Leadership and Change Management

Block

2

PATH TO LEADERSHIP

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BLOCK 2: PATH TO LEADERSHIP

We now come to the second block of this course on Leadership and Change Management. What you will learn about in this block is how a learning organization is led, the role of a leader as a coach, developing performing teams, and the importance of leadership succession. We have divided the block into four units. Here is what you will learn about in each:

Unit 5: The learning organization and how it is led.

Unit 6: The role of a leader as a coach.

Unit 7: How performing teams are developed.

Unit 8: The significance of leadership succession.

In the unit five, *Leading a Learning Organization,* you will be introduced to the concept of learning. You will learn about the various ways of organizational learning and the different ways in which an organization pursues learning. Finally, the unit will touch upon the different roles of a leader in a learning organization.

The unit six, *Coaching Leaders,* will tell you about the different types of coaching. It will discuss the role of a leader as a coach. How a coach can be improved is a question this unit will answer.

In the unit seven, *Developing Performing Teams,* you will see why organizations have moved from a command and control style of leadership to a team-based approach. What exactly is a team? You will find the answer to this question in this unit, which will also explain the concept of teamwork, and list the differences between a team and a workgroup. You will learn about the principles of a great team and how to determine the right size of a team. The unit discusses the skills necessary for a team and the different leadership approaches that foster team performance. A discussion on the importance of continuous learning for teams wraps up this unit.

In the unit eight, *Leadership Succession,* you will get an overview of leadership succession. You will learn about the importance of having the right CEO and about who would be a better fit as a CEO – an insider or an outsider. The unit discusses the different ways in which companies can ensure the right successor. Finally, you will take a look at the emergence of women as CEOs of companies and the various challenges they face in a male-dominated corporate world.

Unit 5

Leading a Learning Organization

Structure

"The only sustainable competitive advantage is an organization's ability to learn faster than the competition."

- Peter Senge

5.1. Introduction

Let us see in this unit how learning takes place in a learning organization.

Before we begin, let us briefly review what you learned in the previous unit. We learnt how next generation leaders can be developed. Here, in this unit you will get to know what a learning organization is and how learning organizations are led.

Learning, as you know, is an ongoing and creative process. Every organization has to, therefore, nurture learning in order to create its own future. A learning organization encourages its employees to develop creative ideas that will bring in desirable results.

In this unit, you will learn about the concept of learning, innovative learning and organizational learning. You will also get a look at the different ways in which learning organizations are led by leaders.

5.2. Objectives

By the end of this unit, students should be able to:

• Recall the concept of learning

• Discuss the various ways of organizational learning

• Outline the different ways in which an organization pursues learning

• Illustrate the different roles of leader in a learning organization

5.3. Learning

What are the personal qualities that leaders should have that will help them run their organizations? Warren Bennis and Burt Nanus conducted a survey to determine just this and they found that most of the respondents listed the following qualities:

- Persistence, Self-knowledge,
- Willingness to take risks and accept losses,
- Commitment,
- Consistency, and
- Readiness to face a challenge.

However, it was *learning* that they rated as the most important quality.

You may be surprised to know that most leaders are learning all the time. Effective leaders are voracious learners. Many learn from friends and associates.

Example

Sam Walton, the founder of Walmart, was known for spending time with customers, to learn from them.

- Most leaders, in a survey conducted, said they learned from experience, and identified a few mentors and key experiences that had helped in shaping their personalities, aspirations, and operating styles.
- Learning provides leaders with energy and keeps up the momentum for change by bringing in new understanding, new ideas, and revealing new challenges.
- Learning is an indispensable tool for today's leaders to survive in a rapidly changing and complex business environment.
- A leader cannot sustain his or her position without learning.

The survey revealed that leaders not only know how to learn, but also how to learn something that will be beneficial to the organization. They can identify what is important for the organization and use the organization as a learning environment. According to Donald Michael, successful leaders do this by identifying a set of skills which he calls "the new competence". The skills are:

- Acknowledging and sharing uncertainty
- Embracing error
- Responding to the future
- Becoming interpersonally competent (e.g., listening, nurturing, coping with value conflicts, etc.)
- Gaining self-knowledge.

Warren Bennis and Burt Nanus also found through their research that leaders acknowledge and share uncertainty with their colleagues while setting their tasks.

- They learn from their mistakes and engage in goal-setting exercises to re-examine current assumptions and priorities.

- They use their inter-personal skills to motivate their colleagues to look for new ideas.

- They try to understand their limits and biases by comparing their views with knowledgeable colleagues or outside experts.

- Thus leaders know what to learn and how to learn.

Take a minute to recall the qualities that leaders should have that will help them run their organizations.

Check Your Progress - 1

1. Which of the following is **not** a skill acquired by a successful leader in using the organization as a learning environment?

    a. Becoming interpersonally competent (e.g., listening, nurturing, coping with value conflicts, etc.)

    b. Responding to the past

    c. Embracing error

    d. Acknowledging and sharing uncertainty

5.4. The Learning Organization

Some management experts believe that several eastern philosophies have the right approach to continuous learning. Peter Senge elaborates: "You cannot say the word "learning" in Chinese without saying both "study" and "practice" constantly. You could not say, "I learned something" in Chinese. It is literally impossible, because all you can ever do is practice constantly. Now that is a learning orientation!"

Organizations are continuously changing due to both internal and external forces. These changes can be either rapid and significant, or slow and insignificant. But in both cases, the organizations are changing and are trying to adapt themselves to the changing environment. In other words, they are also learning.

What exactly do you understand by organizational learning?

You can define it as a process by which organizations obtain and use new knowledge, tools, behavior, and values.

There are three levels at which organizational learning occurs:

- *Individual level:* Individuals learn when they interact with one another and the outside world in the course of their regular work.

- *Group level:* Group learning occurs when the members of the group cooperate with each other to accomplish common goals.
- *System level:* The whole organization (system level) learns from the feedback it obtains from the environment and by anticipating further changes.

The newly acquired knowledge at all these levels gets translated into "new goals, procedures, expectations, role structures, and measures of success."

Check Your Progress - 2

2. Organizational learning is defined as a process:

   a. In which organizations learn a lot

   b. That improves problem-solving abilities

   c. By which organizations obtain and use new knowledge, tools, behavior, and values

   d. That helps organizations to develop tools that can be used on the job

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You can classify organizational learning into:

- Maintenance learning and
- Innovative learning.

So what is maintenance learning?

- It means acquiring fixed ways, methods, and rules to deal with situations that are known and recurring in nature.
- It improves problem solving ability in cases where the problem is known.
- This type of learning is designed to maintain the existing system.

What is innovative learning?

- According to Bennis and Nanus, for the long-term survival of the organization, however, and especially in times of turbulence, change, or discontinuity, it is innovative learning that is more important.
- Innovative learning ensures long-term survival by bringing in change, renewal, and restructuring.

Aims of Maintenance Learning:

- Most organizations have mastered the art of maintenance learning.
- They have developed and institutionalized ways to ensure maintenance learning.
- While this orientation is necessary, it is not sufficient for growth.

- In maintenance learning, current performance is compared only with past performance, not with the performance that might have been or that is going to be.

- So corrective actions based on maintenance learning address only perceived weaknesses or failures; they do not focus on building strengths or creating new opportunities.

Aims of innovative learning:

The aim of innovative learning, on the other hand, is to prepare organizations for action in new situations. This requires an imaginative understanding of the environment yet to appear.

- Innovative learning deals with emerging issues that are unique and so cannot be learned by the trial and error method.

- These issues do not have known solutions.

- This is one reason why organizations tend to neglect innovative learning. As a result, they find it extremely difficult to adapt to environmental changes.

- Maintenance learning can be taken care of by managers; it is the leaders' responsibility to ensure that innovative learning takes place too.

Check Your Progress - 3

3. Identiffy from the following what is acquiring fixed ways, methods, and rules to deal with situations that are known and recurring in nature.

   a. Innovative learning

   b. Experiential learning

   c. Spatial learning

   d. Maintenance learning

4. According to Bennis and Nanus, innovative learning is crucial:

   a. When the morale of the people is low

   b. In times of turbulence, change, or discontinuity

   c. When people lack self-development skills

   d. When the organization is on the path of growth

5. If maintenance learning can be taken care of by the managers, whose responsibility is it to ensure that innovative learning takes place?

   a. Leaders'

   b. Managers'

   c. Employees'

   d. Employers'

5.5. Innovative Learning

Can you think of a few factors that will influence an organization's approach to learning?

An organization's approach to learning depends on its purpose, culture, environment, operating style, and ability to absorb change. An organization pursues learning in different ways. Let us see what these ways are:

Peep into the past: Every organization goes through some experiences. It has its own traditions, its share of successes and failures. And these past experiences can prove invaluable.

Warren Bennis says that organizations can learn from their past experiences by re-examining them in the context of the new and evolving environment. The lessons learned can help the organizations adapt to different environments.

Controlled experiments: It is important for organizations to be aware of the direction of change in the environment. So organizations usually carry out controlled experiments and study their effects. Many organizations employ market research agencies to accomplish this objective

James MacGregor Burns says, "Executives operate by feel and by feedback. They grope their way into the future, moving one step at a time, ready always to fall back as they encounter obstacles."

Learning from others' experiences: Organizations learn from the experiences of other organizations as well. Leaders learn by reading trade publications, attending trade association meetings, and discussing the problems of the industry with other leaders.

Exhibit 5.1 describes the learning and development programs in Optoro.

Exhibit 5.1: Learning Organization

In the 21st century, managers face challenges with the rapidly changing business environment. To compete efficiently and adapt to the changes fast, managers should provide tools and techniques to employees to quickly learn and work collaboratively. Offering learning and development programs helps employees in acquiring new skills, enhance performance and progress in their career, and contribute for the organizational growth as well.

- Optoro, a reverse logistics technology company, is an example.

- It motivates its employees to participate in learning and development programs within and outside the organization.

- It allows employees to attend conferences and seminars that would keep them updated in their respective professions/fields.

Contd….

- In addition, every year, exempt employees are given a profession development budget to spend throughout the year.

- Optoro also provides a 10 week classes as part of its internal management training program to help its employees grow in their career.

Thus learning is embedded in the organization's DNA and senior management and managers play an important role in promoting continuous learning.

Source: https://www.manpower.ie/article/10-great-examples-of-learning-organisations/, 13 Mar 2020.

Learning through analysis: According to Warren Bennis and Burt Nanus, many organizations learn by continuously analyzing trends in the external environment, identifying emerging issues, and designing new ways to cope with those issues. According to Alfred P Sloan, the legendary CEO of General Motors, "The final act of business judgment is, of course, intuitive.... But the big work behind business judgment is in finding and acknowledging the facts and circumstances concerning technology, the market and the like, in their continually changing forms."

Learning through formal and informal means: Many organizations have formal training programs. Though most of these are aimed at building the individual skills of employees, some of them concentrate on team building and group learning experiences.

- For example, courses on new technologies and industry trends are aimed at ensuring organizational learning about changes in the environment.

- Informal training such as briefings by vendors, consultants, and external auditors also result in organizational learning.

- Similarly, newsletters and bulletin boards promote learning in the organization.

Check Your Progress - 4

6. On what does an organization's approach to learning depend?
    i. Environment
    ii. Competition
    iii. Culture
    iv. Financial position
    a. i, ii, and iii
    b. i and iii
    c. i, iii, and iv
    d. ii, iii, and iv

Unlearning: Organizations have to unlearn; they have to discard old knowledge when their actions conflict with the realities of market place. Incidents such as losing a key customer can force an organization to question its old assumptions, and recombine, reorder, or change them.

Learning organizations place a lot of value on unlearning experiences as they serve as reality tests and make it possible for them to change in order to avoid major mistakes in the future.

- The six modes of innovative learning just discussed help organizations to reconfigure themselves, replace old rules, improve information flows, and improve their creative abilities.

- Some organizations are fast learners while others are not; but it is the leadership that makes this difference.

- An organizational learning effort without appropriate leadership will undoubtedly lack energy, force, cohesion, and purpose.

Check Your Progress - 5

7. Some of the formal training programs aim to:
    a. Gain knowledge
    b. Concentrate on team building
    c. Analyze the business trends
    d. Build customer relations

Can you recall the six ways of innovative learning? Take a moment to remember.

Activity 5.1

Fly High Airlines, a low-cost airline company in India, had been performing extremely well as a niche player competing with other high-end passenger carriers. However, the increasing prices of aviation turbine fuel and taxes had increased the costs for the airlines. The management therefore decided to rethink the fundamentals and practices of the airline. The company decided to have more trips and improve the customer service management like informing customers of flight delays via phone or mail and to upgrade its website to respond quickly to passenger bookings. Training, therefore, was inevitable for the employees. Most of the employees found it difficult to understand the new ways such as embracing high-end technology solutions that would make issuing of tickets faster. In this case, what kind of learning methodology should the company adopt?

Do you think informal means of learning will help the employees understand and embrace the change in an easy way? Why (not)? If you were the CEO of the airline, how would you assess the situation during a crisis? What suitable learning methods would you adopt?

Answer:

5.6. Leading a Learning Organization

The leader's role in a learning organization is different from that of a decision maker.

- In a learning organization, a leader plays three roles: that of a designer, a teacher, and a steward.
- The skills required for these roles are an ability to bring shared vision to the surface and challenge existing mental models and an ability to foster systematic ways of thinking in the organization.
- Leaders in learning organizations have to make sure that their people expand their capacities and shape their futures.
- In other words, they are responsible for the learning of the organization and the people in it.

According to Peter Senge, leadership in a learning organization is based on the principle of creative tension.

- Creative tension occurs when the leader sees clearly where the organization should be and understands clearly where the organization currently is.
- The gap between where the organization should be and where it is generates creative tension.
- Senge says there are two ways of resolving creative tension – raise the current reality toward the vision or lower the vision toward the reality.
- Organizations which learn to work with creative tension know how to channel the energy created by that tension to move reality toward their vision.

Check Your Progress - 6

8. The various modes of innovative learning help the organizations to
   a. Retain old rules
   b. Improve their creative abilities
   c. Make leaders
   d. Increase training and development expenses

5.6.1 Leader as a Designer

An organization with a poor design will be ineffective, even if it has a great leader. Organizational design is concerned with designing the governing ideas of the purpose, vision, and core values by which the members of the organization will work.

- The first task of leadership is to design the governing ideas.
- The second task is to apply them in policies, strategies, and structures that translate the guiding ideas into business decisions.
- The appropriateness of policies, strategies, and structures depends to a large extent on effective learning processes.
- Thus, the leader's third task in a learning organization is to create such processes.

5.6.2 Leader as a Teacher

A leader's main responsibility is to define reality. He/she should help his/her people to get accurate, insightful, and empowering views of current reality. Thus, the leader assumes the role of a teacher.

- According to Peter Senge, the role of a teacher in a learning organization can be developed by paying attention to people's mental models and with the help of systems thinking.
- A leader as a teacher has to bring the mental models of those working in the organization to the surface.
- This is important because a mental picture of how the world works influences how the workforce perceives various problems and opportunities.
- It also influences how the courses of action are identified and how people make their choices.

A leader's job is not over with revealing the hidden assumptions. Workers in an organization often mistakenly think that passing events represent the underlying reality. They see the pressures they have to bear, the crises they must react to, and the limitations they must accept as reality. But these are just visible and temporary conditions. There are some underlying causes to these problems.

A leader as a teacher indicates what is beyond these obvious events. There is often a pattern behind events. And there could be some basic problems behind this pattern. A leader has to make his/her people restructure their views of reality. By addressing the problems behind the patterns of events (such as crises and pressures), a leader can help workers create a new future.

Reality can be viewed at three different levels:

- Events,
- Patterns of behaviors, and
- Systemic structure.

10

Now the question is: where does a leader focus his/her attention, and the attention of the organization? Contemporary society concentrates, for the most part, on events. The media encourages this by highlighting short-term and dramatic events. It tries to explain what is happening in terms of the events.

Systemic structural explanations seek to explain "what causes the pattern of behavior." There could be some underlying chronic problem or reason which causes certain patterns of behavior. Understanding reality at this systemic level is understanding the persisting problem or reason.

Explanations at all three levels may be valid. But their usefulness may differ. Explanations about events promote a reactive stance to change. Pattern of behavior explanations attempt to identify long-term trends and measure their implications. These explanations help organizations over a period of time to adapt to changing circumstances.

Structural explanations are the most beneficial over the long term. They try to provide explanations of the underlying causes of behavior. Such explanations hold out the hope that patterns of behavior can be changed to the organization's advantage.

Today, business leaders concentrate largely on events and to a lesser extent on patterns of behavior. Under their leadership, organizations too do the same. This is why most organizations are reactive while only a few are generative.

Leaders in learning organizations try to understand reality at all the three levels, but focus on the systemic structure. They also encourage people in the organization to do the same. As a result, learning organizations are better prepared for the future.

8.6.3 Leader as a Steward

Regarding the role of the leader as a steward, Peter Senge says, "This is the subtlest role of leadership. Unlike the roles of designer and teacher, it is almost solely a matter of attitude. It is an attitude critical to learning organizations."

- Peter Senge says that while people have realized that stewardship is an aspect of leadership, its source is not properly understood.

- He feels that Robert Greenleaf's seminal book, *Servant Leadership*, provides a useful explanation of stewardship. In this book, Greenleaf says, "The servant leader is servant first.... It begins with the natural feeling that one wants to serve, to serve first. This conscious choice brings one to aspire to lead.

- That person is sharply different from one who is leader first, perhaps because of the need to assuage an unusual power drive or to acquire material possessions."

As a steward, a leader can operate at two levels:

- Stewardship for the people in the organization
- Stewardship for the larger mission that underlies the organization.

At the first level, the leader understands the impact his/her leadership can have on his/her people. He/she understands that people can suffer economically, emotionally, and spiritually under incompetent leadership. People working in a learning organization are positively influenced by their leader due to their own commitment and sense of ownership. A leader who understands all this develops a sense of responsibility for the people in the organization.

At the second level, a leader of a learning organization has a sense of personal purpose and commitment toward achieving his/her organization's larger mission. As Peter Senge says, he/she unleashes the energies of his/her people by appealing to their natural impulse to learn. He/she does this by engaging them in an endeavor they consider worthy of their fullest commitment.

Lawrence Miller puts it plainly, "Achieving return on equity does not, as a goal, mobilize the most noble forces of our soul." A leader involved in building learning organizations feels part of a higher purpose that extends beyond his/her organization.

He/she attempts to transform the way his/her business operates with the conviction that he/she can create an organization that is more productive, that can achieve higher levels of organizational success, and that can provide personal satisfaction.

Activity 5.2

CS Foods Ltd. is a fast food company in India. The employees at the company were trained to cook all kinds of cuisine – domestic as well as international. The management of the company noticed that the employees wasted a lot of resources. A member of the top management, Celia, inspected the employees personally and made them realize how resources were being wasted. She also gave them innovative ideas on how to make use of the resources in a different way. This instilled a sense of responsibility among the employees and the management soon noticed that there was hardly any wastage of resources. Identify and discuss the role played by Celia. Also discuss other roles played by a leader in a learning organization.

Answer:

Check Your Progress - 7

9. What is the role played by a leader in a learning organization?

    a. A designer

    b. A teacher

    c. A steward

    d. All of the above

10. Which of these is not a skill of the leader in a learning organization?

    a. Ability to bring shared vision to the surface

    b. Ability to challenge existing mental models

    c. Ability to create tension

    d. Ability to foster systematic ways of thinking in the organization

11. Which of the following is associated with organizational design which is concerned with the purpose, vision, and core values by which the members of the organization will work?

    a. Designing the governing ideas

    b. Training

    c. Revealing hidden assumptions

    d. Learning behavioral pattern

5.7. Summary

- Organizational learning can be defined as a process by which organizations obtain and use new knowledge, tools, behavior, and values.

- Organizational learning occurs at three levels: the individual, group, and system levels.

- Organizational learning can be classified as maintenance learning and innovative learning.

- Maintenance learning is concerned with acquiring fixed outlooks, methods, and rules. This type of learning is meant to deal with known and recurring situations, and improves the problem solving ability of organizations.

- Innovative learning aims to prepare organizations for action in new situations. It requires an understanding of the environment before it actually appears.

- There are six ways in which an organization can pursue innovative learning: By taking a look at the past, through controlled experiments, learning from others' experiences, learning through analysis, learning through formal and informal means, and unlearning.

- The leader's role in a learning organization is different from that of a decision maker. A leader in a learning organization is a designer, a teacher, and a steward.

- In order to lead a learning organization, a leader needs to possess special skills: an ability to bring shared vision to the surface and to challenge existing mental models, and ability to foster systematic ways of thinking in the organization.

- According to Peter Senge, leadership in a learning organization is based on the principle of creative tension.

- Creative tension occurs when the leader sees clearly where the organization should be, and understands clearly where the organization currently is. The gap between these positions generates creative tension.

5.8. Glossary

Organizational learning: Organizational learning is a process by which organizations obtain and use new knowledge, tools, behavior, and values.

5.9. Self-Assessment Exercises

1. "Most leaders are learning all the time." What is learning? Explain the importance of learning for a leader and list the skills that are required for a learning leader.

2. Define organizational learning. Describe the various methods of organizational learning.

3. Describe the different ways in which an organization pursues learning.

4. Explain the different roles of leader in a learning organization.

5.10. Suggested Readings/Reference Material

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12. Sajjad Nawaz Khan, Leadership and Followership in an Organizational Change Context, IGI Global, 2021

5.11. Answers to Check Your Progress Questions

1. **(b) Responding to the past**

    According to Donald Michael, successful leaders do this by identifying a set of skills which he calls "the new competence". The skills are:

    - Acknowledging and sharing uncertainty
    - Embracing error
    - Responding to the future
    - Becoming interpersonally competent (e.g., listening, nurturing, coping with value conflicts, etc.)
    - Gaining self-knowledge.

    Hence option **b** is incorrect.

2. **(c) By which organizations obtain and use new knowledge, tools, behavior, and values**

    Organizational learning can be defined as a process by which organizations obtain and use new knowledge, tools, behavior, and values.

3. **(d) Maintenance learning**

    Maintenance learning means acquiring fixed ways, methods, and rules to deal with situations that are known and recurring in nature.

4. **(b) In times of turbulence, change, or discontinuity**

    According to Bennis and Nanus, for the long-term survival of the organization and especially in times of turbulence, change, or discontinuity, innovative learning is more important.

5. **(a) Leaders'**

    Innovative learning deals with emerging issues that are unique and so cannot be learned by the trial and error method. These issues do not have known solutions. This is one reason why organizations have neglected

innovative learning. As a result, they find it extremely difficult to adapt to environmental changes. Maintenance learning can be taken care of by the managers; it is the leaders' responsibility to ensure that innovative learning takes place too.

6. **(b) i, iii**

An organization's approach to learning depends on its purpose, culture, environment, operating style, and ability to absorb change.

7. **(b) Concentrate on team building**

Some of the formal training programs aim to concentrate on team building and group learning experiences.

8. **(b) To improve their creative abilities**

The various modes of innovative learning help the organizations to improve their creative abilities

9. **(d) All of the above**

In a learning organization a leader is a designer, a teacher, and a steward.

10. **(c) Ability to create tension**

The skills required by a leader in a learning organization include an ability to bring shared vision to the surface and challenge existing mental models, and an ability to foster systematic ways of thinking in the organization. Hence option c is incorrect.

11. **(a) Designing the governing ideas**

Organizational design is concerned with designing the governing ideas of the purpose, vision, and core values by which the members of the organization will work.

Unit 6

Coaching Leaders

Structure

"Coaching is unlocking people's potential to maximize their own performance. It is more often helping them to learn rather than teaching them."

- John Whitmore

6.1   Introduction

Let us take a minute to recall what you learned in the previous unit. You learnt the concept of learning, organizational learning and the different ways in which an organization pursues learning.

Let us see how leaders learn in the role of a leader as a coach. Often, CEOs of the companies have risen from the bottom, thanks to the skills they have. But sometimes their strategies fail to impress in the long run and they realize they need some help at this point.

It is here that coaching serves as an effective tool for leadership development. Leadership coaching has grown exponentially over the years with the realization that people in the organization can become effective and productive if they are coached well.

So let us go on to look at different types of coaching in this unit. You will also learn about the role of a leader as a coach. The unit ends with a discussion on how a coach can improve himself/herself.

6.2 Objectives

By the end of this unit, students should be able to:

- State the characteristics and skills of a coach and discuss the types of coaching.
- Analyse the role of a leader as a coach.
- Discuss the approaches which make coaching effective.

6.3 Demystifying Coaching

Good coaching is also good leadership. Being a good coach needs the same skills as being a good leader. So, what skills do you think a leader or coach should have? Take a minute to think about it.

- Appropriate action.
- Well, some of these skills are: keen powers of observation, sensible judgment, and the ability to take both leaders and managers have the same goal – to make the most of the organization's resources. However, not all leaders are good coaches.
- A good coach knows the relevant questions to ask when evaluating a situation or assessing problem behaviors.

Characteristics and Skills of a Good Coach

- Helps people in planning for their personal and professional development.
- Is seen as successful and draws respect in the organization.
- Works closely with employees, observes their behavior in different situations, and at various organizational levels.
- Respects the people he/she is coaching. Is supportive and non-judgmental.
- Has expertise in the area in which people have to be coached.
- Has a thorough understanding of the culture in the organization and knows how employees' behavior is evaluated in that culture.
- Sets the right goals, and is honest and reliable.
- Takes a personal interest in those he/she coaches. Invests time in building relationships aimed at employee development.
- Shows empathy in regard to personal and professional matters of employees.
- Has a clear idea of the macro picture of the whole organization.
- Is comfortable and secure. Allows people to grow under him/her.
- Provides both formal and informal feedback.

According to Antonioni David, coaching is a partnership between a leader and an individual who reports directly to him or her, in which the coach focuses on

helping the direct report optimize his or her potential. Coaching involves a non-judgmental style of inquiry and teaching, and aims at helping people improve their abilities, knowledge, and skills.

Check Your Progress – 1

1. What is the aim of coaching?

    a. Dictating to people on how to work

    b. Helping people improve their abilities, knowledge, and skills

    c. Evaluating the behavior of the subordinate

    d. Learning how to train people

To be a successful coach, a leader should adopt a non-fault finding style and identify the areas for improvement in people and give them the right feedback. But giving feedback may not be as easy as it sounds. It needs courage to be candid and caring when giving feedback.

Example

In a survey, leaders identified giving constructive feedback as the most difficult part of coaching. 87% of the leaders who offered constructive feedback encountered defensive behavior from their direct reports. It is clear then that, leaders need to build their coaching skills through training and practice.

Coaching is of two types:

- Performance management coaching
- Performance enhancement coaching

Performance management coaching comes into the picture when the leader finds that there is a gap between his/her subordinate's actual and expected performance. In such a situation, the leader takes the initiative and tries to correct his/her subordinate's behavior through coaching.

Performance enhancement coaching takes place when a subordinate is performing up to expectations but wants to acquire new skills to perform at higher levels. Here, the coaching process can be initiated by either the coach or the subordinate. It has been observed that most leaders spend much more time in performance management than on performance enhancement; in fact, leaders spend 80% of their coaching time on performance management alone.

For coaching to be effective it has to take place regularly. Also coaching conversations should be brief – normally of 5 to 15 minutes' duration. Brief conversations have more impact and also allow the leader to spend his/her time

appropriately on other high-priority tasks. The process of coaching involves several steps:

- Making observations
- Conducting an analysis
- Giving feedback
- Engaging in inquiry
- Setting goals
- Planning action steps
- Recognizing improvements

You can see how important it is for leaders to play the role of a coach. But not all leaders are happy doing so. Some of them spend much less time coaching their people than necessary.

Why?

- Because they are fearful of taking on too much responsibility playing the role of a psychologist,
- For overstepping personal boundaries.

Activity 6.1

XYZ Auto Ltd. is a US-based auto component manufacturing company. The company offered training to its employees in component manufacturing. The employees were expected to perform even better than what was expected of them. While most of the employees worked toward the target, a major portion of them just could not achieve their targets. In fact, they found their performance deteriorating. Which type of coaching will help the employees achieve the desired results? Explain.

Answer:

Check Your Progress - 2

2. What must a leader do in order to be a successful coach?

    a. Teach others how to be like him/her

    b. Teach the employees how to become successful

    c.   Identify the areas for improvement in people and give them the right feedback

    d.   Spend 10% of coaching time on performance management

3. When does performance management coaching come into the picture?

    a.   When subordinates perform up to the expectations

    b.   When people become uncomfortable and insecure

    c.   When people are not clear about the benefits they reap

    d.   When the leader finds that there is a gap between his/her subordinate's actual and expected performance

4. What type of coaching takes place when a subordinate is performing up to the expectations but wants to acquire new skills to perform at higher levels?

    a.   Performance management coaching

    b.   Skills coaching

    c.   Performance enhancement coaching

    d.   Executive coaching

6.4   The Leader as a Coach

Jonathan P. Doh conducted a series of interviews with leading business school professors involved in leadership research, education, and development. When he asked them their opinion on who should coach leaders, most of them said that leaders would be the most effective in teaching potential leaders. Others felt that though the characteristics of every leader are interesting, students of leadership can rarely and only with difficulty imitate those characteristics.

According to Steve Stumpf, students of leadership are definitely more interested in learning from real life leaders as these leaders have credibility. However, not much can be learnt from them as real learning occurs only when the students actually experience something they have heard about.

Though it is often believed that leaders are the best coaches of leadership, Kim Cameron says this is not so

- He points out that though Jack Welch (Welch) is considered a good coach, he might not be very effective.

- This is because the experiences and events described by Welch are unique to him and his handling of these events cannot be imitated by the person being coached.

- The person being coached will not experience the same events in the role he/she plays, the type of organization he/she belongs to, and the types of problems he/she faces.

Exhibit 6.1 presents Grace Jimenez as a leader as that of a coach.

Exhibit 6.1: Leader as a Coach – Grace Jimenez

Grace Jimenez is an ERP Team Lead at Pampered Chef, a multinational multi-level marketing company. She leads her team by trying to adopt to their needs. She admires transparency and encourages free flow of information across the team. She is also a critical thinker and a coach who promotes respect among team members and is a role model for them. Jimenez treats her team members as humans and people who have personal life and concern about their families. She has supported work life balance and enabled employees in contributing their maximum efforts with complete job satisfaction.

- Jimenez extended helping hand whenever any team member is struck and needed support or guidance from her.

- She believes that communicating openly and giving guidance timely is one of the major responsibilities of a leader.

- She also encourages her team to make mistakes so that they keep learning from their mistakes and thereby continue their passion and contribute to growth.

- She is a coach in a true sense as she celebrates the success of her team members.

- She recognizes the efforts of her team members and gives true feedback to help them grow in the right direction.

- She continuously monitors her team and sets a clear goal path.

Source: https://www.builtinchicago.org/2021/09/24/women-tech-finding-your-leadership-style

The person being coached needs some framework, some tools which will work in varied circumstances. Good coaches provide such frameworks that allow people to succeed as leaders.

Example

Michael Useem refers to the example of Abbott Laboratories to demonstrate how leaders can be coaches. Abbott Laboratories (Abbott) is a US-based healthcare company. Abbott brings groups of high-potential officials including directors and vice presidents together for 3 weeks of leadership development spread over 9 months. Participants in such programs analyze the leader's role and responsibilities, they consider alternative leadership approaches, and also receive feedback on their leadership styles and the impact of such styles.

The leader as a coach should set performance goals and standards, ensure effective coaching, and eliminate any activity that leads to undesired work behavior or performance.

- Coaching also requires a leader to take a personal interest in the life of his/her subordinates.

- This act of taking a personal interest creates the much-desired trust and builds up long-standing bonds between the leader and the subordinates.

> **Example**
>
> David Ogilvy's leadership was characterized by this coaching style. He was known for having deep conversations with his employees. These conversations went beyond the short-term concerns of his employees. During these conversations, he used to explore and try to understand the employee's life, dreams, goals and career hopes.

Check Your Progress - 3

5. Which of the following does the process of coaching involve?

    a. Setting goals

    b. Conducting an analysis

    c. Engaging in inquiry

    d. All of the above

6. Which of the following is the most difficult part of coaching?

    a. Giving constructive feedback

    b. Teaching subordinates how to become leaders

    c. Being unable to set goals

    d. Playing the role of a psychologist

6.5   Improving as a Coach

How do you become an effective coach?

- To do that, you should be ready to change your behavior to the extent the person you are coaching needs. In other words, you should be responsive in your behavior.

- The type of behavior that makes a person a successful coach may not always be the same as what a successful executive needs.

- But an executive should not change his/her behavior in entirety as specific forms of behavior may be required in other contexts; he/she should only hold them back while coaching.

- An executive has to learn the type of behavior required in an effective coach.
- For this, he/she has to first identify the reflexes that come in the way of his/her being an effective coach.
- To be an effective coach one needs to introspect.

Let us try to identify the behavioral characteristics of a successful senior executive.

- Generally, a successful senior executive is highly competitive, thinks fast, makes quick and sound judgments, and is eager to act and speak.
- As the executive has to manage the complexities of the business, he/she is under pressure for time and tolerates very few excuses from his/her direct reports.
- He/she is under constant pressure to perform up to the board's expectations and to meet them.
- The executive focuses all his/her attention on the success of the business in the short run, and hardly has any time to build relationships with his/her subordinates.

But a coach needs different behavioral characteristics altogether. To be a successful coach one needs to be a teacher, not a competitor.

- Coaches should act as helpful colleagues and not as judges.
- They must be careful and patient observers.
- They must first observe people to understand them.
- Only then can they venture to criticize them. Even when they are criticizing, they must do so with the intention of improving those under them.
- Coaches must reflect and take sufficient time to think before they act.
- Though a coach's aim is to improve business performance, the focus is on long-term rather than short-term performance.
- An effective coach forms collaborative relations with the people he/she is coaching through regular meetings.

A leader or senior executive who needs to coach his/her people has to accord high priority to the activity of coaching. He/she needs to consider that coaching is as important as other major business activities. When necessary he/she should be ready to set aside other business activities temporarily and spend the time in coaching.

Example

For leaders like Jack Welch and Larry Bossidy, coaching people was one of the most important jobs. They spent nearly 50 percent of their time on people issues, whenever that was necessary.

Coaches who feel that their purpose is to enhance the company's valuable resources for future benefits are more successful than those who expect immediate benefits from their coaching relationships. Those who take a long-term view are less prone to feel conflicting pressures and to recognize coaching as a legitimate business activity.

To have a positive outlook toward coaching, it is necessary for the coach to remember two important things:

- Even excellent performers need help;
- People have a desire to be effective in their workplace.

This is even truer of those who are goal-oriented and important for the organization. Since effective people are the key to success for an organization, coaching is essential to increase effectiveness. Coaching aims not merely at avoiding failure, but at ensuring success.

Check Your Progress - 4

7. What are the prerequisites that a coach must remember in order to develop a positive outlook toward coaching?
   i. Immediate benefits can be expected from his/her coaching relationships
   ii. People have a desire to be effective in their workplace
   iii. Concentration should be more on business activity
   iv. Even excellent performers need help

   a. iii & iv
   b. i & ii
   c. ii & iv
   d. i & iii

6.5.1 Mentoring Ability of Leaders

Besides managing and motivating people an effective leader needs to have mentoring and coaching skills. Leader plays an important role in helping others to learn, grow and become more effective in their jobs.

A good leader needs to ask the following key questions.

- Does he want to share his knowledge and experience with others?
- Does he enjoy encouraging and motivating others?
- Does he want to contribute to other people's growth and success?
- Is he prepared to invest his time in mentoring on a regular basis?
- How will mentoring add to his sense of contribution to the community?

The democratic nature of contemporary organization empowering employees is considered as forward thinking and the leaders are now expected to develop and foster employees to be the future leaders. The role of a mentor is all about effectively passing on knowledge and experience.

The autocratic and authority based leadership may not flourish in modern society as workers aspire to be treated well and equitably.

- Most effective leaders now rely on the power of coaching and mentoring to lead their teams to success
- It's through mentoring that the most valued employees can realize their full potential and take their skills to the next level.
- Great talent is hard to find and harder to keep.
- Hence mentoring improves employee retention, because individuals who are growing and developing on the job are less likely to leave.

Extraordinary or transformational leaders consciously align their follower self-interest while promoting the larger interest of the group, organization, or society. Similarly, transformational leaders engage in self-sacrificial behaviour for facilitating transcendental shifts in followers.

1. **Idealized Influence**

   Great transformational leaders inspire change in their followers and through their charismatic personality elicit positive behaviour.

   - They create a sense of idealised influence in the workforce by demonstrating traits like leading by example, articulating a vision and achieving it.
   - They serve as role models to their subordinates and command their respect.

2. **Intellectual Stimulation**

   - While attempting to bring change it is important to have an open mind and re-examine entrenched beliefs, notions and processes.
   - Only then can radical new initiatives be initiated
   - Transformational leaders inspire people to create an environment of intellectual curiosity and stimulation.
   - Great leaders encourage followers to optimize their problem-solving capabilities and use lateral-thinking process as a tool to find creative solutions.

3. **Individualized Consideration**

   Great leaders have a disposition to priorities on individualized view of the workforce.

   - They are aware that each employee is unique and is gifted with individualized skills, talents and motivations.

- Based on the individual traits and skills the leader assigns roles for employees that are best suited to their capabilities.

- Some of the strategies include- recognition and reward and sometimes fine tuning employee skills through coaching and mentoring.

4. **Inspirational Motivation**

This is an important aspect as motivation through inspiring demonstration is very effective way of mentoring subordinates which makes a tremendous impact on organizational effectiveness.

- As mentor the leader often uses the strategy to align the individual goals with that of the individuals.

- Transformational leaders typically create an environment that fosters stretch performance and people strive to achieve challenging goals that provide a great sense of fulfillment.

5. **Exceptional Leaders**

Life is not linear or a straight line. What differentiates leaders from the average person is the uncanny ability to keep a clear focus on the end goal and not be deterred by the obstacles.

- Great leaders have self-belief and they inspire and motivate their followers and have a great will power to succeed despite all the odds working against them.

- History is replete with such inspiring leaders who made a difference to mankind in a positive way.

Some of the common traits of exceptional leaders are-

- **Visionary**: they visualize and are successful in providing a clear and powerful picture of the future and they communicate effectively to the team members.

- **Positive Outlook:** creating positive one-on-one relationships with excellent coaching skills and they consider themselves as one among the team. They are good listeners with open mind and connecting emotionally with people.

- **Passion:** Display great passion and complete things on time and generally being accountable for personal and group performance.

- **Ethical**: provide a powerful role model of doing the right things in the right way.

- **Focused:** they exude passion and are highly focused about the organization, its goals and the work itself.

Exhibit 6.2 portrays Steve Jobs as an efficient coach.

Exhibit 6.2: Case - Steve Jobs, the Mentor Par Excellence

Influence is one of the greatest qualities for any successful business CEO. One of such influential leader of times without doubt was Steve Jobs, the co-founder of Apple and took it to a different awe inspiring level of success as its CEO. Jobs used "influence tactics" as the leader's actions that help changing his followers' attitude, values and goal orientation. Some of the influence tactics used by him are - rational persuasion, inspirational and personal appeals, consultation, coalition tactics, pressure tactics, and legitimizing tactics.

But his inspirational appeal stands out as his best tactic which he used along with his socialized power. Many of Job's workers agree that this was one of his strongest tactics in the work place. Job's ability to push his workers to produce stretch performance is because of his ability to make them truly believe that they can do extraordinary work with strict times. Yet another reason for Steve Job's success as a great leader was that he was blessed with socialized power. The socialized power is about service of higher goals and includes empowering others with professional skills. This is reflected well in the fact that Jobs used to push his followers for perfection in Apple products and focusing more on the product's quality than on the profit. There is no doubt that Steve Jobs has rewritten leadership theories and changed the way the subordinator can be turned into great resource through innovative mentoring and coaching. The innovations he brought at Apple are phenomenal and are good management lessons for other business organizations. The success of Apple can be greatly attributed to Jobs' ability to motivate his workers through his inspirational appeal and the use of socialized power.

Source: Collected from various references

6.5.2 What Can a Coach Do to be a Better Coach?

Coaching is meant to change behavior or add a particular set of behaviors. A plan of action to change behavior must be specific and well thought out. Any significant and lasting change in the person being coached needs his/her assent, sincere involvement, and reflection. Hence, a coach needs to design a thoughtful program that encourages the people being coached to reflect on their behaviors and learn from those reflections.

Some simple techniques given here can help leaders become better coaches.

1. *Be an active listener:* A coach must listen carefully to what the person (who is being coached) is saying, rephrase that in his/her own words, and repeat it.

   - This assures the person being coached that his/her coach was listening to him/her.
   - This also helps undo misunderstandings in communication if any, as the coach repeats what he/she had heard earlier.

- This act of repeating what the person being coached has said improves the articulating ability of the coach as well.

- He/she can use this ability in other situations to increase his/her effectiveness.

2. *Complement learning with action and reflection:* The coach can support the learning process by asking questions after a specific event. The questions could be:

☞ What happened?

☞ What did you do?

☞ How did you feel before, during, and after?

☞ How did the other people react?

☞ Did you get any feedback?

☞ Do you need to follow up?

3. Convince people to be coached

- The coach has to convince the people being coached that their behavior determines their success.

- One way to do this is to ask the people being coached to imagine how their behavior will be received by others.

- The coach can improve his/her effectiveness by adopting one or more of these approaches.

4. *Move from easy to hard tasks:* An executive should be allowed to move gradually from easy to hard tasks.

- This will give him/her the confidence to take up future challenges.

- It is also possible that reaching the goal of changing behavior may require some trial and error.

- The coach should try to choose the goal which is the easiest to change.

- Then he/she can build upon his/her success and attempt to change more entrenched and hard to change behaviors.

5. *Using tape delay:* Coaches can use the tape delay technique. In this technique, the coach encourages the person who usually speaks before thinking to wait for some time before he or she speaks or reacts in a meeting.

6. *Script writing & role playing:* A coach can encourage people with communication problems to write out their scripts and play out possible scenarios before they communicate.

7. *Repairing relationships:* A coach can ask questions about the problem relationships of the person he/she is coaching. He/she can help repair the relationships by acting as a facilitator in organizing a meeting for this purpose.

8. *Positive feedback:* When coaching, leaders have a tendency to concentrate more on problems and less on successes. When coaching, they should consciously emphasize positive elements to encourage the person being coached to also think positively.

In coaching, it helps to be imaginative and to invent an array of solutions.

- The coach should be aware of the complexity and difficulty of changing behavior.

- He or she should also anticipate the impact that it is going to have on other people

- Changes induced by the coach will sometimes cause pain. Also changes take time, and may not happen in days or weeks.

- A coach should have endurance and a will strong enough to bring in the desired behavior change. Behavioral change also needs faith. In the beginning the improvements toward the desired behavior may be marginal, but gradually the improvements will become significant.

- Coaching leaders retain faith in the ongoing process. Vigilance and self-discipline are other attributes needed for overseeing behavioral change.

- The coach may be not be given recognition even after the goal of changing behavior for the better has been accomplished, so the coach should look mainly for the sense of satisfaction he/she derives from the process.

Activity 6.2

Trivial Solutions is a BPO company that has around 1000 employees. Due to the global economic slowdown, its clientele declined. The management realized that people needed to be trained well to perform well. Thus a coach, Jack, well-versed with the BPO industry was brought in to train the employees in other growing areas of the industry so that they could cope with the growing trends in the industry. Despite receiving training from Jack, the employees failed to perform. When the top management questioned the employees, they complained that the coach did not answer their questions and this resulted in their not understanding the process and hence the poor performance. Suggest ways in which Jack can become a better coach.

Answer:

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8. In the process of coaching, which way the executive needs to move?

    a. One place to another place

    b. Easy to hard task

    c. One process to another process

    d. All of the above

9. What should a coach do when the person has a problem communicating with people?

    a. Consciously emphasize the positive elements to encourage the person

    b. Try to choose a goal which is easiest to communicate

    c. Convince the person being coached that his/her behavior determines his/her success

    d. Encourage people to write out their scripts and play out possible scenarios before they communicate

10. Identify from the following the attributes needed for overseeing behavioral change.

    a. Endurance and etiquette

    b. Soft skills and time management

    c. Vigilance and self-discipline

    d. Faith and etiquette

6.6   Summary

- Coaching is a partnership between a leader and an individual who reports directly to him/her in which the coach focuses on helping the direct report optimize his or her potential.

- Coaching activity is non-judgmental and involves teaching. This process aims at helping people build abilities, knowledge, and skills.

- An effective coach knows what questions to ask while evaluating a situation or assessing problem behaviors, or calibrating his/her own coaching capabilities.

- Coaching can be classified into two types: performance management coaching and performance enhancement coaching.

- Coaching ensures the personal development of the workforce while creating a positive emotional environment. It usually brings about better results, because emotionally positively charged people certainly strive to accomplish the tasks expected of them.

- The coach can improve his/her effectiveness by adopting one or more of these approaches - Move from easy to hard tasks, use tape delay, script writing & role playing, repair relationships, and giving positive feedback.

6.7 Glossary

Coaching Style: A leader who follows the coaching style helps his/her employees to identify their strengths and weaknesses and align them with their personal goals and career aspirations.

6.8 Self-Assessment Exercises

1. Is coaching necessary for organizations? If yes, what type of coaching is essential for an organization to grow? What is the role of a coach in grooming the individuals of an organization? Describe the characteristics and skills of a good coach.

2. Explain the role of a leader as a coach.

3. Describe the various approaches which make coaching effective

6.9 Suggested Readings/Reference Material

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6.10   Answers to Check Your Progress Questions

1. **(b)   Helping people improve their abilities, knowledge, and skills**

    Coaching involves a non-judgmental style of inquiry and teaching, and aims at helping people improve their abilities, knowledge, and skills.

2. **(c)   Identify the areas for improvement in people and give them the right feedback**

    To be a successful coach, a leader should adopt a non-fault finding style and identify the areas for improvement in people and give them the right feedback.

3. **(d)   When the leader finds that there is a gap between his/her subordinate's actual and expected performance**

    Performance management coaching comes into the picture when the leader finds that there is a gap between his/her subordinate's actual and expected performance.

4. **(c)   Performance enhancement coaching**

    Performance enhancement coaching takes place when a subordinate is performing up to expectations but wants to acquire new skills to perform at higher levels. Here, either the coach or the subordinate can initiate the coaching process.

5. **(d)   All of the above**

    The process of coaching involves the following steps: making observations, conducting an analysis, giving feedback, engaging in inquiry, setting goals, planning action steps, and recognizing improvements.

6. **(a)   Giving constructive feedback**

    In a survey, leaders identified giving constructive feedback as the most difficult part of coaching. 87% of the leaders offering constructive feedback encountered defensive behavior from their direct reports. Thus, leaders need to build their coaching skills through training and practice.

7. **(c)   ii & iv**

    To have a positive outlook to coaching, it is necessary for a coach to remember two important things: even excellent performers need help and people have a desire to be effective in their workplace.

8. **(b)   Easy to hard task**

    An executive should be allowed to move gradually from easy to hard tasks. This will give him/her the confidence to take up future challenges.

9. (d) **Encourage people to write out their scripts and play out possible scenarios before they communicate**

    A coach can encourage people with communication problems to write out their scripts and play out possible scenarios before they communicate.

10. (c) **Vigilance and self-discipline**

    Coaching leaders retain faith in the ongoing process. Vigilance and self-discipline are other attributes needed for overseeing behavioral change.

Unit 7

Developing Performing Teams

Structure

"It is the long history of human kind (and animal kind, too) that those who learned to collaborate and improvise most effectively have prevailed."

- Charles Darwin

7.1 Introduction

Collaboration is an important task for a team.

The previous unit discussed the types of coaching and the role of a leader as a coach. This unit will discuss how performing teams are developed.

Michael Dell (Michael), the founder and CEO of Dell, believes that business is all about building teams and building talent in the organization. According to him, it is the most essential component of success as diversity of ideas and inputs help a lot in making better decisions. Michael always encourages his teams, even if some of their products fail or have to be scrapped. He motivates them to work better on their next product.

Michael realized that aligning teams toward a common objective and creating the same incentive system across the entire company would help direct everyone's talent toward creating value for customers and shareholders.

At Dell, people work in teams of two to receive, manufacture, and pack an order for delivery to a customer. The profit sharing incentive encourages them to be productive as a team. Hourly metrics are posted on monitors on the factory floor

so that each team can see if its performance meets the company's goals. Michael also believes that 360-degree performance appraisals help identify areas that might require further development or improvement and also keep people focused on achieving their goals as a team. He believes that teamwork is all about people who are interested in each other's growth.

This unit explains the concept and principles of teamwork, and states the differences between a team and a workgroup. It then discusses the different leadership approaches that foster team performance.

7.2 Objectives

By this end of this unit, students should be able to:

- Explain why organizations have moved from command and control to teamwork.
- Define a team, understand the concept of teamwork, and state the differences between workgroups and teams.
- Discuss the principles of a great team.
- Illustrate how the right team size is determined and discuss the skills necessary for a team.
- Outline the various leadership approaches that foster team performance.
- Discuss the importance of team learning.

7.3 Moving from Command and Control to Teamwork

As more and more organizations move toward a *team-based* approach to work, the *command and control style* of leadership is becoming redundant. Leaders are playing the role of facilitators more and are now expected to teach their team members, and let them make decisions for the team.

A team-based approach is expected to improve efficiency and productivity levels in an organization. However, the transformation from a command and control style to the team based approach can be confusing and grueling.

- Companies expect their middle level managers to transform themselves into team leaders. They are expected to coach, motivate, and empower their people.
- However, very few managers or companies really understand the transformation process.
- Most managers find the transition difficult to make.
- Often, the things they were encouraged to do during the command and control days are no longer appropriate.
- These managers do not realize the shift in mindset and the behavioral skills required to be successful team leaders.

Managers in their new role are not sure what long-term effect this team-based approach will have on their careers. Soft skills such as communication, conflict

resolution, and coaching though crucial for success as team leaders may not add much value to their resumes. According to some, being an effective team leader does not guarantee promotion within a company or opportunities outside.

Managers should not worry if they are asked to make the transition from the command and control style to the team-based approach. They can acquire the skills needed to be effective team leaders: patience to share information, trust in others' abilities to make decisions, and willingness and ability to share power with team members.

Check Your Progress - 1

1. Which approach ensures higher productivity and efficiency in an organization?

   a. Command and control approach

   b. Team-based approach

   c. Tape delay technique

   d. Brain storming approach

7.4 Teams & Teamwork

What is a team?

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

- To become a powerful unit, all the team members should have a common commitment. Without a common commitment, all the team members will perform as individuals.

- Developing common commitment requires a common purpose in which the team fervently believes. The way they shape their purpose is contingent upon the demands and opportunities placed by the top management.

- The top management determines the character, rationale, and performance challenges for teams.

- The management should give enough flexibility to the teams to develop commitment based on the given purpose, specific goals, timing, and approach.

Successful teams invest significant time and effort to determine collective and individual purpose. Unsuccessful teams fail to create a collective and challenging aspiration due to various reasons:

- Lack of emphasis on performance

- Lack of effort

- Poor leadership

Successful teams convert their common purpose into specific performance goals. Without these specific performance goals, members of the team lack clarity on their contribution and perform in a mediocre manner. Consistent purposes and goals of the teams, backed by team commitment, lead to improved performance.

Check Your Progress - 2

2. Identify the characteristics of a team

   a. 'Complementary skills, self-made goals, mutually accountable

   b. Leadership skills, daunted tasks, responsible

   c. Common ideas, unachievable tasks, important

   d. Complementary skills, performance goals, mutually accountable

Teamwork plays an important role in the success of any organization. Teamwork characterizes values that encourage listening and responding constructively to others' views, providing support, and recognizing the interests and achievements of others. These values ensure team performance, individual performance, and organizational performance. Exhibit 7.1 explains team learning at Samsung Electronics.

Exhibit 7.1: Team Learning at Samsung

In 2021, Katrina Burn, in charge of designing UX (User Experience) at Samsung Electronics Australia's Retail Experience & Operations, in a program arranged on the International Women's Day, talked about the imperative role of workplace collaboration in organizational success. Katrina believes that valuing the opinions of other members in a team and working in collaboration would bring success to the organization. Free flow of information and exchange of opinions would give best results.

She initiated a unique way of exploring new ideas. She walks into a nearby park with her teammates whenever a new idea is to be generated. This activity gives more flexibility to the team and fuels energy for healthy discussions.

Katrina encourages her team members to discuss each other's interests and take personal interest in their achievements. She asks her team to select some music playlists suitable for different generations and play it on every Friday to understand the other person's tastes.

Every Friday they also have an event called "Thank You Friday" wherein members exchange things for which they were obliged in the last week. The objective behind introducing all these activities at the workplace by Katrina was to bring all the teammates on to one platform and develop a support network which is an important ingredient in the organizational success recipe.

Source: https://news.samsung.com/in/interview-growing-together-for-a-better-tomorrow-samsung-employees-talk-about-the-value-of-diversity 2021

Any group of people working together does not form a team. Thus,

- Committees, councils, and task forces are not always teams.
- There is a clear difference between teams and work groups.
- The performance of a work group is a function of its members' performance as individuals.
- The performance of a team is a function of both individual results and "collective work-products".
- Activities like interviews, surveys, and experiments generally need involvement of more than one person. Such activities can be considered as "collective work-products."

Working groups are common and more useful in large organizations where individual accountability is important. They are formed to share information, insights, and perspectives. The members of work groups come together to help each other perform better. The meeting of these groups also reinforces individual performance standards.

The focus of work groups is on individual performance and accountability. There is no mutual responsibility for each other's performance as in teams. The emphasis of work groups is always on individual goals and responsibilities.

7.5   Principles of Great Teams

Warren Bennis conducted a study to identify the principles that made great teams successful. He studied teams that worked on the Manhattan project, and those who worked in the Palo Alto Research Center (PARC) of Xerox, Apple Computers, Lockheed Skunkworks, and Walt Disney animation studios. According to Bennis though all these teams were extraordinary in their own way, there were some principles that were common to all and these principles apply to all the organizations where these teams worked. The principles are:

7.5.1 Shared Dream

All the great teams shared the dream of making the world a better place to live in. They sincerely believed that they would change the world for the better. These teams were obsessed with what they were doing and did not treat their work as simply a job but a fervent quest. The shared dreams and beliefs gave them the cohesiveness and energy needed to work.

7.5.2 Mission is Bigger than Ego

During the Manhattan project, one team member had a problem working with a colleague, and decided to leave. But the project leader reminded him/her that the mission was more important than individual egos and this made the team member rethink his/her decision, and ultimately stay back. This example shows how great teams placed mission way above individual egos.

7.5.3 Protection from Leaders

All the great teams had leaders who protected the team members from the corporate headquarters. These leaders managed to keep the headquarters satisfied and told their team members to remain focused on their work. In all these cases, the leaders tried to maintain physical distance from the headquarters and this seemed to have helped in achieving their missions.

7.5.4 Fostering Enmity

A team with even the noblest of missions benefited when it had real or invented enemies. For example, the enemies of the Manhattan project were the Japanese and the Germans. An implicit mission such as destroying the enemy is more motivating than an explicit mission. During the heyday of Apple computers, its mission was to bury IBM and Apple's advertisements reflected this enmity.

7.5.5 Dare to be Different

Great teams generally consist of people who consider themselves as mavericks and are generally at the periphery of their disciplines. They like to operate on the fringes and do not have respect for the mainstream thinking or activities. As Bennis says, their sense of operating on the fringes feeds their obsession to succeed.

7.5.6 Pain & Suffering

A place in great teams is rarely assured without personal sacrifice. The nature of their work is such that the team members generally go through intense pain and suffering. At the Skunk works of Lockheed, the team members could not disclose information on their project even to their families. The team had to work in a cheerless, rundown building at Burbank, away from headquarters and main plants.

7.5.7 Strong Leaders

Though great teams are nonhierarchical, egalitarian, and open, yet they have strong leaders. As Bennis observed, the leaders in great teams are not always the most intelligent or capable in the team but neither are they passive players. They are like curators who appreciate and preserve talent in the team. Great teams make great leaders.

7.5.8 Meticulous Recruiting

Great teams are a result of understanding what talent is needed in the team, and spotting where the talent is available. The leader of the team and the other members consider recruiting a serious exercise. This ensures that the right people are in the right place.

7.5.9 Young and Energetic

All great teams had people who were quite young. Young people have the physical stamina necessary to withstand the arduous tasks involved. They do not

consider anything impossible and that makes them accomplish the impossible. Great teams are also young in spirit, ethos, and culture.

7.5.10 Great Teams Deliver

Great teams always believe in tangible outcome. Steve Jobs gave adequate importance to this aspect at Apple. He/she reminded his/her team that their work was not good enough unless it resulted in a great product at the end.

Activity 7.1

ABC Ltd. is a project management company. The company was known for its successful completion of projects in time. The company attributed its success to its employees which worked as a team. The company bagged a major project for which its existing human resources were insufficient to ensure successful completion of the project in time. Thus the company recruited some new employees. The new employees were young and dynamic individuals who gave several innovative ideas while working on the project. On the other hand, the older employees did not like the working style of the young recruits. The older employees complained to the management that they could not work as a team. However the management encouraged the older employees to work as a team and focus toward completing the project successfully. In this instance, the older employees are displaying which team principle. Explain. Also discuss other principles of a team.

Answer:

Check Your Progress – 3

3. Which is not a reason that attributes to a team's failure?

    a. Having collective and individual purpose

    b. Poor leadership

    c. Lack of emphasis on performance

    d. Lack of effort

4. Which of the following is not a crucial success factor for teamwork?

    a. Recognizing the interests and achievements of others

    b. Encourage listening and responding constructively to others' views

    c. Providing support

    d. Excelling in competition

5. While the performance of a work group is a function of its members' performance as individuals, how do you identify the performance of a team?

    a. Function of only the individual results

    b. Function of both individual results and collective work-products

    c. Function of shared leadership

    d. Function of an individual commitment

7.6 Team Size and Skills

Generally, the number of people in a team ranges from 2 to 25. The majority of teams studied by Katzenbach and Smith had less than ten members. According to them though a team of 50 or more members is theoretically possible, but such a team will invariably break off into sub teams and will rarely function as a single and cohesive unit. This is because interactions can be rarely constructive in such teams.

A team with around 10 members can be far more effective than a team that has more than 50 people. In the latter, individual differences, functional differences, and hierarchical differences are more when compared to a team with 10 members. It is also easier to have joint accountability in small teams.

Large teams also have to address issues such as availability of physical space (more people means more space), time (it is difficult to identify an appropriate time for so many people to meet), and crowd or herd behavior. Such issues limit the wholesome involvement of people in the team and as a result a cohesive team rarely gets built. It is also difficult for large teams to shape their common purpose.

As the group has too many people, common purpose ends up as superficial missions or well-meaning intentions. Without a clear purpose, no concrete objectives can be reached and without concrete objectives, team members are not sure about their roles in the team. This leads to cynicism, which blocks future team efforts.

For teams to be successful, a right mix of skills is as important as right size. Teams need to have an appropriate complement of skills to accomplish the team's task. Often these skills are lacking in many potential teams. The skills necessary for teams can be broadly classified into technical or functional expertise, problem-solving and decision-making skills, and interpersonal skills.

Check Your Progress - 4

6. What is the size of a team on an average?

    a. 1-10

    b. 5-50

    c. 2-25

    d. Greater than 100

7. Which one of the following is not the skill required for a team?

    a.   Interpersonal skills

    b.   Problem solving and decision-making skills

    c.   Technical or functional expertise

    d.   Accountability of an individual team member

7.6.1 Composition of Teams

Teams are often formed based on personal compatibility or formal position. Very rarely are they formed based on the functional expertise of their members. It is important for teams to have problem-solving skills to identify problems and opportunities, evaluate the different options, available to them and decide which option is better. The understanding among team members and shaping of a common purpose depends on effective communication and constructive conflict. This in turn depends on interpersonal skills such as risk taking, active listening, helpful criticism, and appreciation of the interests and achievements of others.

Only rarely do teams have all the skills necessary to accomplish the task. So selection of team members should be based on proven skills. Commitment to a common approach (the way things have to be accomplished) is at least as important as commitment to purpose and goals. The team must have a clear idea as to how its purpose and goal are going to be accomplished. There should be an agreement on:

☞ Who will do what?

☞ What are the schedules, and how they are to be met?

☞ What are the skills that need to be developed?

☞ How will the team take decisions?

☞ On what basis will the team change the existing way of accomplishing its purpose?

The shaping of a common approach needs:

• Details of the task to be accomplished; and

• A fit between individual skills and the team task.

In effective teams all the members do equivalent amount of work. Everyone in the team, including the team leader, contributes to the team's work-product in a concrete way. The feeling that everyone is fulfilling his or her role can be an emotionally motivating factor, which can stimulate improved performance.

Team accountability is as important for the success of a team as a common purpose and a common approach are.

• One characteristic of great teams is mutual accountability.

• Accountability for the team's performance needs commitment and trust

- These will naturally grow when all the members of the team are diligently pursuing a common objective.

- The common purpose and common approach will finally make the members responsible for the team's performance as well.

- All the effective teams surveyed felt that working with a common purpose, a common approach, and mutual accountability made their experience both energizing and motivating unlike their regular work.

Example

Adobe: Cultivating team creativity through autonomy

Adobe believes in creativity. They do not monitor their people's every move, instead they use their leadership skills to mentor their teams. This creates a strong sense of individual autonomy—which gives team members the freedom to work in more innovative, creative ways. Research shows employees who have a high sense of autonomy are 2 to 3 times more likely to be engaged than those with lower autonomy.

Source: https://www.octanner.com/insights/articles/2020/11/16/_6_examples_of_excep.html

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Check Your Progress - 5

8. Identify the criteria for shaping the common approach of a team.
    a. Decisions taken by a team leader
    b. A fit between individual skills and the team task
    c. Being accountable for the work of others
    d. Commitment to individual approach

7.7   Leadership Approaches that Foster Team Performance

Though there are no guaranteed approaches to improve team performance, yet some approaches mentioned below can help in ensuring higher performance levels.

7.7.1 Recruit for Skill and Skill Potential

In general, the management starts thinking about the skills required in a team only after the team has been created. This seems to be a wrong approach. People should be selected based on their existing skills and their ability to learn new skills in the future, and not on the basis of personalities.

7.7.2 Be Concerned About First Impressions

Initial impressions matter a lot. Members of a potential team look for signals in the first meeting to confirm, suspend, or dispel their assumptions and concerns.

They observe people in authority (team leaders; executives who setup, oversee, or influence team formation) very carefully. A leader has to reflect on what he/she is doing and what he is saying and realize that he is being observed critically.

7.7.3 Spend Time Together

Team members have to spend a lot time (both scheduled and unscheduled) together at least at the beginning. Such collective spending of time can bring in creative insights and personal bonding. A leader has to ensure that the members of the team interact. He/she needs to understand that when they are interacting, higher intelligence, which is far superior to that of any single member in the team, is at work.

Unfortunately, executives and managers are not used to deliberately spending time with their subordinates. They need to change this behavior. Successful teams have always spent lot of time together learning how to be coherent teams. Spending time together does not just mean time spent physically together. It also includes time spent interacting through electronic means, fax, or phone.

7.7.4 Frame Necessary Guidelines to Govern Team Behavior

Guidelines help teams to bring about predictability in their behavior. Guidelines help teams to fulfill their purpose and achieve organizational goals. A leader can setup guidelines on issues such as attendance for meetings, matters to be discussed, the level of secrecy to be maintained, the analytic approach that is going to be followed, and the contribution of members to team's performance etc.

7.7.5 Promote a Culture of Urgency and High Standards

A leader must make his/her team members believe that the team is there to accomplish an urgent and worthwhile purpose. The more urgent and meaningful the team's purpose is, the better will be the team's performance. Teams generally perform better while they experience demanding and compelling situations. This is the reason why organizations with high performance ethics can form successful teams easily at short notice.

7.7.6 Value Contribution and Positive Feedback

Teams, like individuals need positive reinforcement. So a leader has to give positive feedback to his/her team members. Giving recognition is also important because it creates, and affirms desirable and new behaviors that improve team performance. A leader can give recognition and rewards in different ways. He/she can, for example, address the team directly about the urgency and importance of its mission. He/she can also offer direct compensation for contribution to the team.

7.7.7 Identify Tasks That Can Be Accomplished Immediately

Effective teams trace their cohesiveness and optimism to key performance oriented events. A leader has to set some challenging goals for his/her team in the

initial stages. These goals should be such that they can be accomplished in the early stages.

7.7.8 Let the Team Redefine Purpose and Goals

A team can commit the mistake of assuming that all the information it needs is available in the collective experience and knowledge of its members. A leader must ensure that his/her team always has access to the latest information because this information can help the team to understand its performance challenges better. This understanding can further motivate the team to reinvent and redefine its common purposes, goals, and approaches.

Check Your Progress - 6

9. Which of the following is a leadership approach that fosters team performance?

   a. Participative approach

   b. Authoritative approach

   c. Value contribution and positive feedback

   d. Constantly drive behind deadlines

10. When do teams in general perform well?

    a. When they experience demanding and compelling situations

    b. When they have all the information that is required

    c. When a feedback either positive or negative is given

    d. When they are given a set of guidelines to work

Activity 7.2

XYZ Pharma Ltd. is a leading pharmaceutical company in India. The company is headquartered in Delhi and had several divisions across India. For each region, the company had sales managers and several sales executives working under the manager. The company encouraged team performance and hence instructed the sales managers to achieve sales targets in teams. The sales executives received incentives based on their team performance. This encouraged the sales executives to work harder as a team and achieve the sales target in time as individual performance was not measured. All the divisions were known to achieve timely results. To foster team performance, the company doubled the sales targets of every region. This however did not demotivate the sales executives, they strived to perform better and achieve the results. Identify and discuss the leadership approach used by the company in fostering team performance. Discuss other leadership approaches that foster team performance.

Answer:

7.8   Team Learning

We all know that the real work in organizations is done by teams and not lone individuals. So for organizations to be effective, they need effective teams. Teams need to constantly operate at a higher level of intelligence than that of individual members. Thus, teams need to be continually learning. The cost of neglected learning can be high. To avoid this, teams need to be aware of the following:

7.8.1 Conflicts

It is commonly assumed that great teams do not entertain or have conflicts. According to Peter Senge, on the contrary, great teams encourage productive conflict

- In these teams, the free flow of conflicting ideas leads to creative thinking. Conflict becomes, in effect, part of the ongoing dialogue.

- In fact, visible conflict of ideas can be one reliable indicator of continual learning.

- Conflict is a common feature in most organizations. Organizations arrive at their vision only after going through a certain level of conflict.

- The shared vision of an organization emerges from the conflict of personal visions. Even when a vision is shared there are different ways of realizing it. This difference is certainly a source of conflict.

In mediocre teams, one observes two situations surrounding conflict:

- The appearance of no conflict

- Rigid polarization.

In the first condition, team members suppress their conflicting views to continue as a team. In the second condition, though the team members speak out their conflicting views, their positions are clear, and no exchange or change of views takes place.

7.8.2 Defensive Routines

Chris Argyris studied management teams for 25 years to identify why managers fail to learn in management teams. He found that these managers avoid constructive conflicts and are defensive when a conflict arises. He also identified some basic differences between mediocre teams and great teams. A mediocre

team is different from a great team in how it faces a conflict, and how it copes with defensiveness that arises due to conflict. According to Argyris, human beings "are programmed to create defensive routines, and cover them up with further defensive routines...This programming occurs early in life."

Argyris further says that defensive routines are entrenched habits people use to protect themselves from the embarrassment and threat that comes once they express their views. People use defensive routines as a protective shell around their deepest assumptions. They employ defensive mechanisms to protect themselves from the pain that occurs when these assumptions are questioned or the thinking behind these assumptions is exposed. While these defensive routines protect them from pain, they also prevent them from learning about the causes of the pain.

What is the source of defensive routines? Argyris feels that people become defensive not because they believe in their views, or desire to preserve social relations but because they dread others finding errors in their thinking. As Argyris says, this fear starts in childhood, and is reinforced throughout life. Defensiveness stops people from knowing about the validity of their reasoning.

Defensive routines can do more damage in organizations where incomplete or faulty understanding is seen as a sign of weakness or incompetence. In such organizations, it is often believed that managers should know everything that is happening in the organization. Thus, they become incapable of accepting their ignorance. Obviously, knowing everything that is happening in the organization or having solutions to all the problems in an organization is impossible. But these managers cannot accept that. As a result, they put on an appearance that they know what is happening, and why it is happening. Over a period of time, their assumptions and behaviors get reinforced. They attain mastery at appearing to know what is happening. These managers are forced to behave in either of the ways shown below:

- Some managers internalize the air of confidence and believe that they have solutions to important problems in the organization. To protect their belief they do not accept other alternatives and choose to be closed to other ideas. They believe that to remain confident they have to be rigid.

- Other managers believe that they need to know what is causing problems in the organization. They also believe that they have solutions to the problems but are not very confident of the solutions. However, they maintain a mask of confidence and hide their ignorance.

Thus, some managers become highly skilled at using defensive routines that preserve their image as capable decision makers. Slowly, this behavior sinks into organizational culture. According to Argyris individuals play political games in organizations because that is human nature and the nature of organizations.

Human beings are carriers of defensive routines, and organizations are hosts. Once the organizations are infected they too become carriers.

As teams are part of organizations, they too exhibit defensive routines. These routines block a team's energies and the talents that could have been directed at realizing the team's purpose. Defensive routines also prevent collective learning in teams.

Overcoming Defensive Routines

Peter Senge suggests two ways to overcome defensive routines.

- The first is to diminish the emotional threat that causes defensive behavior. If the assumption that "incomplete or faulty understanding is acceptable in some situations" is proposed and enforced strongly in the organization, managers would definitely be less defensive.

- The second way to reduce defensive routines is to make them the subject of discussion. Leaders must learn to confront and discuss defensiveness without arousing further defensiveness.

Leaders can adopt self-disclosure as a primary step to confront defensiveness. They can start with an attempt to identify reasons for their own defensiveness. While exploring the causes, they can invite members for joint inquiry. This method aims at reducing defensive routines through reflection and mutual inquiry. The leader is revealing his/her own assumptions, exposing his/her thinking, opening them to influence, and encouraging others also to do the same. This method helps in overcoming defensiveness in the team.

Check Your Progress - 7

11. Chris Argyris studied management teams for 25 years to identify why managers fail to learn in management teams. State the reason for the failure.

   a. Attrition

   b. Defensive routines

   c. Layoffs

   d. Loss of market share

12. When do defensive routines cause damage to an organization?

   a. When highly skilled people become capable decision makers

   b. When incomplete or faulty understanding is seen as a sign of weakness or incompetence

   c. When productive conflict is encouraged

   d. When people speak out about their conflicting views

7.9   Summary

- As organizations are increasingly moving from the command and control style toward a team-based approach, managers find themselves playing the role of facilitators more often. They are now expected to teach their team members, and let them take decisions for the team.

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

- The essence of a team is common commitment. When it exists a team becomes a powerful unit of strong performance. Building this common commitment needs a common purpose in which the team fervently believes.

- Working groups are different from teams, and are common and more useful in large organizations where individual accountability is important. They are formed to share information, insights, and perspectives. The members of work groups discuss or debate to make decisions that help each person in the group do his/her job better. The meetings of these groups also reinforce individual performance standards.

- Great teams follow some principles such as: They have a shared dream, have respect for mission, have protection from organizational politics, and are characterizes by fostered enmity.

- Teams are often formed based on personal compatibility or formal position. Very rarely are they formed based on functional expertise of their members. It is important for teams to have problem-solving skills to identify problems and opportunities, evaluate options available to them and decide which option would be better.

- Generally, the number of people in a team ranges from 2 to 25. When a team has 50 or more members the team will invariably break off into sub teams and will rarely function as a single and cohesive unit. A team with around 10 members can be far more effective than a group that has more than 50 people.

- Though there are no guaranteed approaches to improve organizational performance, yet some approaches help in ensuring higher performance levels.

- Teams are supposed to operate at a higher level of intelligence than the intelligence level of their members. However, often they operate at a far lower level of intelligence than that of individual members. Even more worrying is the fact that these teams organize and run themselves in such a way that they avoid learning. The cost of this neglected learning can be high. To avoid high costs and to operate at their true potential, teams have to continually learn.

7.10 Glossary

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

Teamwork: Teamwork characterizes values that encourage listening and responding constructively to others' views, providing support, and recognizing the interests and achievements of others.

7.11 Self-Assessment Exercises

1. Explain why organizations have moved from command and control to teamwork.

2. Define a team and examine the role of teamwork in the success of an organization? Differentiate between teams and work groups with suitable examples.

3. Describe the principles that make great teams.

4. "A team with around 10 members can be far more effective than a team that has more than 50 people." In the light of the given statement, does size of a team matter in terms of efficiency and productivity of work? Justify your answer with appropriate reasons.

5. Explain the skills necessary for a team.

6. Describe the various approaches that foster better team performance.

7. What should organizations do to ensure a continuous learning process? What are the possible pitfalls in the process of team learning and how can the organizations contain this situation?

7.12 Suggested Readings/Reference Material

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7.13 Answers to Check Your Progress Questions

1. (b) Team-based approach

A team-based approach is expected to improve efficiency and productivity levels in an organization.

2. (d) Complementary skills, performance goals, mutually accountable

A team is a small number of people with complementary skills who are committed to a common purpose, a set of performance goals, and an approach for which they hold themselves mutually accountable. To become a powerful unit, all the team members should have a common commitment.

3. (a) Having collective and individual purpose

Unsuccessful teams fail to create a collective and challenging aspiration due to various reasons such as lack of emphasis on performance, lack of effort, and poor leadership.

4. (d) Excelling in the competition

Teamwork plays an important role in the success of any organization. Teamwork characterizes values that encourage listening and responding constructively to others' views, providing support, and recognizing the interests and achievements of others. Excelling in competition is not the goal of a team

5. (b) Function of both individual results and collective work-products

There is a clear difference between teams and work groups. The performance of a work group is a function of its members' performance as individuals. The performance of a team is a function of both individual results and collective work-products.

6. (c) 2-25

Generally, the number of people in a team ranges from 2 to 25.

7. **(d) Accountability of an individual team member**

   The skills necessary for teams can be broadly classified into technical or functional expertise, problem-solving and decision-making skills, and interpersonal skills. Accountability of an individual team member is not the skill required for a team. All members are mutually accountable

8. **(b) A fit between individual skills and the team task.**

   The shaping of a common approach needs: details of the task to be accomplished; and a fit between individual skills and the team task.

9. **(c) Value contribution and positive feedback**

   Value contribution and positive feedback improves team performance.

10. **(a) When they experience demanding and compelling situations**

    Teams generally perform better while they experience demanding and compelling situations. This is the reason why organizations with high performance ethics can form successful teams easily at short notice.

11. **(b) Defensive routines**

    Chris Argyris studied management teams for 25 years to identify why managers fail to learn in management teams. He found that these managers avoid constructive conflicts and are defensive when a conflict arises. Argyris further says that defensive routines are entrenched habits people use to protect themselves from the embarrassment and threat that comes once they express their views. People use defensive routines as a protective shell around their deepest assumptions.

12. **(b) When incomplete or faulty understanding is seen as a sign of weakness or incompetence**

    Defensive routines can do more damage in organizations where incomplete or faulty understanding is seen as a sign of weakness or incompetence. In such organizations, it is often believed that managers should know everything that is happening in the organization. Thus, they become incapable of accepting their ignorance.

Unit 8

Leadership Succession

Structure

"Before you are a leader, success is all about growing yourself. When you become a leader, success is all about growing others".

- Jack Welch

8.1 Introduction

As rightly pointed out by Jack Welch, it is the responsibility of leaders to develop leaders for succession.

The previous unit discussed the importance of teams and the skills required for a team member. It also discussed the different leadership approaches that foster team performance. The present unit will discuss the significance of leadership succession.

Example

Till the early 1900s, Colgate was an extraordinary company. It had been in existence for a century by then. Founded in 1806, it had a steady growth rate and was roughly the size of P&G. But by the 1940s, P&G was double the size of Colgate, and was four times as profitable. The ratio stayed this way into the 1980s.

What happened to Colgate, this vibrant company that survived the American civil war?

- Facts point to the lack of proper succession planning in the company.
- The top management of the company was in the hands of the Colgate family for four generations of leaders.
- Later the company failed to groom appropriate people for the top job.

By the late 1920s, the company was so starved of top management talent that it chose to merge with Palmolive-Peet to keep a strong management in place. A *Fortune* article noted in 1936:

- After the merger, Charles Pearce became the CEO of the new entity.
- But his stint as CEO proved to be a disaster for the company.
- Astonished with what Charles Pearce had done, the Colgate family appointed Bayard Colgate (age thirty-six) as the CEO.
- But Bayard Colgate could not handle the job for long as he had not been groomed for the job.
- After five years of dabbling, he passed over the reins to Edward Little, the international manager of the company. Meanwhile Colgate fell behind P&G, never to catch up.
- Colgate thus got accustomed to the trend of poor succession.

This unit gives an overview of leadership succession. It also discusses the ways in which CEOs can be selected. Finally, it throws light on the challenges faced by women CEOs in a male-dominated corporate world.

8.2 Objectives

By the end of this unit, students should be able to:

- Outline the importance of leadership succession.
- Recall why an outsider is preferred as the CEO and discuss the guidelines for choosing an insider as CEO.
- Illustrate the different ways in which organizations can ensure the right successor to an outgoing CEO.
- Discuss the emergence of women CEOs in the business and the challenges they face in male-dominated corporate world.

8.3 Leadership Succession- An Overview

Succession is the right or act of taking over another person's place in office, rank, or duties. Though succession is important, not many organizations give it any serious attention.

- When Phil Condit resigned as the CEO of Boeing in December 2003, there was no successor to take his place.

- The company had to put Harry Stonecipher, the previous president, in that position to avoid the embarrassment of being an organization without a CEO.
- This was not an isolated case. Many other organizations have faced similar problems.
- When Vodafone's CEO, Sir Chris Gent announced that he would leave the company in a year's time; the company had no succession strategy in place.

Why do companies not give attention to leadership succession?

- Most incumbent CEOs want to continue in their post, in spite of their age.
- According to a study conducted by Jeffrey Sonnenfeld of Yale University which covered a survey of 100 recently retired CEOs, most of them were less than willing to step down from their position.
- Nearly 30% of these CEOs did not have any succession plan, and even after their successors took charge, 57% of them held some job at the company for the next two years.

Today, organizations need to give more attention to leadership succession because the tenure of CEOs has come down to less than 5 years, from 8 years a decade ago.

- This short tenure does not offer enough time to CEOs to groom their successors.
- Leadership succession also becomes a problem when organizations don't consider it an important issue worth years of preparation.
- Sometimes, especially when the CEO has founded the organization, he is happy only when another member of the family takes over.
- When there is no able and willing member of the family, the CEO is unwilling to plan for a successor from outside his own family.

Leadership succession is not an issue only for companies in the west. It is an area of major concern in many publicly traded companies in Asia as well.

- According to a World Bank report, two-thirds of publicly traded companies in Asia are controlled by a single shareholder, often the founder (in the US, the figure is only 3%).
- These family businesses throw up some unique challenges for succession planning.
- Often the family firms are founded by an entrepreneur with a strong personality and tremendous determination. These are the very attributes which make him a successful leader.
- In such organizations, if proper succession planning is not done i.e. if the attributes of the founder (leader) are not inculcated in the successor, the organization may not survive.
- In such organizations it very often happens that though the leaders transfer their position, they do not transfer their power.

Many Asian companies are led by aged CEOs. The companies are often run by the founders who are in their 70s and 80s. Though some of their children have business degrees from American B-schools, they are hardly groomed for the CEO position. The result: investors, business partners, and employees are apprehensive about the future of the organization about the next generation taking over.

There are some examples of good leadership succession planning in Indian companies.

- Parvinder Singh, the late CEO and Managing director of Ranbaxy, took his company's market capitalization from Rs. 3.5 crores to Rs. 7,300 crores in the 17 years he was heading Ranbaxy.

- Ranbaxy is not only one of the largest Indian drug companies, it is also one of the few companies from third world countries that has been successful in the toughest markets in the world like the US and the UK.

- Parvinder Singh was aware that he was suffering from a terminal illness, and took enough precautions to ensure smooth succession in 1999.

- He chose D S Brar as the next CEO and managing director of the company.

Though there are some instances of good leadership succession planning in Indian companies, there is no reason to be complacent.

- Rashmi Barbhaiya, President of R&D at Ranbaxy Laboratories (India), comments, "I don't see the kind of emphasis that it gets in the West, in any industry. That is changing very rapidly here as well. It's one of the ways I will judge myself. When I am ready to retire, there must be at least three outstanding candidates (ready) to take over."

Activity 8.1

ABC Financial Services is a leading financial services company in India. The bank was privately owned by the founder and CEO Sam Wilson (Wilson). The bank had grown tremendously under the leadership of Wilson and had become one of the leading banks in India. Of late, Wilson is feeling ill and could not continue to manage the affairs of the bank. In his absence there was no one to occupy his position. This often led to delay in decision-making and the bank suffered loss of major clients. How Wilson could have avoided this situation? Explain.

Answer:

Exhibit 8.1 describes succession planning at Amazon.

Exhibit 8.1: Succession Planning at Amazon

Jeff Bezos announced his decision to step down as CEO and transfer the chair to Andy Jassy in a planned way. In fact, Amazon's example of succession planning started as early as 2014. Bezos had spoken publicly about a succession plan for him and all other senior leaders at Amazon. Bezos made his exit as CEO when the company was raising its revenues enormously, that too in a pandemic. The transition was smooth as the preparation started long before the crisis.

Source: https://www.hcamag.com/us/specialization/change-management/how-top-companies-manage-succession-planning/249682 18 Mar 2021

Check Your Progress - 1

1. A successful culture and strategy is attributed to:

    a. The board of directors

    b. The top level management

    c. The middle-level managers

    d. The CEO

8.4   Importance of the Right CEO

Though many studies have been conducted to understand the impact of leaders on the performance of organizations, not many have been systematic.

- A systematic study was conducted by economists Marianne Bertrand of Chicago Graduate School of Business and Antoinette Schoar of MIT in 2002.

- They studied CEOs of companies in similar businesses.

- They found that though these CEOs were in similar businesses, yet they conducted their businesses in different ways, and this was reflected in the performance which was obviously not the same for all the companies.

- Some CEOs chose to hold more cash and less debt for their companies.

- Others undertook more acquisitions than an average CEO.

- Both these types of CEOs performed at lower levels than their competitors.

This study shows that CEOs certainly play significant role in the performance of their organizations.

- Nitin Nohria and his colleagues at Harvard Business School studied a group of companies from diverse industries over a period of 20 years.

- During this period, these companies had 3 CEOs on an average. The impact of these CEOs on the companies' performance differed greatly from industry to industry.

- The CEOs had the highest impact on performance in the hotels & motels industry and the lowest in the paper manufacturing industry.

- In the hotels & motels industry, 41% of firm's profitability could be attributed to the leader while in the paper manufacturing industry it was only 4.6%.

- On an average, they found that, 14% of the firm's profitability depended on the CEO.

Another study conducted by researchers Michael Porter and Anita McGahan, also at Harvard Business School, however, suggests that the industry in which the firms operate determines only 19% of the firm's profitability.

- This shows that the performance of the CEO in the success of organizations is nearly as important as the industry in which the firm is operating.

- There have been instances of CEOs leaving the organization soon, and diluting the market value of the firms.

- For example, Jill Barad of Mattel and Douglas Ivester of Coca-Cola left their organizations in less than three years of their appointment as CEOs.

- In their period as CEO, the companies lost billions of dollars in their market capitalization. Mattel's market capitalization came down by US$ 2.5 billion in Jill Barad's tenure, while Ivester's tenure cost Coke US$ 14.4 billion in market capitalization.

- This happened when the industry was in one of its best growth phases.

The wrong CEO creates disarray and chaos in the organization, losing employee confidence, before he is fired from the company. This failure can do substantial damage to the company.

- Where lies the problem?

- Who is responsible for the destruction of company's market value that eventually leads to a CEO's resignation?

- Are the CEOs alone responsible for it or are corporate boards and predecessors equally at fault?

- How can the board make a mistake in selecting the most important position in the company?

Boards often do not handle their responsibilities the way they should. They delegate CEO selection to recruiters, or just to the existing CEO. Thus they forgo the opportunity to understand their CEO candidates.

- Understanding and selecting the right CEO is important because the CEO is the fulcrum on which a company is run.

- Choosing the wrong CEO does not always stop with destruction of the company's market value, it can lead to the destruction of the company itself.

- Two or more wrong CEOs in succession can destroy a company.

According to some analysts, a company's success is determined by its culture and strategy.

- Culture and strategy, no doubt, play key roles in the success of a company, but culture is energized and strategy is designed mainly by the CEO.

- If we take the example of Southwest Airlines, its culture is its formidable competitive advantage, but who can downplay the role played by the CEO Herb Kelleher in putting the culture in place?

- The same goes for strategy; the board of directors does not choose strategy, but it chooses an individual who, in turn, chooses strategy.

- So the strategy is going to be as good as the individual is. In addition, decisions important for the company's future proceed from the choice of that individual.

Exhibit 8.2 illustrates how Tim Cook plans for future leaders.

Exhibit 8.2: Apple's Succession Planning

Apple CEO Tim Cook, who was picked as CEO by Jobs himself spoke openly about finding diverse talent for the company to carry on the legacy of the company. Cook, in an interview with BuzzFeed News, said "I see my role as CEO [is] to prepare as many people as I can to be CEO,"

Source: https://www.hcamag.com/us/specialization/change-management/how-top-companies-manage-succession-planning/249682 18 Mar 2021

8.4.1 Stimulate Intellectual Curiosity

Innovations and intellectual curiosity leading to creativity are precious resources in making business enterprises the market leaders in their business sector.

- Companies like Southwest Airlines, 3M, Apple, Google, Intel have been at the forefront of innovation and new ideas.

- Individual and group lateral thinking and organizational factors are responsible for intellectual curiosity that has turned into successful products and services.

- 21st century business is about brain based business and intellectual curiosity leading innovation in products and services only can make the organizations competitive.

- Thinking is not optional but essential. Innovation as capital is the quintessence of organizational success.

Innovation is one of the primary drivers for growth and profitability in business today as operational excellence and process efficiency alone cannot lead to competitive advantage.

- Obviously innovation is highly dependent on corporate culture and it is a process that can be managed and improved.

- Leading companies now recognize that conscious and structured innovation management can optimize the potential of their people.

- Visionary leaders take creativity and intellectual curiosity very seriously and they look beyond the mundane activities of their jobs.

- They provide a bold imaginative approach to think beyond the ordinary and come out with great ideas that bring new products and services to the market.

- It also motivates the employees who see their work in a larger and more meaningful context and are completely engaged in their work that gives them a sense of immense satisfaction.

- The founders of Infosys Technologies were able to inspire normal "Infoscion" with their big and lofty goal to take into higher level and the result is that today India is the world leader in technological supremacy and command the huge market share in the field of information technology.

8.4.2 Best Practices at Microsoft

- The Microsoft Innovation Management Framework is designed to cater to the needs of the companies to implement innovation strategy.

- Companies are aware that cost cutting hampers growth.

- It is possible to have a healthy top-innovation and also ensure operational efficiency.

- Microsoft helps the companies in developing innovation strategy and underscores that improving innovation requires transformation of the organizational culture, and business processes of the company.

The Microsoft Innovation Management Framework is a template of architecture for innovation. Through this architecture, companies learn to share about innovation management best practices. Technology is basic starting point for their innovation management strategy. Microsoft has collaborated with a consortium of visionaries and practitioners to bring the best thought leadership on innovation. The framework is a continuously evolving and incorporating the changes in innovation management techniques.

- **Envision:** The innovation strategy should include high-level goals and strong degree commitment by the top management who should drive the people to engage with commitment and a sense of personal accountability.

- **Engage:** It is the front end of innovation. Here ideas known as "ideation process" are generated. In this process, companies engage employees, customers, and other stakeholders in an innovation community to capture and share new ideas. It is formalization process to convert passive, unfocused, ineffective "suggestion box" to a proactive approach that effectively produces targeted ideas.

- **Evolve**: In this phase, companies/people evolve ideas to increase their quality and value. It is an iterative process to improve the quality. Soliciting and capturing ideas is not enough. They must be institutionalized in to standard practices. The feedback loop allows great ideas to be improved upon and refined. Teething issues can be resolved. Companies get invaluable inputs and feedback on the early stage of the product lifecycle. Such feedback can be used to improve quality of the products.

Simply discussing ideas is not enough.

- **Evaluate**: All ideas need to be evaluated. It will help the organization to de-duplicate, and merge ideas and take them to the next level in order to turn ideas into money. Not all ideas, but only few ideas can merit and are candidates for further investment. The objective is to take potentially thousands of ideas and turn them into a more reasonable number that can be evaluated and made commercially viable.

Transactional Leadership

The transactional style of leadership was propounded by Max Weber and by Bernard Bass. This style is most commonly used leadership style by the managers that focuses on the basic management process of controlling, organizing, and planning.

- The power of the leader rests on formal organizational authority and responsibility.
- This is known as 'telling style' as the leader tells the subordinate what to do and what not to do and the subordinate simply carries out the instruction of his superiors.
- The system is based on "reward and punishment" – reward for obeying and doing the work; punishment for flouting the instructions.
- Work is a "transaction" between the leader and the subordinate. There are four dimensions – Active Management by Exception, Passive Management by Exception, Laissez-faire and Contingent Rewards (Refer Figure 8.1).

Figure 8.1 Transactional Theory
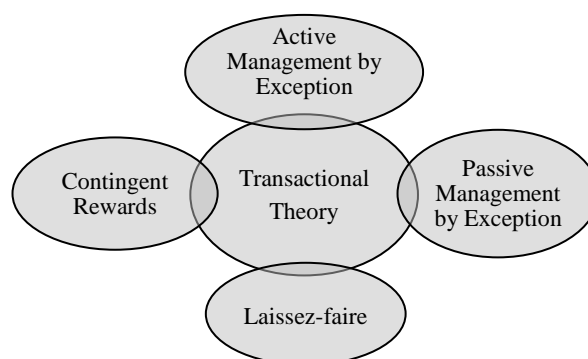
Source: ICFAI Research Center

- **Contingent Rewards:** Transactional leaders link the goal to rewards. Expectation is spelt out clearly and the necessary resources are given. Goals are mutually agreed upon and both monetary and non-monetary rewards are given purely based on performance. Goals are SMART (specific, measurable, attainable, realistic, and timely).

- **Laissez-faire:** The leader provides a working environment and subordinates have the freedom to make decisions. The leader adopts a "hands off" strategy and the subordinate can decide the course and be accountable for the results.

Assumptions of Transactional Theory

- Reward and punishment is an effective strategy for employee motivation.

- The subordinates have to obey and comply the orders of the superior.

- The subordinates are not self-motivated and like in theory X, they have to be closely monitored and controlled to get the work done.

Check Your Progress - 2

2. Which of the following is not an assumption of Transactional Theory?

    a. Reward and punishment is an effective strategy for employee motivation.

    b. The subordinates have to obey and comply the orders of the superior.

    c. The subordinates have to be closely monitored and controlled to get the work done.

    d. The subordinates are flexible and dynamic.

3. Which of the following is not a dimension of Transactional Theory?

    a. Contingent Rewards

    b. Passive Management by Exception

    c. Laissez-faire

    d. Rewards and Punishments

8.5 Insider vs. Outsider for CEO Job

Companies usually prefer outsiders for the CEO position when they are in turmoil.

- For example, Larry Johnston, an outsider to Albertsons, one of America's largest retailers - was chosen as its CEO when the company had lost its focus after a merger.

- Louis Gerstner, an outsider to IBM, was chosen to head the company only when it was on the verge of collapse.

Though outsiders are preferred to insiders in some circumstances, they lack some advantages that insiders have.

- Insiders have well-built networks of loyalists who help them when they become CEO.

- In the case of an outsider, he/she has to build these networks after joining the company.

- An outsider CEO needs at least two and half years to get adjusted to new colleagues and a new culture, and to take charge.

- But markets may not give a CEO that much time. Worse, an outsider CEO may be isolated by existing managers.

- As a result, while attempting to create a network of loyalists quickly, an outsider might end up choosing the wrong people.

- Companies are also more ready to fire an outsider than an insider.

- It was found that the tenure of an outsider CEO is on an average three years less than of an insider CEO.

Though initially outsiders deliver higher shareholder returns than insiders, their performance declines after that initial period and insiders supercede due to various reasons.

- According to Booz Allen, outsider CEOs deliver 7% higher returns than insider CEOs to their shareholders in the first half of their term.

- However, in their second half, insider CEOs deliver a 5½% higher returns than outsider CEOs to their shareholders.

- The reason for this huge drop in the outsider CEOs' performance in the second half is that outsiders who join as CEOs are often star performers in their previous assignments.

- When they join a failing company, expectations mount, and the share price goes up. But after some time when it becomes clear that solving problems at that company is going to take time, markets get disillusioned and the market value of the share falls.

Hiring an outsider as a CEO is a risky decision. A company can follow the following guidelines suggested by Jim Collins when hiring an outsider:

- Look at the earlier company run by this outsider. See how the company is performing after the outsider has left. This shows whether the outsider has compromised long-term growth for the sake of short-term growth.

- Check the track record of the head-hunting firm that is helping in the recruitment of the CEO. If the CEOs recommended by this firm have stayed with the recruiting firms only for a short duration and have been fired later, then avoid dealing with that head-hunting firm.

- Choose the CEO from the same industry or at least from a relevant industry. Research shows that a CEO's performance is significantly influenced by his/her background: the industry from which he/she is coming, the company in which he/she worked, and the culture in which he/she operated before.

Check Your Progress - 3

4. When does a company prefer an outsider as its CEO?

    a. When the companies are in turmoil.

    b. When the employees within the company do not have proper qualifications.

    c. When the companies diversify into other businesses.

    d. When they do not trust insiders of the company.

5. Which of the following is a possible advantage of choosing an insider as the CEO?

    a. Insiders have well-built networks of loyalists who help them when they become CEO.

    b. Insider as a CEO promises huge benefits to their employees.

    c. Insiders deliver higher returns to the company.

    d. Insiders can influence the board easily.

6. As suggested by Jim Collins, what can a company adhere to while choosing an outsider as a CEO?

    a. Choose the CEO from a diverse industry.

    b. Check the term served by the CEO in the previous firm.

    c. Check how the short-term growth of the previous firm served by the CEO.

    d. Choose the CEO from the same industry or at least from a relevant industry.

8.6   Choosing the Right CEO

Organizations are increasingly becoming conscious of the need to be choosy about their CEOs. Human resources departments are giving more attention to this issue. Boards are also taking the issue seriously. Given below are some of the ways in which organizations can ensure the right successor to an outgoing CEO:

8.6.1 Innovation the Whole Board of Directors

Some boards leave the task of selecting future CEOs to the incumbent CEO. This can be disastrous.

- An incumbent CEO often ignores the drawbacks of internal candidates whom he/she has nurtured.

- Assigning a committee for this task is usually beneficial.

- The committee should not have more than five members, so that it can be cohesive and effective.

- The committee must also evaluate the company's top management team and its leadership development.

- Though the incumbent CEO should be a part of the committee, he/she should not be the chairman of the committee.

Example

On September 6, 2001, Jack Welch stepped down as Chairman and Chief Executive Officer of General Electric Co. (GE). Jeff Immelt succeeded him as the CEO. The succession process in which Immelt finally emerged as the choice was fair, rigorous, and participative. The process involved the board of GE as well. As a part of this process, Jack Welch presented the list of potential CEO candidates to the board first in 1994. Since then till Immelt took up the job of CEO, Jack Welch and his board reviewed the succession process, every June and December. Jack Welch also gave real-time assessments of how the process of succession was going on to the board every February and September.

8.6.2 Directors Should Design Detailed Criteria for the Successor

The board can develop three to five specific criteria that should characterize the future CEO.

- Often the board will come up with attributes such as strong leadership, maturity, aggressiveness, and integrity.

- Though these qualities are essential, they do not determine whether the person has the right fit for the organization.

- The board must identify where the company needs to focus more in the next five to ten years, and look for skills in the CEO candidate essential to remain focused in that direction.

- For example, in industries which are undergoing consolidation, such as telecom, the desired skill in a CEO would be deal-making.

8.6.3 Boards should be Given the Option to Choose from a List of outside Candidates Also, Along with Insiders

Though the incumbent CEO may not be pleased with this as he/she may feel that he/she has groomed the internal candidates well, nevertheless the board should scout for outside candidates.

- These candidates have to be compared with the best internal candidates of the incumbent CEO before choosing the new CEO.

Example

In Campbell Soup Co. (Campbell), a careful and intricate six-month process finalized internal candidate Dale F. Morrison as the president and CEO in 1997. Campbell's board, the best board for the year 1996, according to *Business Week*, conducted an elaborate screening of two internal candidates and three external ones. It conducted many interviews, background checks, and discussions within the search committee – without the then-CEO David W. Johnson present to influence the outcome.

8.6.4 Directors Should Base Succession Decisions on Real Human Interaction

Many companies commit the mistake of turning succession planning into a passive, dull exercise, and this rarely yields the best future leader.

- Boards tend to choose a good CEO when they meet personally with promising leaders, sometimes years before the announcement for the CEO's job is made.

- The CEO selection process at GE was on for seven years; this appears to be an appropriate timeframe for selecting a promising candidate.

- To get a better outlook on the candidates for CEO, GE's board members had informal interactions with them: played golf, and attended Christmas parties with them.

- There were many instances when the committee members in charge of the succession exercise spent a whole day with each of the potential candidates and his team (from the business unit he was heading).

- After each such day, the committee gave the CEO, Jack Welch, feedback on the candidate.

8.6.5 Boards Should Not Rely too Much on Headhunters While Scouting for Candidates from Outside

Boards can definitely use executive search consultants to identify outside candidates. But a search firm is not as well placed to understand the requirements of the CEO's job as the board is. The reports provided by headhunters on prospective CEO candidates hardly supply the deep, insightful information directors need. Yet boards often assign the succession responsibility to search firms, with dismal results. However headhunters can help the board to:

- Identify candidates when the board specifies differentiating criteria to the headhunters.

- Make introductions and provide background, without deciding which candidate is best.

8.6.6 Boards Should Have an Open and Fair Process

The selection process must be fair. It should not involve any games or politics. Then only the board may be able to find the right candidate for the company. CEO selection at GE was a model on how succession has to be planned and conducted. A longtime GE consultant Noel Tichy, and editor of *Fortune* Stratford Sherman described it in the article "Control your own destiny or someone else will":

Example

The management-succession process that placed venerable General Electric in Welch's hands exemplifies the best and most vital aspects of the old GE culture. [Prior CEO Reginald] Jones spent years selecting him from a group of candidates so highly qualified that almost all of them ended up heading major corporations...Jones insisted on a long, laborious, exactingly thorough process that would carefully consider every eligible candidate, then rely on reason alone to select the best qualified. The result ranks among the finest examples of succession planning in corporate history.

- Jack Welch used the same process for selecting his successor while making the choice among the three final candidates.

- Jack Welch spent lot of time to decide who fits the job better. McNerney, the then current CEO of 3M, and once CEO hopeful at GE, conveys the openness of the process.

- He spoke these words to Jack Welch when he was told that Jack Welch had chosen Jeff Immelt as the CEO:

- "I want you to know I wanted the job, but I also want to tell you I think the process was fair because you played it straight, and you gave us every chance."

8.6.7 Smart Human Resources People Should be Involved

The right HR person can help the CEO and Board understand the candidates better through interaction and discussion.

- At GE, the list of potential CEO candidates in 1994 included 16 names.

- Jack Welch and his HR head then laid development plans for all these candidates till the year 2000.

- This was meant to ensure that the younger candidates got broader, deeper, and more global exposure in GE's diverse businesses.

- Over the next few years, Welch and his HR head observed these candidates by letting them undergo several new tests.

- By 1998, eight candidates were short listed from the earlier list of sixteen candidates. In a matter of four years, these eight candidates went through 17 separate jobs.

- This rotation offered candidates opportunities to address the areas in which they were lacking, and helped the CEO and the Board to get a proper perspective of the candidates.

- Without his HR manager's involvement, Welch alone would have surely found this process too demanding and time consuming.

8.6.8 Succession Planning should be a Continuous Process

Effective boards or CEOs begin succession planning years before the actual event takes place.

Example

Paul Galvin, the founder of Motorola, started grooming his son Bob Galvin long before he transferred power to him.

- Bob Galvin started working at Motorola in 1940 when he was in high school.

- He was with Motorola for sixteen years before he became the president of the company, and for nineteen years before he became the CEO.

- Paul Galvin ensured that (his son) understood clearly what his company was all about.

- He made his son start as a stock clerk with hardly any special privileges. Paul Galvin's biographer noted that the transfer of experience from one generation to the next was a daily process that went on for years.

- When he became CEO in 1959, Bob Galvin immediately started thinking about management development and succession planning for the next generation, twenty-five years before he passed on the reins to his son.

Even if there are no suitable candidates inside the organization, boards can search for potential outside candidates, who are young, and who can be groomed into CEO positions. They also can invite some potential candidates to be members of the board; this way they can interact with the candidate better.

Alcoa used this method successfully with Paul O'Neill, who was CEO of the company from 1987 to 1999. If organizations have long-term perspectives on leadership succession, directors can interact with potential candidates at various levels of the organization, and form a detailed view of those who fulfill the requirements for the company's leadership.

Activity 8.2

GS Ltd. is the largest electric equipment company in India. Around 60 percent of the company is privately held and the remaining stake is publicly held. The owner and founder of the company Dilip Singh (Singh) believed that leadership succession was significant for the company's future growth. Thus he groomed his vice president Ajay Gill (Gill) to occupy his position in future. Gill who had worked in the company since 17 years was considered to be the most appropriate candidate by the board of the company. After Singh's retirement, Gill had to occupy his position. However, after he retired, Singh gave his position to his son Milind Singh, who had a degree in pharmaceutical sciences. Do you think the CEO succession process was fair? Why (not)? Discuss the different ways that help in choosing the right CEO.

Answer:

Check Your Progress - 4

7. In which one of the ways do organizations choose the right successor to an outgoing CEO?

    a. Prepare a list of outside candidates, but select only insiders.

    b. Should adopt a secretive voting process.

    c. Directors should base succession decisions on real human interaction.

    d. Succession planning should be done only when the CEO plans to quit.

8. Which of the following criteria do the directors design to choose a successor for the company?

    a. Experience

    b. Integrity

    c. Age

    d. Family background

9. How can headhunters be useful to the board in scouting for a right CEO?

    a. Make introductions and provide background, without deciding which candidate is best.

    b. They act as advisors as to who can be the right choice.

    c. They prepare a set of criteria and filter the candidates for the board.

    d. They conduct interviews.

8.7   Women CEOs

All over the world, the CEOs of large public companies are predominantly male.

Examples

In 2021, the number of women running businesses on the *Fortune* 500 hit an all-time record: 41. But that's not all. For the first time, two Black women are running *Fortune* 500 businesses.

Source: https://fortune.com › 2021/06/02 › female-ceos-fortune.

In the UK, only eight of the top 100 companies has a woman CEO[1].

- Women CEOs are usually seen only in family-run businesses.

- Daughters or widows sometimes inherit their father's or husband's business.

- But these companies are often small and do not involve the same level of leadership as large, publicly listed firms.

Exhibit 8.3 deals with the success story of Reshma Kewalramani as woman CEO.

Exhibit 8.3: Woman CEO - Reshma Kewalramani

In 2020, Reshma Kewalramani was appointed as the CEO for Vertex Pharmaceuticals, an American biopharmaceutical company based in Boston.

- She was given a pay package of $6.8 million that placed her in the seventh place in the list of highly paid CEOs in biopharma industry.

- She started her career at Vertex in 2017 as Senior Vice President of development.

- She played an instrumental role in the launch of a drug called Trikafta, a new triple combination medicine for Cystic fibrosis patients.

- The drug was introduced about five months before the schedule under her leadership and was able to cure up to 90% of cystic fibrosis patients as against just 50% compared to the old drugs.

Reshma Kewalramani targets to advance in the medicine and transform the way some more diseases are cured, in the long run.

- Her interest is in experimenting multiple times and check out for every possibility in efficiently curing cystic fibrosis.

- Vertex is also making trials in advancing medicines for other diseases like diabetes, muscle-wasting and genetic liver diseases.

Contd....

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[1]   https://www.theguardian.com/business/2021/oct/07/only-eight-of-uks-top-100-companies-headed-by-women-report-says

- It is planning to play a major role in developing next generation drugs.

- In the context, Reshma Kewalramani says that they would select the disease to cure, use any tool possible and experiment on that disease.

- She was selected for the New Englanders of the Year, to be honored in 2021 at the 18th conference of NEC (The New England Council) Celebration.

Source: https://www.fiercebiotech.com/special-report/reshma-kewalramani-top-10-highest-paid-biopharma-r-d-executives-2019

There are several social reasons for the lower number of women CEOs. But the trend is changing, and today there is an increasing number of women reaching positions just below that of CEO. In many cases, the women in these positions have had considerable functional experience in sales, marketing, and finance.

However, according to Herminia Ibarra of INSEAD, at present, women are still not preferred at the CEO level in stretch jobs.

- A study found that companies prefer men to women to turn around an ailing division or to start a new venture.

- Experience in line management is necessary to grow into leaders of the organizations (in big US companies, nearly 90 % of line management positions are held by male employees), so it is important for women to take up tough and broad assignments.

- Only such assignments give the required experience for promotion to top posts.

Another major problem with women which acts as a hindrance for climbing the corporate ladder is the lack of a network of friends and acquaintances in the corporate world.

- Male employees generally have networks that encompass both work and social life. This is not so for most women. For them their work and social life are entirely different.

- Women may also face problems in tuning their image to leadership.

- Aggressive male leaders are revered while aggressive female ones are often scorned, even by women.

- In a study conducted at the Academy of Management, 26% of male owners wanted to be seen as an authority figure, while only 5% of female owners expected this.

Check Your Progress - 5

10. One of the reasons that act as hindrance to women to climb up the corporate ladder is:

    a. Lack of functional expertise

    b. Lack of a network of friends and acquaintances in the corporate world

    c. Lack of recommendations

    d. Lack of trust

8.8   Summary

- Succession is the right or act of taking over another person's place in office, rank, or duties. Though succession is important, not many organizations pay serious attention to it.

- Some people say that what ensures a company's success is its culture and strategy. Culture and strategy, no doubt, play key role in the success of the company, but culture is energized and strategy is designed mainly by the CEO.

- Companies recruit an outsider for the job of CEO when they are in turmoil. The insider has some inherent advantages. He/she has well-built networks of loyalists who will help in the running of the firm. For an outsider this is not so.

- A company can choose the right CEO by involving the whole board in the selection process, by allowing the directors to decide the criteria for selection, and by using recruiting agencies only to the extent necessary.

- Organizations are increasingly becoming conscious of the need to be choosy about their CEOs. Human resources departments are giving more attention to this issue. Boards are also taking the issue seriously.

- There are several social reasons why there are fewer women in CEO posts. But this may change with changing times. Today there is an increasing number of women reaching positions just below that of the CEO.

8.9   Glossary

Succession: Succession is the right or act of taking over another person's place in office, rank, or duties.

8.10   Self-Assessment Exercises

1. "Though succession is important, not many organizations give it any serious attention." How significant is leadership succession for an organization? Highlight the importance of leadership succession in the organizations.

2. 'Studies have been conducted across to understand the impact of leaders on the performance of the organizations.' How far are CEOs responsible for a company's good or bad performance? What makes a right CEO?

3. Compare and contrast as to who can be the right choice as the CEO of a company – an insider or an outsider. Examine the benefits and pitfalls of appointing either of them.

4. Describe the various ways of choosing the right CEO.

5. Explain the reasons why women are not a preferred choice for the post of a CEO? Can women make better CEOs? Justify your answer.

8.11 Suggested Readings/Reference Material

1. Alfranch Nahavandi, The Art and science of Leadership, Pearson, 7e, 2018

2. Arora H.N and Rajan Sinha, Alchemy of Change - Managing Transition through Value-based Leadership, SAGE Publications, 2020

3. Daphne Halkias, Joseph C. Santora, Nicholas Harkiolakis (Editors), Leadership and Change Management: A Cross-Cultural Perspective Hardcover, Routledge, 2017

4. Gary A Yukl; William L Gardner, Leadership in organizations. 9th ed. Boston Pearson Education, Inc 2020

5. Gillian Watson, Stefanie C. Reissner, Developing Skills for Business Leadership 3r d Edition. London: Kogan Page, 2020

6. Nishant Uppal, Narcissus or Machiavelli? Learning Leading from Indian Prime Ministers, Routledge, 2021

7. Panduranga Bhatta C. and Pragyan Path, The Art of Leading in a Borderless World, Bloomsbury Publishing, 2020

8. Peter G. Northouse Leadership: International student edition, Theory and Practice, 9th Edition SAGE PUBLICATIONS INC, 2021

9. Rajashi Ghosh, Indian Women in Leadership, Springer Nature, 2018

10. Ratan Raina, Change Management and Organizational Development, SAGE Publications, 2019

11. Ruchira Chaudhary, Coaching - The Secret Code to Uncommon Leadership, Penguin Random House India, 2021

12. Sajjad Nawaz Khan, Leadership and Followership in an Organizational Change Context, IGI Global, 2021

8.12 Answers to Check Your Progress Questions

1. **(d) The CEO**

   According to some analysts, a company's success is determined by its culture and strategy. Culture and strategy, no doubt, play key roles in the success of a company, but culture is energized and strategy is designed mainly by the CEO.

2. (d) **Subordinates are flexible and dynamic.**

    'Subordinates are dynamic and flexible' is not an assumption of Transactional Theory.

3. (d) **Rewards and Punishments**

    'Rewards and Punishments' is not a dimension of Transactional Theory.

4. (a) **When the companies are in turmoil**

    Companies usually prefer outsiders for the CEO position when they are in turmoil.

5   (a) **Insiders have well-built networks of loyalists who help them when they become CEO**

    Though outsiders are preferred to insiders in some circumstances, they lack some advantages that insiders have. Insiders have well-built networks of loyalists who help them when they become CEO. In the case of an outsider, he/she has to build these networks after joining the company.

6. (d) **Choose the CEO from the same industry or at least from a relevant industry.**

    Hiring an outsider as a CEO is a risky decision. A company can follow the following guidelines suggested by Jim Collins when hiring an outsider: a. look at the earlier company run by this outsider; b. check the track record of the head-hunting firm that is helping in the recruitment of the CEO; and c. choose the CEO from the same industry or at least from a relevant industry.

7. (c) **Directors should base succession decisions on real human interaction.**

    Directors should base succession decisions on real human interaction is one of the ways in which organizations choose the right successor to an outgoing CEO.

8. (b) **Integrity**

    The board can develop three to five specific criteria that should characterize the future CEO. Often the board will come up with attributes such as strong leadership, maturity, aggressiveness, and integrity.

9. (a) **Makes introductions and provide background, without deciding which candidate is best.**

    Headhunters can help the board to:
    - Identify candidates when the board specifies differentiating criteria to the headhunters.
    - Make introductions and provide background, without deciding which candidate is best.

10. (c)   Lack of a network of friends and acquaintances in the corporate world.

One of the major problems with women which act as a hindrance to climb up the corporate ladder is the lack of a network of friends and acquaintances in the corporate world. Male employees generally have networks that encompass both work and social life.

Leadership and Change Management

Course Structure

Block 1: The Mystique of Leadership	
Unit 1	Understanding Leadership
Unit 2	Leadership Styles
Unit 3	Leadership Skills and Tactics
Unit 4	The Making of a Leader
Block 2: Path to Leadership	
Unit 5	Leading a Learning Organization
Unit 6	Coaching Leaders
Unit 7	Developing Performing Teams
Unit 8	Leadership Succession
Bock 3: Leadership Culmination	
Unit 9	Level 5 Leadership
Unit 10	Narcissistic Leaders
Unit 11	Leadership Challenges
Block 4: Change Mastery	
Unit 12	Understanding Change
Unit 13	Implementing Change
Unit 14	Change Agents
Unit 15	Disruptive Innovation
Block 5: Leadership Aspects in Strategic Changes	
Unit 16	Strategic Management for Transformation
Unit 17	Management of Strategic Change
Unit 18	Managing the Emotions in Change
Unit 19	Corporate Strategy
Unit 20	Alternative Strategies
Block 6: Management Techniques	
Unit 21	Management Ethics
Unit 22	Managing Diversity
Unit 23	Emerging Economic and Business Environment