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**Sustainable Leadership**

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## **Abstract**

Effective leadership in managerial jobs has increased in its vitality due to the present fundamental shift in the corporate environment. The most current theory perceives leadership to be a process in which leaders are not seen as individuals in charge of followers, but as members of a community of practice. Sustainable leadership is a relatively new term, particularly in the context of managerial or organizational view. It is debated, that sustainable leadership is required for continuity of stable vision and to assist the flow of organizations policies for a long period of time.

ABS Pumps, is in the process of organisational change. The organisation has faced financial risks due to weak sales and low margins in Germany and the UK and by unsatisfactory margins for process pumps for the pulp and paper industry. Our main research problem, deals with how ABS Pumps can develop a high level of leadership capacity that can be sustained over time. As an alternative consideration to how individuals can become more effective leaders, research as to how organisations can sustain leadership over time, as individual leaders move in and out of the organisations has been carried out, as well as an analysis of how ABS Pumps can attract and retain people with future leadership potential and what ABS Pumps should do to develop and broaden those people with leadership skills.

We have considered selected theoretical themes in the context of sustainable leadership literature and conducted in-depth interviews at ABS Pumps to collect the empirical data. A thorough analysis of theory and empirical data leads us to conclude that a deliberate recruiting effort followed by a comprehensive leadership skill assessment tool is required to attract people with leadership potential.

Consistent organisational policies regarding an attractive work environment, giving challenging opportunities to employees, equal opportunities for future growth, lack of internal politics and in-house process for identification of

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leader is required to retain people with leadership skills. Leadership, training and development programs play a vital role to develop and broaden people with leadership skills, since individual leaders move in and out of the organisations. The best way to sustain and develop a high level of leadership capacity is to establish an executive team, which consists of a top management group that includes CEO and other top executives, responsible to initiate and implement all strategic decisions.

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**Appendix**





## **1.0 Introduction**

*A leader is best when people barely know he exists, not so good when people obey and acclaim him, worse when they despise him.... However, of a good leader who talks little when his work is done, his aim fulfilled, they will say, "We did it ourselves." LaoTzu (6th century B.C)<sup>1</sup>*

Leadership in its various forms has always been of importance and in all probability will remain important in human affairs. As today's business environment demands swift changes, the need of effective leadership has become more vital. In the 21<sup>st</sup> century, changing realities of demography, fast changing structure, shifting alliance, mergers, acquisitions, multiple cultural effects, and technology explosion are factors, Waco et al. (2002), which rapidly and constantly influence our corporate culture. Organisations are demanding more leadership to manage this complex and variable natured situation.

According to James M. Kouzes and Barry Z. Posner, (1999) leadership is not rank, privilege, title or money, it is a responsibility. In every-day-conversation, the word leadership is used in with reference to the process of moving in some direction through non-coercive means or to refer to people who are in roles where leadership is expected.

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<sup>1</sup> Lao Tzu, (6th century B.C), Hearts, quotes and proverbs, HearthMath, <http://www.heartquotes.net/Heart-quotes.html>

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### **1.1 Research background**

Sustainable leadership is a relatively new term, particularly in the context of managerial and organisational view. According to Waco et al. (2002), in this 21<sup>st</sup> century, changing realities, due to immense competition and consistent technological innovation, the business environment is increasingly changing and seriously damaging the long-term performance of organisations. As a result, alienation is high, cynics are winning, people are exasperated, pessimistic about the future, loyalty between institutes and people are being abolished. In such situations people tend to look after themselves as an alternative to forming as a whole and contributing positively. Given the situation, traditional management is insufficient to compensate with this new environment, so organisations are now looking towards leadership instead of traditional management principles.

As a consequence, organisations with insufficient leadership start depending on spoon-feeding policies to cover-up the problem. Mainly such organisations rely on short-term policies and actions instead of formulating long-term strategies. Instability and uncertainty prevails on the heads of organisation members, particularly on top leaders. Eventually, organisations start to acknowledge that they are suffering from scarcity of an effective leadership. According to Gregersen et al, (1998) a survey based on the quality and quantity of global leaders from US fortune 500 firms in 1997, most of the organisations admit that competent leadership is more important for them as compared to finance, technology, high quality workforce, or political stability, etc.

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Managers are finding it difficult to continue their jobs for long periods of time due to declining profits. Contingent types of work concepts are rapidly increasing in the business market. Loyalty of employees becomes questioned and this develops into a challenge for companies to sustain long-term growth. In such conditions, it is vital for organisations to have a strong vision and clear objectives for their future survival. At the same time sustainable leadership is required for continuity of stable vision and to follow the policies for a long period of time.

ABS Pumps is in a process of organisational change. Earnings were adversely affected by weak sales and low margins in Germany and the UK. Due to unsatisfactory margins in support of process pumps intended for the pulp and paper industry, executives of ABS Pumps are re-organising its management system, particularly practices related to leadership and Human Resources (HR) development. Two of their top executives of the ABS Pumps Group resigned within a year. In this environment it is interesting to investigate as to how ABS Pumps can establish the concept of sustainable leadership in the company to provide a continuous and sustainable flow of leadership potential in the organisation.

## **1.2 Main Problem**

Our main research question is;

**How can a company, in our case, ABS Pumps develop a high level of leadership capacity that is sustained over time?**

As an alternative to thinking about how individuals can become more effective leaders, we are interested in how organisations can sustain leadership over time as individual leaders move in and out of the organisation.

### **1.2.1 Research Problems**

For this endeavour to be sustainable, and for a leader and his or her leadership to be continual, it is vital to have alignment with a set of principles that will stand the test of time. One can find temporary gains or successes with ill-founded principles, but one cannot experience sustained impact where there is misalignment between leadership values and practices on the one hand, and proven principles on the other.

The relationship between leadership and organisations seems intensely interlinked and partially dependent on each other. One's optimistic sustained performance can affect and support the other to construct his performance for progression. To further broaden the scope of our research we will also examine two important issues related to our main research questions:

**What does a company, in our case, ABS Pumps, do in order to attract and retain people with some leadership potential?**

**What does a company, in our case, ABS Pumps, do in order to develop and broaden those people with leadership skills?**

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We have selected theoretical study themes to address our main research area to achieve in-depth knowledge about related issues on sustainable leadership and other research areas mentioned above, with respect to ABS Pumps.

The conception of leadership is very broad. It has diverse dimensions and there is a variation in the explanation of sustainable leadership concept by different researchers. We will study practices of ABS Pumps pertaining to recruitment, retention of employees, attractive work environment, leadership training and development of employees in the organisation. The limited time schedule has given us the opportunity to focus our research and interviews within ABS Pumps offices of Gothenburg.



## **2.0 Theoretical Framework**

*In this segment, we discuss the theories and approaches, which constitute the theoretical framework of our thesis and upon which we have built our research. We start by describing, sophisticated recruiting effort, early identification of leadership, challenging opportunities and an attractive work environment to explain how leaders can be attracted and retained. This is followed by developing leadership skills, which aims at explaining the development of leaders. While leadership teams help to understand the conclusion to this research.*

### **2.1 What is Sustainable leadership**

According to Kotter, (1988) when firms are in a strong position, enjoying competitive advantages due to less competitive intensity in their markets, it does not require strong leadership attributes. However, a firm, which has a consistent, strong, and sustainable performance history, approach in a strong position to develop and retain appropriate, capable leaders. Unfortunately, most of the organisations ignore the importance of long-term leadership at this stage. Eventually, when the firm grows and becomes more complex the competition grows and transforms into a difficult intensity to aggressive market behaviour. The performance track of organisations changes with the mode of competition and there is an immediate need for strong leadership to overcome predicaments and situate the firm on a path of progress.

According to Kotter, (1988) the capacity to supply strong leadership to escape from a deteriorating economic performance and maintaining stability is vital. Poor performance does not allow organisations to immediately focus on the leadership issue but on the short-term financial commitments. According to Kotter, (1988<sup>1</sup>) the short-term economic and parochial political pressures grow and begin to shape more and more policies and practices. *“Policies and practices shaped by these forces produce managers that are unable to provide*

*effective leadership.*<sup>2</sup>” Such short-term policies and practices also generate a gap between the leadership the firm needs and the leadership it has. If the organisation is to survive in the long run it requires sustainable leadership.

Sustainable leadership is a comparatively new phrase. Therefore, we cannot find any exact definitions of sustainable leadership. However, we define “*Sustainable leadership as the art of maintaining leadership to ensure continuity of leadership potential in an organisation*”. After reviewing various types of leadership concepts we have extracted ideas and some theoretical concepts, which will be of assistance to support our concept of *sustainable leadership*. Pertaining to the present context, two questions can be probed to find out which practices can lead to sustainable leadership.

**What are firms doing to attract and retain people with leadership potential?**

**What are firms doing to develop and broaden those people with leadership skills?**

In order to find out what relevant practices ABS Pumps can adopt to attain the sustainable leadership process, we will study the following five main practices relating to long-term sustainable leadership developments. We will study themes such as recruiting, work environment, challenging opportunities and identification of leadership to answer how ABS Pumps can attract and retain people with leadership potential and leadership-skill development programs to find out what organisations do to develop and broaden those people with leadership potential. The concept of executive teams is presented as a possible solution to the problem since individual leaders move in and out of the organisation, to build a team to fill the leadership gap. All these selected themes are presented, which form part of our academic research.

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<sup>2</sup> John P. Kotter , *Roots of the problem: A summary of why firms like “West” have weak managements, The Leadership Factor*. The Free Press, New York. 1988, P 57



We will start our discussion by presenting relevant theories to address our first research question;

### **What are firms doing to attract and retain people with leadership potential?**

To investigate, what are firms doing to attract and retain people with leadership potential, we focus on three areas of interest to build a strong theoretical framework relevant to our main idea of sustainable leadership. We start from, sophisticated recruitment process, in order to ensure the continuity of leadership potential, as a first step, people with leadership potential are recruited, and then they are given an attractive work environment and challenging opportunities, to ensure retention of such people in the organisation for a long time.

## **2.2 Sophisticated recruiting process**

According to Kotter, (1998) the role of line management is gaining importance in order to recruit the right person in the right position. The role of human resource professionals are confined to providing coordination and administrative support, but they do not seem to run the process. According to Kotter (1988) some senior line managers of high caliber companies like General Mills and Merck etc. are visiting business schools to recruit the right people. Most executives in these firms seem convinced that it is necessary to spend time and resources to recruit people with right leadership potential and skills. Many corporations target a limited number of colleges and universities which they feel are good sources of future leadership, and they treat those schools much as they would major customers.

Most of the firms seem to work especially hard to keep hiring standards high across the entire company. According to Kotter, (1988) IBM, for example, quantifies certain measures of the quality of incoming employees, sets targets on those measures, and then examines on a regular basis how well each hiring department is doing. Merck brings all high-potential recruiting candidates to the corporate headquarters to meet some senior managers who are thought to have a good sense of the firm's hiring standards. By reading these few examples it is clear that the exact practices vary from firm to firm, but the main objective is to keep standards from slipping due to short-term economic pressures.

It is imperative to pay attention to leadership potential when recruiting yet, without an understanding of the essential tasks entailed, it is not possible to develop selection procedures. Melvin and James (2002) suggest, at a minimum, organisations need an evaluation process that yields a full, balanced, and accurate picture of candidates. Alistair Ostell (1996) has discussed several ways of assessing employees' skills. We think that all this discussion leads to the fact that a comprehensive leadership skill assessment-tool might be required to recruit people with right leadership potential.

Such an assessment tool might be a standard HR method in which emphasis would be to judge leadership skills and potential of a candidate against the job description. According to the Job description, candidates shall be examined by a written exam (not compulsory in all cases, depends upon job position in question) followed by different phases of in-depth interviews to judge the personality and leadership attributes of the candidate. The next task will be to attract and retain the people with leadership potential in the organisation and ultimately to develop and broaden their leadership skills. This process can lead to such long-term leadership practices, or practices that are not subject to day-to-day decision making, which ensures a continuous flow of leadership potential.

### 2.3 An attractive work environment

In the era of capitalism, most decisions are often based on a highly rational centric approach. Both organisations and workers probably always keep looking for good to better opportunities. Often firms want something extra from what they pay to their workers. Conversely, employees always want more wages and benefits for their efforts to their companies. According to G. Rocheteau (2002) the wage (salary or financial benefits) is an Instrument to recruit, retain and motivate workers.

Therefore if employees start to jump from one organization to another organization for the sake of good financial benefits, then it may be difficult for organisations to retain its high calibre employees for long periods of time. So in order to attract and retain people with leadership potential (for long periods of time), organisations are offering highly competitive salaries and other exceptional fringe benefits as a part of an attractive work environment. On the other hand Anna Kaplan (2001) in her article switches attention to the idea of non-hierarchical work environment and to creating most valuable assets of an attractive work environment in an organization. The question is, can organisations create an attractive work environment without offering high financial benefits to its employees? For the explanation Gregory P. Smith (2000) argues, “You (organization or firms) don’t have to be the highest paying employer to provide a positive and attractive work environment<sup>3</sup>”. Being informal and creation of an open environment will not only help to attract and retain people with leadership potential but will also provide them with more opportunities to develop their skills.

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<sup>3</sup> Gregory P. Smith (2000), “How to Attract, Keep and Motivate Today’s Workforce,” *Business know-how*, Wednesday, August 30, <http://www.thecitizennews.com/main/archive-000830/business/b-03.html>. 2002-11-26 Time, 18:13 And <http://www.businessknowhow.com/manage/attractworkforce.htm> 2002-11-26 Time, 15:45 and Gregory P. Smith’s homepage, <http://www.chartcourse.com/> 2002-11-26 Time, 15:46.

According to Kotter, (1988) perhaps the most common answer regarding what makes a work environment fun is “*lack of politics.*” One can say that this is probably the largest cause of people leaving the organisation. People helping each other fosters and creates a more “friendly” working atmosphere.

According to Kotter (1988), executives also often mention honesty or integrity as important features of a good work environment. In Johnson and Johnson (see Kotter, 1988), people, for example often refer to the fact that they usually live up to the high ethical standards outlined in their “CREDO<sup>ii</sup>,” and that makes J&J’s environment very attractive.

According to Kotter (1988) another vital ingredient to shape an attractive working environment is the lack of bureaucracy or informality. Other factors that help create a more attractive working environment are the quality of co-workers and modern and fresh office facilities. “If someone is new on the job, he or she should be taught to be open to get help to learn, should listen carefully with an open mind.”

By reading all the arguments by different researches mentioned above, we have been convinced that after recruitment of people with leadership potential, organisations have to provide them with an attractive work environment to make these people stay in an organization. The presence of people with leadership potential might help to promote the concept of sustainable leadership in an organization through developing and promoting their skills within organization. Now we will study the next theme “Challenging Opportunities”.

## 2.4 Challenging opportunity

*“Challenging tasks should be given to the people to strengthen themselves and to support risk taking culture.”* (Kotter, 1988)

According to Kotter, (1988) challenging entry level jobs help attract good people in the first place, and challenging promotion opportunities help firms hold on to these people, because people with leadership potential love new challenges and hate old routines. If challenge is present early on in careers, people stretch themselves and allow them to exercise leadership. In addition, this is the essence of development. According to George et al, (1994) Schlumberger promotes “only on the basis of ability and track record, never on the basis of seniority”. “For this reason position and responsibility come early to leaders.”

Robert, et al (2000) writes, best-practice organisations always assess the impact of their challenging leadership-development opportunities. Challenging opportunity cannot only be given to test an employee’s capability or his/her leadership aptitude but also to sharpen his/her personality and as a process of his leadership development programme. Many of today’s firms seem to develop additional challenging work opportunities by stressing growth through new products.

According to Kotter, (1988) 3M has even had a policy over the years that at least 25% of its revenue should come from products introduced within the last five years. That encourages small new ventures, which in turn offers hundreds of opportunities to test and stretch young people with leadership potential.

According to Kotter, (1998) challenging opportunities are created in a number of ways. In many firms, delegation is the key. Some firms have also worked hard to minimise bureaucracy and rigid structures so that it is easier to enhance jobs with additional challenges. Other firms have also created as many small units as possible, in order to increase challenges.

According to George Merquerian and Tom Blades, (1994) what triggers and motivates an individual to perform is a result of many components. Some companies would use international transfer assignments as a carrot. This produces a change in the management discipline for example from line to marketing or technique. Some of these techniques, which enhance motivation are monetary in the form of performance based merit increases or annual bonuses.

When all of those techniques still do not produce enough opportunities, the companies have to resort to making positions free. That sometimes means making early retirement attractive to certain people. *“In addition, it always means coming to grips with “blockers”, people that have no chance of further promotion and are a long way from retirement, and not performing well in their current assignments. (Kotter, 1988).”*

The above arguments reveals the fact that challenging entry level jobs help attract good people in the first place, and challenging promotion opportunities help firms hold on to these people. Organisations offering challenging opportunities to their employees would have a continuous flow of people with leadership potential which could help to create sustainable leadership capacity in the organisation.

## **2.5 Early identification of Leadership**

*“Scientific techniques seem to be rarely employed. The key is: look, talk, and think.”(Kotter, 1988)*

To make young employees visible to senior management, a number of techniques are applied. According to Kotter, (1988) in order to identify potential leaders as early as possible in the organisation, it is important to provide the equipment. What most companies lack is the time factor. The methods most of those firms used are fairly simple. They put a lot of time and effort into making young employees and people at lower levels in their organisations visible to senior management. Senior managers then judge for themselves who has potential and what the development needs of those people are. Executives then discuss their tentative conclusion openly and candidly, among themselves, in an effort to draw more accurate judgements. John P. Kotter, (1988) states, “Scientific techniques seem to be rarely employed. The key is: look, talk, and think.”

### **2.5.1 Locating the potential visible for senior management**

To make younger employees visible to senior management, a variety of techniques are being utilised. Kotter, (1988) discusses some of the techniques, each described by an executive whose firm uses that approach: “We regularly take young people who someone thinks has potential and put them on special projects that conclude with presentation to senior management. I can still remember making a presentation when I was 30 years old to a group that included the chairman of the company.” (An executive at Johnson & Johnson). The management council at Hewlett-Packard (the top twenty-eight people), for example, has had regular discussions or reported to be “very open.” Large firms tend to try to do that sort of thing in a very systematic way.



At Du Pont, for example (see John P. Kotter, 1988), the sixteen senior department heads meet once a month for two hours. A typical meeting, the agenda will conclude with a discussion of the half dozen people one of those executives thinks is “highly promotable.” Before every meeting, a picture and biography of those six people are sent to all sixteen-department heads. At the meeting, everyone who knows those people is expected to speak up, especially, those who had concerns or questions about a person’s potential (e.g., “when Harry worked for us five years ago, he only performed at an average level. What has happened to him recently that led you to think so highly of him?”).

We think that such practices of identifying a potential leader as early as possible in organisation provide senior managers with information on people who might have leadership potential. The senior executives then usually share and discuss that information among them, either informally or formally, on a regular basis. These potential leaders can be groomed and fostered according to corporate culture of organisation. When promoting staff, management would already have potential candidates for the positions vacant, as these identified leaders are ready to lead and make their professional career in the organisation enabling it to continuously retain the leadership potential which could help an organisation to establish a sustainable leadership capacity.

Our next sub research question was

### **What are firms doing to develop and broaden those people with leadership skills?**

When people with tested leadership potential are there, it will be easy to develop and broaden their skills. Our second portion of research is concerned with these leadership developments techniques. Therefore, we try to construct a theoretical framework in a way that it supports our second sub-question and to direct it to our main research question and to delineate our main topic of Sustainable Leadership. In our perception, leadership development programmes have a crucial role in the existence of the sustainable leadership concept,

because if organisations cannot develop it (leadership), they cannot sustain it (leadership).

### **2.6 Developing leadership skills**

As the business environment of today is rapidly changing, so must its leaders. A leader of the future must constantly renew and improve skills and competencies. According to Yukl, (1998) “as the need for leadership competencies increases in all types of organisations, new techniques for developing them are being invented and old techniques are being refined”.

Two often mentioned but different approaches for developing leadership skills are training programs and developmental activities. Most training programs occur during a defined time period. Developmental activities on the other hand, are usually incorporated within operational job assignments or performed in conjunction with those assignments. According to Yukl (1998), these experiences can take many forms, including coaching by the boss or co-workers, mentoring by someone at a higher-level in the organization, special assignments within the current job or transfers that provide new challenging opportunities for skill development.

The effectiveness of training programs depends in part on organizational conditions that facilitate or inhibit learning of leadership skills and the application of this learning by managers. Facilitating conditions include things such as support for skill development from top management and reward systems that encourage skill development and cultural values that support continuous learning.

### **2.6.1 Designing effective leadership training programs**

Leadership training programs are conducted by different organisations to enable their employees to develop leadership skills and abilities to execute their duties effectively. The effectiveness of formal training programs depends greatly on how well they are designed, just like a school syllabus. Leadership training and development programs enable employees to learn as well to exercise the theoretical contents learned at these training programs at the job. The design of training should take into account learning theory, the specific learning objectives and practical considerations and costs vs. expected outcome. It is difficult to provide precise guidelines for designing training. According to Yukl (1998) leadership training is more likely to be successful if designed and conducted in a way that is consistent with some important findings in research on learning processes and training techniques.

We found some contradictory opinions from researchers also regarding leadership-training programs. One of them according to Yukl (1998) (Davies et al., 1984) is that “Much of the skills essential for effective leadership are learned from experience rather than from formal training programs”. (We have discussed these issues in more detail in our Analysis part). Many organisations design assignments to administrative positions, which provide an opportunity to develop and refine leadership skills during the performance of regular job duties.

The extent to which leadership skills and values are developed during operational assignments depends on the type of experiences afforded by these assignments. Learning from experience in operational assignments is affected by the amount of challenge, variety of assignments, and quality of feedback. Superiors who provide coaching and mentoring can help managers interpret their experiences and learn new skills. Leadership training might be helpful in developing leadership skills in employees. This will help to build teams of

employees all having leadership skills thus making the continuous spectrum of sustainable leadership.

According to Yukl (1998) the best way to learn from Experience is to design leadership development programs.

### **2.6.2 Developmental Techniques**

A number of techniques can be used to facilitate learning of relevant skills from on job experience. These planned techniques can be used to supplement informal coaching by the boss or co-workers. Leadership development techniques are helpful in developing leadership potential in individuals. Popular leadership development techniques include, Special assignments, action learning, job-rotation programs, mentoring, multi-source feedback workshops and personal growth programs.

According to Yukl (1998), leadership development programs help to improve self-awareness and overcome inner barriers through experiential learning and development of leadership competencies. Leadership development programs help to develop and broaden the leadership skill and potential of the employees. This inturn might ensure the sustenance of a leadership capacity in the organisation.

### **2.6.3 Organizational Conditions Facilitating Development**

According to Yukl (1998), learning of leadership skills is facilitated by some conditions within an organization that help to determine how much training is provided, how much job challenge people experience, how much feedback is provided, how much people are motivated to learn new skills, how much people are motivated to help others learn, and how people interpret mistakes and failure. Some of the most important conditions will be examined briefly.

### ➤ **Support By the Boss**

Yukl (1998), basing his conclusion on several other researchers, states, “A key of feedback and coaching for most managers is the boss. However, many bosses fail to do the things necessary to facilitate subordinate development of leadership skills”. A boss who does not understand the importance of coaching and mentoring is unlikely to provide much of it to subordinates.

According to Yukl (1998), “motivation to learn leadership skills and apply them at work is influenced by the extent to which bosses promote and support training activities”. Bosses who are insecure are unlikely to develop subordinates who could become potential competitors. Bosses who treat mistakes by subordinates as personal failures rather than learning experiences will also impede development. Bosses who are overly protective of subordinates and fail to provide enough challenge in their jobs are unlikely to be successful in developing leadership skills in subordinates.

### ➤ **Learning Climate**

According to Gary Yukl, (1998) “A supportive organizational climate and culture also encourages managers to apply the skills they have learned in training or developmental experiences.” The amount of management training and development that occurs partially depends on prevailing attitudes and values about development. Most leadership development is likely when individual learning is regarded as highly important for organizational effectiveness. Managers will provide more coaching and mentoring when these activities are explicitly measured and rewarded. More members of the organization will be encouraged to seek opportunities for personal growth and skill acquisition.

By reading all the arguments we think that leadership training and development programs help employees to learn, develop and broaden their leadership skills,

abilities and potential. This would create a well-trained team of employees, all having desired leadership skills and abilities. By sustaining the leadership skills development programs organisations might achieve sustainable leadership. Now we will look at the concept of executive teams, which is another selected theme to investigate the concept of sustainable leadership at organisations.

### **2.7 Executive Teams**

Marvin Brower (1997) argues to build leadership teams, as he writes, *“along with leadership teams can go individual leaders to make up part of the network. Thus, the company would not be dependent on the chief executive alone for leadership.”*

According to Yukl (1998), all organisations have a top management group that includes the CEO and other top executives, but organisations differ greatly in the way this group operates. The traditional approach is to have a clear hierarchy of authority with a chief executive officer (usually the chairman of the board, but some time the president of the organisation), a chief operating officer, (usually the president of the organisation), and several subordinates and executives (e.g., vice presidents) who head various sub units of the organisation. This structure is still prominent, but increasingly popular alternative is to share power within the top management team. Executives in the team collectively assume the responsibilities of the chief operating officer in managing the internal operations of the organisation and they assist the CEO in formulating strategy. Executive teams are becoming more acceptable due to their effective use by other countries (such as Japan) and a growing awareness that the stereotype of the heroic, individual leader is unrealistic for complex organisations with turbulent environments.

According to Yukl (1998), regardless of the formal structure of an organisation, there will be differences in the extent to which strategic leadership is actually shared among the top executives. Some organisations have an autocratic CEO who allows other executives little influence over strategic decisions, even when there is an executive team. Other organisations have a CEO who works

together closely with other top executives in making these decisions, even when a formal structure is a traditional hierarchy.

### **2.7.1 Executive teams and organisational effectiveness**

According to Yukl (1998), a number of studies have investigated how characteristics of the numbers of a top management group and the decision process used by it are related to organisational effectiveness. This research finds that executive characteristics necessary for team effectiveness depend on the organisational context in which the team must operate, on the nature of environment and on the management style of the CEO. In the executive teams strategic decision-making is affected not only by the traits and the skills of the CEO but also by those of other members.

According to Yukl (1998), it is just not enough to make good strategic decisions they must be implemented effectively to be successful. Strategic decisions will not be implemented effectively unless they have the commitment of executives in the top management team. If consensus among team members increases, their commitment to implement a strategy increases. It is not necessary for every member to agree on all aspects of a strategic decision, but some degree of consensus is necessary for an executive team to be effective. Diversity in the team improves decision quality but makes it more difficult to reach consensus. If the decision process results in a conflict among team members (accusations, name calling, blaming), cooperative effort to implement strategies decisions will be undermined. Thus, although it is desirable to confront disagreements openly in order to make use of the team's collective knowledge, decisions of differences must be made in a way that does not create personal hostility and resentment among team members.

We share the point of view of Marvin Brower (1997) that along with leadership teams can go individual leaders to make up part of the network. However, more important, leaders and leadership teams scattered strategically throughout the company will spread the power of leadership. In this way a team of executives,

all having leadership skills will be available. Any team member can substitute for the one who quits the organisation. In this way there might be a continuous flow of leadership, which might be sustained over time.

The above-mentioned theories provide us with the theoretical framework to study our main research question and to investigate the concept of sustainable leadership in ABS Pumps AB. We are presenting a diagram to illustrate our theoretical framework based on the theories presented in this chapter.

(See Appendix 1)



### **3.0 Introduction to ABS Pumps AB**

*After formulating our problem statement and deeply understanding our investigation area, we chose ABS Pumps AB as a source to investigate and examine our main concept of sustainable leadership. Currently, ABS Pumps AB is in a process of change with regard to its corporate leadership. Thus, making this company an ideal learning example for the proposed area for investigation. It was of utmost importance for us to have in-depth knowledge of ABS Pumps AB leadership practice and ABS Pumps AB as a whole. Furthermore, the information gathered below, is mainly taken from the <http://www.cardo.se> Internet site, presentations from ABS Pumps AB and the annual report.*

ABS Pumps is one of Europe's largest manufacturers of pumps, mixers and aerators. A global leader, it is in the production of a sophisticated measurement instrument for the pulp and paper industry.

ABS Pumps is one of Europe's largest manufacturers of pumps, mixers and aerators for water and wastewater applications, industry, and the building services sector.

Water and wastewater accounts for slightly more than half of ABS Pump's turnover. This segment embraces both the supply of raw water for drinking water and wastewater treatment, where pumps, mixers and aerators are used not only in the treatment process itself but also for the actual transport of the water. Dewatering pumps for construction sites are also included in this segment.

Industrial sales mostly involve products for the process industry, such as the pulp and paper industry, where ABS Pump's products are used both in the actual process and for treatment of the industrial effluent.

The building services segment includes small wastewater pumps for public buildings and industrial and residential premises. ABS Pump also offers prefabricated pumping stations and circulation pumps.

Products are marketed under the brand names ABS Pumps and Pumpex. ABS Pumps also includes Lorentzen & Wettre, which makes measurement instruments for the pulp and paper industry. Lorentzen & Wettre is a global leader in the area of sophisticated control for process optimisation and the monitoring of paper quality.

### **3.0.1. Business concept**

ABS Pump's business concept is to offer customers worldwide in the water and wastewater applications field, in industry and in the building services sector the most cost-effective solution, including service, with regard to the life of the product.

### **3.1 The organization**

Production is mainly carried out in Sweden, Germany and the Republic of Ireland. In Sweden, there are several production units where pumps, mixers and measurement instruments for the process industry are mainly produced. In Germany, big pumps, mixers and aerators for the water and wastewater market are made. Production in Ireland encompasses small wastewater pumps and mixers as well as pumps for the building services segment and prefabricated pumping stations.

Marketing and sales of products are conducted through sales subsidiaries in 24 countries with the focal point in Western Europe. Other countries are covered via own representatives, distributors and agents. Service activities are integrated into the sales companies, and ABS Pumps also has a large number of authorized service workshops offering a range of expert services.

In order to further enhance its customer orientation, ABS Pump's organization was changed at the start of the year from being geographically based to being divided on the basis of market segments related to the customers' applications and processes. Water and wastewater, industry, and building services were given separate marketing organisations, creating even greater potential to focus on each group of customers.

### **3.2 The market**

The pump market as a whole is mature with an annual growth that more or less corresponds to GNP growth. The USA, Japan and Germany are the biggest markets for pumps.

The total world market for all types of pumps is estimated to be worth more than SEK 125 billion annually. Of this, approximately SEK 25 billion relates to the type of centrifugal pumps that ABS Pumps provides in the market segments and the geographical areas that ABS Pumps covers.

The global market for mixers and aerators is worth roughly SEK 6 billion a year, of which approximately SEK 1 billion is available to ABS Pumps.

More than half of ABS Pump's turnover relates to products for the distribution of clean water and the pumping and treatment of wastewater. Needs are increasing in line with population growth and increased economic growth. The market is also driven by new environmental legislation and privatisation. The water and wastewater market globally is expected to show annual growth of around 3 percent. The market for dewatering pumps is in the first instance controlled by investment in infrastructure projects such as roads, railways and bridges and by weather conditions such as rain and flooding.

The pulp and paper industry is a cyclical market. Growth more or less tracks the trend for GNP across a business cycle, but with large seasonal variations. Regardless of the state of the economy, demand for replacement pumps and spares are more stable, and the aftermarket therefore accounts for a large part of

ABS Pump's sales to this segment. In recent years, the appearance of the market and the purchasing pattern in the pulp and paper industry have changed, owing to the formation of ever-larger units.

Large global groups are buying up small local mills. In the short term, this may result in a reduced willingness to invest before complete integration has been realized.

The global market for measurement instruments is estimated to be worth about SEK 1 billion. Measurement instruments are less sensitive to economic fluctuations than other products for the pulp and paper industry, since demand is driven by more stringent quality requirements and the need for rationalization and is not controlled solely by the customers' current production volume.

The building services market mainly tracks the state of the construction market in each individual country. The demand for building services pumps is mainly influenced by new construction and modernization of industrial buildings and housing. For ABS Pump's part, Germany accounts for most of its turnover in this segment.

A number of structural changes are taking place in the aftermarket. In line with the privatisation of municipal and state-owned treatment plants, service and maintenance are coming under review. Companies are contracting out such work to external suppliers to an increasing extent. The trend is towards more extensive general agreements, which can involve everything from routine maintenance to responsibility for the overall operation of the plant's pumping system. The trend in the process industry is also pointing towards external suppliers of maintenance, although not at the same rate.

### **3.3 The industry**

There are several hundred pump-suppliers in the world, including several very big manufacturers and a large number of smaller companies. The world's biggest pump companies are KSB in Germany, Grundfos in Denmark, ITT Industries in the USA and Ebara in Japan. KSB sells pumps for fields such as water and wastewater and for the chemical, oil and power industries. Grundfos mainly operates in the building services sector, but increased its efforts in the water and wastewater segment in 2001 through company acquisitions.

ITT Industries includes companies such as Goulds with its focus on process pumps and ITT Flygt, which makes submersible wastewater pumps. Ebara has its focal point in Japan and supplies pumps for the power, chemical and oil industries and for the water and wastewater segment. The biggest competitor in the pulp and paper industry is Sulzer Pumps with its head office in Switzerland and development and production of pulp pumps in Finland.

Besides consolidations among suppliers, the industry is also developing through the changes that are occurring among customers. In the water and wastewater sector, privatisation of municipal treatment plants is under way. In the pulp and paper industry, a restructuring process is in progress resulting in ever fewer, but more global, players.

What differentiates ABS Pumps from other suppliers is its broad range of products, with pumps, mixers and aerators, and the fact that it offers both submersible equipment - where the entire pump including motor operates under water - and dry-pit types of pump. In ABS Pump's range of products, the customer can therefore always find the optimal solution for a specific application.

To provide customer benefit in the form of a lower life cycle cost (LCC) has long been ABS Pump's watchword. The customer's initial investment in the product is only a small fraction of the total cost of the product over its entire

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life cycle. Using the life cycle cost concept, the customer gains advantages by choosing a supplier that offers equipment that is not only reliable, but also cost-effective because it is energy-saving and easy to install and maintain. ABS Pumps places great emphasis on offering cost-effective solutions, where regard is taken to the entire useful life of the product.

### **3.4 Analysis of Empirical Data from ABS Pumps AB**

*In this section we plan to present our in-depth findings that were obtained as a result of personal interviews conducted at ABS Pumps AB. The interviews were conducted over a three-week period with managers at key executive posts, spanning all departments. The questions were based on the already existing theoretical framework that had been produced as the core of this thesis.*

#### **3.4.1 Sophisticated Recruiting Process**

The typical definition of recruitment is finding the right person to fill in the right job. Marvin Brower, (1997) said “People with the capacity to lead want to do something worth while, and this is the type of person a leadership company should try to attract at all levels”. In ABS Pumps the recruitment process varies from department to department but there is no formal standard procedure of recruitment at ABS Pumps. However as a rule of thumb at ABS Pumps, it starts with the preparation of the job profile, based on discussion among top management. After it has been done, the company decides which channel to utilize for the recruitment such as advertisement in newspapers, in-house selection, hiring the services of a professional consulting firm and reference method.

In-house selection and reference are the methods, which are mostly used. Reference is the method in which those people are invited who are personally known to the top management as having the proven track record of leadership and managerial abilities to handle that particular job. The company only recruits people who have the previous experience of doing that job. The HR director said “I personally found the reference method most suitable and effective, because you know about the person’s leadership abilities”.

ABS Pumps company prefer to recruit in house. In this way employees who work there feel more motivated and involved because they know that if they

work hard then they will get promotion, a chance to excel. However we think that in house promotions might be more effective if employees are recruited with a view that they pose required leadership skills and abilities to address the future challenges of the business responsibilities. Those who got an opportunity would be more loyal and prefer to build leadership abilities at all levels to get a chance to excel.

According to Kotter (1988), “many corporations target a limited number of colleges and Universities that they feel are good sources of future leadership, and they treat those schools much as they would major customers. Hewlett-Packard, for example, focuses on thirty schools for its corporate recruiting effort. When managed well, those efforts appear to pay off handsomely”. The Personnel Manager said, “ABS Pumps do not go to Colleges and Universities, but we think it is a good idea”.

As mentioned by Kotter earlier, we are of the point of view that by targeting selected colleges and universities, ABS Pumps might be able to get a good team of young, energetic and motivated employees with the right theoretical knowledge, leadership skills and potential. Evaluation of leadership skills and potential is crucial to the recruitment process. George Merquerian and Tom Blades (1994) said, “Beyond merely good grades the recruiter looks for other qualities that distinguish the potential recruit from rest of crowd.” ABS Pumps do it by making the Candidates sit for different assessment tests. Top management usually interview candidates at lower management levels, to find out if he or she has the required leadership qualities.

One of the managing directors of ABS Pumps said that it is very important that the Candidate shall have the “right personality” to “fit in” the organization. According to Alistair Ostell (1996) “The crucial tasks in personnel selection are to actually *predict* the future job performance of applicants on the basis of matching information about them against the known requirements of particular jobs and then to *decide* which applicants are most suitable for these jobs.” Most of the interviewees told us that during the recruitment procedure they take into



account whether a person could perform the job capacity of one step higher in the hierarchy, apart from present job position.

Another director of ABS Pumps said “while short-listing the candidates there is a possibility that few candidates could be left, it may also be difficult to evaluate the leadership skills of a candidate during a short interview.” When asked about the standard criteria to evaluate the leadership skills of the potential employees, most of the interviewees said that there are no standard or written criteria to judge the leadership skills of employees.

According to some of the interviewees, services of professional consultants are at times rendered for that purpose. However we feel that there is no institutional process at present. We are of the opinion that there shall be standard criteria to evaluate the leadership skills and ABS Pumps shall also institutionalise its leadership evaluation criteria. We think there is a need for ABS Pumps to develop a comprehensive leadership assessment tool to evaluate the leadership skills of the candidates.

Such comprehensive leadership assessment tools could contain pertinent details as to which leadership skills and potential are required to build a sustainable leadership culture in ABS Pumps. Recently an employee survey has been done at ABS Pumps, the results of which are in the process of compilation and therefore the results have not yet been disclosed for discussion. However, most of the interviewees are of the opinion that this survey will help to discover the attributes of suitable leadership skills and potential required to sustain leadership at ABS Pumps.

There is a procedure at ABS Pumps know as “Grand Father Principal”. Before any strategic planning activity such as recruitment and leadership training, the manager concerned will consult his or her boss to discuss the recruitment plan such as job profile, leadership skills and abilities required to do the job and potential to execute the higher hierarchical role in the organization. However, the top executives and mainly the HR department head the recruitment process.

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As discussed earlier most of the interviewees said that the “Reference” method is most suitable. Currently, ABS Pumps recruits only experienced people. We have discussed the point of view of Kotter, (1998) that many companies target universities to recruit fresh graduates with leadership abilities. Although, one of the top directors mentioned that, “I want to see a management team consisting of both young and experienced people.” We feel that this is not yet the practice though; his comments show however that ABS Pumps AB is actually in the process of changing its corporate thinking by creating diversity. We think in this way leadership will become part of the corporate business culture thus ensuring a continuous flow of leadership potential on a long term basis. This might help ABS Pumps to reach a level of sustainable leadership in the company.

### **3.4.2 An Attractive Work Environment**

Attracting and retaining people in an organisation for a longer period of time is a difficult task. We asked executives how they attract and retain people with leadership potential in ABS Pumps.

Interestingly, almost all of the executives have the common opinion that an increase in salary, bonuses, and other financial incentives are the core and more strategic tools to attract and retain people in the company. Almost all of the executives agree that the value of a salary is more important than other things. One of the interviewees said, “Everyone wants a salary, salary is very important. We increase salaries and give them good bonuses and financial incentives.” According to most interviewees, the attraction of good salaries will motivate employees to make more efforts, resulting in increased performance, which will give them promotion opportunities to excel within the organisation. This would also add additional financial and fringe benefits granted to them thus making the work place more attractive. We feel that it seems that psychologically the monetary aspect of “motivation” is a key element of ABS Pump’s strategy to attract and retain the employees.

As discussed in the theoretical framework (Kotter, 1988; Yukl, 1998), leadership literature reveals that in order to create an attractive work environment, it is important that job position should entail responsibility and employees shall enjoy autonomy to make decisions.

Responsibility and independency can make the job position attractive for the employees, which ultimately results in retention of talented individuals in the organisation and it will divert the attention of employees from “monetary” benefits.

It gives employees more freedom to take decisions and enables them to do more things. One of the interviewees said “we delegate more responsibilities to

the people, giving them liberty to take decisions. It will offer a high degree of self-independence.”

We feel that ABS Pumps clearly shows an environment where employees are encouraged to take risks to achieve organisational effectiveness. This also caters as a learning process to acquire leadership abilities. According to Kotter (1998), informality and a friendly work environment encourages people to take decisions. One of the interviewees responded, “we are all human, we make mistakes, so if someone makes a mistake, we just don’t kick him out.” We think these things not only encourage people to initiate decisions but also creates informality and friendly working environment. For instance one of the interviewees says, “If you have a high level position you can do a lot of things then your position will be more and more attractive”.

Kotter (1988), recommends that high ethical standards are important features of a good work environment. He refers to the “CREDO” as mission or vision statement of Johnson & Johnson in which high ethical standards are outlined. ABS Pumps do not have leadership mentioned in either the mission or vision statement. One interviewee said “ we don’t have it (leadership in mission and vision statement) right now, but we need it urgently.” We think having a vision or mission statement comprising leadership as a core value would help ABS Pumps to initiate the sustainable leadership processes.

To make a work environment a great place, Kotter (1988) argues to put together “*fun*” and “*lack of politics*” in the work environment. All of the interviewees were of the point of view that the working culture of the company shall refrain from the intervention of politics as well as in the decision-making process. They did not reject the presence of politics in the walls of organisations but tried to cover up using these words, “we also see the people doing a good job, but there is always internal politics, we try to minimize it.”

Most of the interviewees suggests focusing only on an individual’s own job rather than on the job of others. We feel that ABS Pumps is in the process of an “internal change”. The presence of internal politics cannot be ruled out which

might affect the perception of employees to find ABS Pumps an attractive work place.

We think that after recruitment of people with leadership potential, organisations have to provide them with an attractive work environment, which would ensure the long-term presence of employees with leadership potential in the organisation. The presence of people with leadership potential might help to promote the concept of sustainable leadership in an organization.

### **3.4.3 Challenging opportunities**

According to Kotter (1988), a vital aspect of human resource management strategy is the art of how to retain your employees within the company. It is not only a costly affair to replace staff but also a time consuming matter and time is money. Therefore, providing the employees with interesting, challenging and worthwhile tasks is essential in order to keep them motivated to execute their job responsibilities. According to Kotter (1998), “challenging entry level jobs help attract good people in the first place, and challenging promotion opportunities help firms hold on to these people, because people with leadership potential love new challenge and hate old routines”.

When we asked ABS Pumps what procedures it employs to retain its valuable staff, we found that there is no specific method or policy but ABS Pumps have a special program called the “*speed programme*”. The targets of the “speed programme” are those people who are supposed to be the potential successors, no 2 in the department. They are chosen and assigned to lead special projects for two years and the progress of these employees is monitored closely. Upon successful accomplishment of project objectives, these people are considered as having “right” leadership skills. Meanwhile those who participate in the “speed programme” are not aware that their progress is being closely monitored, as this would inhibit their true abilities. This assignment is separate from the normal work or routine, although the emphasis is being put on the project.

According to Kotter (1988), a dynamic challenging job opportunity is also part of challenging tasks. The empirical findings at ABS Pumps provided us with answers that were of importance. According to all interviewees, one important aspect for employees is to know that there is room and possibility to manoeuvre within the company. These possibilities include overseas assignments or going horizontally within the company but to different locations. A majority of the interviewees are in favour of monetary rewards. As mentioned previously these could come in the form of increased salaries, bonuses or other financial rewards. One interviewee mentioned that independency of decision-making is part of the challenging task. We feel that by granting the individual freedom to make decisions, he or she will make decisions based on personal experience and not the manager's experience.

The standard policy of ABS Pumps is to promote employees on the basis of performance and experience, according to most interviewees sometimes experience overcomes effective performance. According to Kotter (1988), companies have to resort to making positions free, it always means coming to grips with "blockers", people that have no chance of further promotion and are a long way from retirement, and not performing well in their current assignments. That means, making early retirement attractive to certain people." If challenge is present early on in careers, people exert themselves and allow themselves to exercise leadership. We have a feeling that ABS Pumps might look at the above-mentioned aspect to provide better challenging opportunities to both young and experienced employees.

We share this point of view with Kotter (1998), that challenging opportunities at work help attract good people in the first place and challenging promotion opportunities help firms hold on to these people. This might be helpful to achieve sustainable leadership as better challenging opportunities will preserve the leadership potential people at ABS Pumps, ultimately reaching the goal of sustainable leadership.

### **3.4.4 Early identification of leadership**

Trying to identify leaders as early as possible in the process has its advantages; some theorists like George Merquerian and Tom Blades (1994), claim it to be crucial. Firstly, employees that are spotted to be potential leaders early in the process can be groomed and fostered according to corporate culture. Secondly, as employees have been spotted, they are more likely to develop faster. This too can be considered an advantage. The third advantage would be that when promoting staff, management already has potential candidates for the positions vacant, as these identified leaders are ready to lead.

According to one interviewee, as ABS Pumps is part of Cardo Pumps AB it is being provided with certain guidelines on how to assess and spot future leaders. Disappointingly, they were not able to share this information. However, by analysing the answers that were given, it became obvious that no one knew about these guidelines as each interviewee provided us with a different answer. One interviewee mentioned that as we have the benefit of having top management right above (on the 4<sup>th</sup> floor), leaders are spotted directly by them. Another manager provided a similar answer, “As this section of the company is fairly small, the interaction amongst employees and word of mouth are the foremost common leadership spotters”.

This technique is also in line with Kotter’s (1988) own theory. “Scientific techniques seem to be rarely employed. The key is: look, talk, and think.” When we asked the interviewees, do you use a certain set of tools or techniques as a guideline, most interviewees answered no. “We (the concerned managers) have discussions about the performance of the people, it is that information I pass on to the management team on the basis of discussion with that particular employee.”

Another technique used to identify potential leadership at ABS pumps is via the appraisal talks. Talking and getting to know the person clarifies the matter.

Most interviewees also mentioned the fact that it had to feel right and trusting their intuition. The personnel manager said “to make young employees visible to senior management, a number of techniques are applied. We interview people to see if the person has the right potential to do that task (what could be seen all over the company though, was the willingness to hire leaders) furthermore, we want to recruit people with leadership potential but it is difficult as large sections of the company consists of the sales department.”

The sales department at ABS Pumps works under an entirely different set of rules. According to the managing director of the sales department, “it is not your ability or willingness to lead that will assure you future employment but your ability to sell”. We feel that a well-synchronised policy for early identification of leadership potential can be advantageous as potential leaders can be groomed and fostered according to corporate culture. When promoting staff, management would already have potential candidates for the positions vacant, as these identified leaders are ready to lead and make their professional career in the organisation thus enabling ABS Pumps to sustain leadership in the organisation.

### **3.4.5 Developing Leadership Skills**

According to Yukl (1998), “two different approaches for developing leadership skills are training programs and developmental activities. Developmental activities are usually embedded within the operational job assignments or conducted in conjunction with those assignments.” ABS Pumps have certain types of leadership development programs according to the needs of each department. There is an annual leadership training program in which a group of ten to fifteen employees are selected and given the leadership training. Each departmental head selects the employees based on the need for training, past performance and appraisal talks. The “appraisal talks” is a tool in which managers discuss with their boss about their career development needs. In this way the departmental heads become aware of the leadership training needs of the employees and come to know which employee is keenly interested in making a future career in the organisation. Most of the interviewees responded



that appraisal talks play an important role in determining the leadership training and development needs of the employees.

The annual leadership training program is two weeks long. After one week of training employees go back to work to execute the leadership skills at work. According to Yukl (1998), “complex skills are difficult to learn in a short training course with limited opportunities for practice and feedback. Learning of such skills can be enhanced by follow-up-activities such as refresher sessions, progress review sessions and specific projects related to the training”.

At ABS Pumps, certain assignments are given to employees to complete along with the regular work, these business assignments help the participants learn the leadership skills. According to Yukl (1998), “assignments to administrative positions provide an opportunity to develop and refine leadership skills during the performance of regular job duties.” The second week of the training session at ABS commences after nine months from the first week of the training session. We feel that in this way employees have the chance to develop and refine leadership skills while doing their jobs.

Most of the interviewees said that leadership training provides room for better improvement of leadership skills, however practicing of learned leadership skills is of crucial importance. According to Yukl, (1998) (Davies et al., 1984) “much of the skills essential for effective leadership are learned from experience rather than from formal training programs.” We feel that there is no formal feedback session on the leadership training activities. When employees do not have the opportunity to discuss what they have learnt from that training program and to relate the leadership skills learnt with the practical experience, it would be difficult to make an objective finding of what is learnt and what more needs to be done to improve the leadership skills.

According to Yukl (1998), “Learning from experience in operational assignments is affected by the amount of challenge, variety of assignments, and quality of feedback.” We think that operational assignments play an important role in learning leadership skills, these assignments are the form in which

employees can relate their practical job experience with what is learnt at leadership skills training workshops.

According to Yukl (1998), research surveyed employees in a variety of organisations to examine the costs and benefits of job rotation. Participants reported that job rotation resulted in increase managerial, technical, and business skills and knowledge. When asked about the job rotation program, all of the interviewees said that there is no job rotation program at ABS Pumps.

According to Yukl (1998), research on mentor's preference finds that they provide two distinct types of functions for a protégé: a psycho socio function (acceptance, encouragement, coaching, and counselling) and a career facilitation function (sponsorship, protection, challenging assignments, exposure and visibility). ABS Pumps has also launched the mentorship program. Mentorship is a program in which more experienced senior managers help the less experience managers. In this program a junior manager is attached to a senior mentor who guides him or her throughout the period of eight to nine months. We think such programs are highly beneficial not only in the building of individual leadership skills but it also enhances the learning experience of the mentors.

We feel that ABS Pumps is in the process of changing its leadership training culture. Some of the interviewees responded that they have one or no specific leadership-training program. Most of the interviewees said that ABS Pumps have several technical training programs rather than one good leadership skill-building program. Top management at ABS Pumps is interested in initiating more and more leadership skill-development programs.

Reviews of recent leadership literature (Yukl, 1998) reveal that programs like action learning (Action learning is an approach used widely in Europe for combining formal management training with learning from experience), multi-source feedback workshops (like "360 degree feedback" commonly used in Volvo cars) and personal growth programs may prove helpful in building a comprehensive leadership skill development program at ABS Pumps.

We asked the interviewees if there are organisational conditions facilitating development. According to Yukl (1998), “Learning of leadership skills is facilitated by some conditions within an organization that help to determine how much training is provided, how much job challenge people experience, how much feedback is provided, how much people are motivated to learn new skills, how much people are motivated to help others learn, and how people interpret mistakes and failure.” All of the interviewees responded that they wanted to create a good learning climate in ABS Pumps. Empirical data indicates that top management supports all leadership training and development activities at ABS Pumps. The HR Director said, “ We have leadership as a priority”. Leadership research by Yukl (1998), shows “motivation to learn leadership skills and apply them at work is influenced by the extent to which bosses promote and support training activities.” These help us to understand that top management at ABS Pumps support leadership-training activities, which would create a learning climate for leadership training and development activities. The empirical data from ABS Pumps and leadership literature review leads us to believe that leadership training and development activities are critical to sustain the leadership process at ABS Pumps. These provide the opportunity to learn the required leadership skills and execute those skills at the job. This can be affectively achieved if there are organisational conditions such as support by the top management and a learning climate.

We share this point of view with almost all of the interviewees at ABS Pumps that designing of effective leadership skill development programs can prove to be important in developing sustainable leadership in ABS Pumps. Since all these activities enable employees to develop, broaden and execute their leadership skills and abilities at work, thus creating a team of employees all with leadership skills, making leadership a core organisational process to be sustained on long-term basis.

### **3.4.6 Leadership Teams**

Leadership by executive team is not a new concept. According to Yukl (1998), executive teams are becoming more acceptable due to their effective use by other countries (such as Japan) and a growing awareness that the stereotype of the heroic, individual leader is unrealistic for complex organisations with turbulent environments. In ABS Pumps, the concept of executive team is not present at the departmental level. Each department has a managing director, such as sales, production, finance and business development, but there does not exist any specific executive team or group. The managing director of each department is responsible for strategic decision-making. Most of the interviewees said that they consult top management while making strategic decisions but they think “executive team” is a good concept and there is a need for an executive team.

According to Yukl (1998), “it is not enough to make good strategic decisions, they must be implemented effectively to be successful. Strategic decisions will not be implemented effectively unless executives in the top management team are fully committed.”

One of the interviewees of ABS Pumps said, “ It is important that the decision is made by consensus and once the decision has been made, it must to be supported by all regardless of the opinion of an individual member.” However, the empirical data at ABS Pumps identifies that departments have no formal executive team and that the managing directors are making strategic decisions by themselves thus, contradicting what is previously mentioned. Although, the managing directors do consult other managers from time to time, there is no formal executive leadership team present to aid the managing directors in strategic decision-making at departmental level.

Managing directors at ABS Pumps are under no obligation to present and discuss the matters with other managers. In our opinion, this might result in

disagreements. Moreover, the proper execution of such decisions could also be difficult which could result in reduced organisational performance.

All the interviewees supported the concept of leadership by executive teams. Based on our theoretical literature and empirical findings presented, we think that leadership by executive team ensures that each person can participate in strategic decision-making. All members of the team would have chance to execute their leadership skills and abilities at this level in the best interest of the organisation. When all members are in favour of the decisions, it will in turn ensure the successful implementation of decisions made by the executive team. In this way a team of leaders who has the leadership skills and abilities to address the future challenges of the business will come into existence. Since individual leaders move in and out of the organisations, such executive teams consisting of several people would ensure a continuity and sustenance of leadership potential in the organisation. This might ultimately create a high level of sustainable leadership capacity in ABS Pumps.



## **4.0 Conclusion**

In this thesis we have presented pertinent theoretical themes and empirical data from ABS Pumps to study and investigate our research problems. We will now summarize the most important findings and the conclusions we have drawn from our study.

We will start by presenting findings about the recruitment process. There is no formal standard recruitment process, which exists in ABS Pumps. Most of the recruitment is done by reference method. The reference method can result in emergence of an inner group, as the people recruited are those known to the top management. This has resulted due to the absence of a formal leadership-skill assessment tool. It is not possible to judge the leadership potential of a candidate by a written test followed by an interview although traits can be spotted.

Leadership-skill assessment tools are significant in selecting and recruiting employees with professional leadership abilities and potential. ABS Pumps only recruits people with experience. It does not offer any openings to young graduates. Leadership literature review reveals that successful companies like Hewlett Packard focus on a number of selected business schools to recruit fresh graduates with true leadership potential. A balanced situation would be to have a mixed team of experienced people as well as young graduate employees with the right personality and leadership potential.

The top management of ABS Pumps wants to change the image and management system of the company. ABS Pumps is in the process of standardising its recruitment process but there are no dimensions set in that area.

In the ever-changing environment, new opportunities catch the fancy of “highly potential” people from one organisation to another. In such situations, organisations need to utilize pertinent procedures of recruiting people with

## Sustainable Leadership

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right leadership potential, giving them an attractive work environment, challenging opportunities, leadership training and development programs to “attract” and “retain” employees.

With reference to our findings, the management at ABS Pumps is more concerned with monetary benefits, rather than the whole work environment of the company. In the long run, the concerned issues related to this kind of psyche will negatively affect the employee’s loyalty and attachment with the company. Any “grand offer” can compel high calibre persons away from the company. To “save” their employees from such “hostile takeovers”, ABS Pumps might have to divert the attention of their employees by employing long term policies which might be a blend of financial and fringe benefits followed by challenging responsibilities and job assignments.

Internal politics play a role in an employee’s perception of working in a company. No doubt, ABS Pumps have significantly limited its internal policies but there are still some very important features of a highly attractive work environment missing, such as providing an informal, creative open work environment and high ethical standards.

Their vision and mission statement does not include high moral, ethical values to promote honesty and integrity as important features of company’s corporate culture. ABS Pumps shall encourage its employees to take risks that will give employees self-confidence. A learning culture shall be formulated that have a great impact in shaping employees personalities as a proactive leader.

Organisations with an attractive and informal work environment not only successfully retain people with “leadership potential” within an organisation but also utilize their talent in a way that individual leaders feel more comfortable at executing job responsibilities. So we think that an attractive work environment will help to retain, develop and sustain people with leadership potential in an organization. An open line of communication will help employees to more actively participate in discussions and activities and they will feel important and valuable in the organisation. Informality and less



bureaucracy might also create a supportive culture within ABS Pumps to foster a friendly environment, which could in turn make ABS Pumps an attractive place to work. Ultimately resulting in greater employee retention and loyalty, which would lead ABS Pumps on to the destination of sustainable leadership.

We feel that a well synchronised policy for early identification of leadership potential can be advantageous because potential leaders can be groomed and fostered according to corporate culture of ABS Pumps and when promoting staff, management would already have potential candidates for the positions vacant, as these identified leaders are ready to lead and make their professional career in the organisation thus enabling ABS to sustain the leadership in organisation.

Two different approaches to develop leadership skills are training and developmental programs. There is one leadership-training program of two weeks. Only few selected employees can attend this program. The rest of the employees of ABS Pumps do not have any chance to improve their leadership skills and abilities. The study of leadership literature also reveals this fact. The procedure for identification of leadership training needs of employees is not clear.

Leadership development training shall be provided to employees at all levels in a systematic way. ABS Pumps has started with a mentorship program but this program is focusing only on senior managerial level. There are no job rotation and personal growth programs as such. Technical training programs are present, if this can include leadership-training schedule, the employees can benefit from it. Leadership training and development programs could help improve and build up leadership skills in employees throughout ABS Pumps.

Designing of effective leadership-skill development programs can prove to be important in developing sustainable leadership in ABS Pumps. Since all these activities enable employees to develop, broaden and execute their leadership skills and abilities at work, thus creating a team of employees all with

leadership skills, making leadership a core organisational process to be sustained on long term basis.

The top management wanted to change the management system of ABS Pumps. The efforts for change are underway but the empirical data identifies that commitment and intentions of senior management differs from one department to another. Some departmental heads did not show much interest in leadership training and learning climate. For them the business of the day comes first. The executives at these departments do not realize the importance of leadership training and development. The top management seems to be committed and intends to spend more resources to promote the learning climate and initiate organisational change. Firm commitment of the top management to initiate the leadership learning is imperative for the achievement of sustainable leadership in ABS Pumps.

Research presented in our leadership literature review indicates that there is growing awareness that the stereotype of heroic, individual leader is unrealistic for complex organisations. The concept of executive team is not present at ABS Pumps. The intended role of the executive team is to make a collective decision to reach consensus and to assist the CEO. This executive team might consists of all departmental heads who will have the opportunity to apply the leadership skills learnt at training and job experience at the strategic level.

In this way a team of leaders who have the leadership skills and abilities to address the future challenges of business will come into existence. Since individual leaders move in and out of the organisations, such an executive team consisting of several people would ensure a continuity and sustenance of leadership potential people in an organization. This would ultimately create sustainable leadership capacity at ABS Pumps.

## **5.0 Methodology**

*In this chapter we will describe how the research process was structured with the aim to reach the purpose of the thesis. It will outline the various approaches conducted. This is followed by primary and secondary data used to form the thesis. Concluding this chapter is reliability and validity with concern to various sources.*

### **5.1 An exploratory and explanatory approach**

Yin (1994) identifies three main strategies for conducting research: exploratory, descriptive and explanatory. An exploratory study attempts to explore a subject or phenomena for which no or limited prior information exists. A descriptive study attempts to describe or define a subject to increase the understanding of it. An explanatory study goes further than a descriptive study and attempt to explain the reasons for a certain phenomenon (Cooper, 1998). Based on these definitions, we will use exploratory and an explanatory approach. The process intentionally started out as an exploration on the subject of sustainable leadership and how organisations can sustain high capacity of leadership over time.

We pursued many relevant theories with regards to our topic, in order to get a thorough knowledge about sustainable leadership. We contacted ABS Pumps and conducted a series of interviews based on the theories regarding sustainable leadership. The interviews were transformed on paper, which gave us clear view of the practices in ABS Pumps. While writing the analysis of empirical data, we draw parallels between existing theories; the empirical data obtained from interviews and used that information to develop our own understanding pertinent to the topic of sustainable leadership. We comprehended findings from theory, empirical data from ABS Pumps and our analysis of the subject in the conclusion chapter.

## **5.2 Compilation**

The two main categories that follow are primary data collection and secondary data collection. Primary data concerns data that has been gathered specifically for the ongoing research while secondary data has been collected previously on other occasions. It should be mentioned, that finding data has been a rather difficult task for the group, as this topic has not really been discussed before. Although, we feel that the material gathered is still good enough to build advanced research. The following topics will describe how we collected our information.

### **5.2.1 Collection of data**

This thesis started with the intention to explore the concept of leadership and more precisely on sustainable leadership. We wanted to ask business managers who are active in leading positions to describe how they cope with the issue of sustainable leadership in their organisation. We interviewed senior executives and managing directors in ABS Pumps, which in combination to our previously gained knowledge on the proposed topic helped us to develop a clearer picture of the broad issues and how ABS Pumps relates to it. Furthermore, the interviews were also used firstly to relate our topic to reality and secondly to identify gaps between theory and practises. The theories and empirical data from ABS Pumps was analysed in order to draw a conclusion.

### **5.2.2 Secondary Data**

At the beginning of our research, we tried to the best of our abilities to find as much material about the proposed topic as possible. This was done in-order to get a thorough understanding of the area. We looked through theoretical books, articles as well as various journals. The Internet proved to be a useful tool as well. As our topic is a fairly new subject, there was a lack of information with direct links to the proposed topic. The topic of leadership has been discussed

before but not so much of the sustainability side of the issue. A few problems introduced themselves early on in the process: Inadequate information, research topics and relevant theories and case studies to refer to. The main part of the information gathered came from books on the topic of leadership, leadership journals, library and Internet articles.

Although, all the material did not accurately correspond to our proposed topic, it provided us with a decent insight in to the world of sustainable leadership and its consequences.

### **5.2.3 Primary Data**

We formulated general questions based on our theory, research question, sub-problems and the secondary data that has been obtained. Interviews were then conducted live with different individuals. The questions were followed with sub-questions in order to narrow down our answers and to follow the interviewee's direction of topic. This information was then transformed on paper and we obtained relevant answers that addressed our research questions. All the interview data was analysed with help of theories to develop our own framework of analysis. The major findings from the theory, interviews, and our own understanding of the topic were finally presented as a conclusion which also contains recommendations.

Structure of Thesis is presented below:-

### 5.3 Structure of thesis

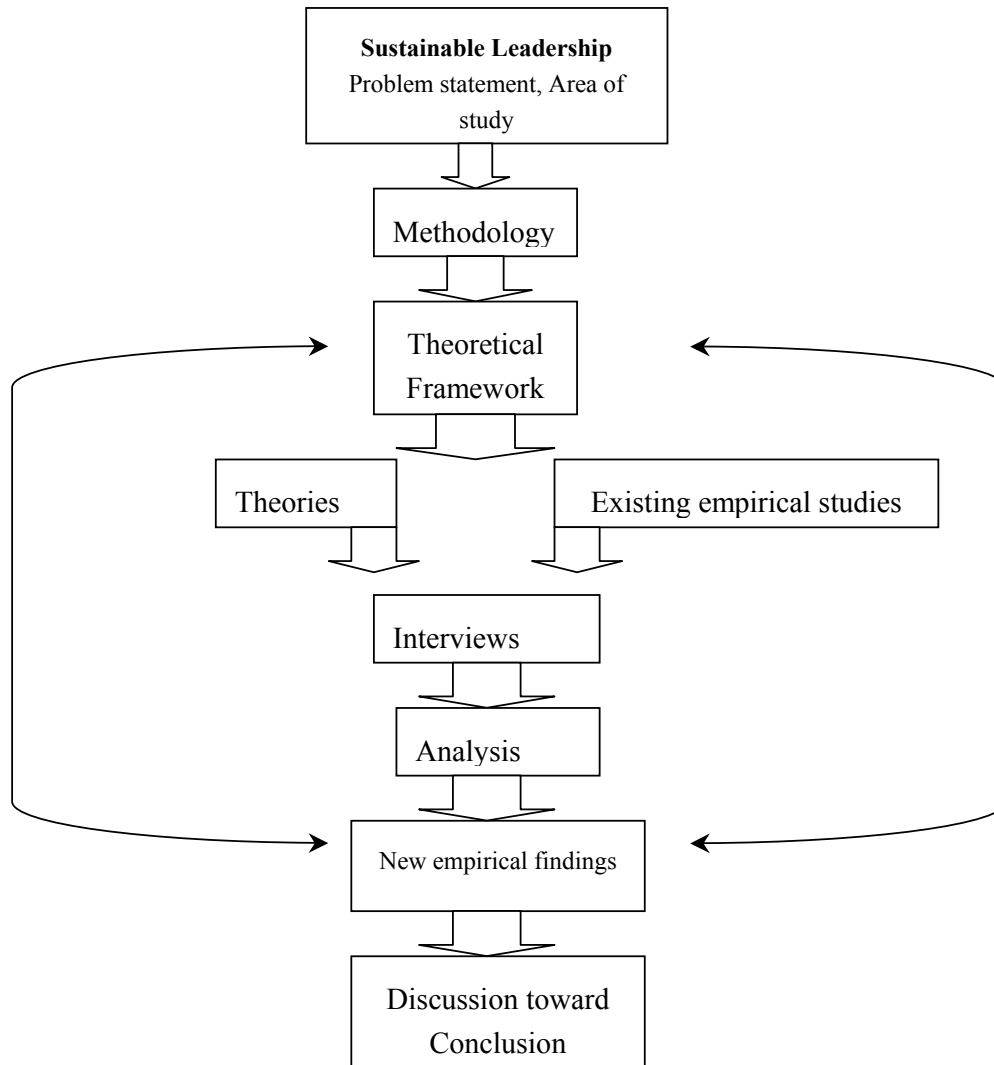


Fig.1 Illustration of thesis structure

## **5.4 Quality of research**

In order for this assignment to provide the reader with relevant information, it has to be of a certain quality. It is important that the reader is not misled with false or inaccurate data which in-turn can affect the credibility of the report itself. The following sections are for the reader to determine the quality level of this thesis.

### **5.4.1 Validity**

Validity determines whether or not the research has been able to measure what it is supposed to measure. Three categories are used to describe the validity: internal validity, external validity and construct validity.

Internal validity describes how well the results of our study matches the actual reality. The data collected stems from various sources such as books, articles and WebPages and what has been mentioned above. We have also conducted a number of interviews where the interviewees have confirmed the reliability of our findings.

External validity evaluates to what extent the results from our study can be applied to other situations. It should be mentioned that findings in this thesis might not correspond with situations in other companies due to individual answers and interpretation of questions as well as with the author's personal approach. It can therefore be said that this thesis has a rather low external validity.





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**Sustainable leadership**

*“Sustainable leadership is the art of maintaining leadership to ensure continuity of leadership potential in an organization”*

**How does a company develop a high level of leadership capacity that is sustained over time?**

**What companies do to attract and retain people with leadership potential?**

***Recruitment process***

Sophisticated recruitment process ensures the continuity of leadership potential, as a first step people with leadership abilities are recruited

***An attractive work environment***

A desired work ambiance is necessary to entice the recruitment creating loyalty to the establishment

***Challenging Opportunities***

Challenging entry level jobs help attract excellent people and challenging promotional opportunities help firm hold on to them.

Appendix

**What companies do to develop and broaden those people with leadership skills?**

***Leadership Training and Development Programs***

Leadership training and development programs help employees to learn, develop and broaden their skills, abilities and potential. Creating a well-trained team of employees, all having desired leadership skills and abilities.

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## Sustainable Leadership

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### ***Early Identification of leadership***

Identifying potential leader as early as possible in a firm provides senior managers with information on people who might have leadership potential enabling them to continuously retain leadership potential.



### ***Executive Teams***

Strategically segregated leaders within a company spread and distribute leadership abilities and skills. In this way a team of executives will be available throughout the organization. Leaders that can substitute another, creating a continuous flow that can be sustained over time.

## **APPENDIX ONE**

## **SUSTAINABLE LEADERSHIP**

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## **End notes**

<sup>i</sup> For details see first chapter of John P. Kotter's book, *The Leadership Factors*, The Free Press, New York, 1988

<sup>ii</sup> CREDO is a mission or vision statement of Johnson & Johnson, which includes ethics, norms and values for J&J's people.  
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