Developing and Implementing Leadership Systems: Practicing Managers' Views

The inaugural Qimpro BestPrax Roundtable assembled at the Taj President on 12 April, 2005 to discuss the strategies, implementation techniques and experiences on the theme of the event: "Developing and Implementing Leadership Systems: Practicing Managers' Views". The invitees were senior leaders and came from diverse sectors including hospitality, real estate, manufacturing, finance and insurance. Qimpro's managing director, Suresh Lulla facilitated the discussion little over two hours.

Defining Leadership System

According to the Malcolm Balridge Criteria, the term "leadership system" refers to how leadership is exercised formally and informally, throughout the organization—the basis for and the way key decisions are made, communicated, and carried out. It includes structures and mechanisms for decision-making; selection and development of leaders and managers; and reinforcement of values, ethical behaviour, directions and performance expectations. An effective leadership system respects the capabilities and requirements of employees and other stakeholders, and it sets high expectations for performance and performance improvement. It builds loyalties and teamwork based on the organization's vision and values and the pursuit of shared goals. It encourages and supports initiative and appropriate risk taking, subordinates organization structure to purpose and function, and avoids chains of command that require long decision paths. An effective leadership system includes mechanisms for the leaders to conduct self-examination, receive feedback and improve.

Given this rather overarching definition, it is important to distil specific and actionable insights. In his opening remarks, Mr Lulla discussed the philosophy of BestPrax Club and thoughts behind organizing the BestPrax Roundtable. Talking specifically about the event, he said, "The Roundtable is an assembly for discussing specific topics that have been of deep concern to all those who have been striving for world-class quality or world-class excellence. And the term 'leadership system' seems to be a common denominator amongst most organizations." He set the stage by succinctly outlining three broad areas of discussion: Defining the leadership systems, designing it and finally implementing it.

Participants

Participants	Title, Affiliation
Jamshed Daboo	COO, Leisure Hotels Division, Indian Hotels
Pranab Datta	President and CEO, Mahindra Gesco
M V Kotwal	Senior Vice President, HED, Larsen & Toubro
Dr Aneeta Madhok	Dean (Faculty of Management Studies) and Professor of Organization Behaviour and Human Resources, Narsee Monjee Institute of Management Studies
Nandan Maluste	Senior Vice President, Kotak Mahindra Bank
Dr Santrupt Misra	Director, Human Resources, Aditya Birla Management Corporation
Anita Pai	Chief (Operations, Underwriting & Services), ICICI Prudential Life Insurance Company
Shikha Sharma	Managing Director, ICICI Prudential Life Insurance Company

Striking a Common Ground

A complete understanding and a rigid adherence to the concept of leadership systems is rare. Indeed, just as the Malcolm Balridge Award, the IMC Ramkrishna Bajaj National Quality Award (RBNQA) criteria too, prescribes a stringent standard for leadership quality. Shikha Sharma, managing director of ICICI Prudential Life Insurance Company admitted as much when she said, 'We struggled most with this requirement in our RBNQA journey." She further enunciated that, "developing mission, vision and values in addition to having the right team in place were the most challenging aspects."

In response to Mr Lulla's invitation to comment on the definition of leadership system, Dr Santrupt Misra of Aditya Birla Management Corporation felt that it was 'way too' comprehensive. "The trouble is, it may mean everything and anything," he said, adding, "we should zero in on a few elements of the topic."

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> Aditya Birla Management Corp

Nandan Maluste, senior vice president, Kotak Mahindra Bank felt that the definition is both descriptive as well as prescriptive. He also shared his thoughts on what is leadership. "Clichéd as it may sound but, leaders create change," he said.

Mr M V Kotwal, senior vice president, Heavy Engineering Division, Larsen & Toubro thought the definition was exhaustive. However, "the ability to

innovate and inspire, and how to implement them must also form part of the definition," he said.

Bringing a practical approach to the perspective, Jamshed Daboo, chief operating officer, Leisure Hotels Division, Indian Hotels said, "We must learn to separate the leader from the system, as what may seem a good model may not prove so in the workplace." Another hands-on operations manager, Anita Pai, who is the Chief (Operations, Underwriting & Services), ICICI Prudential Life Insurance Company hit the nail on the head: "Retention of talent, particularly quality talent from institutions such as IIMs is a key concern. How do we develop a leadership system to ensure retention? Is it even possible?" she wondered.

Bringing a 'from the trenches' viewpoint to the discussion, Pranab Datta, president and CEO of Mahindra Gesco said, "The definition is almost utopian." Speaking with specific reference to his line of business – the construction

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industry – he felt it is a tough task to establish values in the current environment, more so in a cash-based transaction-led industry like his. "How do we create leadership in a manner that is acceptable to people, particularly in an environment where, they appreciate the importance of values but are cynical about their utility in competitive businesses," he asked. As a person who is charged with creating future managers, Dr Aneeta Madhok, Dean (Faculty of Management Studies) and Professor of Organization Behaviour and Human Resources, Narsee Monjee Institute of Management Studies added academic insight to the discussion. She felt that, while students are taught values, they return after a stint in commercial organizations completely cynical. "What is taught as ideals is not found in the commercial setups and hence the disillusion. On the subject of the definition of the leadership system, she felt it is pretty close to perfect and aspirational. However, the word 'system' implies process. In that sense, it is only a part of the solution and not the solution itself.

Qualities of a Leader

Having discussed the leadership system framework and its various challenges, it is important to define the centrepiece: the leader. Mr Lulla defined world-class leaders as individuals with superlative integrity, who can transform an organization. He said, "They should be able to create leaders at all levels in a company." According to the Malcolm Balridge Criteria, "the leaders saw their

roles as trainers, coaches, counsellors, facilitators and most importantly, good recognizers." Opening a new thread to the discussion, Mr Lulla asked, "How do you select leaders? How do you appraise them? How do you reward them? Maybe there needs to be a system which allows this."

Dr Misra said, "Whatever be the definition of leadership, there must be an appropriate ecology to that. In his view, many organizations struggle to create the ecology and get the pieces of ecology right. This ecology forms the support structure for leadership. Dr Madhok added that at times, the ecology might drive the leadership system. Immaterial of the type of firm, "It is important that both leadership system and the ecology are aligned," she added.

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This gave a rise to the question of, "Do leaders create ecology or inherit them? Or do they say, past was less than perfect, so let's build a perfect future?" Ms Sharma was prompt: "A bit of both," she said, adding, "You can't banish what has been dealt to you." Mr. Maluste gave the example of stock broking houses to illustrate the danger of low standards when ecology changes. "Broking houses which did not improve service and ethical practices in spite of the events of the early 1990s are no longer there today," he said. In other words, leaders not only inherit the ecology, but also dynamically transform it in accordance with changing business climate.

Leadership System Processes

Given a new twist to the debate, Mr Daboo presented a six-point process framework for making a leadership system. He said, "Let's focus on a system for leadership and processes expected in the Malcolm Balridge Criteria."

- Two-way communication process (for ensuring that messages are not just transferred from top to bottom, but also the other way round.)
- Process of decision-making itself, the command-chain etc (The Malcolm Balridge Criteria points to a quick decision making style.)
- How do the leaders manage the performance?
- Direction setting process (Goals etc.)
- Nurturing and developing talent (Rewards etc.)
- Feedback and review mechanism for the entire leadership system itself.

He said, while the speed of response and decision-making of an individual could be identified through a 360 degree appraisal process, this is inadequate.

"How do you measure the speed of decision-making of the organization itself?" he queried.

Conflicts in Shared Visions and Value System Alignment

Echoing Ms Pai's thoughts, Ms Sharma added that most of the executives cannot think beyond three years, especially the younger lot. In such situations, ensuring consistency of the decision-making also becomes critical. Given the high attrition levels and short-term focus of young executives, "How do we align the goals of these people with the company goals?" she asked. Ms Sharma went to on to explain how her company ensures this alignment. "We conducted a series of workshops to create a common mission and shared vision." While the alignment to vision was easy to find out during appraisals, but a similar alignment of personal values to corporate values could not be assessed, she said.

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> Indian Hotels

Mr Daboo agreed with Ms Sharma and stated that developing a shared vision that is contextual is difficult. "In high attrition organizations, the vision, when in group is shared, but not necessarily so in a personal setting. The ability to translate the vision to personal relevance is critical. Vision must be linked to daily operations." However, communicating and understanding a vision is a long-drawn affair. Hence, reiterating the need for a genuine two-way communication system, Mr Daboo added that, only when this works will the leaders have courage to change the vision. "Leaders dread to change a vision that's so painstakingly created if communication channels do not work quickly and effectively." Corroborating this fact, Ms Sharma said that some people see the 'shared vision' well, while others don't. Highlighting the difference between the goal and the task that needs to be executed to achieve the goal, she said, "Several managers only communicate the task but not the goal. We interpreted this as the inability of their managers to drive home the vision and its

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implications. So, the leadership system has an individual angle to it which cannot be ignored." She further added that it is vital to communicate both goal and the task. "If you break down the larger goal into too many tasks, then the frontline will never see the larger purpose in it."

People must not be only evaluated on the basis of their KRAs. It is important to include leadership traits related to the system in the appraisal. Differentiating between a leader and a manager, Mr Daboo said that the former has organizational development goals, while the latter is saddled with targets. Hence, the evaluation of both leader's tasks and manager's tasks must be done.

Values or Growth?

In unregulated sectors or industries that are characterized by large cash-based transactions such as the construction business, the value systems are largely corrupted and unethical. It is largely believed that if businesses choose to remain above board in all their business dealings, then they face a risk of lower growth vis-à-vis their competition. However, compromising on values is no way to achieve growth. Good leaders should drive growth and an industry consensus on 'code of conduct' to tackle the menace of unscrupulous players. They should aim to win business through superior products and services than by compromising. The industry should not reward the law-breakers. "Unfortunately, many of us are doing that today largely because some of these people are good performers," lamented Mr Kotwal.

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"Aligning value is a longer journey than deploying vision," said Dr Misra. Narrating the journey of Aditya Birla Group, he said, "Nine years ago, when we started on this path, we sought one agreement with our leaders: We will not do any wrong willingly. We then designed a payment structure that was aimed at making us 99.9% tax-law compliant. Once this was signed and sealed, it was easy to move on." It is just a matter of the management's commitment.

Pursuing the Path of Values-Driven Growth

As discussed above, whenever organizational goals are aligned with personal goals, the values and ethics remain above board. The challenge however, is translating such words as passion, courage and commitment into daily operations. Mr Daboo posed an interesting question in relation to this: "If a line manager took a decision that cost company more than it should have, but created customer delight, then should we reward the initiative or punish the dereliction?" In such cases, it is important to recognize the initiative yet ensure that everything remains above board.

Ms Sharma discussed the practice of communicating values to her teams. She said, "We did a 360 assessment on values and just communicated the numbers. We did not follow it up with instructions and left people to decide on their own. We found better results with this approach. Scores relative to company and function were published." Adding to this, Ms Pai elaborated on the theme further: "We focused on adherence to values. People who saw a gap in them being perceived as adhering to values took the hint and worked on the gaps. Trick was to let them select the areas. Most people selected one or two areas to work on against selecting and then struggling with all."

Designing a Leadership System

The participants were unanimous in their belief that things are changing fast in the corporate world, and there is a renewed focus on the importance of values

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in business. To support a values-based organization, the leadership system must be created with due consideration of the ecology. As Mr Lulla asked the gathering, "How do you design a leadership system?" Elaborating further, he wondered if a Shewhart cycle or a Deming cycle of 'Plan-Do-Check-Act' could be an approach. Reiterating that leadership cycle is a long journey, which cannot solely be the responsibility of the CEO, he suggested that people down the line must also appreciate this. For this, an organization must be patient and understanding. Leaders too, must have a deep appreciation of what people at all levels are doing, he said. The need of the hour is to figure out how to create leadership skills at all levels. For this, the leaders must lead from the front. They must 'walk the talk.'

Dr Madhok felt that regardless of who occupies the seat, the leadership system must be driven by the organization. Citing the example of P&G, she said the leadership is embedded in people there.

Mr Daboo discussed how leadership is planned at Indian Hotels. "We plan leadership during the strategic planning exercise itself, because, that is one of the few occasions when the organization is looking ahead (planning for future)." He said that they follow a systemic evaluation process where, entire office evaluates the corporate office. For instance, the entire hotel evaluates the general manager's office. He said, this throws out interesting insights. The general manager may be a speedy decision-maker but his office may be very slow. To illustrate how planning leadership during strategy planning helps, he

shared his experience: "In the face of international competition, we had little chance of competing with them through strategies such as operational excellence. Instead, we focused on costumer responsiveness as a potential winning approach. This lead to a change in the strategy of empowering the front line."

Teacher or a Coach?

Building leadership skills at all levels in an organization would require the leaders to take initiative. However, should they teach or coach? Dr Misra held that leaders could teach but must stay off from the 'golden-age' reminiscence whereby, they simply end up glorifying their personal experiences and achievements. While it may serve the purpose of inspiring, it really teaches very little to the young managers. 'Sermonizing' does not help either and only breeds cynicism, added Dr Madhok.

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Dr Misra revealed that at his company, they developed 150 value champions as role models. In addition, there is a day-long open forum for general managers and above with the chairman. Making a subtle difference between performance leaders and development leaders, Dr Misra said that it is important to have leaders doing both. While leaders may deliver performance, but if they fail on developmental aspect, then there is a great danger of falling prey to what he termed as 'conspiracy of silence.' This, he said could lead to compromising on values as performance is often touted up. Dr Misra also shared an interesting practice in vogue at Aditya Birla Group. "We are currently conducing a feedback on what is the 'stupidest thing' our company is doing. The respondents are required to identify the stupid thing we do, describe why it is stupid and suggest an alternative approach." By creating such no-holds barred openness in feedback channels, the Group is trying to challenge its way of work through the people involvement.

Mr Daboo added that instead of 'training by leadership', it is time to look at 'training for leadership' kind of a model. Dr Misra said that his company is following a practice of teaching people to conduct training through exhaustive trainer workshops. Mr Kotwal said, "At L&T, we conduct a 3-day assessment and search for high potential individuals. They are encouraged to join an eMBA in collaboration with S P Jain Institute of Management Studies. Each of these

people is allotted a mentor/coach. The mentors not only help as sounding board for ideas but also guide the former."

Former boss of General Electric (GE), Jack Welch has always been one for the case study books. He not only instituted a strong leadership culture at GE but also ensured that it percolated all the way down to line staff. To achieve this, he created 15,000 trainers called Black Belts, whose responsibility it was to coach, train, teach and mentor nearly 300,000 GE employees. By giving a mini coaching sessions after the end of every meeting, Mr Welch inculcated a culture of 'Make it happen!' at GE.

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In contrast to Mr Welch's style, many leaders tend to hesitate to teach, contended Mr Lulla. Why is this so? More importantly, what is teaching? How is it different from coaching? Participants were exhorted to give a one-line response.

Ms Pai: Teaching is one-to-many. It is transfer of knowledge.

Ms Sharma: Challenging the unknown and helping people do it. Teaching is teacher-centric while coaching is learner-centric.

Mr Datta: Enabling people to realize their potential. Coaching is a higher form of teaching and is usually one-to-one.

Mr Daboo: Are you creating a miniature of yourself or are you creating processes and person who could probably be better than you?

Mr Kotwal: Transfer of knowledge and skills. Coaching is teaching with longer time horizons.

Dr Madhok: Role of a teacher is to create learning individual.

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Mr Daboo emphasised the need to have a close contact with the learners. He said, "It is important to establish an eyeball-to-eyeball contact while teaching, or else you run the danger of people having heard you but learnt nothing."

Key Takeaways from the Roundtable

Participants	Comment
Jamshed Daboo	"I think I will take a few steps back and evaluate our own system. I need to study what is really happening in my organization."
Pranab Datta	"I must admit that I've never heard of a system for leadership. We have a multi-functional task force, which is evolving a value system. However, while the articulation is easy, implementing is the tough part."
M V Kotwal	"I gained a clearer understanding of leadership system. However, I do feel that this is too big an issue to be discussed in such a short time."
Dr Aneeta Madhok	"Takeaways for me are several. Certain directions have emerged as to what B-schools can do while teaching. Also, we have to find ways to deal with cynicism with words such as vision and values."
Nandan Maluste	"It was a very stimulating session. So many different companies yet, all face similar problems. I think we have to find ways to deal with cynicism with words such as vision and values."
Dr Santrupt Misra	"I think there are two takeaways for me: in the short term, I will look at my own appraisal process and use the eyeball concept. In the long term, I will try and reflect on the issue of teaching and coaching."
Anita Pai	"Leader and system must be seen separately and both are important. In a high-growth and high-attrition organizations such as ours, this discussion helped me learn how to pass on the vision to staff."
Shikha Sharma	"It is comforting to know that we are all in this journey. Probably the definition of leadership system we started with is not as daunting as we thought it was."
Suresh Lulla	"My takeaways are two: processes required for leadership systems, and the subtle differences between the concepts of performance and development leader."

Qimpro's View on Leadership System

High performance organizations that seek to understand and meet the needs of their customers typically tend to have strong leadership systems. The leadership system can help organizations transition from production-focused enterprises to customer-centric businesses. In other words, they become a listening and learning organizations and see customers as strategic business drivers. Organizations, which have aspirations of becoming world-class businesses, can ill-afford to ignore the need of creating the right ecology to

spawn a leadership system. Some of key advantages of such an intense focus on the leadership system are:

- Deploying the vision through people, and not through paper
- Focusing on vision, values, innovation and opportunity to drive growth
- Strategic thinking that aim at leading and leadership skills
- Taking a broader and longer-range view of the future
- Embracing the concepts of organizational learning (not just individual learning)
- Keeping the leadership system focused on the customer, both internal and external by developing the art of listening as a leader
- Keeping measures tied to customers and aligned to goals/vision
- Understanding the distinction between customer focus (the commitment to and process of listening) and customer satisfaction (a measure)
- Measuring leadership and its impact in the organization

For leadership system to develop, the top management must take the responsibility. As Scott Simmerman, well-known management consultant says, "Nobody ever washes a rental car." Unless the management creates ownership and empowers the subsequent layers, a leadership system is a non-starter. The management must actively and visibly involve workforce across levels in defining, implementing and maintaining a leadership system.

Recommended Reading:

Blanchard, Kenneth H. and Sheldon Bowles: **Gung Ho! Turn on the People in Any Organization**, Random House, 1997

Covey, Stephen R: **Principle-Centred Leadership**, A Fireside Book, 1990

Katzenbach, Jon R. and Douglas K. Smith: **The Wisdom Of Teams: Creating The High-performance Organization,** Harperbusiness, 1994.

Senge, Peter M: **The Fifth Discipline: The Art And Practice Of The Learning Organization,** Doubleday, 1990.

Tata, J. R. D.: **Keynote**, Tata Press, 1986.

Tichy, Noel M. and Eli Cohen: **The Leadership Engine: How Winning Companies Build Leaders at Every Level,** HarperBusiness, 1997.