## Recommended Study Text

### Marketing Skills

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Graduate/Postgraduate Diploma in Marketing

Marketing Skills

Recommended Study Text

Module One
Chapter 01
Understanding Leadership

This chapter will cover
1. Definitions of Leadership
2. Leadership versus Management
3. Power Bases of leadership
4. Theories of Leadership

1. Definitions of Leadership

The concept of leadership continues to develop as needs of organisations change. As such, it is difficult to generalize leadership. However, some well noted definitions are discussed below to understand the meaning of the concept.

Leadership is the ability to influence people toward the attainment of organisational goals (Daft, 2003).

Leadership is a relationship through which one person influences the behaviour or actions of other people (Mullins, 2002).

Leadership is the ability to influence a group toward the achievement of goals (Robbins, 2001).

Leadership is the process of directing and influencing the task related activities of group members or an entire organisation (Stoner, 1995).

By analyzing the above definitions, it could be seen that leadership essentially involves the following four aspects:

- It involves other people, employees or followers and influencing them
- It involves an unequal distribution of power between leaders and group members,
- The ability to use different forms of power to influence follower’s behavior in a number of ways,
- The combination of the above three acknowledges that leadership is about values.

Therefore, the following general definition could be derived from these common features of the definitions discussed above.

**Leadership is the ability to influence behaviour or actions of people through the use of different forms of power in order to achieve set goals.**
My Working Definition on Leadership

<table>
<thead>
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<th>Definition 1</th>
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<th>Definition 5</th>
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‡ Activity

Collect other definitions of leadership and make up your own working definition of leadership.

What are the common features of each definition you have collected? Relate to the features identified above and note any new common elements that you see.

2. Leadership versus Management

Two concepts that are generally confused with each other and used interchangeably are management and leadership. However, the two terms differ in many aspects as discussed below.

Abraham Zaleznik identifies the differences under five aspects.

a) Personality of a Manager vs. Personality of a Leader

In essence, managers are problem solvers who focus on problems that need to be solved and consider the best ways to achieve desired results so that members will continue to contribute to the particular organisation. Leaders on the other hand, simply concentrate on practical effort to direct affairs.

b) Attitude toward Goals

While a manager tends to adopt impersonal attitudes toward goals, a leader adopts a more ‘personal and active’ attitude toward goals. Further, managerial goals arise out of necessities and are therefore organisation centered and related. The goals of a leader arise out of desires.

c) Conceptions of Work

Managers tend to view work as a process that involves people and ideas that need to be integrated to develop strategies and implement decisions. Leaders however ‘work in the opposite direction’. Leaders engage in developing innovative approaches to arrive at solutions for problems and open issues to new options.
d) Relations with others

Managers generally prefer to work with people and avoid working alone. In contrast, leaders ‘attract strong feelings of identity and difference’.

e) Senses of Self

While managers try to maintain stability of an existing order of affairs through regulations, leaders do not depend on membership, work roles or other social identity.

The summary of differences is outlined in the table below.

**Summary of differences between Leadership and Management**

<table>
<thead>
<tr>
<th>Managers</th>
<th>Leaders</th>
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<tbody>
<tr>
<td>▪ Getting things done through other people to achieve organisational goals</td>
<td>▪ Influencing behaviour in a more willing manner to achieve organisational goals</td>
</tr>
<tr>
<td>▪ Mostly concerned with solving short term issues</td>
<td>▪ Mostly concerned with long term relationships</td>
</tr>
<tr>
<td>▪ Management is related to the working of individuals within an organisational structure. Outside a structure a manager may not have influence.</td>
<td>▪ Leadership should not always take place within an organisational structure and may extend outside the formal structure as well.</td>
</tr>
<tr>
<td>▪ Managers have an impersonal attitude towards work. That is, they differentiate between workspace and personal space.</td>
<td>▪ Leaders have a more personal attitude towards work.</td>
</tr>
<tr>
<td>▪ Managers have a passive view towards the goal.</td>
<td>▪ Leaders are involved in achieving desired results.</td>
</tr>
<tr>
<td>▪ Organisational goals may be in conflict with the manager’s goals.</td>
<td>▪ There is usually a matching of both goals.</td>
</tr>
</tbody>
</table>

‡ Activity

Discuss other differences between leaders and managers that you can think of. Are all managers necessarily leaders and vice versa? Consider practical examples and discuss the issue.

*Hint: You may find it useful to read the recommended reading identified in your syllabus outline.*
‡ Activity: Mini Case

Group working in organisations today is a developing trend and a method used in order to achieve results. It reflects the concept and the advantages of synergy.

ABC Ltd is one such organisation. The marketing manager appoints a group to work together and come up with new brands and products for a launch. The group consists of five management trainees and the assistant marketing manager is a sixth member. Since the trainees are new to the organisation, the assistant marketing manager is included so that he would guide the other members and to ensure that they are focused.

Analyse the above case in groups. It is advisable that each group does not have any more than eight members. Discuss your views for the following concerns.

To what extent do you think a natural leader will emerge? If so, will it necessarily be the assistant manager?

In what ways do you think the leader would differ from the assistant manager?

Discuss the loyalty of the rest of the members towards the leader and the manager. To whom do you think group members will be more loyal? What features do you think would have created this loyalty?

3 Power Bases of Leadership

3.1 What is power?

Power is the potential ability to influence others’ behaviour (Daft, 2003).

In the previous section, the difference between leadership and management was discussed. Another major difference between a leader and a manager relates to the source of power within followers. Management power comes from the position a person holds within an organisation. In contrast, leadership power comes from personal sources and these necessarily do not have to be invested in an organisation. Hence, management power will focus on promoting stability and problem solving within an organisational structure while leadership power ‘promotes vision, creativity and change within an organisation’. Based on this five sources of power can be identified and these can be broadly categorised under two main sources of power.

a) Position Power
b) Personal Power

In general, managers are seen to use more of position power, while leadership power comes from the latter. However, it must be noted that managers may be leaders and in such circumstances managers may use the second category of powers. The diagram below gives a snapshot view of the different power bases.
Chapter 01 – Understanding Leadership

Power

- Position Power
  - Legitimate Power
  - Reward Power
  - Coercive Power
- Personal Power
  - Expert Power
  - Referent Power

a) Position Power

This refers to the type of power that comes from the organisation and as defined by the organisation structure. It is the position of the manager that determines the degree to which power can be used on subordinates to punish or reward them. The forms of position power used by managers to change employee behaviour are legitimate power, reward power and coercive power.

- **Legitimate Power**

  Power that stems from a formal management position in an organisation and the authority granted to it (Daft, 2003). This type of power is based on authority.

  **Example:** The workers in a shop floor will follow instructions and directions of their supervisor in all work related activities.

- **Reward Power**

  Power that result from the authority to bestow rewards on other people (Daft, 2003). In simple terms, it is the power that managers have to increase pay or promote an individual. This again stems from authority. Rewards may also include praise, attention and recognition. Rewards are hence used to influence behaviour of employees.

  **Example:** A brand manager may reward her employee by recognizing the effort taken by her in successfully conducting a promotional campaign for a particular brand that is to be re-launched because it was heading the decline stage. The manager may do this by praising the employee and increasing both her monetary and fringe benefit.
• **Coercive Power**

Power that stems from the authority to punish or recommend punishment (Daft, 2003). This is the opposite of reward power and managers are considered to hold this type of power when they have the right to fire or demote employees, criticize, or withdraw pay increases. This type of power often generates resistance, that is, workers may disobey orders and avoid carrying out directions.

**Example:** An employee who continues to come late may be given warnings the first two times and then criticized the third time amidst co-workers and peers.

b) **Personal Power**

The sources of position power are usually considered to be external sources. In contrast, the types of personal power come from internal sources and include such factors as special knowledge or personality characteristics. This type of power is the usual power base for leaders. Hence, subordinates follow a particular individual because of the admiration, respect and her ideas. The sources of personal power include expert power and referent power.

• **Expert Power**

Power that stems from special knowledge of or skill in the tasks performed by subordinates (Daft, 2003). Subordinates follow instructions and recommendations of a leader when he is a true expert in a particular field. Generally top managers lack expert power because lower level managers and employees know more technical details. However, it is indeed an added advantage if top managers hold expert power, as highlighted through the following example.

**Example:** Hector de Jesus Ruiz, president and CEO of Advanced Micro Devices benefits from expert power in that he has a B.S. in electrical engineering and nearly 30 years experience in all facets of the semiconductor industry, from top to bottom. Employees respect Ruiz’s technical knowledge and operational expertise as a valuable strength as AMD battles Intel in microprocessor wars. They appreciate having someone in the top management who understands the nitty gritty technical and production details that lower employees deal with everyday.  

(Source: Daft, 2003)

• **Referent Power**

Power that result from characteristics that command subordinates’ identification with, respect and admiration for, and desire to emulate the leader (Daft, 2003). This type of power is based on leader’s personal characteristics rather than formal position she holds within an organisation. An example of this type of power is discussed below.

**Example:** Rachel Hubka, owner of Rachel’s Bus Company joins Stewart’s as a dispatcher, set about learning every job in the business and eventually bought the company. Today, as top leader of school bus operation, Hubka often hires people with
marginal employment histories, gives them extensive training and encourages them to follow their dreams. Nothing pleases her more than having an employee leave to start his or her own business.

(Source: Daft, 2003)

<table>
<thead>
<tr>
<th>Activity</th>
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<tbody>
<tr>
<td>Discuss different situations where managers would use each type of power. Discuss whether effectiveness as a leader comes from knowing which type or combination to use in each situation. If so, come up with at least two situations where the use of personal power is relatively more effective than position power and vice versa.</td>
</tr>
</tbody>
</table>

The types of power discussed above are based on the followers or subordinates’ perception of the influence of the leader.

**Example:** A manager has the power to suspend an employee if he fails to abide by the organisation’s code of conduct. However, if the subordinates do not believe that the manager is capable of doing so, then in effect the manager does not possess coercive power.

<table>
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<th>Activity</th>
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<tbody>
<tr>
<td>To what extent do you think that the five types of power are interrelated? In other words, do you think the use of one type of power may affect the ability to use another type of power? Think of different situations where the use of one type of power may affect the use of another.</td>
</tr>
</tbody>
</table>

*(Try to do this exercise as a group and relate the situations as much as you can to real organisations and managers).*

4. Theories of leadership

It was mentioned at the beginning of this chapter that the concept of leadership is difficult to be generalized. This is because the concept continues to evolve as needs of organisations change.

Due to this complexity, management writers over the years have adopted different approaches in analyzing the concept. The different theories or approaches to leadership will be discussed in the following section.
4.1 Trait Theory of Leadership

The first approach to leadership is the traits or qualities approach. Traits refer to distinguishing personal characteristics, such as intelligence, values and appearance (Daft, 2003). Hence, these theories identify certain traits or features that differentiate leaders from non-leaders.

The theory is based on the belief that leaders are born and not made. Researchers working from this approach adopted two means through which they identified certain inborn personality traits of leaders. The adopted methods are as follows:

- Comparing the traits of those who have emerged as leaders with the traits of those who have not; and
- Comparing the traits of effective leaders with those of ineffective leaders

‡ Activity

Before reading ahead, identify certain traits or qualities that you feel are features inherent within leaders. Support your view with real life examples.

The trait theory identified these specific personal characteristics inherent within leaders broadly as four main traits. The traits commonly identified with leaders include the following
Physical traits: over 6 feet tall, weigh over 175 lbs, physical attractiveness, vitality, physical stamina, muscular body shape

Social traits: empathy, tact, patience, employee-oriented, status, emotional maturity

Personality traits: dominance, aggressiveness, extroversion, self esteem, integrity, confidence

Personal traits: verbal skills, judgment, intellectual capacity, achievement oriented, capacity to work hard, responsible

The second method adopted by researchers in identifying specific traits of leaders is by comparing qualities of effective leaders with the qualities of ineffective leaders. One such study identified certain inherent features within successful leadership. These features are as follows:

- Intelligence
- Initiative
- Self assurance

However, two other important issues were noted through the findings of the study. Firstly, it was found that successful or effective leadership does not only depend on a particular set of personal traits, but also on how well the traits match the requirements of the situation. Also, the studies found that although relatively fewer women emerged as leaders, they are just as effective as men when they do.

<table>
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<th>‡ Activity</th>
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<tbody>
<tr>
<td>Consider a real organisation of your choice (may be the one that you work in, or know fairly about). Identify a person in a key top management position and one of his subordinates. Analyse both of their characteristics in terms of the traits discussed above. Record their features in the table below with respect to the specific characteristics discussed above as traits of a leader. After your study, analyse your findings as a group.</td>
</tr>
<tr>
<td>You may find it useful to focus your study with respect to the following areas or issues.</td>
</tr>
<tr>
<td>Does the leader of your choice possess all traits identified above as characteristics of a leader?</td>
</tr>
<tr>
<td>Does the respective non-leader have the opposite personal traits?</td>
</tr>
<tr>
<td>Do you think the leader lacks certain leadership traits highlighted through the studies? If so, are they still effective?</td>
</tr>
<tr>
<td>To what extent do you believe that leaders are born and not made? Express your views and opinions on the issue using practical examples. Use the given space below for this exercise</td>
</tr>
</tbody>
</table>
a) Limitations of the Trait Theory of Leadership

Studies have shown that some traits identified increase the likelihood of successful leadership. However, none of the traits guarantee success. The approach hence has its drawbacks. The most important limitations are outlined below.

- Although studies have highlighted certain qualities or traits as features of leaders, there are no universal traits that predict leadership in all instances.
- It is generally thought that traits predict behaviour more in ‘weak’ rather than in ‘strong’ situations. In simple terms, strong situations are those that have strong behavioural norms and those that have clear standards of behaviour. Such situations are generally seen in highly bureaucratic organisations. As such, the power of traits to predict leadership in different types of organisations is limited.
- There is very little clear evidence in separating cause from effect. For example, ‘is leaders self-confident, or does success as leader build self-confidence?’
- The approach is generally criticized for paying more attention on predicting the appearance of leadership rather than distinguishing between effective and ineffective leaders. In other words, possessing the traits of leadership and people considering one to be a leader does not necessarily mean that the leader is effective in accomplishing set goals.
Despite its limitations, the trait approach is still considered to be useful in clarifying the nature of leadership. However, the drawbacks have lead researchers and management writers to take alternative approaches in analyzing leadership.

### 4.2 Functional/ Group Approaches to Leadership

The functional approach differs from the theories considered above, in that this approach focuses on the functions of leadership rather than on the personality of the leader. Also, this approach looks at leadership in terms of how the behaviour of the leader affects or is affected by the subordinates. Hence, the approach pays attention on the nature of the group of followers or subordinates. In essence, ‘it focuses on the content of leadership’ (Mullins, 2002).

According to this approach, successful training could be provided to leaders based on their functions to improve both the leader’s performance and the performance of the followers.

As such, it could be clearly seen, that this approach highlights the argument that leaders can be developed and perfected.

<table>
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| According to Kotter, companies actively seek out people with leadership potential and expose them to career experience designed to develop that potential. Indeed, with careful selection, nurturing and encouragement, dozens of people can play important leadership roles in a business organisation (Mullins, 2002).

Contrast this view to the argument outlined by trait theories. To what extent do you agree that leaders are developed and not born? Support your arguments with reference to any practical examples. |

### 4.3 Behavioural Approach

This approach too, took a different dimension to that of the trait approach to leadership. The focus of research under this approach was towards the behaviour successful leaders exhibited rather than on personality traits of that leader. Similar, to the functional approach, this approach too states that leadership could be taught, and therefore, leaders developed, as opposed to the trait theory argument that leaders are born. Hence, the difference between trait and behavioural theories lies in their underlying assumption.

Extensive research was done on this approach because it meant that the supply of leaders could be expanded. Some of the important research programs done on leadership behaviour were;
a) Ohio State Studies
b) Michigan Studies
c) Managerial/Leadership Grid

a) Ohio State Studies

The most comprehensive of the behavioural theories resulted from the research that commenced in the University of Ohio during the 1940s. Researchers worked on identifying various dimensions of leader behaviour and this was narrowed down to two major categories of leadership behaviour. These two dimensions are as follows:

- Initiating Structure
- Consideration

**Initiating Structure**

This refers to the extent to which a leader is likely to define and structure his or her role and roles of subordinates in the search for goal attainment (Robbins.).

A leader characterized as high in initiating structure, would be described as someone who ‘assigns group members to particular tasks,’ ‘expects workers to maintain definite standards of performance,’ and ‘emphasizes the meeting of deadlines.’ **Example:** Times Mirror chairman Mark Willes and Titan International CEO Morry Taylor both have been very successful in leading their companies through difficult times. And they both rely on a common leadership style- tough talking, intense, autocratic. They exhibit high initiating structure behaviour (as cited in Robbins, 2001).

Typical behavior of an initiating structure leader includes:
- Assigning employees to particular tasks
- Establishing standards of performance
- Informing employees of job requirements
- Scheduling work to be done by team members
- Encouraging the use of uniform procedures

In essence, therefore, such leaders would be task focused and goal oriented.

**Consideration**

This refers to the extent to which a leader is likely to have job relationships characterized by mutual trust, respect for subordinates’ ideas, and regard for their feelings (Robbins, 2001).

A leader characterized as high in consideration could be described as ‘one who helps employees with personal problems, is friendly and approachable, and treats all employees as equals’. Such a leader achieves acceptance among his followers through the use of referent and charismatic powers rather than coercive and legitimate power.
Example: Chairman of Southwest Airlines, Herb Kelleher, rates high on consideration behaviour. His leadership style is very people oriented, emphasizing friendliness and empowerment (Robbins, 2001).

Typical behaviors of a considerate leader include:

- Expressing appreciation when employees do a good job
- Not demanding more than employees can achieve
- Helping employees with their personal problems
- Being friendly and accessible
- Rewarding employees for jobs well done

The considerate style of leadership is usually readily accepted rather than the initiating structure style of leadership. This is because this style generates good will and leads to high job satisfaction on the part of the team members. Benefits of this type of style include ‘closer cooperation between leaders and subordinates, increased motivation of subordinates, more productive work groups, and low turnover and grievance rates’. However, research found that leaders high in both initiating structure and consideration (a ‘high-high’ leader) tended to achieve a combination of high employee performance and satisfaction more frequently than those who were rated low either on consideration or initiating structure, or both.

In conclusion, the Ohio State studies suggested that the ‘high-high’ style generally resulted in positive outcomes, but enough exceptions were found to highlight the fact that situational factors need to be considered and much depends on these variables too.

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<tr>
<td>Research found that leaders high in both dimensions of leadership behaviour identified by the Ohio State Studies, resulted in positive outcomes. However, there were exceptions too, i.e. those who were considered as ‘high-high’ were not necessarily effective in improving productivity, motivation and other issues. Identify situations in which such a leader would not be successful and discuss reasons supporting your argument. (Hint: You may find it useful to start off by considering the type of jobs that employees perform).</td>
</tr>
</tbody>
</table>

b) University of Michigan Studies

The purpose of this research was the same as those of the Ohio State studies. That is, to locate behavioral characteristics of leaders that distinguished leaders from non-leaders. Similar to The Ohio State Studies, this too identified two dimensions of leadership behaviour:
- Employee oriented Leader
- Production Oriented Leader

**Employee Oriented leader** - Such a leader is one who emphasizes interpersonal relations (Robbins, 2001). He or she takes a personal interest in the needs of his or her employees and accepts individual differences among members. This type of leader is very similar to the considerate type of leader identified in the Ohio State Studies.

**Production Oriented leader** - This refers to the type of leader who tends to emphasize the technical or task aspects of the job. His or her main concern is in accomplishing their group’s goals, and the group members are considered a means to an end. As found in the Ohio State Studies, conclusions favored employee oriented leadership behaviour. This is because such leaders were associated with increased group productivity and improved motivation and morale. In contrast, production-oriented leaders tended to be associated with low group productivity and lower job satisfaction.

c) **Managerial/Leadership Grid**

This is a graphic illustration of a two dimensional view of leadership style that was developed by Blake and Mouton. They put forward a managerial Grid based on the two styles they identified;

1. Concern for people
2. Concern for production,

It can be noticed that these two broad dimensions represent the two major categories identified in the Ohio state studies and Michigan studies. The following illustration in the next page depicts the Grid as put forward by Blake and Mouton.

The Grid shown above has nine possible positions along each axis, thus creating 81 possible positions in which the leader’s style may fall. It must be noted that the grid does not show results produced.

The highlighted coordinates are five extreme styles that are identified. These are discussed below in detail.

**1,1 Impoverished Style**

This style is characterized by a low concern for both production and people. The primary purpose of managers having this style is to stay out of trouble. They delegate or pass orders along to employees, go with the flow and make sure they will not be held accountable for mistakes. They exert the minimum effort required to get the work done and avoid being fired or demoted.
(1,9) Country club style

These managers have high concern for people and low concern for production. Managers who use this style try to create a ‘secure and comfortable’ atmosphere and trust that their subordinates possess competence and will respond productively. High level of attention paid on the need for satisfying relationships leads to a friendly work environment. However, the over emphasis on relationships may create a negative situation where accomplishment of operational and overall corporate goals are overlooked.

(9,1) Authority-Compliance Style

Managers of this type have a contrasting character to that of a country club manager. That is, such managers place importance for production and have low concern for people. Leaders following this style are of the view that team members’ personal needs are irrelevant in achieving organisation’s objectives. They meet production quotas through the use of coercive and legitimate powers. As such, they believe that operational
efficiency could be achieved by organizing the work so that employees merely have to follow orders.

(5,5) Middle of the Road Style

Leaders who follow this style seek a balance between the needs of workers and the organisation’s goals in terms of task accomplishment. Adequate performance is hence achieved, because employee morale is motivated at a level sufficient to get work done.

(9,9) Team Style

This style is the ideal style that leaders should follow. This is because such leaders show a high level of concern for both production and people. Leaders who follow this style attempt to establish cohesive work groups and reinforce feelings of commitment among workers. The result of following such a style being, high rates of both production and job satisfaction. The leader builds a relationship of trust and respect by introducing a ‘common stake’ in the organisation’s purpose.

Summary and Conclusion of behavioural theories

Although the behavioural theories are useful tools in identifying different leadership behaviours, they have little success in identifying consistent relationships between these behaviours and the performance of the group. Further, these theories fail to take account of contingencies, i.e. situational factors, which significantly influence leadership success or failure.

However, the theories must not be completely taken for granted because it was the first to take a different dimension to that of trait theories; that is, more emphasis is placed more on what leaders do (behavioural theories) from who leaders are (trait theories).

It must also be noted that certain behaviours identified may not be appropriate in all situations.

4.4. Style Theories

The emphasis placed on the behaviours of leaders by the behavioural theories drew attention to the importance of the styles of leadership. From an organisation point of view, it has become clear that managers solely depending on their position power are not necessarily successful leaders. Instead, managers must also focus on encouraging high morale, spirit of involvement and so on.

Hence, leadership style refers to the way in which the functions of leadership are carried out the way in which the manager typically behaves toward members of the group (Mullins, 2002).
The attention given to styles of leadership is based on the assumption that subordinates or followers will work effectively for managers who adopt certain leadership style that for managers who adopt other styles.

Attention to leadership styles has come about because of greater emphasis places on the expectations and needs of people at work. Some of the factors that have influenced this are

- Increasing business competitiveness
- Changes in the value system of society
- Influence of trade unions, and so on.

(Mullins. 2002)

a) Classification of Leadership styles

Leadership style can be described in many ways such as charismatic, participative, dictatorial leaders and so on. However, managerial leadership can be broadly categorised into three distinct styles;

- The authoritarian style
- The democratic Style
- The laissez- Faire Style

The authoritarian style or autocratic style of leadership is the style in which focus of power is with the manager and all interactions within the group move towards the manager (Mullins, 2002). The manager solely makes decisions and holds authority for determining policy, procedures, control of rewards or punishment, and so on. In other words, they do not give room for subordinates to include their views or participate in any of the leadership functions.

The democratic style of leadership refers to the situation in which the focus of power is more with the group as a whole and there is greater interaction within the group (Mullins, 2002). The functions of leadership will be shared with the subordinates and the manager is more part of a team. The views of the group members are considered before decisions are made or policies determined.

A laissez-faire style of leadership, also known as a genuine style, is where the manager observes that group members are working well on their own (Mullins, 2002). The manager makes a decision and passes the power to the group members to act on their own in a way that they think is best. The manager does not interfere in the way the subordinates carry out a particular task. However, he or she is readily available if the subordinates require any help. The word ‘genuine’ describes this style to contrast a manager who deliberately passes on responsibilities because he does not want to be involved. In other words, a laissez faire style of leader should not be confused with an ‘artful dodger’.
Solo Leader and team leader

Belbin identified two broad categories of leadership:
- The solo leader
- The team leader

The solo leader refers to an individual who does not like to pass on responsibility and therefore takes a direct approach. He or she prefers specific tasks and expects compliance. In times of crisis, such leaders have been effective because of making and implementing quick decisions. However, solo leaders are discarded if they fail.

The team leader, on the other hand, deliberately limits his role and allows subordinate participation in leadership functions. Such a leader builds trust in subordinates and recognizes their strengths and skills. As such, she delegates to those who are potential and hold competence.

Belbin suggests that the solo leadership is more familiar because such a leadership style commands faith in the leader. However, the growing uncertainties within and outside an organisation in today’s competitive world, has made team leadership quite popular.

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<th>Activity</th>
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Identify other factors that may have influenced writers to place attention on the styles of leaders. Do you think these factors, taken individually or as a combination, create resistance against a purely autocratic style of leadership?

*Hint: You may find it useful to refer to your essential reading text books.*

4.5 Contingency Approaches to Leadership

The failure to focus on situational factors - in the context of leadership success or failure by the preceding approaches - gave way for writers to combine leadership style and organisational situations. Contingency approaches refer to those models of leadership that describe the relationship between leadership styles and specific organisational situations (Daft, 2003). As such, a few models have been put forward in this respect. Fiedler’s Contingency theory, Hersey and Blanchard’s Situational Model and Path Goal Theory will be discussed below.

a) Fiedler’s Contingency Theory

Fiedler was the first to combine leadership style and organisational situation into a comprehensive contingency model. The outline of this model is basically that effective group performance can be achieved if a proper match between leader’s style and a situation exists. In simple terms, the style adopted by the leader will be effective only if it is appropriate in that particular situation.
As an initial step, Fiedler took effort to identify the style of a leader. This is because he believed that leadership style is a key factor in leadership success. Hence, in order to find out the basic leadership style, he created a questionnaire known as the Lease Preferred Co-worker questionnaire (LPC). The questionnaire contains sixteen contrasting adjectives. The respondents were then asked to think of all the co-workers they ever had. From these, they had to describe one person they did not enjoy working with by rating him on a scale of one to eight for each of the sixteen sets of adjectives. Based on the respondents’ answers, he determined their basic leadership style, and this was broadly categorised into two:

- Task oriented
- Relationship oriented

It must be noted that when Fiedler refers to a person’s basic leadership style, he believed that this style is fixed. That is, if for example, a person’s style of leading is task oriented and a more relationship-oriented leader is required, either the situation needs to be altered or the leader removed and replaced in a situation where she is most effective. In other words, the leader cannot alter his basic style of leadership to match the situation.

The next step in the model involves matching the leader with the situation. This involves defining the situation. Fiedler identified three dimensions or contingencies that define factors that determine leadership effectiveness.

- **Leader- member relation**- this refers to the degree of confidence and trust subordinates have in their leader and his or her feeling of being accepted by the group. This determines the leader’s effectiveness because if the manager is respected for his expertise and has the ability to get things done and recognizes group members’ strengths, then the manager need not solely rely on formal authority. However, if the subordinates are not confident and do not trust or respect their manager, he or she can only use formal authority in making them accomplish their tasks.

- **Task Structure**- refers to the extent to which tasks are specific and simple or complex and can be done in numerous ways. A specific task or a routine task is one in which performance goals are clearly defined. For example, make a hamburger in 20 seconds. Such a task will also have detailed instructions on how to perform the task. In such situations, managers will hold a great deal of authority because there are clear performance indicators by which to measure subordinate performance. That is, to check if the hamburger was made or not.

On the other hand, if the task is complex or non-routine, such tasks are considered to have a low degree of task structure. Managers who are social workers, marketing researchers perform jobs for which there are many ways to achieve the goal. That is, managers do not have clear guidelines by which to assess workers performance and on how best to proceed with a particular task. In such a situation, members of a group can disagree with or contradict leader’s instructions.
In short, when the task structure is high (highly defined and specified task), the situation is favorable to the leader; when low, the leader is considered to be in an unfavorable situation.

- **Leader Position Power** - this refers to the extent to which a leader holds coercive, reward or legitimate power to influence power variables such as hiring, firing, discipline, promotions and salary increases. As mentioned earlier, certain positions in an organisation carry a great deal of formal authority. However, in voluntary organisations, the formal power of the leader is relatively less over volunteer workers. In short, high position power would make the manager’s job simpler than if his position power were low.

The next step in the model is to evaluate the situation in terms of these three contingency variables. That is, leader-member relations are either good or poor, task structure is either high or low and position power is either strong or weak.

Based on this, Fiedler states that the control of a leader will be at its highest if leader-member relations were good, the task was highly structured and his position power were strong.

Example: Consider a payroll manager of an organisation. She is respected, trusted and highly accepted by her subordinates (good leader-member relations). The activities or tasks of her subordinates are wage computation, writing of cheques, report filing and so on, which are all specific and clear (high task structure). Further, her position in the hierarchy provides her significant freedom for her to reward and punish her employees (strong position power). Hence, the payroll manager is in a very favorable situation and would have a great deal of control.

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<tr>
<th>Activity</th>
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<tbody>
<tr>
<td>Think of an organisational situation that is unfavorable to a leader. Specify his post in the organisational hierarchy and give reasons as to why he is in an unfavorable situation. Evaluate the situation on the basis of the three contingency factors identified by Fiedler.</td>
</tr>
</tbody>
</table>

Once the situation is evaluated, the model proposes that the situation has to be matched with the leadership style in order to achieve leadership effectiveness. Altogether, by mixing the three contingency variables, there are potentially eight different situations or categories in which leaders could find themselves.
Leader member relations | Good | Good | Good | Poor | Poor | Poor | Poor | Poor
---|---|---|---|---|---|---|---|---
Task structure | High | High | Low | Low | High | High | Low | Low
Position power | Strong | Weak | Strong | Weak | Strong | Weak | Strong | Weak
Effective leadership style | T | T | T | R | R | R | R | T

T – Task oriented style  
R – Relationship oriented style

It can be seen from the above table that task oriented leaders perform most effectively in the most favorable situations, i.e., columns 1, 2 and 3, and in the least favorable situation, i.e. column eight in the table above. This is because in the most favorable situations, the leader is accepted and trusted (good leader-member relations), she has considerable freedom to reward and punish (strong position power) and subordinates’ tasks are clear and defined (high task structure).

In the least favorable situation, the leader is not accepted; there are numerous ways of performing tasks and the formal authority that the leader holds is low. In such instances, the only way of ensuring task accomplishment is to be a task-oriented leader.

Relationship oriented leaders on the other hand, are most effective in moderately favorable situations, that is, columns 4, 5, 6 and 7 in the table above. These are situations in which tasks are specific but the leader is disliked or situations in which tasks are unstructured but the leader is accepted. The only way of achieving results regardless of the situation is depending on group support and creativity. Hence, a relationship oriented leadership style.

In short, Fiedler states that task oriented leaders perform best in situations of high and low control; while relationship oriented leaders perform best in moderate control situations.

It must be noted that Fiedler believed that the basic leadership style of a person is fixed. Therefore, there are only two ways by which leader effectives can be achieved.

You can change the leader to fit the situation – This refers to an instance in which the leader is not effective in the current situation that he leads and is therefore transferred to a different situation in which his leadership style matches the situation that maximizes group performance. For example, if a group situation rates a moderately favorable situation but is presently led by a task-oriented leader, the performance of the group could be improved by replacing that manager with one who is relationship oriented.

You can change the situation to fit the leader – This is where the situation is altered to match the leader’s style to achieve results. This could be done by either restructuring
tasks or modifying the level of position power the leader holds to influence power variables such as salary increases, promotions and disciplinary actions.

**Conclusion**

Although the model is criticized for issues such as validity and reliability of the questionnaire that Fiedler used, the model serves as a helpful tool in understanding leadership. The greatest contribution of the model is that managers cannot be labeled as either good or poor. Instead, it is important to recognize that leader effectiveness depends on situational variables. That is, a leader who is not successful in a particular situation may be very effective if he was in a situation that fitted his basic style of leadership.

**Leadership effective, therefore, depends more on situational variables than on leadership style.**

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<th>‡ Activity</th>
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<tbody>
<tr>
<td>After finishing your essential reading on this section, discuss some of the practical problems of Fiedler’s contingency theory?</td>
</tr>
</tbody>
</table>

**b) Hersey and Blanchard’s Situational Model**

This is a contingency theory that focuses on the follower. Unlike Fiedler’s model, the situational theory assumes that leadership style can be varied and is not fixed. Hence, successful leadership is achieved by selecting the right leadership style, which, according to Hersey and Blanchard, depends on the level of the follower’s readiness. The focus on the followers in the effectiveness of the leader reflects the fact that the acceptance or rejection of a leader lies in the followers. Therefore, regardless of what the leader does, success as a leader depends on the actions of his or her followers. This is one aspect that has been either overlooked or not adequately focused in most leadership theories.

Readiness. As defined by Hersey and Blanchard, is hence the extent to which people have the ability and willingness to accomplish a specific task.

They identified four specific leadership styles. The most effective style depends on the readiness level of the followers. That is, their ability and their level of motivation. Hence, the theory states that if followers are unable and willing to perform a particular task, then the leader will need to provide specific and clear directions on how to perform a task. If followers are unable and willing, the leader needs to be task oriented to get followers to ‘buy into’ the leader’s desires. If followers are able and unwilling, the leader will need to adopt a participative and supportive style of leadership. If followers are both able and willing, the leader is able to pass on responsibility and authority to followers to perform the task; that is, delegate. In contrast to Fiedler, who believes that a leader’s style is relatively rigid, Hersey and Blanchard emphasize a leader’s flexibility to adapt to
changing situations. The four maturity levels as identified by Hersey and Blanchard are as follows.

**M1 - Low follower readiness** - refers to followers who are both unable and unwilling and who lack commitment and motivation; or who are unable and insecure.

**M2 - Low to moderate follower readiness** - refers to followers who are unable but willing, and who lack ability but are motivated to make an effort, or who are unable but confident.

**M3 - Moderate to high follower readiness** - refers to followers who are able but unwilling, and who have the ability and commitment to perform but are unwilling to apply their ability or who are able but insecure.

**M4 - High follower readiness** - refers to followers who are both able and willing and who have the ability and commitment to perform; or who are able and confident.

**M - Maturity Level of the follower**

For each of the maturity levels identified above, the appropriate leadership style is a combination of task behaviour and relationship behaviour. Task behaviour refers to the extent to which the leader guides and directs the followers, sets targets for them, defines their roles and how to undertake them. Relationship behaviour, on the other hand, refers to the extent to which the leader supports, encourages and recognizes them. From the combination of these two dimensions derive four leadership styles. The most effective leadership style corresponds with the readiness of the followers.

1. **Telling Style** - This amounts to high amount of task guidance but a low level of relationship behaviour. The followers are clearly instructed and directed by the leader. This style is most effective when the follower readiness is low (M1). Examples of such instances include a newly appointed employee in an organisation. This is because a new comer in an organisation does not exactly know the culture of the organisation and the way things are done within. However, his or her commitment, enthusiasm and energy levels will be quite high because they will want to perform. Their anxiety to get started and learn will require a lot of direction and instructions from the leader. Hence, a telling style of leadership will be most appropriate.

2. **Selling Style** - This emphasizes on high amounts of task behaviour and relationship behaviour. This style is most effective for low to moderate follower readiness (M2). This refers to a situation in which followers learn their tasks and a selling style is most appropriate because employees are not completely ready to accept total responsibility for getting the job done. However, the leader will need to be supportive in order to build confidence among the employees and maintain a high level of enthusiasm. This style encourages interaction between the leader and the followers and thus, improves confidence and motivation on the part of the employee, although the leader still holds ultimate responsibility and controls decision-making.
3. **Participating Style** - This focuses on a high amount of two-way communications and relationship behaviour for moderate to high follower readiness (M3). Once the group members are confident performing the tasks, the leader no longer needs to be directive. Decision-making and policy determination are shared between the leader and the subordinates.

4. **Delegating Style** - Both task behaviours and relationship behaviours are low and hence little direction or support is required from the leader. This style is most appropriate for high follower readiness (M4) because employees are competent as well as motivated to take full responsibility. The employees are allowed to decide on how, when and where the task is to be done.

The model has significantly contributed in the area of leadership in that it has adequately recognized the followers. Further, it states that ‘leaders can compensate for ability and motivational limitations in their followers’. In other words, if the leadership style is appropriate, then the maturity levels of the followers should be improved over time. Hence, as leader helps employees move high up his maturity level, his or her leadership style needs to evolve as well.

However, the model has also its limitations.

- Are situations so clear-cut so that managers can actually choose a leadership style appropriate for that situation? Certain people can adapt to situations more quickly than others.
- Certain factors such as personality traits and power base of the leader are ignored. Such factors may have a significant impact on the leader’s choice of style.
- Usually, managers lead a team and not an individual. This team may contain members of different maturity levels. In such a case, what would be the best style to adopt?

![Hersey Blanchard Situational Leadership Model](image)
The following table shows reasons for the readiness level of the employees.

### Follower Readiness

<table>
<thead>
<tr>
<th>High</th>
<th>Moderate</th>
<th>Low</th>
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<tbody>
<tr>
<td>M1</td>
<td>M3</td>
<td>M2</td>
</tr>
</tbody>
</table>

- Able and willing or motivated
- Able but unwilling or insecure
- Unable but willing or motivated
- Unable and unwilling or insecure

(Source: Mullins, 2002)

‡ **Activity**

The following are four case scenarios. Read the case and answer the question below.

1. Because of budget restrictions imposed on your department, it is necessary to consolidate. You have asked a highly experienced member of your department to take charge of the consolidation. This person has worked in all areas of your department. In the past, she has usually been eager to help. While you feel she has the ability to perform this assignment, she seems indifferent to the importance of the task.

2. The interdepartmental task force that you manage has been working hard to complete its division-wide report. You have been assigned a new task force member. He must complete some cost figures for his department by next week but knows nothing about the task force’s requirements or the format of the report. He is excited and enthused about learning more concerning his role on the task force.

3. Your staff has asked you to consider a change in their work schedule. In the past, you have encouraged and supported their suggestions. In this case, your staff is well aware of the need for change and is ready to suggest and try an alternate schedule.

4. Recently, you have begun to have trouble with one of the people you supervise. He shows a lack of spirit or interest, and only your constant prodding has brought about task completion. Because of past experience with him, you suspect he may not have all the expertise needed to complete the high priority task you have given him.

What is the most appropriate leadership style for each of the above situations? State reasons for your choice.

(Source: www.geocities.com/Athens/Forum/1650/htmlblanchard.html)
‡ Activity

How does this theory relate to the personnel and organisation of a navy war ship? Consider factors such as:
- Ranks and Paygrades
- Mess membership
- Watch organisation
- Delegation of authority

(Source: www.purdue.edu/nrotc/Classlinks/NS214/lectures/Lesson%204.ppt)

c) Path- Goal Theory

Another model that highlights the argument that situation is critical in determining the best leadership style is the Path goal theory developed by Robert House. The theory states that the responsibility of a leader is to enhance followers’ motivation by reducing the roadblocks for task accomplishment.

In simple terms, the job of a leader is to ‘pave the path’ for subordinates to achieve their tasks and thus attain both job satisfaction and high performance.

The following diagram illustrates the path goal theory process.
House identified four leadership styles, which should be determined by two contingency variables.

1. **Employee characteristics**- this refers to aspects such as locus of control, experience and the perceived ability of the employees. According to the model, subordinates will accept a particular leadership style if they view it as an immediate source of satisfaction or as necessary for future satisfaction.

   Example- In the case of an employee being fairly experienced in the job he or she performs and seeks responsibility and challenges, the manager would adopt an achievement-oriented style of leadership.

   However, if the employee is an individual who does not like to take risks and prefers not to accept responsibility, a more directive style of leadership would be appropriate.

2. **Task Characteristics**- This refers to the nature of the task, and includes factors such as the task structure, formal authority system and the work group.

   Example – subordinates who perform routine, highly specified and simple tasks will not be in favor of managers who supervise further. Although very close supervision can lead to increased performance, it may also result in job dissatisfaction. In such an instance, the manager should adopt a more supportive style of leadership in order to maintain subordinate satisfaction. However, on the other hand, if the task is complex, a directive style is appropriate to ensure that tasks are being accomplished.

Path Goal model does not specify the best way to lead. Instead, it stresses that an effective leader should select a leadership style most appropriate to a particular situation and the needs of the group members. The model identifies four leadership styles:

- Achievement Oriented Leadership
- Directive Leadership
- Participative Leadership
- Supportive Leadership

**Achievement Oriented Leadership**- This is the style of a leader who delegates and sets challenging goals. He or she expects subordinates to perform at their highest level. In order to make the followers perform, the leader shows confidence that they will meet this expectation. This style is used in situations where the followers are able and competent. The leader will only have to delegate and they will get to the task right away.

Example- a manager challenges a group of competent employees who are involved in a manufacturing process to cut costs down by 15% for the given period. The team will seek to accomplish the goal and keep up to the leader’s expectations because they know the leader has confidence in them. They would therefore, engage in coming up with cost cutting methods.
**Directive Leadership** - the leader in this case specifies what exactly has to be done to the employees. This style is similar to production-centered styles because it is very task oriented. The approach is very useful when dealing with new employees. However, this style may have to be used with limits because although it results in increased productivity, it may also cause job dissatisfaction when they are constantly being directed.

Example - newly appointed employees might need to be told how to perform a particular task and what exactly they could expect as a result, although they have the required skills.

**Participative Leadership** - this type of leader includes the views and opinions of the subordinates when making decisions. This style is most appropriate when the suggestions of the employees are important in a particular decision or when their acceptance is essential for the decision to be successful. This approach is also useful in situations where the relationship between the leader and the followers is good. Increased levels of group performance can be achieved when this style is adopted because employees feel a sense of importance when their views are taken into account.

Example - a fairly large organisation seeks to increase its market share. In order to achieve this, it intends on increasing its product portfolio. The leader of the marketing team would challenge his subordinates to devise and innovate new brands and other suggestions to increase market share. The response will be fairly positive because the members of the team will feel important in being a part of this and would hence make a bigger effort to innovate.

**Supportive Leadership** - this type of a leader is generally friendly and shows concern for followers’ psychological well being. This approach is similar to that of a relationship oriented leader. The style will be effective when performing structured tasks. It is also most appropriate in situations where the subordinates have competence but are not confident enough. The supportive style of leadership will motivate these individuals by making them believe that they have the potential. As a result, both employee performance and job satisfaction is likely to increase.

Example - a management trainee is creative and comes up with excellent promotional strategies. His senior has identified his capabilities and potential. However, the individual doubts his abilities. The senior would hence take a supportive approach when dealing with the management trainee so as to build confidence and support him in carrying out various tasks.

**Conclusion**
Research evidence supports the underlying argument of the path goal theory. That is, employee performance and satisfaction are likely to be positively influenced when the leader adopts one of the four styles that are most appropriate in the context of employee or task characteristics. However, it must be noted that the leader must be aware of the
extent to which he or she can practice the chosen style. For example, directive leadership style should not be practiced too much because employees may see it as insulting.

In simple terms, the path goal model suggests that the leader should make way for employees to perform their tasks and assist them, if necessary, so as to ensure that activities fall in line with overall corporate objectives.

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<tr>
<td>Martin Luther King was a great civil rights leader during the 1950s and 1960s. Do you think he would have been a great civil rights leader during 1900s? Justify your argument.</td>
</tr>
<tr>
<td>Mother Teresa is considered to be a great leader. Do you think she would have still been successful if she were born in a different period of time? Does the time period really matter to her success or was it her personality that explained her success?</td>
</tr>
<tr>
<td>Compare both leaders when expressing your arguments.</td>
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4.6 Change Leadership

Management is described as the functions of leading, planning, organizing and controlling. However, leadership today is regarded as a quality that inspires and motivates people beyond their normal performance levels. This is because leadership today is particularly important in organisations that operate in highly volatile environments. As such, leaders in these types of organisations need to constantly focus on meeting the needs of demanding customers, keep employees motivated and satisfied, remain competitive in a global, information-based environment (Daft, 2003).

Hence, this style of leadership that is required to manage constant change is known as change leadership.

Three types of change leadership will be discussed in detail.

a) Charismatic and Visionary Leadership
b) Transformational leaders
c) Level 5 Leadership Style

a) Charismatic and Visionary Leadership

‘Charismatic leadership theory states that followers make attributions of heroic or extraordinary leadership abilities when they observe certain behaviours’ (Robbins, 2001). A charismatic leader is therefore, one who has the ability to motivate followers to exceed their expected performance. Followers go to the extent of doing more than what they are normally expected to do, for the benefit of the department or the organisation. Such leaders create an atmosphere of change and are constantly focused on visionary ideas that
stimulate and drive their subordinates to work hard. Examples of charismatic leaders include Martin Luther King, John F. Kennedy, and so on.

Charismatic leaders influence their employees by expressing an appealing vision, which provides a sense of stability for subordinates. The leader then communicates to them the high performance that is expected of them and shows confidence that group members can accomplish them. As a result, motivation and moral of the employees are enhanced which drives them to get about doing what is required to attain the vision.

Although charismatic leadership may not always be needed to achieve high levels of employee performance, lack of charisma in a leader has resulted in negative outcomes.

Example- General Motors’ failure to directly address its problems in the late 1990s, such as GM’s inability to launch new vehicles on time, deep-seated aversion to change, and adverse financial performance, were frequently attributed to CEO John Smith Jr. and his lack of charisma (as cited in Robbins, 2001).

Visionary Leadership goes beyond charisma. It refers to the ability of the leader to create and articulate a ‘realistic, credible, attractive vision’ of the future that is growing by taking advantage of the present. Such leaders see beyond current realities. A vision is hence an attractive ideal future that is realistic but not readily attainable.

Charismatic leaders are often skilled in the art of visionary leadership because they have a strong vision for the future and are able to motivate followers to realize the vision. This is because they have a strong emotional force on subordinates and are able to communicate the vision they believe in to others in a way that makes the vision real and meaningful to others. Although charismatic and visionary leadership can be generally used for positive outcomes, it is also used for purposes that lead to deception and exploitation of others.

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<tr>
<td>Think of other charismatic leaders and discuss the extent to which they are successful. Is the leadership style used for a positive outcome?</td>
</tr>
<tr>
<td>In the previous activity you discussed the success of Mother Teresa as leader and may have concluded that she would have been successful whatever time period she was born. Do you think this is because she had charisma and visions?</td>
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</table>

b) Transformational Leaders

Transformational leaders are similar to charismatic leaders but differ is the aspect that they hold a special ability to bring about innovation and change (Daft, 2003). They do this by identifying subordinates’ needs and concerns, making them look at old problems in new ways, and encouraging them to question the status quo. Such leaders have the
ability to manage change and implement it effectively in the organisation’s mission, strategy, culture and structure, as well as innovate both products and technologies. They emphasise on vision, shared values and ideas to build relationships.

‘Employees are rewarded for putting both their hearts and minds into their work’.

*Example*- Richard Branson of the Virgin Group, pays attention to the concerns and development needs of employees. He is able to excite, inspire and arouse individuals to put increased effort for task accomplishment.

c) Level 5 Leadership Hierarchy

The concept of leadership is changing because of rapid changes in the environment and organisations. Factors such as globalisation, e-commerce, and e-business have required changes in the practice of leadership. One area for leadership in the ‘New Workplace’ is a concept referred to as Level 5 leadership.

This is a recent five-year study carried out by Jim Collins who argues that this concept is crucial in transforming companies from ‘merely good to truly great organisations’. In his book Good to Great, he describes level 5 leadership as the highest level in a hierarchy of manager capabilities. The most important characteristic of level five leaders is that they completely lack ego and accept full responsibility for mistakes.

*Example*- leaders who refuse to accept credit for the company’s long-term success, citing their colleagues, subordinates and predecessors as the reason for the accomplishments.

Although they are down to earth, Level 5 leaders are determined in producing results for their organisations. They are ambitious for their organisations than for themselves. Such leaders develop other leaders throughout the organisation during the process of their work. As such, their retirement from the company will not affect the organisation adversely. Instead, it can continue to prosper and grow even stronger.

Hence, instead of the organisation built around one significant individual, Level 5 leaders build an organisation with many leaders who can step in and continue the company’s success.

**In short, level 5 leaders want every single individual in an organisation to develop to their fullest potential.**

4.7 Contemporary Views of Leadership

As mentioned earlier, the practice of leadership in modern organisations different in that the emphasis is on challenging the frequently occurring element of change. This is because the environments that organisations operate in today are highly volatile. As such, the needs and concerns of employees too have altered accordingly. However, this is not to say that the theories discussed above are useless in analyzing leadership. Their
An interesting view put forward by General Collin Powell will be very useful in understanding contemporary views of leadership.

General Collin Powell, Chairman (Ret), Joint Chiefs of Staff, presents a ‘leadership Primer’. He goes about doing this by putting forward eighteen distinct, as he calls it, for effective leadership.

Lesson 1

‘Being responsible sometimes means pissing people off’.

This basically highlights the fact that being a good leader, i.e. being responsible, may not mean popularity for him or her. However, he says, it is worth continuing to do it because just trying to be liked by everyone may only result in a situation where the leader avoids tough decisions, avoids offering differential rewards based on differential performance, which may all result negatively.

Lesson 2

‘The day soldiers stop bringing you their problems is the day you have stopped leading them. They have either lost confidence that you can help them or concluded that you do not care. Either case is a failure of leadership’.

This emphasizes the importance of two-way communication and not just a downward flow of orders. He says, ‘real leaders make themselves accessible and available’. The importance of a leader to be a good leader despite being a demander of high standards is also focused in this lesson.

Lesson 3

‘Don’t be buffaloed by experts and elites. Experts often possess more data than judgment. Elites can become so inbred that they produce hemophiliacs who bleed to death as soon as they are nicked by the real world.’

He outlines the argument that small companies do not have the resource availability or the time for experts and high levels of specialization. It goes to the extent of even the chairman answering telephone calls. This he says vanishes when organisations grow in size. The gap between the top and the bottom –line widens, and hence forgotten that at the end of the day, it is the bottom-line that really does the work. A good leader would therefore try to be the bridge of this gap so as to reinforce ‘all-hands involvement’.

Lesson 4

‘Don’t be afraid to challenge the pros even in their own backyard.’
This specifies that leadership does not mean ‘blind obedience to anyone’. Instead, it encourages the development of everyone involved.

**Lesson 5**

‘*Never neglect details. When everyone’s mind is dulled or distracted the leader must be doubly vigilant.*’

Here he emphasizes on the importance of implementation of any strategy or policy. Further, he argues that tasks should be delegated; yet attention should be paid to details.

**Lesson 6**

‘*You don’t know what you can get away with until you try.*’

He believes that a good leader ‘tries things out’ for the benefit of the organisation instead of waiting for permission that you might end up never getting. ‘*The moral is therefore, don’t ask.*’

**Lesson 7**

‘*Keep looking below surface appearances. Don’t shrink from doing so (just) because you might not like what you find.*’

The emphasis here is to be pro-active because today’s realities may not continue in the smooth way you might want it to be. Hence, looking at the worst-case scenarios that may occur in the future and taking pro-active steps to resolve problems as they emerge is useful.

**Lesson 8**

‘*Organisation doesn’t accomplish anything. Plans don’t accomplish anything either. Theories of management don’t much matter. Endeavors succeed or fail because of the people involved. Only by attracting the best people will you accomplish great deeds.*’

Lesson eight highlights the significance of human resource of an organisation, and that without this valuable resource plans, strategies and ideas wouldn’t accomplish much. Hence, it is important for leaders to recognize the strengths of their subordinates and see that such employees are attracted, developed and maintained in the organisation.

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Eight of the eighteen lessons put forward by General Collin Powel were briefly outlined above. You are required to refer the presentation ‘A leadership Primer, General Collin Powell’.

Discuss and write what each of his lessons implies. In groups, take each of his lessons and apply it to a fairly large organisation. Present your arguments based on the analysis you carried out.

Do you think this criteria for good leadership is applicable to,
1. Any type of employee
2. Any situation
3. Any type of organisation, i.e. whether manufacturing or service.

State your conclusions clearly with examples, after your analysis,
Summary of Chapter

Understanding Leadership

Definitions
(Remember at least two definitions and their source)

Power Bases

Personal Position

Theories

Trait Functional Behavioural Contingency

Other Contemporary Views

Fiedler’s Theory Situational Leadership Path-Goal Theory

Change leadership

- Charismatic and Visionary Leadership
- Transformational Leaders
- Level 5 Leadership Hierarchy
Chapter 02
Application of Leadership Skills to Marketing Situations

This chapter will cover

1. Leadership to Achieve Market Leadership
2. Leadership to Face Market and Environmental Disasters
3. Leadership to Face Competitor Challenges
4. Leadership to Initiate Change
5. Leadership to Manage Cross Functional Teams
6. Leadership in Creating High Performance Teams

1. Leadership to Achieve Market Leadership

In the previous section, the basics of leadership were discussed. One of the areas that were discussed included the differences between leadership and management. Understanding these differences clearly, is vital for this section. It is therefore advisable to refer back and reinforce the differences.

An organisation that holds a significant share of the market it operates in and therefore dominates it is known as a market leader. Most organisations strive to achieve this position and are hence constantly involved in increasing their market share through various means such as diversification of products, markets and so on. However, only some organisations succeed in reaching this target while most fail. According to Kotter, this is because of the difference between leadership and management.

A target that an organisation sets to become a market leader is referred to as a vision. Vision can be described as the manner in which one sees or conceives of something. In other words, in an organisational point of view, a dream that could be accomplished. The accomplishment however depends on the common direction that everyone concerned in an organisation take towards achieving a common goal.

The achievement of this depends on successful leaders. This is because it is a leader who sets direction while manager plans. Planning and directing are not the same. The former refers to a management process that is deductive in nature and designed to produce orderly results. The latter is more inductive whereby the leader collects a broad range of data and studies it to find patterns and relationships and explains things. Further, a leader does not plan. Instead, he or she creates vision and strategies.

It must be noted however that developing visions is not a task solely done by a few who have inborn leadership traits. It is of course a tough and exhausting process. Individuals who come up with reasonable visions are people who are strategic thinkers who are
willing to take risks. Success of an organisation heavily depends on such qualities, which are mostly evident in leaders. This explains the reason why most successful corporations constantly develop individuals to develop potential leadership qualities and thus increase the supply of leaders in their organisation, instead of waiting for leaders to come along.

Also, visions are not necessarily innovative; some of the best visions are not for that matter. Instead, good and effective strategies and visions consist of ideas that are already well known.

**Example:** When CEO Jan Carlzon articulated his vision to make Scandinavian Airline System (SAS) the best airline in the world for the frequent business traveller, he was not saying anything that everyone in the airline industry did not already know. According to him, business travellers fly more consistently than other market segments and are generally willing to pay higher fares. Thus focussing on business customers offers an airline the possibility of high margins, steady business and considerable growth. But in an industry known more for bureaucracy than for vision, no company had ever put these simple ideas together and dedicated itself to implementing them. SAS did it, and it worked


Hence, it was dedication from all members of an organisation that was required for an organisation to be a successful leader.

However, it is not to say that any organisation that wishes to gain majority market share within a period of time, is an organisation with a vision. A good vision serves the interests of important constituencies such as customers, employees and the extent to which the vision is translated into a realistic competitive strategy. A company that has never been better that a weak competitor in an industry is considered to have a pipe dream and not a vision, if it suddenly sets a target of becoming number one.

Success of becoming a market leader therefore lies in setting directions and thus aligning people. This should not be confused with organising and staffing. A manager does the latter while a leader aligns people. Aligning people involves getting people move in the same direction whereas organising is creating human systems that can implement plans as sufficiently as possible.

‡ **Mini Case 1**

P&G has experienced competition for its high quality, reasonably priced and well marketed consumer goods for about 20 years after its founding in 1956. However, by the 1970s, this was not so. Competition increased rapidly that the company’s market share fell for disposable diapers from 75% in the mid 70s to 52% in 1984.
A new general manager, Richard Nicolosi, was appointed. He found certain problems within the organisation, such as too much bureaucracy and centralisation. He immediately identified that just trying to be a low-cost producer was not sufficient enough. Becoming more creative and market driven were also vital, according to him. ‘I had to make it very clear that the rules of the game had changed’, he later reported.

(Source: Harvard Business School Publishing, Article 03)

1. Explain how Nicolosi would have changed the existent position of the organisation to establish the culture he thought would improve organisational performance.

2. What other strategies could he have adopted to be successful in becoming a market leader?

(Hint: You may find it useful to refer the Harvard Business Review Articles outlined in your essential reading)

2. Leadership to face Market and Environmental Disasters

It was mentioned in the earlier section that ‘the idea of getting people moving in the same direction appears to be an organisational problem’. The solution to this was aligning employees rather than organising them. This is what real leaders do; align.

Organisations today operate in highly volatile markets and face frequent environmental shocks. One of the reasons some organisations have difficulty adjusting to rapid changes in markets or technology is that so may employees in those companies feel relatively powerless. Their experience shows that even though they correctly perceive external threats and initiate appropriate actions, they are vulnerable to someone higher up who does not like what they have done.

Reprimands take different forms: ‘That’s against policy’, or ‘We can’t afford it’, or ‘Shut up and do as you are told’.

Aligning employees leads to empowerment in a way that organising rarely does. As such, alignment helps overcome this problem by empowering people in at least two ways.

1. When a clear sense of direction has been communicated throughout the organisation, lower-level employees can initiate actions without the same degree of vulnerability. Superiors will have more difficulty reprimanding them if employees’ behaviour is consistent with the vision.

2. It becomes less probable that one person’s initiative will be stalled when it comes into conflict with someone else’s because everyone is aiming at the same target.
One of the most frequent mistakes organisations make is over planning. That is, most organisations spend a lot of time planning for the long term. According to Kotter, this is time consuming. This is because whenever something unexpected happens, plans have to be re-done. In a dynamic business environment, the unexpected often becomes the norm and plans become an unwanted activity. This is the reason why most successful organisations limit their time frame of their planning activities.

Good leaders do not over plan. Rather they manage environmental uncertainties effectively as and when they occur. This is not to say planning is unnecessary. But planning without direction will not serve its purpose.

‘Planning works best not as a substitute for direction setting but as a complement to it’.

3. Leadership to Face Competitor Challenges

Competitor challenges are a type of environmental uncertainty today. Managing pressure faced from increased competition in an industry is one of the biggest challenges faced by organisations today.

It was mentioned in the previous chapter that the effective leaders are alike because they all have a high degree of emotional intelligence. Self-regulation, which is an inner conversation, is the component of emotional intelligence that frees us from being prisoners of our feelings.

Managing competition effectively is can determine success, Self- regulation is hence, important for competitive reasons.

‡ Mini Case 2

When Lou Gerstner became president of the Travel Related Services (TRS) arm at American Services in 1979, the unit was facing one of the biggest challenges in Am Ex’s 130-year history. This is because competition in the industry with regard to the card sector was intense. This increase in competition reduced margins and prohibited growth.

However, Gerstner viewed the business in a different angle. Before joining American Express, Gerstner spent five years studying the market and the industry in great detail, during which process he began to craft a vision of TRS that looked nothing like a 130-year old company in a mature industry.

He identified that the organisation had full potential to become a dynamic and growing enterprise. The key, he thought, was to focus on the global market place. He adopted many strategies that would enable realisation of this potential.

New product launches, further segmentation of markets, breakdown of unnecessary
bureaucracies were some of the strategies that he implemented in the process to develop the organisation.

As a result of these innovations, TRS’s net income increased a phenomenal 500% between 1978 and 1987- a compound annual rate of about 18%.

(Source: Harvard Business School Publishing, Article 03)

Do you think it was Gerstner’s leadership qualities that helped him to develop the organisation by managing the pressure from competition? Why?

(Hint: You may find it useful to refer the Harvard Business Review Articles outlined in your essential reading)

4. Leadership to Initiate Change

Most industries today operate in highly volatile markets and business today is rife with ambiguity and change. Companies merger and break apart regularly. Leaders with a high degree of emotional intelligence, do not panic when a new change programme is announced; instead they are able to suspend judgement, seek out information, and listen to executives explain the new programme. In a frequently changing environment as todays, ‘rolling with changes’ is necessary.

Hence, self- regulation is more of an organisational strength that a personal virtue.

‡ Mini Case 3

Shenali Perera is a manager of a leading manufacturing company. Like her colleagues, she had used a certain software program for five years. The program drove how she collected and reported data and how she thought about the company’s strategy. One day senior executives announced that a new program was to be installed that would radically change how information was gathered and assessed within the organisation. While many people in the company complained about how disruptive the change would be, the manager mulled over the reasons for the new program and was convinced of its potential to improve performance. She eagerly attended training sessions and was eventually promoted to run several divisions, in part because she used the new technology so effectively.

(Source: Aadopted from Harvard Business School Publishing, Article 04)

‘People who have mastered their emotions are able to roll with changes. They don’t panic’. Discuss.

(Hint: You may find it useful to refer the Harvard Business Review Articles outlined in your essential reading)
4. Leadership to Manage Cross Functional Teams

To face today's complex challenges, organisations need to incorporate a wide range of styles, skills, and perspectives.

When seeking to change an organization, it’s strategy or processes, leaders run into Newton's law that a body at rest tends to stay at rest. To achieve change, you should start with assembling a cross-functional team of like-minded colleagues to scale the cultural barriers and create change.

In the new era of systemic innovation, it is more important for an organization to be cross-functionally excellent than functionally excellent. Firms, which are successful in realizing the full returns from their technologies and innovations, are able to match their technological developments with complementary expertise in other areas of their business, such as manufacturing, distribution, human resources, marketing, and customer relationships. To lead these expertise development efforts, cross-functional teams, either formal or informal, need to be formed. These teams can also find new businesses in white spaces between existing business units.

Two important components of emotional intelligence that leaders should possess to manage relationships with others are empathy and social skill. For a leader, empathy doesn’t mean adopting other people’s emotions, as one’s own and trying to please everybody. Instead, it refers to thoughtfully considering employees feelings- along with other factors- in the process of making intelligent decisions.

Empathy is particularly important in leaders today for three distinct reasons;
1. The increase use of teams
2. The rapid pace of globalisation
3. Growing need to retain talent

One of the biggest leadership challenges is leading a team. Leading and managing teams gets harder as the size of the team increases. Even in groups with as few as four or five members, subgroups form and conflicts occur. A team’s leader must be able to sense and understand the viewpoints of everyone around the table.

Leaders with empathy do more than sympathize with people around them: they use their knowledge to improve their companies in subtle but important ways.

‡ Mini Case 4

As far as Jack Welch, the legendary former CEO of GE, is concerned, middle managers have to be team members and coaches. Welch gives a hypothetical example. Assume there is a multifunctional business consisting of engineering, marketing, and manufacturing components. And the business has the best manufacturing person it has ever had - someone with excellent numbers, who produces high-quality goods on time:
"But this person won't talk with people in engineering and manufacturing. He won't share ideas with them, and won't behave in a boundary less way with them. But now we're replacing that person with someone who may not be quite a perfect but who is a good team player and lifts the team's performance. Maybe the predecessor was working at 100% or 120%, but that person didn't talk with team members, didn't swap ideas. As a result, the whole team was operating at 65%. But the new manager is getting 90% or 100% from the whole total. That was a discovery."

(Source: http://www.1000ventures.com/business_guide/crosscuttings/cross-functional_teams.html)

1. Is social skill considered a key leadership capability in most companies? Argue.

(Hint: You may find it useful to refer the Harvard Business Review Articles outlined in your essential reading)

5. Leadership in Creating High Performance Teams

Social skill, as a component of emotional intelligence that successful leaders need to possess, is friendliness with a purpose: moving people in the direction that leaders desire, whether that’s a new marketing strategy or enthusiasm about a new product. However, it is not to say that socially skilled leaders socialize continually; it means they work according to the assumption that nothing important gets done alone. Such people have a network in place when the time for action comes.

Effective leaders are reasonable and are able to create an environment of trust and fairness. In such an environment, politics and infighting are sharply reduced and productivity is high. Talented people flock to the organisation and are not tempted to leave.

‘Fewer bad moods at the top mean fewer throughout the organisation’.

If there is one trait that virtually all effective leaders have, it is motivation. They are driven to achieve beyond expectations- their own and everyone else’s. This trait within leaders helps achieve results. This is because if a leader sets the performance bar high for herself, she would do the same for the organisation if she is in a position to do so.

Likewise, when leaders show commitment and the drive to surpass goals, so would the members. Subsequently, leaders with these traits can build a team of managers around them with the same traits. Characteristics such as organisational commitment are fundamental to leadership.
Mini Case 5

An executive has just watched a team of his employees present a botched analysis to the company’s board of directors. In the gloom that follows, the executives might find himself tempted to pound on the table in anger or kick over a chair. He could leap up and scream at the group. Or he might maintain a grim silence, glaring at everyone before stalking off.

Another type of manager would pick his words carefully, acknowledging the team’s poor performance without rushing into any hasty judgement. He would then step back to consider the reasons for the failure. Are they personal- a lack of effort? Are there any mitigating factors? What was his role in the debacle? After considering these questions he would call the team together, lay out the incident’s consequences, and offer his feelings about it. He would then present his analysis of the problem and a well-considered solution.

(Source: Harvard Business School Publishing, Article 04)

1. Which manager do you think is behaving practically? Why?
2. What factors distinguish the two types of managers in terms of their behaviours and reactions?
3. Who do you think will eventually create high performance teams? Justify your arguments.

(Hint: You may find it useful to refer the Harvard Business Review Articles outlined in your essential reading)

Good leadership was once solely attributed to technical ability. But the recipe would not be complete without an important ingredient called emotional intelligence (which will be discussed in detail in the following chapter). It was also thought that the components of emotional intelligence ‘were nice to have’ in business leaders. However, with regard to today’s contingencies and for the sake of performance, these are ingredients that ‘leaders need to have’.

Leadership in Action - Articles

Unleash The Leaders In Your Midst by Brian Ward

"Somehow I can't believe that there are any heights that can't be scaled by a man who knows the secrets of making dreams come through. This special secret, it seems to me, can be summarized in four Cs. They are curiosity, confidence, courage, and constancy, and the greatest of all is confidence. When you believe in a thing, believe in it all the way, implicitly and unquestionably" - Walt Disney

Not every manager becomes a leader, and not every person who makes the decision to be a leader needs to become a manager. This statement confuses many people in management positions, but makes perfect sense to every leader I know. If you feel
confused by this, then perhaps you need to explore and understand the difference between leading and managing...

Leadership is a decision, not a position

Leaders provide an inspiring focus that attracts followers. I call this the attraction principle. Think of Gandhi, Kennedy, Mandela, as examples of leaders who attracted a great following. The same can be observed in the business world. Business leaders such as Disney, Walton, and Welch all knew what it was they wanted to create. They had big ideas whose time had come. When they attracted followers, they did so because they offered meaning and hope. And they believed in what they were attempting to achieve, implicitly and unquestionably.

Do you want to become a leader?

You may already be a manager, but being appointed into a management position will not qualify you as a leader. Having a big idea and attracting followers to it most certainly will. So if you want to be a leader, start by asking yourself what it is you wanted to create. Ask yourself 'what is it I would want to ACHIEVE if I knew, if I absolutely knew, that I could not fail?" (Just making budget each quarter does not qualify.) For example, Sam Walton in the early days of Wal Mart knew that he wanted to create an organization that would be the #1 discounter in small town America. Jack Welch set his sights firmly on GE being the #1 or #2 in each business sector that they operated in. Walt Disney just wanted to 'make people happy'.

Three characteristics in particular are evident with these stated aims. They are:

- Simple
- Challenging
- A meaningful end result

These leaders avoided being too precise, because they wanted to give themselves, and their followers, lots of room for innovation and creativity, lots of 'elbow room'. Yet their focus was clear. They demonstrated that you could have a clear focus without being too specific or directive. They also knew that followers needed to be leaders also, because each of them would need to attract other followers, in fact making the whole thing 'viral'.

Anyone can be a leader

As you examine these seven points, you will probably notice that you don't have to be in a management position to pursue them.

A case in point is Rosa Parks. In December 1955, Rosa, a 43 year old seamstress found her passion, her focus. Rosa, an African-American, lived and worked in Montgomery, Alabama. Segregation between whites and African-Americans was enshrined in law back then. One particular city ordinance related to the public transport system. It stated that white people had the right to sit in the front of the bus, black people in the rear. If a white person boarded the bus and no seats were available, a black person had to give up their seat. Rosa decided she had had enough of this type of unfair treatment. She refused to give up her seat, and was arrested for her 'crime'. It made headline news, and brought to the forefront a certain Baptist Minister...Dr. Martin Luther King. The rest as they say is history. Rosa still works for fairness and equality and a better life for African-
Americans, especially young people. Rosa never lost her focus, her passion.

What's your passion?

So what is your passion? If you are a manager, consider the possibilities if each and every member of your team were to become a leader in their own right...if you helped them find their passion, their focus? What if you had a team of leaders, who all had complementary visions of what they wanted to create? Imagine the possibilities!

When we work with clients, we emphasize this by saying 'leadership is a decision, not a position' - anyone can become a leader, and in our workshops it is so encouraging seeing people emerge as passionate, focused leaders.

Lead people, manage things

Some managers we come across fear the 'consequences' of unleashing leaders in their midst, mostly because they have not discovered their own passion, their own focus. They feel threatened and insecure, and they try to hide it by acting tough. They try to manage people, just like they manage things. They take the axiom 'people are our greatest asset' literally and treat people like they treat objects. When they meet with resistance, these managers then reach out to techniques and fads. The result is pitiful and sad...low morale, poor alignment, and lackluster performance. Leaders on the other hand know that the relationship they have with people is their greatest asset.

Are you ready to make the decision? Now you can of course, if you want to take the safe, expedient route, decide to be a manager. The choice is yours. Being a manager (and not a leader), has its consequences too, as author Katherine Hathaway put it…

"If you let your fear of consequences prevent you from following your deepest instinct, your life will be safe, expedient and thin"

Becoming a leader, like Walt Disney said, takes curiosity, courage, constancy and above all confidence. Are you ready to make the decision to be a leader, and to unleash the leaders in your midst? Do you have the confidence in yourself?

Seven points to ponder

So here are seven points to ponder as you consider becoming a leader who attracts an army of followers:

1. Know your authentic self and what it is that you want to create.
2. Make it meaningful and challenging. Above all be passionate about it.
3. State it in simple terms.
4. State it as a measurable (or at least observable) outcome.
5. Ask yourself 'will this get me up in the morning?'
6. Ask yourself 'will this sometimes keep me awake at night?'
7. Announce it to the world and believe in it implicitly and unquestionably.

These seven points will start you on your leadership journey, or help you restart it if you are stuck. Remember, believing in yourself and your focus, implicitly and unquestionably, is the first step if you are to succeed as a leader, assuming of course that you have made the decision to be one.
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Emotional Intelligence for Marketers
Chapter 03
Understanding Emotional Intelligence

This chapter will cover

1. Meaning of Emotional Intelligence
2. Framework of Emotional Intelligence
3. Emotional Intelligence at the Work Place
4. Best Practices to Harness EI at Work

1. Meaning of Emotional Intelligence

In the previous chapter, the term emotional intelligence was often used. You may have gathered an understanding of this concept due to the frequent use and the context in which it was used. However, a clear understanding of it must be reached.

Emotional Intelligence doesn't mean being soft – it means being intelligent about emotions – a different way of being smart. Emotional intelligence is your ability to acquire and apply knowledge from your emotions and the emotions of others in order to be more successful and lead a more fulfilling life.

There are five parts to it:

1. Knowing what you're feeling.
2. Managing your feelings, especially distressing feelings.
3. Self-motivation
4. Empathy
5. Managing relationships.

The concept of Emotional Intelligence is based on brain research. Research shows that these skills are different from technical and purely cognitive abilities because they involve a different part of the brain – the emotional centre rather than the neocortex.

‡ Activity

You might have noticed that it is difficult to formulate a clear definition of the term emotional intelligence. However, the writers of the concept have certain common characteristics when explaining what EI means. Referring to the essential reading identified in your syllabus outline and other articles, formulate your own definition of EI in an organisational context.
1.1 Why Emotional Intelligence is Important?

Goleman argues, in his article on ‘What makes a leader’, that different contingencies call for different types of leadership. His study shows that most effective leaders are common in one aspect; they all hold a high degree of emotional intelligence. While identifying this important element, his study also proved the importance of it.


"... when I calculated the ratio of technical skills, IQ and emotional intelligence (identified in competency models from 188 companies) as ingredients of excellent performance, emotional intelligence was twice as important as the others for jobs at all levels. ...Moreover, my analysis showed that emotional intelligence played an increasingly important role at the highest levels of the company, where differences in technical skills are of negligible importance …"

"...In short, the numbers are beginning to tell us a persuasive story about the link between a company's success and the emotional intelligence of its leaders. And just as important, research is also demonstrating that people can, if they take the right approach, develop their emotional intelligence."

His analysis further extended to highlighting the important role EI plays higher up the hierarchy where differences in technical skills are of negligible importance. This has even stretched to where statistics show that the level of EI may be directly related to company success.

‡ Activity

*The concept of Emotional Intelligence is fairly modern*

To what extent do you believe that EI is an important element in judging the effectiveness of a leader?

Does it mean, then that leaders who existed before the evolution of such a concept were relatively ineffective leaders?

Discuss and justify your arguments in relation to contingency variables as well. You may relate any leadership theories you have learnt in previous chapters.
1.2 Positive Impacts on Business

Emotional Intelligence (EI) abilities have been shown to be critical to individuals' and organizations' success. Developing and using Emotional Intelligence skills offers a set of core abilities that impact many business issues important to individual and organizational success.

- **Personal Productivity**
  EI skills allow people to think more clearly under pressure, eliminating time wasted by feelings of anger, anxiety, and fear.

- **Developing Leaders**
  Emotional Intelligence is more than 85% of what enables "star performers" to develop into great leaders.

- **Career Success**
  Emotional Intelligence, as a determinant of high performance, is *twice as important as technical and cognitive skills combined*!

- **Team Performance**
  People with high EI skills get along better and don't let anxieties and frustrations get in the way of efficiently solving problems.

- **Motivation/Empowerment**
  Developing EI skills increases the understanding between people, which minimizes time, wasted arguing and defending turf.

- **Difficult Clients/Teams**
  People with high EI skills positively impact every person they contact. They are the role models of excellent performance.

- **Customer Satisfaction**
  Excellent customer service is based on sincere care. High EI skill people take care of themselves and extend sincere care to others.

- **Creativity & Innovation**
  People with high EI skills calm and clear their minds quickly and easily opening the way for insight and intuitive, creative ideas.

- **Time Management**
  People with high EI skills do not waste time worrying, arguing, second-guessing themselves. They choose productive behaviours.

- **Talent Retention**
  Leaders with high EI skills have been shown to be the best, most effective bosses, the kind talented people want to work for.
• **Work/Life Balance**
  Improved personal productivity and improved staff performance means people can confidently leave work at a reasonable time.

• **Stress Reduction**
  People with strong EI skills easily handle emotions of anxiety, frustration, and fear that cause stress in today's work world.

‡ **Activity**
In what ways do you think the marketing manager of a large establishment would benefit if he has a high degree of emotional intelligence? How do you think these benefits that were identified will help his leadership quality?

Discuss and justify.

### 1.3 Negative Impacts on Business

Unmanaged emotional reactions and lack of emotional intelligence skills in business is widespread and significant. Unmanaged emotional reactions or lack of emotional intelligence skills by executives and employees at all levels can lead to:

- Lack of innovation and creativity
- Unsuccessful reengineering and process improvement initiatives
- Decreased productivity
- Decreased customer satisfaction and customer loyalty
- Career derailment
- High turnover
- Stalled change initiatives
- Declines in revenue
- Increases in stress and healthcare costs
- Negative organizational climate/culture
- Workplace violence

‡ **Activity**
Assume the marketing manager of the large establishment does not possess the quality of emotional intelligence. In what ways do you think this will harm his designation and the effects to the organisation? How would this disturb his leadership and therefore the productivity levels of his subordinates?

### 1.4 Historical Development of Emotional Intelligence

When psychologists began to write and think about intelligence, they focused on cognitive aspects, such as memory and problem solving. However, there were researchers who recognized early on that the non-cognitive aspects were also important.
For instance, David Wechsler defined intelligence as "the aggregate or global capacity of the individual to act purposefully, to think rationally, and to deal effectively with his environment". As early as 1940 he referred to "non-intellective" as well as "intellective" elements, by which he meant affective, personal, and social factors. Furthermore, as early as 1943 Wechsler was proposing that the non-intellective abilities are essential for predicting one’s ability to succeed in life.

‡ Activity

David Wechsler’s argument is highlighted in the article’ Emotional Intelligence: What it is and Why it Matters’. You are required to read the article, as identified in your essential reading, before proceeding. What is his basic argument on the importance of EI?

Wechsler was not the only researcher who saw non-cognitive aspects of intelligence to be important for adaptation and success. Robert Thorndike, to take another example, was writing about "social intelligence" in the late thirties. Unfortunately, the work of these early pioneers was largely forgotten or overlooked until 1983 when Howard Gardner began to write about "multiple intelligence." Gardner proposed that "intrapersonal" and "interpersonal" intelligences are as important as the type of intelligence typically measured by IQ and related tests.

The origination of the concept can also be viewed when considering the direction of Hemphill, the Ohio State Leadership Studies in the 1940s. The study suggested that "consideration" is an important aspect of effective leadership.

‡ Activity

The Ohio State study was discussed in length in the previous chapters. Explain what exactly the study stated with regard to ‘consideration’.

At about the same time, the Office of Strategic Services developed a process of assessment based on the earlier work of Murray that included the evaluation of non-cognitive, as well as cognitive, abilities. This process evolved into the "assessment center," which was first used in the private sector at AT&T in 1956. Many of the dimensions measured in assessment centers then and now involve social and emotional competencies such as communication, sensitivity, initiative, and interpersonal skills.

2. Framework of Emotional Intelligence

Extracts from an article presented by Working with Emotional Intelligence by Daniel Goleman (Bantam, 1998).
Daniel Goleman speaks about two main competences on emotional intelligence. They are
• Personal Competence
• Social competence

The following are components of each of the competencies

**PERSONAL COMPETENCE**

**2.1 Self - Awareness**

"...Self-awareness means having a deep understanding of one's emotions... how their feelings affect them, other people, and their job performance...". Self-motivation is possessed by people who are passionate about their work or any endeavour - for the work or endeavour itself. Highly self-motivated people are not driven by external rewards; they are driven by the desire to achieve. Faced with a challenge, highly self-motivated people do not give up. They are persistent and, thus, are more likely to be successful in achieving their goals.

People with high skill levels of Self-Motivation…

• Initiate improvements in their jobs, departments and division
• Succeed at difficult assignments more often than those with low Self-Motivation
• Are less likely to quit their job or leave the company
• Motivate their staff and others they interact with magnetizes a cadre of people around them with the same traits

Could be further viewed as follows

*a) Emotional Awareness:*

Recognizing one’s emotions and their effects. People with this competence:
• Know which emotions they are feeling and why
• Realize the links between their feelings and what they think, do, and say
• Recognize how their feelings affect their performance
• Have a guiding awareness of their values and goals

*b) Accurate Self-assessment:*

Knowing one’s strengths and limits. People with this competence are:
• Aware of their strengths and weaknesses
• Reflective, learning from experience
• Open to candid feedback, new perspectives, continuous learning, and self development
• Able to show a sense of humour and perspective about themselves

*c) Self-Confidence:*

Sureness about one’s self-worth and capabilities. People with this competence:
• Present themselves with self-assurance; have presence.
• Can voice views that are unpopular and go out on a limb for what is right
• Are decisive, able to make sound decisions despite uncertainties and pressures

2.2 Self - Regulation

"...Self-regulation, which is like an ongoing inner conversation, is the component of emotional intelligence that frees us from being prisoners of our feelings. People engaged in such a conversation … find ways to control (emotional impulses) and even to channel (emotions) in useful ways...". Through self-regulation (or consciously choosing emotional responses to people and events), people are able to foster an environment of trust and fairness where efficiency and productivity can flourish. Time is not wasted on negative emotions, which can cripple organizational efforts.

People with high skill levels of Self-Regulation…
• Foster a climate of trust and fairness
• Draw talented people to themselves
• Focus on issues, not on politics and turf battles
• Are role models for professional demeanour and behaviour
• Adapt quickly and frequently initiate changes
• Resist temptation to violate their ethics
• Build relationships that endure
Could be further viewed as follows

a) Self-control:

Managing disruptive emotions and impulses. People with this competence:
• Manage their impulsive feelings and distressing emotions well
• Stay composed, positive, and unflappable even in trying moments
• Think clearly and stay focused under pressure

b) Trustworthiness:

Maintaining standards of honesty and integrity. People with this competence:
• Act ethically and are above reproach
• Build trust through their reliability and authenticity
• Admit their own mistakes and confront unethical actions in others
• Take tough, principled stands even if they are unpopular

c) Conscientiousness:

Taking responsibility for personal performance. People with this competence:
• Meet commitments and keep promises
• Hold themselves accountable for meeting their objectives
• Are organized and careful in their work
**d) Adaptability:**

Flexibility in handling change. People with this competence:
- Smoothly handle multiple demands, shifting priorities, and rapid change
- Adapt their responses and tactics to fit fluid circumstances
- Are flexible in how they see events

**e) Innovativeness:**

Being comfortable with and open to novel ideas and new information. People with this competence:
- Seek out fresh ideas from a wide variety of sources
- Entertain original solutions to problems
- Generate new ideas
- Take fresh perspectives and risks in their thinking

**2.3 Self – Motivation**

*(People who possess self-motivation skills) are driven to achieve beyond expectations… The key word here is achieve. …They are motivated by a deeply embedded desire to achieve for the sake of achievement (alone)…*

Self-motivation is possessed by people who are passionate about their work or any endeavour — for the work or endeavour itself. Highly self-motivated people are not driven by external rewards; they are driven by the desire to achieve. Faced with a challenge, highly self-motivated people do not give up. They are persistent and, thus, are more likely to be successful in achieving their goals.

People with high skill levels of Self-Motivation,
- Initiate improvements in their jobs, departments and division
- Succeed at difficult assignments more often than those with low Self-Motivation
- Are less likely to quit their job or leave the company
- Motivate their staff and others they interact with
- Magnetizes a cadre of people around them with the same traits

It could be further elaborated by

**a) Achievement Drive:**

Striving to improve or meet a standard of excellence. People with this competence:
- Are results-oriented, with a high drive to meet their objectives and standards
- Set challenging goals and take calculated risks
- Pursue information to reduce uncertainty and find ways to do better
- Learn how to improve their performance
b) **Commitment:**

Aligning with the goals of the group or organization. People with this competence:
- Readily make personal or group sacrifices to meet a larger organizational goal
- Find a sense of purpose in the larger mission
- Use the group’s core values in making decisions and clarifying choices

c) **Initiative:**

Readiness to act on opportunities. People with this competence:
- Are ready to seize opportunities
- Pursue goals beyond what’s required or expected of them
- Cut through red tape and bend the rules when necessary to get the job done
- Mobilize others through unusual, enterprising efforts

d) **Optimism:**

Persistence in pursuing goals despite obstacles and setbacks. People with this competence:
- Persist in seeking goals despite obstacles and setbacks
- Operate from hope of success rather than fear of failure
- See setbacks as due to manageable circumstance rather than a personal flaw

**SOCIAL COMPETENCE**

2.4 **Empathy**

"…empathy means thoughtfully considering employees' feelings -- along with other factors -- in the process of making intelligent decisions…" From a traditional business perspective, empathy may seem inappropriate. However, empathy is a critical skill, helping individuals address today's challenges. Empathy is a core skill required as people work in teams (sense and understand the views of everyone); experience globalization (cross cultural sensitivity); and retain talent (coaching and mentoring).

People with high skill levels of Empathy…
- Frequently inform people during times of change and uncertainty
- Develop all of their people to their potential
- Develop and retain the intellectual capital of the organization
- Achieve consistently high performance of direct reports
- Increase job motivation and satisfaction of staff

It could be elaborated as

a) **Developing Others:**

Sensing what others need in order to develop, and bolstering their abilities. People with this competence:
- Acknowledge and reward people’s strengths, accomplishments, and development
• Offer useful feedback and identify people’s needs for development
• Mentor, give timely coaching, and offer assignments that challenge and grow a person’s skills.

b) Leveraging Diversity:
Cultivating opportunities through diverse people. People with this competence:
• Respect and relate well to people from varied backgrounds
• Understand diverse worldviews and are sensitive to group differences
• See diversity as opportunity, creating an environment where diverse people can thrive
• Challenge bias and intolerance

c) Political Awareness:
Reading a group’s emotional currents and power relationships. People with this competence:
• Accurately read key power relationships
• Detect crucial social networks
• Understand the forces that shape views and actions of clients, customers, or competitors
• Accurately read situations and organizational and external realities

2.5 Social Skills
"...Social skill (managing relationships)... is sincere care and friendliness coupled with a purpose: moving people in the (desired) direction, whether that's agreement on a new marketing strategy or enthusiasm about a new product...”

Social skill encompasses all the other components of emotional intelligence. To manage relationships effectively, people must understand and channel their emotions in useful ways, motivate themselves and exhibit empathy toward other's feelings.

People with high skill levels of Social Skills …
- Can count on a wide circle of colleagues during difficult times
- Finds the "common ground" among disparate views
- Effectively leads teams
- Achieves change initiative objectives

It could be further understood as

a) Influence:
Wielding effective tactics for persuasion. People with this competence:
- Are skilled at persuasion
- Fine-tune presentations to appeal to the listener
- Use complex strategies like indirect influence to build consensus and support
- Orchestrate dramatic events to effectively make a point
b) Communication:

Sending clear and convincing messages. People with this competence:
- Are effective in give-and-take, registering emotional cues in attuning their message
- Deal with difficult issues straightforwardly
- Listen well, seek mutual understanding, and welcome sharing of information fully
- Foster open communication and stay receptive to bad news as well as good

c) Leadership:

Inspiring and guiding groups and people. People with this competence:
- Articulate and arouse enthusiasm for a shared vision and mission
- Step forward to lead as needed, regardless of position
- Guide the performance of others while holding them accountable
- Lead by example

d) Change Catalyst:

Initiating or managing change. People with this competence:
- Recognize the need for change and remove barriers
- Challenge the status quo to acknowledge the need for change
- Champion the change and enlist others in its pursuit
- Model the change expected of others

e) Conflict Management:

Negotiating and resolving disagreements. People with this competence:
- Handle difficult people and tense situations with diplomacy and tact
- Spot potential conflict, bring disagreements into the open, and help deescalate
- Encourage debate and open discussion
- Orchestrate win-win solutions

f) Building Bonds:

Nurturing instrumental relationships. People with this competence:
- Cultivate and maintain extensive informal networks
- Seek out relationships that are mutually beneficial
- Build rapport and keep others in the loop
- Make and maintain personal friendships among work associates

g) Collaboration and Cooperation:

Working with others toward shared goals. People with this competence:
- Balance a focus on task with attention to relationships
- Collaborate, sharing plans, information, and resources
- Promote a friendly, cooperative climate
- Spot and nurture opportunities for collaboration
h) Team Capabilities:

Creating group synergy in pursuing collective goals. People with this competence:

- Model team qualities like respect, helpfulness, and cooperation
- Draw all members into active and enthusiastic participation
- Build team identity, esprit de corps, and commitment
- Protect the group and its reputation; share credit

INTRAPERSONAL AND INTERPERSONAL

The first three components are intrapersonal, that is, within the individual, and the second two are interpersonal, between people. One must have good intrapersonal skills to develop good interpersonal skills. If not, using techniques to mimic empathy and act like you care about others will be seen as that - a technique and not sincere. To realize the significance of each of these five competencies, one need only ask the questions, "Why is this important?" and "What happens if a person is not good at it?" In his article, What Makes a Leader? (HBR Nov./Dec., 1998, p. 93), Goleman answers these questions, providing a thorough description of each of the emotional intelligence competencies.

‡ Activity

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Read the article and summarise his arguments. Include any new reasons that you identified to highlight the significance of the above mentioned five competencies.

Following are excerpts and summaries of Goleman's descriptions.

Perceptions and Emotions

Our perceptions become the lens through which we see, process, and interpret events. Our perceptions to events around us trigger our thoughts and emotions. It is not the event that drives our behaviour, but rather, our perception of that event.

Once we choose a perception (or interpretation) of the event, it immediately triggers thoughts and emotions. These thoughts and especially feelings can generate profound and instantaneous electrical changes in the heart and Autonomic Nervous System (ANS), which have effects throughout the entire body and brain. The diagram below provides a visual of this relationship.
### Physical Energy
Rate of aging, stamina and endurance, hormonal balance, immune function

### Mental Clarity
Ability to concentrate, decision-making skills, problem-solving ability, clarity of perception

### Emotional Balance
Stability, level of reactivity, responsibility and maturity, level of fulfilment

### Personal Effectiveness
Self empowerment, communication skills, creativity, intuitive awareness

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#### 3. Emotional Intelligence at the Work Place

##### 3.1 Personnel in the Organisation who Require EI

**a) Executives**

Executives must make decisions daily that may make or break their companies. They must rely on more people than ever to achieve results. They, personally, are held accountable for by the board. They must quickly and flexibly lead system-wide organizational change, while inspiring and energizing their followers. This constant, burdensome pressure can create feelings of anxiety, fear, caution, and even guilt and depression.

The wrong decision, an untimely decision or no decision may cause "The Street" to undervalue the company, hampering its ability to meet its goals and stockholder expectations. Research has shown that high EI skills are the distinguishing characteristics that separate star performing executives from average ones. Enhancing leaders' EI skills enables them to lead with courage, demonstrate their passion, grow and retain talented leaders, and empathize with people while humanely challenging them to meet demanding business goals. The resilient, flexible, strong organizational culture that is created by such a leader attracts talented people, ensures organizational success (through thick and thin), and creates a lasting legacy.

**b) High Potential People**

High potential people take on demanding multiple projects and leadership roles. Unforeseen events occur that delay or derail critical business initiatives under their responsibility. They have daily contact with customers, suppliers and even competitors who are often irate and threatening. Hundreds of emails demand immediate attention. These situations can cause the person to feel anxious, fearful and overwhelmed. They may feel frustrated that things are not moving faster and may worry that problems are hurting their career.

Negative emotions lead to poor decisions and multi-million dollar flubs. Products flop and marketing campaigns go awry as critical details fall through the cracks. A shallow
talent pool can keep the company from developing new products and services, crippling its chances in its industry. Research has shown that high EI skills are the distinguishing characteristic that separates star performers from average ones. The earlier these skills are developed and ingrained, the more likely High Potentials and the company are to experience success. Ensuring that high potential people develop their EI skills to the fullest ensures a cadre of competent global leaders available to introduce new products, start new businesses, and lead the integration of new acquisitions.

c) Managers / Supervisors

Managers' and Supervisors' behaviours and treatment of their people determine turnover and retention. They interact daily with individuals who have distinct needs, wants and expectations. They significantly influence the attitudes, performance, and satisfaction of employees within their department and other departments. The stress of trying to lead and satisfy so many people's changing needs and expectations can be overwhelming, to say nothing of the demands from upper management. Being both firm and caring at the same time causes many to feel inadequate for the role. Forty percent of turnover is reportedly due to an inadequate relationship between the employee and their direct supervisor.

Where trust is lacking, performance suffers. Enhancing EI skills enable Supervisors and Managers to regulate their emotions and motivate themselves more effectively – allowing them to manage their own emotional turmoil effectively and demonstrate compassion and empathy for their employees. IT also provides them with the courage to push against the system to make necessary changes for their people. All employees want a supportive, caring Supervisor or Manager who has their best interests at heart – knowing this, the employee will be more likely to turn down offers from other companies to work for such a person.

d) Team Leaders / Product Managers

Team Leaders and Project Managers are held accountable for setting and maintaining a positive environment where very diverse, non-local individuals can work together to achieve success in shorter and shorter time periods on projects of greater magnitude and importance. They must eliminate roadblocks and internal and external or organizational barriers so their teams can achieve success.

Working in the political environment of organizations can cause a lot of frustration, anxiety, suspicion, and resentment as the maze of organizational change is deciphered. Teams and projects fall behind schedule. Members leave the team, causing further delays. Enhancing EI skills of Team Leaders and Project Managers enables them to maintain a positive attitude as they eliminate impediments to team success. By improving their own internal motivation and persistence, they motivate their team to high-sustained levels of performance and achievement. Major projects of significant importance to the organization are achieved on time and on budget. Critical talented staff are developed and retained.
e) Sales Professionals

Sales people frequently work with difficult prospects and customers. They often find themselves in adversarial situations over price, features, delivery schedules, etc. These situations can generate anxiety, fear, frustration or even outright anger on the part of both the sales person and the customer. This can lead to a vicious negative emotional cycle where sales decline, sales people are demotivated, and customers are unsatisfied and leave. Enhancing EI skills allows the sales person to have more control over themselves and thus the situation. They are not as apt to let the customer "push their buttons."

They can stay mentally focused on the key issues and not "give-away-the-store." Research shows that the more optimistic a sales person is, the higher their volume and sales dollars. Optimism leads to persistence, which leads to more sales. Being able to empathize with the customer allows for faster, more effective problem solving and better communication. Developing strong positive relationships with customers, through thick and thin, ensures higher sales and better cooperation when problems do arise.

f) Customer Service Representatives

Customer service representatives deal with angry, frustrated customers continuously throughout their day. They find themselves being verbally abused through no fault of their own. The customer's anger, frustration and rage can cause representatives to become nervous, mad, disgusted, and angry themselves. If the representative does not have a high level of EI skills, the discussion may escalate and require the intervention of the CS Supervisor. Or worse, it can cause the company to lose that customer. An upset customer will typically tell 10-15 friends about the poor treatment they received.

CSRs who have enhanced their EI skills can easily manage their emotional reactivity to angry customers; maintain a calm, polite and sincere attitude and conversation with customer’s in-the-moment. Being able to empathize with the upset customer allows for faster, more effective problem solving and better communication. Maintaining customer satisfaction in the face of adversity and conflict builds customer loyalty. Loyal customers tell their friends. Higher customer loyalty leads to higher profitability

g) Technical Professionals

Technical Professionals are constantly under pressure to do more with less faster, better, and cheaper. They work long hard hours to complete projects. They are challenged to create and innovate, interact with a multitude of people from different functions, and do tasks, in many cases, they would like to avoid. These situations can cause technical professionals to be agitated, resentful, anxious, frustrated, and stressed-out much of the day.

These negative emotions cause what is known as "emotional hijacking" – a physiological response in the brain that literally keeps people from thinking clearly. Communication is hampered, more mistakes and errors are made, and creativity is blocked. Enhancing the Technical Professional's EI skills provides them with what they never were taught in
school - how to manage their own emotional reactivity to people and situations and how to build interpersonal skills that allow them to get other technical colleagues to help them when they need it. Strong EI skills ensure that projects are completed on schedule, and that they incorporate the best innovative thinking that is available both inside and outside the organization.

h) Staff

The sheer volume of work that most Administrative Staff must deal with is overwhelming. They support more people who travel more and need more work done with shorter deadlines for each task. New computer systems, new requirements, new policies and procedures, all add to the frustration. Constant minute-by-minute interruptions are the norm. Is it any wonder they feel completely overwhelmed, worried, dejected, confused, fearful and even guilty by all the various demands and expectations placed on them?

These feelings can lead to situations where Staff feels paralysed by all they have to do. Procrastination becomes evident, errors and mistakes increase, and feeling like they have no control often leads to a depressive state where complaining and absenteeism increases. Health, attitude, and morale suffer. Enhanced EI skills enable people to gracefully handle multiple demands, interruptions and tight deadlines. Processes, databases, and projects run more smoothly, details do not fall through the cracks, and professional staff is freed-up to focus on their work.

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<tbody>
<tr>
<td>Relate the above reasons for EI to a real organisation of your choice.</td>
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<tr>
<td>Do all those who require EI possess it?</td>
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<tr>
<td>If the quality is absent, how effective are they in their tasks?</td>
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<tr>
<td>Apart from those identified above, do you think there are more employees within an organisation who require EI?</td>
</tr>
<tr>
<td>From your judgement, what type of employee should possess a higher level of EI and why?</td>
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3.2 Could Emotional Intelligence be Developed?

The good news is that emotional intelligence skills can be learned. However, there is a caveat: when we apply the typical training approach targeted for enhancing analytical or technical skills, we are doomed to fail. To develop emotional intelligence skills, individuals must eliminate old behaviors and embrace new ones. This requires practice and time – more than that typically allotted by conventional training programs targeting analytical or technical skill enhancement. Conventional programs usually do not include...
the factors by which the emotional center of the brain learns best: motivation, extended practice, and feedback. Helping people learn to use new emotional management skills requires the application, over a period of time, of improved, sustained, and reinforced personal skills that manifest themselves in new, positive behaviours.

<table>
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| Read the section ‘Can Emotional Intelligence Be Learned’ in the article ‘What makes a leader’ by Daniel Goleman.  

*Emotional Intelligence is a characteristic individuals are born with. It is not practical to develop the skill. Then there would be an infinite supply of effective leaders.*  

Discuss the statement. |

### 3.3 Taking EI forward at Work Place

After the concept became popular, most organisations wanted to encourage EI at the work place because success of an organisation was beginning to be very much influenced by the level of EI. However, there existed two sides to this revolution. There was one set of individuals who believed that EI couldn’t be developed because such qualities are developed in early life, while others claimed that EI could be learnt and therefore developed. As usual, the answer lies somewhere in between. In order to make employees of an organisation more emotionally intelligent, the difference between two types of learning must be recognised; cognitive learning and emotional learning.

Consider an engineer whose career was hindered because he was shy, introverted and totally absorbed in the technical aspects of his job. Through cognitive learning, he might come to understand that it is better for him to build relationships and make connections. However, his ability to do so highly depends on his emotional competence, which requires both emotional learning and cognitive learning.

In short, therefore, this means that for social and emotional learning, one must first unlearn old habits and develop new ones. This may result in high levels of resistance to change. Hence, introducing and developing EI at the work place is a crucial process.

<table>
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| **Read article on Bringing Emotional Intelligence to The Workplace**, A Technical Report Issued by The Consortium For Research On Emotional Intelligence In Organizations, October 7, 1998  
Written by: Cary Cherniss, Daniel Goleman, Robert Emmerling, Kimberly Cowan, and Mitchel Adler  

What difficulties might an organisation face in bringing EI to the work place? |
4. Best Practices to Harness EI at Work

These guidelines were developed by Daniel Goleman and Cary Cherniss, with the assistance of Kim Cowan, Rob Emmerling, and Mitchel Adler. The following 22 guidelines represent the best current knowledge about how to promote emotional intelligence in the workplace. They apply to any development effort in which social and emotional learning is a goal. This would include most management and executive development efforts as well as training in supervisory skills, diversity, teamwork, leadership, conflict management, stress management, sales, customer relations, etc.

These guidelines are based on an exhaustive review of the research literature in training and development, counselling and psychotherapy, and behaviour change. The guidelines are additive and synergistic; to be effective, social and emotional learning experiences need not adhere to all of these guidelines, but the chances for success increase with each one that is followed.

The guidelines are divided into four phases that correspond to the four phases of the development process: preparation, training, transfer and maintenance, and evaluation. Each phase is important.

**Paving the Way**

1. **Assess the organization’s needs**
   Determine the competencies that are most critical for effective job performance in a particular type of job. In doing so, use a valid method, such as comparison of the behavioural events interviews of superior performers and average performers. Also make sure the competencies to be developed are congruent with the organization’s culture and overall strategy.

2. **Assess the individual**
   This assessment should be based on the key competencies needed for a particular job, and the data should come from multiple sources using multiple methods to maximize credibility and validity.

3. **Deliver assessments with care**
   Give the individual information on his/her strengths and weaknesses. In doing so, try to be accurate and clear. Also, allow plenty of time for the person to digest and integrate the information. Provide the feedback in a safe and supportive environment in order to minimize resistance and defensiveness. But also avoid making excuses or downplaying the seriousness of deficiencies.

4. **Maximize learner choice**
   People are more motivated to change when they freely choose to do so. As much as possible, allow people to decide whether or not they will participate in the development process, and have them set the change goals themselves.
5. **Encourage people to participate**
People will be more likely to participate in development efforts if they perceive them to be worthwhile and effective. Organizational policies and procedures should encourage people to participate in development activity, and supervisors should provide encouragement and the necessary support. Motivation also will be enhanced if people trust the credibility of those who encourage them to undertake the training.

6. **Link learning goals to personal values**
People are most motivated to pursue change that fits with their values and hopes. If a change matters little to people, they won’t pursue it. Help people understand whether a given change fits with what matters most to them.

7. **Adjust expectations**
Build positive expectations by showing learners that social and emotional competence can be improved and that such improvement will lead to valued outcomes. Also, make sure that the learners have a realistic expectation of what the training process will involve.

8. **Gauge readiness**
Assess whether the individual is ready for training. If the person is not ready because of insufficient motivation or other reasons, make readiness the focus of intervention efforts.

**Doing the Work of Change**

9. **Foster a positive relationship between the trainers and learners**
Trainers who are warm, genuine, and empathic are best able to engage the learners in the change process. Select trainers who have these qualities, and make sure that they use them when working with the learners.

10. **Make change self-directed**
Learning is more effective when people direct their own learning program, tailoring it to their unique needs and circumstances. In addition to allowing people to set their own learning goals, let them continue to be in charge of their learning throughout the program, and tailor the training approach to the individual’s learning style.

11. **Set clear goals**
People need to be clear about what the competence is, how to acquire it, and how to show it on the job. Spell out the specific behaviours and skills that make up the target competence. Make sure that the goals are clear, specific, and optimally challenging.

12. **Break goals into manageable steps**
Change is more likely to occur if the change process is divided into manageable steps. Encourage both trainers and trainees to avoid being overly ambitious.

13. **Provide opportunities to practice**
Lasting change requires sustained practice on the job and elsewhere in life. An automatic habit is being unlearned and different responses are replacing it. Use naturally occurring
opportunities for practice at work and in life. Encourage the trainees to try the new behaviours repeatedly and consistently over a period of months.

14. **Give performance feedback**
Ongoing feedback encourages people and directs change. Provide focused and sustained feedback as the learners practice new behaviours. Make sure those supervisors, peers, friends, family members, or some combination of these give periodic feedback on progress.

15. **Rely on experiential methods**
Active, concrete, experiential methods tend to work best for learning social and emotional competencies. Development activities that engage all the senses and that are dramatic and powerful can be especially effective.

16. **Build in support**
Change is facilitated through ongoing support of others who are going through similar changes (such as a support group). Programs should encourage the formation of groups where people give each other support throughout the change effort. Coaches and mentors also can be valuable in helping support the desired change.

17. **Use models**
Use live or videotaped models that clearly show how the competency can be used in realistic situations. Encourage learners to study, analyse, and emulate the models.

18. **Enhance insight**
Self-awareness is the cornerstone of emotional and social competence. Help learners acquire greater understanding about how their thoughts, feelings, and behaviour affect themselves and others.

19. **Prevent relapse**
Use relapse prevention, which helps people use lapses and mistakes as lessons to prepare themselves for further efforts.

**Encouraging Transfer and Maintenance of Change**

20. **Encourage use of skills on the job**
Supervisors, peers, and subordinates should reinforce and reward learners for using their new skills on the job. Coaches and mentors also can serve this function. Also, provide prompts and cues, such as through periodic follow-ups. Change also is more likely to endure when high status persons, such as supervisors and upper-level management model it.

21. ** Develop an organizational culture that supports learning**
Change will be more enduring if the organization’s culture and tone support the change and offer a safe atmosphere for experimentation.
Did It Work? Evaluating Change

22. Evaluate:
To see if the development effort has lasting effects, evaluate it. When possible, find unobtrusive measures of the competence or skill as shown on the job, before and after training and also at least two months later. One-year follow-ups also are highly desirable. In addition to charting progress on the acquisition of competencies, also assess the impact on important job-related outcomes, such as performance measures, and indicators of adjustment such as absenteeism, grievances, health status, etc.

‡ Activity
To what extent do you think the process described above is theoretical and may not be practical in real organisations today? Argue.

‡ Activity
Evaluate the concept of EI in an organisational context.

♪ My Short Notes
My Short Notes
Chapter 04
Applications of Emotional Intelligence to Marketing Situations

This chapter will cover
1. Applying Emotional Intelligence to a Marketing Context
2. Use of EI to Develop Marketing Persona
3. Using EI as A Tool For Competitive Advantage.

1. Applying Emotional Intelligence to a Marketing Context

The meaning of Emotional Intelligence and its importance was discussed in the previous chapter. The various positive impacts that were identified would have given you good insight on the importance of it to a business as a whole. However, the concept can be particularly useful in marketing situations. This is because at the end of the day, a marketer basically studies customers and their needs. Emotional Intelligence, therefore, facilitates in making this task effective and successful.

1.1 Dealing with Stakeholders of the Organisation

A stakeholder of an organisation can be defined as any group within or outside the organisation that has a stake in the organisation’s performance (Daft, 2003).

A stakeholder is then an individual or group that asserts to have on more kinds of stakes in a business. Just as stakeholders may be affected by the actions, decisions, policies or practices of the business firm, these stakeholders may also affect the organisation’s actions, decisions, policies or practices.

Within today’s business environment there are many individuals and groups who are business stakeholders. From the business point of view, there are certain individuals or groups who have legitimacy in the eyes of the management. That is, they have a legitimate interest in or claim on the operations of the firm.

The most obvious of these groups might be shareholders, employees, customers, suppliers and competitors. From the point of view of a highly pluralistic society, stakeholders also include groups such as the public at large, special interest groups, etc.
These stakeholders may either be internal or external.

<table>
<thead>
<tr>
<th>External</th>
<th>Internal</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Customers</td>
<td>• Management</td>
</tr>
<tr>
<td>• Government</td>
<td>• Staff</td>
</tr>
<tr>
<td>• Suppliers</td>
<td>• Organized labour</td>
</tr>
<tr>
<td>• Distributors</td>
<td>• Shareholders and other investors</td>
</tr>
<tr>
<td>• General public</td>
<td></td>
</tr>
<tr>
<td>• Competitors</td>
<td></td>
</tr>
<tr>
<td>• Shareholders and other investors</td>
<td></td>
</tr>
</tbody>
</table>

Hence, both internal and external stakeholders need to be dealt carefully depending on the level of their power and interest in the organisation. An understanding of the two main competences of Emotional Intelligence, personal competence and social competence, could help organisations deal with these stakeholders effectively and thus gain a better understanding of needs. By focussing on the interests of stakeholders, EI will help an individual understand these interests and thus meet these interests the way they want and in the right manner.

a) Customers

These stakeholders hold a high level of power and interest in the organisation and hence have a high level of influence on the entity. Responsibilities to customers may be seen as no more than a natural outcome of a good business. Products are produced to meet customer requirements. In order for the business to be effective, customer needs must be identified correctly and met adequately. An understanding of social competence helps individuals in dealing with customers. People with leveraging diversity, i.e., cultivating opportunities through diverse people, respect and relate well to people from varied backgrounds, understand diverse worldviews and are sensitive to group differences. They see diversity as an opportunity, creating an environment where diverse people can thrive. Individuals who have political awareness understand the forces that shape views and actions of clients, customers or competitors.

Customers can be seen as early adopters or laggards or the extremely unlikely. In other words, there are a set of individuals who constantly seek for change in their products and the ones who never want to change.

For example, when Coke introduced its even sweeter version of coke, it was expected that its market would immediately accept it. However, majority of the market rejected the new launch and wanted the original flavour back into the market. Subsequently, the original flavour was re-launched as ‘classic Coke’.
If the marketers had a high level of EI, they would have understood how the very loyal customers would not want a change in flavour to the drink they are so used to. The company would have launched the new product, however, retaining the old flavour as well to meet the majority of the market.

Hence, a better understanding of customers’ interests could be fulfilled with a high level of EI possessed by marketers.

b) Suppliers

Having good relationships with suppliers is essential for operation of good business. The development of modern business manufacturing techniques such as Total Quality Management and Just-In-Time systems have highlighted the importance of procuring good quality raw material. This is because TQM philosophy focuses on zero level defects. For this to be possible, an organisation needs to be in good terms with the supplier. In other words, the individuals concerned need to possess the social skill of building bonds. That is, nurturing instrumental relationships so that they are able to cultivate and maintain extensive informal networks, seek out relationships that are mutually beneficial, build rapport and keep others in the loop.

Organisations usually treat the supplier as one of their own departments because quality should begin there. Hence, when meeting organisation’s objectives and goals, organisations would focus on supplier issues and satisfaction. The more satisfied the suppliers are and the more their organisational needs are met, the better quality raw material that the manufacturing organisation would receive.

c) Internal Stakeholders

The main internal stakeholders of an organisation are its employees and the major shareholders. It is important to ensure that these individuals are kept satisfied and their needs sufficiently met. When handling such individuals, social skills of collaboration and cooperation are essential. This is because this ensures working with others toward shared goals. Individuals holding a fair level of EQ balance a focus on task with attention to relationships, collaborate, share plans, information and resources, promote a friendly and cooperative climate and spot and nurture opportunities for collaboration.

Teamwork is a recent development of work practice that has produced positive results in organisation adopting this technique. In order to make teamwork effective, creating group synergy in pursuing collective goals is essential. Understanding Emotional Intelligence, model team qualities like respect, helpfulness and cooperation. It makes individuals draw all members into active and enthusiastic participation, build team identity, esprit de corps, and protect the group and its reputation.
Motivation is an essential segment with respect to Human Resource Management. Each individual is motivated in different ways. Hence, the most appropriate motivator is adopted for managers and this may be different to that of a factory worker. For example, a manager may seek increased responsibility and autonomy while a factory worker would be quite motivated with monetary factors.

**d) Other External Stakeholders**

This includes the government, pressure groups and the general public. These stakeholders need to be managed effectively because they hold a significant level of influence on organisations. Pressure groups constantly review the activities of organisations to ensure if they are ethical and socially responsible. Organisations must therefore, carry out their activities in the most socially friendly manner possible. However, if any problem arises due to this issue, organisations must negotiate and resolve disagreements. Having the social skill of conflict management helps individuals handle difficult people and tense situations with diplomacy and tact, spot potential conflict, bring disagreements into the open, encourage debate and open discussion.

<table>
<thead>
<tr>
<th><strong>Activity</strong></th>
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</thead>
<tbody>
<tr>
<td>The above section highlights the application of Emotional Intelligence to marketing situations. By applying the two main competences of EQ put forward by Daniel Goleman (Chapter 3), discuss the usefulness of it when dealing with the other stakeholders identified in the table above.</td>
</tr>
</tbody>
</table>

2. **Use of EI to Develop Marketing Persona**

2.1 **Developing EI of Sales Personnel**

Sales personnel are involved in direct contact with customers. They deal a great deal with customer complaints and so forth. They may be faced with complaints that can at times, even lead them to frustration because from their point of view it may seem unreasonable.

However, when these individuals hold a high level of Emotional Intelligence, they are able to understand both their own emotions and the emotions of the customers. This gives them the opportunity to have control of their emotions and try to view the problem from the point of view of the customers. Thus, dealing with customers more effectively that customer service increases.

Hence, in today’s rapidly changing sales environment, successful salespeople must acquire skills that give them a competitive advantage. Emotional intelligence (EI), defined as perceiving, interpreting, and reacting to one’s own and others’ emotions, is
offered as one critical skill that will allow salespeople to guide their behaviour and think in ways that can enhance their sales performance. This is basically through good understanding of both their emotions and the emotions of their customers catering to those needs effectively.

2.2 Developing EI of Brand/Product manager

The task of a brand manager is to adequately understand customer requirements and cater to those needs. Essentially, organisations adopt one of four marketing orientations or concepts:

1. Production concept
2. Product concept
3. Selling concept
4. Marketing concept

The production and the selling concepts focus on an inside-out approach. In other words, the focus is on the place and the price. The product is already produced and the focus of the organisation is to sell it basing it on very attractive pricing. Hence, this approach does not take customer needs into consideration at all.

The marketing orientations however, take an outside-in approach, where information on customer wants are received in full and the product is made and marketed the way that the customers want it. This approach is considered the most favourable because success of the product is almost confirmed before the launch unlike the earlier two orientations.

Since most organisations now adopt the latter orientation, EI plays an important role in understanding their needs. For better success of the product, customer emotions need to be understood and for this the brand managers need to have control over their own emotions. This is facilitated by the skill of EI marketers develop.

It is evident today that dealing on an emotional level with customers, builds better and stronger brand loyalty. This is because creating emotional attachments to their products and services can increase the perception of being more valuable to their customers. ‘Strong brands create strong emotional bonds’. The business trend of focussing on user needs in order to create emotional connection has proven so because emotions are powerful and irrational. For example, Patrick Gournay, CEO of Body Shop instructs ‘create surprise, passion and excitement’. "Transformation of brands from product-based propositions to emotionally driven ones is happening at lightning speed," says Nick Graham, Chief Underpants Officer at Joe Boxer.

In summary, understanding emotions of customers allows brand managers to match those needs with appropriate brands. Thus, achieving stronger brand loyalty and a better brand image.
2.3 Developing EI of Front Line Customer Service Personnel

For most business organisations, their distribution outlets are the most crucial places in which customer loyalty has to be and can be won. It is at this point that a customer establishes contact between the product or service and his or her requirements. Hence, whether the customer becomes a loyal buyer of the product or just a window shopper of the products depends on how he or she is treated at this initial stage. This is the responsibility of customer service personnel.

They are viewed by the customers as those who represent the organisation. Any misbehaviour or good behaviour by these individuals will be immediately attributed to the organisation and not the individual. It is therefore essential to treat the customers as ‘king’. Developing these individuals’ EI would facilitate their task because not all customers are the same. In fact, each customer differs from the other. Customer service personnel must understand these differences and attend to them accordingly. This enables retention of customers and may lead to an increase in brand loyal customers.

3. Using EI as A Tool for Competitive Advantage

An organisation strives to be the based on the unique features it holds or has acquired. Michael Porter identified three generic strategies organisations could adopt in order to be best in whatever the organisation does.

1. Cost Leadership
2. Differentiation
3. Focus

Differentiation is a strategy whereby producers seek to capture the market and gain competitive advantage by being unique in aspects such as product quality, process of production and other organisational practices.

Retaining and developing staff who have a high level EI will act as a source of competitive advantage for organisations because it will differentiate the organisation from other competitors in this respect. Furthermore, the benefits gained from such a strategy will indeed make the organisation the best performer in that industry.

3.1 Developing an EI marketing Culture

Culture can be defined as the values, beliefs and practices followed by a se of individuals. In other words, it is the way things are done in a particular place. Marketing culture refers to the way things are done in an organisation with respect to the marketing aspects.

A strong culture is said to exist in an organisation when majority of the staff hold common belief and ways of doing things. This improves organisation performance by a significant amount because members start working as a team rather than a group. This distinction is vital and is explained in brief below.
A group may imply a collection of individuals who work in the same area, performing duties and functions which may or may not interrelate with each other, who may or may not be coordinated in their efforts, who may not consider the impact of their work on the work of others, who may or may not have a particular pride or loyalty to their work, who may achieve individual success with or without the assistance and cooperation of others.

A team on the other hand, may imply a collection of individuals who work in the same area and have an awareness of what other individuals are doing, who share a collective sense of a common purpose or objective, who have some type of clearly defined individual responsibilities, who depend on each other with some level of trust and confidence, who succeed or fail all together, who function cooperatively.

Hence, team work is a broader concept and is successful to achieve. EI facilitates this as well. By understanding emotions and having control of your own emotions, one is able to establish him or herself in a team and learn to work together. This eliminates internal politics which may arise in the case of groups.

Hence, a marketing culture that is based on common values would be established making performance of the department as well as the organisation to improve tremendously.

3.2 Other EI applications to marketing situations

Other marketing situations include,

- Re-launch of a fairly mature product that would otherwise head its declining stage
- New Product Development
- Increasing advertising and promotions for a product to increase its brand image

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<th>Activity</th>
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<tr>
<td>Consider the above identified marketing situations and other THREE marketing situations that you can think of and explain how EI will facilitate in those situations. You may also find out from real organisations on how marketing situations are dealt with successfully and assess if the component of EI is present in such a case.</td>
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Graduate/Postgraduate Diploma in Marketing

Marketing Skills

Recommended Study Text

Module Three

Effective Negotiation Skills for Marketers
Chapter 05
Building Blocks of Effective Negotiations

This chapter will cover the following areas

1. Understanding Negotiations
2. The Negotiation Process
3. Negotiation and Bargaining Strategies
4. Issues in Negotiation
5. Negotiation and Bargaining Skills required by Marketers

1. Understanding Negotiations

Most modern day organizations adopt a team – based culture in which co ordination between members of the organization, both vertically and horizontally is essential. Therefore, members may have no direct authority and may not even have a common boss. In such instances negotiation skills are deemed vital.

Definitions of Negotiations

A process in which two or more parties exchange goods or services and attempt to agree upon the exchange rate for them

The process by which two or more individuals or groups having common and conflicting interests or objectives present and discuss proposals in an attempt to reach an agreement (Hellriegel et al., 1992).

Negotiations take place when two parties meet to reach an agreement

Based on the above definitions the following characteristics could be identified in negotiations:

- Negotiations involve two or more parties.
- They involve the exchange of goods, services or information.
- The rate at which it is exchanged is decided upon.
- It involves formulating an agreement.

My Working Definition on Negotiations

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<th>Definition</th>
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</table>
2. The Negotiation Process

Since negotiations are of paramount importance in ensuring effective teamwork, negotiations must be carried out in a systematic process. The negotiation process involves the following steps:

- a. Preparation and planning
- b. Definition of ground rules
- c. Clarification and justification
- d. Bargaining and problem solving
- e. Closure and implementation

a) Preparation and Planning

In order to carry out a successful negotiation process, organizations must carefully prepare and plan by gathering relevant information about their own organization as well as the other party as follows:

- The nature of the negotiation.
- Past events leading up to the negotiation.
- The parties involved in the negotiation.
- The objectives that they wish to achieve.
- The likely objectives of the other party.
- The position of the other party in terms of their bargaining ability.
- Arguments to support the case.
- Arguments or counter-arguments likely to be used by the other party.
- Intangible and discrete information that may be important for the other party.

Once the above information has been gathered, the negotiating party must use the information to determine the **Best Alternative to a Negotiated Agreement (BATNA)** for them as well as the other party.

**BATNA** – Best alternative to a negotiated agreement refers to the lowest acceptable value to an individual for a negotiated agreement. The negotiation will be successful only if both parties receive offers that are higher than their BATNA. Negotiating parties should use the information gathered and the BATNA values and develop a strategy. This strategy should forecast the reaction of both parties to any given situation.

If negotiators can carry out preparation and planning effectively and can anticipate the position of the other party, they will be at an advantage throughout the negotiation process.

**Example:** When K plc was negotiating to buy a piece of land from Mr. Rochester, they found out that Mr. Rochester was due to repay a large debt to his bank which happened to be the same bank that K plc carried out most of their transactions with. K plc was therefore able to use this information to its advantage and obtain the best possible price.
b) Definition of Ground Rules

The next stage of the negotiation process involves the exchange of initial demands and proposals as well as defining the rules and procedures relating to the negotiation. Ground rules can be established to specify the following:

- The representatives who will carry out the negotiation. The negotiating team should include a leader, a primary spokesperson, a person to take notes and supply the negotiator with the supporting information required and a few others to observe the opponents. The team members should be briefed on the nature of their roles and be rehearsed to carry out their tasks.
- Date, time and venue of the negotiation.
- Any time constraints to reach a decision.
- Issues to which the negotiation will be limited.

Example: Resources Development Consultants Ltd. (RDC) bids for infrastructure development projects for the Road Development Authority (RDA). RDC generally forms a negotiating team involving the heads of the financial and operations divisions. RDA examines the technical and financial proposals of RDC and decides a date, time and venue convenient for them to open up negotiations. All negotiations must be completed 20 days prior to the stated commencement date of the project.

c) Clarification and Justification

This is where both parties communicate and educate each other on the importance of their initial demands and provide documentation to justify their position.

d) Bargaining and Problem Solving

This is the heart of the negotiation process in which both parties will bargain to reach an agreement. In order to improve negotiating skills, the following must be adhered to:

- Focus only on the negotiation issues and not the individuals engaging in the negotiation, especially when attacking opponents to reach an agreement.
- Think of the initial offers as mere starting points and nothing more as most initial offers are extreme situations.
- Always sought solutions that will benefit both parties. Negotiating does not necessarily have to result in a win-lose situation.
- Create an environment in which trust and openness is ensured to reach integrative solutions.

e) Closure and Implementation

This involves formalizing the agreement reached and developing further procedures for implementation and evaluation.
The Negotiation Process (Summary)

Gathering information
Determining BATNA
Developing a strategy

Preparation and planning
Definition of ground rules

Communicating
Providing documentation

Clarification and justification

Address problems, not individuals
Disregard initial offers

Bargaining and problem solving

Focus on win-win outcomes
Trust and openness

Closure and implementation

Activity

Construct your own example of a negotiation using local examples known to you. Use the example to describe all five stages of the negotiation process. This can be your set example when answering at the exam as there is no time to think of examples during the exam!

3. Negotiation and Bargaining Strategies

Distributive Bargaining

Integrative Bargaining
a) Distributive Bargaining

This refers to ‘Negotiations that seek to divide up a fixed amount of resources; a win-lose situation’

Distributive bargaining generally occurs under zero-sum conditions, where one party suffers a loss when the other party gains and vice versa. These are also known as ‘divergent’ negotiations because each party aims to win as much as possible from the other while giving away as little as possible.

This can be illustrated using the negotiation of two parties, A and B, over a fixed pie.

As can be seen if A receives a high proportion, B loses out and receives a smaller proportion, and if B receives a high proportion, A loses out and receives a smaller proportion. It will always be a win-lose situation.

This can be further illustrated by determining the bargaining zone.

<table>
<thead>
<tr>
<th>Target point</th>
<th>B’s resistance point</th>
<th>A’s resistance point</th>
<th>B’s target point</th>
</tr>
</thead>
<tbody>
<tr>
<td>A’s aspiration range</td>
<td>Settlement range</td>
<td>B’s aspiration range</td>
<td></td>
</tr>
</tbody>
</table>

- Target point: The maximum a party wishes to achieve
- Resistance point: Lowest acceptable outcome
- Aspiration range: Area between each party’s target point and resistance point
- Settlement range: The area that is common to both A’s and B’s aspiration ranges (as long as there is some overlap between the two ranges)
Example: Consider a situation where two siblings Tweedledeedumb and Tweedledeedumber have a fixed sum of $100 and must share it. Both will attempt to maximize their share while reducing the amount available for the other.

b) Integrative Bargaining

This refers to a ‘negotiation that seeks one or more settlements that can create a win-win situation’.

This is also known as convergent negotiation as both parties are equally keen on reaching an agreement that is favourable to both. Unlike distributive bargaining, integrative bargaining assumes that several solutions exist so that situations in which both parties benefit can be created.

Conditions needed for Integrative Bargaining

- Willingness and openness of both parties in providing information.
- The ability to trust one another.
- Sensitivity by both parties to the needs of others.
- Willingness by both parties to maintain flexibility.

Although integrative bargaining seems preferable to distributive bargaining, in modern environments where most people try to maximize their benefit regardless of the other party’s benefits, integrative bargaining is difficult to facilitate.

Example: Two large rival firms each accounting for more than 20% of the market for film roles, are considering price changes. If one firm increases the price and the other firm lowers it, the firm with the lower price will capture the whole market while the other firm will lose out. Therefore both firms bargain and come to an agreement where both parties set the same high price and maximize revenue. This type of integrative bargaining benefits both organizations.

Distributive vs. Integrative Bargaining

<table>
<thead>
<tr>
<th>Bargaining Characteristic</th>
<th>Distributive Characteristic</th>
<th>Integrative Characteristic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available resources</td>
<td>Fixed amount of resources to be divided.</td>
<td>Variable amounts of resources to be divided.</td>
</tr>
<tr>
<td>Primary motivations</td>
<td>I win, you lose.</td>
<td>I win, you win.</td>
</tr>
<tr>
<td>Primary interests</td>
<td>Opposed to each other.</td>
<td>Convergent or congruent with each other.</td>
</tr>
<tr>
<td>Focus of relationships</td>
<td>Short term</td>
<td>Long term</td>
</tr>
</tbody>
</table>

[Source: Based on R. J. Lewicki and J. A. Litterer, Negotiation (Homewood, IL: Irwin, 1985)]
‡ Activity

Consider the example of Tweedledeedumb and Tweedlededumber mentioned above. List the ways in which they can engage in integrative bargaining so that both of them can increase their $100 together.

4. Issues in Negotiation

Effective negotiations can be ensured to a certain extent by carefully following all stages of the negotiation process. In addition to this, negotiating parties must also consider common issues in negotiation such as:

a) The role of personality traits in negotiations
b) Gender differences in negotiations
c) Cultural differences in negotiations
d) Third-party negotiations

a) The role of Personality Traits in Negotiations

Although it may seem that an opponent’s personality traits will affect his/her negotiating tactics, research has proven otherwise. It has been found out that there is no direct relationship between personality traits and the manner in which one negotiates.

Therefore, as mentioned in the fourth stage of the negotiation process parties must concentrate on negotiation issues and not on the opponent’s personality.

b) Gender Differences in Negotiations

- Gender differences in negotiation outcomes
- Gender differences in attitudes towards negotiations

• Gender differences in Negotiation Outcomes

Evidence has shown that there are no differences between males and females of the same position in negotiating, although it is a common inaccurate belief that women are more cooperative and relationship oriented than men. Research has shown that these differences are in fact caused by differences in power, as low-power managers, either male or female are more cooperative and use softly persuasive tactics.
• **Gender differences in Attitudes Towards Negotiations**

In contrast to the above, there seem to be considerable differences between men and women with respect to their attitudes towards negotiations.

<table>
<thead>
<tr>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>- More confidence in negotiating</td>
<td>- Less confidence in negotiating</td>
</tr>
<tr>
<td>- More satisfied with their performance after the negotiation process is complete.</td>
<td>- Less satisfied with their performance after the negotiation process in complete. As cliche goes, ‘women are never satisfied’!</td>
</tr>
</tbody>
</table>

It should be noted that the above differences in attitudes are towards the same negotiation outcomes.

c) **Cultural Differences in Negotiations**

Cultural differences significantly influence the negotiation process and knowledge of the opponents’ cultural background is advantageous in order to predict their behavior. The following tables show comparisons of different nationals relating to different factors of negotiations.

<table>
<thead>
<tr>
<th>Consensus vs. Conflict</th>
<th>French</th>
<th>Chinese</th>
<th>Americans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflict</td>
<td>Conflict</td>
<td>Consensus</td>
<td>Consensus</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nature of relationship</th>
<th>French</th>
<th>Chinese</th>
<th>Americans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term</td>
<td>Long term</td>
<td>Long term</td>
<td>Short term</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Desire to be liked</th>
<th>French</th>
<th>Chinese</th>
<th>Americans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not an important concern</td>
<td>Desire to be liked</td>
<td>High desire to be liked</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Negotiating style</th>
<th>North American</th>
<th>Arabs</th>
<th>Russians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rely on facts and appeal to logic</td>
<td>Appeal to emotion</td>
<td>Use asserted ideals</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Response to opponents’ arguments</th>
<th>North American</th>
<th>Arabs</th>
<th>Russians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counter opponents’ arguments using objective facts</td>
<td>Counter opponents’ arguments using subjective feelings</td>
<td>Counter opponents’ arguments using assorted ideals</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Approach to making concessions</th>
<th>North American</th>
<th>Arabs</th>
<th>Russians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make small concessions early to establish a relationship and reciprocate opponents’ concessions</td>
<td>Make concessions throughout the bargaining process and most often reciprocate opponents’ concessions.</td>
<td>Make very few concessions. Any concession offered by an opponent is viewed as a weakness and is rarely reciprocated.</td>
<td></td>
</tr>
</tbody>
</table>
Handling negotiating deadlines

<table>
<thead>
<tr>
<th></th>
<th>North Americans</th>
<th>Japanese</th>
<th>Brazilians</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using the word ‘no’</td>
<td>9 times</td>
<td>5 times</td>
<td>83 times</td>
</tr>
<tr>
<td>Periods of silence</td>
<td>3.5</td>
<td>More than 5</td>
<td>None</td>
</tr>
<tr>
<td>for more than 10 sec</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical contact</td>
<td>None except for hand shaking</td>
<td>None except for hand shaking</td>
<td>Touched each other almost 5 times</td>
</tr>
</tbody>
</table>

Verbal and non verbal negotiation tactics during half-hour bargaining sessions:

When negotiating with different nationals, it is important for negotiators to consider possible differences beforehand and this information will be an advantage to carrying out a successful negotiation process.

‡ Activity

Construct a table as shown above for negotiation factors that cause difference between Sri Lankans and the nationals of neighboring countries such as India and Pakistan. Use this table to identify factors that may be useful to Sri Lankans when negotiating with these nationals.

d) Third-Party Negotiations

The types of negotiations discussed above, all relate to direct negotiations between two parties. In the real world however, negotiations cannot always be held directly to reach a favourable solution. Therefore negotiating parties often sought the assistance of third-parties. Four basic third-party roles can be identified:

I. Mediator
II. Arbitrator
III. Conciliator
IV. Consultant

1) Mediator

This is where the bargaining parties involve a ‘neutral third-party’ who facilitates a negotiated solution by using reasoning, persuasion and suggesting alternatives’.
It is vital that both negotiating parties perceive the mediator as independent and neutral and they should also be willing to resolve their conflict in a proper manner.

**Example:** The government of Norway acts as a mediator between the Sri Lankan government and the LTTE in ensuring the smooth functioning of peace talks.

2) **Arbitrator**

An arbitrator is ‘a third party to a negotiation who has the authority to dictate an agreement’.

Involving an arbitrator can be voluntary or forced by law or the contract and their authority depends on the rules set by the negotiators. Arbitration **always results in settling a negotiation** even though one party is adversely affected. Although this is an advantage, the dissatisfied party may cause problems later.

**Example:** When the management of Kabul Lanka closed down and ran away without fulfilling their obligations to their stakeholders, the government forcefully intervened to negotiate agreements for these stakeholders.

3) **Conciliator**

This is ‘a trusted third party who provides an informal link between the negotiator and the opponent’. They engage in finding and interpreting facts as well as persuading the two parties to come to an agreement.

**Example:** Assume an individual Marc had a used car to sell whereas another individual, Luke is looking for a similar car to buy. Both Luke and Marc do not know each other and therefore a mutual friend Tony acts as a conciliator and brings the two parties together in order to negotiate a deal.

4) **Consultant**

This is ‘an impartial third party, skilled in conflict management, who attempts to facilitate creative problem solving through communication and analysis’. The tasks of consultants are to assist the two parties to understand each other and build relationships among them so that they can reach agreements on their own.

**Example:** When the employees of large industrialized companies strike in order to achieve wage increases and other benefits, the management of these companies generally hires labor consultants who are trained to manage such conflicts.
Types of Third Parties – Summary

- **Mediator**
  - Neutral third party

- **Arbitrator**
  - Third party with authority

- **Negotiator**

- **Opponent**

- **Conciliator**
  - Trusted third party

- **Consultant**
  - Skilled, impartial third party
5. Negotiation and Bargaining Skills Required by Marketers

The settlement and final outcome of a negotiation vastly depends on the bargaining power of each party. Bargaining power can be ensured by adopting appropriate negotiation and bargaining skills which are vital for successful outcomes.

As marketers are one of the key linking sources of the organization and its customers, they encounter many situations in which they must negotiate. Therefore, acquiring necessary negotiation and bargaining skills are important for marketers.

5.1 Negotiating skills
   a) Analytical ability
   b) Empathy
   c) Planning ability
   d) Interactive skills
   e) Communicating skills

   a) Analytical Ability

   The extent to which the negotiator can analyze the relevant factors that relate to the cases of both sides. This ability is vital to effectively use the facts to support the case and put forward counter arguments for the opponent’s case.

   b) Empathy

   This is the ability one has to place themselves in the position of the other party and ‘view the situation with their eyes’. Negotiators must be able to determine the expectations of the other party as well as the extent to which they are determined to achieve them.

   c) Planning Ability

   The negotiator should be able to plan out the best negotiating strategy but be flexible in terms of realigning the strategies to take account of changes and developments.

   d) Interactive Skills

   The ability to promote consensus and co ordinate with the other party in such a way that mutual respect is guaranteed. A negotiator possessing good interactive skills can persuade the other party without making them feel dominated.

   e) Communicating Skills

   communication is a two way process and a negotiator should be able to relate information and put forward arguments in a clears manner while also listening well to the arguments of the other party.
5.2 Bargaining Skills

a) Astuteness in terms of sensing wants as well as concealing wants
b) Flexible realism
c) Respect
d) Sensitivity

a) Astuteness in Terms of Sensing Wants and Concealing Wants

Good bargainers must be able to sense the extent to which the opponent wishes to achieve their wants. They must also be able to conceal part of what they really wish to achieve.

b) Flexible Realism

The ability to be flexible in terms of the bargaining moves made so that the outcome can be maximized in a realistic manner.

c) Respect

The extent to which a negotiator can make an opponent feel like they are respected and their views considered, even if this might not be the case.

d) Sensitivity

The ability to sense changes in attitudes, moods and weaknesses of opponents in order to use them as advantages.
<table>
<thead>
<tr>
<th>Graduate/Postgraduate Diploma in Marketing</th>
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<tbody>
<tr>
<td>Marketing Skills</td>
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<tr>
<td>Recommended Study Text</td>
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<tr>
<td>Module Four</td>
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</tbody>
</table>

| Effective Change Management Skills For Marketers |
Chapter 06
Effective Change Management Skills

This chapter will cover the following areas

1. Understanding Organizational Change
2. Forces for Change
3. Need for Change
4. Types of Planned Change
5. Initiating Change
6. Implementing Change
7. Implementation Tactics

1. Understanding Organizational Change

In today’s dynamic world it is vital for organizations to continuously change their operations in order to adapt to new situations. Change has become an inevitable part of an organisation’s life cycle and has direct consequences on its survival and performance. In fact, the need for organizational change is one of the few facts that remain unchanged in modern organizations.

Definitions of Organizational Change

The attempt by management to improve the overall performance of individuals, groups and the organization as a whole by altering the organization’s structure, behaviour and technology (Donnelly et al., 1987)

Discovering and adopting new attitudes, values and behaviours with the help of a trained change agent, who leads individuals, groups or the entire organization through the process (Stoner et al., 2002).

The adoption of a new idea or behaviour by an organization (Daft, 2003).

Based on the above definitions the following characteristics could be identified in organizational change:

- It involves incorporating new ideas, values, attitudes and behaviours into an organization.
- It is a process that alters an organization’s existing mechanisms.
- It is carried out with the intention of improving the performance of the organization.
My Working Definition on Organizational Change

<table>
<thead>
<tr>
<th>Definition 1</th>
<th>Definition 2</th>
<th>Definition 3</th>
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</table>

‡ Activity

Collect other definitions of organizational change and make up your own working definition.

What are the common features of each definition you have collected? Relate to the features identified above and note any new common elements that you see.

2. Forces for Change

Having understood the meaning of organizational change, it now important to identify the factors that influence organizations to change. Some of these forces are considerably more forceful than others and can be broadly divided into two categories:

a) Internal forces
b) External forces

a) Internal forces

As the phrase ‘internal forces’ suggests these are forces that arise from within the internal activities of the organization. Internal forces may arise from the decisions of top management, employees, trade unions and organizations must change and adopt accordingly in order to survive.

These internal forces include:

- Development and improvement of new products.
- Introduction to changes in organizational culture.
- Initializing restructuring processes to organizational structure.
- Internal development of quality, supplies and production efficiencies.

Example: In order to increase their market share the directors of Eat Well Company, an instant food manufacturer decided to launch a different range of products. To effectively do so, the marketing department which previously consisted of four groups for each of their products was restructured. Employees were assigned to new groups where they were required to conduct marketing research and make suggestions for new innovations.
b) External Forces

External forces are those that arise from the external environment of the organization. Organizations must be aware of its environment in order to successfully implement the changes that are triggered by these forces.

Such external forces that affect the organization are illustrated below:

Example: Habit and attitude studies have shown that today most consumers prefer eating while travelling in the morning as they have no time for breakfast. In order to adapt to this force for change certain food industries have changed their focus to food items that can be consumed easily while travelling such as sausage flavoured paste for sandwiches instead of traditional sausages.

‡ Activity

Select a company of your choice that has been operating for over 10 years. List down the noticeable changes that have taken place in the years. Then think of why the organization changed in that certain manner and try to come up with internal and external forces that may have led to the changes.
3. Need for Change

The internal and external forces discussed above makes the management aware that there is a need for change within the organization. It is important that this need for change is communicated to all parts of the organization so that employees can readily see its necessity. The stage at which the organization realises a need for change is vital in determining the effectiveness of the change and the overall intended objective. Organizations are able to perceive the need for change in a

- Reactive manner
  - Involves analyzing past mistakes and realising the changes required.
  - Example: ‘Malt Z’, a company producing chocolate milk powder perceived a need to change their product after suffering a loss in consumer demand and revenue.

- Proactive manner
  - Recognizing a performance gap, where there is a difference between existing performance and desired future performance.
  - Example: ‘Mile O’, another company producing chocolate milk powder continuously engaged in marketing research and found out that an increasing number of customers prefer ready-to-drink packs rather than make the drink. By being proactive and realising the need for change, they were able to satisfy their customers by offering new products and thus prevented a loss in revenue.

As marketing involves identifying, anticipating and satisfying customer needs, organizations must be alert to internal and external forces in order to successfully perceive the need for change.

By doing so, organizations will be able to satisfy customer needs, ensure profitability and therefore achieve the overall corporate objectives.
‡ Activity

List the possible advantages and disadvantages of being proactive in realising the need for change. Do the potential advantages always outweigh the disadvantages? Relate this to practical examples of organizations you know.

4. Types of Planned Change

Planned change occurs in situations where organizations understand the need for change and therefore change is consciously designed and implemented. This is carried out in an orderly and timely manner in anticipation of future events.

*The systematic attempt to redesign an organization in a way that it will help it adapt to changes in the external environment or to achieve new goals* (Stoner et al., 2002).

When organizations proactively identify the need for change, planned change programmes are used as an attempt to overcome potential problems and create the best fit between the organization and the environment.

An organization’s decision to implement a particular type of planned change depends on the internal and external forces for change.

Planned change can be categorized as follows:

![Planned change diagram]

**4.1 Technology Changes**

These changes often relate to an organization’s production process and are designed to increase the efficiency of the product or service. Changing an organization’s technology involves altering its equipment, engineering processes, research techniques and/or production methods (Stoner et al., 2002). Research and development teams of an organization must continuously be aware of new technology in order to improve their...
products. If they are slow in alertness or implementing necessary technology changes, a competitor definitely will, threatening the organization’s market position.

The marketing department too has the responsibility of identifying changes in consumer preferences and realising the necessary technology changes in a timely manner.

a) Encouraging Technology Changes

Bottom-up Approach

This is where innovative ideas originate at the lower technical levels and are presented to the top management for approval. This approach is favourable as lower level employees possess the necessary technical expertise required whereas top management does not engage in frequent interaction with the technological aspects of work.

Managers must create a loosely structured atmosphere in which creativity and idea champions are encouraged and granted the resources needed for innovation.

4.2 New Product Changes

Introducing a new product to a fiercely competitive market place involves high risks, as the organization cannot guarantee that the product will be a success. Yet, despite the potential risks, organizations are increasingly introducing new products to the market with the hope that it will generate economic return.

Due to rapid changes in technology, competition and customer preferences product life cycles are getting shorter. Therefore organizations need to continuously develop new products to adapt to these changes.

Not only must organizations develop new products, but they must also deliver these to customers faster than competitors. This is known as time based competition.

In order to develop successful new products, the following characteristics are essential:

- The marketing department must accurately identify and anticipate customer needs and wants through marketing research.
- Technical experts need to be aware and successfully use new technology.
- The whole organisation must adopt marketing as a philosophy and identify the customer as the heart of corporate purpose. Therefore all departments must cooperate and contribute towards satisfying customer needs and wants at a profit.

a) Encouraging New Product Changes

Horizontal linkage model:

This is an approach to product change that emphasizes shared development of innovations among several departments (Daft, 2003).
As the development of a new product requires all departments to be aligned in serving customers, this model is most appropriate.

The horizontal linkage model requires the close coordination of the research department, marketing department and manufacturing department.

<table>
<thead>
<tr>
<th>Research Department</th>
<th>Marketing Department</th>
<th>Manufacturing Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informs other departments of new technical developments to learn whether they will be useful to customers.</td>
<td>Informs other departments of changing customer needs and complaints to use in the design of new products.</td>
<td>Informs the other departments whether a given product idea can be manufactured within the cost limits.</td>
</tr>
</tbody>
</table>

(Daft, 2003)

This model can be illustrated as follows:

Example: Due to threats from competitors in the Sri Lankan mobile phone market Dialog Telekom, a key player in the industry sought to make new improvements in the services they offer in order to sustain brand loyalty. These include ringing tones and the ability to print digital camera photos by simply sending the picture through an MMS (Multimedia message service) and ordering a printout.

4.3 Structural Changes

Organizational structure refers to the pattern of relationships among positions in the organization and among members of the organization (Mullins, 2002). Structural changes therefore involve restructuring this pattern of relationships which ultimately affects the organizational hierarchy, lines of communication, work roles and the span of control.

Changes in the organizational structure can take many forms as categorized below:

a) Changes in the basis of Departmentalization

As organizations grow in size a scope it is necessary to alter the basis of departmentalization ranging from an entrepreneurial structure to a functional structure and later to a product or location based structure. As organizations acquire more businesses, a structure based on these different companies is most appropriate.
Example: When Pizza Hut first set up operations in Sri Lanka they adopted a functional structure with departments based on customer service and food and beverages. However, they adopted a location based structure as they expanded to different geographical areas in order to meet and satisfy increased customer demand.

b) Changing the Power Structure

This involves the organization modifying their structure to take on a more centralized or decentralized form depending on circumstances. This affects the height of the hierarchy, the span of control and the job descriptions of employees.

Example: following complaints from its employees about the lack of promotional possibilities due to the flat decentralized structure of H Plc, its management sought to make it more centralized and increase the number of positions.

c) Modifying organizational Policies and Administrative Procedures

When organizational policies and procedures are modified, they must be adopted by all relevant parts of the organization.

Example: Upon realising the importance of customer care and handling complaints, Dialog Telekom changed their policies to make sure employees meet the necessary customer service requirements. In addition to handing out awards for the sales team with the highest commission at their annual award ceremony, they now give out awards to the best service personnel as rated by customers.

d) Encouraging Structural Changes

Top-down Approach

This approach is the most appropriate for structural changes as higher level management have the necessary expertise and knowledge for administrative improvements as opposed to lower level employees who have little overall expertise and interest.

‡ Activity

‘Look Good, Feel Good’ is an organization involved in producing and selling different ranges of hair care and beauty products. The company is structured according to functional departments such as production, finance, sales and marketing, research and development etc. The marketing department has identified that their customers are increasingly switching to other brands of products which offer faster effectiveness as a result of using the latest technology. The company is also finding it difficult to identify the product ranges that are profitable and not as the company is structured according to functional departments. These departments concentrate mainly on departmental efficiency and therefore have no overall responsibility for the end products. You are required to suggest the necessary changes required in this organization in order to maintain market share.
5. Initiating Change

Identifying and communicating the need for change and planning change programs alone is insufficient. Change must be successfully initiated in order to respond to the internal and external triggers. However, initiating change is a somewhat difficult process as it must be done in a systematic way while resolving all forms of resistance.

Therefore, in order to successfully initiate change, the following methods have been developed:

a) Search
b) Creativity
c) Idea champions
d) New-Venture teams

a) Search

This is the process of learning about current developments inside or outside the organization that can be used to meet a perceived need for change (Daft, 2003). Here, the focus is on existing knowledge and how it could be applied to suit the needs of the organization.

Existing knowledge can be acquired by communicating with professionals, reading organizational reports, hiring consultants and benchmarking with other best practices.

Example: Following increased sales of Pepsi in the USA after using superstars such as Ricky Martin and Britney Spears for promotions, Pepsi Co. in India managed to boost sales by adopting the same approach and using Sharukh Khan in their commercials. However, many perceived needs for change cannot be resolved using existing knowledge. Organizations are therefore required to develop innovative solutions.

b) Creativity

In order to develop innovative solutions as mentioned above, creativity must be present in all aspects of the organization. Creativity is defined as the generation of novel ideas that may meet perceived needs or offer opportunities for the organization (Daft, 2003).

It is the responsibility of management to create an environment in which creativity is enhanced. Creative organizations or departments possess the following characteristics:

- A playful culture.
- Participative management styles.
- Decentralized structures.
- Most work is carried out using teamwork.
- Suggestion systems, brainstorming and group discussions.
- Acceptance of mistakes.
- Freedom to choose and pursue problems.
- Reward systems that encourage creativity.
**Example:** Each month, the sales representatives of Oriflame, a cosmetics company, hold meetings with top managers in which they are encouraged to present ideas for new products based on customer needs they have anticipated. However, it is important to note that creativity also involves an element of risk as innovations often lead to mistakes and failures.

As risky as it may be, in order to survive in a dynamic market with fast changing customer needs, creativity is essential and therefore managers must encourage creativity while attempting to minimise harmful risks.

c) **Idea Champions**

Change is not a process that takes place by itself. Individuals need to generate and **actively promote** new innovative ideas. An ‘idea champion’ is one such person who sees the need for and champion’s productive change within the organization (Daft, 2003).

Since new ideas are often rejected by management, the personal effort of such ‘champions’ who firmly and wholeheartedly believe in the idea are needed to pursue these innovations. Research has shown that most successful products in recent years were backed by idea champions and that most products that failed were not.

Successful innovation however depends vastly on the interplay of the following roles. These roles may be played by one person but most often by different individuals.

<table>
<thead>
<tr>
<th>Inventor</th>
<th>Champion</th>
<th>Sponsor</th>
<th>Critic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develops new ideas</td>
<td>Believes in the idea</td>
<td>Approves the idea</td>
<td>Challenges the idea</td>
</tr>
<tr>
<td>Understands its value</td>
<td>Analyses costs and benefits</td>
<td>Perfects the idea</td>
<td>Provides a reality test</td>
</tr>
<tr>
<td>Does not have the ability or interest to promote ideas</td>
<td>Gains the support needed to bring it to reality</td>
<td>Removes major barriers to acceptance</td>
<td>Prevents the organization from adopting bad ideas</td>
</tr>
</tbody>
</table>

(Daft, 2003)

d) **New Venture Teams**

This is a unit separate from the mainstream of the organization that is responsible for developing and initiating innovations (Daft, 2003). Venture teams are small in size, flexible in terms of its structure and free from organizational rules and procedures.

One variation of a new venture team is called **skunkworks**. This is a separate small, informal, highly autonomous and often secretive group that focuses on breakthrough ideas for the business (Daft, 2003).
The generation of new innovative ideas by a venture team alone is insufficient and resources are needed to transform these ideas into action.

It is for this reason that new venture funds are created by organizations. This is a fund providing resources from which individuals and groups can draw to develop new ideas, products or businesses (Daft, 2003).

In addition to this, some organizations introduce idea incubators which are in-house programs that are free from organizational rules and regulations and encourages employees to present their innovations.

6. Implementing Change

A new highly innovative idea is of little use to an organization unless it is fully utilized.

However, managers implementing change are continuously faced with employees who are reluctant to accept the change as well as other restraining forces against change.

Therefore managers must be aware of the sources and reasons for resistance in order to successfully overcome them and effectively manage the implementation process

6.1 Resistance to Change

Woodward (1968) stresses that resistance is actually a natural process that needs to be understood. Understanding and accepting this can assist management in the implementation of a change program.

Resistance mainly stems from he employees of an organization although it can even come from other stakeholders such as customers and suppliers.

The following are some of the main reasons for employee resistance:

a) Self Interest

Employees mainly resist change because they have developed a sense of security and interpersonal relationships that they feel will be threatened following a change.

Proposed changes to job design, structure or technology make employees feel threatened in terms of job security, pay, power, prestige and fringe benefits.

Example: The Corporate Key Accounts Officers of Dialog Telekom immediately protested a change in procedures where 10% of their sales commission was threatened to be cut if monthly reports were not handed in on time.
b) Lack of Understanding and Trust

Employees may not at times fully understand the reasons behind a change or how it will affect their personal situations. Such employees tend to resist change, as they are unaware of the need for change. Also, employees, especially members of trade unions tend to hold a stereotyped view of management as being untrustworthy. Therefore and proposed change will be resisted.

Example: Workers of the Ceylon Electricity Board engaged in strikes following the government’s decision to privatise the company. These employees did not fully understand the urgent need to privatise and increase efficiency in order to meet increasing customer demands.

c) Uncertainty

This form of resistance occurs because employees do not know the nature of the change and how it will affect them. They tend to fear the unknown and thus resist any change as they prefer known existing circumstances.

d) Different Assessments and Goals

Resistance occurs when those affected by the change feel that their goals are in conflict with those who implement the change. Benefits of a change to one party can at the same time be unfavourable to another party.

Example: Following marketing research, ‘Ball Point Inc.’ a manufacturer of blue, red and black pens found out that customers increasingly prefer different kinds of pens where one pen has several interchangeable colours. The marketing department proposed the change to diversify their products to increase customer satisfaction, but was met with resistance from the manufacturing department due to higher costs.

Instead of ignoring the above sources of resistance, managers should devote their effort towards diagnosing the exact causes for resistance and attempt to remove such barriers. This can be carried out using the force field analysis or other implementation tactics which will be discussed below.

‡ Activity

N Company, a large manufacturer of automobiles and delivery vehicles recently experienced a sharp decline in demand for automobiles while the delivery vehicle sector has picked up growth. In order to effectively respond to changing customer requirements and avoid losses, N Company has decided to close 3 of its automobile plants in which a third of its 150,000 employees are employed.
However, they have decided to expand their delivery vehicle sector and have promised to offer jobs arising from this sector to employees that will be made redundant in the automobile plants.

Discuss the reasons for employees to resist the proposed change and categorize them according to the criteria discussed above.

6.2 Force Field Analysis

This is a model introduced by Kurt Lewin (1951) and provides a framework for analyzing the forces which are likely to emerge following a program of organizational change.

Lewin believed change to be a result of the ‘competition between driving and restraining forces’ (Lewin, 1951). The driving forces push in one direction while the restraining forces push in the other direction. The performance that emerges is the equilibrium of the two forces.

a) Driving Forces

These refer to opportunities for the organization which provide motivation to implement change. Driving forces include

- Potential gains in revenue
- Cost reductions
- Higher market share
- Greater competitiveness
- Ensuring long term survival

Example: Titan plc, an insurance company decided to replace their relatively slow computer system with a highly advanced expert system that can assist call centre staff in providing quotes. Existing staff however have no knowledge of this system. The driving forces for this proposed change are the faster provision of quotes, increased accuracy, efficiency and customer satisfaction.

b) Restraining Forces

These are the various barriers that prevent change from being implemented. Restraining forces include:

- Resistance from employees
- Resistance from managers
- Lack of resources
- Lack of required skills
Example:
Titan plc mainly due to the existing knowledge of workers faced restraining forces such as lack of appropriate skills, high costs of retraining, resistance from managers to devote extra time and the cost of the system itself.

The management of organizations must first analyse the driving and restraining forces relating to the future change program. They must then assess which forces are more important and take action to encourage important driving forces while selectively reducing important restraining forces.

Example: Titan plc introduced worker training on the job in order to reduce extra costs and time of managers. Managers will be given additional rewards based on the competency of staff. They have also decided to charge slightly higher rates which are still below that of competitors in order to cover the cost of the system.

7. Implementation Tactics

According to Kurt Lewin’s force field analysis, restraining forces must be reduced in order to continue with the change program. Implementation tactics are used to mainly overcome the resistance from employees and can be categorized as follows:

a) Education and communication
b) Participation
c) Negotiation
d) Coercion
e) Top management support
a) **Education and Communication**

This is where managers spend time explaining the problems faced and the strategy that can be used to overcome these difficulties. Employees must also be educated on the benefits of accepting and the repercussions of resisting the change. By making employees aware of the need for change, their support can be counted on and it is more likely that they will face change with a positive attitude. This tactic is of great importance when change involves new knowledge that employees are unfamiliar with.

However, it should be noted that education and communication is time consuming and costly.

b) **Participation**

This involves getting employees or groups of them, especially those who will be affected to design the change. This controls resistance as employees feel that their views are considered and actively participate and commit to the change. Once again however, it is time consuming and even costly if the change program is ineffective.

c) **Negotiation**

This involves a formal method of ensuring cooperation among parties in an organization. Negotiations are conducted with potential resisters and desired changes are either accepted or rejected.

**Example:** Maliban Biscuit Manufacturers negotiated with their trade union before implementing a change that involved halting production of one of its popular biscuits and diversifying into producing milk powder.

**However,** this may be an unfavourable tactic if the management has to reach expensive compromises.

d) **Coercion**

This is where authority and power is used by managers to force change on employees. Employees’ jobs, benefits and other positive rewards are threatened if they engage in resistance. This tactic can be used to implement change much faster than other alternatives. It is therefore useful in times of crisis.

**Example:** The management of L Company were able to retain most of their stock and minimise the damage caused by a sudden fire because they directed fast specific orders to employees on the measures that had to be taken immediately.

However, under normal circumstances, this will cause severe dissatisfaction amongst employees and they may even sabotage change programs. It is also less effective in the long term and when informal networks are more powerful than formal authority.
e) Top Management Support

Top management support of a particular plan of change indicates to all employees that this change is necessary and important. The support of top management is vital when the change requires interdepartmental coordination. However, top management also have the authority to issue contradictory orders if they do not support a particular change program.

<table>
<thead>
<tr>
<th><strong>Summary</strong></th>
<th><strong>Tactic</strong></th>
<th><strong>Involves</strong></th>
<th><strong>Commonly used when</strong></th>
<th><strong>Advantages</strong></th>
<th><strong>Disadvantages</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and communication</td>
<td>Explaining the need for and logic of change.</td>
<td>There is a lack of accurate information and analysis.</td>
<td>Once persuaded, people will often help implement the change.</td>
<td>Can be very time consuming if many people are involved.</td>
<td></td>
</tr>
<tr>
<td>Participation</td>
<td>Asking members of an organization to help design the change.</td>
<td>The initiators do not have all information while other members do.</td>
<td>People who participate will be committed to the change and the information they provide. Can be integrated into the program.</td>
<td>Can be very time consuming especially if participators design an inappropriate change.</td>
<td></td>
</tr>
<tr>
<td>Negotiation</td>
<td>Formally negotiating with potential resisters.</td>
<td>A person or group with considerable power to resist will clearly lose out on a change.</td>
<td>Sometimes it is a relatively easy way to avoid major resistance.</td>
<td>Can be too expensive depending on the compromises reached.</td>
<td></td>
</tr>
<tr>
<td>Coercion</td>
<td>Forcing change with the use of formal authority.</td>
<td>Speed is essential and change initiators have considerable power.</td>
<td>It is speedy and can overcome any kind of resistance.</td>
<td>Can be risky if it leaves people at variance with the initiators</td>
<td></td>
</tr>
<tr>
<td>Top management support</td>
<td>Managements in high positions overtly accepting the change.</td>
<td>The change demands interdepartmental coordination.</td>
<td>Members are made aware of the necessity to change by the acceptance of top managers.</td>
<td>Can be unfavourable if top managers do not support the program.</td>
<td></td>
</tr>
</tbody>
</table>
CHAPTER SUMMARY

Understanding organizational change
(Remember at least 2 definitions and their source)

Forces for change

Internal forces

External forces

Need for change

Proactive

Reactive

Technology changes

New product changes

Types of planned change

Structural changes

Search

Creativity

Initiating change

Idea champions

New venture teams

Implementing change

Resistance to change

-self interest
-lack of understanding
-uncertainty
-different goals

Implementation tactics

-education
-participation
-negotiation
-coercion
-management support

Force field analysis

-driving forces
-restraining forces

Lewin’s 3 step model

-unfreezing
-movement

Chapter 06 – Effective Change Management Skills
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Article Reading

Change at the Football Association


An image problem?

The formation of the Football Association (FA) 140 years ago in a London tavern was one of the most significant milestones in the development of modern football. English football's governing body first codified the rules of the game and organised competition for the country's most popular 'export' ever. Yet by the late 1990s the FA faced a new millennium not unlike that other British institution, the monarchy, seemingly burdened by its past and widely perceived as remote, irrelevant and under performing. The FA clearly had a past but did it have a future?

The FA had sunk, along with the whole of English football, to its lowest point during the 1980s. Rampant crowd disorder, the lowest post war attendances, and a ban from European club competition were serious enough, but these were nothing compared with the loss of life in the stadium disasters of 'Bradford', 'Heysel' and 'Hillsborough'. Some speculated that the game would never recover.

Against the odds, football not only survived but began to thrive; with initiatives given an impetus by the Taylor Report1 and the birth of the Premier League at the start of the 1992-1993 season. Suddenly the 1990s was the decade where match day attendances boomed, the game enjoyed a higher profile than ever, and television companies and sponsors poured massive sums into the game. Football stadium were now modern, safe and supporter friendly and English clubs were allowed in European competition again. Yet the FA continued to project a tired, dusty image, somehow imprisoned in time warp.

The FA's old-fashioned image was typified by its oversized and unwieldy committees, populated it seemed by old men in blazers. By the 1990s image and structure were not the only negative factors. Media handling was poor and the FA seemed to have acquired a habit of attracting only un favourable headlines. England's national side failed to win a single game in Euro '92 and did not qualify for the 1994 World Cup. The infamous 'fly on the wall' documentary on Graham Taylor2 did not help matters. Even the success of staging Euro 96 quickly disappeared with the unsatisfactory circumstances surrounding the departure of the England team managers, Terry Venables, and especially Glenn Hoddle. Yet the 1990's should have been the FA's golden age, it was after all the decade when English football experienced a sea change from its position of crisis.

This short account describes aspects of a successful change programme at the FA that began around 1999 and analyses the position of the architect of much of that change.

The change programme

The starting point began following the departure of both the Chief Executive and Chairman. The new Chairman, Geoff Thompson, identified a need for the FA to be modernised. The FA's first act of significance was both surprising and controversial with the appointment of a new Chief Executive with a background ill advertising, not

- refreezing
administration. Not only that, the new chief executive Adam Crozier was young, charismatic- and Scottish.

Crozier had a short but impressive career spanning pet food sales and agency management. Five years earlier he had been promoted to Chief Executive of Saatchi & Saatchi, which had just lost a third of its business when its two founders left. Against the odds, Crozier built the agency back to its former size in less than two years. Now he (aced even bigger challenge of activating a sleeping dinosaur of an organisation.

Crozier had some playing experience but as a youngster was rejected as not good enough for the professional game by both Hibernian and Stirling Albion. His only other football involvement was a passion for his favourite club, Celtic. Many were unable to forgive him for being Scottish, (traditionally viewed an enemy of the English), and plenty hoped that his 'flashy' but focussed approach would fail.

The FA began an organisational restructure; the old 92-man committee giving way to a more business like and strategic Executive Board. The Board was created with twelve representatives, six from the professional game (four elected by the Premier League, two by the Football League), and six from the wider game, with the Chairman and Chief Executive having automatic membership.

Crozier as Chief Executive began building a Management Team around him, consisting of the heads of the FA's new divisions. He looked to bring in experts from industry such as Paul Nolan from the top HR job at Express Dairies, and Paul Barber (Director of Marketing and Communication) from Barclays Bank. Media spokesman Paul Newman was alleged to have claimed that fielding questions over the England managers love life was a piece of cake compared to a previous role he had of sending back reports during the Gulf war for the BBC!

Much good work in developing the game at grass-roots level was already underway, but now it was brought into clearer focus. A dedicated department comprising 25% of all staff numbers was created. From those who were previously spread across four or five separate functions.

Not everyone could adapt to the pace and magnitude of this change and staff turnover approaching 50% at all levels (including senior management) occurred during the first eighteen months. The average age of the workforce fell to 35 years, and 62% per cent of the FA's 270 employees were now female.

Structure, staffing and skills impact on organisational culture and attempts to re-engineer that culture still further were founded on several core beliefs clearly spelt out as part of a 3-year Strategic Plan (see Table 1).

The change programme was given added impetus by the symbolism of vacating the FA's traditional headquarters of Lancaster Gate in favour of offices in nearby, but more fashionable, Soho Square. Lancaster Gate was a formal building with idle space for announcements and press conferences that often had to be held on the front steps. Rented but specially refurbished, the impressive new accommodation off Oxford Street in the West End of London was quite a contrast. The glass-fronted offices were stylish and conveyed an image of modern business. There was a purpose-built press centre and journalists appreciated its superb facilities. Press announcements were now relayed as they happened on screens around the building. The harnessing of the benefits of new
technology extended to the FA's dedicated web site, which was fun, informative and user friendly. The FA's reception area now boasted display cases of silverware as a reminder of the past, complimented by a bank of monitors showing football moments; surely a symbol of technological advance?

Structurally, the offices themselves were designed to break down barriers between departments and encourage openness. If staff wished to discuss work related issues less formally there was the subsidised branch of coffee bar or the attractive r09f garden.

Crozier's past experience was apparent in the FA’s new attitude to sponsorship. Instead of being content to stay out of debt, the FA planned to generate huge financial surpluses to be ploughed back into the game. Individual marketing teams now concentrated on developing and exploiting 'brands' such as 'Team England' and the FA Cup.

History was made when Crozier supported the appointment of a manager who was not English and had never managed an English club: Sven Goran Eriksson. Sections of the media complained loudly, and the unions suggested that the appointment was both insulting and a betrayal of the FA's heritage. As the playing fortunes of the national side stabilised so initial criticism died down. The FA was not however only confining themselves to what happened to the senior side. Women's football, a high priority, was also showing promising signs (England had been chosen to host the 2005 UEFA European Women's Championship). The FA were now making strides in a number of other areas, and features on the FA web site reflected these priorities through the junior sides (whether under 21s, under 16s, women's under 17s, or disabled) and attention was directed to issues such as 'ethics and sports equity', pitches and facilities and education, etc.

Soon Adam Crozier assumed another troubled role as Chief Executive of Royal Mail facing a new set of challenges including competition, debt and union unrest. Crozier's departure, a little ahead of schedule in December 2002, was widely welcomed within the whispering corners

Table 1
The FA's core beliefs identified as part of its Strategic Plan
- Open - laying out its agenda and issues
- Accountable - with clear targets and objectives
- Passionate - about football and its role in society
- Responsive - listening and acting
- Challenging - always looking for a better way
- Inclusive - partnerships with all interested groups and parties
- Confident - in our ability to do the right things
- Courageous - embracing change positively
(Source: http://www.the-fa.org/

of the FA and in the boardrooms of Premiership clubs. Crozier's involvement in brokering a deal between the players union and the FA Premiership over funds from television revenues in particular meant that he had made powerful enemies amongst Premiership chairmen.

Having a sense of style can be attractive but it can also attract criticism of extravagance. The rental cost of the plush offices was considerable. The FA also faced the funding of a £757million construction project for Wembley, as well as plans to build a new national football centre at Burton-an-Trent at a time when football was showing the first signs of
recession. Though Crozier was far from solely responsible, he was nevertheless a Chief Executive presiding over a potential future funding embarrassment. When he left, the FA made it known that his successor would have a more financial background, and that 'the next three years would be very different to the last three'. (His eventual successor in July 2003, a former accountant Mark Patios, had a very different C.v. to Crozier.)

The aggressive marketing of England merchandise such as replica shirts should mean fewer sales for Arsenal or Manchester United. Potentially therefore 'Team England' becomes a commercial competitor for a Premiership club. The delicate position of the England side and individual clubs becomes even more uncomfortable under these circumstances. (A vital component of 'Team England' is after all the players, a resource owned by the clubs, and used without financial compensation by the national side.)

**Conclusion**

Despite these criticisms Crozier's role in revolutionizing the organisation is indisputable. The FA may not have been problem free by the time he left office but it had been transformed into (in its own words) 'a multi-dimensional business with ... key brands such as the FA Cup ... and England teams'. Further, the FA's published accounts for the last-year of Crozier's reign were not as unfavourable as many had speculated. Far from it, turnover had jumped 57% to £184 million translating into a £12 million profit after a distribution of £32 million back to the game.

Crozier had in a short space of time gained both admirers and critics but few could deny the legacy left behind by an impressive change agent. The organisation had become proactive when once it was reactive; from being sleepy it had become an agenda setter.

🎵 **My Short Notes**
Graduate/Postgraduate Diploma in Marketing

Marketing Skills

Recommended Study Text

Module Five

Creative Decision Making Skills for Marketers
Chapter 7
Creative Decision Making Skills for Marketers

This chapter will cover the following areas

1. Understanding a Decision
2. Basic Decision Making Process
3. Decision Making Models

1. Understanding a Decision

A large proportion of a manager’s role comprises of decision making, from assigning employee tasks to choosing which markets to compete and which new products to introduce, as well as decisions on organizational structure and responses to the environment.

Since ineffective decisions are costly in terms of time, money, effort and future career progression, managers are compelled to acquire skills that will make them better decision makers.

Although decision making was considered important in the past, the extent to which it is important has been identified in the present day, giving rise to management consulting services, decision making courses, decision support computer programs and research on decision making.

1.1 Definitions of Decisions

Specific and discrete actions taken to close the gap between an actual and a desired situation (Steers et al., 1985).

A mechanism by which a manager seeks to achieve some desired state (Donnelly et al., 1987).

A choice made from available alternatives (Daft, 2003).

A product of the decision making process.

Using the above definitions it can be identified that:

- Decisions involve taking action.
- It reconciles the gap between a desired and actual state.
- It involves making a choice between alternatives.
- It cannot be seen in isolation from the decision making process.
1.2 Definitions of Decision Making

A process through which a decision or choice is made (Huber, 1980).

The process of identifying problems and opportunities and then resolving them (Daft, 2003).

The process of identifying and selecting a course of action to solve a specific problem (Stoner et al., 2002).

The selection from among alternatives of a course of action; a rational selection of a course of action (Koontz et al., 1984).

A process whereby a course of action is chosen from a range of possibilities, to achieve a specific purpose.

Decisions can be either
- Programmed decisions
- Nonprogrammed decisions

Programmed Decisions

This is where decisions are routine, as the situations that lead to the decision arise frequently.

Example: A decision to order raw material once the re-order level has been reached.
Non Programmed Decisions

These are made in uncommon, unique situations and therefore problems are defined in a less structured manner. The effectiveness of decision making depends on the certainty or uncertainty of the environment and the element of risk.

2. Basic Decision Making Process

Having understood the importance of decision making in organizations, its effectiveness can be ensured by following the steps of the basic decision making process in a systematic way. These steps are as follows:

a) Recognition of decision requirement
b) Diagnosis and analysis of causes
c) Development of alternatives
d) Selection of desired alternative
e) Implementation of chosen alternative
f) Evaluation and feedback

a) Recognition of Decision Requirement

Decisions are required to be made when an organization encounters either a problem or an opportunity.

Problem
A situation in which organizational accomplishments have failed to meet established goals (Daft, 2003).

Opportunity
A situation in which managers see potential organizational accomplishments that exceed current goals (Daft, 2003).

Organizations can use tools such as SWOT as well as other information sources such as financial and performance reports in order to discover problems and opportunities in a timely manner. Decision makers should also understand the factors surrounding the decision to be made distinguishing between controllable and uncontrollable elements.
**Example:** NS Company engaging in motor repairs also opened up a small scale supermarket as there was no such supermarket in the area at the time. Upon receiving information that a large supermarket chain offering discounts was going to set up in the area, the managers of NS Company made a quick decision to close down the supermarket and open a spare parts shop instead. This decision saved NS Company from huge revenue losses.

**b) Diagnosis and Analysis of Causes**

In order to implement successful solutions and decisions managers must diagnose the reasons or causal factors leading to the problem or opportunity. Instead of just having an overview of the causes, they must understand the complicated multiple facets of the problem.

It is also important to separate the symptoms from the actual problem in order to avoid unsuccessful decision making.

**Example:** The managers of Maliban Biscuit Manufacturers recently experienced a fall in sales and diagnosed this as their problem. They made hasty decisions to cut prices and expand distribution all of which failed miserably as they did not identify the true cause for the fall in sales which was actually the introduction of a variety of new biscuits by Munchee, a rival firm.

**c) Development of Alternatives**

Once the problem or opportunity as well as its underlying causes have been identified, managers must generate different alternatives that will eliminate the problem or capitalize on the opportunity. These alternatives should reduce the gap between the organization’s current and desired level of performance.

According to research carried out by Nutt (2000), managers develop alternatives using the following methods:

- **Benchmarking** - Understanding the practices of the best performing entities.
- **Innovation** - Tailor made solutions to fit the problem.
- **Existing decisions** that have proved to be successful in the past.

Although benchmarking and innovation seem to be better alternatives, most managers use existing decisions due the shortage of time, pressure of work and the lack of conceptual ability to be innovative.

**Example:** Considering the example of Maliban, the management came up with alternatives such as developing their own new products which will be substitutes for the rival products, engaging in aggressive selling and distribution and increasing the amount of advertising to develop brand loyalty.
d) Selection of Desired Alternative

Upon evaluating the costs and benefits of all alternatives, the best decision alternative should be chosen. This alternative should be the one that complies with organizational goals in the best manner and requires the least amount of resources.

The alternative selected also depends on the personality traits and the nature of the decision maker. Whether or not the decision maker is risk averse, risk neutral or risk loving plays a major role in deciding the best option.

Example: The managers of Maliban were willing to take a risk and decided to introduce substitute products although advertising may have been less risky.

e) Implementation of Chosen Alternative

This is the step in the decision making process that involves using managerial, administrative and persuasive abilities to translate the chosen alternative into action (Daft, 2003).

It is pointless evaluating and choosing the best strategy if it cannot be put into action. Therefore managers should make sure that sufficient employees and resources are available to implement the decision. The decision must be communicated to all parties that will be affected by it and their support is vital.

Example: Maliban implemented their decision to introduce new products and informed the Research and Development department on the nature of products they wish to introduce, the Manufacturing department on providing cost estimates of potential operations and the Marketing department on conducting marketing research and introducing the product. They stressed that the coordination of all departments is essential.

f) Evaluation and Feedback

Since decision making is a continuous process, feedback is needed to manage the critical path of the decision. Managers can take action to rectify any deviations from the desired state that they wish to achieve or can even revise the desired state and implement a new decision cycle depending on circumstances.

It should be noted that this process may not be followed in a systematic order for each and every decision. For instance, daily routine simple decisions need not be made by following this process. In contrast, the process can be more complex than anticipated and can even be reversed where a solution is decided on and a problem is searched for. In general however, this provides a basic framework on how to make a decision.
Summary of the Basic Decision Making Process

(1) Recognition of decision requirement
(2) Diagnosis and analysis of causes
(3) Development of alternatives
(4) Selection of desired alternative
(5) Implementing the chosen alternative
(6) Evaluation and feedback

‡ Activity

Knick knack plc is a manufacturer of chocolate bars and is currently experiencing a shortage of skilled labor for its production operations as well as being overstaffed with respect to unskilled labor. The company already faces high wage costs and has recently been compelled to hire a labor mediator in order to sustain the labor union strikes of low level workers who are demanding wage increases. You are required to use the decision making process and come up with the best solution for its problems.

3. Decision Making Models

a) Classical model
b) Administrative model (bounded rationality)
c) Garbage can model
d) Introduction to game theory
e) Application of the above models to marketing decision making
3.1 Classical Model/Rational Model

This is ‘a decision making model based on the assumption that managers should make logical decisions that will be in the organization’s best economic interests’ (Daft, 2003).

a) Assumptions of this Model

- The problem or opportunity is precisely known and clearly defined. Goals that are to be accomplished are also known and agreed upon.
- Perfect information can be obtained on all possible alternatives and their potential outcomes and expected values.
- The criteria and specific parameters needed to evaluate the alternatives are given.
- The decision maker is rational and will act in the best interests of the organization and not maximize individual gain. Emotional circumstances of the decision maker are ignored and it is assumed that they only use logic to evaluate alternatives.

b) Benefits of this Model

- Assists decision makers in programmed or routine decisions as the problems and alternatives are fully known.
- Helps decision makers to be more rational, even when the decisions are not so clear cut.
- Suitable in stable environments that rarely change.
- Useful in technical jobs that require a logical sequence of steps to be followed.
- Assists computer aided decision techniques such as pay off matrices, linear programming and decision trees.

Example: In H plc, a manufacturer of paper clips, a computer program uses all possible information of its relatively stable environment, evaluates all possible production quantities and determines the break-even level of production.

c) Drawbacks of this Model

- The classical model is just a theoretical guideline or normative approach of how a decision should be made and often fails to represent reality.
- It is inappropriate in dynamic environments where the problems might be vague and all alternatives and evaluating criteria might not be known.
- It is difficult to assume that a decision maker will be fully objective at all times.
- Managers do not always have the time, resources, cognitive ability or the experience to evaluate each and every possible alternative.

Example: The purchasing manager of Fifteen plc sent out tender notices for raw material suppliers and received responses from 12 different suppliers. This manager however, only considered 2 suppliers that were known to him and made a quick decision to hire one of them who will give the manager a commission for handing them the contract. He did not evaluate the costs and benefits of the other 10 suppliers.
3.2 Administrative Model (Bounded Rationality)

As the classical model is merely a theoretical guideline and is unrealistic in dynamic environments, the Administrative model was developed by Nobel Prize winner, Herbert Simon to provide a more realistic aid to decision making.
This is ‘a decision making model that describes how managers actually make decisions in situations characterized by nonprogrammed decisions, uncertainty and ambiguity’ (Daft, 2003).

This model understands that in reality, decision makers select less than the best alternative, engage in a limited search for solutions and have little control over external factors that affect the outcome of the decisions.

The administrative model takes the following three important concepts into consideration.

**Bounded Rationality:** This reflects the fact that in reality, the extent to which individuals are rational is limited. Managers do not have access to all possible information and must therefore engage in satisficing.

**Satisficing:** Since all alternatives cannot be found and evaluated in reality, managers choose the first alternative that satisfies the criteria, based on their experience. They do not consider alternatives that may come up later on.

**Intuition:** This is ‘the immediate comprehension of a decision situation based on past experience but without conscious thought (Daft, 2003). Intuition can only be attained by past experience and the ability to identify fast solutions without having to evaluate all costs and benefits. When the decision is taken it should ‘feel right’.

**a) Benefits of this model**

- Assists decision making when problems or opportunities are vague and poorly defined.
- Helps managers to make decisions when they have limited resources and information to consider all alternatives.
- Suitable in dynamic environments when uncertainty and ambiguity is high.
**b) Drawbacks of this model**

In choosing the first alternative that satisfies the minimum criteria, better alternatives may be missed.

**Example:** ‘First Water’, a company that bottles mineral water faced high costs of the plastic bottles which they outsourced. Instead of evaluating alternatives such as increasing production to receive bulk discounts or using a different supplier, the managers of ‘First Water’ simply acquired a manufacturing plant of plastic bottles and were able to bring down the cost of the bottles as well as gain additional revenue by selling bottles to other markets.

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**Important Concepts**

- Bounded rationality
- Satisficing
- Intuition

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**Administrative Model (Summary)**

**Benefits**

- Helps when problems are vague
- Assists when resources and information are limited
- Suitable for dynamic environments.

**Drawbacks**

- Better solutions that may crop up later are not considered

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**Activity**

Imagine a situation where you are required to design a leaflet advertising CIM courses to potential students. List down possible alternatives taking into account the information that should be printed, the number of words, colors, types of paper, printers, locations to distribute the leaflets etc. Use either the classical model or the administrative model wisely.
3.3 Garbage Can Model

This is where the organization is seen as comprising of separate segments or departments with their own problems and solutions which are not directly known to other segments.

This can be illustrated as follows:

Segment 1  Segment 2  Segment 3  Segment 4

Managers of organizations are responsible for bringing these separate segments together at the right time and radical decisions can be made when a problem of one segment can be matched by a solution from another segment. Cross fertilization occurs when different problems trigger a variety of solutions when discussing with others. Once solutions have been found, it can be illustrated as follows:

a) Benefits of this Model

- The organization is able to generate solutions from within the organization.
- Improves coordination and communication between different segments of an organization.

b) Drawbacks of this Model

- There is no guarantee that a solution will be reached as it involves an element of chance and randomness.

Example: The Florida State University (FSU) had an overall parking space problem as the number of students driving vehicles on campus exceeded the available parking spaces. In the mean time the English Department of FSU was facing unhygienic conditions created by the waste dump next to its building. At a meeting for the heads of all
departments it was discovered that this waste dump could be converted into a parking lot, solving both problems.

**Activity**

Think of a similar example where a solution to a problem in one aspect of an organization was generated by another aspect. Make this your set examples for all the models to use at the exam as you will not have time to think of examples at the exam. Consider this a friendly warning!

### 3.4 Introduction to Game Theory

Since game theory is a vast area of study that is still developing this area will discuss only the following sections of game theory.

1. What does game theory deal with?
2. Elements of a game
3. Assumptions on rationality
4. Prisoners’ Dilemma
5. Application of game theory to marketing situations

**a) What does Game Theory Deal With?**

Founded by the great mathematician John von Neumann, ‘game theory is a distinct and interdisciplinary approach to the study of human behavior’

This theory is applied in situations where two or more decision makers are **strategically interdependent** when making decisions. The outcomes and payoffs of one decision maker will affect the outcomes and payoffs of the other decision maker. In other words, these decision makers generally have opposed or mixed motives that will affect the each other. Therefore the players of game theory need to take the possible actions of others into account when making decisions.

It is important to distinguish between zero-sum games and non zero sum games when studying game theory:

- **Zero-sum games**

This is where a gain by one party will inevitably result in a loss by the other party. This is similar to distributive bargaining discussed in the chapter on negotiations. In zero-sum games, one player’s winnings equal the other player’s losses. Therefore if wins and losses of a game are added up, where wins are positive figures and losses are negative figures, the sum will be zero.
Example: Assume that A and B are two rivals who each currently own 50% of a non-growing market. If A increases its market share to 75%, B will lose market share of 25%. Gain by A (75-50)% = Loss for B (50-25)%

- Non zero-sum games

This is where a gain by one party does not necessarily result in a loss for another party. This is similar to integrative bargaining discussed earlier and both parties can cooperate to increase overall benefits for each other.

Example: A and B cooperate together to increase the size of the market so that both can benefit from sales.

It is also important to consider the following classifications of different types of games based on factors such as level of cooperation, frequency of the game and structure of a game.

Types of Games

- Level of cooperation
  - Co-operative theory
  - Non co-operative theory

- Frequency of the game
  - One shot game
  - Repeated games

- Structure of a game
  - Extensive form games
  - Strategic form games

- Level of co-operation

Co-operative Theory
This is where coalitions or groups of players are analyzed. Players communicate and make binding agreements.

Non-co-operative Theory
This is where no agreements are resorted to and each player that chooses his or her actions, subject to the rules of the game are motivated by self-interest.
• Frequency of the Game

One Shot Game
This is a game that is only played once.

Repeated Games
In contrast to the above, these are games that are played more than once. Whether the number of times the game is played is infinite or finite depends on the circumstance.

• Structure of a Game

Extensive form Games
This is where the game is represented in the form of a decision tree. Decision trees will be dealt with later on.

Example: Consider a game where 2 players, Ernie and Bert have to decide either to cooperate or slack. Ernie makes the first decision while Bert makes the second. The payoffs for Ernie and Bert respectively are (3,3) if both cooperate, (1,4) if Ernie co-operates and Bert slacks, (4,1) if Ernie slacks and Bert co-operates and (2,2) if both slack.

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<thead>
<tr>
<th>Outcomes</th>
<th>Payoffs</th>
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<td>E</td>
</tr>
<tr>
<td>Both cooperate</td>
<td>3</td>
</tr>
<tr>
<td>E cooperates, B slacks</td>
<td>1</td>
</tr>
<tr>
<td>E slacks, B cooperates</td>
<td>4</td>
</tr>
<tr>
<td>Both slack</td>
<td>2</td>
</tr>
</tbody>
</table>

Strategic / Normal Form Games
This is where all strategies available to players are listed or described and payoffs are attached to all possible combinations of strategies. Payoff tables or matrices can be used to represent information (see the payoff matrix for Prisoner’s).
Example: Consider the game of Ernie and Bert

<table>
<thead>
<tr>
<th></th>
<th>Bert</th>
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<tbody>
<tr>
<td>Ernie</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Co operate</td>
</tr>
<tr>
<td>Co operate</td>
<td>3, 3</td>
</tr>
<tr>
<td>Slack</td>
<td>4, 1</td>
</tr>
</tbody>
</table>

b) Elements of a Game

When modeling a practical situation using game theory, the essential characteristics of the situation must be translated into rules of a game.

- Players: Refers to the parties or decision makers involved in the game. In the above example, Ernie and Bert are the players.

- Moves: Relates to the decisions of players at different levels of the game. In the example, the moves are ‘co operate’ or ‘slack’. In games, there could be a first mover or second mover, or the moves can even take place simultaneously. Here, Ernie is the first mover and Bert is the second mover, which gives Bert the advantage of deciding his move based on Ernie’s choice.

- Outcomes: Relates to the output of the moves.

- Payoffs: These are the values of the outcomes that are given above. (3,3), (1,4), (4,1) and (2,2).

- Strategies: These are the methods followed which affect the final outcome of the game. For example, deciding to slack if Ernie also slacks is a strategy of Bert’s.

c) Assumptions on Rationality

- Game theory assumes that each player is rational. Players are assumed to make decisions or choose strategies that will give them the highest possible economic rewards. This can be in the form of payoffs, profits, utility, incomes, minimization of losses or any other subjective economic benefit.

- This theory also assumes that each player believes the other players to be rational in decision making. At times, players try to convince other players that they are irrational in order to gain some benefit. The creation of an impression of irrationality to gain some benefit is a rational decision.

Assuming that the players are rational simplifies the computations of the model as rational behavior in terms of economic benefits is predictable, whereas irrational behavior is difficult to predict.
However, it should be mentioned that in reality this may not be the case. Decision makers are not solely motivated by economic interests and a wide range of other factors such as emotional conditions affect decision making.

Activity

Think of a situation where you had to choose a tuition teacher for a certain subject from a number of different teachers. Were you 100% rational in making your choice? Was it affected by other factors?

d) Prisoners’ Dilemma

This is a two-person non cooperative game developed by A. W. Tucker that has received much attention even in the social sciences. This is a unique situation in which individual rational action motivated by self interest results in both players not achieving the maximum benefit possible. Two burglars Al and Bob were taken into custody at the crime scene and given the ‘third degree’ by the police. If one prisoner confesses and the other does not, the confessor is set free while the other serves a sentence of 20 years. If both confess, each will serve 10 years. If neither confesses, both will serve 1 year. This scenario is represented below using a payoff table.

<table>
<thead>
<tr>
<th></th>
<th>Al</th>
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<tbody>
<tr>
<td></td>
<td>Confess</td>
</tr>
<tr>
<td>Bob</td>
<td></td>
</tr>
<tr>
<td>Confess</td>
<td>10, 10</td>
</tr>
<tr>
<td>Don’t</td>
<td>20, 0</td>
</tr>
</tbody>
</table>

Al and Bob make their choice in the following manner. If Al confesses, Bob will get a sentence of 10 years if he also confesses or 20 years if he doesn’t. Therefore Bob will confess. If Al doesn’t confess, Bob will be free if he confesses or serve 1 year if he doesn’t confess. Therefore even in this case Bob will confess. If Al also makes his decisions in the same manner, he will also choose to confess and both Al and Bob will end up with a 10 year sentence each.

As can be seen if both Al and Bob co operated and decided to keep quiet, both will serve just one year. However by being rational they chose a dominant strategy that is not the optimal choice.

Dominant strategy- When a player evaluates strategy combinations separately, chooses strategies for each possible combination and the same strategy is chosen for each of the different combinations, this is known as a dominant strategy.
Dominant strategy equilibrium- This is where each player in the game has their own dominant strategy and plays these strategies. The equilibrium consists of the dominant strategies and the respective payoffs.

However, it should be noted that this is only a two person game whereas in reality many players can be involved. Also repetitive interaction and playing the game a number of times can bring different actions.

e) Application of game theory to Marketing Situations

Types of games
- Zero-sum and non zero-sum games
- Level of cooperation - cooperative theory
  - non cooperative theory
- Frequency of the game - one shot games
  - repeated games
- Structure of the game - extensive form games
  - strategic form games

Rationality
Each player is rational and assumes that the other players are rational

Game Theory (Summary)

Elements of a game
- Players
- Moves
- Outcomes
- Payoffs
- Strategies

Prisoners’ Dilemma
The rational individual actions of both players results in receiving less than optimal payoffs.
CHAPTER SUMMARY

Understanding a decision
- decision
- decision making
- programmed and non-programmed decisions

Basic decision making process
- a) Recognition of decision requirement
- b) Diagnosis and analysis of causes
- c) Development of alternatives
- d) Selection of desired alternative
- e) Implementation of best alternative
- f) Evaluation and feedback

Creative Decision Making Skills for Marketers

Decision Making Models
- 1) Classical model
- 2) Administrative model
- 3) Garbage can model
- 4) Game theory
- 5) Application of models
Chapter 08
Tools and Aids to Support Creative Decisions

This chapter will cover the following areas
Various Tools that would support in making decisions and controlling them

1. Brainstorming Technique

Brainstorming is widely used, but there is limited agreement on the detail of how it is to be done. The name is often used for a general collection of thoughts within a group, whether it is creative or simple collation of known facts. Selection, often through Voting, is also often considered to be a part of Brainstorming.

The term 'brainstorming' was coined by advertising executive Alex Osborn in the 1940s.

1.1 When to use Brainstorming

- Use it when new ideas are required, to generate a large list of possibilities.
- Use it when a solution to a problem cannot be logically deduced.
- Use it when information about a problem is confused and spread across several people, to gather the information in one place.
- The creative synergy of a Brainstorming session is also useful in helping a team bind together.

1.2 How to Understand it

To live in society, we learn to conform in our thinking as well as our actions, to the degree that we acquire psychological blocks against being different. A consequence of this is that when we try to think of new ideas, our minds work against us, for example by convincing us that unconventional thinking will be ridiculed. As a result, we often use habitual thought patterns to jump to solutions that are easy to find, but are not necessarily the best approach.

Brainstorming bypasses these blocks and enables the mind to reach its full creative potential by suspending judgment, removing the fear of failure and encouraging the use of divergent thinking to achieve a long list of ideas.

True divergent thinking differs from conventional thinking, in that the list will contain illogical and unconventional ideas as well as logical and obvious ones. In practice, good solutions are often found within the conventional thinking zone. In the creative zone, however, the abandonment of conventional thought can unearth brilliant new solutions.
It is common to follow the divergent thinking of a Brainstorming session with a more logical convergent thinking session to organize and reduce these ideas to one or more which will be used, as in the diagram below:

Brainstorming works well in groups, because of the effects of synergy, where the effect of people working together is greater than it would be if they had worked individually. For example, one person's (possibly ridiculous) idea can trigger further and possibly more valuable ideas in other people.

The size of the group is important, as if it is too small, some synergy may be lost, but if it is too big, it can become too chaotic or people may hold back for fear of appearing silly.

The creative activity of brainstorming uses 'right brained' thinking in the same way as the Affinity Diagram. It is common for people not to consider themselves as being particularly creative, but actual results and consequent confidence can be significantly improved with practice.

It is useful for a person who is not involved in the creative session to act as facilitator. The purpose of this role is to maintain a non-threatening context, while keeping the participants' minds open and focused solely on the problem. This person owns the process, whilst the Brainstorming group owns the problem. A good facilitator can make a lot of difference, especially if they are skilled at 'opening people up' and encouraging them to be more experimental than they would normally dare to be.

A separate recorder may also be employed to write down the ideas, allowing the facilitator to maintain this focus on the group.

Strictly speaking, Brainstorming is only for creating a list of new ideas. In practice, it tends to be also used for the collection of less creative opinions, and often also includes a voting session to select items for further action.
1.3 Steps to Conduct a Barnstorm

a) Arrange the meeting for a group of the right size and makeup (typically 4-8 people)
b) Write the initial topic on a flipboard, whiteboard or other system where everyone can see it. The better defined, and more clearly stated the problem, the better the session tends to be.
c) Make sure that everyone understands the problem or issue
d) Review the ground rules
   • Avoid criticising ideas / suspend judgment. All ideas are as valid as each other
   • Lots, Lots & Lots - a large number of ideas is the aim, if you limit the number of ideas people will start to judge the ideas and only put in their 'best' or more often than not, the least radical and new.
   • Free-wheeling. Don't censor any ideas, keep the meeting flow going.
   • Listen to other ideas, and try to piggy back on them to other ideas.
   • Avoid any discussion of ideas or questions, as these stop the flow of ideas.
e) Have someone facilitating to enforce the rules and write down all the ideas as they occur (the scribe can be a second person)
f) Generate ideas - either in an unstructured way (anyone can say an idea at any time) or structure (going round the table, allowing people to pass if they have no new ideas).
g) Clarify and conclude the session. Ideas that are identical can be combined, all others should be kept. It is useful to get a consensus of which ideas should be looked at further or what the next action and timescale is.

2. Brain Sketching

This technique (VanGundy, Techniques of Structured Problem Solving, 1988) is a Brain Writing technique and a variant on Pin Cards, but you pass evolving sketches rather than growing written lists of ideas around the group. As usual with most brain-writing techniques, only limited facilitation skill is needed. The following would be the steps to follow in carrying these techniques out.

a) A group of 4-8 people sit around a table, or in a circle of chairs. They need to be far enough apart to have some privacy. The problem statement is agreed, and discussed until understood.
b) Each participant privately draws one or more sketches (each on separate sheets of paper) of how it might be solved, passing each sketch on to the person on their
right when it is finished. The facilitator suggests that sketches should not take more than 5 minutes or so to draw.

c) Participants take the sketches passed on to them and either develop or annotate them, or use them to stimulate new sketches of their own, passing the amended original and/or any new sketches on to their neighbour when ready.

d) After the process has been running for a suitable period and/or energy is running lower, the sketches are collected in.

e) It will probably help to display all the sketches and to discuss them in turn for clarification and comment.

f) Then move on to any appropriate categorisation, evaluation and selection process.

3. Brain Writing

Brain Writing is a technique similar to brainstorming and trigger sessions. There are many varieties, but the general process is that all ideas are recorded by the individual who though of them. They are then passed on to the next person who uses them as a trigger for their own ideas. Examples of this include;

**Brain Writing Pool**

Each person, using Post-it notes or small cards, writes down ideas, and places them in the centre of the table. Everyone is free to pull out one or more of these ideas for inspiration. Team members can create new ideas, variations or piggyback on existing ideas.

**Brain Writing 6-3-5**

The name Brain writing 6-3-5 comes from the process of having 6 people write 3 ideas in 5 minutes. Each person has a blank 6-3-5 worksheet (below)

<table>
<thead>
<tr>
<th>Problem Statement: How to...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idea 1</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
</tbody>
</table>
Everyone writes the problem statement at the top of their worksheet (word for word from an agreed problem definition). They then write 3 ideas on the top row of the worksheet in 5 minutes in a complete and concise sentence (6-10 words). At the end of 5 minutes (or when everyone has finished writing) pass the worksheet to the person on your right. You then add three more ideas. The process continues until the worksheet is completed.

There will now be a total of 108 ideas on the 6 worksheets. These can now be assessed.

**Idea Card Method**

Each person, using Post-it notes or small cards, writes down ideas, and places them next to the person on his or her right. Each person draws a card from there neighbours pile as needed for inspiration. Once the idea has been used, it is passed on to the person on the right along with any new, variations or piggybacked ideas.

**Brain Writing Game**

This method is set in the form of a light-hearted competitive game. Creativity methods normally avoid competition because it tends to be divisive. However, as long as the game atmosphere is fun rather than overly competitive, and the facilitator ensures that there are no significant losers, the game format might be useful, particularly in training contexts where winning and losing are likely to be less of an issue and both can be used to provide teaching material.

The game will take a little longer than some other brain writing techniques. Very little facilitation skill is needed. The structure is as follows:

a) Display the problem statement, and explain that the winner of the game is the one who devises the most unlikely solution.

b) The facilitator sells each group member an agreed number (say 10) of blank, serially numbered cards at, say, 10p each, pooling the money to form the prize. Each group member signs a receipt that records the serial numbers of their set of cards.

c) Members try to think of utterly implausible solutions, writing one per card. The cards are then put up on a display board.

d) Members now have (say) 15 minutes to silently read all the solutions, and to append to them (on further un-numbered cards or Post-its) ways in which they...
could be converted into a more practical way of solving the problem (so reducing those ideas’ chances of winning).

e) Each member then has two votes (e.g. two sticky stars) to vote for what s/he now considers to be the most improbable idea on the numbered cards. The idea that attracts most votes wins the pooled money.

f) Form two sub-groups, give half the cards to each, and give each group (say) 15 minutes to develop six viable solutions from their cards.

g) Each sub-group tries to ‘sell’ their ideas to the other sub-group.

h) Everyone comes together and agrees on the best ideas overall.

4. Concept Fan

The Concept Fan is a way of discovering alternative approach’s to a problem when you have discarded all obvious solutions. It develops the principle of 'taking a step back' to get a broader viewpoint. Initially, the Concept Fan requires you to draw a circle in the middle of a large piece of paper. Write the problem you are trying to solve in the circle. To the right of it radiate lines representing possible solutions to the problem see the diagram below:

![Concept Fan Diagram](image)

It is possible that the ideas you have come up with are impractical or do not really solve the problem. If this is the case, take a 'step back' for a broader analysis of the problem. Drawing a circle to the left of the first circle does this, writing the broader definition into this new circle and linking it with an arrow to show that it comes from the first circle, see diagram below:

![Concept Fan Diagram](image)
Use this as a starting point to radiate out other ideas, if this does not give you an adequate amount of new ideas, you can take yet another step back (and another, and another…)

Edward de Bono devised the idea of the Concept Fan in his book ‘Serious Creativity’.

5. Story Writing

Examining how you instinctively react in a given situation could be a path to understanding feelings and thoughts you find difficult to put into words. Thus, giving you insight into your own deeper motives, and acting as warning signs of personal anxieties and frailties that may affect how well you can respond.

This are could be accessed by creating or finding a story or parable that is clearly fictional, but nevertheless has some parallels to a real situation you are facing. Ideally you would tell it yourself

There are no requirements for technical skill (stick figure drawings or amateur narration are ample), or for anyone else to see it or read it if you don’t want them to, though it is usually more productive if you can get someone else’s understanding reactions.

As the story is clearly not an objective description of your actual situation, you are at liberty to be entirely subjective – you can make things happen as you wish them to, you can present things in particular ways just because they ‘feel right’ that way, you can note what has to happen to you to feel comfortable and how you react to things that make you uncomfortable and so.

You are definitely not saying that ‘this is what will happen’, but you are, tentatively, holding it up as a mirror to yourself, and noting the sorts of beliefs; expectations, feelings, judgements, anxieties, reactions, etc. that you may well find yourself bringing to such a situation.

Putting it into words in this way makes it easier to describe your concern to others, and may increase the range of metaphors and images you can use naturally in talking to others.

Should some areas of the story summon strong feelings, this may suggest a need for finding positive ways to handle similar feelings in the real situation, for instance, getting a colleague to help you out in situations you may not handle too well. Similarly, if you find yourself being judgemental about someone in your story, you may need to develop some way to help yourself see such people more compassionately.
In time you may become aware of cultural assumptions and expectations – what ‘ought’ or ‘ought not’ to happen by your (but perhaps not other people’s) conventions.

If you are working with someone else (who preferably had done the same as you, so that you are each supporting the other) show them your picture or story, tell them about it, let them ask questions, and say what they find striking. Work jointly to unpack the fundamental beliefs, expectations, feelings, judgements, anxieties, reactions, etc. and to see what needs to be done.

To use it on your own, pin it up on a wall where you can see it, and over a period of days, not down any features of the story or drawing that strike you as interesting.

6. Stakeholder Analysis

Stakeholder analysis (Mason and Mitroff, 1981) looks at how groups of people might affect the outcomes of a proposal by the way they react. To identify stakeholders the following checklist may prove useful:

- Who are the sources of reaction or discontent to what is going on?
- Who have relevant positional responsibility?
- Who do others regard as ‘important’ actors’?
- Who participate in activities?
- Who shape or influence opinions about the issues involved?
- Who fall in demographic groups affected by the problem?
- Who have clear roles in the situation (e.g. customer, friend, adviser)?
- Who are in areas adjacent to the situation?

Using a matrix like the one below, stakeholders can be plotted and categorised both by the chance of their affecting the situation, and by the scale of impact they would have if they did. Should any quadrant in the matrix appear empty, check that you have really included everyone, or plot the scale of the stakeholders influence (high or low) against whether they would support or oppose your project.

<table>
<thead>
<tr>
<th>Impact, if it occurred, Would be</th>
<th>Impact Unlikely</th>
<th>Impact Likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>high</td>
<td>Chairman of the Board</td>
<td>My manager</td>
</tr>
<tr>
<td></td>
<td>Chief accountant</td>
<td>Key customer</td>
</tr>
<tr>
<td>low</td>
<td>Reprographics Department</td>
<td>My secretary</td>
</tr>
</tbody>
</table>
Listing any assumptions that stakeholders are making could prove helpful e.g. using Assumption surfacing (qv), carefully assess the list, especially in relation to the stakeholder for whom they have been derived. Ask yourself does this actor have any special power in the situation, and if so are there any of his or her assumptions that could have a considerable effect on your project? How this stakeholder could be influenced to change their point or course of action.

7. Mind Mapping

In the new millennium, we are told that we must recreate ourselves, be creative and invent a new future. So, in support of these bold goals, the ‘Tools of the Trade’ articles in the millennium year will all have a creative theme.

How do you think? Your brain contains a huge collection of neurons, each of which can connect a number of other neurons, and your thoughts are simply sequences of these connections being made in familiar patterns. Like lightning bolts across the mind, our thoughts flash in a never-ending series of connections.

![Image of brain with interconnected neurons]

Thoughts are patterns in the brain

As an indicator of the power of this patterning method of thinking: it gives us the ability to have more thoughts than there are atoms in the known universe! To all extents and purposes, our thinking capacity is infinite: you simply cannot fill up the brain!

A problem often occurs when we are working with sentences and paragraphs, which are sequential, because each word we speak can trigger off multiple other thoughts, as in the diagram below. The interconnectedness of our brain can thus confuse the linearity of our conscious thought process. So how can we capture this jumble of parallel thinking?
7.1 How it Works

Mind Maps work simply by mimicking the way that the brain works, capturing the key concepts of a sentence of paragraph (and sometimes a complete book) in a single word or short phrase (or even a picture), and then using lines or arrows to show the relationships between those different concepts.

When we use words, such as ‘elephant’, the word is not the elephant, but it is used to represent a large number of facts and ideas about elephants. Words are useful packages that humans use to capture and share concepts. A picture may sometimes be worth a thousand words, but one word contains a thousand pictures.

Words contain the concepts, but it is through the relationships that we build between our concepts that we understand the world and hence build more complete concepts and broader understanding. The better the relationship maps we build, the better we are able to manage the complexities of our world.

In some ways, Mind Maps (which is a name coined by Tony Buzan in the early 1970s) can be viewed as simple hierarchies, or Tree Diagrams drawn radially, but their flexibility can take them beyond this simple usage.

Mind maps can be used in a wide range of situations, such as taking lecture notes, summarising books or just articulating and sorting out your jumbled thoughts. This latter use is particularly helpful in creative situations, where making connections can help stabilise new concepts.

7.2 How to do it

a) Start with a core word or phrase and write it in the middle of a piece of paper or whiteboard. It can be stated as a question, a title or some other form, depending on how you are using the approach.

b) Find the thoughts that are directly associated with the starting word and place these around the starting word.
c) There are no rules about whether you should do all these ‘second level’ thoughts first before breaking each one down to lower levels. Simply go where your mind (or book or lecture) takes you. The principle of the Mind Map is to mimic the brain, so let your thoughts be your guide!

d) You can use various tricks to emphasise these words according to how they strike you, such as using different colours, capitalisation, underlining, boxing, etc. Colours are particularly useful for separating different concept groups or paths of thinking.

e) As connections between words occur to you, add lines or arrows to show the connection. Again, vary the lines as you wish to add significance to the relationship. You can change arrow-heads, thickness of lines, colour, etc.

f) Repeat this process of finding concepts or thoughts that are associated with other concepts or thoughts on the map, placing them accordingly and adding lines or arrows to show relationships.

A Mind Map for Planning a Meeting

Overall, there are no hard and fast rules in Mind Mapping other than ‘use what works for you!’ Thus:

- You can make connections in any direction with any sort of line.
- You can use words, phrases, pictures, doodles.
- You can use Post-it Notes to shuffle around the thoughts before adding lines.
- You can do it on a computer to enable additional flexibility, including adding pictures, hyperlinks and doing more general shuffling around.
There are only two constraints of Mind Maps. The first is the two dimensions and limited space on the paper that you are using: if you add too many items and links, then you will not be able to see the wood for the trees. The second constraint is you: you can limit the map to a strict hierarchy, or by playing and experimenting you can gain new insights and understanding of the area of consideration.

The trouble with writing is that it is linear, whilst we think in a networked, multi-threaded way. Mind Maps (sometimes called Spider Diagrams), defined by Tony Buzan in the 1970s, are simply a way of capturing concepts and their relationships on the two-dimensional surface of a sheet of paper.

You can use Mind Maps for taking meeting notes, revising, brainstorming ideas and any other situation where it might help. In its simplest form, the Mind Map is a hierarchy spreading out from the central starting point. To this, you can add doodles, pictures, cross-links and anything that helps. As with any tool, the most fundamental rule is 'use what works.'

8. Six Thinking Hats

Early in the 1980s Dr. de Bono invented the Six Thinking Hats method. The method is a framework for thinking and can incorporate lateral thinking. Valuable judgmental thinking has its place in the system but is not allowed to dominate as in normal thinking. Dr. de Bono organized a network of authorized trainers to introduce the Six Thinking Hats. Advanced Practical Thinking (APTT), of Des Moines, Iowa USA, licenses the training in all parts of the world except Canada (and now, Europe). APTT organizes the trainers and supplies the only training materials written and authorized by Dr. de Bono.

The six hats represent six modes of thinking and are directions to think rather than labels for thinking. That is, the hats are used proactively rather than reactively.

The method promotes fuller input from more people. In de Bono's words it "separates ego from performance". Everyone is able to contribute to the exploration without denting egos as they are just using the yellow hat or whatever hat. The six hats system encourages performance rather than ego defence. People can contribute under any hat even though they initially support the opposite view.

The key point is that a hat is a direction to think rather than a label for thinking. The key theoretical reasons to use the Six Thinking Hats are to:

- Encourage Parallel Thinking
- Encourage full-spectrum thinking
- Separate ego from performance
There are six metaphorical hats and the thinker can put on or take off one of these hats to indicate the type of thinking being used. This putting on and taking off is essential. The hats must never be used to categorize individuals, even though their behaviour may seem to invite this. When done in group, everybody wear the same hat at the same time.

- **White Hat Thinking**

This covers facts, figures, information needs and gaps. "I think we need some white hat thinking at this point..." means drop the arguments and proposals, and look at the database.

- **Red Hat Thinking**

This covers intuition, feelings and emotions. The red hat allows the thinker to put forward an intuition without any need to justify it. "Putting on my red hat, I think this is a terrible proposal." Usually feelings and intuition can only be introduced into a discussion if they are supported by logic. Usually the feeling is genuine but the logic is spurious. The red hat gives full permission to a thinker to put forward his or her feelings on the subject at the moment.

- **Black Hat Thinking**

This is the hat of judgment and caution. It is a most valuable hat. It is not in any sense an inferior or negative hat. The rigor or negative hat. The black hat is used to point out why a suggestion does not fit the facts, the available experience, the system in use, or the policy that is being followed. The black hat must always be logical.

- **Yellow Hat Thinking**

This is the logical positive. Why something will work and why it will offer benefits. It can be used in looking forward to the results of some proposed action, but can also be used to find something of value in what has already happened.

- **Green Hat Thinking**

This is the hat of creativity, alternatives, proposals, what is interesting, provocations and changes.

- **Blue Hat Thinking**

This is the overview or process control hat. It looks not at the subject itself but at the 'thinking' about the subject. "Putting on my blue hat, I feel we should do some greener hat thinking at this point." In technical terms, the blue hat is concerned with meta-cognition.
9. Quality Circles

Quality circles are regular short meetings set up to aid work-related problems.

- 5 – 10 people attend the meeting in work time
- Supervisor is nominated and runs the meeting
- Flip Charts, audiovisual equipment, notice boards etc… are utilised
- Problem areas are put forward by the group
- Problems are prioritised
- Information is collated; ideas are generated via brainstorming, force-field analysis (see…..) etc…
- Effectiveness, costs, savings, consequences to other departments etc... considered
- Final solution is put forward to manager and implemented by the Quality Circle group

10. Gap Analysis

Gap analysis is a methodical investigation throughout the whole area of a given technology for ‘gaps’. Thus highlighting inadequate areas in existing technology that are open to speculation with a view improvement.

For example a study for the analysis of transportation technology, using the aspects:

- Speed
- Maximum range
- Demand

Three areas well served by existing improvement are:

- Pedestrian
- Motorcar
- Aircraft

However, between these exist three gaps (between pedestrian and car, car and aircraft and beyond the aircraft range) in which consumers considered existing means of transport less satisfactory. Between walking and car travel, for instance, there are many forms of transport available:

- Bus
- Motor scooter
- Bicycle
- Underground train
None of these realize the need perceived by town planners for a mass transport system, possibly continuous, operating at a speed of about five times the walking rate, for distances of between half a mile and three miles.

Between motor transport and conventional aircraft, there are helicopters, short-take-off aircraft and hover-trains, but all need improvement. Finally, supersonic aircraft for distances greater than 700 miles are still not easily accessible.

These gaps are representative of areas where creative input in a descending order of demand is an option (the requirement of a mass transport system traveling at 20 miles per hour is a lot greater than a requirement for supersonic transport in terms of the numbers who wish to travel at these speeds).

11. Decision Trees

Decision Trees originated in financial and marketing decision making, although they can be used for many other situations.

11.1 When to Use it

- Use it when investigating a situation where there are many variable factors, one or more of which may be causing problems.
- Use it when variable factors may be interacting to cause problems.
- Use it when testing a solution, to ensure that there are no unexpected side-effects.
- Use it when there is not the time or money to try every combination of variables.

11.2. How to Understand It

Making decisions can be difficult when future events are uncertain and can give widely varying results. For example, where there are several possible improvements to a product, each of which has a different cost and where each has several possible failure modes. The decision then becomes a 'numbers game', where the aim is to identify those actions which will give the best results whatever events may occur.

The Decision Tree is used to evaluate possible actions and subsequent events in order to gain a numerical value by which the best action can be selected, as illustrated. Actions and possible subsequent events on the diagram are differentiated by the shape of the point from which they spread, with numeric values indicating the best decision at each point.
A key part of using the Decision Tree is in selecting the strategy for determining the real present value of the potential payoffs. For example, an approach based on minimizing loss may be selected in preference to one which focuses on the probability of events occurring. Various strategies and their affects on choice are illustrated.

Decision Trees can deal with more than just one set of actions and subsequent events, as the occurrence of an event may trigger another decision point. For example, a project failure might require the appropriate contingency action to be selected. Thus Decision Trees can become quite deep as chains of possible events and decisions are considered. To increase the space on the page for multiple levels, it is common to use codes instead of phrases for actions and events, as illustrated, although this can reduce the immediate readability of the diagram.

Decision Trees are constrained in the same way as other data-driven tools in that their value is very much affected by the accuracy of the data being used. Thus, for example, if probabilities are rough estimates rather than extrapolations of measured trends, then the results must be considered in this light.
11.3 How to do it

1. Identify the objective of the decision-making process. Typically this involves maximizing something desirable, such as profit, sales or satisfaction, or reducing something undesirable, such as defects, time taken or scrap.

2. Identify constraints on the decision making. These will effectively act as additional sub-objectives, and can be used to prevent the objective being achieved at the expense of other goals. For example, an objective to increase short-term profit could be fulfilled at the expense of longer term investments, unless some reasonable constraints are defined.

3. List the set of possible actions to be considered as ways of achieving the objectives. For example, if the objective is to increase productivity, options may include new machinery and revised working practices. This should be a relatively short list, typically of between two and four actions, particularly if the Decision Tree is to be multi-level, in order to minimize the complexity of the final Tree. This may start as a longer list which is first whittled down to a few strong contenders amongst which the best choice is difficult to identify.

4. List the possible events that may follow on from each of the actions identified in step 3. Limit this to a few events which constitute all possibilities, for example, 'sales increase', 'no change' and 'sales decrease'. Events may be dependent or independent, as follows:
   - Dependent events are a direct consequence of performing an individual action, and are thus different for each action. For example, the action of increasing furnace temperature to reduce firing time may also result in more scrap through cracked pots.
   - Independent events do not depend on the actions, and are just as likely to happen whatever action is taken. For example, the dynamics of the national economy are not affected by an investment in a new product, yet may still affect future sales.

5. For each action (step 3) and event (step 4), determine a value that describes the gain that will be achieved if this combination occurs. This is commonly called the payoff or outcome and may be shown in a payoff table, as illustrated in Fig. 1.
This measurement will require a common unit, related to the original objective (step 1). This is typically a financial measure, but can be others, such as time, efficiency, etc. It can be useful to include the cost of performing the actions in this figure, rather than just using the return gained. Thus 'profit' or 'return on investment' may be better than simple 'revenue'.

6. The basic Decision Tree can now be drawn, as in Fig. 2. Start with a small square on the left of the page with lines radiating for each possible action (step 3). At the end of each line, draw a small circle with one line coming out of it for each possible subsequent event (step 4). At the end of each of these lines write in the payoff (step 5). Actions and events may either be written in full or as codes from a table, such as in Fig. 1. The final diagram will look something like Fig. 2.

### Fig 1. Payoff table

<table>
<thead>
<tr>
<th>Actions</th>
<th>Events</th>
<th>E1 Rising market</th>
<th>E2 Falling market</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1 Prime-time spread</td>
<td>30</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>A2 Targeted sectors</td>
<td>20</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>A3 Low-level</td>
<td>15</td>
<td>21</td>
<td></td>
</tr>
</tbody>
</table>

### Fig 2. Basic Decision Tree
7. Decide how to select the best actions by using a defined strategy to determine the 'real' value of the payoffs identified in step 5. Common strategies are outlined below and shown in the illustration further below, which shows how different strategies can result in different activities being selected.

- **Maximin**, which looks for the best worst-case situation, and is the 'pessimist's choice'. Thus, in Fig. 3, A2 is selected.

- **Maximax**, which seeks to maximize to profit by selecting the option with the highest potential return. It can thus be viewed as the 'optimist's choice'. Thus, in Fig. 3, A1 is selected.

- **Minimax Regret** or **Opportunity Loss**, which takes the conservative approach of seeking to minimize the loss incurred should the best action not be taken. Thus, in Fig. 3, A1 is selected.

- **Expected Monetary Value**, or **EMV**, includes the concept that an item which is less likely to occur is also worth less. This is a very common strategy, based on the sound statistical and financial principle that effective value is equal to actual value multiplied by probability of occurrence. Thus, in Fig.3, A2 is selected.

- **Expected Opportunity Loss**, which combines the Minimax Regret with the statistical principles of EMV to give a conservative statistical approach. Thus, in Fig. 3, A3 is selected.

- **Utility** puts other personal values on events and actions. For example, actions may be rejected if there is any risk whatsoever of loss.
8. If the strategy calls for it (e.g., if it is EMV or EOL), determine the probability of each action/event combination. It can be very difficult and expensive to get accurate figures, and decisions may need to be made on the value of accuracy. For example, it may be worth spending thousands on a market survey when changing a product line, but a less accurate estimate may be adequate when deciding what lockers to put in a
changing room. Ways of determining these figures include: Asking people in surveys of customers, employees, etc.

- Measuring aspects of processes, such as time taken, defects, etc.
- Identification and extrapolation of previous trends.
- Investigating variation.

Probability figures are usually shown as being between 0 (no chance) and 1 (certainty), although percentages may be more familiar and can be used instead as they are directly equivalent. Event probabilities, particularly for dependent events, can be shown in a table, as illustrated in Fig. 4. The final figures may be written on the Decision Tree diagram. Put them in parentheses underneath the appropriate event lines.

<table>
<thead>
<tr>
<th>Actions</th>
<th>Events</th>
<th>Serious defects found in use</th>
<th>Other defects found in use</th>
<th>No defects found in use</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saturation test</td>
<td>0.02</td>
<td>0.00</td>
<td>0.90</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Limited test</td>
<td>0.05</td>
<td>0.15</td>
<td>0.80</td>
<td>1.00</td>
<td></td>
</tr>
</tbody>
</table>

*Event probabilities for each action total 1.0 (or 100%)*

**Fig. 4. Probabilities of dependent events**

9. Calculate the value of each action, using the strategy selected in step 7, and write this above the circle at the end of the action's branch on the tree drawn in step 6. For example, if an Expected Opportunity Loss (EOL) strategy is being used, as in Fig. 3, then the tree from Fig. 2 will appear as illustrated in Fig 5.
10. Select one of the values from step 9, again using the defined strategy of step 7 (typically it will be the largest or smallest value). Write this value above the square box where the action branches meet. This indicates the action selected, so cross out the rejected actions with double lines, as illustrated in Fig. 5.

11. If required, the tree may be extended with another set of decisions, using steps 3 to 10. This caters for consideration of what possible actions and events might occur, if any or all of the events in the first stage occur. This is typically used in complex situations where there is no payoff before several sets of actions and events. In this case, delay calculation until the tree is complete and then ripple back the values in the same way as step 9. The result will be a multi-level Decision Tree, as illustrated in Fig. 6.

12. Carry out the selected actions and check the events and payoff occur as expected. If they do not, identify causes for another round of process improvement.

11.4 Example

The management team of a manufacturer of space heaters were trying to decide whether to release a revolutionary new heater, or whether to continue testing it. Releasing it immediately would ensure good sales, as no other manufacturers had anything like it. However, this would be at an estimated 10% risk of serious problems which would
result in halving the revenue. Another six months testing would reduce the chance of problems to 5%, but at an estimated 8% risk of a comparable heater being introduced by the competition. They decided to use a Decision Tree to calculate the Expected Monetary Value (EMV) of the options in order to help decide what to do.

The figure below shows the figures and the Decision Tree. The final figures indicated that in terms of EMV, the options had very similar value, as the threat of competition canceled out the gains in reliability. They followed this up by repeating the calculations with a small range of probability figures, to investigate the sensitivity of the model. This showed that a change in problem risk had the greatest effect, so they decided to continue testing.

### Probabilities and codes

<table>
<thead>
<tr>
<th></th>
<th>Problems P</th>
<th>No problems NP</th>
<th>Competition C</th>
<th>No competition NC</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>Release now</td>
<td>10%</td>
<td>90%</td>
<td>—</td>
</tr>
<tr>
<td>T</td>
<td>Test more</td>
<td>5%</td>
<td>96%</td>
<td>8%</td>
</tr>
</tbody>
</table>

### Payoff (sales)

<table>
<thead>
<tr>
<th></th>
<th>Problems (sales - 50%)</th>
<th>No problems (sales - 20%)</th>
<th>EMV calculations (= value of actions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Release now</td>
<td>50K</td>
<td>100K</td>
<td>50K x 0.1 + 100K x 0.9 = 95K</td>
</tr>
<tr>
<td>Test more</td>
<td>40K</td>
<td>80K</td>
<td>78K x 0.08 + 97.5K x 0.92 = 95.94K</td>
</tr>
<tr>
<td>Competition</td>
<td>50K</td>
<td>100K</td>
<td>40K x 0.05 + 80K x 0.95 = 78K</td>
</tr>
<tr>
<td>No competition</td>
<td>50K</td>
<td>100K</td>
<td>50K x 0.06 + 100K x 0.95 = 97.5K</td>
</tr>
</tbody>
</table>
12. Pareto Charts

Vilfredo Pareto was an 18th century Italian economist, who observed that about 80% of the wealth of the country was owned by about 20% of the population and that this pattern repeated itself within the wealthy group (thus very few people were very wealthy). J. M. Juran called the generalization of this uneven distribution the 'Pareto Principle', which is also sometimes called the '80/20 Rule'. Pareto Analysis is the act of using this principle.

12.1 When to Use it

- Use it when selecting the most important things on which to focus, thus differentiating between the 'vital few' and the 'trivial many'.
- Use it after improving a process, to show the relative change in a measured item.
- Use it when sorting a set of measurements, to visually emphasize their relative sizes.
- Use it, rather than a Bar Chart or Pie Chart to show the relative priority of a set of numeric measurements.

12.2 How to Understand it

Given a set of recurring problems, it is unlikely that each problem will occur the same number of times in any one period. In fact, it is common that a few problems will occur far more often than the rest put together. This unequal distribution occurs in many situations and can be used to single out the 'vital few' from the 'trivial many'.

The Pareto Chart is simply a Bar Chart in which the bars sorted into size order, with the highest bar on the left, as below.

<table>
<thead>
<tr>
<th>Item measured</th>
<th>Measure or count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 1</td>
<td>12</td>
</tr>
<tr>
<td>Item 2</td>
<td>2</td>
</tr>
<tr>
<td>Item 3</td>
<td>32</td>
</tr>
<tr>
<td>Item 4</td>
<td>4</td>
</tr>
<tr>
<td>Item 5</td>
<td>19</td>
</tr>
<tr>
<td>Item 6</td>
<td>9</td>
</tr>
<tr>
<td>Item 7</td>
<td>1</td>
</tr>
</tbody>
</table>

**Fig. 1. The Pareto Chart**

This not only shows the absolute priority of each bar, through its position in the chart, but also its relative priority, through its height as compared with the other bars.
As the Pareto Chart is often used for decision making, it is an important part of building a Pareto Chart to identify the right item to measure and show on the chart, as different measures may well result in the bars being ordered quite differently.

In a stable process, the order of the bars may be expected to remain constant. Thus, if the order of the bars changes with successive measurements, this may indicate an unstable process (or an insufficient number of measurements). Improvements (i.e. changes in the process) will often result in the order of the bars changing. If the improvements are maintained, the new bar order will remain stable.

Pareto Charts may have different overall 'shapes' as shown in the table below. The 'spiky' Pareto Chart is the most useful, as it enables an easy selection of items to carry forwards for further action.

**Table 1. Pareto Chart shapes**

<table>
<thead>
<tr>
<th>Shape of chart</th>
<th>Symptom</th>
<th>Possible problems</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="chart1.png" alt="Platue Chart" /></td>
<td>Plateau</td>
<td>All bars are of comparable height. No clear selection of items.</td>
</tr>
<tr>
<td><img src="chart2.png" alt="Convex Chart" /></td>
<td>Convex</td>
<td>A number of bars on the left are of similar height. It is easier to reject those on the right than select from those on the left.</td>
</tr>
<tr>
<td><img src="chart3.png" alt="Concave or Spiky Chart" /></td>
<td>Concave or Spikey</td>
<td>One or two bars are significantly higher than the rest (often making up 80% or more of the total). This is the ideal shape for selecting the vital few items for further action.</td>
</tr>
</tbody>
</table>

**12.3 How to create a Pareto Chart**

1. Identify the group of items that are to be charted and consequently sorted. This should be a complete and single group, for example, 'Sales of product line 32'. Break down the group into actual items to be measured. It can be useful to do this in several different ways plotting several charts, in order to find the most spiky chart and thus the most significant grouping. For example, product sales may be broken down by industry, geographic area and turnover, with a Pareto Chart being drawn for each. If possible, aim not to have too many items in each group (about seven is a good maximum), or else bars will be too low to be of use. Thus, when breaking down by industry, you might use major groupings such as 'chemical' and 'medical' rather than finer groupings such as 'acids' and 'polymers'. If a group is found to be significant, then it can be broken down further.
2. Identify the unit of measurement. All items on the chart must be measurable in this unit. Common units include frequency, cost and size. Use a measure which best reflects the key objective. For example, if the aim is to reduce cost, and then measure the total failure cost of each defect type rather than the number of defects. The figure below shows how using a different measurement unit can significantly change the Pareto ordering.

![Fig. 1. The effect of weighting](image)

3. Determine the sample size or period during which measurements will be made. This should be enough to ensure that the final chart will have bars of varying height, sufficient to compare them. A test of this is that increasing the number of measurements should not change the order or relative height of the bars (unless the process is unstable).

If the measurement unit is a simple frequency, aim for a total of 50 or more measurements. In any repeat measurement, keep constant any variables which might distort the figures. This includes the sample size or measurement period, along with anything else which might affect the result, such as people, materials, etc. If this cannot be done, then recognize it and take it into account when interpreting the final chart.
4. Measure the items, for example using a Check Sheet, as in the diagram below. Ensure that people doing the measuring are able to do it correctly, training them as necessary.

5. Sort them into size order, putting the largest measure first. If there are more than about six items, and the smaller measures are significantly smaller than others, then these can be added together to form an 'others' group (placed at the end of the list, whatever its size).

6. Plot these in vertical bars, with the largest bar on the left, as below.

<table>
<thead>
<tr>
<th>Work item</th>
<th>Time spent (min)</th>
<th>Total time (min)</th>
<th>Order by size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data capture</td>
<td>6, 12, 14, 6</td>
<td>38</td>
<td>4</td>
</tr>
<tr>
<td>Analysis</td>
<td>60, 20</td>
<td>80</td>
<td>2</td>
</tr>
<tr>
<td>Review</td>
<td>10</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Plotting graphs</td>
<td>20, 40</td>
<td>60</td>
<td>3</td>
</tr>
<tr>
<td>Preparing presentation</td>
<td>10, 25, 25, 50, 55</td>
<td>165</td>
<td>1</td>
</tr>
<tr>
<td>Presenting results</td>
<td>20</td>
<td>20</td>
<td>5</td>
</tr>
</tbody>
</table>

**Fig. 2. Building the Pareto Chart**

7. Interpret the results and act accordingly. If there is no clear highest bar, then it may be worth producing another Pareto Chart using a different set of measured items. If there are one or two bars which are clearly higher, then these may be carried forwards for further analysis and action (possibly with another Pareto Chart). Common sense should always be used during interpretations, as the highest bars do not always represent the best action items. For example, in producing a report, 'analysis' may be a high-value activity, so the aim may be to increase this at the
expense of other activities. There may also be other selection criteria to take into account, such as the time and cost of corrective actions.

### 12.4 Example

A purchasing department often wasted time going back to managers who gave them order forms which could not be used for some reason or another. So they recorded the problems over one month and plotted a Pareto Chart. A clear majority of problems were due to missing information. To narrow down the cause, they did a survey of managers, asking why they missed out information. The replies fell into four categories, which were plotted in a second Pareto Chart (see Fig.).

As a result, they produced two order forms. One suited most purposes, and was very clear and simple. The other was more complex, but was needed by only a few people.

13. Fish Bone Diagram

Also known as an Ishikawa Diagram (after its originator, Kaoru Ishikawa, who first used them in Kobe Shipyards in the 1940s). It is also more popularly known as the Fishbone Diagram. In essence, it is simply a tree or hierarchy, showing how causes have causes have causes. The fishbone shape is due to angling of lines so text can more easily be
fitted in. Its main use is to discover potential causes of unwanted problems. It also can be used more flexibly for such as discovering how to cause solutions.

13.1 When to Use it

- Use it when investigating a problem, to identify and select key problem causes to investigate or address.
- Use it when the primary symptom (or effect) of a problem is known, but possible causes are not all clear.
- Use it when working in a group, to gain a common understanding of problem causes and their relationship.
- Use it to find other causal relationships, such as potential risks or causes of desired effects.
- Use it in preference to a Relations Diagram where there is one problem and causes are mostly hierarchical (this will be most cases).

Solutions to problems are often not easy to find, and those that at first appear to be obvious may address only symptoms rather than the true cause of the problem. Identifying causes as an intermediate step makes solutions both easier to find and also more likely to address the problem fully. Causes tend to appear in chains (Fig. 1), where one cause is caused by another, and so on. Thus an accident may be caused by a puncture, which is caused by a weak tire wall, which is caused by imperfections in the rubber, etc. One cause may also be caused by a combination of other causes. Thus the puncture may be caused by a rough road surface and by sudden braking, as well as a weak tire, as illustrated.

![Chains of causes](image)

**Fig. 1. Chains of causes**

The Cause-Effect Diagram uses a specific layout to display the hierarchy of causes, as illustrated. The angled lines enable more detail to be added than lines at right angles to one another, especially in an informal situation where causes are being added 'on the fly'. Each line indicates either a named cause or a cause area which contributes to the cause line to which it is attached. A cause area is not a cause, but may contain causes. For example, a tire may be a cause area but may not be a cause of an accident. A smooth or
punctured tire can be a cause. Cause areas tend to be nouns, whilst causes tend to use verbs.

When determining causes of a problem, the important causes that need to be addressed are seldom all known, let alone the effects of individual causes on the problem and on one another. The Cause-Effect Diagram is often used to address this by acting as an organizing structure within a Brainstorming session, in which case the causes on the final diagram may be a combination of known, suspected and other possible causes. The Cause-Effect Diagram is often the result of divergent thinking about causes, and must be followed by convergence into the *key causes* which are to be addressed by further action. To prevent ineffective solutions, these need to be verified as being actual causes before finding solutions for them.

*Root causes* are those at the ends of chains of causes, and which consequently do not have any sub-causes. Root causes of key causes are often worth addressing.

![Fig. 2. The 'bones' of the Cause-Effect Diagram and finding root causes](image)

A lopsided diagram can indicate an over-focus in one area, a lack of knowledge in other areas, or it can simply indicate that the causes are focused in the denser area. A sparse diagram may indicate a lack of general understanding of the problem or just a problem with few possible causes.

### 13.2 Example

The managing director of a weighing machine company received a number of irate letters, complaining of slow service and a constantly engaged telephone. Rather surprised, he asked his support and marketing managers to look into it. With two other people, they first defined the key symptom as 'lack of responsiveness to customers' and then met to brainstorm possible causes, using a Cause-Effect Diagram, as illustrated. They used the 'Four Ms' (Manpower, Methods, Machines and Materials) as primary cause areas, and then added secondary cause areas before adding actual causes, thus
helping to ensure that all possible causes were considered. Causes common to several areas were flagged with capital letters, and key causes to verify and address were circled.

On further investigation, they found that service visits were not well organized; engineers just picked up a pile of calls and did them in order. They consequently set up regions by engineer and sorted calls; this significantly reduced traveling time and increased service turnaround time. They also improved the telephone system and recommended a review of suppliers' quality procedures.

14. Flow Charts

Flowcharts are often, but not always, included in descriptions of the first seven tools. They are also known as Flow Diagrams, Process Deployment Flows and Process Flowcharts. They are different from Flow Process Charts, which focus more on the type of action than the actual action. The word 'Flowchart' is sometimes used to describe a
wider variety of diagrams than is shown here, some of which show relationships and input/output flow rather than sequential actions.

14.1 When to use it

- Use it when analyzing or defining a process, to detail the actions and decisions within it.
- Use it when looking for potential problem points in a process.
- Use it when investigating the performance of a process, to help identify where and how it is best measured.
- Use it as a communication or training aid, to explain or agree the detail of the process.

14.2 How to Understand It

In order to improve a process, it is first necessary to understand its operation in detail. Describing this in text lacks the clarity of a pictorial diagram, where individual steps are more easily seen. The Flowchart is a simple mapping tool that shows the sequence of actions within a process, in a form that is easy to read and communicate. The basic element of a process is a simple action, which can be anything from striking an anvil to making a cash payment, and is represented as a box containing a description of the action. The mapping of 'what follows what' is shown with arrows between sequential action boxes, as in the illustration. This also shows the boxes for process start and end points of which there are normally one each.

![Fig. 1. Basic Flowchart elements](image)

Processes become more complex when decisions must be made on which, out of an alternative set of actions, must be taken. The decision is shown in a Flowchart as a
diamond-shaped box containing a simple question to which the answer is 'yes' or 'no' as in Fig. 2. More complex decisions are made up of combinations of simple decision boxes.

Fig. 2. Decisions in Flowcharts

Processes often go wrong around decisions, as either the wrong question is being asked or the wrong answer is being given. Where boxes cannot be directly connected with lines, the separated lines are coordinated with connector boxes containing matching names. This typically occurs where lines cross onto another page, as in the illustration.

Fig. 3. Continuing Flowcharts across pages
By using multiple connector boxes, it is very easy for Flowcharts to become very large, although this is usually self-defeating, as the Flowchart then becomes difficult to understand. The ideal size for a Flowchart is one page, as this gives a single visual 'chunk' that is reasonably easy to understand as a single item.

Large processes can be broken down into a hierarchical set of smaller Flowcharts by representing a lower level process as a single sub-process box. This behaves like a normal action box at the higher level, but can be 'zoomed into' to expose another Flowchart, as in Fig. 4.

![Sub processes](image)

**Fig. 4. Sub processes**

An additional 'action' box that can be useful when analyzing processes is the wait box, which highlights a delay (i.e. no action), as in the illustration. This is a typical point where the overall cost of a process may be improved by acting, possibly on other processes, to reduce the delay.

![Delay symbol](image)

**Fig. 5. Delay symbol**

There are a number of different charting standards which extend this basic set of boxes. They typically include additional boxes for special types of action, such as getting input and producing output. A confusion that may arise from different standards is that they can use the same box for different purposes or use different boxes for the same purpose.
It is therefore a good idea to be clear from the beginning of any exercise on the standard to be used. A limitation of Flowcharts is that, although they show the action sequence, they do not explicitly show the flow of information or items through the process.

14.3 Example

A product assembly team in a gaming machine manufacturer were looking for ways of building the product more efficiently. They broke down the assembly process into a set of Flowcharts, showing how sub-assemblies were made and then built into the final product. Analysis of the reel assembly process revealed two improvements:

- The kit of parts was already checked by the kit assembly line, which were sometimes careless, as they knew the kit would be rechecked. The assembly line process was improved so the check here could be removed. This saved over two minutes per reel in checking, and up to fifteen minutes when the kit was faulty.
- Fitting the reel band after the reel had been attached to the base was awkward. Fitting the band before the reel was attached to the base was more comfortable and saved about a minute per reel.

The process Flowcharts, before and after improvement, is shown in Fig. 1.
15. Balance Score Card

The Balanced Scorecard is an approach that can be used by strategic marketing managers to control, and keep track of, key performance indicators. In fact the scorecard itself is designed to be wholly strategic since it contains long-term outcomes and drivers of success. There are four zones in a balanced scorecard namely financial, customers, business processes (or simply processes), and learning and growth. Each measure is part of a longer chain of cause and effect, and all of the measures eventually lead to outcomes (read on and this will become clearer). So the scorecard is 'balanced' in that outcomes are in balance with each other.

The benefit of the scorecard is that is overcomes short-term quick fixes, and gives the strategic marketing manager a straightforward overview of the organisation. In fact, a scorecard should ideally fit onto a single sheet of paper. In fact Kaplan and Norton (1992), the originators of Balanced Scorecard, describe it as the dials in an airplane cockpit.

![The Balanced Scorecard Diagram](image)

a) Learning and Growth

Learning and Growth deals with measures of corporate success in relation to how it learns as it develops over time. So if the company makes mistakes in any way, then it must learn from them and there must be mechanisms in place to make sure that happens.
also includes the way in which it generates leaders for the future and equips employees with the necessary skills that will ultimately sustain its business. Examples include skills sets, employee relations and satisfaction, and staff competences.

b) Internal Business Processes

Internal business processes include all operations within the organisation. The measures would cover whether or not value is being delivered to target segments, and the value chain is tracked. Innovation and new product development would also be measured. Examples of internal business processes include Information Technology, manufacturing, marketing operations such as customer service, procurement and quality processes.

c) Customer Perspective

As marketers we are very concerned with our customers. We need to make sure that they are satisfied with every aspect of their experience with our organisation. We need to make sure that we not only recruit more new customers, but that we also retain them and extend new products and services to them. We also need to make sure that we are meeting the needs of our target segments. So here, examples of customer measures include customer retention and recruitment, their satisfaction and so on.

d) Financial Perspective

Financial measures are vitally important for any business. A note of caution here, since traditional measures of financial success such as Return on Investment (ROI), and made secondary to 'shareholder value.' Shareholder value is the natural measure of success, and so it is prioritized. Information on customers, markets and technology is far more widely available today, so don't bogged down with old fashioned financial measures. Resources, individuals and teams within a business are then aligned with the scorecard objectives, measures, targets and initiatives for each of the four areas of measurement

Balanced Scorecard as a measurement tool:

- It allows the organization to assess progress in implementing strategy
- It allows the organization to benchmark its progress against great practices outside and inside the organization, and over time
- It provides a diagnostic framework for tracking relationships and impact among strategies BSC is a measurement tool
- It allows the organization to assess progress in implementing strategy
- It allows the organization to benchmark its progress against great practices outside and inside the organization, and over time
- It provides a diagnostic framework for tracking relationships and impact among strategies
Balanced Scorecard as a communication tool:
- It allows an organization to articulate its chain of value creation within the organization and to the world at large
- It provides a platform for planning and communication of planning activities

### Activity

#### Creating a balanced scorecard for a Hotel Chain

#### Financial Perspective

<table>
<thead>
<tr>
<th>Goal</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To reduce unfilled room rate by 3% over the previous year, by offering discount for a third-day stay.</td>
<td></td>
</tr>
<tr>
<td>2. To control fixed overhead costs within 3% overall increase on previous year.</td>
<td></td>
</tr>
<tr>
<td>3. To control variable costs per room per night at 50% of room charge.</td>
<td></td>
</tr>
</tbody>
</table>

#### Customer Perspective

<table>
<thead>
<tr>
<th>Goal</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To increase market share by 5% over 12 months</td>
<td></td>
</tr>
<tr>
<td>2. That 50% of customers return for a second visit.</td>
<td></td>
</tr>
<tr>
<td>3. That 90% of customers express general satisfaction with the service, especially cleanliness and staff courtesy.</td>
<td></td>
</tr>
</tbody>
</table>

#### Internal Business Perspective

<table>
<thead>
<tr>
<th>Goal</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To improve customer satisfaction by improving checkout times</td>
<td></td>
</tr>
<tr>
<td>2. To improve the cycle of laundry delivery and return from 4 days to 3 days, on average.</td>
<td></td>
</tr>
<tr>
<td>3. To identify and implement one innovative practice</td>
<td></td>
</tr>
</tbody>
</table>
### Learning and Growth Perspective

<table>
<thead>
<tr>
<th>Goal</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To achieve 60% participation of relevant staff in a vocational training programme.</td>
<td></td>
</tr>
<tr>
<td>2. To empower staff in setting personal goals that are consistent with organisational goals</td>
<td></td>
</tr>
<tr>
<td>3. To improve internal communication process by weekly bulletin to staff.</td>
<td></td>
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♫ My Short Notes

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*Chapter 08 - Tools and Aids to Support Creative Decisions*
Graduate/Postgraduate Diploma in Marketing

Marketing Skills

Recommended Study Text

Module Six
Chapter 09
Entrepreneurial Skills for Marketers

This chapter will cover the following areas

1. Definitions of Entrepreneurship
2. Are Entrepreneurs born or made?
3. Characteristics of Entrepreneurs
4. Skills set of an effective Entrepreneur
5. The New Entrepreneur
6. E-Entrepreneur

1. Definitions of Entrepreneurship

An entrepreneur may be described as a person who undertakes a business venture and accepts the risk & responsibility of its profit or loss. Marc Dollinger defines entrepreneurship as the “Creation of an economic organization which is innovative for the purpose of gain and growth under risk and uncertainty.”

Frank Hoy views it as “Managing resources to create something new & innovative, generally a business.” The American heritage dictionary defines it as “organizing, operating and assuming the risk of a business venture.”

My Working Definition on Entrepreneurship

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<th>My Working Definition on Entrepreneurship</th>
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There are many schools of thought on entrepreneurship and as such many different viewpoints on the subject. For instance, the great person school of thought believes that entrepreneurs are born. The psychological characteristics school speaks of the drive of an entrepreneur for a given higher need.

The classical school views them as innovators. The emphasis here is on performing than ownership. Ludwig von Misses refers to the role of the entrepreneur as moving the disequilibrium towards equilibrium. Joseph Schumpeter on the other hand, views an entrepreneur as a person who creates disequilibrium in order to grab opportunity.
The management school of thought viewed it in terms of the functions of management such as planning, organizing and controlling. The leadership school viewed it through the angle of leadership. They referred to an entrepreneur as a leader and a person who adapts his style to the needs of the environment.

‡ Activity

How important is leadership in achieving entrepreneurial success?
Discuss with reasons.

The intrapreneurship school focused on intrapreneurs or in other words entrepreneurs within a complex organization. Given such a wide range of viewpoints, it is not a surprise that entrepreneurship has been defined by many sources in many different ways.

Marx on the other hand, viewed entrepreneurship differently. He was of the opinion that those who had the capital gets the business and becomes an entrepreneur. Max Weber referred to the protestant ethic and said that an entrepreneur had been given talents by God and that he should use them for gain & profit. In other words, he viewed entrepreneurship as being elitist. Drawing from the Parato principle, he said that 20% of the people controlled the rest of the 80% of a given population.

‡ Activity

Enumerate the different viewpoints on the definition of an entrepreneur

<table>
<thead>
<tr>
<th>Source</th>
<th>Viewpoint</th>
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<td>Joseph Schumpeter</td>
<td>“Entrepreneur creates disequilibrium”</td>
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</table>
2. Are Entrepreneurs Born or Made?

‡ Activity

Group Discussion:
Are Entrepreneurs born or made? Discuss with reasons.

Some are said to be born with entrepreneurial traits whilst others develop it at various points in ones life.

In early childhood, an entrepreneurial environment or the presence of entrepreneurial parents will stimulate a child with entrepreneurial ideas. We see this very clearly in the life of Anita Roddic, the founder of Body Shop. Her parents Gilda and Donny Perella ran the first American style diner in Sussex. It is said that they insisted that their four children helped in during weekends and after school.

A family environment that encourages independence, risk taking, responsibility and high achievement is associated with future entrepreneurship. Richard Branson’s family is a classical example. Please refer mini case.

According to research on entrepreneurship, first born females are also associated with a higher incidence of entrepreneurship. The presence of mentors and models also facilitate entrepreneurial moulding. So is the belonging to a minority ethnic group.

Anger and conflicts at one’s workplace can be the motivator for potential entrepreneurship. Monotony of a job, being told to show cause or being sacked from ones job have made employees seek entrepreneurship.

Emigration to another country is also seen as a stimulating factor for entrepreneurship. So is divorce.

A career in the armed force is seen as a motivator for one to get on one’s own. Serving a prison sentence could facilitate a new beginning.

Entrepreneurship is also conceived whilst at business school. For instance, the businesses plan for Fed-Ex was written by Fred smith as an assignment for his MBA at Yale University. Phil Knight, an athlete of Oregon University went on to establish Nike as a result of the discussions he had with his coach on the poor quality of American made running shoes.
Bill gates, a drop out of Harvard University went on to launch Microsoft. Then again, Entrepreneurship can be the result of a franchise such as Mc Donald’s & Pizza hut.

Or for that matter, it can be the result of a purchase. For instance, the purchase of Arpico & David Pieris Motor Company by Yaddehige. It can also be inherited as in the case of Lalith Kotalawela.

‡ Application

**Richard Branson: Virgin Group**

Richard Branson is a flamboyant British billionaire who has build his company into one of the world’s biggest brands.

Personal profile
Organization: Virgin Group of companies
Grew up in: Shamley Green, Surrey, UK
Born: 1950
Status: Married, 2 Children
Net-worth: US $ 1.7 billion

Parents & Family Environment: Eve Huntley-Flindt (Mother) had picked up some of her dazzling energy from her mother Dorothy, who holds two British records: aged 89, Granny (Dorothy) become the oldest person in Britain to pass the advanced Latin-American ballroom-dancing examination. At aged 90 she become the oldest person to hit a hole in one at golf.

Childhood: Their challenges tended to be physical rather than academic and soon they were setting them for themselves.

“When I was four years old, she stopped a car a few miles from our house and made me find my own way home across the fields. I got hopelessly lost. My youngest sister Vanessa’s earliest memory is being woken up in the dark one January morning because Mum had decided I should cycle to Bournemouth that day. Mum packed some sandwiches and an apple and told me to find some water along the way…..

….Bournemouth was fifty miles away from our house in Shamley green, Surrey. I was under twelve, but Mum thought that it would teach me the importance of stamina and the sense of direction. I remember setting off in the dark, and I have a vague recollection of staying the night with a relative. I have no idea how I found their house, or how I got back to Shamley green the next day, but I do remember walking in to the kitchen like a conquering hero, feeling tremendously proud of my marathon bike ride and expecting a huge welcome.” –From Branson’s autobiography: Loosing My Virginity
“I have an early memory of learning to swim. I was either four or five. Auntie Joyce had made me a bet, and I doubted that she would remember it the next year. On our last day we got up early, packed the car and set out on the Twelve-hour journey home. The road was narrow; the car was slow; and it was a hot day. Every one wanted to get home. As we drove along I saw a river…..

…..‘Daddy, can you stop the car, please?’ I said. This river was my last chance: I was sure that I could swim and win Auntie Joyce’s ten shillings. Dad looked in the rear-view mirror slowed down and pulled up on the grass verge…..

……‘What’s the matter?’ Aunt Wendy asked as we all piled out of the car. ‘Ricky’s seen the river down there,’ Mum said. ‘He wants to have a final go at swimming.’ ‘Don’t we want to get on and get home?’ Aunt Wendy complained. ‘It’s such a long drive.’ ‘Come on, Wendy. Let’s give the lad a chance,’ Auntie Joyce said. ‘After all, it’s my ten shillings.’…..

……I braced my self and jumped forward against the current, but I immediately felt my self sinking, my legs slicing uselessly through the water. The current pushed me around, tore at my underpants and dragged me downstream. I couldn’t breath and swallowed water. I tried to reach up to the surface, but had nothing to push against. I kicked and writhed around but it was no help.

Then my foot found a stone and I pushed up hard. I came back above the surface and took a deep breath. The breath steadied me, and relaxed. I had to win that ten shillings.

I kicked slowly, spread my arms, and found myself swimming across the surface. I was still bobbing up and down, but I suddenly felt released: I could swim. I didn’t care that the river was pulling me downstream. I swam triumphantly out in to the middle of the current. Above the roar and bubble of the water I heard my family clapping and cheering. As I swam in a lopsided circle and came back to the river back some fifty yards below them, I saw Auntie Joyce fish in her huge black hand bag for her purse. I crawled up out of the water, brushed through a patch of stinging nettles and ran up the bank. I may have been cold, muddy and stung by the nettles, but I could swim……

…………’Here you are, Ricky,’ Auntie Joyce said. ‘Well done.’ I looked at the ten-shilling note in my hand. It was large, brown and crisp. I had never held that amount of money before: it seemed a fortune all right.

At home Mum had two obsessions: she always generated work for us, and she was always thinking of ways to make money. We never had a television and I don’t think my parents ever listened to the radio. Mum worked in a shed in the garden, making wooden tissue boxes and wastepaper bins which she sold to shops. Her shed smelt of paint and

Chapter 09- Entrepreneurial Skills for Marketing
glue and was stacked with little piles of painted boxes ready to be sent off. Dad was inventive and very good with his hands, and he designed special pressing devices which held the boxes together while they were being glued. Eventually Mum began supplying Harrods with her tissue boxes and it become a proper little cottage industry. As with everything she did, Mum worked in a whirlwind of energy which was difficult to resist.

There was a great sense of teamwork within our family. Whenever we were within Mum’s orbit we had to be busy. If we tried to escape by saying that we had something else to do, we were firmly told we were selfish. As a result we grew up with a clear priority of putting other people first.

Some times Aunt Clare would parachute out of the plane for fun. She smoked about twenty small cigars a day.

My dyslexia was a problem throughout my school life. Now, although my spelling is still some times poor, I have managed to overcome the worst of my difficulties through training myself to concentrate. Perhaps my early problems with dyslexia made me more intuitive: when someone sent me a written proposal, rather than dwelling on detailed facts and figures I find that my imagination grasps and expands on what I read.” – Courtesy: Loosing My Virginity.

Branson was educated at Stowe school. It was here that he began to set up a Student Magazine when he was just 16. By 17 he’d also set up a Student Advisory Centre, which was a charity to help young people.

In 1970, he founded Virgin as a mail order record retailer, and not long after he opened a record shop in Oxford Street, London. During 1972 a recording studio was build in Oxford shire, and the first Virgin artist, Mike Oldfield, recorded “Tubular Bells” which was released in 1973.

This album went on to sell over 5 million copies! Since then many household names, including Blenda Carlisle, Genesis, Phill Collins, Janet Jackson and The Rolling Stones have helped to make Virgin Music one of the top six record companies in the world. The equity of the Virgin music group-record labels, music publishing, and recording studio was sold to THORN EMI in 1992 in a US$ 1 billion deal.

The Virgin group has now expanded it to international music mega stores, air travel, financial, retail, music, internet, drink, rail, hotels and leisure, with around 200 companies in over 30 countries.

Virgin Atlantic Airways, formed in 1984, is now second largest British long haul international airline and operates a fleet of Boeing 747 and Airbus A340 aircraft to new York, Miami, Los Angeles, Orlando, San Francisco, Hong Kong, Johannesburg, Tokyo,
Las Vegas, Delhi, Lagos, Port Harcourt, Shanghai and the Caribbean. The air lines are based on the concept of offering a competitive and high quality upper class, premium economy and economy services. The airline has won many major awards, including Airline of the year award several times.

During 1997 Virgin took over Britain’s two most run down rail franchises, Cross-Country and the West Coast Main Line. Virgin is currently engaged in a £2 Billion fleet replacement programme.

In order to keep his adrenaline lives high, Richard Branson has been involved in a number of world record-breaking attempts since 1985. In 1986 his boat, “Virgin Atlantic Challenger II” crossed the Atlantic Ocean in the fastest ever recorded time. This was followed a year later by the epic hot air balloon crossing of the same ocean in “Virgin Atlantic Flyer”. This was not only the first hot-air balloon to cross the Atlantic, but was the largest ever flown at 2.3 million cubic feet capacity, reaching speeds in excess of 130 miles per hour (209 k/ph).

Still after the ultimate adventure, in January 1991 Richard crossed the Pacific Ocean from Japan to Artic Canada, the furthest distance of 6,700 miles. Again, he broke all existing records, with speed of up to 245 miles per hour in a balloon of 2.6 million cubic feet.

Between 1995 and 1998 Richard Branson, Per Lindstrand and Steve Fosset (who joined the team after the tragic death of Alex Ritchie), made a number of attempts to circumnavigate the globe by balloon.

In late 1998 they made a record-breaking flight from Morocco to Hawaii but their dream of a global flight was shattered by bad weather, and then a Swiss team successfully circumnavigated the globe in early 1999.

In 1999, Richard Branson was awarded a Knighthood in the Queen’s Millennium New Year’s Honours List for “service to entrepreneurship” and was the 7th in the Sunday Times Rich List 2005.

**Questions for Discussion:**

In your Opinion, is Richard Branson a born or made entrepreneur? Discuss this issue with illustrations under as many of the following headings as possible.

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3. Characteristics of Entrepreneurs

Given the volumes of research carried out in this area one conclusion that can be made is that entrepreneurs are not made of one mould. To put things in a different way, entrepreneurs do not match one single set of characteristics.

<table>
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<tr>
<th>Activity</th>
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<tr>
<td>List the characteristics of five entrepreneurs that you have heard about.</td>
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</table>

To begin with, entrepreneurs are moderate risk takers. They could be seen in fact as risk eliminators as they remove many obstacles as possible as they go along to venture out into their new businesses.

They also have an excellent vision. They know exactly where they want to get to in life. They know exactly what they want at the end of the day. They are a group of marvelous dreamers and their dreams never end. To those around them, they live in a dream world. Sounds crazy? Join the club. You have just begun to associate entrepreneurship.

They also have the passion to succeed. Their passion is unbelievable. Together with their persistence and patience they have the correct frame of mind to pursue excellence. They are hard working and their ability to put in long hours coupled with their high energy levels make them ideal candidates for the extraordinary effort required to launch a new company.

Moreover, entrepreneurs are flexible, reliable, have multiple and often unique talents as well as a high degree of emotional intelligence (EI). In fact, some entrepreneurs are EI factories! Entrepreneurs are also effective leaders. They display a high degree of leadership traits.

They are also committed to their vision, are results oriented and have the self confidence in their ability to get to where they want to get to in life. They are like steam ships that get to their destinations come what may. In short, they never ever give up in their pursuit for success. Entrepreneurs have also the skills at organizing which help them build their organizations from scratch; from nothing!

A remarkable characteristic among entrepreneurs is that they value achievement over monetary gains. Unbelievable: yet true! Money comes second to most of them; money is a mere symbol of achievement. This is confirmed by Mc Clelland in his research findings where he describes the entrepreneurs need for achievement (n.ach), the need for power (n.power) and the need for affiliation (n.aff).

They are also futuristic in their orientation. They are more concerned with the future than what happened in the past. Given this sprit, they continuously search for need gaps of consumers which in turn will give them the opportunity to come up with need gap fillers.
Entrepreneurs also have great creativity. They are commonly multi skilled with a range of talents. The right brain activity is said to bring about creativity and innovation, vital for entrepreneurship.

In short, research suggests that entrepreneurs have more dominated right brains. On the other hand, managers have comparatively more dominated left brains as the left brain helps them in their activities as a manager.

**Activity**

Why is entrepreneurship not common among Sri Lankans?
What factors need to be changed in order to encourage entrepreneurship in Sri Lanka?

4. Skills Set of an Effective Entrepreneur

The range of skills that help effective entrepreneurship are given in the following illustration.
5. The New Entrepreneur

The evolution of entrepreneurship has given way to a more professional type of entrepreneur. The traditional entrepreneur was a lone ranger, usually male and considered the boss of his entrepreneurial venture. In contrast, the new entrepreneur is a net worker, either male or female and plays the role of leader of his team.

Traditionally, those who knew the trade launched into businesses in their respective fields. For example, Eastern, one of the first airlines in the United States was the brainchild of Eddie Rickenbacker, an airline pilot. Today however those who know the business ends up as entrepreneurs. Richard Brandson knew little about airlines. But his knowledge in the business made him launch Virgin Airlines.

‡ Activity

Discuss the challenges faced by the modern day entrepreneur of Sri Lanka?

To quote a Sri Lankan example, Victor Hettigoda an ayurvedic physician gave birth to a venture in his own field: Siddhalepa. Fifty years later his descendents have come up with a totally different idea in the form of an Ayurvedic holiday resort.

Formerly, a super idea was the critical success factor of a new venture. But to day superior implementation of an idea is considered the critical success factor. Then entrepreneurs were secretive whereas today they are more open as they now compete more professionally. Gain was the focus in the good old days; growth the focus in the modern day.

Last but not least, technology was used traditionally to automate the workplace as against today where technology is used in innovation resulting in doing things they never did before.

6. E- Entrepreneur

In simple terms, e Entrepreneurs are electronic entrepreneurs. In other words, those who launch their businesses on the internet. It stands to reason therefore that e Entrepreneurs do their business online as against other Entrepreneurs who venture out offline. For this reason, e entrepreneurship is referred to as a “click and mortar” business as against a “brick and mortar” business of an offline entrepreneur.
The e entrepreneur conducts business right round the clock (i.e. 24 x 7 x 365) whereas the offline entrepreneur is limited to office hours.

What is more, e entrepreneurship caters to a global market unlike the brick and mortars entrepreneur that caters to a restricted market. The key differences between online and offline entrepreneurship is tabulated below.

<table>
<thead>
<tr>
<th>Offline</th>
<th>e Entrepreneurship</th>
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<tbody>
<tr>
<td>Brick &amp; Mortar</td>
<td>Click &amp; Mortar</td>
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<td>Physical Office</td>
<td>Virtual Office</td>
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<td>Office hrs</td>
<td>24 x 7 x 365</td>
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<tr>
<td>Restricted Market</td>
<td>Global Market</td>
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<tr>
<td>Retailing</td>
<td>e Tailing</td>
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<td>(Pvt) Ltd .com</td>
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6.1 Impact on the Web

E commerce exerts a great impact on info based sites such as financial, education, health & entertainment sites. On the other hand it exerts a comparatively less impact on product based sites such as retailing, manufacturing & travel sites.

However, one could argue against this inference. For instance, Amazon.com has carved a niche for itself in spite of being a product based site. Then again, to quote another example, Easyjet.com an online booking site for budget air travel has become extremely popular among low cost air travelers.

6.2 Where will the Internet make the Most Impact?

The answer to this question is anywhere and everywhere with access to the net coupled with e skills and entrepreneurship skills including the skills to identify e opportunities.
6.3. Value Creation and Value Capture

Value creation is simply the creation of value for one's customers. Value capture refers to the capturing of value for one's organization by selling profitably on the long term.

6.4 Benefits of e Entrepreneurship

The benefits of e entrepreneurship are tabulated below.

<table>
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<tr>
<th>To Entrepreneur</th>
<th>To Customer</th>
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<tbody>
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<td>Global Markets</td>
<td>24 hr Access</td>
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<td>Reduced Cost</td>
<td>Comparability</td>
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<td>Interactiveness</td>
<td>Decrease Cost</td>
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<td>Speed</td>
<td>Hassle Free</td>
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<td>Virtual Office</td>
<td>Speed</td>
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<tr>
<td>Inventory</td>
<td>Confidentiality</td>
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6.5 Barriers to e Entrepreneurship

Firstly, access to the information super high way is of critical importance. Internet feasibility, internet literacy and the availability of broadband for faster downloading helps online entrepreneurship.

On the customer’s side, e literacy, e preference, e trust and the e customers profile will play a part in e entrepreneurship. Cultural factors such as language, education, attitudes, beliefs, customers, religion and even colours that one uses on a website may having cross cultural implications.

In addition, economic factors geographical and logistic issues may be issues that one needs to take in to account. The barriers to e Entrepreneurship are listed below.

E Entrepreneur:

- e Suitability
- Expertise
- Trust
- Security
- Resources – Financial, IT, Creativity & Innovation
- Flexibility to adapt
- Logistics
- Intangibility – inability to see, touch, smell …
Customer:
- e Access
- e Literacy
- e Profile
- e Preference
- e Trust

Cultural:
- Language
- Education
- Attitudes, believes and customs
- Values
- Ethics
- Colours …..

Industry:
- Great impact on information sites
- Lesser impact on product based sites

Others:
- Economic growth
- Geographical factors
- Opportunity for need gaps

6.6 Who is Best Positioned to take Advantage?

The best positioned to maximize one’s opportunities on the internet therefore, are those who can cross the barriers of e entrepreneurship which were discussed above.

6.7 Key Success Factor’s of e Entrepreneurship

The key success factors of e entrepreneurship are listed below.

- Value offering
- Value capture
- Promoting the site
- Defining the target audience
- Customer focus
- Website attractiveness
- Fast downloading,
- Hassle free payments….
- Speed of operations
- Flexibility to adapt
- Ensuring trust
## Activity

01. What businesses in Sri Lanka in your opinion are appropriate for the internet? Why?

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<th>Business</th>
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02. Give ten examples of dot coms that you as a potential Sri Lankan entrepreneur can launch successfully? Any reasons?

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03. What features must a website have to attract repeat visitors?

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04. As a student of entrepreneurship, would you prefer to first launch a dot com or an offline company. Why?


05. Who in your opinion is best positioned to take advantage?


++ Feature Article - Entrepreneurship

An entrepreneur is an individual who accepts financial risks and undertakes new financial ventures. The word derives from the French "entre" (to enter) and "prendre" (to take), and in a general sense applies to any person starting a new project or trying a new opportunity.

Many societies place great value on the entrepreneur. To encourage their activity, they may be offered access to inexpensive capital, tax exemptions and management advice. An entrepreneur has the greatest chance of success by focusing on a market niche either too small or too new to have been noticed by established businesses. To help new technologies come to market, many universities establish *business incubators* for entrepreneurs hoping to turn leading edge research into marketable products.

Characteristics of an entrepreneur include spontaneous creativity, the ability and willingness to make decisions in the absence of solid data, and a generally risk-taking personality. An entrepreneur may be driven by a need to create something new or build something tangible. In the Austrian school of Economics, entrepreneurs are described as being engaged in the *creative destruction* of existing products and services. As new enterprises have low success rates, an entrepreneur must also have considerable persistence.

Entrepreneurs are generally highly independent, which can cause problems when their ventures succeed. In a small company the entrepreneur is able to personally manage
most aspects of the business, but this is not possible once the company has grown beyond a certain size. Management conflicts often arise when the entrepreneur does not recognize that running a large stable company is different from running a small growing company. The problem is often resolved by the entrepreneur either leaving to start a new venture, or being forced out by shareholders. At Apple Computer, for example, one founder, Steve Wozniak, left to pursue other interests, while the other, Steve Jobs was ultimately fired and replaced with a CEO from a much larger company. Note that many years later, Jobs returned to the helm.

An *intrapreneur* is an individual who acts like an entrepreneur but from inside the confines of a large organization or corporation.
Chapter 10
Marketing Intrapreneur

This chapter will cover the following areas

1. Understanding Intrapreneurship
2. Characteristics of Intrapreneurs
3. The Process of Intrapreneurship
4. Guidelines for Success
5. Marketing Intrapreneur

1. Understanding Intrapreneurship

1.1 Meaning of Intrapreneurship

Intrapreneurs are employees who work within a business in an entrepreneurial capacity, creating innovative new products and processes for the organization. Intrapreneurship is often associated with larger companies that have taken notice of the rise in entrepreneurial activity in recent years; these firms endeavor to create an environment wherein creative employees can pursue new ways of doing things and new product ideas within the context of the corporation.

But smaller firms can instill a commitment to intrapreneurship within its workforce as well. In fact, small businesses, which originate as entrepreneurial ventures, are often ideally suited to foster an intrapreneurial environment, since their owners have first-hand knowledge of the opportunities and perils that accompany new business initiatives.

According to Gifford Pinchot, intrapreneurs are employees who behave like entrepreneurs on behalf of the company. They are the visionaries who act. They become the hands-on drivers of a specific innovation within an organization.

Research shows that intrapreneurs are an essential ingredient of the successful innovation process. In most organizations people are thought to be either dreamers or doers. Both talents are not generally required in one job. But the trouble with telling the doers not to bother about their dreams is that they dream anyway. When they are blocked from implementing dreams of how to help your company they're dreaming dreams of revenge. A mind is meant to imagine and then act. It is a terrible thing to split apart the dreamer and the doer.

‡ Activity

As an employee, do you dream for your organization? If so, how can you incorporate these dreams as a potential intrapreneur in your organization?
1.2 Definitions of Intrapreneurship

Intrapreneurship is entrepreneurship within an organization. It is an internal corporate venture. In other words, it can be described as an opportunity for managers of an organization to take their own initiative, try new ideas and explore opportunities. It is, therefore, the development within an organization of an autonomous or semi-autonomous business in a unique way.

It is therefore a new opportunity for the given company and represents a total change from the past.

2. Characteristics of Intrapreneurs

2.1 Key Characteristics of Intrapreneurs

<table>
<thead>
<tr>
<th>Flexible</th>
<th>Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>spirit of growth</td>
<td>Ownership</td>
</tr>
<tr>
<td>Energy</td>
<td>Obtain objectives</td>
</tr>
<tr>
<td>self-motivation</td>
<td>Take appropriate risks</td>
</tr>
<tr>
<td>Confidence</td>
<td>Concern</td>
</tr>
<tr>
<td>Innovation</td>
<td>Responsible</td>
</tr>
<tr>
<td>Being a pioneer</td>
<td>Caring</td>
</tr>
<tr>
<td>Communication</td>
<td>Working together</td>
</tr>
<tr>
<td>Discussion and positive feedback</td>
<td>Equality and respect</td>
</tr>
</tbody>
</table>
Above all, intrapreneurs need to have basic business skills. These include "strategic thinking", "time management", and knowing the business inside out.

2.2 Key Intrapreneural Activities

What sets the stars of industry apart from mediocre businesses that simply struggle to survive is a question that continues to challenge business experts. Many believe that success can be attributed to effective leadership and a clear vision. The frustration often echoed among business professionals and entrepreneurs is the difficulty of finding the secret to becoming an effective and respected leader.

As leadership and management expert Warren Bennis has said, the key is having the capacity to generate intellectual capital and great leadership is the key to realizing intellectual capital’s full potential. These are the future leaders of business. This fundamental drive can’t be taught or instilled; the individual must discover it. Those that recognize their intrapreneurial traits know that they are destined to make a difference and don’t compromise their values, possessing an unwavering focus in whatever they do.

Intrapreneurship is about innovation & building new businesses within an existing corporation. It differs from entrepreneurship in the corporate constraints it must meet - strategic/financial fit, executive attention, alignment with a core business and internal politics. Rate of failure for intrapreneurial projects is similar to entrepreneurial ventures. While the entrepreneur may have a higher equity stake and appropriately higher risk/reward, the intrapreneur has the advantage of leveraging brand, resources and barriers to entry vs. the competition.

The qualities of innovators are similar, whether they're intrapreneurs or entrepreneurs. These include including having vision, a sense of survival, managing risk, being adaptive (flexible & persistent) and possessing a 'thick skin' to accept criticism.

Allocation of scarce resources is core to intrapreneurship. Intrapreneurs can intelligently invest in a new business (vs. growing existing businesses) by (i) wisely utilizing executive support, (ii) potentially using dedicated teams to avoid daily resource competition with the stronger existing businesses, (iii) instituting the right rewards to motivate/focus teams on the new business within their other existing responsibilities, (iv) setting milestones to maintain visibility & accountability despite long ROI cycles and (v) managing risk to pull back where needed.

2.3 The Need for Intrapreneurship

Today’s markets are extensively competitive. What is more, the marketing environment is changing all the time. This dynamism calls for great flexibility in order to adapt to the environmental turbulence. Large companies with rigid, hierarchical and formal structures are too rigid to face competition; competition that is sometimes brutal. So brutal that you eat what you kill.
Intrapreneurship is an answer to this problem. Managers who on their own initiative come up with creative ideas for new products, services, processes and generally new ways of doing business are giving the opportunity to competitively face the hostile and even and changing business environments of the day.

Moreover, Intrapreneurship helps an organization to diversify into other related and unrelated areas. Merging and acquisitions are often risky with the company overpaying for such ventures. In addition it leads to resistance to change and lack of shared values. Hence, internal development of such new ventures is favoured by some companies.

In addition, Intrapreneurship is preferred for the purpose of diversification and corporate growth as the organization has greater control over the operations and its costs.

Intrapreneurship also gives the company the opportunity for market experiments. Some of these experiments evolve onto large and profitable business ventures.

Another plus point in Intrapreneurship is that it gives opportunity for training and development of its managers. Future leaders and successors of their companies can be trained and monitored through the mechanism of Intrapreneurship. Such managers who have been tried and tested through this mechanism may be utilized in a great way by the mother company.

Intrapreneurship also helps open up new channels of distribution. For instance the web as a marketing tool has helped many companies to sense, size and seize new markets. Intrapreneurs with the core competencies and the passion for e commerce can grab the opportunity to build the online arm of their offline mother company. This will help boost sales of the offline company as well as the strategic business unit of the intrapreneur.

The most successful companies are those that have developed aggressive venture strategies and have made ventures critical components of their strategic and operating success. For today's corporations, traditional internal expansions, efficiency improvements and "synergistic" acquisitions are no longer sufficient sources of growth in most industry segments that had grown crowded and hypercompetitive.

‡ Activity

Discuss the need for intrapreneurship in a Sri lankan company of your choice.
2.4 The difference between Entrepreneurship and Intrapreneurship

An entrepreneur is one who looks for solutions among two or more resources, usually externally. Intrapreneurs look within themselves to determine if the goals they set themselves are within their sights. They follow their values and seek out solutions that will be noticed. Intrapreneurial qualities are often found in an entrepreneur but intrapreneurs are also found in many organizations and their numbers are steadily rising.

While entrepreneurs may have to do everything including being secretary/janitor/facilities caretaker etc., intrapreneurs have their share of cycles spent on non-core efforts like having to present their case repeatedly to many different internal stakeholders in a matrix organization. The key differences between entrepreneurship and intrapreneurship are tabulated below.

<table>
<thead>
<tr>
<th></th>
<th>Entrepreneur</th>
<th>Intrapreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Need Gap Identification</td>
<td>E</td>
<td>I/E</td>
</tr>
<tr>
<td>2. Research</td>
<td>E</td>
<td>I/E</td>
</tr>
<tr>
<td>3. Marketing Plans</td>
<td>E</td>
<td>I/E</td>
</tr>
<tr>
<td>4. Approvals</td>
<td>External</td>
<td>Internal/Internal/External</td>
</tr>
<tr>
<td>5. Support</td>
<td>↓</td>
<td>↑</td>
</tr>
<tr>
<td>6. Marketing</td>
<td>E</td>
<td>I/E</td>
</tr>
<tr>
<td>7. Finance</td>
<td>E</td>
<td>I</td>
</tr>
<tr>
<td>8. Control</td>
<td>E</td>
<td>E</td>
</tr>
<tr>
<td>9. Organization Culture</td>
<td>E</td>
<td>E</td>
</tr>
<tr>
<td>10. Politics</td>
<td>Nil</td>
<td>E</td>
</tr>
<tr>
<td>11. Risk</td>
<td>E</td>
<td>I/E</td>
</tr>
</tbody>
</table>

E = Entrepreneur
I = Intrapreneur

3. The Process of Intrapreneurship

3.1 Steps related to Intrapreneurship

There are five recognizable stages in the process or intrapreneurship. These five stages are given below.

1. Problem Definition

   2. Coalition Building

   3. Resource Mobilization

   4. Project Execution

   5. Venture Completion

Chapter 10 - Marketing Intrapreneur
a) Problem Definition

Stage 1 begins with problem definition. Problems—or alternatively, opportunities—may come from sources within the company or industry. The key to recognizing intrapreneurial opportunities is to be sensitive to change and open to surprise.

b) Coalition Building

Stage 2 requires coalition building. The intrapreneur must develop relationships within the corporate bureaucracy that help support the innovative project throughout its early development. This parallels the entrepreneur’s search for legitimate partners and supporters.

c) Resource Mobilization

Stage 3 calls for resource mobilization. The intrapreneur is looking for the same type of resources as the entrepreneur: physical, technological, financial, organizational, human, and reputational.

To make the internal corporate venture successful: they must be rare, valuable, imperfectly imitable, and have no good substitutes.

d) Project Execution

Stage 4 is the actual execution of the internal corporate venture. It is parallel to an entrepreneur’s official launch of a new venture; except that there are multiple levels of managers with different degrees of experience. Otherwise, a similar set of conditions now surrounds the execution of the intrapreneurial strategy.

e) Venture Completion

Stage 5 is the venture-completion phase. If the internal corporate venture has been less than a success, it can be dismantled and its resources reabsorbed by the corporation. If it has been successful, it can be continued and additional investment can be made.

3.2 Integrating Intrapreneural Activities into an Organization

Intrapreneurs are the "dreamers who do." In most organizations people are thought to be either dreamers or doers. Both talents are not generally required in one job. But the trouble with telling the doers not to bother about their dreams is that they dream anyway. When they are blocked from implementing dreams of how to help your company they're dreaming dreams of revenge. A mind is meant to imagine and then act. It is a terrible thing to split apart the dreamer and the doer.

What we need, then, is to restore the place for vision in everyone's job. Vision supported by communication of this vision to all stakeholders, strategic planning, building trust among all concerned, commitment and hard work are crucial to integrate intrapreneurial activities into one’s organization.
3.3 Opportunities and Barriers for Intrapreneurship

a) The Opportunities for Intrapreneurship are given in the following table.

<table>
<thead>
<tr>
<th>To Intrapreneur</th>
<th>To Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity</td>
<td>Flexibility</td>
</tr>
<tr>
<td>Carrier Development</td>
<td>Diversification</td>
</tr>
<tr>
<td>Innovation</td>
<td>Change Management</td>
</tr>
<tr>
<td>Personal Style</td>
<td>Focus on Customer Need &amp; Want</td>
</tr>
<tr>
<td>Reduce Risk</td>
<td>Employee</td>
</tr>
<tr>
<td>Finances</td>
<td>Increase Organizational Growth</td>
</tr>
<tr>
<td>Support</td>
<td>Increase Profits</td>
</tr>
</tbody>
</table>

b) Barriers for Intrapreneurship

<table>
<thead>
<tr>
<th>Politics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resistance to change</td>
</tr>
<tr>
<td>Internal Competition</td>
</tr>
<tr>
<td>Guidance</td>
</tr>
<tr>
<td>True Entrepreneurial Spirit</td>
</tr>
<tr>
<td>Commitment</td>
</tr>
<tr>
<td>Motivation</td>
</tr>
<tr>
<td>Competitiveness</td>
</tr>
<tr>
<td>Resentment</td>
</tr>
</tbody>
</table>

4. Guidelines for Success

Guidelines for successful intrapreneurship are listed below.

1. Vision
2. Communication
3. Vision community
4. Leadership
5. Initiative
6. Passion
7. Persistence
8. Patience
9. Decisions - fast & flexible
5. Marketing Intrapreneur

5.1 New Product Development

Intrapreneurs imagine how a customer would respond to their new product, what the technology would be, how the technology could produce desired features, and all those sorts of things. Good inventors have the customer in mind, but their vision is usually incomplete unless they are also intrapreneurs. They don't imagine in detail how to get from the here and now to that desired future. An intrapreneur, on the other hand, having seen the promised land moves back to the present and takes on the rather mundane and practical task of turning the prototype into a marketplace success. This too requires enormous imagination.

Intrapreneurs ask questions such as. "Who would I need to help me with this? How much would it cost? What things have to happen first?" and so forth. They may ask "Could we release this technology- onto the marketplace in product form aimed at such-and-such a customer need? No. If we did that it would immediately- bite into a very important market of one of our competitors who has the ability to respond and before we produced our second generation products there would be a tremendous competitive response. Let's back up a little bit. 'What if we put it out in this way instead? We'll it wouldn't do quite as well on the first round but I begin to see it would give us a little more time to develop unbeatable second generation products.

Intrapreneurs have to constantly juggle potential implementation plans. They do this in their imaginations. Of course, intrapreneurs also juggle implementation plans on paper as business plans and drawings, but much of the initial work is done in the shower, or when driving the car, or any situation in which one neither feels guilty about not doing something useful nor can one get to pencil and paper. At such times, we are forced to use our imaginations, and thus often do our most creative work.

The other areas that the intrapreneur needs to get actively involved are

- Branding Decisions
- Expansion into New Markets
- New Distribution Ventures
- Strategy Alterations
- Risky Marketing Investments
- Re-Engineering the Marketing Organization
- Make or Buy Decisions
5.2 Intrapreneurial Qualities Required by Marketers

According to Rhiannon Williamson every great intrapreneur naturally has 5 key attributes that sets them aside from their competition and that ensures they will succeed where others may fail.

These 5 personal qualities will all reflect upon the intrapreneur’s business and they will mean the entrepreneur grows and develops every area of their own personal expertise to become not only the strategic thinker behind the business, but the strategic manager poised to lead the company forward to achieve even greater success.

These five qualities are:
- Desire
- Positive spirit
- Commitment
- Patience
- Persistence

The following checklist will be of great help for potential intrapreneurs of Sri Lanka.

a) Are You a Leader?

It is hard to "define" a leader, but it is easy to know one when you see one. A good "manager," by the way, is not necessarily a leader. It has been said that leading is doing the right thing and managing is doing things right! An entrepreneur must, of course, be a competent manager, but, more importantly, must lead the way to success.

To be a good leader you must focus your energy. If you are going to start a business, be prepared to focus on your objectives. If you feel you lack leadership qualities, read one or more of the many good books available on the subject. No one really knows if a leader is born or made, but it is possible to focus on those qualities that most leaders seem to possess. One thing we do know, however, is that it takes a leader to successfully start, run, and grow a business.

b) Are You a "High Energy" Person?

Starting and running a business requires considerable energy and the ability to focus on your objectives. Long hours will be required which, if you are already employed full time, quickly takes its toll. A high-energy level is a must.

If you know in your heart that you're a ball of fire, but just can't get off the couch in the evenings, you might want to look into your diet and exercise programs. Note at what times of day you are at your best. Some of us are "morning people" and others are "night people." A morning person might not do well running a business that requires late hours and conversely, a night person should not consider an early morning delivery business!
c) Are You Self-Confident?

You must believe in what you are doing. Get involved in something you are GOOD at doing. Familiarity and ability breed confidence. Don't make the mistake of getting into a business because it looks like a good money maker or it is the "business of choice" this year. If you know absolutely nothing about the restaurant business, don't start a restaurant!

If your business encompasses one or more of your hobbies or other long-term interests and/or expertise, your self-confidence will be enhanced. Your level of confidence is important. You must believe in what you are doing and be confident of attaining your business goals.

d) Are You Organized?

You need to be organized in order to make good use of your time. Rest assured, you will never have all the time you think you need to accomplish what you feel needs to be done, but organization allows you to use time in the most effective manner. In other words, you will get more done in less time. How organized are you?

- Do you get things done on time ... always?
- Can you always find what you're looking for?
- Do you keep a schedule? A "to-do" list?
- Are you on time for appointments?

If you "feel" organized, you probably are. If you need some improvement, start by keeping a detailed schedule of your activities. Refer to references at end of this chapter for suggested information resources on this topic.

e) Are You Competitive?

From day one on, you and your business will be in competition. A competitive spirit is almost mandatory. Are you competitive? Do you strive to be first or the best? Your hobbies and sporting interests can tell you a lot about your competitive nature. You are your own best judge. Give it some thought ... If you're a fighter, your chances for success is improved. Are you prepared to work long hours?

Building and operating your own business is considerably more time intensive then working for someone else? You can set your own hours all right ... From about 6AM to midnight! The typical intrapreneur does work an average of 12 hours per day, six and sometimes seven days a week. However, this hard work can bring rewards and a feeling of accomplishment like nothing else can.

f) Will your Organization Finance You?

Have you thought out what kind of monetary investment will be required? Do you have it? Can you borrow it? Will your company finance you? Lack of adequate resources is one of the major causes of business failure.
There are many excellent references that provide details about resources required and where and how to borrow what you need. The following list will give you a few preliminary guidelines to keep in mind. Prepare a listing of start-up costs and first year expenses. Assume NO sales will be made and that you will be operating at a loss. You should have this much capital available the day you open your door for business. These expenses include, but are not limited to, items such as equipment, office supplies, and deposits for utilities, legal fees, licenses, advertising, operating cash, wages, repairs, shipping, rent, utilities, insurance, and taxes. Many of these expenses can be reduced or eliminated if your business is conducted from your own residence.

g) Are You in Good Health?

You're likely to be working hard, long hours and you need to be in good shape. This is not a trivial matter ... You need to look after yourself. If you are not already into an exercise program ... Start! If you smoke ... Quit! If you are a heavy drinker ... ease off. Take a stress management course to be prepared when it hits ... and it will.

h) Do You Have a Unique Service and/or Product to Offer?

Almost too obvious to even mention but amazingly enough, forgotten by many, your product or service need not be "new" in the sense of "never before available." But it must be unique in the sense of providing better service, better support, or a new approach.

i) Is Your Family on Board With Your Ideas?

Will you have the support of your family? Trouble at home is the last thing you need when starting a business. The statistics in this area are grim ... a lot of breakups occur during and immediately after a new business start-up. Don't let this happen to you ... talk it out first. Make sure you share common goals and objectives.

j) Are You Willing to Make Short Term Sacrifices in Return for Long Term Success?

This may be obvious but think it through just the same. You may be spending less time with family and friends, taking fewer (if any) vacations. All of these things, we hope, are temporary but a lot of people are simply not willing to give them up. If you can't, reconsider your priorities before making a decision that may not be right for you.

k) Are You a Risk Taker?

Starting a business can be a big risk and you need to be able to make risky decisions and cope with the consequences. Taking risks is commonplace with the intrapreneur ... opportunity comes with risk. There is risk of some sort in just about every decision you make but your business decisions carry major financial consequences and in some cases can spell life or death for your venture. Someone who is somewhat comfortable with taking risk is more likely to make the decision that will result in the bigger payoffs. Those kinds of decisions can spell growth for your venture.
l) Are You a Good Communicator?

Strong writing and speaking skills are essential for selling your product or service and yourself. Be honest here; if you need improvement, take a writing or public speaking course at your local university and visit your library for books on the subject. Consider joining a class if necessary.

m) Do you have the Necessary Experience?

You should start your business in an area where you have both an interest and experience. Don't get involved in something you know little about ... it's a strike against you that you do not need. Mind you, you don't have to be an expert in everything - in fact, you can't be. For example, you can always hire professional help in the area of marketing, finance, and taxes. If you lack some of the technical expertise required, you might consider a partnership with someone who will complement your expertise. Make sure this person shares your goals and objectives. Some so called "experts" have written that a real entrepreneur should not care what business he or she is in since "business is business." Not so! As an intrapreneur, you want the best odds for success. You should get involved only with something you are both good at and interested in. Listed below are some elements and suggestions for potential intrapreneurs.

<table>
<thead>
<tr>
<th>ELEMENT</th>
<th>SUGGESTIONS</th>
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<tbody>
<tr>
<td>Leadership</td>
<td>Take leadership seminars. Read books on the subject</td>
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<tr>
<td></td>
<td>Practice leadership in every situation</td>
</tr>
<tr>
<td>High-Energy, Health</td>
<td>Start a regular exercise program</td>
</tr>
<tr>
<td></td>
<td>Eat right, quit smoking, drink in moderation</td>
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<tr>
<td></td>
<td>Get involved in sports ... Stay active!</td>
</tr>
<tr>
<td>Self-confidence</td>
<td>Join a club and run for an office</td>
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<td></td>
<td>Write an article about your hobby</td>
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<td></td>
<td>Give a speech to a group</td>
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<td></td>
<td>Read books available on the subject</td>
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<tr>
<td></td>
<td>Listen to motivational cassette tapes</td>
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<tr>
<td>Organization</td>
<td>Read a book on organization</td>
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<td></td>
<td>Start a daily &quot;to do&quot; listing</td>
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<td></td>
<td>Clean up your working area</td>
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<tr>
<td></td>
<td>Carry a notebook &amp; pen at all times</td>
</tr>
<tr>
<td>Competitiveness</td>
<td>Get involved in a sport</td>
</tr>
<tr>
<td></td>
<td>Enter a public speaking contest</td>
</tr>
<tr>
<td>Long Hours, Hard Work</td>
<td>This one's up to you!</td>
</tr>
<tr>
<td></td>
<td>Remember long hours WILL be required for success</td>
</tr>
<tr>
<td>Resources</td>
<td>Assess your financial situation</td>
</tr>
<tr>
<td></td>
<td>Prepare a net-worth summary</td>
</tr>
<tr>
<td>Unique Product or</td>
<td>Conduct market research</td>
</tr>
<tr>
<td>Service</td>
<td>Reassess your product/service</td>
</tr>
<tr>
<td></td>
<td>Talk to your competition</td>
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<tr>
<td></td>
<td>Subscribe to and read trade journals</td>
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<tr>
<td>Family Involvement</td>
<td>Talk about your ideas</td>
</tr>
<tr>
<td></td>
<td>Come to an understanding before you start the business</td>
</tr>
<tr>
<td>Communicating</td>
<td>Join Toastmasters</td>
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<td></td>
<td>Give speeches at every opportunity</td>
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<tr>
<td></td>
<td>Take a course in writing &amp; speaking</td>
</tr>
<tr>
<td></td>
<td>Practice writing at every opportunity</td>
</tr>
<tr>
<td>Experience</td>
<td>Enroll in courses at local colleges</td>
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<tr>
<td></td>
<td>Work for your competition for a while</td>
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<tr>
<td></td>
<td>Attend trade shows in your area</td>
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<td></td>
<td>Subscribe to trade magazines</td>
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</tbody>
</table>

‡ Activity

MINI CASE: MARINE MARVEL
The study of ships and the manner in which they sail the seven seas could be a fascinating exercise for a schoolboy. This towering six-footer from Mutwal or Muthuwella as they say it in spicy Sinhala was born and bred in a nautical atmosphere. His father was one of the senior engineering hands at Walkers ship repair yard in the Mutual seafront.

The old man was so immersed in the ship repair business that he spoke about ships and the many faceted technology that went in to their making at home. His eldest son liked the subject so much that he would stop his homework for a while to listen to the father’s “ship talk”.

Our man’s athletic build and figure would have easily made him a top class athlete had he taken to it at the Christian Brothers School in Kotahena. But his mind was set on nothing else but ships.

By the time he had reached the higher forms, his repair had left Walkers and opened his own ship repair yard under the shadow of the hill-top church of St. James at Mutwal. The old man did not wants his first born to take to the ship repairing trade, he had other big plan for the body—he wanted make him a doctor who would practice medicine.

But our man had set his sights on nothing else, but marine engineering. He was a dreamer who dreamt of ships, submarines and barges. From atop a rock near Watersmeet in his hometown, he would stand for hours watching a ship sailing or a ship coming in to the port of Colombo.

When he left college after getting through his “A” Levels, he told his father that he wanted to join him in his ship repair yard. The old man demurred at first, later give in.
A perfectionist to the core, he was not satisfied with the training he received at his father’s workshop. He decided to go abroad and learn his marine engineering from top to bottom or one end to the other end. In shipping parlance from the starboard to the larboard.

He had the financial backing for his trip for his father and made much money by making vessels “ship-shape”. Our man proceeded to Britain and toured the big docks of Tilbury and Liverpool. There he met the master marine engineers who taught him the finer points of the profession.

Returning home he virtually took over the business from his father, introducing the most modern ship-rapier techniques. He did so well and more and more shipping companies and a big passenger line, signed him up for effecting repairs to their vessels in Colombo. An impatient personality, his thirst for knowledge was so unquenchable that he decided to do another foreign trip.

This time he went out East, to India, Singapore, Taiwan, and Japan. He spent much time and energy watching and learning ship renovating and repairing operations in the dry docks of the big ports in these countries. Another subject that interested him was ship-breaking.

He learnt that subject in Japan and Taiwan. On his return, his fame spread so far and wide that his parents sent their sons to seek his advice on taking to the profession of marine engineering. Often wealthy people’s sons do not like to don overalls and work in dusty, grease-coated oily workshops, not so with our man who revels in putting things to order in the boiler rooms of ships. He could very well supervise the operation while the technicians did it but somehow he feels the job is not complete without his putting his finger into the nuts and bolts.

One of the most humble people you could meet, this star-spangled marine engineer has everything to boast of, scholarship, wealth and background. One of his ancestors was a Papal Knight who was so rich that he owned and lived in a famous villa in Mutwal which was once the residence of Dutch Governors.

He is only thirty nine and owns and oversees one of the private sector flourishing ship-repair workshops. Our man wants to expand the business by opening another workshop on the seafront in Hendala. He has already bought the land for this purpose.

This marine engineer, called “marine marvel” by his many friends also lends his expertise to the Colombo Dockyard ltd. where he often does jobs for them.

After a recent visit to West Germany and the Soviet Union, our man is going ahead with opening a large ship-breaking yard. And while he is scouting about for spacious land by
the seaside, he has already entered the ship-breaking business.

At this Mutwal yard, breaking up an old tug which he bought from the ports Authority. Our man tells friends there is a lot of money in ship-breaking. The brass in old ships and tugs fetches so much money that they are like articles in the gold market. The steel too has a ready market. But rolled steel fetches a much better price. That’s the reason why he is planning to open a steel-rolling factory of his own.

This man to whom ocean-going vessels are his livelihood and his recreation, is also an authority on life boats. Whenever ships call here they engage his services to effect repairs to life-craft. After repairs to ship and life-craft he issues a certificate which is recognized by port authorities and shipping lines the world over. Talking about diversification and sidelines, our man has his finger on the hotel trade as well, but in a small way. His fifty-five-roomed hotel in Kandy which is managed by his father once reaped rich dividends, but is not doing so well today. But he has not abandoned hope, he feels that tourism will gradually catch up. He is of the opinion that Sri Lanka as a nation did not grab the opportunity to market itself to the world following the tsunami.

Questions for Group Discussion:

Assume that you are a manager working for this entrepreneur described in this mini case.

01. Discuss the areas that might bring you opportunity as an intrapreneur

02. Enumerate the key intrapreneurial qualities that you need to develop.

03. What are the key intrapreneurial activities that need to be undertaken by you?
04. List the possible limitations in your intrapreunerial desires.

05. What guidelines would you have for success as an intrapreneur in this organization?

Feature Article

Innovation Through Intrapreneuring
by: Gifford Pinchot – 1987, Published in Research Management, March-April 1987, Volume XXX No.2

In-house entrepreneurs, -- those "dreamers who -- can increase the speed and cost-effectiveness of technology transfer from R&D to the marketplace.

The economy of the United States is on an innovation treadmill. Our competitors enjoy cheaper labor, cheaper capital and more government support than we. To maintain our competitive position, we need superior technology, more proprietary products and services, and better processes. As our competitors become more scientific, and managerially sophisticated, it takes them less and less time to understand and copy- our innovations. We have to increase our speed and cost-effectiveness of innovation in our country,- to match our competitors' increasing sophistication in copying and capitalizing on our technology.

Most large companies operate stable businesses well. However, they are not as adept at starting new ones. Most are good at developing a new business from the idea stage on through research and prototype development. But they falter at the start-up stage-the stage of commercialization. Inefficient commercialization by big business has created opportunity for venture capitalists. The venture capital industry is producing 35 percent return on investment by taking frustrated R&D people and their rejected ideas out of large companies, and financing the commercialization of those ideas. That the venture capital community can make 35 percent ROI on rejected ideas and people should be a constant rebuke to everyone in the R&D community. Venture Capitalists have found a different way of managing innovation that gets returns which few of us can equal inside large organizations.
A Missing Factor In Corporate Innovation

The primary secret of the venture Capitalists' success is revealed in the way they select ventures for investment. They say: "I would rather have a class A entrepreneur with a Class B idea than a class A idea with a Class B entrepreneur." They put their faith in choosing the right people and then sticking with them, while many corporate managers would feel uncomfortable with a strategy dependent on trusting the talent, experience, and commitment of those implementing it. I believe the primary cause for the lower returns of corporate managers of innovation is their failure to understand the importance of backing the right people—this is their failure to identify, support, and exploit the "intrapreneurs" who drive innovation to successful conclusions.

Imagine the organization as a Cell, with R&D producing new genes. In the cell, there are also the productive capacity of the ribosomes, which are like factories ready to use the information in those new genes to produce new products. What's missing in most large organizations is linkage from idea to operation—by analogy the RNA. In most large organizations there are exciting new genes—new technologies but no broadly effective system of technology transfer. What is absent are large numbers of intrapreneurs devoted to turning new technologies into profitable new businesses, cost reductions, new features, and competitive advantages. Because we have tended to have scientific standards of excellence in R&D, we have tended to honor the inventor more than the implementor, more than the intrapreneur. The result is that we not only reward inventing more than intrapreneuring, but our management systems are far more supportive of invention than of commercialization.

The future role of R&D, the size of its budgets and its degree of autonomy all depend on efficient technology transfer. Older "hand-off systems" of development which ignore the role of the intrapreneur don't work, or at best are so slow and expensive they make R&D appear ineffective. Cost-effective innovation happens when someone becomes the passionate champion of a new idea and acts with great courage to push it through the system despite the "Not Invented Here" syndrome, and all the other forms of resistance which large organizations supply. It is therefore important for R&D managers to understand and recognize intrapreneurs who can, when properly managed, greatly increase the speed and cost effectiveness of technology transfer.

Dreamers Who Do

Intrapreneurs are the "dreamers who do." In most organizations people are thought to be either dreamers or doers. Both talents are not generally required in one job. But the trouble with telling the doers not to bother about their dreams is that they dream anyway. When they are blocked from implementing dreams of how to help your company they're dreaming dreams of revenge. A mind is meant to imagine and then act. It is a terrible thing to split apart the dreamer and the doer. What we need, then, is to restore the place for vision in everyone's job. One of my favorite stories is the story, of Nikola Tesla who invented the three-phase electric motor and a host of other things. It is said that he would build a model in his mind of a machine, such as a new generator, and then push it into the background of his consciousness, set it running and leave it going for weeks while he went about his other business. At the end of that time he'd pull it back into the foreground of his mind tear it down and check the bearings for wear. With such detailed imagination, what need is there for computer-aided design and finite element analysis?
While few of us can match Tesla's talent, imagination is the most concrete mental skill that people have. It is more concrete than all the tools we have for analyzing businesses and all the formulas we have for analyzing stresses. Imagination is simply the ability to see something that doesn't yet exist as it might be. Unless we have Tesla's clarity of imagination, what we see may not be as precise as the results we can reach from doing calculations, but our vision is more concrete and more whole than any formula describing some aspect of a new design. And without this concrete skill, we do not have innovation.

An intrapreneur's imagination is very different from an inventor's. Inventors look five or ten years ahead and say, "wouldn't it be wonderful if such and such." They, imagine how a customer would respond to their new product, what the technology would be, how the technology could produce desired features, and all those sorts of things. Good inventors have the customer in mind, but their vision is usually, incomplete unless they are also intrapreneurs. They don't imagine in detail how to get from the here and now to that desired future. An intrapreneur, on the other hand, having seen the Promised Land moves back to the present and takes on the rather mundane and practical task of turning the prototype into a marketplace success. This too requires enormous imagination.

Intrapreneurs ask questions such as, "Who would I need to help me with this? How much would it cost? What things have to happen first?" and so forth. They may ask "Could we release this technology- onto the marketplace in product form aimed at such-and-such a customer need? No. If we did that it would immediately- bite into a very important market of one of our competitors who has the ability to respond and before we produced our second generation products there would be a tremendous competitive response. Let's back up a little bit. 'What if we put it out in this way instead? Well it wouldn't do quite as well on the first round but I begin to see it would give us a little more time to develop unbeatable second generation products."

Intrapreneurs have to constant juggle potential implementation plans. They do this in their imaginations initially. Of course, intrapreneurs also juggle implementation plans on paper as business plans and drawings, but much of the initial work is done in the shower, or when driving the car, or any situation in which one neither feels guilty about not doing something useful nor can one get to pencil and paper. At such times, we are forced to use our imaginations, and thus often do our most creative work.

**Distinguish Intrapreneurs From Promoters**

One of the keys to managing innovation cost-effectively is to choose the right people to trust. Too often when managers look for intrapreneurs they choose promoters instead. Promoters are very good at convincing people to back their ideas, but they lack the ability to follow through. Thus, one of the keys to managing innovation is to be able to distinguish between intrapreneurs and promoters.

One of the best ways to separate the intrapreneurs from the promoters is to see how they handle, and even how they think about, barriers to their ideas. When analyzing a potential intrapreneur, think of some of the ways their project might go wrong. Ask them how they might handle such a problem. Real intrapreneurs will have explored these problems in their imagination. They will have considered them while driving to work or taking a shower. The real intrapreneur has thought of three, five, or even ten possible solutions. They may pause for a moment trying to figure out which of those answers would appeal most to you because intrapreneurs do have a certain ability to sell, but they are not hearing the question
for the first time. It will be very hard for you to think of a problem which they haven't considered.

Promoters, on the other hand, respond by saving the problem you bring up will never occur. They remind you again of how wonderful things will be ten years from now, of the hundreds of millions of dollars their product will be making. They will not even talk about the problem because they have no interest in the barriers along the way, to implementation. They are counting on you to solve all problems by giving them enough funding. They just want to tell you why their idea is so much better than anyone else's. They are, in fact so focused on getting approvals and funding, that they haven't planned how to get the job done. If you give them money in the name of intrapreneurship, you will not only, give intrapreneurship a bad name, but you will waste everything you invested. The most important thing a manager can do when managing innovation is to separate out the promoters, and invest only in intrapreneurs.

Many people doubt that they want entrepreneurial people in their organizations. Entrepreneurs, they believe, are driven by greed. They are high risk-takers, they shoot from the hip, and furthermore, they are dishonest. Fortunately every one of these myths is false. In fact, entrepreneurs seem to be driven by a vision which they believe is so important that they are willing to dedicate their lives to it even when it starts to have trouble. Every new idea runs into terrible obstacles. People who are driven only, by a desire for money, or promotion, or status simply do not have the persistence to move a new idea forward. It is the person with the commitment to carry, through who will move an idea into a practical reality. Intrapreneurs and entrepreneurs are not high risk-takers, as many studies have shown. They like a 50-50 set of odds—not too easy not too hard. Having chosen a challenging objective, they do everything they can to reduce the risk.

Intrapreneurs seem to be equal in right brain and left brain, equally- intuitive and analytic. They make decisions based on intuition when data or time doesn’t permit analytical solutions. When analysis will work, they use it.

Intrapreneurs may operate a little differently than other people. They often have personalities which make them difficult to live with, but their difficulties stem less from dishonesty than excessive directness. They often get themselves in trouble by saying exactly what they think because they don't seem to be good at compromising-strong politics are inherent in the cultures of very large organizations.

A New Monitor for the FAA

Vision and imagination make up half of "the dreamers that do." Action is the other half. Intrapreneurs are often in trouble because they act when they are supposed to wait. They tend to act beyond the territory of their own job description and function. This boundary crossing is important. Charles House at Hewlett-Packard is a perfect example. House developed a new monitor for the Federal Aviation Administration that turned out to not quite meet the specs. (Failure is a typical way for stories of innovation to begin.) He responded to the disappointment by observing that despite not meeting the spot size criteria for this particular application, the fact that he had a monitor which was half as heavy, used half the power, and cost half as much meant he should find out what else it could be used for. He took the idea to the marketing people who asked the division's traditional customers if they, would like a monitor that was cheaper, but which had a slightly blurry display.
Nobody, seemed to want it. Being an intrapreneur, as opposed to just a researcher, House wasn't satisfied with talk. He took out the front seat of his Volkswagen Bug put the monitor in its place, and visited 40 customers in three weeks. At each stop he moved the monitor into the prospective customer's shop, hooked it up to their equipment, and asked whether this thing would do anything that's useful. By the end of the trip he had found several new, markets. House succeeded because he took the actions which were necessary for his prototype to go from technology, to business reality.

There are two important points in this story. One is that intrapreneurs perform their own market research. If your scientists and engineers are not allowed to do their own market research, then you have a major barrier to innovation.

The second point is that generally a new idea is so ugly only its mother could love it. Consequently, it is unrealistic to think that people in Marketing will understand a research idea in its early stages well enough to do valid marketing research. In general, they ask the wrong questions. They are trying to find out if it is a good idea, which in the early stages is the wrong question. The right question is: "I know this is a good idea; how am I going to present it in a way that some class of customers will agree? 'What are the ways in which this is a good idea? Who really needs it? How do I have to say this so that they will understand?"

The early stage of market research is searching for the market, not testing whether or not it is there. It is only after we have found a group of customers and learned how to talk to them, redesigned the product to meet their needs, and figured out how to position the product, that we can do the traditional form of market research which asks, "Will they buy it—is this a good idea?"

The idea of technically driven research is drifting into disrepute. We are told that we must first carefully identify, market needs and then invent what customers already know they want. This is rarely the way fundamental innovation works because we are not smart enough to invent to order. We are lucky- to invent anything with fundamentally new and protectable properties, and when we do so, we must then hunt for the most applicable markets.

To be sure, researchers do pursue what they perceive to be marketplace needs, but the final applications often turn out to be in some entirely different market. Scotch Tape was invented to better insulate refrigerated railroad cars. Radio was invented for point-to-point communication-missing the broadcast market entirely. Riston circuit board systems begin with a failure to produce a new photopolymer-based photographic film.

It is important for researchers to know about the marketplace, but important also to realize that for all of the thousands of unfilled or poorly filled marketplace needs each of us wishes to invent a proprietary solution for, we have the ability to invent a few. We know an anti-gravity, device would be useful and probably well-received by customers. We don't work on it because we don't know how to begin.

We know that television sets with better reception are desirable. Most of us don't work on them because we believe others have a competitive advantage in making them inexpensively.

We left Hewlett-Packard's Charles House doing his own market research and thus doing somebody else's job, as intrapreneurs often do. He came home enthusiastic and his boss'
boss Dar Howard, believed in him and told him to go ahead for another year. Unfortunately, a few months later the chairman visited the laboratory in Colorado. David Packard listened to the marketing people say that the idea was no good, even after House's research. He also heard a negative vote from the corporate chief of technology, who was backing a different technology.

At that time, Tektronix, was giving Hewlett-Packard a hard time in the division's core business, and Packard said that when he came back to this laboratory next year, he did not want to see this product in the lab. Dar Howard went back to House and told him he just didn't know what excuse he could give for going on now. With that remark he left the door open just wide enough for Chuck to get his foot in. He showed that he felt for Chuck, but .

House said, "What exactly did Packard say?" "When I come back to this laboratory next year, I don't want to see this product in the lab" "Good," Said Chuck, "we'll have it out of the lab and into manufacturing." And so it was. The monitor was used in the first manned moon landing and turned out to be a great success.

A few years later, Packard awarded House the Hewlett-Packard Award for Meritorious Defiance. "For contempt and defiance above and beyond the call of engineering duty," the certificate read. He made it clear that at Hewlett-Packard, courage counts more than obedience. Innovation requires this attitude.

**Succeeding at Intrapreneurship**

Every new idea will have more than its share of detractors. There is no doubt that being an intrapreneur is difficult, even in the most tolerant of companies. So how can people succeed at it?

1. Do anything needed to move your idea forward. If you're suppose to be in research but the problem is in a manufacturing process, sneak into the pilot plant and build a new process. If it is a marketing problem, do your own marketing research. If it means sweeping the floor, sweep the floor. Do whatever has to be done to move the idea forward. Needless to say, this isn't always appreciated and so you have to remember that:

2. It is easier to ask for forgiveness than for permission -If you go around asking, you are going to get answers you don't want, so just do the things that need to be done and ask later. Managers have to encourage their people to do this. It may be necessary to remove some layers of management that complicate and slow down the approval process.

3. Come to work each day willing to be fired. - I began to understand this more from talking to an old sergeant who had seen a lot of battle duty. He said, "You know, there is a simple secret to surviving in battle; you have to go into battle each day knowing you're already dead. If you are already dead, then you can think clearly and you have a good chance of surviving the battle."

Intrapreneurs, like soldiers, have to have the courage to do what's right instead of doing what they know will please the myriad of people in the hierarchy who are trying to stop them. If they are too cautious, they are lost. If they are fearful, the smell of fear is a chemical signal to the corporate immune system, which will move in quickly to smother the "different" idea.
I find that necessary courage comes from a sure knowledge that intrapreneurs have-that if their employer were ever foolish enough to fire them, they could rapidly get a better job. There is no way to have innovation without courage, and no real courage without self-esteem.

4. Work underground as long as you can. -- Every organization has a corporate immune system. As soon as a new idea comes up the white blood cells come in to smother it. I'm not blaming the organization for this. If it did not have an immune system it would die. But we have to find ways to hide the right new ideas in order to keep them alive. It is part of every manager's job to recognize which new ideas should be hidden and which new ideas should be exposed to the corporate immune system and allowed to die a natural death. Too often it is the best ideas that are prematurely exposed.

The Intrapreneurial Shortage

I've made an interesting discovery since I wrote Intrapreneuring. I used to think potential intrapreneurs were commonplace, that they were hard to find because they were in hiding. But I have found they are more rare in most large organizations than the 10 percent who are entrepreneurial in the population at large. There is a scarcity of people who are brave enough to take on the intrapreneurial role: therefore, we have to lower the barriers and increase the rewards.

If there are not enough intrapreneurs in your company you can hire more. There are two ways to go about it: raiding successful intrapreneurs from other companies, and hiring more intrapreneurial people in entry positions.

Were I running an R&D organization, I would even take ads saying, "Wanted: Intrapreneurs." One could capitalize on widespread intrapreneurial frustration and selectively hire a fair number of courageous people who would move innovation forward. Second, I would focus on hiring potential intrapreneurs out of school. Here are two hints: One is that candidates' transcripts should contain both A's and D's. When intrapreneurial people are interested they get As. When they are not interested, they don't pretend. They are self-driven.

The second hint is that any history of self-employment predicts intrapreneurial success. The strongest demographic predictor of intrapreneurial success is having one or more self-employed parents. It is more important than birth order or any of the other commonly cited predictors. I guess it is a matter of having an entrepreneurial role model.

It is a particularly good idea to hire farm kids. They seem to make good intrapreneurs. I guess farm kids grow up with a kind of a can-do attitude and it never occurs to them that there is anything they aren't supposed to do. If the hay is on the ground, the bailer is broken and it is going to rain in six hours, you don't worry that you don't have a degree in bailer mechanics. Somehow farmers learn to get the job done.

Training Intrapreneurs

Training your people in acquiring intrapreneuring skills is as important as knowing whom to hire. Though most people imagine that intrapreneurs are born and not made, we have had good results training intrapreneurs. In our Intrapreneur Schools we ask for volunteers. This way we are training a select group of people who are courageous enough to volunteer for an intrapreneurial role. Training succeeds partly because it gives people permission to use a part of themselves that their supervisors have been trying to beat out of them for
quite some time. They look around the room and say "My goodness, there are other people like me in this world and it seems that the corporation is really serious now about wanting this aspect of me employed." They get a tremendous rejuvenation and rebirth of vision and drive.

In addition, most intrapreneurs are missing skills for which training can help. They have some functional abilities which are often technical, and they've been convinced that they really cannot understand some things like accounting or marketing. They believe that those blind spots keep them from being the general manager of a new idea. They do not have to become excellent at all functions; they just have to understand enough to work easily with others in those fields. In fact, if the idea is good, success does not require great sophistication in many disciplines, just a journeyman like job that doesn't overlook the obvious. Training should be structured to build teams and so the whole team should work together while training.

**Managing Intrapreneurs**

Managers must choose intrapreneurs who are persistent, impatient, who laugh, and who face the barriers. Then they have to be willing to trust that the intrapreneurs know how to do their jobs and must give them what they are asking for resources and people to help carry forward their ideas. Since resources are not infinite, they may have to take these things away from other people who are not intrapreneurs.

I know we are living in an age of head-count restrictions. Too often this means that everything stays the same. Whoever has three people gets three people next year. Anything new and growing will have too few people resources, and anything old and over the hill is going to have too many. We have to be courageous in sweeping out the old and giving the right people the resources they need to get the job done. The most effective use of a manager's time is in choosing whom to trust.

One very effective approach is to create heroes so intrapreneurs have role models within the company. Select a few of the most courageous intrapreneurs and publish their stories for everyone in the company to read. These stories should be written honestly, so that all the difficulties and problems faced by the intrapreneurs are presented so that people can see how barriers were overcome.

**Keep R&D Close To The Action**

It is important to bring your researchers close to model shops and pilot plants that allow dirty finger research. R&D people need to be able to test their ideas themselves—if they can't, they will fall back on more intellectual forms of research. Obviously, we'll hear more about discretionary. Time, the so-called 15 percent rules that many companies have. Other useful reward tools are seed money programs, the creation of cross-functional teams, and other ways to reduce the bureaucracy.

In conclusion, I issue a challenge to get your people to display courage, to display integrity and honesty to have a sense of proprietorship's if the business belonged to them. Help them to make the kind of decisions that would have to be made if that were true rather than the kinds they have to make in order to negotiate the turfs of a hostile bureaucracy. Encourage them to go into action and not wait for permission. Talking about these ideas is not enough. Between the words of top management and the intrapreneurs who can carry them out there are layers of management which punish independent thought, courage, impatience, and blunt honesty. This is not something that you can devote a few hours to and...
fix. It is probably the most important aspect of your job, more important than getting the strategy right, because enough attention is being paid to strategy already.

You cannot have cost-effective innovation unless you hire, train and encourage intrapreneurs. The future legitimacy of R&D, the success of America's companies and of her economy depends on you, the R&D community, to do it right.