
Editorial

Leaders Not Just Bean Counters

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If we were given some choice regarding the functional specialism of the leader of our part of an organisation, whether in the public or private sector, what would be our preference? A marketing specialist? A strategy specialist? A human resources specialist? Would many people give as their preference a finance professional? Most probably not. In many cases finance people are stereotyped as demonstrating an over-zealous concern for detail, a lack of ability to see the overall position of the organisation and a tendency to see people as an expense to be minimised rather than a source of potential growth or as an asset of considerable value. At first sight these three stereotyped shortcomings would seem to militate against the finance professional assuming any leadership role other than as head of his or her functional department. And it gets worse! As we move into an era where knowledge workers dominate our organisations, where human beings want more from their careers than just money and where 'touchy-feely' methods are increasingly used to develop organisational 'esprit de corps', the possibility of a financial professional, unconcerned with human issues reaching the upper levels of any organisation may seem to be doomed. Of the list of terms which could be applied to the finance professional, 'touchy feely' or 'people person' would in most cases seem unlikely. Is this fair?

It does not matter whether we consider here a high performing private sector organisation making healthy profits, or a lean and mean public sector organisation delivering excellent results well within budget, the finance professional is often the target for unfair jokes. In fact you could fill a book with accountant jokes and still not even scratch the surface of the after dinner speaker's repertoire! So what do we do about this apparent slur on the profession? How can we shift the unfair perception that finance people are bean counters rather than leaders? After all, many leaders within the public services in particular rise through the finance (particularly CIPFA) route and in the private sector boards are often dominated by chartered accountants.

To begin to address this question, we turn our attention towards the evolution of leadership thinking and in particular, "*what does it take to be an effective leader?*" More recently leadership thinking has evolved both rapidly and dramatically. In recent years government in particular has become concerned about the quality of leadership in the public sector. Both Prime Minister Tony Blair and Chancellor Gordon Brown have taken this so seriously that they created the *Council for Excellence in Management and Leadership*. Both the education and health sectors have also woken up to the importance of leadership and have established a number of leadership institutes around the country.

One of the prime concerns of any organisation is survival and the finance professional is probably better placed to assist in this process than any other functional specialist within the organisation. Leadership is not a new subject. Socrates talked about leadership in Ancient Greece and his followers Xenophon and Plato both wrote extensively about the characteristics which were required of the leader both in business and in military situations.¹ It is interesting that many of those facets such as setting direction, setting a good example and developing morale are just as relevant in today's hi-tech business environment as they were thousands of years ago. However, it is argued that progress in leadership thought was exceedingly slow between Ancient Greece and the start of the 20th Century. It was assumed that to be a leader, one needed a high social position, a strong and dominant personality and the ability to talk louder and more forcibly than one's peers. It was around the 1900s that researchers became interested in the *quality traits* that enabled one individual to lead others and this led to the first serious efforts in considered leadership selection and development. However, it proved impossible to identify a specific set of leadership qualities relevant to all situations so the emphasis shifted from the leader to *what the situation required of*

¹ John Adair, *Effective Strategic Leadership*, Macmillan, London, 2002.

the leader. However, this proved an abortive approach because it was based on the premise that as the situation changed so the leadership requirements would change and hence the leader would change. This is obviously impractical in the real world and in addition, there is still a need for leadership continuity for the whole organisation. We simply do not observe the implied leadership turnover either in the public or private sectors.

In the 1960s psychologists entered the fray to become seriously involved in leadership research, funded largely by the American military establishment. The outcome of this research was to identify two types of leader behaviour:-

- Actions to achieve the *task*, and;
- Actions to look after the '*people*' *issues*.

This clearly provided a useful platform for both leader selection and development because behaviours are measurable and can be developed in a given individual. In the UK, our efforts were not so scientific, as usefully illustrated with an example from the public sector. A military historian, John Adair, teaching at the Royal Military Academy Sandhurst carried out some observation work on young officer cadets handling leadership tasks. He noticed that the effective leaders met three sets of needs:-

- The needs of the *task*;
- The needs of the *team* undertaking the task, and;
- The needs of each *individual* within the team.

In essence, he shifted the attention from describing the *behaviour of the leader* to understanding the *needs of the situation* in these three key areas of task, team and individual. This formed the basis for much leadership development and even today is still seen as a highly effective way of developing any individual's leadership ability even if they are not gifted at birth with the 'qualities of the leader' – whatever they may be. Returning to the stereotypical image of the finance professional, maybe one of the criticisms is that finance people tend to over-emphasise the task and fail, perhaps, to pay attention to the needs of the team and of individuals within the team as much as they should. Again, finance professionals are very often not as 'touchy feely' or 'people-person'-orientated as they might be. However, this can be fairly easily remedied in most cases and provides a sound way forward for the finance professional who wants to be seen as a *leader* rather than a *bean counter*.

Somewhat disappointingly, thought on leadership seemed to stagnate in the 1980s in what is often called the 'black hole' of leadership. There seemed to be a feeling that as a result of the dichotomy between the task/relationship behavioural approach of the Americans and the UK's approach combining the qualities approach with the functional approach of meeting the needs of the task, the team and individuals that all had been discovered about leadership. The situation paralleled that faced in the late 19th century when the head of the Patent Office in London recommended that the institution should be closed down because all that could be invented had been invented! Like leadership in the 1980s, this was far from the truth, far from realistic and far from helpful.

The era of the leadership 'black hole' finally came to an end in the early 1990s when researchers such as Peter Senge at MIT in the USA started to redefine the role of the leader, moving away from the old command and control, social domination, strong personality model towards a role which involved:

- Developing organisational capability;

- Creating continuity and sustainability, and;
- Unlocking human potential.

A useful discussion on the last of these themes is provided by Stephen Prosser in his Volume 3 Number 1 editorial in this journal entitled, “*Sweating Your Assets*”. Senge’s landmark book, “*The Fifth Discipline*”², talked in terms of leaders addressing five key areas in their organisations:-

- Developing everyone’s view of the bigger picture through systems thinking;
- Developing personal mastery at all levels;
- Challenging the mental models and beliefs of the organisation;
- Developing teams that captured their learning, and;
- Promoting a shared vision throughout the organisation.

In parallel with Senge’s work, complexity theorists were now starting to talk about leadership in terms of the role being more concerned with *creating organisational capacity* than about a single fixed view of the future. The age of the learning leader who abandons his or her ego to the needs of the organisation had begun and finance professionals are just as well placed to become leaders of the learning organisation as individuals from other disciplines.

An important question for a large contingent of the readership of this journal is, “*how does the finance professional set about becoming a leader?*” or further, “*how do finance professionals already assuming a leadership role become better leaders?*” How can we widen the viewpoint of the finance professional from simply viewing capital in monetary terms towards developing organisational capability through developing the ‘*people issues*’. Firstly we need to gain an awareness of the intellectual and emotional capital within the organisation. By no means are we talking about ‘touchy feely’ management guru fashion-fad terms here. By *intellectual capital* we mean the knowledge contained within the organisation. It has often been said that if you own a factory that burns down, provided you retain your people and their knowledge you can start up your business again. If, however, you lose your people and the knowledge they possess, then you are in a much more precarious situation as regards the survival of the business³. *Emotional capital*, on the other hand, is about how people feel about working for the organisation.⁴ The acid test here is the emotional state of the average first line worker when their alarm clock sounds at 6.02 on a Monday morning. As they gain consciousness and realise that they are about to start another working week what runs through their mind? Do they leap out of bed with a song in their heart or simply switch the alarm clock to snooze, roll over and hope the world of work will simply go away?

As with financial capital, neither intellectual capital nor emotional capital are static quantities. The actions of the organisation’s leaders cause both of these resources either to grow or contract on a daily basis. Such resources are intrinsically dynamic. Each day the organisation either increases its intellectual and emotional capital or decreases these areas relative to other organisations who may be competing for employees. Leaders play a vital role in creating a workplace that is a ‘good place to be’.

Returning to the specific issue of how we develop finance professionals into leaders there are a number of avenues to explore. Firstly we now have a much clearer understanding of the nature of leadership. In particular we realise that leadership is more about the *processes* an individual creates than simply about *personality* which of course is not usually amenable to change. We realise that leadership processes operate on an infinite number of levels. It is, however, helpful to identify three specific levels to aid our discussion.

² Peter M. Senge and Nicholas Brealey, *The Fifth Discipline*, 1990.

³ Johan Roos, Goran Roos, Nicola C. Dragonetti and Leif Edvisson, *Intellectual Capital*, Macmillan, 1997.

⁴ Kevin Thomson, *Emotional Capital*, Capstone, 1998.

Level 1: Episodic leadership

The basic level of leadership processes is where one individual coordinates the behaviour of herself or himself and others to work towards a defined goal with specific resources in a well-defined boundary situation. Psychologists often label these types of situations *social episodes* and they can be handled by almost anyone taking account of the task, team and individual needs already mentioned. These needs are met through John Adair's leadership functions of:-

- Defining the task;
- Planning;
- Briefing;
- Controlling;
- Evaluating;
- Motivating;
- Organising, and;
- Setting an example.

These episodes form the basis of much practical leadership development. The spectre of groups of individuals endeavouring to cross rivers with ropes, planks and oil drums often comes to mind. However, this level of leadership is only part of the picture.

Level 2: Organisational leadership

There is a wider view of leadership that involves creating a day-to-day environment where leadership episodes may take place successfully. We call this *operational leadership* and it has much to do with creating the climate of the organisation, the atmosphere and the area of what we might call emotional capital – the 'feel good' factor.

Level 3: Strategic leadership

The third level of leadership is the strategic level where we set in place a big directional arrow on the day-to-day operation of the organisation so that everyone is working in more or less the same direction. This is what Senge meant by the idea of a *shared vision* – a way of harnessing everyone's energy in the organisation and aligning them to work towards a common goal.

Leaders need to ensure that all three levels of leadership are addressed within their organisations and the finance professional is as capable of doing this as anyone.

The second nugget or 'silver bullet' of leadership knowledge is that we are now aware of a set of *leadership capabilities* which almost anyone can acquire. These capabilities are relevant at all three levels of leadership, strategic, operational and front line or episodic. Here, leaders need to pay attention to seven key areas:-

- Setting direction;
- Communicating effectively;
- Aligning people's efforts;
- Setting a good example;
- Bringing out the best in people;
- Acting as a change agent, and;
- Coping with crises and uncertainty.

Again, finance people are equally able to acquire these capabilities as any other professional. All seven areas can and indeed should be developed and when fully actioned will create an organisation which will operate much more effectively than if one or more areas is ignored.⁵

⁵ Alan Hooper and John Potter, *Intelligent Leadership: Creating a Passion for Change*, Random House, 2000.

A third means by which to develop the finance professional as a leader relates to one of the key areas of interest in leadership theory, namely the difference between transactional and transformational leadership. By *transactional leadership* we mean the situation where followers do what they are told by their leaders because that is what they are paid to do. In so doing, they are simply fulfilling their contract of employment. Indeed, if they do not perform then they lose their job. *Transformational leadership* on the other hand is where exposure to the leader inspires the followers to want to 'go the extra mile', to increase their efforts willingly and 'raise the bar' in terms of general performance. It used to be thought that leaders were either transactional *or* transformational operating on a continuum with a preference towards one end or the other. What we now believe is that both leadership processes can operate in parallel along the lines of the throttles on a twin-engined aircraft or powerboat. You can have both throttles full ahead, or one throttle more open than the other. You can have any combination of the two settings and it is up to the leader to make the decision on the mix of throttle settings. Most leaders want to be more transformational than simply transactional and research has shown that five areas help to enable a leader to become more transformational:

1. Perceptual skills

Firstly, perceptual skills of being able to see a situation from a variety of viewpoints rather than tunnel vision. The leader needs to see things not just from his or her viewpoint but from the viewpoints of others and then from the viewpoint of a dispassionate, objective observer. The last perspective is often called the 'heli-view' or 'fly on the wall' approach and is important because it avoids the leader becoming overburdened with emotion.

2. Communication skills

A second attribute of transformational leadership is the ability to present a good argument, talk with groups and handle the rhetoric generally. Good communication skills are vital if the leader wants to inspire people and there are many ways of developing this particular ability.

3. Displaying conviction

Being passionate and displaying conviction to a course of action is the third area to address. Human beings have a strong need for certainty in times of change and a leader who can go some way towards satisfying this need is welcomed with open arms.

4. Empathy

Empathy is our fourth area, being able to see things from other people's viewpoints. Perhaps it would be more appropriate to label this '*tough empathy*'. It is not about being soft or over-emotional but simply being mentally able to 'walk in the other person's shoes' and see the world from their viewpoint.

5. Resilience

Finally leaders who want to be transformational need resilience, they need to have the resolve to overcome the inevitable difficulties they encounter.

Leaders who develop themselves in these five areas will inevitably become more transformational than if they ignore them.

Our final area of focus for leadership development of the finance professional is considered by understanding that we are entering the age of the emotionally intelligent leader who unlocks human potential in others rather than operates solely in command and control mode. Again, the discussion of Stephen Prosser attempts to quantify the unused potential in the organisation's workforce, estimating it to be as high as 80 per cent in some organisations! Focussing on the management trait required to draw upon such unused human potential, Daniel Goleman has pointed the way

towards the importance of emotional intelligence in the leadership role in both his books “Emotional Intelligence”⁶ and “Working with Emotional Intelligence”⁷, and his articles in the Harvard Business Review, “What Makes a Leader”⁸ and “Leadership That Gets Results”⁹. Goleman writes about emotional intelligence as relating to five key attributes:

- Self awareness;
- Self management;
- Motivation;
- Social awareness, and;
- Social skills.

Goleman’s research, which he writes about in “*Leadership That Gets Results*”, provides a very useful insight into how leadership is changing. Six styles of leadership are examined in terms of the emotional intelligence aspects. The traditional styles of coercion and pace-setting which have tended to be seen as the essence of leadership, particularly in military terms, were found to produce a negative impact on the climate and ‘atmosphere’ of the organisations in which they were observed. What produced the most positive shifts in the climate and hence emotional capital were the four styles of:

- Bringing cross functional teams together;
- Creating a shared vision;
- Coaching, and;
- Using democratic decision making.

Again, and as a matter of some reassurance, these are all areas where the finance professional can develop her or his ability to influence and lead others. Far from being handicapped in terms of becoming leaders, finance professionals are more than well equipped to become the learning leaders of the future because of their inherent grasp of the overall position and performance of the organisation. Coupled with the development of their own personal capabilities, both in terms of emotional intelligence and leadership behaviours, the truly professional finance person can become the leader of the future.

⁶ Daniel Goleman, *Emotional Intelligence*, Bloomsbury, 1996.

⁷ Daniel Goleman, *Working with Emotional Intelligence*, 1998.

⁸ Daniel Goleman, “What Makes a Leader”, *Harvard Business Review*, November-December 1998.

⁹ Daniel Goleman, “Leadership That Gets Results”, *Harvard Business Review*, March-April 2000.