

DESIGNING INNOVATIVE OPTIONS REQUIRES MORE THAN THE TRADITIONAL ANALYTICAL SKILLS TAUGHT DURING THE PAST HALF CENTURY IN MOST MBA PROGRAMMES. RATHER, IT REQUIRES SKILLS THAT CREATIVE ARTISTS HAVE USED FOR YEARS. NANCY ADLER, PROFESSOR OF MANAGEMENT AT MCGILL UNIVERSITY AND AN ARTIST, SHARES HER VIEWS ON ART AND LEADERSHIP WITH MALINI SEN

THE FINE ART OF BUSINESS



Nancy Adler

GIVEN the dramatic changes taking place in society, the economy and technology, 21st-century organisations need to engage in new, more spontaneous, and more innovative ways of managing. Nancy Adler, professor, Desautels Faculty of Management, McGill University, Montreal, Canada, and a painter herself, believes that the world of business has a lot to learn from art and artists.

reliance on traditional managerial planning models no longer works. Without the luxury of the lead time necessary for planning, managers must use their professional expertise and experience to respond spontaneously. The time seems right for the cross-fertilisation of the arts and leadership," says Adler. As an introduction to her research on 'going beyond the dehydrated language of management,' Adler is hosting an art and leadership exhibition in Montreal this week, a forum that will bring together global management scholars to discuss art and leadership in the 21st century. Further elaborating on what the world of business can learn from art, Adler says that 21st century society yearns for a leadership based more on innovation than replication. "Constant, intuition-based innovation is required to respond to discontinuous change. Three distinct trends within the overall pattern of chaos and complexity — discontinuous change, networked teams, and simultaneity — help explain business' appropriation of more arts-based approaches of creativity and innovation. Also actors, dancers, and musicians — performing as ensembles — have developed team-based collaborative skills to a much greater extent than have most managers," she adds.



ART SMART: A painting by Nancy Adler — the world of business has a lot to learn from art and artists

A course on Art and Leadership was added as an elective to the core MBA curriculum at Desautels Faculty of Management way back in 2002, and it is taught by Adler. Following the economic meltdown, many business schools across the world are looking beyond finance and strategy to make the curriculum more holistic. There is a concerted effort to focus on responsible leadership and sustainable business. Responding to this, Adler says, "I am very happy to see this change. It is imperative to understand that only by doing good, can we do well." According to Adler, an increasing number of companies are including artists and artistic processes in their approaches to strategic and day-to-day management and leadership. The Master of Fine Arts will soon become a much sought after business degree, she adds.

'TOP' SECRET

SUCCESSION FEUDS ARE COMMON IN BUSINESSES, ESPECIALLY AMONG FAMILY-RUN CONCERNS IN INDIA. A RESEARCH CONDUCTED BY HEIDRICK & STRUGGLES AND STANFORD UNIVERSITY'S ROCK CENTER FOR CORPORATE GOVERNANCE REVEALS THAT COMPANIES NEED TO ADOPT A PROACTIVE APPROACH TOWARDS CEO SUCCESSION PLANNING

Proyashi Barua/TNN

CEO succession planning is, at one important level, a necessary precursor of sound risk management. Explaining this seemingly unrelated connect David Larcker, professor at Stanford Graduate School of Business says, "A key task for the board of directors of every company is to think about risk management. They have to constantly evaluate the major risks attendant with corporate and business strategies and contemplate on ways to mitigate these risks." The guiding philosophy of such evaluations is basically to ascertain one fundamental and overriding thing i.e. what risks are being well-managed and what risks are not being well-managed. "And the difference between the two lies in the fact that in the case of the former the company makes money while in the case of the latter it does not make money," adds Larcker.

Although the board should not get involved in the micro-management of risk assessment and mitigation, it needs to determine whether the management has adequately assessed risks and whether it has instituted a process to deal with risk issues. "One especially important aspect of risk management is succession planning and internal talent development. After all, a seamless and issueless succession at the higher echelons both restores stakeholder/shareholder confidence and prevents any unwarranted interruptions in terms of business processes. In other words, CEO succession planning is one way of averting business losses. Hence, it is difficult to imagine that a board fulfills its responsibilities unless it is developing and tracking succession planning for the firm," he elaborates.

According to Larcker, succession planning needs to be proactive and not reactive. "It goes beyond identifying succession candidates and training them. The task also involves telling some managers that they are not in the succes-



sion plan and at times pushing the CEO to start thinking about a transition," he observes. Talking about how effective and insightful succession plans can be formulated, Larcker opines, "The succession plan should be written down in a formal document (although this can be changed over time). The entire board needs to be involved in this discussion and it cannot be restricted to just the present CEO and the nominating and governance committee of the board. The plan needs to consider the real needs for the future and not assume that the firm needs somebody similar to those who are currently in control. Also, it is necessary for the board to meet and interact with the various candidates — they need to personally evaluate the candidates that may be a level or two below the CEO." He goes on to add that a training plan for the managers needs to be developed whereby they get cross-training in areas where they have a limited background or experience. Also, when the offer is actually made, many a time (contrary to common perception) the managers say no.

"Hence, it might be a good idea for the board to inform the managers who are under consideration of their upcoming prospects," shares Larcker.

So are there any key pointers to be followed after the succession plan is announced?

"After the succession takes place it is important to retain the goodwill of the other managers who did not get selected. These are likely to be key people and the board would prefer to keep them in the company. Hence the succession plan is just not about one person, it must include careful thinking about other managers,"

observes Larcker. Besides, the board has to provide ongoing coaching to the newly appointed CEO. It is necessary to have a transition plan for the first six to 12 months. "Finally, the board needs to move executives aside that are 'blocking' the natural succession process. The board needs to tell these executives that they are not candidates and perhaps they should be placed into some type of advisory role," sums up Larcker.

RESEARCH ROUND-UP

One especially important aspect of risk management is succession planning and internal talent development

Kriti Jain

A third year doctoral student of decision sciences, INSEAD. Jain recently attended the Summer Institute on Bounded Rationality organised by the Max Planck's Institute of Human Development in Berlin



Investigating this question of 'how do human beings actually make decisions' requires an integrated approach — combining language, ideas, and tools from diverse disciplines such as economics, statistics, psychology, biology and philosophy. Not many universities and institutions have embraced this fast-evolving multidisciplinary research approach to understanding decision-making. In my interactions with managers, I have often been surprised by how frequently they use 'intuition', gut feeling, and simple heuristics for making decisions. At the same time, substantial work has been done on building sophisticated decision models and algorithms using standard economic and finance theory. Is it because of complexity or their deficiencies that such scientific tools are discarded in favour of such heuristics? During subsequent observations of my own behaviour and of people around me, I realised that the reliance on shortcuts is, in fact, a prevalent and normal process.

This is unlike the economics or finance textbooks that begin theory-building by 'assuming a perfectly rational agent.' In contrast a human being is limited by the information he has, the cognitive ability of his mind to process the available information, and the finite amount of time for decisions. This realistic approach to rationality is called Bounded Rationality, a term

coined by Herbert Simon. Therefore, we are happy with a satisfying solution (a term that combines the words satisfy and suffice), instead of the more optimal maximising solution. For example, when we search for a job, we often set a minimum aspiration level and take the first job that satisfies this level rather than wait for the best job.

I recently had the opportunity to attend the Summer Institute on Bounded Rationality organised by the Max Planck's Institute of Human Development in Berlin. As a research student of business management, I found the programme to be immensely valuable in bridging the gap between decision-making as a science (as propagated by standard economic theory) and decision-making as an art (as often seen in real life and looked at by psychologists and philosophers).

A valuable approach of the school was the focus away from esoteric academic research to real-life debates and applications. For example, in one of the sessions, we discussed how statistical illiteracy is a widespread problem in medical decisions (common to patients, journalists and physicians) with sometimes severe consequences. Different framings of the risks and benefits associated with medical procedures can create varied emotional public response to it.

I was impressed by the diversity of the participants' pool — rep-

resentations came from disciplines such as philosophy, biology, economics, psychology, neuroscience; nations such as US, Argentina, Spain, France, Singapore, India, Australia; institutions such as Harvard, Cambridge, London School of Economics.

Because heuristics saves effort, the classical view has been that heuristic-based decisions imply making greater errors than do rational decisions as defined by logic or statistical models.

However, for many decisions, the assumptions of rational models are not met. Therefore, many argue that in highly uncertain environments, the reliance on heuristics is part of a biological adaptation process that leads to more accurate judgments. Of course, visiting Berlin at the time of World Cup and being able to feel the thrill of it was an added advantage, especially with Germany being involved in big matches in the quarter-finals and semi-finals. One had to be in Berlin to feel the emotions on the Paul the Octopus!

— As told to Sakshi Khattar



Calling all students, is there an issue or experience that would be of interest to other readers and that you would like to share with us? Send an email to edutimes@timesgroup.com and mark the subject as 'Student Speak'

The India way

HARBIR SINGH AND HIS COLLEAGUES AT WHARTON SCHOOL, UNIVERSITY OF PENNSYLVANIA, US, HAVE IDENTIFIED A CHARACTERISTIC EXECUTIVE STYLE THAT THEY BELIEVE IS A DISTINCTIVE APPROACH TO BUSINESS MANAGEMENT. TIRNA RAY REPORTS

AUTHORS of the book, 'The India Way: How India's Top Business Leaders Are Revolutionising Management,' Singh, Peter Cappelli, Jitendra Singh and Mike Useem have revealed that good management is not only found in the West, but is evolving in other places, like India.

"We studied the leaders of India's largest firms — those that have played a leading role in India's rapid development. We approached 150 of the largest publicly listed companies by market capitalisation, and we secured time with more than 100 of their executives," he says. After transcribing the responses and examining the notes for commonalities of perspective, the authors were struck by the fact that there is truly a different way of thinking about management in India. In fact, these leaders' collective views of key questions in strategy, human resource management, and governance actually represent a new way of thinking about management that can be useful to decision-makers in other settings as well.

Singh adds that Indian business leaders think broadly and act pragmatically, following ambitious visions of the future, but then repeatedly testing through trial and error what works and what does not. Emphasising improvisation and adaptability, their strategies are highly adaptive to a rapidly changing and uncertain environment.

Elaborating on what the 'India Way' is all about, Singh explains that it comprises four main characteristics. First, he explains that Indian business leaders see their firms as organic enterprises where sustaining employee morale and building company culture are treated as critical obligations and foundations of their success. People are viewed as assets to be developed, not costs to be reduced.

Secondly, Singh adds that in a complex, often volatile environment with few resources and much red tape, Indian business leaders have learned to rely on their wits to circumvent the innumerable hurdles they recurrently confront. Sometimes peppering English-language conversations, the Hindi term *jugaad* captures much of the mind-set. Anyone who has

seen outdated equipment nursed along a generation past its expected lifetime with retrofitted spare parts and jerry-rigged solutions has witnessed *jugaad* in action.

Also, given the large and intensely competitive domestic market with discerning and value-conscious customers, most of modest means, Indian business leaders have of necessity invented ways of delivering their products with extreme efficiency.

Finally, besides serving the needs of their stockholders, Indian business leaders place special emphasis on broader societal purpose. The leaders of Indian business take pride in enterprise success — but also in family prosperity, regional advancement, and national renaissance. This is radically different from the priorities of US based CEOs which are entirely shareholder driven.

In an era of diversity and cross-cultural experience, should strategy, leadership and organisational culture be specific to countries or go beyond geographical boundaries? According to Singh, there is an ongoing debate in international business between the idea that countries are converging in their management practices (global convergence) and that countries follow unique paths of development (global diversity). Although many people espouse the notion that the world is converging in terms of corporate strategies and practices, in fact there is much evidence to the contrary.

"Certainly in the areas of leadership and culture, there are specific country (and regions within country) effects on norms and values influencing behaviour of managers. Another way of thinking is that social practices are specific to countries while professional practices (such as auditing procedures) are more likely to homogenise across national boundaries," he says.

On a concluding note, Singh sums up, "Indian practices of improvisation, of high adaptability to changing circumstances, and of jointly pursuing corporate and social agendas, are contributions to how the rest of the world needs to think about strategy and management."

Beyond economics

EXPANDING AUTHORSHIP

COLLABORATIONS are the order of the day. With the world going global and education becoming borderless, the average number of authors on scientific papers has increased by more than 50% in the past 20 years, according to recent statistics produced by Thomson Reuters.

The Thomson Reuters statistics revealed that all branches of science saw an increase, with the highest rises in papers describing large scale clinical trials and high energy physics experiments, which may have hundreds of authors.

Barry Clarke, president of the Engineering Professors Council, speculated that the rise was due to the increasingly collaborative and interdisciplinary nature of collaborative research.

He stated that in the UK this has been driven by the research councils and the research assessment exercise, which assigns funding on the basis of research quality and which is to be replaced by the research excellence framework.