



WINNING IDEAS.

Leading through change and uncertainty.

The Management Articles of the Year
February 2016

FOREWORD

SIR PAUL JUDGE



Many organisations are continuing to recover from the financial crisis with more growth and investment in new products and processes and fewer redundancies. However the impact of change remains significant. CMI's *Quality of Working Life Survey 2016* revealed that restructuring remains the most prevalent form of organisational change and that the positive economic trends are characterised by significant demands on managers' working lives. Motivating and engaging teams continues to be a core skill for leaders.

In the circumstances, it is perhaps unsurprising that increasing complexity, uncertainty and change are themes running through many of the articles submitted this year.

The top-rated article focuses on practical approaches to effectively managing complexity and creating meaningful change. Sustainable, high performance workplaces require effective engagement and involvement in the change process and a focus on decision-making.

The remaining winning articles identify interesting insights including change still being seen as a threat, the adverse effect uncertainty can have on decision-making, how negotiation processes are changing in China and how accountants could contribute more to strategic performance.

We are grateful to the academic community who submitted articles this year and supported the competition and of course to the CMI members who have taken the time to read, rate and review the articles and provide their constructive comment and valuable insight.

I hope that the articles presented here will provide practical insights and solutions to the challenges you may face in the months ahead.

A handwritten signature in dark ink that reads "Paul Judge". The signature is written in a cursive style with a horizontal line underneath the name.

Sir Paul Judge CCMi

Chairman of the Academic Advisory Council, Chartered Management Institute

INTRODUCTION

As the only chartered professional body dedicated to promoting the highest standards in management and leadership excellence in the UK, CMI provides forward-thinking advice and support on management and leadership issues for more than 120,000 members and thousands of wider stakeholders.

CMI aims to bring the best research on management topics from leading universities and business schools to managers in the workplace. This is why we launched *Management Articles of the Year* in 2011, an annual competition open to academic researchers affiliated to a UK university.

In its first year, the collection focused on the interrelated themes of leadership, change and communication, demonstrating the variety of academic management literature that interested CMI members that year. In 2012 the collection included issues as diverse as the quality of working life and the potential benefit for small and medium enterprises of effective customer relationship management. The following year the collection encompassed issues about well-being and sustainable engagement to strategies that work and the returns from improving management practice. Last year, a range of topics included the structure of morale at work, managing religious expression and blueprints for women in business.

Now, in the fifth year of the competition, the collection includes articles on issues aligned to complexity, uncertainty and change. These ranged from working towards sustainable, high performance workplaces to leadership through change, uncertainty and decision-making, negotiation processes in China and strategic accounting.

The purpose of the competition is to assist universities in disseminating their research findings to a wider audience, help them demonstrate societal impact and raise the profile of their work with employers. It will also benefit practising managers by providing them with insights from credible, authoritative and leading edge research.

The articles entered into the competition were reviewed and rated online by CMI's membership for their usefulness to practising managers. Articles achieving the highest average ratings were selected for publication.

We are grateful for the high level of support we have received from the academic community and CMI's membership. We are pleased to again be working in collaboration with the British Academy of Management, the Chartered Association of Business Schools, the Associations of MBAs and the British Library.

To view all the articles and the CMI members' reviews, go to **www.managers.org.uk/toparticles**

ABOUT THE ARTICLES

This year the themes that caught the attention of our judging panel are change and coping with increasingly uncertain, complex and ambiguous operating environments.

In the winning article, *High performance workplaces: a practical approach to managing complexity and coping with change*, David Griffiths and Margaret Inman present a new framework for distributed decision-making in organisations, which is illustrated by a case study in a US accounting firm. Drawing upon behavioural research, the Clarity Framework is a sustainable, high performance approach which involves self-organisation, collaboration, learning, experimentation, effective engagement and building trust.

Relatively few people see change as an unalloyed good thing. Research by Viki Holton and Fiona Dent from Ashridge Business School in *Change: opportunity or threat?* confirm that leaders and organisations are still making the same mistakes when it comes to effectively engaging employees. Despite the change process being planned as an opportunity, managers lack the right skills which often results in change being seen as a threat. Too often top management are not fully engaged in the change process: communication, staff engagement, vision and leadership are success factors. They need to remain totally involved and committed throughout. Leaders who withdraw too early do so at their peril.

The challenges of performing in a turbulent world are tackled by Darren Dalcher in *Learning to live with dragons: rekindling the quest to tame uncertainty*. He highlights how fear of the unexplored and unknown affects decision-making and the wider impact this can have on performance. Managers and leaders can develop new ways of thinking about the future and adapt their skills to tolerate the volatile, complex and uncertain. Thinking tools are introduced which can help cope with the unknown, by focusing on a positive or negative aspect then 'thinking backwards' in small steps to discover critical success factors.

Jules Goddard and Philip Whiteley identify the opportunity for accountancy to gain a more strategic role in organisations and to influence performance more constructively in *Accounting that counts: management accountancy in an age of anxiety*. The authors contend that the practice of accountancy tends to measure what is measurable rather than what matters. Two vectors of change have potential to create value – behavioural accounting and strategic accounting. Accountants must challenge cognitive biases to help leaders come to more rational decisions. Also accountancy needs to develop a more outward-facing market-centred perspective. By integrating behavioural and strategic accounting vectors the organisation's leadership can ask the right questions and receive better calibre answers.

In *International and China business negotiations strategies*, Henry Wang highlights the rapid change and increasing complexity of international negotiations. The author's analysis of high level business negotiations cases reveal a move from the traditional win-loss distributive model of negotiations to a modern, more complex win-win integrative model. Features of this more sustainable win-win model include the desire to reach a joint agreement and to seek maximum benefits for both parties. In China both parties need to make extensive advance preparations to select and appoint the negotiation teams, develop strategies, undertake competitor analysis and make use of negotiation scenarios.

ARTICLE 1

High performance workplaces: a practical approach to managing complexity and coping with change.

Dr David Griffiths, Learning Design Advisor at Swansea Business School; founder of University of Edinburgh start-up, K3-Cubed Ltd.

Dr Maggie Inman, Head of Swansea Business School, University of Wales Trinity Saint David.

Introduction

There has been much discussion about the future of work, where increasingly Volatile, Uncertain, Complex and Ambiguous (VUCA) operating environments, often referred to as 'increasing complexity,' are challenging the ability of leaders and managers to anticipate, sense and react to change. This is evidenced in a recent KPMG report with 1,400 executive level respondents (KPMG, 2011):

- 94% agreed that managing complexity is important to their company's success.
- 70% agreed that increasing complexity is one of the biggest challenges their company is facing.
- 62% declared that increasing complexity would require them to develop new products/services.

The aim of this article is therefore to introduce a practical approach to managing complexity and coping with the change brought about by such environments. This is illustrated through an explanatory case study in a top 400 accounting firm in the United States.

The challenge

The underlying causality for VUCA conditions, includes increasing connectedness within an organisation's external environment, usually associated with the proliferation of information technology, and interconnectedness or interdependence: "The intertwining of organisations' value chains, corporate governance, and financial flows results in exposure to shocks at the periphery that can move to the centre of an organisation in rapid succession" (Seijts et al., 2010, online). Juxtapose these conditions against the expectations of the still emerging Millennial workforce, with their desire for collaborative, open, one-size-fits-one, work anywhere, anytime and on any device workplaces (Morgan, 2014), and it is no wonder why business leaders consider managing complexity to be their biggest challenge. This

creates intense pressure for leaders and managers to ensure that their organisational structures, systems, policies and practice sync with such environments. Quite simply, any organisation operating in a dynamic environment must itself be dynamic. This means organisational structures, systems, policy and practice, including methods for making sense of the world, must reflect the demands of such environments. Therefore, responses to a complex, emergent and non-linear world cannot be linear or based on command-and-control.

This requires leaders and managers to see and manage the whole picture, an impossible task for one person in a hierarchical leadership model. Complexity requires leaders and managers to engage and involve their people, in order to rapidly anticipate, sense and respond to ever increasing changes in the organisation's environment – think of this as decision-making and problem-solving using a distributed human sensory network.

These challenges are well-illustrated by ABCPA, a successful top 400 mid-west United States accounting firm, founded in 1956, with sixty employees (70% being Millennials), across two locations. In 2013 the firm's partner group sensed that their environment was changing, driven by the emergence of new financial reporting frameworks and increasingly complex operating conditions, defined by a growing demand for more personalised service offerings. There was also recognition that the firm was potentially not reacting to change as quickly as it should. "As business owners.... we get so involved in the day-to-day of taking care of clients... you become less effective if you don't spread the responsibility around" (ABCPA Partner).

The partners were also interested in expansion of the business, as a way to enhance its long term future. Here they realised that there was a lack of current employees on a 'partner track,' which could impact plans for growth. "Even though people told us we were a great place to work, they weren't sticking around for partnership" (ABCPA, Managing Partner). This led the partner group to seek assistance in developing a sustainable, high performance workplace.

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ALMOST ALL STAFF REQUESTED GREATER TRANSPARENCY IN DECISION-MAKING, ESPECIALLY CONCERNING GOALS, APPRAISAL, REWARD, MENTORING AND CAREER DEVELOPMENT.

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The response

The lead author of this article was engaged on what became known as the Clarity Project. “We tried several approaches on our own. They haven’t been ill-received, but the buy-in wasn’t there. We were going high on the mountain and coming back with the stone tablets” (ABCPA, Managing Partner). Twelve months of work began by reframing the problem as a phenomenon (see Madsbjerg and Rasmussen, 2014), asking: “What does a sustainable, high performance working environment mean for the people in this firm?”

This led to 100% staff engagement via Change Cafes, design workshops and one-on-one interviews, through which several key themes emerged – points 2 through 4 were not surprising, given that participants were mainly Millennials:

1. All but a few described the firm as a ‘family,’ which they did not want to see changed.
2. Almost all staff requested greater transparency in decision-making, especially concerning goals, appraisal, reward, mentoring and career development.
3. Many mentioned ‘trust’ in the context of being more involved in decisions.
4. Staff generally recognised that, to remain relevant in the future, there was a need to innovate; collaborate (inside and outside the firm); and be more flexible in their thinking (working outside their technical specialisms), which would require a commitment to their own personal development.

Progressing, the research team co-developed project guidelines with ABCPA partners to support the objective of developing a high performance workplace, drawing upon, for example, various leadership, adult learning, complexity, knowledge management and organisational behaviour theories (e.g. Snowden 2007; Knowles et al., 2008; Pfeffer 1998):

- Create attractors (e.g. processes) that stimulate and optimise self-organisation.
- Stimulate swarming, leveraging a breadth and depth of expertise to anticipate, innovate and problem-solve through collaboration.
- Focus on alignment of people, as opposed to organising them, using the unique personality of the firm, its history and underlying values.

- Craft an environment where learning can be applied under pressure to develop new skills.
- Encourage new ideas and experimentation, quickly dampening failure and amplifying success.
- Disrupt existing norms without negatively impacting day-to-day operations.
- Provide a generalist experience for managing complexity that conveys an understanding of how to cope with change.
- Build trust through openness, commitment, accountability, empathy and a ‘safe to fail’ culture.
- Allow status to be awarded by others and not by title.

Scaffolding change

The primary challenge was to swarm people around the change process. “One of the basic findings of applied behavioural science research is that people tend to feel committed to a decision activity in direct proportion to their participation in or influence on its planning and decision-making” (Knowles et al. 2008, p. 58). This was addressed through the formation of a ‘Frontier Team,’ comprised of twelve people, that included the Managing Partner and a balanced representation of staff that accounted for technical/managerial roles within the business (e.g. tax and audit), sex, and years of experience.

The team had a flat structure, with members taking turns to lead meetings. Members were given permission from the partner group to revisit the founding principles of the firm and develop systems and processes to create a high performance workplace that would remain relevant in a fast-changing environment, including the firm’s vision, mission, strategy, goals, HR policy and practice. The role of the Frontier Team was introduced to the rest of the firm via half-day workshops that set out the objectives for the change project. Each member of the team was expected to take on follower/ leadership roles as necessary, and all members were expected to lead an aspect of the project. Nobody had the authority to conscript people to support their tasks; any support had to be freely given and was reliant on the ability of the task leader to persuade others to support them.

The Frontier Team also codeveloped their own Terms of Reference, which was achieved in consultation with all ABCPA staff:

- Act as an advocate for the interests of all staff within the firm.
- Work to represent and uphold the values and standards of the firm.
- Shape a firm culture that embraces unity, integration and collaboration.
- Actively contribute to the development of firm strategy and operational policy, systems, processes and tools.
- Communicate with clarity the team's aims and objectives to the wider firm.
- Ensure that all opinions, both inside and outside the team, are heard and valued.
- Actively seek out opportunities to engage with all team members within the firm.
- Nurture trust in the Clarity Project through openness.
- Bring forward new ideas, encourage innovation and challenge the 'norm.'
- Foster a 'safe to fail' environment, where all team members feel that decisions can be taken in an environment where failure can be tolerated.
- Work to ensure that new ideas are introduced in such a way that failure can be tolerated.
- Champion continuous learning and development.
- Inspire and lead for the future (actions define you, not words).

The Frontier Team received situational and values-based leadership development; training in the use of tools for

internal/external environment analysis; methods for planning, monitoring and evaluating progress; critical thinking and decision-making development; and practical tools for time management and the hosting of efficient and effective meetings. This was complimented by the creation of a new decision making framework, designed by the lead author (Diagram 1), informed by decision science (e.g. Snowden, 2007), values-based leadership principles (e.g. O'Toole, 1996) and decision-making processes from the British Army (courtesy of a collaboration with Major Peter Francis).

The Clarity framework was conceived to assist distributed decision-making. All ABCPA staff were sponsored to take decisions by the partner group on the understanding that they could evidence their engagement with six decision gates:

1. **Purpose:** does the decision align with the vision, mission and goals of the firm? (Yes, safe to proceed. No, stop and seek guidance).
2. **Values:** does the decision align with our values?
3. **Standards:** does the decision align with our standards, including the code of professional conduct (is it legally compliant)?
4. **Credible:** is the decision based on credible evidence and how do you know?
5. **Coherent:** is the decision logical; does it feel like stepping across a stream or jumping the Grand Canyon?
6. **Risk balanced:** Have you considered risk? What are the short/long term consequences; have you tested your decision? Imagine you own a shop that sells apples. One day a customer asks for an orange. Would you stop selling apples and start selling oranges? Or would you experiment by stocking a limited number of oranges to gauge response and proceed based on feedback?

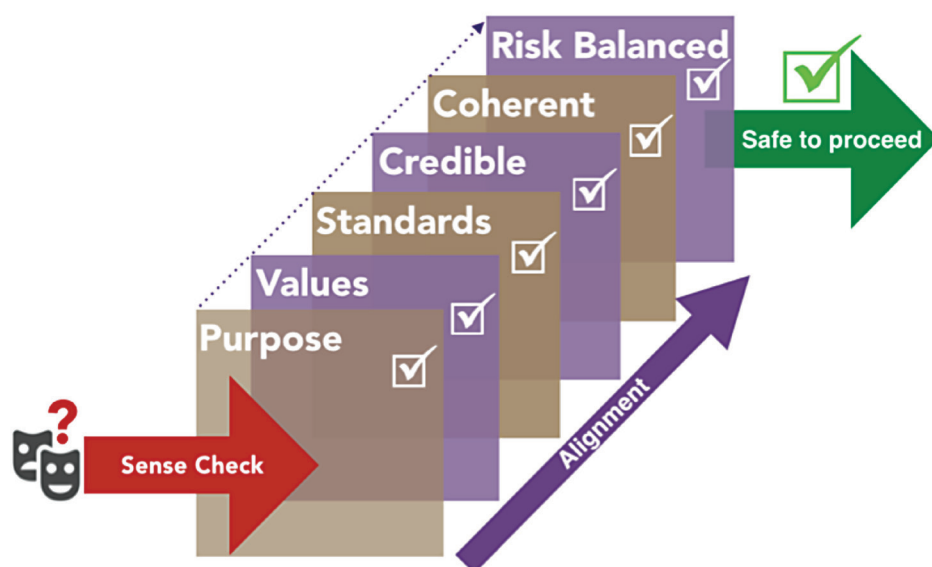


Diagram 1: The Clarity decision-making framework

This framework has been adopted as a 'Clarity Cube' that is visible on every desk and meeting space within ABCPA (Figure 1 overleaf).



Figure 1: The ABCPA Clarity Cube

Establishing openness and trust

During an early Frontier Team meeting the research team sensed hesitancy from non-partner participants. It was as if change was happening on the surface, but staff were yet to be convinced that they were participating in meaningful change.

Within accounting firms one of the least transparent aspects of the business involves what it actually means to become a partner, in terms of financial commitment. A typical response from partner groups being, “it depends and we’ll talk to you about it when the time comes.” A young manager with five years’ experience, during a discussion on existing goals around revenue growth and the development of future partners, felt comfortable enough to challenge the ABCPA Managing Partner on what it actually meant to become a partner. The Managing Partner went to a whiteboard and, for the first time in front of staff, mapped out the financials for partnership, including illustrations of how this had been structured in the past.

At the end of our engagement many staff noted this to be the moment when they believed that they were participating in meaningful change. Upon reflection, it begs the question, what would have happened if the Managing Partner had not been brave enough to have such a transparent conversation? “The biggest idea driving this project all along was that the partners were trusting us with the firm... Nothing is requiring them to put the future of the firm in our hands... now, what can we do to leverage that to ensure the firm succeeds in the future?” (Frontier Team member, four years’ experience).

The outcome

At the time of writing, the Frontier Team is coming to the end of its second year. After year 1, half of the members transitioned off the team, as a way to initiate a two year cycle of participation, where half of the members change on an annual basis; the Managing Partner being the only permanent member.

During year 1 the team identified commonly accepted values, built upon the traditions of the founding partners, which are visible in all the firm’s public and private meeting spaces.

They also clarified the firm’s values in the context of its mission:

“Our firm is a community where clients and staff feel understood and appreciated. We are growing our community by providing services that remain true to our core values and respond to evolving needs. This means: We act with *integrity*. Our *innovative spirit* is harnessed to continuously challenge the design, development, and delivery of excellent services. We strive to earn the *respect* of the communities we serve and our place as a trusted advisor. We ensure our team members apply *balance* in their lives to sustain our pursuit of *excellence*.”

The Frontier Team conducts ongoing environmental scanning and is responsible for the development of pathways to achieve the agreed strategy. The team continuously monitors and adjusts strategy and practice according to feedback, which includes revenue, employee development and client satisfaction indicators. It has also developed a new online employee guide that tells stories of the past and sets out human resource policy, procedure, career guidance and competency based development guidelines.

Conclusion

The aim of this article was to introduce practical approaches to managing complexity and coping with the change brought about by such environments. We believe the methods to be transferable outside of the case organisation. This is strengthened where they have been deployed, in part or whole, within five other organisations in the United States and the United Kingdom. More importantly, evidence suggests these methods to be successful:

“I appreciate the outcome... When you’re being pushed to the edge it can be frustrating. Then, looking back on it, seeing what you learned, it’s rewarding – we’ve become more efficient, from how we handle our meetings to how we make decisions” (Frontier Team member, four years’ experience).

“It’s helped me develop my leadership skills, my critical thinking skills... it’s definitely affected me in my day-to-day work... where I don’t jump to quick decisions” (Frontier Team member, five years’ experience).

“What I’ve learnt through this process is a little humility. I don’t have all the answers and I need to listen to others. I think it’s fascinating to see, when you empower others and say that we want this input from you, what you get in return. It’s going to position us better. It’s going to make our firm stronger.” (ABCPA Managing Partner).

Testing of these approaches continues, but, regardless, such practice is necessary if leaders and managers are to sustain the fitness of their organisations with a dynamic, fast changing landscape.

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About the authors



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David Griffiths is a Learning Design Advisor at Swansea Business School and the founder of the University of Edinburgh consultancy start-up, K3-Cubed Ltd. David is passionate about organisational knowledge and learning, particularly how design-led approaches create value through enhanced problem-solving and decision-making capability. David's work won an Emerald Literati Network 'highly commended' Award for Excellence in 2012. In December 2011 he was recognised as one of four key worldwide influencers in the Knowledge Management field. In 2013 he was listed as one of the top 30 Knowledge Management influencers in the world ("Top 100 names to know in KM"). In 2014 his Knowledge Management and Organisational Learning project with the Indiana Certified Public Accountants Society (INCPAS) won a "best project" award at the Society of Association Executives annual awards. In 2014 he wrote a book on HR development for the United States accounting profession, which was recommended by the American Institute of Certified Public Accountants as a top read. In 2015 he was again named as one of the top 10 influencers in the field of Knowledge Management.

David holds a PhD in organisational knowledge and learning from the University of Edinburgh and is a Chartered Fellow with the Chartered Management Institute. He has worked with organisations around the world such as: e.on, Ubisoft, Quintiles Laboratories, BAe Systems, Abbot Vascular, Mars Inc., the English Institute of Sport, Bahrain Natural Gas and Scottish Water. He also sits on the Advisory Board for a US technology company.



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Maggie Inman is Head of Swansea Business School at the University of Wales Trinity Saint David. Her research focus is within the area of leadership and management development and has a particular interest in the use of life history as a methodology. She has extensive experience in qualitative research predominantly amongst middle level leaders in higher education and has published this work in a variety of peer reviewed journals such as the *International Journal of Leadership in Education*, *Journal of Educational Management Administration and Leadership* and *Professional Development in Education*.

Maggie has a Doctorate in Leadership from Birmingham University and an MSc in Human Resource Management. She is a Senior Fellow of the Higher Education Academy (HEA), a Senior Fellow of the Chartered Institute of Personnel and Development (CIPD) and is an active member of the CIPD South West Wales branch committee. She is an external examiner for the CIPD programmes at the University of Gloucester and on Doctoral theses in Leadership at the University of Birmingham. She is a Principal lecturer, delivering HRM and Leadership modules on the MBA and CIPD programmes as well as modules for the British Armed forces. Prior to her role in UWTSD she has worked in Human Resource Management roles within a variety of public and private organisations. She has co-authored a text on Human Resource Management and remains active in working with organisations to improve their Human Resource capability.

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This report was prepared by Catherine Baker, Piers Cain, Nick Parker, Lysbeth Plas and Patrick Woodman at CMI.

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