Governance
Examining the issues associated with governance
The Institute of Management Services is the primary body in the UK concerned with the promotion, practice and development of the range of methodologies and techniques for the improvement of productivity and quality, known collectively as ‘Management Services’. This embraces the disciplines of industrial engineering, work study, organisation and methods, systems analysis, and a wide range of management information and control techniques as illustrated in our Body of Knowledge.

The Institute acts as the qualifying body for the Management Services profession in the UK, focusing developments in practice and knowledge and acting as a forum for information exchange. This in turn enables our members who work under a variety of job titles across the whole of the UK economy, to make a more effective contribution to the well-being of their own organisation and to the nation’s economy as a whole.

In addition to creating and upholding professional standards for the practice of management services through the adoption of a code of ethics and the provision of a system of qualifying examinations, the Institute of Management Services collaborates with national and international professional bodies in similar fields.

The Institute is a member of, or represented on, a number of other bodies including the World Confederation of Productivity Science, the European Federation of Productivity Services, and the European Institute of Industrial Engineers.

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We also want your news and points of view about what appears in this journal. Something you disagree with? Tell us about it.
In this issue of Management Services…

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In this edition, Dr John McManus and Dr Don White examine the evolution of governance, together with some of the issues associated with the practice of governance and stakeholder management.

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Chairman’s Column

Many thanks to David Blanchflower for his column in the last journal, which I am sure brought back many fond memories for us all. I suppose the aspect that it highlighted for me is the tremendous acceleration in technology that touches all our lives.

I write this column as I am preparing for the next Council meeting on 16 May and there are a few interesting items on the agenda that you may be interested in. The trustees of the Russell Currie Memorial Fund have resolved to provide a bursary for one member of the IMS to attend the next World Productivity Congress which takes place in Sun City, South Africa between September 21-24. Members are, therefore, invited to submit a short paper detailing the reasons why they should attend and Council will consider these to see if one is worthy of being granted. Please send your applications to Brooke House and reference it World Productivity Congress.

The accounts for 2007 have been produced and audited and indicate that our income has increased by 6.5% and our expenditure has reduced by 20.6%. This is the result of the focus on reducing our operating costs which has been spearheaded by the treasurer, David Blanchflower. Our operating costs are now as low as we can reasonably expect them to be. This, together with the level of our reserves, puts us in a strong position for the future.

“The event is planned which will include a noted speaker on productivity”

The journal editorial panel met in March and undertook a very detailed analysis of the 2006 and 2007 journals. The panel resolved to move the balance of articles from consultants more towards academic papers and case studies in core IMS subjects. The balance between content and graphics was also discussed and this will be continually monitored. We are also trying to source articles on environmental and green productivity issues and improvements. Following the acceptance of my PhD thesis by Cardiff Business School, I have agreed to produce a series of articles on the successful implementation of major change. If members feel there are areas that we do not cover, I would very much welcome their suggestions.

Our website continues to be popular with members and the public and this is constantly being monitored and a review will take place immediately before the next Council meeting on 16 May.

Council are very aware that the attendance at the IMS AGMs is always quite low. In an effort to encourage more members to attend, an event is planned which will include a noted speaker on productivity and this will be trailed in forthcoming journals. I hope members will be able to attend this event.

John Lucey, Chairman

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- Miss Claire Barker
- Mr Ian Barron
- Mrs Sandra C Black
- Mr James R Broomham
- Ms Susan J Bruce AMS
- Mr Michael Burns
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**Editorial panel**

The editorial panel have been reviewing the content of the journal and would like input from the members. Please send your comments and ideas to ast-editor@msjournal.org.uk.
North West Region

The North West Region Board was formed from the erstwhile branches of Bolton, Manchester, Merseyside, West Lancashire and Stockport.

Since its formation, the members of the group have developed a strong bond, enriched by common experiences in the business world.

The ‘father’ of the region is Bob Fletcher, recently awarded an Honorary Fellowship (see Management Services, Spring 2007). Bob started his engineering career in 1937 with Dobson and Barlow, where he later became a ratefixer. Following a visit to India, he developed an interest in education and joined Oldham College of Technology as a lecturer. He is renowned for his sterling work in the IMS syllabus and training methods. Eventually, he moved to Bolton Institute of Higher Education as a senior lecturer, retiring in 1985. He retains a strong interest in educational matters.

Chairman Kevan Kelly started work as an apprentice in the aerospace industry, but the major part of his career was spent in the electrical generation industry, where he became involved in work study in the 1960s. He joined the Institute in 1968. Now in retirement, Kevan’s main interests are fell walking and travelling around England.

Our Regional Secretary is Harry Hogg, who spent many years practising work study with Fodens – a job which he enjoyed very much. Unfortunately, like many practitioners in our profession, he had to leave the industry due to down sizing. Since then, he has found a new niche in the financial services industry. Harry is very interested in the internet and is currently investigating setting up a website for the region.

Treasurer Leonard Price’s engineering apprenticeship was with John Dewhurst’s. It was followed by five years’ service in the RAF as an instrument fitter. On return to civilian life, he joined Hawker Siddeley and later, Automotive Products. He was introduced to work study and joined the Institute in 1966. A period with CWS was followed by contract work study over a number of years. His interests are golf, computers and his grandchildren.

Frank Booth, our Minutes Secretary, trained as an electrician before joining the RAF as a radar engineer, which involved servicing the Vulcan Bomber force equipment. Back in civvy street, he joined De Haviland Propellers. It was there that he was introduced to work study. Between 1989 and 2002, he worked for the NHS North West Region, followed by a short spell with Bury Council. Frank’s main interest is in classic cars and motorcycles. His great pride, a 1969 Morris Oxford, has appeared on national television (Management Services, Summer 2007).

Ian Cooper, our Events Secretary, received a thorough grounding in engineering practice at Vulcan Foundry, before taking up a post as marine engineer with the Union Castle Line. His next move was to Pilkington Glass, where he was introduced to work study. He moved to the work study department of Manchester City Council in 1972, by which time he had joined the Institute. In 1980 he started working for the Merseyside Police, which has provided him with many interesting anecdotes. Since retiring in 1998, Ian has become keenly involved in fund raising for his local church. His other interests are rugby and cricket.

The task of publicity is my responsibility. I started in the machine tool industry as an apprentice draughtsman. Following two years’ National Service as an airman meteorologist, I returned to engineering, becoming involved with work study as a tool to improve productivity. In 1981 I joined a research institute, which involved management of databases and consultancy work. I am interested in local history.

As you can see, we are a varied crew. At our meetings we endeavour to provide an interesting programme of field visits and social events.

At our last meeting in January, Bob Fletcher noted with regret the death of Sir John Harvey Jones, a man who had done so much to improve the image of our profession.

Forthcoming event

There will be a visit to the Helmshore Textiles Museum, Helmshore, Lancashire on 10 July. The guided tour will start at 12pm and will cost £5 per person. Lunches may be purchased. Enquiries to Bob Fletcher (01204 524279).

Keith Gowing

“At our meetings we endeavour to provide an interesting programme of field visits and social events”
Regional News

East Midland Region
On the evening of 7 May a group of 12 (the maximum allowed) made a very interesting and frankly surprising visit to the East Midlands Airport which is equidistant from Nottingham, Derby and Leicester. Our visit began at 7pm and went on until 22.45 because we also visited the East Midlands DHL Aviation Hub.

We were surprised by a whole range of statistics and facts, some of which are shown below:
• East Midland Airport (EMA) Limited employs only 270 people, thousands more are employees of airlines and freight handlers.
• EMA is the largest freight handling airport in the UK and is afforded this status by its central location.
• 97% of activity through EMA is freight related.
• Current strategies centre on noise reduction, greater airport utilisation and carbon emission reduction and, of course, cash generation through innovative use of buildings and facilities.
• The single runway has sufficient spare capacity to handle growth for 20 years.
• Recent Government papers suggest growth could be as much as 30% by 2050.

Moving on to the DHL hub, we were amazed by the sheer scale of the operation which is tucked away at the far end of the site – again a few facts:
• It is a 63-acre site with 4kms of conveyors and 30,000 m2 of warehouse operations.
• There are up to 45,000 shipments per hour.
• There is parking for 105 trucks and 18 aircraft.
• It is a 24/7 operation handling 1,200 tonnes of material every night.
• There are flights to Europe, the US and beyond every night.

The purpose of the facility is to act as a central sortation, processing and connection hub for international and domestic freight traffic, one of 12 across Europe.

As productivity managers we were interested to see the mix between automation and manual handling for processing operations and again were surprised to see a high degree of manual sorting.

In conclusion, we all thoroughly enjoyed the visit, which for our region is the main event this year. Our thanks go the very keen and kind staff who stayed behind after their working day to host our visit.

Geoff Mansfield

International students

The students of the Harry Mitchell College, Chinal Training, in Algeria and Nigeria held graduation ceremonies to celebrate their success

Business Administration Master Class Graduation, Alger, Algeria, Harry Mitchell College, Chinal Training
Nigeria Federal Government Delegates’ Graduation, Harry Mitchell College, Chinal Training
We are always keen to help members and any enquirers of the Institute in their quest for knowledge or assistance when it comes to productivity issues. We’d like to draw readers’ attention to the following solutions for help with Performance Rating, which is still an internationally used technique.

New rating films for professional analysts
We have explored the possibility of creating new rating films but found the costs quite prohibitive. We were advised by Scott-Grant Ltd, one of our accredited training providers, that they had recently produced a new and comprehensive series of 12 rating films on DVD and we have fortunately managed to secure access to them. The rating films show examples of real jobs being undertaken in the workplace and the industries include manufacturing, electronics, engineering, distribution, timber, needle trade, retail, manual work, warehousing, and high volume distribution.

All the films are intended to develop the application skills of analysts. They are an invaluable means of professional development for re-calibrating and maintaining the rating accuracy of every professional analyst, to ensure that the high standards of the Institute are maintained.

Performance Rating explained
Scott-Grant have also produced “How do you rate?” – a practical, 35 minute DVD to explain clearly how to use Performance Rating when measuring work. We would encourage every industry to use this film if they want to improve productivity in their workplace. Although the subject matter is very serious, “How do you rate?” delivers its message in a relaxed and entertaining way. Above all it is designed to be informative, practical and memorable.

Within 20 minutes viewers will have the opportunity to assess performance in carrying out a simple task, using the criteria explained in the film.

Please contact Lynette at the Institute head office Tel 00 44 (0)1543 266909 for more details.
Institute of Management Services
CHARTER ROOM, THE GEORGE HOTEL, BIRD STREET, LICHFIELD, STAFFORDSHIRE WS13 6PR

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN of the forty third Annual General Meeting of the Institute to be held at Charter Room, The George Hotel, Bird Street, Lichfield, Staffordshire WS13 6PR on Friday 10 October 2008 at 11.00 am to conduct the following business.

1) To receive the Annual Report and Accounts

2) To confirm the following Bye-Law No 1/2008

   Membership subscription for 2009 shall be for Life Membership at a rate of £230.00 for all members. An annual membership fee of £120.00 will be available on request.

3) To re-appoint Leftley Rowe and Company as Auditors for the ensuing year.

By Order of Council of Management

6 June 2008    Harry Downes
Secretary

Institute of Management Services
FORM OF PROXY – FOR CORPORATE MEMBERS ONLY

I (full name)……………………………….…….of (full address)……………..…………………………………..

…………………………………………………………………………….……………………………………………. ………………………

Membership Grade……………………………………..… Membership No ………….……………………………...

Hereby appoint J Lucey of ‘Beechcroft’ Highfield Close, Foston, Near Grantham, Lincolnshire, NG31 2LH or failing him the Chairman of the meeting to vote for me and on my behalf in accordance with the directions, if any, given hereunder at the forty third Annual General Meeting of the Institute to be held at Charter Room, The George Hotel, Bird Street, Lichfield, Staffordshire WS13 6PR on Friday 10 October 2008 at 11.00 am and at every adjournment thereof.

RESOLUTION NO 2  FOR / AGAINST *
(Bye-Law No: 1/2008)

RESOLUTION NO 3  FOR / AGAINST *
(Appointment of Auditor)

*delete as applicable

as witness my hand the……………………………day of …………………………………………………………….2008

Signed……………………………………………………

This proxy form must be deposited at the head office of the Institute by not later than 10 am on Friday 26th September 2008.

The name of J Lucey has been inserted (or chairman of the meeting) to ensure that your vote is cast in the way you have indicated. You may however, insert another proxy holder if you wish who must be a corporate member of the Institute, but your vote will not be recorded if he or she is not present at the meeting.
Annual General Meeting
will take place on
Friday 10 October 2008 at 11am
The George Hotel, Bird Street, Lichfield, Staffordshire WS13 6PR

After the AGM

The Global Productivity Scene: Are we all headed the same way?
Speaker – Mr J Heap, Hon FMS
Member of Council, Institute of Management Services
Director, National Productivity Centre, UK
President, World Confederation of Productivity Science
Board Member, European Association of National Productivity Centres

Chairman’s Lunch

Institute Members are invited to a Lunch hosted by the Chairman
At 12.15 pm
The price for the Lunch is £14.00
This will need to be booked and paid for in advance via the IMS Office.

Please return with payment no later than Friday 26 September 2008

Please reserve _______ places for the Chairman’s Lunch at £……….per person.
I enclose a cheque for a total £__________ (Please make cheques payable to IMS)

Name of member (Block Capitals please) ____________________________________________

Membership Number____________________

Return to: Administration Co-ordinator, Institute of Management Services
Brooke House, 24 Dam St, Lichfield, Staffordshire. WS13 6AA
Think system

Fit for the Future – part five of a six part series introducing systems thinking, by John Seddon

To summarise the arguments of the first four steps: The major disease of 20th century organisations is in their design and management. If we want to achieve a quantum leap in performance, we have to be prepared to change the way we think. In step one, I exposed the problems associated with designing and managing organisations as top-down functional hierarchies. In step two, we began to look at the organisation in a better way, from the outside-in. In step three, we looked at the idea of organisational capability – what is predictable about what is happening between you and your customers? And in step four, we studied flow – how your organisation responds to customer demands, end-to-end?

The system governs performance
It was W Edwards Deming who first argued that the system governs performance. “Do not assume,” he said, “that people can be held responsible for performance, for their performance is governed by the system within which they work.” What does this mean?

Consider, for example, the number of organisations that have embarked on customer care training, yet have found little or no improvement in the care their staff give to customers. Generally, you find these people are not the problem, it is the system that won’t let them serve their customers. For example, procedures people have to work to are written by head office, and from an ‘internal’ point of view; measures people have to work to cause them to work against the customers. Generally, you find these are not the problem, it is the system that won’t let them serve their customers. For example, procedures people have to work to are written by head office, and from an ‘internal’ point of view; measures people have to work to cause them to work against the customers; the fact that managers are the only ones who can make decisions means people have to refer things, and so on. These things are all examples of ‘system conditions’; they govern performance.

If you conducted the exercises as suggested, you will have a schema of the transactions with your customers, at each point of transaction you will have reliable data about what is currently happening and you will know the flow and waste or sub-optimisation within it. Now we can move to the causes of current performance, the system.

“Traditionally-minded managers don’t notice failure demand because they look top-down, not outside-in”

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Change management thinking

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<td>Value and flow</td>
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<td>Hierarchy</td>
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Figure 1: Change management thinking

In step four, you will have identified waste in your current flows; waste consumes resources. I find it helpful to remember that waste is a consequence of the way the work works – the way work is designed and managed – it is not, and should never be treated as, normal. We create waste; it is a consequence of the system and it is our responsibility. For example, we carry excess inventory that never gets used. Why do we carry it? Just in case. We re-work things that have not been done right the first time. Why do we have to re-work? Because we don’t know how to design quality in, we don’t know how to control work before it is done, as opposed to controlling it after it is done – and the latter (inspection) just causes more waste.

If you followed the exercise in step three, you would have come across a particular and ubiquitous form of waste: ‘failure demand’. Failure demand is the label I give to demand caused by a failure of the organisation to do something right for the customer. For example, customers call because they don’t understand their bill or
they are having to progress chase something that has not happened as promised.

In most organisations you find this is treated as a normal part of doing business. Traditionally-minded managers don’t notice failure demand because they look top-down, not outside-in. Such managers are concerned with functions and their costs, they cannot see the causes of costs.

Traditionally-minded managers use measures that encourage parts (functions) to ‘win’, while the whole ‘loses’; we often waste enormous amounts of human talent by engaging people’s ingenuity in surviving in or beating the system, rather than contributing to it.

When you can see your organisation as a system, warts and all, you learn about the ‘what and why’ of current performance. You can see what could be achieved and, moreover, you can see what needs to change to realise the potential improvements. Taking a systems view is a totally different view from the traditional, hierarchical view. The traditional, hierarchical view is to look at the organisation as having parts or functions. The systems view is to look at the whole. This is more than understanding how the parts work together – that in itself being only a useful first step. For a systems view leads ultimately to systems management, an entirely different way of designing and managing work from the more traditional mass production view.

Two simple examples: How the parts work together

If you have discovered that part of your organisation is subject to high levels of failure demand, the first step would be to identify the cause – what part of the organisation is not working right and causing this unnecessary demand?

The next step would be to ‘turn off’ the causes of failure demand. Very good so far, but the next step is the ultimate systems management step: to establish measures of the type and frequency of demand such that the same problem will be identified as soon as it happens in the future.

How system conditions damage performance

If you discovered in step four that the flow of work is damaged by functional measures, for example, people meeting their functional goals at the expense of the needs of the customers, causing re-work and other forms of waste, your next steps might be to size and remove the waste. But the ultimate systems step would be to remove the cause – to remove the functional measure that is driving the dysfunctional behaviour – and to replace it with a measure that will
encourage the right behaviour (in most cases measures of capability – see step three).

These (systems) remedies frighten many managers. Managers frequently want to hold on to what they know; they understand functional measures – measures of budget, standards, activity and the like. While they can appreciate the damage being caused by the use of these measures, they are often reluctant to remove them and instead try to maintain that if used ‘sensibly’, these measures will help and thus should remain. If you have a dog at home, raise a rolled-up newspaper – don’t hit the dog – the impact is the same; and so it is with traditional measures.

Measures are not the only system conditions that affect performance. Here are the other common ones: structure, roles, procedures, information and job skills and knowledge. Whilst the list is, in reality, more complex than that, I would encourage you not to worry about the potential complexity. If you have taken the steps I have outlined in this series – understanding demand, value, capability and flow – you will be looking into your system from the safe ground of knowing the nature of current performance and, hence, will be able to identify the particular system conditions that are affecting performance in your case.

The manager’s job – act on the system

The prerequisite to a quantum leap in performance is a fundamental change in the role of managers. When managers learn to act on their organisation as a system, performance improves – always. For, whether they have ever appreciated it or not, their organisation is a system. The best way to start this transformation is to study the organisation as a system, to understand the ‘what and why’ of current performance as a system.

If you have followed all of the exercises in this series, you will have done exactly that and you will have discovered for yourself that the primary requirement for effective change is that you change. You don’t have to change who you are, but you do have to be prepared to change the way you think, which is the topic of the next and last piece in this series.

This series ‘Six steps to improving productivity’ is based on The Vanguard Guide to Understanding Your Organisation as a System, published by Vanguard Education.

Downloaded from www.lean-service.com – improve service and cut costs.

Activity

Take out the list of examples of sub-optimisation (waste) you found when you walked your flow in step four.

• Identify the causes – what particular system conditions are causing the sub-optimisation?

John Seddon is an occupational psychologist and management thinker credited with translating the Toyota Production System (TPS) for service organisations.

John began his career researching the reasons for failures of major change programmes. This led him to W Edwards Deming, whom John credits with introducing him to the importance of understanding and managing organisations as systems, and Taiichi Ohno, who showed the practicality and power of doing so in manufacturing. The economic performance of the TPS is legendary. John has translated the principles behind the TPS for service organisations. In service organisations change can be much faster than in manufacturing, but managers firstly have to change the way they think.

In his time, John has been a leading critic of management fads, in particular ISO 9000, which he describes as being based on bad theory. Most of his criticisms of management and their fads are based on his view that it is management thinking that needs to change. John has been an ardent critic of the government’s approach to public sector reform, in particular the adverse consequences of targets and specifications. These, he says, are components of the ‘command and control’ philosophy which, he argues, is a failing management paradigm. John proposes that instead managers learn to adopt a systems perspective.

John is a visiting professor at the Lean Enterprise Research Centre, University of Cardiff. He is an entertaining, controversial and informed speaker. John’s latest book Systems Thinking in the Public Sector and other publications are available from the Vanguard website: www.lean-service.com or direct from Vanguard, Villiers House, 1 Nelson Street, Buckingham MK18 1BU.
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A governance perspective

“Ideological conflict, between the power seekers and stakeholders, is somewhat typical within organisations, even governments”

By Dr John McManus and Dr Don White
Governance refers to the processes and structure used to direct and manage an organisation’s operations and activities. It defines the division of power and establishes the mechanisms to achieve accountability between owners, managers and stakeholders, and the entity that is the organisation.

Governance helps the organisation focus on the activities which contribute most to its overall objectives and to utilise its resources effectively and ensure they are managed in the best interests of its principal stakeholders. This paper examines the evolution of governance, together with some of the issues associated with the practice of governance and stakeholder management. The paper also explores some of the key themes associated with ethics within the governance model.

Introduction

As some academics have noted, countless business organisations are run on the basis of ideology more than anything else (Hawley and White, 1996; McManus, 2006). An ideology is a set of beliefs or assumptions about the proper state of things, particularly with respect to the moral order and political arrangements which serve to shape one’s position on governance issues (Hornum and Stavish, 1978). The important thing to note in this concept is that the conception of morality provides the means to manage individuals from within by creating a criterion of propriety within each and every individual.

From a governance perspective, this is important because it provides the basis for the ethical management of individuals, and the managing of conflict with the minimum use of power or direct action (Foucault, 1988). It is important to recognise at this point that organisations and stakeholders have expectations which may not be synergistic, in that stakeholders do not always share the same ideology. Ideological conflict, between the power seekers and stakeholders, is somewhat typical within organisations, even governments.

It could be argued that there is no dominant ideology, especially in an organisation as complex as government. There are instead temporary alliances formed around issues and opportunities. Conflicting ideologies usually influence managers by creating goal ambiguity (McManus, 2006). An ideology also refers to a belief in something as true that is actually false, or at the base of it, containing a falsehood.

Ideologies survive by putting a positive spin on something negative. According to Durkheim, ideologies always rest on a lie (Durkheim, in Giddens, 1972). Ideologies are the opposite of the word ‘institution’ because anything that reaches the level of social institution must rest on a kernel of truth. From a governance perspective, all organisations are social institutions with hierarchies and power bases where business is managed by owners and managers, who in theory are responsible for their own actions and the actions of their subordinates (McManus, 2004).

Before going on to examine some of the points raised above, we would like to briefly discuss the emergence of governance, starting with the work of Berle and Means (1932).

The evolution of governance

The evolution of governance can be traced back to the work of Berle and Means (1932). Berle and Means suggested that: the rise of the modern corporation has brought a concentration of economic power which can compete on equal terms with the modern state... Where its own interests are concerned, it even attempts to dominate the state. The future may see the economic organism, now typified by the corporation, not only on an equal plane with the state, but possibly even superseding it as the dominant form of social organisation.

“In the context of governance, stakeholder management is about managing strategy and risk to achieve its governance objectives and benefits”

Berle and Means’ concern about the separation of ownership from control was not only about managers’ lack of accountability to investors. It was also a concern about managers’ lack of accountability to society in general. In the 1960s, a group of economists began to devise tests based on the idea that the motives of corporate decision makers would be reflected in firm performance. Researchers, such as Monsen (1968) and Palmer (1973), classified firms as either owner or management controlled, and then compared the profit rates of the firms in each group.

According to Lintner, a second major component of the managerialist thesis was that managerial autonomy increased as a result of increases in retained earnings, which freed managers from dependence on banks and other financial institutions for capital and gave them the power to control and influence external events, thus...
ushering in a dangerous era of concentrated economic power.

Williamson (1964), a leading contemporary economist, used Herbert Simon’s (1957) bounded rationality assumption to develop a model in which managerial goals, of which profit maximization was just one, could vary across conditions. In his subsequent work, Williamson (1975) drew in part on the historical analyses of Alfred Chandler (1962) to show the importance of managerial decision making.

In the mid 1970s, Jensen and Meckling began by distancing themselves from some key managerialist claims, in particular the rejection of the profit maximization assumption. They acknowledged that managers might have motives that differ from those of owners. The issue, for Jensen and Meckling, was one in which both managers and owners’ interests corresponded with one another. Clearly this involved some effective monitoring mechanism. One mechanism, suggested Jensen and Meckling (1976), was the provision of equity to management. When managers own stock in the firm, they share interests in its performance with the remaining equity holders.

Another important mechanism is to provide direct monitoring through the appointment of an expert board of directors, who are constrained to operate in the shareholders’ interest because of their need to maintain their reputations. A third monitor is the market, both in terms of its effect on the firm’s stock price and the related market for corporate control. This last approach is potentially the most threatening, since it raises the possibility that managers (that is directors or officers of the firm) could be ousted or dismissed by the board or its shareholders.

However, Mace (1971), in his classic work on boards, suggested that the ‘powers’ of control usually rest with the president – not with the board. It is the president who, like the family owner-managers in the small corporation, determines in large part what the board of directors does and does not do.

Fredrickson, Hambrick and Baumrin (1987) presented a model of factors that might account for the dismissal of a CEO (or director) or senior officers of the firm, several of which involved board structure and behaviour. According to Finkelstein and Hambrick (1996), the increased risk of dismissal early in a CEO tenure is due to the fact that boards will be risk adverse and more vigilant in their early evaluation of the CEO, as the costs of making a bad CEO selection decision are likely to be lower when the poor decision is discovered and remedied quickly. The growing emphasis on risk, governance and board issues among business academics during the 1980s1 and early ‘90s reflected the widely held belief amongst stakeholders (and the public at large) that managerial ethics and discretion had seriously declined over the previous two decades (Shen and Cannella, 2002). The consequence of which has been played out in the media in many a corporate scandal (including Enron, World Com, Vivendi, Parmalat and many others vividly show the problem). New reforms such as the Sarbanes-Oxley Act (2002), introduced in the aftermath of Enron and the Cadbury (1992) and Turnbull (1999) reports in the UK, have done little to tend the tide of governance scandals on both sides of the Atlantic.

It could be argued that, regardless of the governance practices applied, the responsibilities carried

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1. For example, in the early 1980s the UK Prudential Assurance Company fought an expensive legal action against some directors who had allegedly committed breaches of duties. Although institutional investors clearly have a general interest in well run companies and clean markets, the economic reality is that it is not in their interest to spend much time on getting involved in corporate governance.
out by the board depend mainly on deficient legal regulations, dispersion of ownership, directors’ attitudes, directors’ willingness to take responsibilities, directors’ attention to duty, directors’ ability to assess the firm’s environment, organisation, personnel and political affairs, as well as the resulting financial accounting practices and directors’ remunerations. The lower than expected efficiency of the governance function is due to the deficiencies in some or all of the stated factors (MacAvoy and Millstein, 2003).

**Progressive governance**

As previously stated, the governance function has been divided into two organisational functions: governance, making mostly decisions for protecting owners’ interests; and management, coordinating business activities and managing stakeholder relationships in a most efficient way with the purpose to attain objectives and goals set by governance.

Conceptions of governance and stakeholder involvement are varied (Floyd and McManus, 2004) and there is a multiplicity of interpretations of governance and the role stakeholders should play (Turnbull, 1997). According to MacAvoy and Millstein (2003), historically, throughout its development, a firm has had one basic objective, that is to carry out business activities with a view towards enhancing corporate profit and shareholders’ gain. The recent development is the view that other stakeholders should also participate in governance and that they should make major strategic decisions together with owners, as well as supervise managerial decisions and participate in decisions on profit sharing. The progressive proposals for governance offered by MacAvoy and Millstein included:

- Complete separation of Chair and CEO
- Sarbanes-Oxley certification of financial statements extended to the board
- Board takes responsibility for strategy, risk management and financial reporting
- Board must assure itself of the integrity of management
- Board to appoint internal auditors, and also its own consultants, advisors and councillors.

“As with most ethical issues, legality is considered to be a relevant issue and, in some instances, a measuring stick for what is considered to be ethical”

The inference here is that the role of management and stakeholders in the governance function will be improved if its importance and power are linked primarily to the level of knowledge and skills and not so much their position in an organisation. However, if managers are responsible for balancing stakeholders’ interests, it seems reasonable to assume that they must maintain influential and powerful roles in the organisation, albeit within an ethical framework or coded guidelines.

**Governance and risk management**

As MacAvoy and Millstein note, a key element in securing the delivery of any governance programme is in the implementation of its strategy which needs to encompass an effective system of risk and stakeholder
management (2003). As previously noted, stakeholder management within the governance programme is by no means risk free. In the context of governance, stakeholder management is about managing strategy and risk to achieve its governance objectives and benefits (take in Figure 1).

The evaluation of the objectives and benefits of stakeholder input has an important ethics component (McManus, 2006). As Saner (2002) points out, the use of stakeholder input in the governance decision-making process is not always straightforward because of two intrinsic issues (or dilemmas). If, for example, the advice from external stakeholders must be followed, then they, arguably, may have too much power and may undermine democracy; and if the advice from external stakeholders may be ignored, how do you keep them motivated and how do you assure a just and defensible process?

At the same time, there exists a clear need and desire to communicate important coming issues to stakeholders (Clarkson, 1995). Communication binds stakeholders together for a specific period of time and during this time, each person will be operating under a legal and ethical framework.

As with most ethical issues, legality is considered to be a relevant issue and, in some instances, a measuring stick for what is considered to be ethical. Although ethics and legality are two separate issues, it is almost impossible to talk about one without the other. Organisations and their managers have few options when it comes to deciding what is legal or what is not. With governance structures, codes of ethics are more frequently being introduced to encompass the legal and social responsibilities of employees and other stakeholder groups. Ethic codes and guidelines reduce risk and protect managers and others from themselves, as well as from those who, they perceive, abuse the power of their position.

**Governance and the managerial interface**

It is clear from Cadbury (1992) and Turnbull (1999) that industry and commerce are not always benevolent, and regulation can be an...
effective way to serve societal objectives (MacAvoy and Millstein, 2003). Regulating industry and commerce however, can be challenging and can have unintended consequences, which may be troublesome to society as the problem of regulation is intended to prevent corporate misdemeanours.

The underlying proposition in governance is that we share enough common values, and owners and managers can agree on what are good governance procedures and drive changes in the governance process. As we have witnessed in practice, however, only dramatic failures, such as Enron, provide the basis for change, and this basis is known to be poor.

According to Floyd and McManus (2004), managers often fail to recognise the importance of meeting stakeholder expectations and many fail in offering ethical and governance leadership. Evidence would suggest (Cadbury, 1987; Bennis, 1989; Blanchard, 1989; Fulton, 1998; and McManus, 2004) that being an ethical person and making sound ethical decisions is enough; furthermore, some assume that good managers are, by definition, ethical leaders. This does not necessarily mean the leader is a real moral or spiritual leader in a sense he or she commits no misdemeanour, but someone who can perhaps hold the leash on subordinates who might put their morality to their business transactions.

Fulton states that the dilemma we all face every day, having to choose between action that benefits our own self-interest and action that addresses our obligation to one another: our self-interest, including the need to profit from our dealings with others, versus the ‘moral’ perspective, the social contract that binds us to others (Fulton, 1998).

In essence, the manager, as a moral person, is characterised in terms of individual traits; as a moral manager, he is thought of as conveying an ethics message that others take notice of in their views and behaviours. The basis of ethical leadership is being an ethical person. Stakeholders must think of you as having certain traits, engaging in certain kinds of behaviours, and making decisions based upon ethical principles. Moreover, this ethical self must be authentic.

“The basis of ethical leadership is being an ethical person”

From a governance perspective, ethical traits relating to trust include: moral order, integrity, honesty, fairness, and fulfilment of obligations. While these traits are clearly important, behaviours are equally important. Behaviours include: doing the right thing, showing concern for people and treating people right, being open and communicative, and demonstrating morality in one’s personal life.

In the decision-making role, managers should have a set of ethical values and principles; they should aim to be unbiased and reasonable (Hawley and White, 1996). In terms of governance, a manager’s decision should look beyond the balance sheet; the ‘moral person’ represents the essence of the ethical manager.

Research by Atherton and McManus (2004) highlights the need for owners, managers and stakeholders to recognise the importance of proactively putting ethics at the forefront of their governance agenda. Managers need to make the ethical dimension of their leadership explicit and salient to their subordinates. The
ethical manager achieves by serving as a visible and vocal role model for ethical conduct and ethical management can be achieved using a reward system holding all accountable to ethical governance standards.

**Conclusion**

Research shows we need to further explore and develop the governance model. What is required to address the issues in this paper is a renewed attention to the research and study of governance and control; that is, the ways in which this control affects, and is affected by, stakeholder relations; the power and behaviour of the firm elite and the nature of business political activity, including analysis of how such activity relates to the character of governance relationships between owners, managers and stakeholders.

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Influencing others – a key skill for all

Much is made of the need to improve our communication and, if we are honest, we can all probably benefit from working at doing so!

If we want to develop our ability to influence people, we do need to think about where our communication skills can improve. When we have to make presentations, address a group with a specific aim or write a key proposal or email, we might spend time thinking about our message and how we want to convey it. However, for much of the time we tend to communicate from some form of unconscious awareness or autopilot. When it does not work very effectively, how often do we ‘blame’ the other party for their response – or lack of one? A good message to start to live by is ‘the meaning of my communication is the response I get’. It places the responsibility for our communication and influencing effectiveness firmly in one place!

Within our lives, both at work and outside, we are faced with the need to influence others to do something which might require them to change or do something differently. For many of us, this challenge of change involves not only getting some acceptance or buy in, it needs the implementation process to be completed. In this day and age, the ability to influence others more effectively is an essential quality, whether we have authority over them through our position or not. Those in management positions can opt for a ‘tell’ approach and it might get some results. However, they will be seen as better leaders if they are able to achieve these results through their teams following more willingly. Where we have no direct authority, the need to develop our influencing skills becomes critical if we want to get results through and with others.

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“There are various approaches to influencing others. Some put the emphasis on the behaviours, and language, of the influencer. Others take a more ‘scientific’ and structured approach”

others. This applies outside work too, for most of us.

One of the issues which impedes most of us when we need to influence others, is that we do not know how to do it! We might have some awareness of the skills we need to use to communicate more effectively. We may be doing our best to apply them. This does not necessarily mean we are going to be influencing others. When we want to, we might express ourselves clearly, but without using the most appropriate influencing strategy or language, we do not succeed in getting the results we want. This often leads to one of the other classic problems when we feel we are not getting our point across – repeating ourselves, again and again. Why do we feel this will work?

The ability to influence is something we can all improve. There is a proviso to this! We have to be willing to develop ourselves and to change. As we learn more about the different ways in which we can influence, we need to recognise that one of the secrets is to learn to become more flexible in our behaviour and how we want to achieve the results we want. At the same time, we keep our focus on the aims or results we want to achieve.

What is influence?
The dictionary states: “Power of producing an effect, especially unobtrusively; effect of power exerted; ascendancy, often a secret or undue kind.” The key elements are that influence is about getting the results with some degree of acceptance or co-operation.

There are various approaches to influencing others. Some put the emphasis on the behaviours, and language, of the influencer. Others take a more ‘scientific’ and structured approach. My belief is that neither is better than the other, nor do they have to be mutually exclusive. The reality is that the more we can learn and understand the skills and the options, the more tools we have available to choose from.

In my experience, people who are good influencers have characteristics in common, or at least some of them! They have a good awareness of their own style and communication preferences. They are clear and firm about the outcomes they want to achieve and will be flexible in what they need to do to reach these. Finally, they take time to consider those they want to influence and their situation and possible response.

Talking tactics
A starting point is to think about our strategy. It makes sense to do this before thinking about our tactics (or behaviours.) An example is shown below, which gives seven choices:

• Friendliness: This involves creating a sense of warmth, support and positive feelings between both parties. There is a sense of openness and trust which makes people feel comfortable with the situation and any request.

• Empowerment: Allowing others to have a sense of responsibility for the results, building a feeling of confidence and that we have trust in them – having given clear direction. This gives
Influencing others

appealing outcome. To make an possible and engaging common ground where will be, using elements of image of what the outcome

encourage the others to move. incentives, or even pressure, to offer some ‘hooks’ or

This involves being able – trading to reach agreement.

As it implies – voice and body

a good degree of two-way communication and listening to ideas and concerns.

• Visioning: Creating an image of what the outcome will be, using elements of common ground where possible and engaging emotions to make an appealing outcome.

• Building alliances: Finding common interests and areas where we can offer help or support, before asking for it in return.

• Expertise and knowledge: Being the expert, so we can use information, facts and experience to reinforce our message and request.

• Bargaining: As it implies – trading to reach agreement. This involves being able to offer some ‘hooks’ or incentives, or even pressure, to encourage the others to move.

(We will suggest later, that it is often more effective to offer our incentive some time before asking for what you want. This is the reverse to a typical commercial negotiation).

• Positional: Using legitimate authority to ask for something or to tell people what we need.

Pushing for an outcome

When we have chosen which of these, or a combination, we feel is most appropriate, think about our outcome. Be clear about this, define it as specifically as we can. What elements of it are essential to have? What parts would we be willing to move from? Now we know what we want – where are the other party? How far away? What might their reaction be to being asked to move towards our outcome? (Remember to think about putting our message across to answer the question from them, “What’s in it for me?”)

Good influencers will always consider the outcome from the other party’s perspective.

There are a number of specific methods of influencing others. One which has been in use for some time is the idea that there are two approaches – ‘push’ or ‘pull’. The ‘push’ styles include persuading or asserting. A factor behind each of these is that they require a lot of energy! Think about having to move something heavy which might also resist and you have the idea. Having said that, there are times when either of these is the best option.

Persuading involves stating our proposition and then offering reasons why we want this outcome. It is most effective when the message is short, factual and logical.

To apply the persuading approach, follow these steps:

1. Think through – structure your approach (make notes to help you!)
2. Explain your aim/outcome
3. Acknowledge any downside (it pre-empts them raising it)
4. Give reasons for the aim/outcome
5. State benefits for the individual
6. Get agreement at the end.

Asserting uses three main behaviours, stating our outcome (clearly!), evaluating and offering incentives or applying pressure. In asserting the expectations, we need to be clear and direct. Give positive and negative opinions, use incentives and pressures as appropriate, do not justify reasons, and do not be aggressive in voice tone or body language.

To apply the asserting approach:

1. Plan what and how – aim to be clear and concise with your message
2. Stay calm and neutral – voice and body
3. State what you want from the situation (using ‘I’ to own it)
4. Give reasons – without inviting a discussion
5. Acknowledge potential impact on the other party
6. Check understanding – get agreement.

Pulling in the right direction

The ‘pull’ styles include bridging and attracting. These tend to require less energy on our part! To be effective each of these does need us to operate with a high degree of integrity. Any insincerity will be quickly spotted.

Bridging does what it says. It is about building connections and involving the other party in the way forward. The behaviours used in bridging are: empathising, open communication leading to involving and supporting, listening and disclosing.

When bridging you might want to follow this:

1. Think about your aim – and their position
2. State the aim/outcome
3. Show you understand their perspective.
4. Give reasons – without asking them to change or give up (has to be genuine if you are to have impact!)
5. Present your case in a way which incorporates their probable concerns
6. Get agreement at the end.

The second ‘pull’ style of attracting means getting people to see things as a ‘we’ situation. As the influencer, we want to have others share our vision or idea of the outcome. It requires energy and enthusiasm from us and total sincerity and integrity. Whilst it can work with individuals, it can be powerful with groups, even if it is to only start things
moving towards our outcome. The steps in attracting are:
1. Think about your outcome and create a compelling image of it!
2. Make sure you are positive and enthusiastic about the outcome (and believe in it!)
3. Paint a positive word picture with a lot of good reasons for the outcome
4. Deliver your message with plenty of enthusiasm – and gestures to support it
5. ‘Future pace’ it by talking as though it is done
6. Keep the balance between enthusiasm and not going over the top!

“Remember, the secret of a good influencer is to keep the end in mind, rather than the route”

Although these are shown as being different styles, we may choose to use a combination for certain outcomes or people. Remember, the secret of a good influencer is to keep the end in mind, rather than the route!

**Developing rapport**

Having decided on our strategy and approach, we can help our cause by getting into rapport with the other party. The stronger the rapport, the more probable your success. Think of rapport as being on the same wavelength – and when we have it, we can communicate more effectively. Another feeling which rapport can help create is trust. When we feel we trust someone, we are more open to being influenced.

To begin developing rapport, think about the other party’s position and situation. Then we begin to interact, match and pace them. Matching is about being like the other – body language, posture, gesture, voice level and speed of speech to name a few of the characteristics. Pay attention when we are with people and feeling comfortable and notice how we will often be matching and mirroring without even being aware. Look at others when they are together and pay attention to the ‘dance’ which happens and how we all mismatch when there is a breakdown in the rapport.

For those who want a more scientific take on influencing, look at the work of Robert Cialdini in ‘Influence, Science and Practice’. He has spent many years researching what influences people and offers many empirical examples to support his case. He has identified what he calls six ‘principles’ which are used by successful influencers. They will use one, or more, of these effectively to achieve their outcomes.

The principles are:
- **Liking**: People like those who are like them – think back to what we mentioned about rapport.
- **Reciprocity**: People will repay or respond in kind and often feel a sense of obligation when they have received something. They give something in return for receiving – whether in equal amounts or not. You may offer to help someone finish a work project without specifically asking for anything in return. However, if you need to ask for help in a couple of weeks, the other party will be more likely to give it.
- **Social proof**: Human beings are not always as individual as we like to think! Have others like me supported or done this? Peer power can encourage others to follow! Use phrase such as ‘a number of your colleagues have...’ and we are more likely to get buy-in to your ideas.
- **Consistency**: People will generally support their own decisions – especially when made verbally to someone else and when committed in writing. Offer reminders of what they have done before which has been successful or effective.
- **Authority**: Establish expertise or knowledge – and people will respond to it. People will feel more comfortable with someone who is confident and an expert. Put forward your case from a position of strength.
- **Scarcity**: When something is thought to be scarce and in short-supply, people want it – they have a fear of missing out! Look for opportunities to make your case with reference to some element of potential loss if things do not happen. ‘Only X days to go if you want this.’ ‘Only five places in the team.’ These can be highly effective phrases where we can introduce them.

The issue for any of us when influencing others, is that there is no one right way, nor even a best way. As a recent delegate, who is a very highly qualified and skilled engineer, said to me, “This workshop is great and I am learning a lot. I just wish there was a formula I could take away and use!” I must add, he was smiling when he said it! Alas, I was not able to help. What we can all take with us is an awareness that there are many approaches we can use around a few core principles. Know what is our outcome; what is the other party’s position and probable reaction; think about your overall strategy; choose the approach which you feel might work; get into rapport; and then begin to communicate. From here, notice the response you are getting and if it is not what you want – do something else! Change the approach whilst keeping the outcome in mind.
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A ccording to a study published in 2003 by CREATE, an independent research centre, a more diverse workforce improves business performance. The study, *Harnessing Workforce Diversity to Raise the Bottom Line*, which involved around 500 companies operating in the UK, USA and Europe, uncovered a range of business benefits including:

- Higher staff retention
- Reduced recruitment costs
- More satisfied customers
- Access to a wider customer base
- Better supply chain management
- Access to new ideas on process and product improvements.

Diversity is also key to success in global markets – any organisation that wants to expand internationally cannot hope to do so effectively without a detailed understanding of the cultural background of the new markets in which it hopes to succeed.

The study did, however, find that diversity management is a long-term process with no quick fixes. Two obstacles in particular were widely experienced:

- Ingrained attitudes that make it difficult for senior managers to manage people who are very different from them
- The culture of long working hours, which makes it difficult for women to aspire to senior management positions.

The report concluded that diversity produces maximum financial impact when it is linked with business strategy and has the support of senior executives. According to Professor Amin Rajan, chief
executive of CREATE and co-author of the report, companies are beginning to see that diversity in the workplace pays. Rajan says, “Instead of thinking about diversity as about equality, that is, in terms of the law or compliance, companies are now seeing it as an issue of merit and merit alone”. For instance:

• Customers want to be served by a company they can identify with, so a white male sales force might be too limiting
• Teams made up of mixed ethnicities, backgrounds and genders are likely to be genuinely more creative than teams made up of the same type of people.

Other benefits of diversity are that diverse organisations will:

• Find it easier to recruit as there will be a far greater market to choose from
• Enjoy access to a greater wealth of experience, skills and talent
• Gain improved public image – as an employer and as a service provider
• Experience increased staff motivation
• Encourage and develop entrepreneurs
• Develop role models, thus helping future growth in management
• Increase their market penetration
• Show better overall financial performance.

**The Employment Equality (Age) Regulations 2006**

Dealing with issues such as these is one of the goals of the Employment Equality (Age) Regulations 2006. The regulations are the latest in a long line of initiatives aimed at reducing discrimination, which have also included key legal frameworks such as:

• Pay discrimination (1970)
• Sex discrimination or marital status (1975)
• Race discrimination (1976)
• Positive action (1986)
• Disability discrimination (1995)
• Human Rights Act (1998)
• Gender reassignment (1999)
• Age discrimination (1999 code of practice)
• Genuine occupational qualifications (2000)
• Equality in sexual orientation (2003)
• Equality in religion and belief (2003).

The regulations, which came into force in October 2006 (and do not affect the age at which people can claim their state pension):

• Banned age discrimination in terms of recruitment, promotion and training
• Banned unjustified retirement ages of lower than 65
• Removed the age limit for unfair dismissal and redundancy rights.

They also introduced:

• A right for employees to request working beyond retirement age and a duty on employers to consider that request
• A requirement for employers to give at least six months notice to employees about their intended retirement date, so that individuals can plan better for retirement, and be confident that ‘retirement’ is not being used as a cover for unfair dismissal.

The regulations apply to employment and vocational training. They prohibit unjustified direct and indirect age discrimination, and all harassment and victimisation on grounds of age of people of any age, young or old. As well as applying to retirement, they:

• Removed the upper age limit for unfair dismissal and redundancy rights, giving older workers the same rights to claim unfair dismissal or receive a redundancy payment as younger workers, unless there is a genuine retirement
• Allow pay and non-pay benefits to continue which depend on length of service requirements of five years or less, or which recognise and reward loyalty and experience and motivate staff
• Removed the age limits for Statutory Sick Pay, Statutory Maternity Pay, Statutory Adoption Pay and Statutory Paternity Pay, so that the legislation for all four statutory payments applies in exactly the same way to all
• Removed the lower and upper age limits in the statutory redundancy scheme, but left the previous age-banded system in place
• Provided exemptions for many age-based rules in occupational pension schemes.
Implementing the regulations
To assist organisations with implementing the regulations, in their publication, *Age Diversity at Work – a Practical Guide for Businesses*, the Government’s Age Positive campaign provided a range of advice to assist businesses in meeting the requirements of the regulations. For example:

**Recruitment advertising**
- Remove age limits from job adverts, so no-one is discouraged from applying because of their age
- Use language and pictures to appeal to wide age groups
- Avoid phrases like 'applicants should be 25-35 years of age', 'young graduates', 'mature person' – they are discriminatory
- Publicise your vacancies in ways most likely to attract people of a variety of ages – consider national and local newspapers, free papers, internet, jobcentres, community and business networks
- Be aware that older people increasingly make up a bigger proportion of the population. Ignoring this will reduce your choice of potential candidates.

**Experience and qualifications**
- Avoid specifying a minimum length of experience, such as 10 years, as this disadvantages younger workers. The quality and relevance of experience is important – not the number of years
- Avoid phrases like ‘only people with GCSEs need apply’. That would rule out many older people who left school before GCSEs were introduced, even though they may have the necessary skills.

**Application forms**
- Remove date of birth and put it on a separate monitoring form that interviewers don’t see.

**Monitoring recruitment**
- Check how effective your recruitment process is. Count the number of candidates of different age groups who applied; were short-listed; interviewed; appointed.

**Graduate and specialist recruitment**
- If you have special recruitment programmes for graduates or managers, make them open to all ages.

**Recruitment agencies**
- If you use a recruitment agency, check that they don’t exclude people because of their age.

**Selection**
- Focus on skills, not on stereotypes. For example, a manager can potentially be a younger or older person
- Make sure you’re not making assumptions about the capability or medical
fitness of someone based purely on their age
• If the staff responsible for selecting and interviewing candidates are not trained in equal opportunities, they may be discriminating unwittingly and leave you open for prosecution.

Interviewing
• Use people of different ages on the interview panel, to reduce the possibility of bias towards one age group
• Ask job-related questions and be careful not to base decisions on prejudice and stereotypes
• Use selection criteria to mark candidates against. This can help with decision-making and record the fairness of the process.

Monitoring selection
• Check the number of candidates of different age groups who applied, were short-listed, were interviewed and were appointed.

Promotion
• Avoid having a minimum or maximum cut-off age for promotion
• Make your promotion opportunities open to all employees. Let your staff know that age is not a barrier and that they will not be regarded as ‘too young’ or ‘too old’
• Promote on the basis of performance that you can measure and potential that is demonstrated – rather than on age or length of service.

Training and development
• Make sure training is open to all, for example not overlooking an older person, thinking they may not be interested in career development. Training can be worthwhile for all ages of employees – they could be working with you longer than assumed.

Awareness of individual learning styles
• A worker who has been away from formal learning for a few years might take a bit longer to adjust to training and may need some reassurance. Someone used to a formal learning environment might take a bit longer to adjust to on-the-job training
• Ask employees who have benefited from training to be role models to inspire others.

Last in – first out
• ‘Last in – first out’ is not necessarily the best approach, as the ‘last in’ could be crucial to your business
• Be careful not to lose the balance of skills and experience that comes from employing a workforce of various ages.

Retirement
• Since October 2006, compulsory retirement below age 65 has been unlawful – you would need to justify any enforced retirements below that age
• You don’t have to set a compulsory retirement age – it isn’t required by law.

“Organisations that want to be successful in implementing diversity will need to adopt a practical approach”

Redundancy
• Beware of losing the skills your business needs. If you target older workers when selecting for redundancy, you may discover later that vital skills and company knowledge are lost
• Base your redundancy decisions on job-related criteria and the needs of your business – don’t use age as a factor
• Consider alternatives to redundancy – like part-time working, natural wastage, redeployment to other parts of the company, job-sharing, career breaks.

Flexible retirement
• Flexible retirement can be a useful way of preparing employees to handle the change between full-time work and full retirement
• There are alternatives to stopping work altogether – for example reduced hours, job-sharing, part-time working

Voluntary redundancy
• Be aware that asking for volunteers might have a less demoralising effect on the workforce – but it could leave you with an imbalance in the remaining skills and experience in the company.

Fact, compulsory retirement could mean you lose skilled people and affect your business productivity. Why train new staff or pay higher rates for agency workers, when an existing employee, who knows your business, could do the job?
• Being flexible about retirement can mean reducing capacity without losing valuable workers and their expertise.

Mentoring
• As older workers get near to retirement, involve them in mentoring other staff to pass on skills and experience.

Performance
• Use performance standards – they don’t have to be complex but they are essential when dealing with poor performers. Don’t use retirement as an easy alternative for poor performance – it is not cost effective.

Managing diversity effectively
Sadly, legislation, such as the Employment Equality (Age) Regulations, is often the only way to give businesses the stimulus they need to take actions that they ought to have implemented already.

Implementing a diversity policy
Research by Penna Consulting (2002) suggests that organisations that want to be successful in implementing diversity will need to adopt a practical approach including key elements such as the following:
• Analyse your business environment. How diverse is your organisation, and is it representative of the local population? Does your workforce mirror your customer base? If not, you could be missing out on significant business opportunities
• Define diversity and the business benefits. What will be the tangible benefits of implementing a diversity policy, both for your organisation and its employees?
• Include your policy on diversity within your corporate strategy and values
• Embed the policy within your core HR processes and systems. Make it part of your everyday operations
• Ensure leaders implement the policy – and give it their full commitment
• Involve staff at all levels. Implement awareness training, together with initiatives such as the creation of a diversity handbook, mentoring schemes, diversity councils, etc
• Communicate the content of the diversity policy and success of diversity initiatives

• Understand your organisation’s needs. Depending on its size, understanding of diversity and ability to change, it may benefit from external support
• Monitor and evaluate. Benchmark your organisation’s progress and the impact of diversity internally and externally.

How can external organisations help?
Many organisations try to tackle the issues of managing diversity simply by providing their staff with a series of training sessions, as though it were an add-on skill that can be easily absorbed.
Managing diversity means more, however, than just training your staff. It has to involve the organisation’s culture, processes and systems, and may well involve the need for externally-managed initiatives including:
• Diversity audits
• The development of a diversity strategy
• Policy writing (an Equal Opportunities policy is mandatory, as laid down by the EEOC)
• Training and development
• Coaching
• Recruitment and selection
• Practical help and assessment on a continuing basis – to measure the benefits of cultural diversity within the organisation.

Research confirms that diversity presents significant business opportunities – but only for those organisations that manage it effectively. Sooner or later, employers will have to realise that by failing to employ the best person for the job, for whatever (perceived) reason, the result will be a negative impact on their profit margins, and ultimately the viability of their business.
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Maximise success
by engineering the right kind of changes

David Ollerhead explains why your organisation’s change capability is so important, and provides a useful self-assessment questionnaire so you can gauge it yourself.

The great Charles Darwin once said, “It isn’t the strongest of the species that survive, nor the most intelligent, but the one most responsive to change,” and the fact that the movie Jurassic Park (1993) was about dinosaurs and filmed by relatively small primates, rather than the other way round, suggests that Darwin was right.

For a living creature, physical responsiveness to change is vital for long-term survival. For an organisation, its change capability is equally vital for its survival. Why? Ultimately because the environments in which living creatures or living organisations exist are inevitably going to change. In the days of the dinosaurs, the Earth’s atmosphere was actually thicker than it is today, which helps to explain why massive flying dinosaurs thrived. Once the atmosphere grew thinner, their wings could no longer support them and most of the species of flying dinosaurs died out, except some of the smaller ones, which most zoologists agree evolved into our feathered friends.

Environments in which organisations exist change too, and much more quickly. Since the late 19th century, the social, business and technological world has been changing at an enormous, indeed, some might say alarming, rate. A boy born back in 1880, when motor cars didn’t even exist and the first powered, sustained and controlled airplane flight still lay 23 years in the future, could as an old man of 89 have seen Neil Armstrong’s moonwalk on television. Since then, the pace of change has been just as relentless, and now we even have a prodigious, global-spanning virtual world, as well as a physical one.

But it isn’t only technology that makes change happen. Customers’ tastes and needs change too, and this is just as true of customers of business-to-consumer organisations as it is of business-to-business ones. In practice, the need for business change is one of the few reliable constants that organisations are likely to experience. This being so, the ability to change is inevitably the key requirement for ongoing success.

The importance of processes
Organisations need to be able to foster and implement change quickly at a wide range of levels. Change relating to an organisation’s business
Managing change

In practice, the need for business change is one of the few reliable constants that organisations are likely to experience.
Question 7: Thinking now of your business processes – which of the following statements best summarises how you change process at your organisation?
A. We want individual departments within our organisation to work with maximum efficiency, but when it comes to changing process, our initiative always focuses on process end-to-end (ie, across individual departments).
B. We just tell people what to do and they’d better do it.
C. We find it a problem that politics between individual departments can inhibit our initiatives to effect changes in process.

Question 8: Which of the following statements best summarises how you measure your performance as an organisation?
A. We measure performance on a department-by-department basis.
B. We focus on measuring the entire efficiency and effectiveness of the end-to-end process.
C. Performance measurement is just about money so we leave it to our accounts team.

Question 9: Which of the following statements best summarises what you look for when appointing people to improve the efficiency and effectiveness of process at your organisation?
A. We use people who happen to be available.
B. We seek out people who have a genuine ability to understand the role process plays end-to-end across departments.
C. We use managers of departments.

Question 10: Which of the following statements best summarises the involvement you feel your customers should have in a major initiative to improve process?
A. We’ll hire some telesales people and get them to talk to some of our customers.
B. The whole point of process is to produce deliverables for customers, so we focus our entire change initiative around customer needs and make sure we talk to customers about this at all times.
C. We think our customers should be jolly pleased that we’re bothering to look after them at all.

“Many organisations, though, including some that are currently highly successful, actually have a surprisingly low change capability”

David Ollerhead is head of consulting for The Professional Services division of Airwave Solutions Ltd (formerly Decision Focus), a professional services consultancy that offers audits to help organisations maximise their change capability. Part of the Airwave 02 Group, The Professional Services division of Airwave Solutions Ltd uses knowledge transfer, training, coaching and mentoring support to assist with organisations’ current change projects, as well as helping organisations build up their change capability. The Professional Services division of Airwave Solutions Ltd was founded in 1995 and has carried out major projects for a wide range of organisations across the private and public sectors.
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www.airwavesolutions.co.uk.
Managing change

Here’s how to score your answers:

30 – 25
Your organisation is superbly equipped for successful change.

25 – 18
You have many bases covered but could still benefit from thinking hard about how to become better at organisational change.

17 – 10
You really need to do some serious thinking if you want to make your organisation truly flexible and adaptable. Customer needs are always changing and you need to change with them.

9 or below
Does your organisation really want to be in business in five years’ time?

How did you do? Of course, this questionnaire is quite light-hearted, but it underlines a serious point – improving your change capability is critically and vitally important for organisations today, and the more dynamic and faster-moving your environment is, the more important your change capability is.

Is your organisation good at changing to maximise success? If you think you could be better at it, you probably could be.

Scoring
Question 1:
A 0 B 3 C 2
Question 2:
A 3 B 2 C 0
Question 3:
A 2 B 0 C 3
Question 4:
A 3 B 0 C 2
Question 5:
A 2 B 0 C 3
Question 6:
A 0 B 3 C 2
Question 7:
A 3 B 0 C 2
Question 8:
A 2 B 3 C 0
Question 9:
A 0 B 3 C 2
Question 10:
A 2 B 3 C 0


The Cost of People in Your Business

Question:
How can I accurately assess the cost of manual activity in my business?

Answer:
By applying our Predetermined Time Values to the current methods of working or by linking them to the application of Six-Sigma or any other accepted workplace technique that seeks to improve processes, performance and quality.

How do I do it?:
Through a new series of ‘Open’ courses being run throughout the UK, by the MTM Association, to deliver the benefits of Predetermined Time Data to you, your staff and your organisation.

Where?:
At a venue in Central England (although this may change if the majority of participants are located in other parts of the UK)

When?:
The first course is scheduled for 13th October 2008

How long?:
The course takes two weeks.

Training Fee:
£950 (excluding VAT)

Result:
A fully trained practitioner in the application of a world class Predetermined Time System (MTM2).
Daniel T Jones discusses how lean principles applied to the construction of Terminal 5 could provide lessons to IT businesses.

I have been through Terminal 5 at Heathrow three times since it opened. Although in each case the plane was late arriving and leaving, the flow of passengers through the building is impressive. With no checked in bags, it took me less than ten minutes from standing up in the plane to driving away in my taxi, and not much more than that to get to the gate from the taxi when I left the day before.

Compare this with the 20 minute walk from the furthest gate in Terminal 1, let alone the long trek to or from the gate in Amsterdam, Frankfurt or Munich airports. At Terminal 5 they have clearly got something right.

When they have ironed out the bugs in the baggage system, it might even become a lean experience I could look forward to.

This reminded me of another thing they got right with this building – they completed what is one of the biggest construction projects in the world on time and on budget. This is almost unheard of in the UK, and I understand some of this team went on to work on the stunning renovation of St Pancras station and are now working on the London Olympics for 2012.

Laying the foundations
The foundations of this success were laid by Sir John Egan when he was chairman of British Airports Authority which runs Heathrow airport.

In preparation for taking the lead role in building Terminal 5, he pioneered partnerships with his construction suppliers to define precise specifications up front, to standardise where possible and to speed up the flow of work involved in planning, fabricating and assembling each project. It took suppliers a while to get used to this new way of working. Initially they complained that they could not make any money on these contracts because BAA made no changes after the contract was agreed!

The construction of Terminal 5 is an impressive story. Everything arrived through one access road to the site, with up to 1000 tightly scheduled deliveries a day and many parts of the building were actually fabricated in two on-site factories, just prior to erection. Sir John also chaired the UK Government's Lean Enterprise Academy www.leanuk.org in the UK, dedicated to pushing forward the frontiers of lean thinking and helping others with its implementation.
Rethinking Construction task force, comprising major repeat clients, involved in building supermarkets, hotels, roads, offices, hospitals, etc. Most of them began to adopt this new lean business model with their construction suppliers.

But one thing that let everyone down at Terminal 5 – and delayed my flights – was the IT driving the baggage system. As usual, it was trumpeted as the biggest and most advanced system of its kind in the world! To me this signals an unnecessarily complicated and unproven prototype that will not be ready on time and cost twice as much to fix. In other words, a product of the same old broken business model that prevailed in construction – bid low and over promise to get the business and then make all the money on all the changes and fixes.

A change of tone
I see exactly the same problems with every monster SAP system in manufacturing – they caused a lot of pain to install and have left a big and expensive legacy of fixers to keep them running. I also remember the state of the art ordering system and massive automated warehouse that nearly brought Sainsbury’s to its knees a few years ago. It has now been completely written-off and dismantled and sales have recovered. It looks like the massive IT system that was supposed to bring the NHS into the space age is suffering similar problems.

At two big conferences recently I began to detect a very significant change of tone. Gone are the bold assertions I was told several years ago by a leading pharmaceutical firm that all change in the organisation was driven by technology and by the IT department. Now I hear talk of technology no longer being the driver but an important enabler of the kind of fundamental process changes driven by lean. And for the first time I heard a leading IT provider openly state that the industry needed to industrialise, standardise and simplify their products so that they actually work on time and on budget.

It seems to me that the core process in IT that needs to be leaned is the basic business model itself – how both parties negotiate and manage projects to mutual advantage. Once this is cracked, it opens up all the lean opportunities in planning, developing, installing and maintaining IT systems. Without it, these improvements are difficult to sustain.

“IT seems to me that the core process in IT that needs to be leaned is the basic business model itself”

Rethinking Construction led to significant changes in construction. It worked because it was led by clients fed up with the way construction firms in the past let them down, as they struggled to make money with a broken business model. I think it is high time for another major repeat-client led initiative to rethink the business model for selling IT. Until this happens, IT will continue to be a constraint on progress rather than an enabler, in both the public and private sector.
Engaging executives in business continuity management

By Patrick Roberts, Senior Consultant, Needhams.
Introduction
For many years, one of the key challenges in Business Continuity Management (BCM) has been securing the support of executives. Over the years, many explanations for the difficulties encountered have been advanced including:
- Lack of understanding of BCM;
- Lack of personal experience of crises; and
- Constant distraction by more pressing concerns.

Understanding of BCM
Clearly the fact that few executives will have had any hands-on BCM experience in their career has slowed the recognition of the importance of the discipline.

This is exacerbated by the almost total absence of BCM in MBA syllabuses and executive education programmes. That said, numerous articles on BCM have appeared in mainstream business publications and the quality newspapers, so awareness should be improving.

Furthermore, BCM now has a number of powerful advocates including (in the UK) the Institute of Directors, MI5 and the FSA. Ultimately, BCM is not a complex subject to grasp and a reasonably articulate BC consultant or manager should be able to communicate the important messages in a short space of time.

Experience of crises
One often hears the explanation that executives fail to appreciate the importance of BCM because organisational crises are seen as being so rare in modern times. However, a study of a large number of UK companies over the period 1997 to 2002 revealed that:
- 99% of companies experienced a crisis resulting in a loss of value of over 10%; and
- 40% of companies experienced a crisis resulting in a loss of value of over 30%.

Whilst it is perfectly possible that an individual will not experience any personal involvement in a crisis over the course of their career, nobody in a senior management position can be truly unaware of the numerous high-profile recent disasters.

Lack of time
Undoubtedly, in many organisations, executives’ time is one of the scarcest resources. Indeed in his classic 1975 Harvard Business Review article ‘The Manager’s Job: Folklore and Fact’, Henry Mintzberg revealed that half of the activities that CEOs engaged in lasted less than nine minutes and only 10% exceeded one hour. However, the same article also highlights a more positive point: 93% of CEOs’ verbal contacts are arranged on an ad hoc basis so getting ‘face-time’ with key decision makers would appear to be largely a matter of persistence.

What’s in it for me?
Generally people focus on the tasks for which they are best rewarded and much work in recent years has gone into designing incentive schemes to ensure that employees’ interests, particularly those of senior managers and executives, are aligned with those of the shareholders of the company. These include various profit-sharing schemes and the widespread granting of shares and share-options. There is a common drawback in all of these schemes though, in that the risks that were taken to generate greater profit (or an increase in share price) can manifest themselves long after bonuses are paid or share options are cashed in.

An executive considering a BCM proposal must therefore weigh up the up-front cost of the programme – which will impact negatively on this year’s bonus – against the potential long term pay-off. Given the increasingly short tenure of executives (particularly CEOs), many people in this position would be forgiven for wondering if they are going to be around to see the upside.

Case study – Northern Rock
Whilst not a mainstream BCM story, the recent crisis at Northern Rock is illustrative of the potential mismatch between executives’ and investors’ interests when it come to risk. The graph below shows profit before tax for Northern Rock over the last five years, together with the CEO’s salary and bonus1 for the period.

The graph shows a clear linear relationship between the increase in profits and the CEO’s remuneration.

![Graph showing profit before tax for Northern Rock over the last five years, together with the CEO’s salary and bonus.](image)

1 Other executives were on similar schemes; there were also a number of share option schemes in operation for Executives and Directors of the company.
“99% of companies experienced a crisis resulting in a loss of value of over 10%”

Superficially this makes sense: executives should be rewarded for delivering value to shareholders. However, as was spectacularly demonstrated in August 2007, Northern Rock had taken on increasing risks to generate these magnificent profits. Whilst the executive’s salaries and bonuses were safely in the bank, the increase in shareholder value proved to be illusory.

If executives will not sacrifice some profit to mitigate risks that are fundamental to their business, and for which they are clearly responsible, it seems extremely unlikely that they will spend a great deal of money on mitigating risks that they could not possibly be blamed for, such as floods, pandemics and terrorist attacks. This does not bode well for BCM.

There are many reasons why executives do not devote as much time and resources to BCM as we in the industry feel that they should. The familiar arguments of lack of understanding and lack of time are clearly important, although the much-cited argument based on the infrequency of crises lacks any objective validity (although that is not to say it has no effect).

This article has suggested, though, that an equally, or possibly more, significant issue is simply that the long-term payback of a thorough BCM programme does not fit well with the short-term basis of most current executive incentive schemes.

Two approaches to remedy this situation are immediately apparent: a bottom-up solution and a top-down one:

- As BCM practitioners, we need to be more vigorous in promoting the wider business benefits of BCM, such as creating a competitive advantage, rather than focusing on the insurance analogy;
- As shareholders (which most of us are nowadays, if only indirectly) we should be insisting that risk is explicitly captured in executive remuneration schemes to provide an incentive to take BCM seriously.

The latter is obviously an ambitious goal but ultimately presents the greatest prospect of truly embedding BCM in the culture of organisations.
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- Conducts studies designated to promote management effectiveness and productivity.

The candidate should have B.Sc. in Management / Business or equivalent with at least 10 years experience related to organization and management systems studies, at least 5 of which should have been in an oil or oil-related industry. High level of proficiency in English is required.

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Leadership is an inexhaustible topic. This article reviews leadership from two angles: internal and external. For both perspectives a number of essential factors are presented. For the internal perspective, four highly important values for leaders are listed: love, execute, ask and dare. On the external level, four leadership styles are reviewed: laissez-faire, empathetic, awakened and directive. A short explanation is presented for each of the qualities and styles.

Leading is an inexhaustible subject to talk and think about. Just consider how many theories exist about leadership, and you will agree that this phenomenon has definitely inspired thinkers throughout the ages toward exciting hypotheses. Leadership actually manifests itself at two levels: internally and externally.

Internally, an individual needs to develop a number of critical qualities in order to become successful as a leader. Over time, some of these qualities have changed, depending on contemporary societal mindsets. However, in this day and age, there seems to be a fairly high level of consensus regarding the qualities we’re looking for in our leaders.

Externally, aspiring leaders need to consider their workforce and work environment in order to determine which leadership style will work best. The bad news is that much of the success rate in applying the perceivably most appropriate leadership style in any workplace will co-depend on the leader’s personality. The good news is that there is an increased conviction nowadays that leadership styles can be learned, although the learning process may take longer for some individuals than for others, depending on the alignment of their personality and the leadership style they want to adopt.

Inspired by the two above reviewed perspectives, here’s a viewpoint about leading that may not have occurred to you yet: The word lead can be explained as a perfect and easy to remember representation of these two important perspectives.

From an internal perspective, lead can be interpreted as to represent the qualities that are considered of the highest value in contemporary leaders:

Love: In the case of leadership, to be interpreted
as the caring concern for those the leader works with. It involves understanding, acceptance and empathy toward co-workers, suppliers, customers and other stakeholders, whether human or non-human, and whether situated within the organisation’s immediate environment or at a geographically or psychologically larger distance. In today’s global corporate environment, there is fortunately a growing concern about the well being of all stakeholders noticeable. Howard Schultz, Chief Global Strategist and the main brain behind the Starbucks Corporation, is a good example of a leader who is concerned about his workforce, customers, suppliers and the environment at large.

**Execute:** Leaders should be action oriented. They should perform at various levels. Followers look up to their leaders for initiative and guidance, and for walking the talk, which entails the execution of actions that will ensure the organisation’s livelihood on the short and longer term. Herb Kelleher, co-founder and former CEO of Southwest Airlines, lived this quality optimally. It is known that Kelleher actively participated in all facets of Southwest’s performance. There are even stories of Kelleher assisting at airports on busy days with luggage, passenger accommodation and ticketing.

**Ask:** Great leaders have an inborn curiosity for people and processes. They are never too embarrassed to ask when something is unclear to them, because they understand that asking questions is not a sign of stupidity, but of intelligence. They therefore also encourage others to ask if they have questions. They teach their followers that every revolutionary invention starts with questioning the status quo. An excellent example that comes to mind is Sir Richard Branson, best known for his Virgin line of about 350 companies. Branson’s mind is always exploring, investigating, and seeking solutions.

**Dare:** It is, most of all, courage that distinguishes great leaders from mediocre ones. Great leaders dare to take risks and are willing to accept responsibility for their actions, but they know that without daring there will not be significant progress or change within the organisation, the industry, and perhaps even throughout the world. Jim Collins provides a great example in his book ‘Good to Great’, where he explains how Kimberley Clark’s then CEO, Darwin Smith, took on the challenge to compete against Procter and Gamble in becoming the world’s best premium paper-based consumer products.

On the external level, lead can provide a clear guideline for the type of leader one aspires to be:

**Laissez Faire:** These leaders will not stir up anything. They are utterly laidback in their approach towards people and processes – almost indifferent. This type of leader will do well in workplaces where all workers are very specialised in their task, most likely a highly educated workforce, such as a consultancy firm, a brokerage, or a team of IT specialists.

**Empathetic:** These leaders will be predominantly people-oriented. They will care for the workers in the first place, and have a tendency to place less emphasis on the organisation’s goals and return on investments. These are the humanistic type of leaders who assume that if you just give people all your care and affection, they will make things happen. Of course this works many times, but not all the time. This style of leading may fail in environments where there is strong direction needed, or in crisis situations where speedy decisions and actions are required.

**Awakened:** Leaders of this kind are multi-competent. Their leadership style is best described as ‘situational plus’. They apply the leadership style they perceive most workable in a particular situation, given the followers, the situation and the environmental needs involved. Awakened leaders do have a high level of empathy for their workforce, suppliers and customers, but at the same time they keep the goals in mind, and continue to scan the organisation, its immediate and non-immediate surroundings for opportunities, while they also make sure the...
5S implementation methodology is a system to reduce workplace waste and optimise productivity by maintaining an orderly workplace. The use of visual reminders helps to achieve consistent improvements as well. 5S implementation ‘cleans up’ and organises the workplace, without changing its existing configuration, and it is typically the first lean method which an organisation puts into effect.

The 5S pillars
The 5S pillars – sort, straighten, sweep, standardise and sustain – provide a methodology for organising, cleaning, developing and sustaining a productive work environment. In order to have a smooth and efficient flow of work, every company needs a system to organise and maintain the work areas. This lean manufacturing method encourages workers to improve their working conditions and helps them to learn to reduce waste, unplanned downtime and in-process inventory.

Typically, 5S implementation would result in significant reductions in the amount of space needed for existing operations. It would also result in the organisation of tools and materials into labelled and color coded storage locations, such as the well known painted outlines of tools on pegboard.

Another result is the creation of kits to organise specific activities. These kits save a great deal of time and aggravation. You no longer need to gather the same items repeatedly for frequent tasks; they are all in one place. Brilliant!
The approach to 5S implementation
5S is a cyclical methodology: sort, straighten, sweep, standardise and sustain the cycle. This results in continuous improvement. It is a never ending process that gradually improves everything it touches.

Sort
This focuses on identifying all unnecessary items from the workplace which are not needed for day-to-day operations. These items receive a red tag and are placed in a central location for everyone to see and decide what to do with. Many times these are useful items, but used so rarely that they need to be discarded, given away or moved to a storage area.

It is surprising how much space can be liberated from just this one process. Vast amounts of valuable floor space suddenly become available for more productive work.

Straighten
Once sorting has taken place, you create efficient storage methods so your items are easy to locate and use, as well as put away. This would include labelling drawers, tool racks, boxes, shelves, etc. You also will define areas such as storage, first-aid, shipping, etc.

As you can see, one ‘S’ builds on the other steps; in fact, they are all integrated to form a whole way of keeping a workplace orderly and efficient.

Sweep
This is sometimes referred to as shine as well. Sweep means to clean – to thoroughly remove clutter and fix things. A daily follow-up cleaning is essential in order to sustain the new improvements.

Everyone likes working in a clean environment, plus it often happens that damaged wires, pipes, electrical outlets, etc are discovered and repaired. This is also a safety feature of 5S.

It is also a good idea to establish targets before beginning your sweep process. This helps keep everyone focused and accountable.

Standardise
Once the first three 5Ss have been implemented, the next pillar is to standardise the best practices in the work area. Individuals need to be assigned responsibility for each of the first three aspects.

Then you can create procedure manuals, visual cues such as signs, schedule short blitzes to maintain the first three procedures. This is important to prevent the procedures from breaking down and getting dirty.

Sustain
This involves changing habits and is often the most difficult aspect of 5S implementation. Changing entrenched behaviours can be difficult, and the tendency is often to return to the status quo and the comfort zone of the ‘old way’ of doing things.

Sustain focuses on defining a new status quo and standard of work place organisation, without the performance reviews and department tours. Organisations typically seek to reinforce 5S messages in multiple formats until it becomes ‘the way things are done’.

The 5S circle is kept in motion by discipline. 5S training of everyone involved is essential to success as well, otherwise it will just be another programme imposed from management. Often workers wonder ‘what is lean manufacturing?’ and when they see the positive results of 5S implementation, they will be much more enthusiastic.

“Changing entrenched behaviours can be difficult, and the tendency is often to return to the status quo”

Randy Hough has worked as a plastic injection mould maker for over 30 years in nearly every capacity of the business. He has travelled and studied in Europe extensively. He is a graduate of the Winona Technical Institute in Minnesota, USA and now lives in the Upper Valley of Vermont.
Lean manufacturing essentials
Lean manufacturing defined and explained

By Quarterman Lee
Lean manufacturing is ‘manufacturing without waste’. Waste has many forms. Material, time, idle equipment, and inventory are examples. Most companies waste 70%-90% of their available resources. Even the best lean manufacturers probably waste 30%.

This is an enormous opportunity. Lean manufacturing and cellular manufacturing improve material handling, inventory, quality, scheduling, personnel and customer satisfaction. These improvements are not just a few percentage points, they are order-of-magnitude. Typically such improvements range from 30%-90%.

The benefits have been documented by academic researchers and some of their work is available at our website.

The core disciplines
Most waste is invisible, nor is elimination easy. A set of techniques that identify and eliminate waste has evolved: ‘Lean Manufacturing’.

- Cellular Manufacturing
- Pull Scheduling (Kanban)
- Six Sigma/Total Quality
- Rapid Setup
- Team Development

These are core disciplines. Not every organisation requires them all. Others require supplementary disciplines such as 5S.

Inventory
Besides core disciplines, there is an overall theme of inventory reduction. Inventory hides waste. Almost every imperfection or problem creates a need for inventory. Hence, inventory is a result and measures the imperfection of the system. Inventory also devours capital. For most companies, the inventory savings alone provide funding for implementing the system and the largest savings occur early on. Thus, lean manufacturing is essentially self-funding.

People and technology
Factories include people. To function well, people and technology must integrate in a system that exploits the strengths and minimises the limitations of each component. Every core discipline has a psychological component. Eric Trist called this a Socio-Technical System. You can learn more about Socio-Technical Systems on our website, including a compilation of the primary principles.

The systems perspective
The core disciplines are interdependent. Each acts upon and improves the others in a continuous ‘virtuous circle’. Over time, this reinforcement builds momentum like a snowball rolling downhill. Results for the system are greater than the separate effects. For more, see ‘Manufacturing As A System’.

Science vs slogans
At Strategos, we prefer a scientific and engineering perspective rather than slogans, edicts, imitation and proselytising.

Science necessarily includes the human disciplines, since humans are part of the system. The work of Maslow, MacGregor, Trist and many others who studied human psychology in the workplace is part of our repertoire.

This fundamental approach allows us to carry principles into new and different industries where there are no examples to copy. Lean principles are at work today in everything from insurance to funeral services and we have helped with some of this transfer.

Manufacturing strategy
Wickham Skinner points out that a blind imitation of 30-year-old, widely known, Japanese techniques is unlikely to assure competitive advantage. Even if direct imitation worked (and it does not), companies who attempt this will always be years behind the leaders.

The manufacturing strategy approach can build sustained competitive advantage by starting with market requirements and focusing on a consistent, do-able set of key manufacturing tasks. These are the tasks that win orders in the marketplace.

In strategy, science meets its limits. Here, art and intuition tend to dominate although there are some basic principles and analytical tools.

Quarterman Lee (‘Q’) started his career at the fountainhead of lean manufacturing, Ford Motor Company. He has worked in foundries, paper mills and a window manufacturing plant in positions from Engineer to Plant Manager. Since 1977, he has been consulting, training and writing. Mr Lee has authored two books and hundreds of articles and programmes. He is currently President of Strategos, Inc www.strategosinc.com.
With the advent of life membership we are attracting new members. There are still people who are engaged in management services who are not members and we would like them to join the Institute.

We can use our ‘direct entry’ route to fast track this and information is available from Brooke House.

We very much hope that our existing members will make potential members aware of this option.

Why Don’t YOU Join the IMS

• Actively promoting the IMS in your place of work
• Encourage colleagues at work as well as professional and social contacts to join the Institute
• Refer potential new members to the Journal as an example of what the IMS is about

• Remind potential members of the benefits of IMS membership, eg education system, regional structure, recognised professional qualification
• Up to the minute information via the IMS Journal and website professional support
• Undertaking contract/consultancy work

What Next?
Contact the IMS for an application form
W: www.ims-productivity.com
E: admin@ims-stowe.fsnet.co.uk
T: 01543 266909
See address opposite

Incentive
A Prize Draw at regional level will be established and all current members who recruit new members will be entered. The prize draw will take place later this year.

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