastery, therefore, allows an individual to discover him/herself and master his/her capabilities, which, in turn, stimulates trust in others that allows them to unquestionably follow him/her as an effective leader. Because of the vital role that personal mastery plays in a person's leadership ability, it is, needless to say, indispensable to any form of leadership – stewardship included; hence, its inclusion as one of the fundamental dimensions of stewardship.

2. Personal Vision

Senge (1990) describes vision as what one wants to create for him/herself and the world around him/her. Hickman & Silva (1984: 155) describe it as “a mental journey from the known to the unknown, creating the future from a montage of current facts, hopes, dreams, dangers, and opportunities.” People tend to judge you by what you represent, and what you represent is your personal vision. Therefore, people will judge you by your personal vision. What, therefore, is the link between personal vision and leadership in general and stewardship in particular?

Various leadership theorists (Covey, 1989; Senge, 1990) have underlined the importance of developing a personal vision, emphasizing that it engenders success and inspires others to achieve their dreams. Many theorists (Doz and Prahalad, 1987; Hunt, 1991; Kotter, 1990; Robbins and Duncan, 1988; Sashkin, 1988) describe a definite

and indispensable link between personal vision and leadership. Some (Hunt, 1991; Sashkin, 1988) even go as far as characterizing vision as a form of leadership, an assertion which we find a little farfetched, but which serves to underline the important role that vision plays in a leadership framework. Others (Pearson, 1989; Phillips and Hunt, 1992) describe vision as one of the most critical tasks that a leader has to perform.

The importance, therefore, of having a personal vision in one's quest to be an effective leader cannot be overemphasized. It is simply impossible to lead others when you yourself have no idea where you want to go, or how you want to get there. Effective leaders have a vision of making a difference, of what might be (the possibility), and they believe they can make it happen (Kouzes and Posner, 1984; Zander and Zander, 2000). Covey (1989: 106) asserts that effective people “begin with the end in mind.” In other words, they have a vision at the beginning of a journey about what they expect of the journey at the end. With this mentality, the strategy for implementing the vision is much more practicable. Manasse (1985) asserts that it is through personal vision that leaders identify their own personal resources and position themselves to play to their strengths. Personal vision is a reflection of one's outlook of the community or organization in which s/he lives or operates. This is the connection between personal vision and leadership concepts such as stewardship.

3. Mentoring

Over the last 30 years or so, the concept of mentoring has drawn tremendous attention from a wide range of researchers (Kram, 1980, 1983, 1985; Bova and Phillips, 1982; Hunt and Michael, 1983; Phillips, 1977). Gregson (1994) describes the

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mentoring process as an attempt to transfer experience and expertise from experienced individuals in an organization to the less experienced.

However it is described or defined, the inescapable fact is that mentoring is, first of all, a social relationship that exists between two persons that is expected to accrue benefits to either or both parties. The question is: What is the essence of this relationship known as mentoring? What are the benefits that are to be accrued by the parties to the relationship? To answer this question, let us point out that a mentoring relationship involves a mentor and a protégé. A third distinct, but subtle, party to this relationship is the group, organization, or community to which the first two parties belong. The process of mentoring, if properly implemented, creates, according to Scandura, Tejada, Werther & Lankau (1996: 53), a “three-way reciprocal context where the mentor gives, the protégé gets, and the organization benefits.”

Beginning with the benefits received by the protégé, Kram (1985) provides empirical evidence that the process enhances work effectiveness, and several other researchers (Roche, 1979; Stumpf and London, 1981; Hunt and Michael, 1983; Fagenson, 1989) argue that mentoring engenders success on the job or assigned task. The bottom line is that there are tremendous benefits to be gained by a protégé in a mentoring relationship.

From the perspective of the mentor, it is not entirely a give-give situation as some very subtle benefits also accrue to him/her. The benefit derived by the mentor, according to Levinson, Darrow, Klein, Levinson, and Mckee (1978) and Kram (1983), is that the mentoring

relationship can serve as a source of reinvigoration of the mentor’s career. Levinson et al. (1978: 253) perhaps put it more succinctly when they assert: “The mentor is doing something for himself. He is making productive use of his own knowledge and skills in middle age.”

From the organizational, group, or community perspective, Wilson and Elman (1990) suggest that there definitely are gains from mentoring relationships. The benefit that derives to the organization is corollary to the benefits that accrue to the mentor and the protégé. On the one hand, the organization benefits when the mentoring relationship enhances the protégé’s contribution to the organization (Scandura et al., 1996). Similarly, the rejuvenation in the mentor’s career, as alluded to by Levinson et al. (1978) and Kram (1983) increases his/her overall value and contributions to the organization.

The insinuation of all of this is that a properly structured and well implemented mentoring relationship is the perfect recipe for the creation of a sustainable, vibrant, and competitive organization. Given that an effective leader is someone who ensures the sustainability of the organization and that mentoring enhances that sustainability, it is obvious why mentoring is one of the paramount skills needed by contemporary leaders. Mentoring is, therefore, inextricably connected to sustainable leadership. Stewardship, as a form of leadership, is a sustainable concept by its very nature of advocating service over self-interest. Mentoring offers a conduit for ensuring the sustainability that stewardship preaches; hence, the inclusion of

mentoring as one of the dimensions in the Stewardship Framework.

4. Valuing Diversity

Church (1995: 3) defines diversity as “a collection of individuals who differ from each other on one or any number of dimensions including culture, values, education, gender, marital status and age.” Theorists (Guzzo, 1986; Hoffman, 1979; Hoffman and Maier, 1961; Janis, 1962) argue that diversity engenders creative decision-making characterized by innovative and high-quality solutions. Valuing diversity has been linked to learning by some researchers (Lee, Macdermid and Buck, 2000) and others (April and Shockley, 2007; Milliken and Martins, 1996; Robinson and Dechant, 1997; Thomas and Ely, 1996) have identified it as being crucial to organizational performance. Improperly managed and undervalued diversity can negatively affect how group members are able to identify with one another (Brewer, 1996; Tajfel, 1982; Tajfel and Turner, 1979). Additionally, it has been empirically determined that poorly managed diversity in groups can negatively affect cohesion, as well as hinder performance and communication (Zenger and Lawrence, 1989).

The implication of all this for organizations, groups and communities is that, depending on their approach, diversity could serve either as a stepping stone or as a hindrance. It, therefore, makes it incumbent upon contemporary leaders to attain a position of being able to value and leverage diversity in their groups or organizations for the good of the organization. Valuing diversity is about building an inclusive community or group in which members are able to put aside their differences, perceived or

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real, and work for the advancement of the ideals of the organization. Essentially, this is the pillar of stewardship—service over self-interest, community over individual. This is why being able to value, manage and appreciate diversity is key to being able to implement the concepts of stewardship; hence its inclusion in the Framework.

5. Shared Vision

If individuals in a group, community, or organization each had their separate vision, or a separate notion of what the shared vision was, they would be acting against each other and the net result would be that the group, community, or organization would stagnate. Shared vision serves as guidance for members of the organization who need to understand what the organization is and where it intends to go (Nanus, 1992) and it is “a view of a realistic, credible, attractive future for the organization, a condition that is better in some important ways than what now exists” (Bennis & Nanus, 1985: 89).

The implication, therefore, is that an organization’s shared vision has to be one that inspires the members of the organization to actualize and perpetuate it. It has to be right, and it has to be reflective of the collective vision of the members. The important thing is that everyone must be sold on the vision to give it a decent chance of survival or implementation. This is the transformation of personal vision into shared vision, and it is a very indispensable hallmark of any leadership concept. A leader who has a great personal vision, but lacks the ability to recruit disciples in the organization to join the vision bandwagon is not an effective leader. Transforming the vision

into reality means “involving the hearts and minds of those who have to execute and deliver, and these are not the people at the top of the organization, but those at the bottom” (Jones, 1998: 65).

Shared vision, like the concept of stewardship, advocates the interest of the group, community, or organization over those of the individual members of the organization. It, like stewardship, promotes collectivity and commonality, and shuns individualism. It puts unity of purpose, and oneness of goal, ahead of personal achievements and self-aggrandizement, and so does the concept of stewardship. The parallel, therefore, between the mentality that drives shared vision and that which fuels stewardship is very striking almost to the point of being synonymous. Hence, the inclusion of shared vision as one of the nine dimensions of the Stewardship Framework.

6. Risk-taking and Experimentation

The term ‘Risk-taking and Experimentation’, as it has been used in the Stewardship Framework, refers to the ability to be open to new ideas and ways of doing things and not just being stuck in routine procedures. It also refers to the ability of being able to allow others in the organization the space, freedom, and flexibility to express themselves through their capabilities. Covey (2002: 30-31) claims that: “The greatest gift you can give to other people is themselves and you do this when you affirm in people their basic gifts and talents and capacities. When you do that, you show reverence for people, you show humility, you show respect, and you show caring.”

One of the truest marks of an effective leader is the ability to engender trust in the members of the organization and empower the members to operate

with flexibility to achieve the goals of the organization. The implication, therefore, is that experimenting with new ideas and allowing others in the organization or community to become more expressive through their contributions promotes a culture of learning. The main ideas to be gleaned here is that a leader who encourages new ideas, and gives others in the organization the space to explore new concepts and ideas, develops a two-prong distinct competitive advantage for the organization – individual empowerment and mutual trust.

Empowerment means encouraging risk-taking, within guidelines, and employees need to feel free to ask questions and risk failure without worrying about appearing to be unintelligent (Coleman, 1996). Contemporary leaders must encourage their followers to take initiative and to act without having been told to do so. This means that leaders have to relinquish some of their control to obtain results. Empowerment is corollary to having a sense of influence and choice (Thomas and Velthouse, 1990) and the empowered person ultimately acts like one who is self-employed, with responsibility for both results and career (Bridges, 1994). This is achieved by giving others the belief that they can make meaningful contributions to the organization (Coffey, Cook and Hunsaker, 1994) because mutual accountability dissipates boundaries and they assume responsibility beyond their job specifications (Connors, Smith and Hickman, 1994).

7. Vulnerability and Maturity

Modern organizations, as has already been alluded to, are increasingly being

characterized by diversity. This means that today's workplace is a melting pot of different orientations, styles, and experiences. "There is a diverse range of people that we learn from at work, very few of whom are recognized by the employing organization as people with a role in promoting learning – that is, people designated as supervisors or trainers" (Boud and Middleton, 2003: 2001). Therefore, contemporary leaders must strive at all times to maintain a level of maturity and authenticity that allows them to engender an organizational atmosphere that promotes learning in the organization at all levels of the organization. Stewardship, from an organizational perspective, implies teamwork and unity of purpose. It implies an all-for-one one-for-all mentality so that the organization, group, or community is driven forward for the general good of all. However, for this to happen, people in the organization, especially the leaders, have to be open to the concept of learning from the experiences and knowledge of each other. Leaders must be mature enough to actively seek help and counsel from others, unlearn some of their old notions (April, April and Wabbels, 2006) especially if it means crossing traditional hierarchical boundaries or even social categories/castes. In order to be able to respond to changes, constant learning is needed (Tissen, Ardriessen and Deprez, 1998) and learning principles are realized through knowledge sharing with colleagues, clients, and others (Hong and Kuo, 1999).

This level of maturity, the one that allows a person to be humble enough to submit to a learning experience from others in the organization leads to

individual empowerment because as you open up yourself to learn from others, they too get an opportunity to learn from you. The end result is that a bond of camaraderie, based on mutual respect and shared purpose, is developed and there is a greater level of trust within the organization as people become more aware of each other's capabilities. These outcomes—trust, mutual respect, humility, and oneness of purpose—are unique features of the stewardship concept, underlying the importance of maturity and vulnerability to the Stewardship Framework.

8. Delivering Results

The stewardship concept advocates service over self-interest and community over self. In order to practicalize stewardship, therefore, it is very crucial that the leader in the organization is at the forefront of activities, making sure that s/he practices what s/he preaches. The leader has to be seen as being involved personally in seeking to broaden stewardship throughout the organization. The leader must be committed to delivering concrete results so that others in the organization can be led by practical example. Unless contemporary leaders are thoroughly committed to delivering results through their stewardship actions, the concept of stewardship stands no chance of being anything more than a concept/theory. The ability to deliver result is, therefore, the ultimate measurement and determinant of a leader's commitment to making the organization achieve its goals. Having a personal vision, selling and sharing this vision to others in the organization, being a master of one's

abilities, and engendering a learning – and empowered organization through mentoring, risk-taking, and vulnerability and maturity, would all amount to nothing if these were not directed at achieving concrete results to uplift the organization. Stewardship emphasizes service, but this service has to be directed at achieving results – which includes rewarding people for achieving results through the 'lens of stewardship' (so it is not results-at-all-costs, but rather, results-through-stewardship). When the leader is committed to delivering results, others in the organization are also driven towards producing results, and the implication is that the organization is characterized by individuals who are result-focused and united in trying to accomplish the goals of the organization.

Everything else that has been discussed so far about stewardship and the other dimensions of stewardship would be considered meaningless, and without substance, without the ability to transform them into action through the delivery of concrete and measurable results. The ability to deliver results is the ultimate measure of performance. Therefore, delivering results is paramount to the success of any concept, stewardship being no exception.

9. Raising Awareness

'Raising Awareness', as it has been used in the Stewardship Framework, relates to one's ability to champion and herald stewardship and the growth of a sustainable civil society. This dimension of stewardship is similar in importance as the delivering results dimension. Unless a leader can be seen to be actively seeking to promote governance and a



sustainable society, i.e., practicing what s/he preaches, the concept of stewardship is defeated from the very beginning.

As a leadership alternative, stewardship is relatively new and has been around (in business) for only about four decades. However, it was only in the last couple of decades that the concept began to gather momentum as a legitimate form of leadership. Even at that, stewardship has not yet attained a pre-eminent status and is still a long way from doing so. Spears (2002) postulates that the number of practitioners of servant leadership has increased from a trickle to a river on the global scale, but it is not yet a mighty river. Therefore, proponents of the stewardship concept have a responsibility to herald and raise awareness of what the following part of leading, as advocated by stewardship, entails.

Leaders must take an active interest in attracting more disciples to stewardship through active and constant awareness. This has to be achieved by accomplishing organizational results through stewardship behavior, also encouraging, and sometimes demanding, responsible behavior from all stakeholders. People must be made aware of the benefits of ethical behavior and behaving responsibly, as this is one sure way of promoting the sustainable society and organizations that stewardship advocates. It is, therefore, incumbent upon contemporary leaders to sound the trumpet of good corporate governance through constantly raising awareness about a sustainable civil society, characterized by service to society rather than self-advancement.

Connecting the Dots and Creating the Stewardship Framework

Each of the nine dimensions has been

demonstrated to have strong links with at least one of the central themes of stewardship—trust, community outlook, responsible behavior, community building, and inclusive community. On the basis of these, the link between each of the nine dimensions and stewardship is established and their inclusion in the Stewardship Framework is vouched for, which leads to the research hypothesis and the questions based on these dimensions.

Research Hypothesis and Questions

As a precursor to the exploration into the dimensions of stewardship, the hypothesis for this research is as follows:

That, generally, the concept of stewardship as a leadership alternative is not being implemented on a regular and sustained basis by contemporary leaders—that is, stewardship has not substituted traditional forms of leadership in our governments and organizations.

The primary question is:

“Why has stewardship, in all its acknowledged superiority over traditional forms of leadership, not taken a more appreciable role in our lives? Alternatively, what are the stumbling blocks for taking stewardship forward as a legitimate form of leadership and gaining greater acceptance in the mainstream?”

Additionally, the investigation intends to further determine whether specific inhibiting factors, or groups of factors, can be delineated along demographic lines like race, gender, age, profession, geographic location, and level of education. Therefore, the secondary question is:

Can the factors that have prevented stewardship from supplanting traditional

forms of leadership be delineated along the following lines?

- ◆ Gender
- ◆ Age
- ◆ Position
- ◆ Industry; and
- ◆ Nationality.

Addressing the Hypothesis

A cursory glance at the responses that were obtained for all the questions under each of the nine identified dimensions of stewardship, while not conclusive by itself, suggests that the answer to the research hypothesis is in the affirmative. To determine how each respondent scored along individual dimensions, the responses to all of the questions within a particular dimension were averaged, with the average score representing a respondent’s personal assessment for that dimension. The nine averages across all the dimensions were then averaged to determine a respondent’s final result for the entire framework, thereby gauging the respondent’s level of Stewardship orientation. The result was that the highest average response for all the respondents was 2.9 (Vulnerability and Maturity) and the lowest responses were 2.0 each (Shared Vision and Delivering Results). The average across all nine dimensions for all the Respondents was 2.4. For the purpose of this research, averages of 1 and 2 have been classified as “low” applications of stewardship concepts; an average of 3 has been classified as a “moderate” application of stewardship concepts; and averages of 4 and 5 have been classified as “high” application of stewardship concepts. To the nearest whole number, therefore, the average response of all Respondents across the nine dimensions was 2, an indication

of a low application of stewardship concepts by contemporary leaders and a confirmation of the research hypothesis.

In order to determine whether or not the mean responses from the data set could be employed to make an inference about the population mean, a t-test of mean was performed with the following pair of hypotheses:

$$H_0: \mu = 2.5$$

$$H_1: \mu < 2.5$$

The test was performed at a 95% significance level and the hypothesized mean of 2.5 represents the least mean before a response can be said to be low in stewardship application. The result of the test was a p-value of 0.0028, a t-statistic of -2.8139, and a t-critical value of 1.6557. The very low p-value, less than 0.05, provided strong statistical evidence to infer that the alternative hypothesis was true – i.e. to infer that the mean response of the population was less than 2.5, thereby falling into the region of low application of stewardship concepts. This is a further validation of the original research hypothesis that stewardship is not being implemented on a sustained basis by contemporary leaders.

Addressing the Primary Question

An affirmative answer to the research hypothesis provides a basis for the evaluation of the primary research question. The first step was to test whether or not there were significant differences between the mean responses of all the Respondents across the nine dimensions. To do this, a single factor ANOVA was performed between the mean responses for each dimension with the following pair of hypotheses:

$$H_0: \mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5 = \mu_6 = \mu_7 = \mu_8 = \mu_9$$

$$H_1: \text{At least two of the means differ}$$

The test was performed at a 95% significance level and it derived an F-stat of 31.6768, a p-value of 1.28×10^{-45} , and an F-critical of 1.9456. In view of the extremely low p-value, there was very compelling statistical evidence to infer that the alternative hypothesis was true and to conclude that there existed significant differences between at least two of the mean responses of the nine dimensions. However, a further interrogation of the data, to determine exactly which set of means differ, would provide directional focus in the quest to answer the primary question.

Therefore, a Tukey and Fisher LSD test with Bonferroni adjustment was performed to pinpoint which sets of means exhibited significant differences. The LSD test results, with alpha (α) of 0.05, return a hurdle amount of 0.26 for the Fisher Test with the Bonferroni Adjustment and an omega (ω) of 0.25. This means that for the difference between two sets of means to be considered statistically significant, they must exceed 0.26 by Fisher and Bonferroni's standard and 0.25 by Tukey's standard. On the basis of this, it was discovered that out of the 36 relationships that exist between the dimensions, 24 or 67% of these exhibited significant differences.

Seeing that there were many pairs of significant differences between the mean responses for the nine dimensions, it was firmly established that some of the dimensions inhibit contemporary leaders more so than others. The next logical step was to determine the magnitude of each dimension's effect on contemporary leaders and their ability to practice stewardship in the mainstream.

Starting with the customary cursory inspection of the average response of each dimension, it was clear that at the very best respondents were moderate in their application of stewardship principles in five of the nine dimensions (Personal Vision, Personal Mastery, Vulnerability and Maturity, Risk Taking and Experimentation, and Valuing Diversity) and low in the remaining dimensions. Therefore, an initial ranking of the dimensions, pending a more detailed review of the responses, from least inhibiting to most inhibiting is seen in Exhibit I.

To determine if this initial ranking of the dimensions was the right one, a more detailed inspection of the distribution of responses by the Respondents was performed. The first step (hereinafter referred to as Step 1) towards confirming the above rankings was to rank each dimension on the basis of the number of Respondents that had responded in each category of response, i.e., 1, 2, 3, and 4. Given that there were only two out of 143 instances where the mean was 5, this category was not included so as to not compromise the rankings. The resultant table is shown in Exhibit II.

In the Exhibit II, the orders in the second and third columns were derived

Exhibit I: Initial Ranking of Dimensions (Entire Data Set)

Ranking	Dimensions
1	Vulnerability and Maturity
2	Personal Vision
3	Personal Mastery
4	Risk-Taking and Experimentation
5	Valuing Diversity
6	Raising Awareness
7	Mentoring
8	Shared Vision
9	Delivering Results



Exhibit II First-Tier Ranking of Dimensions (Entire Data Set)						
Responses	1	2	3	4	Ave. Rank	Rank
Dimensions R a n k i n g s						
VM1	1	3	1	1.50	1	
PV	2	2	2	2	2.00	2
PM3	5	1	5	3.50	3	
RTE	4	6	4	4	4.50	5
VD	5	4	5	3	4.25	4
RA	6	8	6	6	6.50	6
MEN	7	7	8	7	7.25	8
SV	8	9	9	8	8.50	9
DR	9	3	7	9	7.00	7

Exhibit III Second-Tier Ranking of Dimensions (Entire Data Set)					
Responses	Low	Moderate	High	Ave. Rank	Rank
Dimensions R a n k i n g s					
PM1	3	1	1.7	1	
VM2	2	2	2.0	2	
PV	3	1	5	3.0	3
RTE	4	4	4	4.0	4
SV	5	5	3	4.3	5
RA	6	6	6	6.0	6
DR	7	7	7	7.0	7
VD	8	8	8	8.0	8
MEN	9	9	9	9.0	9

by ranking, in ascending order, the dimensions based on the number of 1's and 2's per dimension. For example, Vulnerability and Maturity, Personal Vision, and Personal Mastery received the least number of 1's, respectively. Therefore, they have been ranked first, second, and third, respectively, as depicted by the second column. On the other hand, Delivering Results, Shared Vision and Mentoring received the most number of 1's, respectively, leading to their being ranked ninth, eighth, and seventh, respectively, in column two. In the fourth and fifth columns, the orders were derived by ranking, in descending order, the dimensions based on the number of 3's and 4's per dimension. For example, Personal

Mastery, Personal Vision, and Vulnerability and Maturity received the most number of 3's, respectively. Therefore, they have been ranked first, second, and third, respectively, as depicted by the fourth column. Shared Vision, Mentoring, and Delivering Results, on the other end, received the least number of 3's, respectively; hence their respective ninth, eighth, and seventh rankings in the fourth column. The average rank column was derived by averaging the rankings for each dimension for each category of response. Thus, the 1.5 average ranking for Vulnerability and Maturity represents the average of its first positions in the second, third, and fifth columns and its third position in the

fourth column. Based on this average ranking across responses, the dimensions were ranked according to the last column of Exhibit I, which shows Vulnerability and Maturity as least inhibiting and Shared Vision as most inhibiting.

The second step (hereinafter referred to as Step 2) in the interrogation of the data was done by ranking each dimension on the basis of the number of respondents that had responded in each category of response classification – i.e. low, moderate, and high. The result is shown in Exhibit III.

In the Exhibit III, the order in the second column was derived by ranking, in ascending order, the dimensions based on the percentage of “lows” per dimension. For example, Personal Mastery, Vulnerability and Maturity, and Personal Vision received the least percentage of “lows”, respectively. Therefore, they have been ranked first, second, and third, respectively, as shown in the second column. On the other hand, Mentoring, Valuing Diversity and Delivering Results received the highest percentage of “lows”, respectively, leading to their respective rankings of ninth, eighth, and seventh in the same column. In the third and fourth columns, the orders were derived by ranking, in descending order, the dimensions based on the percentage of “moderate” and “high” per dimension. For example, Personal Vision, Vulnerability and Maturity, and Personal Mastery received the highest percentage of “moderate,” respectively. Therefore, they have been ranked first, second, and third, respectively, in the third column. Mentoring, Valuing Diversity, and Delivering Results, on the other hand,

received the least percentage of “moderate,” respectively, leading to their ninth, eighth, and seventh respective rankings. The average rank column was then derived as was done in Exhibit II. Based on this average ranking across response classification, the dimensions were ranked as indicated in the last column of Exhibit III, which shows Personal Mastery as least inhibiting and Mentoring as most inhibiting.

The third step (hereinafter referred to as Step 3) in order to obtain a final ranking of the dimensions, which would then serve as an indication of the factors that most inhibit the stewards in contemporary leaders – thus answering the primary question, was to find the average of the final rankings of each dimension derived from Steps 1 and 2 in the last columns of Exhibit VII & VIII. Thus, the final ranking of the dimensions for all Respondents, in order of least to most inhibiting, is shown in Exhibit IV.

This final list, more or less, conforms to the original ranking except that Mentoring, rather than Delivering Results, is the factor that most precludes taking stewardship forward as a legitimate alternative to traditional forms of leadership. The pattern that has emerged is that respondents, except

for one dimension – Valuing Diversity, were moderate in their application of those dimensions that tend to focus inward on their personal goals and abilities. On the other hand, they were, with one exception – Delivering Results, low in the dimensions that have an outward or community/group focus. The general implication, therefore, is that people are more inhibited by the aspects of stewardship that dictate community building and sharing and are less inhibited by those aspects that dictate self-development.

Addressing the Secondary Question – the Gender Question

The first gender issue to be addressed was whether or not there were significant differences between the average responses of male and female respondents. In order to make this determination, a single factor ANOVA was performed on the combined mean responses for all nine dimensions for both sexes. The ANOVA was performed at a 95% significant level with the following pair of hypotheses:

$$H_0: \mu_1 = \mu_2$$

H_1 : The two means differ

From this test, a p-value of 0.79, an

F-stat of 31.6768, and an F-critical of 1.9456 was obtained. The p-value led to the conclusion that there was not enough statistical evidence to infer that the alternative hypothesis was true; hence the null hypothesis was accepted and the conclusion was that there were no differences between male and female respondents’ abilities to practicalize stewardship concepts.

With the initial conclusion that there was no evidence to infer that there were significant differences between male and female responses, the data was further subjected to a stringent examination to determine as much as possible the influence of gender on one’s ability to be a steward. To do this, a chi-squared test was performed at a 95% significance level between gender and the overall mean responses across the nine dimensions. The hypotheses for this test were:

H_0 : The two variables are independent

H_1 : The two variables are dependant

The p-value from this test was 0.5146 and the chi-squared stat was 2.2894. In view of the high p-value, there was no compelling statistical evidence to infer that the alternative hypothesis was true and, therefore, it was concluded that there was no connection between

Exhibit IV: Final Ranking of Dimensions (Entire Data Set)

Ranking	Dimensions
1	Vulnerability and Maturity
2	Personal Mastery
3	Personal Vision
4	Risk-Taking and Experimentation
5	Valuing Diversity
6	Raising Awareness
7	Shared Vision
8	Delivering Results
9	Mentoring

**Exhibit V
Final Ranking of Dimensions by Gender**

Dimensions	Male Ranking	Female Ranking	Difference
Vulnerability and Maturity	1	1	0
Personal Vision	2	3	1
Risk Taking & Experimentation	3	4	1
Valuing Diversity	4	5	1
Personal Mastery	5	2	3
Delivering Results	6	6	0
Raising Awareness	7	7	0
Mentoring	8	8	0
Shared Vision	9	9	0



gender and how people responded.

After having established that gender was not a significant determinant of a person's ability to practicalize stewardship and take it into the mainstream as an alternative form of leadership, the next step was to see if male and female respondents were inhibited by the same factors in more or less the same way. To do this, Steps 1, 2, and 3 from the primary question were repeated and a final ranking of the dimensions on gender lines, which would serve as an indication of whether males and females were affected differently by the factors that inhibit their ability to practicalize stewardship as a form of leadership – thus answering the first subsection of the secondary question – was obtained and the result, in order of least to most inhibiting, is shown in Exhibit V.

The Age Factor

As was the case with the gender question above, the first step in responding to the age question was to determine whether or not there were significant differences between the mean responses across the dimensions for various age groups. For this purpose, the respondents were partitioned into the three age categories that provided the most equal spread possible and, at the same time, provided a clear chronological demarcation – 24 to 29 year olds, 30 to 34 year olds, and those who were 35 years and older. A single factor ANOVA was then performed on the combined mean responses for all the dimensions on each of these categories. The test was performed under the following pair of hypotheses:

$$H_0 : \mu_1 = \mu_2 = \mu_3$$

H₁ : At least two of the means differ

Performed at a 95% statistical

significance level, the test resulted into a p-value of 0.002358, an F-stat of 6.321118, and an F-critical of 3.061234. This low p-value led to the conclusion that there was enough statistical evidence to infer that the alternative hypothesis was true and that there were significant differences between at least two of the mean responses of the three age groups.

The next issue to address, therefore, was to determine exactly which age groups exhibited significant differences in their responses. This was accomplished by performing a Tukey and Fisher with Bonferroni adjustment LSD test. The LSD test results, with alpha (α) of 0.05, returned a hurdle amount of 0.26 for the Fisher Test with the Bonferroni Adjustment and an omega (ω) of 0.27. The result of this test was that differences existed only between the first age category (24 to 29 year olds) and the third age category (those 35 years and older) and between the second age category (30 to 34 year olds) and the third age category. This means that respondents who were 35 years and older responded significantly different from their younger counterparts.

Seeing that there were significant differences between the mean responses of the third age category and the first category on the one hand and the third category and the second category on the other, the data was then subjected to further testing to determine whether or not age was a factor in determining one's ability to practicalize the concepts of stewardship. To do this, a chi-squared test was performed at a 95% significance level between age and the overall mean responses for the nine dimensions. The hypotheses for this test were:

H₀ : The two variables are independent

H₁ : The two variables are dependant

The p-value from this test was 0.0047 and the chi-squared stat was 18.7127. In view of the low p-value, there was compelling statistical evidence to infer that the alternative hypothesis was true and, therefore, the conclusion was that age affects a person's ability to practicalize stewardship.

The next step in this progression was to see, on an individual dimension level, if there was any relationship between age and any of the dimensions. As was with the chi-squared test performed between age and the overall mean responses, the hypotheses for each of these nine tests were:

H₀ : The two variables are independent

H₁ : The two variables are dependant

From these tests, the following results were obtained; Age vs. Personal Vision, p=0.1078; Age vs. Personal Mastery, p=0.1352; Age vs. Vulnerability and Maturity, p=0.0405; Age vs. Risk Taking and Experimentation, p=0.1863; Age vs. Mentoring, p=0.225; Age vs. Raising Awareness, p=0.4336; Age vs. Shared Vision, p=0.029; Age vs. Valuing Diversity, p=0.0019; and Age vs. Delivering Results, p=0.6932. These results indicate that, though the chi-Squared test between age and the overall mean responses suggested that age had a significant influence on people's ability to practice stewardship, only three of the nine dimensions – Vulnerability and Maturity (p=0.0405), Shared Vision (p=0.029), and Valuing Diversity (p=0.0019) – were affected by age.

After having established that age had an influence on a person's ability to practicalize stewardship in general and on Vulnerability and Maturity, Shared Vision, and Valuing Diversity in particular, the next step was to see if individual age

Exhibit VI
Final Ranking of Dimensions by Age

Dimensions	24-29 Ranking	30-34 Ranking	35 + Ranking
Vulnerability & Maturity	1	1	1
Personal Vision	2	2	2
Risk Taking & Experimentation	4	4	3
Valuing Diversity	5	5	4
Personal Mastery	3	3	5
Delivering Results	7	7	8
Raising Awareness	8	8	7
Mentoring	6	6	6
Shared Vision	9	9	9

categories were inhibited by the same factors in more or less the same way. To do this, Steps 1, 2, and 3 from the primary question were replicated here in order to obtain a final ranking of the dimensions, which would serve as an indicator of whether the various age categories are affected similarly or differently by the factors that inhibit their ability to practicalize stewardship - thus answering the second subsection of the secondary question. The final ranking was, thus, obtained and the result, in order of least to most inhibiting, is shown in Exhibit VI.

The Hierarchy (Position) Factor

Again, the first step here was to determine if there were significant differences between the means responses of respondents based on their relative positions in their organizational hierarchy. In order to do this, the reported organizational positions were subjectively grouped into three main categories: Senior Managers, Middle Managers, and Junior Managers. A single factor ANOVA was then performed on the overall mean responses for all dimensions among the three hierarchical levels to see if there were significant differences between any two of the levels. The test, performed at the usual 95%

significance level, was conducted under the following pair of hypotheses:

$$H_0: \mu_1 = \mu_2 = \mu_3$$

H_1 : At least two of the means differ

The resulting p-value of 0.173395 and F-stat of 1.77462 did not provide sufficient statistical evidence to infer that the alternative hypothesis was true. Hence, the null hypothesis was accepted and the conclusion was that there were no differences in the mean responses for each of the defined hierarchical levels.

The next step to answer the hierarchy question was to determine if a person's position in the hierarchy of his organization affected his ability to implement the dimensions of stewardship. To accomplish this, a Chi-Squared test was performed on the overall mean responses at a 95% significance level under the following pair of hypothesis:

H_0 : The two variables are independent

H_1 : The two variables are dependant

This test turned out a p-value of 0.3249 and a chi-squared stat of 6.9561, which demonstrated that there was not enough statistical evidence to infer that the alternative hypothesis was true. Therefore, the null hypothesis was accepted and the conclusion was that a person's position in the hierarchy did not influence his ability to implement

stewardship concepts.

In order to be convinced that hierarchical position does not factor into one's stewardship ability in any dimension, further chi-square analyses for independence were performed to measure the relationship between position and each of the nine dimensions. Again, these tests were conducted at a 95% significance level under the following pair of hypotheses:

H_0 : The two variables are independent

H_1 : The two variables are dependant

From these tests, the following results were obtained; Position vs. Personal Vision, $p=0.1189$; Position vs. Personal Mastery, $p=0.0303$; Position vs. Vulnerability & Maturity, $p=0.1428$; Position vs. Risk Taking and Experimentation, $p=0.1074$; Position vs. Mentoring, $p=0.3208$; Position vs. Raising Awareness, $p=0.5662$; Position vs. Shared Vision, $p=0.6089$; Position vs. Valuing Diversity, $p=0.1109$; and Position vs. Delivering Results, $p=0.7152$. The p-value of the test for independence between position and Personal Mastery, $p=0.0303$, provided sufficient statistical evidence to infer that the alternative hypothesis was true in that instant. Therefore, the conclusion was that though, on the average, one's hierarchical position did not have any influence on his ability to implement stewardship concept, it did have an influence on Personal Mastery.

Having established that there was no significant difference between the abilities of various hierarchy levels to implement stewardship and that one's position did not, on the average, influence his stewardship abilities except with one of the nine dimensions, Personal Mastery, a replication of Steps 1, 2, and 3 from the primary question



Exhibit VII Final Ranking of Dimensions by Position			
Dimensions	Sr. Man Rankings	Mid. Man. Rankings	Jr. Man. Rankings
Vulnerability and Maturity	1	1	1
Personal Vision	2	2	2
Risk Taking and Experimentation	3	4	3
Valuing Diversity	5	5	8
Personal Mastery	4	3	4
Delivering Results	6	7	6
Raising Awareness	7	6	5
Mentoring	8	8	7
Shared Vision	9	9	9

was done here and the final ranking, answering the third subsection of the secondary question, is seen in Exhibit VII.

The Industry Question

The initial point of contention here, as before, was whether or not there were significant differences between the abilities of persons working in different industries to implement stewardship principles. To do this, the respondents were subjectively grouped into four industry categories – the Service Sector, the Financial Sector, the Industrial Sector, and the Professional Sector. Then a single factor ANOVA was performed on the overall mean responses across the nine dimensions for these four industry sectors to see if there were any discernible differences in their responses. The ANOVA was performed at a 95% significance level under the following pair of hypotheses:

$$H_0 : \mu_1 = \mu_2 = \mu_3 = \mu_4$$

H_1 : At least two of the means differ

The results from this test were a p-value of 0.746253, an F-stat of 0.409791, and an F-critical of 2.680811. From this high p-value, there was not sufficient statistical evidence to infer that the alternative hypothesis was true. Thus, the null hypothesis was

accepted and the conclusion was that there was no significant difference between the abilities of persons in various industries to implement stewardship principles.

The data was then further examined to determine if a person's industry had any influence on his stewardship abilities. To do this, a Chi-Squared test was performed between the various categories of industries and the overall mean responses for the nine dimensions. The test was performed under the following pair of hypotheses:

H_0 : The two variables are independent

H_1 : The two variables are dependant

The results from this test were a p-value of 0.3857, a chi-squared stat of 9.5785 and chi-squared critical of 16.919. These results led to the conclusion that there was not sufficient

statistical evidence to infer that the alternative hypothesis was true. Therefore, the null hypothesis was accepted that one's employment category plays no role in his stewardship capabilities. With the empirical establishment that industry had no influence on any of the nine dimensions, a final ranking of the dimensions along the various industries using Steps 1, 2, and 3, used to determine the final ranking from earlier sections was obtained and the result is shown in Exhibit VIII.

The Question of Nationality

Here again, the first issue to be resolved was whether or not there were significant differences between the stewardship abilities of individuals based on their nationalities. The data set contained respondents primarily from the Republic of South Africa and, secondly, from the Netherlands. There was a variety, though not much, of other respondents from other parts of Europe, other parts of Africa, Asia, and the Americas. It was determined that besides South Africa and the Netherlands, other countries were not sufficiently represented to warrant their being place in separate categories for analysis. Therefore, the data set was demarcated along two lines

Exhibit VIII: Final Ranking of Dimensions by Industry				
Dimensions	Service Sector	Financial Sector	Industrial Sector	Professional Sector
Vulnerability and Maturity	1	1	1	1
Personal Vision	2	2	2	2
Risk Taking and Experimentation	4	4	6	5
Valuing Diversity	5	6	4	4
Personal Mastery	3	3	3	3
Delivering Results	9	5	5	6
Raising Awareness	7	7	7	7
Mentoring	6	8	8	9
Shared Vision	8	9	9	8

to obtain almost similar distributions – South Africans and non-South Africans. Based on this classification, a single factor ANOVA was performed on the overall mean responses of these two categories to see if they exhibited significant differences. The test was conducted at a 95% significant level under the following hypotheses:

$$H_0 : \mu_1 = \mu_2$$

H_1 : The two means differ

This test returned a p-value of 0.619676, an F-stat of 0.247415, and an F-critical of 3.908258. Based on this result, the conclusion was that there was not enough statistical evidence to infer that the alternative hypothesis was true. Hence, the null hypothesis was accepted and the conclusion was that there was no difference between South Africans and non-South Africans in their abilities to implement stewardship principles.

Seeing that there were no differences, the next step was a Chi-Squared test of independence to determine if there was any relationship between nationality and stewardship. The test was run at a 95% significance level under the following pair of hypotheses:

H_0 : The two variables are independent

H_1 : The two variables are dependant

The result from this test was a p-value of 0.9089, and chi-squared stat

of 0.5451, and a chi-squared critical of 7.8147. These results indicated that there was not enough statistical evidence to infer that the alternative hypothesis was true. Hence, the null hypothesis was accepted and the conclusion was that nationality and stewardship were independent variables.

Furthermore, chi-square analyses for independence were used to measure the relationships between nationality and each of the nine dimensions. Again, these tests were conducted at a 95% significance level under the following pair of hypotheses:

H_0 : The two variables are independent

H_1 : The two variables are dependant

In order to see which factor most inhibited South Africans and non-South Africans, the usual replication of Steps 1, 2, and 3 from earlier procedures was done here. The Exhibit IX, therefore, represents the final rankings of inhibiting factors – from least to most inhibiting – for South Africans and non-South Africans.

Discussion of Results and Implications for Stakeholders

The research underpinning this article began with the quest to empirically determine factors that stunt the development of stewardship amongst

contemporary leaders. In order to do this, the Stewardship Framework with nine dimensions of stewardship was introduced and the inclusion of each dimension in the framework was justified. These are the nine dimensions along which respondents were questioned to determine which most inhibited their implementation of the stewardship concept, as argued for by this article.

To recap, the hypothesis under which the investigation was conducted was that stewardship, as an alternative form of leadership, has not yet begun to supplant traditional forms of leadership in our organizations and communities. Based on the overall mean response of all respondents across all nine dimensions of the Stewardship Framework, which was 2 (rounded to the nearest whole number), and the classification that mean responses of 1 and 2 are indications of low application of stewardship, the hypothesis was answered in the affirmative. Furthermore, a t-test of this mean confirmed that this result was representative of the population, leading to the conclusion that, indeed, stewardship is not being practiced on an appreciable level.

The next quest was to determine which of the nine dimensions most inhibited contemporary leaders from practicing stewardship. The results showed that all of the respondents were generally most inhibited by the dimensions that focused on external or group factors, except for Valuing Diversity, and were generally less inhibited by the factors that were internally focused on their own abilities, except for Delivering Results. Valuing Diversity, which is an external or group-focused dimension, was

Exhibit IX Final Ranking of Dimensions by Nationality		
Dimensions	South Africans	Non South Africans
Vulnerability and Maturity	1	1
Personal Vision	2	2
Risk Taking and Experimentation	3	4
Valuing Diversity	5	5
Personal Mastery	4	3
Delivering Results	6	8
Raising Awareness	8	6
Mentoring	7	7
Shared Vision	9	9



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neither in the top third or the bottom third of the rankings for all respondents – it was in the middle third. This means that, although people were more challenged by external or community oriented dimensions, Valuing Diversity was an exception to the general finding of externally-focused dimensions being at the bottom of the rankings. Another

nationality. The results from all of these tests were, with minor variations in the relative ranking of the dimensions, remarkably similar. It was again determined that people, irrespective of their gender, age, position, industry, or nationality, were generally more inhibited by externally-focused dimensions and generally less inhibited by internally-focused dimensions.

From the age perspective, differences were found between the abilities across each of the nine dimensions of persons older than 35 years old on the one hand, and persons younger than 35 on the other hand. Again the general pattern, with the usual exceptions, wherein internally-focused dimensions were at the top and externally-focused ones were at the bottom, was observed. Though

Although people were more challenged by external or community oriented dimensions, Valuing Diversity was an exception to the general finding

exception, this time more extreme, to the finding of internal dimensions being less inhibiting, was people's ability to Deliver Results. This dimension fell in the bottom third of the rankings, along with Shared Vision and Mentoring. On the other end, the top third, Vulnerability and Maturity, Personal Mastery, and Personal Vision – in that order, were the factors that were least challenging to Respondents' ability to implement stewardship concepts. The presence of Shared Vision in the bottom third of the rankings and Personal Vision in the top third demonstrates that contemporary leaders lack the ability to transform their personal visions into the collective vision of their organizations, thereby failing to engender the group-centered concept that is so crucial to stewardship.

Then, the investigation sought to determine if the factors that inhibited respondents were still present in similar manner along demographic lines, such as gender, age, position, industry, and

From the gender perspective, males and females were generally similar in their ability to practicalize stewardship concepts. There were no significant differences between males and females on the average across the nine dimensions. Here, again, both demographic categories, with the usual exceptions, were similarly affected by the dimensions – internally-focused dimensions at the top of the rankings and externally-focused ones at the bottom. The notable features here were that men were less inhibited, though slightly, by Risk-Taking and Experimentation than women and, more significantly, were more inhibited by Personal Mastery than women. Personal Mastery, for women, was the second least inhibiting factor and the fifth for men – an indication that women are more in-tune with their personal abilities than men are. Both men and women were least inhibited by Vulnerability and Maturity and Personal Vision and were most inhibited by Raising Awareness, Mentoring, and Shared Vision, in that order.

different age categories were similarly inhibited by the dimensions, persons 35 years old and older generally were less inhibited than their younger counterparts for each of the nine dimensions, as they had higher mean responses. Again, Vulnerability and Maturity and Personal Vision were at the top of the ranking for each age category. However, where Personal Mastery was the third least inhibiting factor for people under 35 years of age, it was the fifth most inhibiting factor for persons older than 35 years. Similarly, people older than 35 were less inhibited by Risk-Taking than their younger counterparts, as this dimension fell in the top third for the older generation and in the middle third for the younger generation. Finally, with minor variations, all age categories were most inhibited by Delivering Results, Raising Awareness, and Shared Vision.

From the hierarchical point of view, all levels of the organization were affected by the dimensions in the usual pattern. Vulnerability and Maturity and Personal

Vision, in that order, were the two least inhibiting factors for all levels of the organization while Raising Awareness, Mentoring, Delivering Results and Shared Vision were the factors that most inhibited all levels of the organization. It was, however, discovered that persons in junior manager capacities were, by far, less tolerant and less capable of dealing with diversity in the workplace than persons in middle manager and senior manager capacities. For junior managers, Valuing Diversity was the second most inhibiting factor, compared to being the fifth most inhibiting factor for middle- and senior managers. Also, it was discovered that junior and senior managers were more open to Risk-Taking and experimentation than middle managers, as this dimension fell in the top third for the former two categories and in the middle third for the latter category.

From the industry angle, again no significant differences between persons working in the various industry categories were found. The general pattern of internal dimensions being less inhibiting than external ones was reflected for each of the industry categories. In fact, all categories were least inhibited by the same factors in the same order – Vulnerability and Maturity, Personal Vision, and Personal Mastery – and were most inhibited by Raising Awareness, Shared Vision, and Mentoring. However, some very interesting patterns were uncovered here. First, persons in the industrial and professional industry categories were less inclined to take risk, signifying their rigidity when it comes to established procedures in the organization, than persons in the service and financial sectors. Secondly, Delivering Results, for

persons in the service sector, represented the most inhibiting factor while it was in the middle third of the rankings for each of the other industry classifications. Finally, it was found that persons in the service sector were more appreciative of the concept of Mentoring than the other categories. For the other categories, Mentoring was either the most, or the second most, inhibiting factors, while it fell in the middle third of the ranking for the service sector.

From the nationality standpoint, again it was discovered that there were no significant differences between South African and non-South Africans in their respective abilities to implement stewardship concepts. Both categories were generally less inhibited by internal factors than they were by external factors, with Vulnerability and Maturity and Personal Vision at the top and Mentoring and Shared Vision at the bottom of both rankings. The only point of interest along nationality lines is the fact that South Africans appear to be less inhibited by Delivering Results – in the middle third – than non-South Africans – the second most inhibiting factor.

Further to these tests, it was also determined that, on the average across all nine dimensions, factors like gender, position, industry, and nationality had no influence over respondents' ability to practice or implement the concepts of stewardship. Age, on the other hand, was found to have, on the average across the nine dimensions, an impact on people's ability to practice stewardship. A more detailed examination of the influence of these demographic factors on one's ability to practice stewardship revealed that, though people's gender was a non-factor in the determination

of stewardship abilities, it did, in fact, have an influence on respondents' ability to Value and Manage Diversity, albeit slightly; age, though found to be influential on the average on people's stewardship abilities, actually had an influence on only three of the nine dimensions – Vulnerability and Maturity, Shared Vision, and Valuing Diversity; and position, also found not to be influential on the average, actually had an influence on Personal Mastery.

The implication of all of this for stakeholders is the fact that results from these tests provide a road map, so to speak, considering the limitations of the data mentioned above, by which contemporary leaders can be guided into developing their stewardship abilities. The case for stewardship as a viable and, indeed, better alternative to traditional leadership has been made by renowned leadership theorists (Greenleaf, Senge, Spears, Drucker) and is being reinforced by the research on which this article is premised. A Stewardship Framework has been offered and substantiated and our research revealed that, on the whole, people are, at best, average in their stewardship abilities and, at worst, dismal. This article, hopefully, has started the ball rolling on examining reasons why people are still archaic in their stewardship development, and has provided empirical evidence of which factors inhibit people most and whether these factors are influenced by peoples' demography. These results could, therefore, serve as the basis of further research in the quest of making contemporary leaders more acceptable of the stewardship concept for a more liberal application. ☺

Reference # 03M-2010-02-10-01



Innovator or Inspirer

One Good Turn Deserves Another

The Case of Dr Beat Richner

Dr. Richner has established a solid structure and empowered the very foundation of this work, namely, the hospitals, their distinctive policies and the way they work sans bureaucracy. Thus the basic line of action is subscribed, so that this great team of experts would not necessarily have to face trouble in continuing with this work.

Cambodian children frequently fall ill and die due to the lack of proper health care and hospital facilities. A 62 year-old Swiss paediatrician, Dr Beat Richner, manages several Children's Hospitals in Phnom Penh and Siem Reap, in Cambodia. He carries out a bold task and the cornerstone of his crusade is to save as many children's lives as possible. His activities are grounded on this cause, dedication to the well-being of the hospitals he runs and his staff, and a solid reputation in the country. "Without our hospitals about 90 thousand children would die", he says.

Kantha Bopha Children's Hospitals in Cambodia

Children are perhaps the most unprotected when it comes to health care, particularly in those countries where the after-effects of civil wars are still present in some shape or form, not to mention the added burden of poverty. Such people are at the mercy of those who can help them to keep going with their lives.

This is the case of Cambodia, an Asian country with a population of about 14.8 million inhabitants, of whom 1.3 million live in the capital city of Phnom Penh. The cruel civil war that devastated the country when the government of Lon Nol was overthrown by King Norodom Sihanuk, ultimately came to an end in 1973, leaving behind a famine-stricken populace who were forced to face the aftermath of the destruction of about

75% of domestic animals and rice crops, which constituted the backbone of the country's economy.

In 1975 the Khmer Rouge regime under the command of Pol Pot, and strongly influenced by China, took power. A great part of the population was forced to leave the cities to work on rural projects. A campaign against Western culture followed, causing the destruction of everything regarded as western. It is believed that nearly 8 million Cambodians died during the period due to cruel executions, diseases, starvation and unhygienic work conditions. The regime chased medics, teachers, and professionals in general. In 1978 Vietnam saw a serious offensive that aimed to stop Khmer Rouge border incursions and stop the genocide.

The war between Vietnam and the Khmer Rouge persisted till late 1980s. In 1991 a comprehensive peace settlement was established and the UN took care of the disarmament process and rehabilitation of the refugees. The situation is no better even today, as the country still reels under the yoke of political instability.

A Helping Hand

Beatocello is Dr Richner, or at least the name he is known by in Cambodia, where he has worked as a paediatrician since 1991. He is a burly 62 year-old Swiss who also plays the cello wonderfully well.

Dr Beat Richner was born in Zurich, Switzerland, where he graduated from medical school in 1973, and later on majored in paediatrics. He joined the Swiss Red Cross in 1974 and was assigned to Cambodia, to work at the Kantha Bopha's Children's Hospital.

During these years in Europe, Dr Richner opened his own practice and also gave some concerts in Switzerland and abroad, playing as Beatocello, an entertaining character he created.

Time went by and, in 1991, King Norodom Sihanouk asked him to go back to Cambodia to rebuild the Kantha Bopha's Children Hospital. He did so, and since then has headed a magnificent and productive endeavor that helped to rebuild and expand several hospitals, both in Phnom Penh and Siem Reap.

In 1992 he created the Kantha Bopha Foundation in Zurich for raising funds to build new hospitals in Viet Nam. By 1995 the hospital had provided medical aid to 1000 outpatients and 350 inpatients. King Norodom Sihanouk and Primer Minister Hun Sen contributed to the building of new hospitals by granting a plot of land in Phnom Penh and Siem Reap respectively. Thus Kantha Bopha II and a Health Education Centre were built, the last focusing on providing health education and adequate medical facilities for the treatment of children in need of hospitalization.

All in all, Kantha Bopha's Children Hospital was getting too small, exceeding its capacity, just around the time when a plot of land was granted in Wat Phnom to build a new hospital. Thus, Kantha Bopha IV was inaugurated in December 2005. It was worth US\$ 15 mn and could hold 555 beds, 4 surgical operating theatres, two intensive care units, a laboratory with a blood bank, an X-ray imaging lab, 4 ultrasound scanners and a CT scanner. It also had a complete pharmacy,

an outpatient station and a prevention centre.

Two years later, in December 2007, Kantha Bopha V was inaugurated, with 300 beds, a prevention station, X-ray, fluoroscopy facility, ultrasound scanner, 9 units with 34 beds, a laboratory, a conference room and a library.

A year later, in December 2008, Dr Richner inaugurated along with King Norodom Sihamoni and the Prime Minister Samdech Hun Sen, the extension of the Hospital Jayavarman VII with 200 beds, laboratory, pharmacy and radiology services.

All these years, thanks to Dr Richner's unceasing work, Kantha Bopha's Hospitals have achieved a high and prestigious reputation both within the country and abroad. As on date, nearly 8.2 million outpatients and 650 inpatients have been assisted in these hospitals and 90 thousand surgical operations performed in the past 18 years of unflagging work, saving more than 500 thousand children's lives.

Dr Richner profits from his cello playing talent, and offers benefit concerts in Phnom Penh every Saturday for a mostly European audience, to raise funds for Hospitals both in Phnom Penh and Siem Reap (which neighbours the ruins of Angkor, north of Cambodia). All these iform an integral part of a titanic crusade carried out in one of the poorest countries in Asia. At the end of each concert, he addresses the public, greets and thanks them for attending, and exhorts them to help out in this cause. He tells his audience: "Without our hospitals, nearly 90 thousand children would die".

His concerts collect about US\$6 mn a year, plus a 7% and 8% input from Cambodian and Swiss governments respectively paid directly to his foundation, bypassing the ministry, and also private donations procured through Dr Richner's personal efforts, totalling US\$ 22 mn a year. Kantha Bopha Children's Hospitals owe their success to their

Dr. Kimio Kase's interests lie in the area of corporate-level strategy, viz., the creation of value from the corporate parent. His recent research focuses on the transformational leadership from the viewpoint of leaders' mental scheme. He is a visiting professor at CEIBS in Shanghai; International Christian University in Tokyo, and Yonsei University, PAD at Piura University in Lima, etc. Kase holds an MBA degree from IESE, and a doctor's degree in Business Administration from Manchester University. He is a member of the editorial board of Cross Cultural Management: An International Journal.

Christian Duarte Varela has been working as a researcher initially at the University of La Laguna in the Canary Islands and presently at Antonio de Nebrija University in Madrid, Spain. His area of study comprises both Management Strategy and Corporate Social Responsibility. Trained as a biologist with an MSc from the University of La Laguna in Tenerife in ethology and molecular biology, he combines knowledge of science and socioeconomic interests to pursue studies focusing on the success of companies with regard to their strategies and the resultant social implications. He conducted and published on the investigations at the Canary Islands University Hospital Research Unit (HUC) in collaboration with Altus Pharmaceuticals, Boston, USA.



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excellent management and business model.

Successful Business Model

There are several people and organizations in the world that work for the betterment of the poor, and wish to lend a helping hand to the underdeveloped countries. But success stories of this nature are few and far between. Microcredit scheme invented by Yunus is one of the few that light the path of aid agents.

In the year 2000, an international team of experts was sent to Cambodia by the Swiss Federal Agency for Development and Cooperation (DEZA) to evaluate the hospitals in the country. Kantha Bopha was rated as a prime example of a project for the Third World. After inspecting the three hospitals in person, the director of DEZA fully acknowledged the final result of the experts: 'Care of patients, organization and hygiene are excellent. Kantha Bopha has an optimal expense-to-use relation.'¹

Dr Richner's example, therefore, merits a close scrutiny so that we can analyse it and draw some useful lesson.

Our Analysis Points to the Following Conclusions

1. The use of a clear and well-defined business model that aims to save the sick children in Cambodia instead of embracing an all-comprehensive objective of fighting against poverty.
2. Therefore the pursuit of efficiency rather than the effectiveness is targeted.
3. The use of a well-designed control system – the external control system based on the foundation and its

¹ http://www.beat-richner.ch/Assets/richner_present.html accessed on December 7, 2009

² Dr Richner's inauguration speech of the Kantha Bopha V on December 28, 2007.

supervisory board, and the external audit firm (PricewaterhouseCoopers) on the one hand, and on the other, the internal control system built to take into account the medical and support staff to allow the alignment of the hospitals' interests with those of the staff. It is worth mentioning that the salaries paid are higher than the market, which also importantly signifies that Dr Richner does not expect the transcendental motivation from his staff but makes use of tangible motivation instead by way of higher salaries.

4. An entrepreneurial business model can be extrapolated from Richner's work.

These four points can be elaborated as: **Clear and Well-defined Objective**

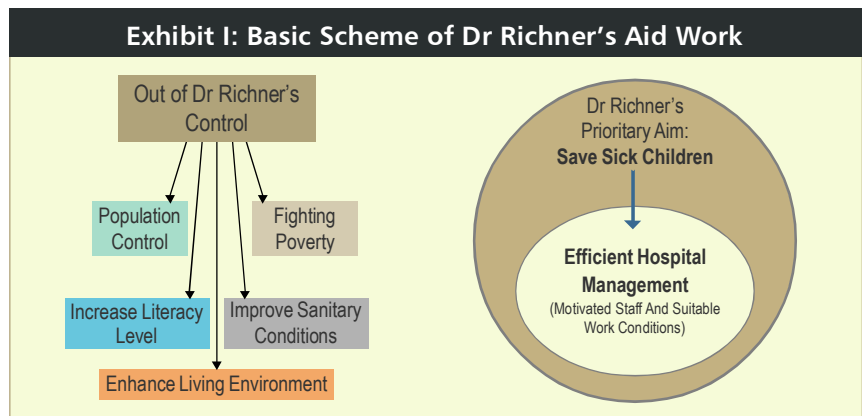
The international aid activities, both multilateral aid organizations and NGOs/NPOs, tend to set too wide and unfocused purposes as their objective, such as eradicating the poverty in the underdeveloped countries and, hence, tend to take up the whole issue of poverty from the angle of systemic approach. Conversely, Dr Richner focuses on one unique clear objective – to save as many children's lives as possible – rather than aiming at all-embracing purposes such

as ameliorating the living environment; improving the education; eliminating poverty; or centring on governmental/macro-economic frames, among others. Exhibit I shows the graphic representation of Dr Richner's basic scheme.

The success of this endeavour resides in the application of a clear and well-defined business strategy. In Dr Richner's own words: 'All treatment in the Kantha Bopha Hospitals is free. There is justice for all. There is no corruption. We give correct salaries....there are facilities and medicines and drugs of the same standard being used in Europe and the US. That's why the hospitals are a huge success. It is recognized by the international evaluations as a centre of excellence.'²

To sum up, the action policies in the Kantha Bopha Children's Hospitals follow these patterns:

- ◆ Medical Care is Free. The charge of extra fees is avoided. As a result, the medical treatment doesn't leave the poor families any poorer. Several unnecessary deaths are avoided by providing medical care to those families who do not have the necessary means to afford a private one. As Dr Richner says: "Over the years, millions of children have been treated free of charge and 850,000 have been hospitalized free of charge within our



Ext Ad 8



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five Kantha Bopha hospitals. These are places of justice. There is no corruption. The poor, that is to say 80% of the people, and the rich are both entitled to be cured (...) The creed of the international community is that the patient or the patient's parent should pay for treatment. 80% of Cambodians, however, have no money. (...) without these infrastructures of justice, there would be 90,000 deaths per year (...)”³

◆ Dr Richner imports all the medicines and medical supplies used in Kantha Bopha Hospitals mainly from Thailand, thus averting the bogus pharmaceutical products that deluge Cambodia. This is an outstanding achievement in a country where smuggling of medicines is an everyday occurrence. These medicines are then resold in the black market, most of the times adulterated, and of course, without medical prescription, with the consequent health risks.

◆ The medical staff are well-trained in state-of-the-art medical technology. The medical personnel are constantly being trained in front-line diagnosis techniques and the latest technology through seminars, workshops and conferences wherein they are coached by medical doctors from abroad. Furthermore, the hospital staff are motivated by fair and decent salaries. This gives place to an alignment of interests between those of the hospital and the staff. The salaries offered are higher than those offered at the state-run Hospitals. The average salary paid in Kantha Bopha Hospitals is US\$

1000 a month, compared to US\$40 a month in the state-run hospitals.

The use of staff's transcendental motivation would not be a good choice in this case as this would neither render tangible results, nor would it ameliorate the medical care. On the contrary, Dr Richner, appeals directly to the extrinsic motivational factors, namely, fair wages that help meet the vital needs of the employees which in turn, has a very positive feedback – content and grateful employees, who are also motivated to accomplish an honest and efficient job, having in mind a unique clear and well-defined objective: to save lives.

This creates an increased interest for perfecting the activity within the hospitals, by keeping up hygienic standards; giving the best and most efficient care to patients; showing a willingness to get trained and learn the front-line techniques; and above all, showing an affection in day-to-day work as it is the bread and butter of all the staff. This is, in fact, a fail-safe strategy.

The hospitals have currently 2100 employees, around 180 physicians who along with Dr Richner, also govern the management of the hospitals; raise funds; establish relationships with donors; and coordinate the construction of new children's hospitals and the expansion activities in general, among many other tasks.

The evaluation tests offer positive and tangible results such as the decrease of HIV transmission in newborns through breastfeeding by HIV-infected mothers. The HIV is a scourge for underdeveloped countries, but thanks to these hospitals,

the rate has decreased dramatically from 40% to 5%. This has been conquered by re-educating mothers not to breastfeed their newborn babies. This simple fact has saved thousand of infant's lives.

Efficiency More than Effectiveness

Aid organizations such as WHO and UNICEF try to ensure efficiency and effectiveness in their operations. Dr Richner focuses on efficiency and makes use of effectiveness, the latter being an ambitious objective, a motivational starting point. Otherwise, it would be will-o'-the-wisp to base all efforts on effectiveness, as at the time of investing in resources, it is cumbersome to visualize palpable aid outcomes and efforts at that often turns out to be of little use. Exhibit II illustrates the comparison of effectiveness and efficiency.

Dr Richner has criticized some NGOs basing his anger on the fact that these organizations misleadingly try to palliate poverty, instead of centering on the practical and attainable aspects, namely, to save lives. Dr Richner remarks: “Over the past years the attitude of the health sector of the Swiss Department for Development and Cooperation in Bern, of WHO in Geneva and of various NGOs has been disappointing. They all monopolize the pity for the poor the world. However, the mandate is not pity, but fight for and implementation of justice... Our activity is not aid, but reinstallation of justice.”⁴

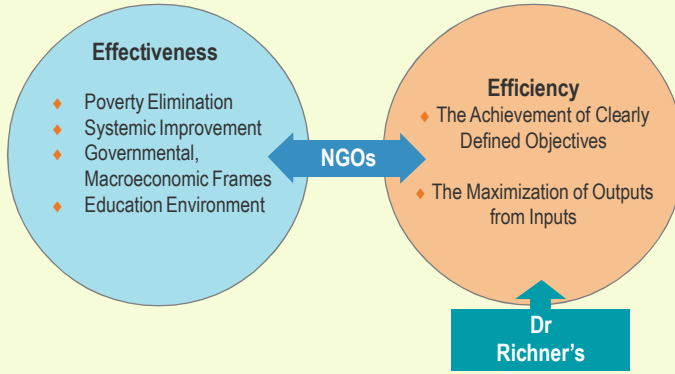
Such a comprehensive strategy cannot be efficient. Efficiency stands for the accomplishment of clear and well-defined goals through the maximization of the inputs and outputs of the organization, whilst effectiveness, in this case, embraces a wider spectrum such

³ www.beatrichner.ch/pdf/Richner_Rede175JRGZEngl.pdf accessed on December 7, 2009. Excerpt from: “Doctor Beat Richner: Celebration Address to the 175th Anniversary of Real-Gymnasium Zürichberg”; given on the stage of Schauspielhaus Zürich (main theatre) on September 4, 2008.

⁴ Excerpt from: “Doctor Beat Richner: Celebration address to the 175th Anniversary of Real-Gymnasium Zürichberg”; given on the stage of Schauspielhaus Zürich (main theatre) on September 4, 2008 (www.beatrichner.ch/pdf/Richner_Rede175JRGZEngl.pdf accessed on December 7, 2009)

Exhibit II: Effectiveness vs. Efficiency

Aid organizations such as WHO, UNICEF and NGOs attempt to cover both the effectiveness and the efficiency and do not call into question the usefulness of the transcendental motivation. Dr Richner centers on the efficiency, namely, the saving of children, and does not take for granted that the transcendental motivation is the all-embracing measure.



as the eradication of poverty, among others. In this way, it could be said that NGOs have a more idealistic approach and have thus grabbed the attention as entities that aid the poor, eclipsing other organizations that are actually getting tangible outputs, such as Kantha Bopha Children's Hospitals.

As it has been previously highlighted, at Kantha Bopha Hospitals, the priority is to save lives, and most of the time, technology is a necessary evil, namely, it is costly and often considered a luxury and a waste of money by some NGOs. This has been the object of a lot of criticism of Kantha Bopha Hospitals. Dr Richner mentions as an example that it is indispensable to have a CT scanner, a costly technological device, in order to diagnose tuberculosis properly. In the view of some, such facilities are unnecessary luxuries for a hospital in an underdeveloped country. It is, however, a serious mistake to believe that the medical situation of a given country must be directly correlated to

its economic status. This is a global belief which dictates that hospital facilities, as well as technology, supplies and technical equipment must be aligned to the country's economic reality. The introduction of front-line technology is not accepted and rather disapproved of. From Dr Richner's point of view: 'In health matters it is my daily experience that the wealthy world, indeed, does not use measures of justice in dealing with politics of health and the question of survival of the poor in poor countries. The international community, including official Switzerland, promotes the creed that medical facilities, medical procedures and therapeutic means must conform to the economical reality of a given country. To 80% of Cambodia's population the economical "reality" is zero. If we would follow that creed, we would be unable to cure any child with the dengue fever and any child with tuberculosis (...)'⁵

It is basically about a totally different way of looking at things. For Dr Richner, the transcendental motivation (the

motivation that transcends self-interest to do things for others), represents the stimulus to pitch in.

System Supervision: Intrinsic and Extrinsic motivation

Dr Richner in his inner self has conceived a way of effectively helping poor ailing children. Such an accomplishment is based both on intrinsic motivation (motivation associated with activities that are their own reward, which stems from your inner feelings and views and feed your desires to accomplish and perform)⁶ and extrinsic motivation (created from external factors such as rewards and punishments) more than on the transcendental (a motivation greater in scope or size than some standard)⁷. Dr Richner understands the nature of human beings very well. He knows that he can depend on the good will, humanistic feeling, and transcendental impulse to help the needy, when working with a handful of people. But if his staff is in excess of two-digit number, then certainly he is aware that he will have to design an internal control system that allows the alignment of the staff's interests with those of the hospitals. Therefore he makes use of the extrinsic motivational driver concretely, by offering a higher salary than the market. In the fear of losing such well-paid positions the staff also work hard and treat their patients well.

The internal and external supervision is a necessary requisite to ensure reliability, responsibility and efficiency in any organization (see Exhibit III). The hospitals are audited by PricewaterhouseCoopers to confirm compliance to Art. 728 ff. OR2 plus a supervisory board. Such monitoring mechanisms allow the rise of the hospitals' reputation in the public health sector. During all these years of ceaseless activity, the Kantha Bopha Hospitals have actually

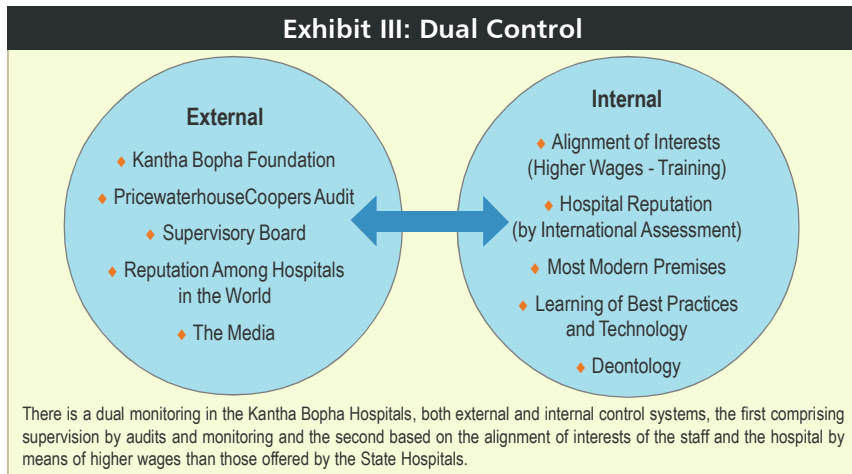
⁵ "Doctor Beat Richner: Celebration address to the 175th anniversary of Real-Gymnasium Zürichberg; given on the stage of Schauspielhaus Zürich (main theatre) on September 4, 2008" (www.beatrichner.ch/pdf/Richner_Rede175JRGZEngl.pdf as accessed on December 7, 2009.)

⁶ <http://www.en.articlesgratuits.com/external-motivation-id2283.php> accessed on December 8, 2009.

⁷ <http://www.en.articlesgratuits.com/external-motivation-id2283.php> accessed on December 8, 2009.



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earned a good reputation and prestige both within the country and abroad. This fact has allowed it to regain some of the lost confidence in the public health system among people.

As a consequence, from very early in the morning you can see long queues of around 2000 to 3000 children accompanied by their parents outside the Kantha Hospitals. They come from the villages in the surrounding areas to try to get a place on the waiting list⁸. For these children this might mean the only chance of getting medical assistance, something that might also save their lives. On an average, the Kantha Bopha Hospitals admit 300 inpatients daily, perform about 60 surgical operations, assist about 3000 outpatients and vaccinate 1500 children. Till 2008, around 8.8 million children, 850 of whom were seriously ill, have been administered proper health care in the hospitals, which constitute 85% of the total of hospitalized children in Cambodia.

After all these years of hard, thoughtful, honest and efficient work, we arrive at the point of putting forward the sustainability and continuity issues. Can

⁸ Une bonne action? Pensez au Dr. Med Beat "Beatocello" Richner KANTHA BOPHA Children's Hospital. (<http://www.lausannekendo.ch/modules/wordpress/category/friends/> accessed on December 22, 2009)

we conceive Kantha Bopha Hospitals as perpetual? Can we claim that everything will continue as it is today, or be even better, when the icon of Beatocello is no longer present? According to Dr Richner, a US\$ 200 mn is needed to ensure that Kantha Bopha Hospitals will run for the next 20 years. So the question is not simple.

Discussion

There are two basic questions we ought to focus on: (1) the excellence of the business model-based management of aid activities vis-à-vis the more macroeconomic and systemic approach to the management of aid; and (2) the sustainability question of Dr Richner's personalized effort.

In the first place, we have seen that, unlike multilateral aid organizations that take up more systemic approaches to the issue of underdevelopment, and therefore, tend to pursue effectiveness rather than efficiency, Dr Richner centres more on a clearly defined objective and therefore follows the path of operational efficiency. Such a move constitutes a successful business model which can be extrapolated to today's entrepreneurial ambience. To put it into practice, the enterprise has to count on the implementation of the motivational strategy by structuring the

process according to Dr Richner's model as follows:

◆ The transcendental motivation is the initial kick-off to start mobilizing people to help and activate the idea;

◆ The extrinsic and intrinsic motivational factors are the way to implement the actions to be followed, for having a unique idealistic aim does not get feasible and tangible results. This entails a twofold monitoring system, controlled externally by an audit firm and a supervisory board, upheld by a Foundation strictly linked to the project, and along with a good reputation generated by an honest and strict set of activities. This helps gain the support and confidence of people and organizations from different walks of life. This will certainly favor the continuity and success of business. Besides, the internal motivations include an alignment of interests that materialize in fair wages, a good name, cutting-edge training in maintaining standards and mastering techniques, and the best practices used today, apart from a deep interest in the activity we are dealing with.

In the second place, we should not make the mistake of thinking that without Dr Beat Richner all of these amazing achievements will stray. Dr. Richner has established a solid structure and empowered the very foundation of this work, namely, the hospitals, their distinctive policies and the way they work sans bureaucracy. Thus the basic line of action is subscribed, so that this great team of experts would not necessarily have to face trouble in continuing with this work. ☺

Note: This article is largely based on IESE Business School's case No. SM-1548-E - "Kantha Bopha Children's Hospitals: Dr Richner's Lifework".

Reference # 03M-2010-02-11-01

Ext Ad 9



Innovator or Inspirer

Reuters Market Light

Business Model Innovation for Growth

Reuters Market Light also needs to evaluate the extent to which it should allow customers shape its service offering? RML would need to create experiments to learn about the design principles in order to build the optimal business model for its business. The answers to these questions might have lessons on how to innovate the business model for both RML as well as the Thomson Reuters Groups as a whole.



Reuters Market Light (RML) is a unique, 'bottom of the pyramid', mobile-based information service from Thomson Reuters for farmers in certain states of India. Launched in October 2007, it provides individual farmers with 'customized, localized and personalized' weather forecasts, local crop prices, agricultural news and relevant information (i.e., crop advisory) – in the form of SMS messages sent to their mobile phones in their local language. This allows subscribing farmers to plan irrigation, application of fertilizers, and harvest their crop – thus, managing some of their risks, as well as to decide when and where to sell their produce to maximize profit. In 2008, RML was selected by the UNDP as one of the six business initiatives that have the potential to contribute to the Millennium Development Goals.¹

Among the many challenges faced by farmers in India, which account for India's poor productivity when compared to other leading agricultural countries – such as overregulation and inefficient government policies, poor physical infrastructure (e.g., irrigation), inadequate access to land and finance and weak natural resource management – a key problem is poor access to information that could help farmers with cultivation as well as selling.² RML provides a solution to the lack of information problem that farmers face. As a result, many farmers

¹ "Thomson Reuters Expands Mobile Crop Service for Indian Farmers", *Business Standard*, January 15, 2009, (<http://www.business-standard.com/india/news/thomson-reuters-expands-mobile-crop-service-for-indian-farmers/346223/>), accessed August 17, 2009.

² "India: Priorities for Agriculture and Rural Development", World Bank report, (<http://go.worldbank.org/8EFXZBL3Y0>), accessed August 10, 2009.

have attributed significant cost savings to their RML service.

But why through mobile phones? Because in India, the number of mobile connections today (427 million) far outstrips both (a) the number of landline connections (37.5 million) and (b) the number of Internet subscribers (13.5 million).³ Whereas India's mobile market is one of the fastest growing in the world,⁴ the number of landline connections has declined in recent times.⁵ Internet access is still highly limited. Therefore, mobiles will remain the dominant means of personal telecommunications in India for the foreseeable future. To appreciate the potential of a service like RML, consider that slightly more than half of India's workforce of 523.5 million – i.e., more than 262 million people – is in agriculture⁶ and about 130 million of them are cultivators.⁷

RML's service was initially been available in three states of India – Maharashtra, Haryana and Punjab – and the company has expanded sales to 13 states by the end of 2009. Initially, sales were direct with RML agents approaching farmers. The rapid take-up of RML's service – 100,000 farmers in 12,000 - 15,000 villages in less than two years – has allowed RML to switch to selling its service through agricultural retailers, a mode called RML Direct, which was launched in February 2009 e.g., farmers can subscribe to RML through 2,500 retail outlets in Maharashtra. RML has, at present, three channels for sales: through

agri retailers to farmers (RML Direct); bulk sales to agri input companies/NGOs/ large groups; bulk sales to mobile operators. In the latter two cases, intermediaries—those with well-developed distribution networks—are used to sell individual subscriptions.

The current revenue model for RML's service is subscription and the service is available through major mobile networks. The current value chain of RML's activity is captured in Exhibit I. Currently, RML carries out all activities—from content sourcing to customer support and accounting—in connection with the service that customers receive, other than operating a mobile network.

The RML's activities across the value chain are as follows:

Content is sourced largely by RML's own sourcing network. Except for weather and best practices information, the rest is developed by RML internally.

Formatting of the content to suit SMS/Voice/WAP platforms is also managed by RML's content management system.

Marketing is executed by agencies. Mostly through below-the-line activities like wall paintings, banners, posters, van campaigns, market activities, etc.

Agri input shops, cooperative banks and other rural sales networks distribute RML.

Subscription is sold in the form of prepaid scratch cards in quarterly, half-

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³ "Telecom Subscription Data as on 30th June 2009", Telecom Regulatory Authority of India, (<http://www.trai.gov.in/WriteReadData/trai/upload/PressReleases/694/pr6aug09no61.pdf>), accessed August 10, 2009.

⁴ "India Adds 11.9 million Telecom Subscribers in June", *The Economic Times*, (<http://economictimes.indiatimes.com/News-by-Industry/119-mn-telecom-users-added-in-June/articleshow/4838311.cms>), accessed August 10, 2009.

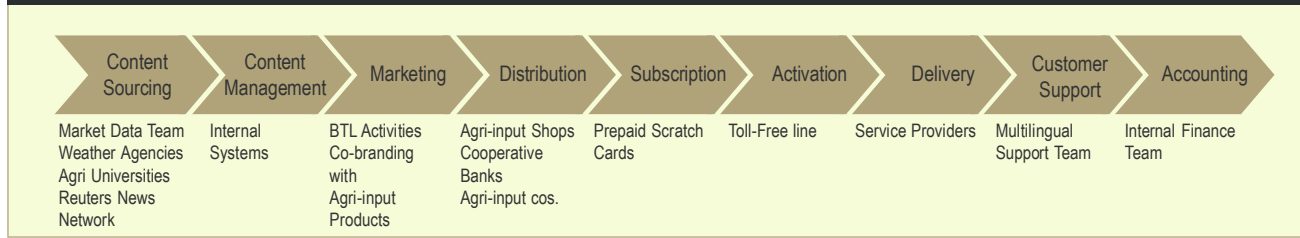
⁵ "Telecom Subscription Data as on 30th June 2009", Telecom Regulatory Authority of India, (<http://www.trai.gov.in/WriteReadData/trai/upload/PressReleases/694/pr6aug09no61.pdf>), accessed August 10, 2009.

⁶ *CIA World Factbook on India*, (<https://www.cia.gov/library/publications/the-world-factbook/geos/in.html>), accessed August 10, 2009.

⁷ "India: The Impact of Mobile Phones", ICRIR report, January 2009.



Exhibit I: The Current Value Chain of RML's Activity



yearly and annual service packs.

Service can be activated by calling a toll-free line.

Delivery of SMS is managed by service providers.

A team of multilingual customer care executives support features like personalization, profile changes, delivery issues, etc.

RML is continuously exploring opportunities in different service verticals: dairy farming, poultry, fisheries and sugarcane. The traditional model for value-added mobile services/applications has involved three partners: the mobile network, the service providers and data/content provider. The challenge for RML is to innovate its business model from a fully vertically integrated business model as it scales up its business. The question for RML is whether it should be a content player, an aggregator or should it continue to be in distribution, delivery and customer support. This article considers business models from other industries in order to draw lessons for RML about the appropriate business model as it scales up its operations.

RML's Customer Value Proposition

In January 2009, the Indian Council for Research on International Economic Relations (ICRIER), conducted a study to assess the impact of mobile phones on agricultural productivity in India. Two hundred people, of whom 160 were small

farmers in five states (Uttar Pradesh, Tamil Nadu, Maharashtra, Rajasthan and Delhi) were interviewed. ICRIER reports that among the farmers it surveyed "almost all reported some increase in convenience and cost savings" by use of their mobile phones to access agricultural information.⁸ The nature of the impact falls into three categories:

- I. Easy Access to Customized Content
 - a. Customers avoided potential losses by responding quickly to weather and disease information.
 - b. Customers improved yields by adopting new seed varieties and cultivation practices.
- II. Mobility Benefits
 - a. Customers benefitted by being able to make/receive calls while working on the farm: e.g., the ability to describe plant diseases from the field to experts and to coordinate with hired labor.
 - b. Customers benefitted from the ability to react to travel problems while transporting crops.
- III. Improved Convenience, Time and Travel Savings
 - a. The service allowed farmers to avoid local travel to get data.
 - b. The service helped farmers make better decisions about where to sell their output.

RML's customer value propositions aim to cater for the farmers' above needs. Clearly, farmers have much to gain through the sort of 'customized, localized

and personalized' decision-critical information service that RML is offering. Analysis of the 'Voice of Customers' feedback from RML's customers led to the findings, presented in bar chart form in Exhibit II.

Three key benefits were repeatedly stressed by the farmers interviewed as part of this study:

- i. Improved profitability through knowledge of market prices,
- ii. Weather-related risks mitigated through forecasts, and
- iii. Improved knowledge of crop cultivation and disease control through the crop advisory segment of the text messages.

IMRB's most recent customer study also found that the key benefits of RML – as perceived by farmers – are 'Provides Market Rates' followed by 'Weather' information and 'Farming/Agricultural advice on Mobile'. Interviews with RML customers indicate that the benefit from increased price transparency was captured by one of the farmers who said, "Knowledge of market prices has made it easier to sell produce at good rates." In addition, another farmer articulated the benefits of weather information as follows, "RML's weather forecasts have made it much easier to protect my crops. [And] RML's crop advisories are excellent. I have learnt a lot. My tomato plants are lasting longer now because I know the right fertilizers

⁸ "India: The Impact of Mobile Phones", ICRIER report, January 2009.

and medicines for them.” The above analysis shows that RML has a very compelling customer value proposition. RML needs to leverage these key customer value propositions to design its business model as it scales up its operations.

Business Models

RML's built its business ground up by building all components of the value chain. RML is exploring different business models as it builds up scale. To achieve scale, RML is seeking and entering into partnerships with organizations that have well-established rural networks which RML can work together for its distribution, e.g., farmers' cooperatives in India's states which sell seeds, fertilizers and pesticides to farmers.

To achieve its goals of sustainable profitability as well as leadership in the market for customized information services for the rural economy, RML needs to work out (a) how to scale up its operations nationally in the most cost-effective manner, and (b) how to maintain differentiation as competitors and substitute services challenge RML for share. The first (a) implies that RML focus on those activities that are critical to the delivery of a quality service of genuine value to farmers, rather than engage in all activities that form part of the service delivery value chain. The second (b) implies that RML establish clearly what rural customers and potential customers most want and value – in terms of content,

delivery package, technology platform, customer services, etc. – and stay ahead in the competition for delivering these.

Should RML be a content player, or an aggregator, i.e., a pure, branded supplier of business intelligence for rural customers or should it continue to be in distribution, delivery and customer support. How do these models affect the customer relationship and service delivery? Next we consider three business models from other industries in order to draw lessons for RML. The three examples were chosen because

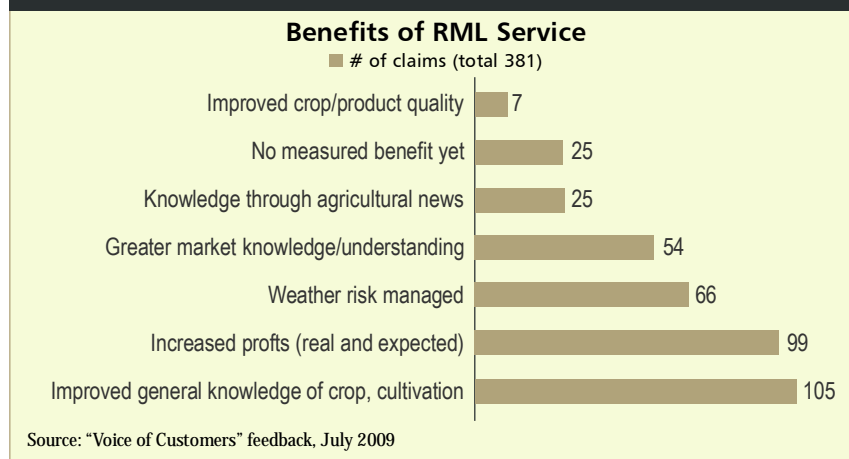
1. They represent the service industry
2. There were innovations to the business models to cater for new customer value propositions that the incumbent firms were not fulfilling
3. There are lessons to be learnt for RML from the design of such business model innovations.

◆ Netflix

Netflix is an online DVD rental service that uses the postal system and its own unique distribution system to deliver DVDs to customers. The company provides a monthly flat-fee service for the rental of DVD and Blu-ray discs.⁹ A subscriber creates an ordered list, called

a rental queue, of movies that he or she wishes to rent. The movies are delivered individually through the postal system from a range of regional warehouses. The subscriber can keep the rented disc as long as desired, but there is a limit on the number of movies (determined by subscription level) that each subscriber can have on loan at any one time. To receive a new movie, the subscriber must post a previous one back to Netflix in a prepaid mailing envelope. On receipt of the disc, Netflix sends the next available disc in the subscriber's rental queue.¹⁰ Netflix allows customers to keep the DVDs for an unlimited period without penalties and also offers customer reviews and recommendations. The success of Netflix can be seen in the firm's numbers: Netflix today has a collection of more than 55 million discs covering 100,000 titles and approximately 10 million subscribers. On average, the company ships 1.9 million DVDs to customers each day.¹¹ Netflix shows that success is not dependent on owning the distribution channel. It also shows the benefits possible by extracting intelligence from knowledge of customer behavior to manage service demand and promote well-matched products (in its case movies) to customers.

Exhibit II: Perceived Benefits of the RML Service



⁹ With advances in broadband speeds, Netflix has developed another service, called Watch Instantly, which allows subscribers to stream a movie they wish to see direct to their computers. The number of movies a subscriber may stream per month depends on their chosen subscription level.

¹⁰ Netflix website, *How Netflix Works* (<http://www.netflix.com/MediaCenter?id=5379#how>), accessed October 5, 2009.

¹¹ Netflix website, *Netflix Passes 10 Million Subscribers* (<http://netflix.mediaroom.com/index.php?s=43&item=307>), accessed October 5, 2009.



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◆ Apple

Apple introduced the iPod digital music player together with the iTunes online music store. The iTunes Store ended the constraint consumers faced by buying DVDs by album to buying music on a per track basis at a flat rate (99 US cents or 69 UK pence). Following this development, music, i.e., content, was freed from the constraints of old formats where customers needed to buy all the tracks that belonged to one album even if they are only interested in one track. Moreover, Apple was able to persuade five major record labels of the time to sell their content through the iTunes Store: EMI, Universal, Warner, Sony Music Entertainment and BMG. Music from more than 2,000 independent labels was added later. Apple does not produce any music itself. Rather, it configures others' content into standard digital formats for selling through its online store. The Apple approach demonstrates the potential benefits of acting as a channel between content creators and users, as an aggregator of content. By not producing content to compete with the content creators that it partners with, Apple is able to reach mutually beneficial revenue-sharing agreements. Apple's success and the willingness of the record labels and application developers to partner with Apple also depends substantially on Apple's ability to provide a platform for the delivery of that music and those applications that will appeal strongly to the end consumers. Thus, Apple's partners are keen for their products to be available on the Apple platform, in Apple's formats.

◆ Facebook

Facebook and MySpace are two social

networking websites. MySpace was set up in August 2003, MySpace quickly became the most popular social networking site in the US by June 2006. Facebook, on the other hand, was launched in February 2004 for students of Harvard University but it was not until September 2006 that Facebook was open to anyone with a valid e-mail address. However, Facebook subsequently overtook MySpace in terms of customer membership. In much of the recent literature discussing the reasons for Facebook's eclipse of MySpace a key reason cited is that Facebook offered developers an open architecture so that they could develop their own applications for the website. This made the Facebook universe one of more choice, more user-driven features, and more functionalities on offer. By contrast, MySpace did not offer its users a developer platform until February 2008 by which time the momentum had long already swung in favor of Facebook. The developments between Facebook and MySpace reveals that users are attracted to markets where they have more choice and are able to influence the products/services that may emerge. Users may want to contribute their own expertise. In the domain of agriculture, this may take the form of, for example, one farmer sharing his experience of which pesticide worked best for a particular infestation or what conditions and nutrients were found to be ideal for growing a particular type of tomato. Engaging customers to help shape the evolution of the service enables firms to keep pace with changes much faster. For example, Facebook shows that the business model which creates room for consumers to be creative and participates in the evolution of the service – or empowers them to not only consume content/information but also to offer

something back of value that they know or can create – attract more customers and create more of a buzz.

Discussion and Conclusion

A business model essentially describes the delivery of the customer value proposition, how the value proposition is created through the operations of the business and how the value is captured through the revenue architecture. A recent report by IBM (IBM 2006)¹² shows that firms that emphasize business model innovation are more likely to grow faster than businesses that focus on other types of innovations such as product or process innovations. The strategic issue for many businesses is to figure out the principles of business model design and innovation that enable superior performance for their respective businesses.

Upon further examination of the three examples discussed above, it appears that the critical element is being able to articulate the customer value proposition in a succinct way in order to deliver a critical need and being able to build the operations to fulfil these needs in an efficient manner. Moreover, the business model needs to derive value for the firm through its revenue architecture. For example, in the case of Netflix, the critical customer value proposition that it was able to fulfil over and above Blockbuster was its ability to provide DVD's without fixed return times as well as to encourage customers to post reviews and recommendations. Through this process, Netflix was able to manage its inventory better and fulfil customers' tastes and preferences more efficiently compared to Blockbuster. In addition, Netflix built a distribution infrastructure to fulfil the demand patterns and manage its inventory

¹² "Expanding the Innovation Horizon", IBM Global CEO Study, 2006.

effectively to match customer demand with minimal stockouts. More than the mere use of the postal system, it was the ability of Netflix to build such a distribution infrastructure that created its superior business model that others find it difficult to replicate. Netflix managed through its business model to have a closer connection to the customer: to be able to identify customer intelligence, distribute that intelligence and respond to it very effectively. Netflix was able to create and deliver value to its customers without necessarily owning all components of the value chain but only the critical elements that ensure strong connection to the customer to deliver the key value proposition.

In the case of Apple iTunes, it was its ability to fulfil the twin requirements of customers that they are able to disaggregate their purchases to individual songs and also to ubiquitously carry their personal albums to various gadgets (e.g., computers, CD players as well as the iPod). Apple delivered this proposition by persuading the five major record labels of the time to sell their content through the iTunes Store. Apple came up with the appropriate digital rights management for these songs to provide sufficient copyright protection. Apple was then able to act as an aggregator for this content by providing both a customer-friendly gadget, the iPod and an easy to navigate store, the iTunes store. Apple was able to deliver the key customer value proposition compared to the previous method of selling music via DVD albums by overcoming some of the shortcomings that customers faced. Apple delivered this value proposition by acting as an aggregator of content without owning every aspect of the value chain. The key again is the

ability of Apple to be connected to the customer and be able to overcome their two major limitations compared to DVDs for distributing music. Apple built components of the value chain to continue such a close connection and only delivering the key elements of the value chain to enable these.

In the third example, Facebook's customers demanded variety in the type of offerings available on the Facebook site. Facebook recognized this and hence adopted an open architecture model that enabled third party developers to develop applications. Facebook recognized that the benefits of opening up and adopting a more collaborative approach to new applications developments outweighs its own ability to come up with new applications compared to a closed system. Consequently, Facebook's recognition of the rate of change in customer preferences and correspondingly the customers demand for variety enabled the firm to build its value chain by integrating third party developers as a key component of the value creation process. Facebook decided not to own all parts of the development value chain as one its key propositions to the customer was variety which MySpace could not deliver as well.

RML is an innovative business model for Thomson Reuters to learn about both mobile channel delivery as well as emerging markets like India. Like many innovative business models for the rural market, RML had to build its own value chain to create a new market. From the earlier discussion, RML's key customer proposition should include easy access to customized content, mobility benefits and improved convenience with time and travel savings. As it expands and builds

scale RML needs to concentrate on retaining only the value chain components that deliver this key customer value propositions. In addition, RML would need to consider the evolution and change in its customer value proposition as it designs its business model. In particular, the business model would need to be able to identify the evolution of the customer value propositions and respond to changes quickly. In doing so, RML could learn from other successful businesses in terms of design of its business model. In particular, how other businesses have developed design principles for the business model that is based on having close customer intimacy and ensuring the critical elements of the value chain to deliver these propositions are retained within the business. RML needs to consider how to leverage its success so far with an appropriate business model innovation to sustain growth as it scales up its operations. In particular, the key strategic questions that need to be evaluated are the extent to which RML should be a content provider, an aggregator or should it continue to be in distribution, delivery and customer support. Moreover, RML also needs to evaluate the extent to which it should allow customers shape its service offering? RML would need to create experiments to learn about the design principles in order to build the optimal business model for its business. The answers to these questions might have lessons on how to innovate the business model for both RML as well as the Thomson Reuters Groups as a whole.

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Leadership Duos

Multiplies Effectiveness

What is required of the organizations of tomorrow is “dynamic duos” as leaders to steer them through the complexities of globalized markets.



A couple of years back, David G. Thomson[†], Chairman, Blue Print Growth Institute, carried out a multi-year study on American businesses to understand “how exceptional growth businesses are built”—in other words, to identify the success pattern of America’s highest growth companies. The study revealed that out of the 7500 companies that went public between 1985 and 2007, only 5% companies recorded a revenue of \$1bn—which means hardly 387 companies. Nonetheless, they have accounted for 56% of employment and 64% of market value created by all the IPO companies. Their disproportionate successes made them the very core of America’s innovation and growth. They are considered to be companies ‘to work for and invest in’. Such examples are many: Microsoft, Cisco, Google, Starbucks, etc. These companies are considered to be the architects of America’s future.

No wonder, these companies are unique by themselves. But behind their success there is an underlying commonality: their leadership teams. According to the study of David G. Thomson, most of the star performers are managed by dynamic duos—two individuals working together in close association built these firms from dreams to billion dollar revenue companies. Some such striking examples of ‘dynamic duos’ are: Hewlett and Packard, Sears and Roebuck, and Walt and Roy Disney. The study also revealed that the duo, like that of Bill Gates and Jon Shirley of Microsoft in 1983, are required to be dynamic and complementary in their strengths to build such dream growth companies. It is also found that one of the duo must excel in the ‘public’ part of the business just as Gates focusing on market, shaping technologies for various products, and establishing leadership standards, while the other had to be the ‘insider’—just as Shirley, stay focused on

internal production and management of finances for ensuring uninterrupted maintenance of production cycle.

As the author looked further deep into the matter, he encountered many surprises: the 'duo' was found to explore and innovate together continuously, be it in the product development or marketing. They made swift decisions, and willingly corrected their mistakes quickly. Essentially, these two leaders had complete trust in each other. They were found to have utmost respect for each other. Similarly, they had a unique chemistry and synergy that electrified everything that they managed. These two were often found to be connected by a friendship that enabled them to be very open with each other and whenever faced with challenges could freely talk to each other with no hang-ups. Importantly, their relationship was maintained by reining in their egos. In short, these dynamic duos, enjoying the benefit of complementary strengths, had become the yin and yang, the web and warp of the business that made them grow exponentially.

Dynamic 'Duo' from the Ramayana

We come across such a dynamic duo of leadership in the saint poet Valmiki's Ramayana—Rama and Laksmana. Between them we see such free flow of warmth of friendship, free and frank discussions/arguments aided by clear absence of 'individual egos', complementarities of strength, trust in and respect for each other, playing a critical role in their struggle to weather many a storm that they encounter while in exile in the forest successfully, and finally return to Ayodhya, the capital of their kingdom. It is the sheer strength of this leadership 'duo' that ultimately enables Rama return as the King after fourteen years of tumultuous exile in the forests. The journey of this 'duo' through the epic is a classic

example of how the coming together of two dynamic leaders sans ego, with respect for and trust in each other could secure excellent results in whatever endeavor they took up by virtue of the interplay of complementary strengths yielding great synergies. Let us therefore take a critical look at some of the scenes from the Ramayana that highlight these elements of success.

'Duo' Sans 'Egos'

We have a scene in the Aranyakanda of the Ramayana where Marica, the minister of Ravana, taking the form of a golden deer lures Sita—wife of Rama— by strolling in front of their hermitage, to ask for it. Driven by the passion of playing with that queer animal, Sita calls Rama and Laksmana and entreats them to fetch it. Seized with suspicion on seeing it, Laksmana warns that this golden deer must be that ogre, Marica, in disguise, for no such deer, freckled with jewel-like spots, exists on the face of the earth. Interrupting Laksmana, Sita, who had been robbed of her faculty of judgment by the hoax played by the ogre, says with a bright smile to Rama: "The yonder charming deer captivates my mind. Fetch it. If the deer does not allow itself to be captured by you alive, its skin itself will afford delight. I long to sit along with you on its golden skin spread on a mat of grass."

Rama—whose mind too is filled with curiosity about that deer— rejoiced to hear the request of Sita, decides to fetch it. But before leaving on the mission, Rama makes his understanding of Sita's request clear to Laksmana thus: "Mark, O Laksmana, this burning desire of Sita. No deer whatsoever which is similar to it exists in the groove. If, O Laksmana, this deer is such as you tell me, it must be put to an end because it is a phantom conjured up by an ogre. Many monarchs have been killed by him appearing in his real form; hence this deer [Marica]

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deserves to be made short work of.” Here it is necessary to bear in mind that Rama—the elder brother of Laksmana, who would have been crowned as Prince but for Kaikeyee’s desire to exile him, but sure to ascend the throne once the exile period is over—is not obliged, even by tradition, since Laksmana is his younger brother, to offer such an elaborate explanation about his stand on fulfilling the desire of his wife, the future queen. This act of reasoning out the decision by Rama simply makes it evident that Rama respects Laksmana’s observations. It also becomes evident that ego does not come in the way of Rama making his stand transparent to his junior, Laksmana.

Before leaving on the mission, Rama also orders Laksmana: “O Laksmana! ... Stay you protected with armour and, remaining confined to this place, guard Sita....I proceed apace to bring the deer. Mark, O Laksmana ...You must remain wide awake in the hermitage with Sita till I dispose of this spotted deer ... Keeping Sita by your side, O Laksmana, remain vigilant every moment and full of apprehension from all quarters ...” Interestingly, this entrusting of the safety of his wife to Laksmana clearly establishes not only Rama’s faith in the competency of Laksmana but also his trust in him.

So warning his brother, Rama goes out in search of the deer. Vexed by the flight of golden deer, Rama at last hits it with his arrow. Struck by the arrow, Marica, before dying, piteously cries, “Oh! Laksmana, Oh! Sita”. Hearing the cry, poor Sita gets maddened with grief and orders Laksmana to go and ascertain the truth about Rama. But he is not willing to go, for he is sure that none can harm him. So he tells her: “Can there be any danger to him? What is likely to happen to him? And if anything is to happen to

him, am I going to save him? Don’t fear. I am here to protect you, I am under strict orders.” But Sita does not listen to him. She even hurls harsh imputation at him. Yet, Laksmana silently remains struck to his brother’s order. Finally, she says, “While you are looking on I am going to die at your feet.” She indeed gets ready to do it. Then Laksmana, saying “you have driven me to choose between one horrible alternative, that of disobeying my brother, and the other alternative which I consider still more horrible, to see you kill yourself before me. Well, I will go”.

Greeting her with joined palms and respectfully bowing, Laksmana departs to seek Rama. Seeing Laksmana come having abandoned Sita in a lonely forest frequented by ogres, Rama speaks harshly: “Ah Laksmana, a reproachful act has been done by you in that you came away here leaving alone Sita, who deserved protection, O gentle brother! ...” Even after Laksmana narrates the reason for his leaving Sita alone, and pleads that he has not come on his volition, Rama still says it in so many words: “A woman is a woman after all. I am her very life, what would be left to her without me? She thought I was in danger. You must expect, you must be prepared for her saying all sorts of things, like a mad woman. She might have said anything. She might have threatened to do anything. You ought not have come away. You ought to have stayed and protected her. You have disobeyed me. I am displeased with you. You have earned my displeasure.”

That is the freedom—to voice their opinion without any inhibition—and openness these two leaders enjoy with each other. They do not mince words when it comes to questioning the other’s omissions/commissions and yet are affectionate to each other as is reflected

in Rama’s style of addressing Laksmana—“a reproachful act has been done by you ... O gentle brother!” Another interesting trait is that they do not get hurt personally when one questions the action of the other. They have the courage to see through the action more as a mere witness than from a personal angle—as is evident from Laksmana’s silence at Rama’s charging him of disobeying his orders. His silence is a reflection of his belief to “firmly abide by the words of my elder brother”. Indeed, Laksmana was very clear about his responsibility for the security of Sita when he said to her: “You are a sacred trust placed in my charge by the high souled Rama ...” in defense of his not willing to obey her orders to go to Rama leaving her alone. It is a clear proof of egos not having any role in the transaction. Hence they could go hand in hand in search of the missing Sita with great concern—one seeking solace in the other.

Complementary Strengths at Their Full Display

We have another scene in the same Aranyakanda where we come across the complementary strengths of Rama and Laksmana helping them to stay focused on their goal. Indeed it is a continuation of the previous scene. On his return to the hermitage after killing the golden deer, seeing the lonely hut bereft of Sita, Rama wails again and again: “The timid lady must have been carried away or, devoured, or dead. Or has gone to pluck flowers?” Running fast from tree to tree in search of Sita, Rama cries in grief: “Was my Sita seen by you? O deer, do you know of Sita? Ah priye, where have you gone?” Not finding Sita there, Rama, lifting up his arms, calls out to Sita at the top of his voice: “Where on earth, O Laksmana, could Sita be? ... Or by whom, O darling

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of Sumitra, has she been borne away or by whom has she been devoured? ... Deserting at this place me, helpless, tormented with grief, afflicted and pitiable as I am, my aspirations shattered, where are you going ... O do not leave me, O lovely Sita! Bereft of you, I shall yield up my life." Thus laments Rama in the absence of Sita!

What we must particularly take note of here is: Rama's innocent faith in Laksmana—his frustrations are addressed to him, perhaps, hoping for an answer. Indeed, it was only a little while ago that Rama had reproached Laksmana in a very harsh tone for leaving Sita all alone to herself, that too, much against his order. The message here is, Rama, as a leader, is more concerned about the 'transaction' rather than the individual [Laksmana] behind it, while reproaching him. Hence his faith in Laksmana—as revealed by his wailings to Laksmana—remained undiminished. Laksmana too, true to the faith reposed in him by Rama, in his extreme solicitude for Rama's welfare, pleads with Rama: "Don't give way to despondency, O Prince possessed of great wisdom! Put forth endeavor with me. Sita is fond of frequenting groves and is enraptured at the sight of forest. She must have penetrated deep into the forest. O glorious prince, let us both strive to search for her at once. I pray, do not give over your mind to grief." Again, this solicitude of Laksmana for Rama clearly establishes the respect he had for Rama's righteousness, and for Rama himself. Else, like any ordinary mortal, peeved by the disapproval meted out to him on account of his flouting Rama's earlier order to stay with Sita—though not on his own volition—Laksmana too, would have displayed elusive behavior. That is the duo's concern for each other.

Coming back to the story, being thus exhorted by Laksmana, Rama, regaining his composure, proceeds along with him to search for Sita. They fully explore the forests as well as mountains, rivers and lakes too. Yet, they fail to locate her. Dulled by agony, Rama says piteously: "The entire forest has been fully explored. But I do not find Sita, who is more valuable even than life." Sighing again and again Rama repeatedly cries: 'Ah, my darling!' Laksmana, though himself grief-stricken, humbly tries to comfort Rama with folded hands in several ways. Turning a deaf ear to him, Rama, lamenting at Sita's absence, says to Laksmana: "... leaving me in the forest itself, (O Laksmana!) return to Ayodhya. ... The death of Sita, which has already taken place, as also mine should be reported to my mother by you O destroyer of foes!" Laksmana, too, beaten by fear, becomes extremely sick at heart.

Thereafter, Laksmana understanding correctly the hint given by the deer suggests that they proceed in the southerly direction in search of Sita. Rama, followed by Laksmana, proceeds southwards. Upon seeing flowers that he had given to Sita earlier lying on the ground around a broken chariot, Rama infers that some ogres fought between themselves to take hold of Sita and devoured her. Agonized by Sita's absence and angered by a feeling that his "disciplined and compassionate outlook is being taken as his powerlessness" by gods, Rama, in order to let everyone know his power, says: "When the three worlds are annihilated through my anger, neither gods nor demons nor goblins nor ogres will survive. Torn to a number of pieces by the volley of my arrows, the worlds of gods, demons and Yaksas as also those which are inhabited by ogres will collapse. With my arrows I will reduce these worlds to a state of utter confusion today if those

in authority do not restore Sita to me, no matter if she has been killed or is dead."

Looking at the agony of Rama, Laksmana submits to him with folded hands: "Having been mild, disciplined and devoted to the good of all created beings before, you should not abandon your nature. As loveliness dwells in the moon, brilliance in the sun, movement in the wind and forbearance in the earth, all these as also unsurpassed fame ever invariably dwell in you. You ought not to annihilate the worlds for the offence of one individual. I do not actually perceive the footprints of a large army imprinted here. And you ought not to annihilate the worlds on account of one man; for suzerain lords of the earth are just in their punishment, mild and very composed; (while) you are always fit to protect all created beings, nay, their supreme asylum."

Laksmana continues to comfort Rama saying: "Who on earth would approve of the disappearance or destruction of your spouse? With me as your companion, and bow in hand, and with the greatest of sages as your helpers you ought to seek out him by whom Sita has been borne away. We shall explore the ocean as well as the mountains and forests, and shall also steadfastly search the realms of gods and Gandharvas until we find the abductor of your consort. If the rulers of gods do not restore your spouse by peaceful means, you may then adopt a measure that is opportune. If you do not recover Sita through exemplary conduct, conciliation, modesty and prudence, then annihilate the worlds, O ruler of men!"

Laksmana then goes on to inspire Rama with courage saying: "This impact of suffering is but natural with human beings. Even very great beings and gods are not immune from the control of fate, much less all embodied beings, O flower

of men! Even in the event of Sita being dead or having disappeared, O heroic Rama, you ought not to grieve in the same way as any other common man. People like you, who perceive everything, do not really give way to grief even in the face of the gravest perils, O Rama, but ever remain undepressed in their outlook. Discriminate between right and wrong in the true perspective by recourse to reason. Endowed with reason, highly intelligent souls are correctly able to know what is good and evil, O jewel among men! Indeed, you alone have often instructed me accordingly in the past. What object of yours will be achieved through universal destruction wrought by you? So, finding out your sinful adversary, you ought to root out him alone.”

What a fine piece of exhortation! How else can anyone restore confidence into the mind of a crestfallen leader? A fine exhibition of one of the duo trying to restore confidence and intellect to an otherwise depressed mind of the other and put him back on rails from where he can himself see reason and act intelligently and fairly, so that the ultimate interest is well protected. When such leaders work in tandem with each other, nothing remains insurmountable. And that is exactly what happened in the present case: Rama, listening to Laksmana, controls his anger and asks him, “What shall we do? And whither shall we go, O Laksmana? Ponder over this.” That is the dynamism of the duo’s trust in each other. And the outcome of this well-woven synergy between the duo is: the beginning of an intense search for Sita by the duo like rational beings.

Respect for Each Others’ Values

As the brothers are searching for Sita in

the forest, they come across a headless ogre, Kabandha that catches hold of passers by and eats them. Rama and Laksmana too fall into the clutches of this ogre. As the ogre catches hold of them, despite being armed with swords and wielding strong bows, and possessed of great strength, they are reduced to a helpless plight. By virtue of his firmness, Rama, however, does not feel distressed. But due to his puerile nature, Laksmana feeling helpless, giving himself up to agony, and feeling despondent submits to Rama: “Look at me helplessly fallen into the clutches of the ogre. O scion of Raghu! Offering me as a sacrifice to the devil run away at your convenience. You will recover Sita before long: such is my conviction....” Here, we see Laksmana in quiet an opposing mood vis-à-vis his earlier stand when Rama was peeving at the absence of Sita. It is Rama, who now takes on the role played by Laksmana earlier, and says: “Do not give way to fear, O valiant Laksmana! A man like you would never feel dejected.”

In the meanwhile, the cruel demon, Kabandha says: “Your life is (now) difficult to get back (now that it is in my hands).” Hearing the evil-minded Kabandha’s challenge, Rama says to Laksmana: “A calamity which threatens to terminate our life has befallen us without our being able to recover Sita. While we had (already) suffered a terrible disaster (in the shape of the loss of Sita), which is more painful than the one we had already undergone—loss of sovereignty and exile to the forest—O Laksmana of unflinching prowess! Very great is the power of the Time-Spirit over all living beings, O Laksmana! Look at yourself and me too, O tiger among men, distracted by misfortunes. Surely the control of Destiny on all living beings, O Laksmana, does not constitute a burden

(to it). Caught in the grip of the Time-Spirit, even valiant and mighty souls, nay, even those who have practiced archery on the field of battle perish like dams of sand.” It is interesting to note here how Rama could philosophize even in the teeth of danger—Rama’s mind-force prevailing over the sheer physical force of the headless Kabandha?

A little later, Laksmana regaining his normal sagacity renders an opportune and friendly advice: “This vile ogre caught hold of us at the outset with no provocation from us. This demon’s strength lies in his arms. With these arms he is killing those who are defenseless. So, it is right for a ruler of the earth to kill him. Let us therefore cut off his arms.” Angered by it, Kabandha tries to swallow them. But in the meanwhile, Rama, with alacrity, cuts his right arm while Laksmana his left. Thus, they get freed from the demon. Of course, Kabandha later helps them know how to succeed in their quest for Sita. Now what a practicing leader must learn from this episode is: In a crisis, if there are two leaders instead of one, the scope for success multiplies, for when one feels helpless, the other can still come up with a life saving idea to enable the duo wriggle out of the danger. But for such a success to materialize, it is a must that the duo know each others’ beliefs and value systems and has respect too for them. In the above incident, mark the concern of Laksmana even in such a tiring situation for upholding his brother’s eternal commitment for ‘Dharma’: he does not merely suggest a way out but also reasons out how it is right to kill the ogre. Otherwise, it is sure that Rama who is known as Ramo vigrahan dharmaha would have not yielded to his suggestion to save himself. To be functional and effective, the duo must respect their value systems.

Together is What Matters

Having finally learnt that Sita has been taken away by Ravana and placed in Lanka, the duo, along with the monkeys and their king, lay siege to Lanka. The result is: a fierce battle between Rama, Laksmana, Sugriva, Hanuman, Vibhisana on one side and Ravana, his son Indrajit and other ogres on the other side.

Here again, the duo complement each other's strengths in winning the battle through mutual dialogue and advice. In a battle with Indrajit, Laksmana, angered at the destruction wrecked by Indrajit on the monkeys, submits to Rama: "I shall now use the mystic missile presided over by Brahma to destroy all the ogres." But as could be expected, Rama admonishes him: "To get square with one individual you ought not to exterminate all the ogres on the earth." Rama, having said that, reflects on how to put an end to the fierce ogre of cruel deeds.

Meanwhile, Indrajit brings an illusory living image of Sita to the battlefield and to hoodwink the simian army, kills her with his sword. Hanuman rushes to Rama and conveys the sad news to him, hearing which Rama faints. Here the role of the 'duo' surfaces again: Laksmana, seized with great agony, makes a submission to Rama that is full of meaning and reason: "Virtue, O brother, cannot save you ... the presumption that virtue alone prospers is not warranted; for a virtuous man like you would not suffer. ... I shall fully dispel with my exploits today the great agony caused by Indrajit, O gallant prince! Therefore rise, ... Why don't you recognize yourself to be the Supreme Spirit, endowed with vast intelligence, O long-armed prince, who have kept your vows?" That is Laksmana's love for Rama. This incident makes it abundantly clear

how important 'love' between the leadership 'duo' is for its success.

Vibhisana then tells Rama of the secret of the conjuring trick played by Indrajit and assures that Sita is still alive. He urges him to send Laksmana with an army to the sanctuary of Nikumbhila—where Indrajit, being sure of no disturbance from the monkeys, will be pouring oblations into the sacred fire—to let him not complete the offerings, for once he performs it he would become invincible even to gods. Convinced about this, Rama commands Laksmana to march against Indrajit and destroy him. Laksmana reaches Nikumbhila with monkeys and challenges Indrajit. A fierce fight takes place. Laksmana kills the charioteer of Indrajit. Finally, Laksmana saying, "If Rama has set his mind on virtue and is true to his promise and is unrivalled in prowess, make short work, then, of this son of Ravana", sends the arrow charging it with the missile presided over by Indra, which dutifully severs Indrajit's head. Let us here take note of the immense faith that Laksmana has on Rama's steadfast commitment to Dharma which he draws as a support to his annihilation of Indrajit. It is only such implicit faith in the other that can keep the 'duo' effective—in fact, enable them achieve greater accomplishments.

When Laksmana and Vibhisana approach Rama with the news of Indrajit's death, Rama saying, "Well done! O Laksmana! I feel gratified.... Know it for certain that victory (over Ravana) has actually been scored with the killing of Indrajit", forcefully draws him to his lap and tenderly gazes upon his fortunate brother again and again, which incidentally reveals that Rama's love for Laksmana is no way less than that of Laksmana's concern for Rama. Indeed, Rama's longing for Laksmana can truly

be gauged from what he says when Laksmana lay unconscious by the effect of the naga bana—serpent arrows of Indrajit—in Yuddhakanda: "What would it matter to me if my brother was dead and lost to me, even if I got back Sita. A wife quite the equal of Sita may be found if we make a thorough search in the earth, but a brother like Laksmana, supreme in war, it will be very difficult to find." Then, another time, when Laksmana hit by Ravana's sakti lay apparently dead, Rama cries in great affliction: "Even as Laksmana followed me into the hardships and terrors of the forest, so will I after him follow him into the abode of Yama." Realize, all this is uttered by Rama when Laksmana is unconscious—he is not aware what Rama is saying. Which is why, it—love—is called innate love.

That is the testimony of Rama's love for Laksmana. And the poet says that such love alone ensures bonding between the 'duo'—whether they are brothers or not—by encouraging free flow of arguments, questioning of opinions, beliefs, values, and even admonitions, of course, all in the interest of arriving at the truth and in that truth there would be no gainers or losers simply because truth is a great leveler. In today's complex world of business, what is essential to ensure exponential growth is a leadership-duo—which, more importantly, seldom enjoys the benefit of being brothers like Rama and Laksmana—at the top that is driven by such simple and natural love. ☺

+ *The Organization of the Future 2—Visions, Strategies, and Insights on Managing in a New Era*. Edited by Frances Hesselbein and Marshall Goldsmith, Jossey - Bass, A Wiley Imprint 989 Market Street, San Francisco, CA 94103 - 1741, pp. 285-296 (The Leadership blueprint to achieve exponential growth. By David G. Thomson.)

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