
Linking leaders' beliefs to their behaviors and competencies

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Abstract

Discusses how competency models are used with the intent to improve managers' leadership skills. Determines that competency models will not result in any substantive changes in behaviors because they fail to address managers' fundamental beliefs about the practice of business. A new construct is presented for conventional management practice that shows how leader's beliefs lead to behaviors, which, in turn, lead to competencies that most managers would find undesirable. The beliefs, behaviors, and competencies of leaders skilled in the lean management system are presented in contrast and shown to be remarkably different from that possessed by managers skilled in conventional management practices. The results illustrate important limitations of leadership competency models. The development of new leadership competencies is re-framed as a change-over problem. Coupled with *kaizen*, competencies that better serve the interests of a business and its key stakeholders can be more effectively realized.

Introduction

Leadership development programs often include the identification of competencies and the creation of competency models. A competency is a specific skill, knowledge, or characteristic needed to perform a role effectively and to help a business meet its strategic objectives (Lucia and Lepsinger, 1999). A competency model is a written description of desired competencies and includes examples of the desired behaviors, known as indicators (Cooper, 2000). Competency models are used to establish qualifications and improve leadership effectiveness in relation to future business challenges. They may focus on transactional (i.e. contingent rewards or bargaining) or transformational (i.e. inspirational or charismatic) leadership characteristics, or a combination of the two (Thorn, 2002; Humphreys and Einstein, 2003).

Typical primary competency categories include:

- leadership;
- analytical thinking;
- communication;
- decision making;
- building relationships;
- strategic planning; or
- emotional intelligence.

Competency models can be function-specific – i.e. designed for the sales force, purchasing, or finance organization – or of a broader nature such as general management or leadership (Lucia and Lepsinger, 1999; Cooper, 2000). Table I presents a leadership competency model used by a *Fortune* 100 company that contains four categories:

- 1 leadership;
- 2 business acumen;
- 3 communication; and
- 4 personal” (LCM, 1999).

This competency model is typical of those that favor transformational leadership characteristics over traditional transactional leadership characteristics, which are considered ineffective at motivating followers to achieve the level of performance required in business today (Thorn, 2002).

The general approach taken is to hire a consultant, typically industrial psychologists, to facilitate the process of determining the desired competencies for an organization. The consultant will interview top executives to determine the business issues that they think are critical for future success. The data obtained is consolidated and presented to the executive team for review and discussion. Competencies will be changed, added, or deleted, as will the specific behaviors identified and indicators of achievement of the behaviors. At the end of the process the organization has a customized competency model that typically contains four to eight primary competencies, 12-24 secondary competencies, and 50-100 indicators.

Top executives are typically the first group to attend workshops, generally three to five days in duration, facilitated by the consultant and designed to assess their capabilities with respect to the competencies identified. The workshops are sometimes known as “leadership assessment centers” or “leadership development centers”, and identify the executive's strengths and weaknesses relative to the competencies. Through consultation and mutual agreement, the executive will select two to four competencies to focus on, typically secondary competencies and one or more associated indicators within one or more primary competency category. The executive creates a one-page individual development plan that contains categories



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Table I
 Leadership competency model

Primary competency	Secondary competency	Indicators
Leadership	Strategic leadership – provides a clear vision to others of what the organization needs to ensure its future success	Establishes a clear vision that motivates others to accomplish what both the organization and customers need in the long run Takes ownership and responsibility for the future direction of the organization Consistently restates and reinforces one's direction Sets high expectations and goals, encouraging others to excel to support the organization Remains focused on guiding others toward the most important objectives of the organization
	Teamwork – creates an environment in which people are involved, included, and have a sense of ownership	Respects individual differences and utilizes the diverse thinking and contributions of all Works to get "buy-in" of individuals based on what they have to gain and the common good of the organization Keeps people informed and involves them appropriately in making decisions Provides help to others and acts as a resource without removing responsibility Works across organizational boundaries; encourages teamwork and a sense of partnership
	Developing talent – achieves competitive advantage and fosters a learning environment by taking personal responsibility for identifying and developing people	Displays organizational savvy; knows where to go to overcome barriers and to get the right people involved to solve problems Displays confidence in others' abilities and recognizes people for doing their best Selects the best people available from inside or outside the company Gives others direct, constructive, and actionable feedback in a way that they can understand it and use it Coaches others and prepares them for current and future business demands
	Customer focus – champions actions to exceed current and future internal/external customer needs	Listens to and fully understands the customer's needs Pursues the best customer-focused responses that add value to the business Anticipates marketplace opportunities and takes actions to ensure speed to market Considers the customer's perspective in making decisions Ensures customer commitments are met with quality products and services.
	Focus on results – drives obligations to closure with precision to benefit the organization and every constituent	Actively measures and evaluates performance with respect to business goals and customer requirements Conveys priorities with the right sense of urgency and importance Empowers others to achieve desired results and holds them accountable Conducts timely follow-up and keeps others informed on a need-to-know basis Rewards people when they have done well, and confronts them directly with actionable feedback when they don't demonstrate desired performance
Business acumen	Forward thinking – develops plans that anticipate short- and long-term business demands	Establishes an overall course of action considering immediate and future requirements Identifies what must be accomplished for successful completion of one's plans Anticipates resources needed to successfully implement one's plan Develops contingency plans, anticipating unexpected events or obstacles that can alter one's desired course of action

(continued)

Table I

Primary competency	Secondary competency	Indicators
	Business innovation – drives change and uses new or unique solutions in business situations	Prepares for external trends and alternative scenarios potentially impacting the business in the long term Champions change and continuous improvement and prepares others to respond positively Looks for breakthrough business ideas and practices, within and beyond the company, and encourages others to do likewise Uses unconventional approaches to solve customer and other business problems where standard approaches don't work Assumes new and difficult challenges and manages them as opportunities Finds creative ways to get things done with limited resources and pressing constraints
	Business judgment – determines alternative solutions to problems, evaluates courses of actions, and reaches sound business decisions.	Views problems from a total business perspective, considering economic opportunity, required investment, risks, and anticipated paybacks Judiciously weighs the pros and cons of various business alternatives Accurately evaluates the implications of new information or events Makes decisions that are relevant and timely; anticipates the internal and external implications of one's decisions
	Analytical thinking – identifies root causes of problems, secures relevant information, and identifies possible solutions	Asks the right questions to size up situations Seeks out data from several sources and accurately evaluates both operating and customer requirements Identifies patterns in conflicting information and events Generates alternative solutions
Communication	Listening – encourages others to engage in dialogue; listens actively	Accurately attends to the meaning of ideas that are exchanged "Hears" what is not said, i.e. the underlying attitudes and feelings behind the words Clarifies and extends the meaning of others' points for mutual understanding Willing to change ideas or perceptions based on new information or contrary evidence; persistent, yet flexible
	Communication skills – expresses ideas effectively to establish oneself as a credible and impactful leader	Communicates a clear understanding of one's subject-matter and offers informed positions Conveys ideas confidently and succinctly Delivers messages with personal energy, enthusiasm, and conviction Uses appealing and persuasive arguments Addresses issues of key importance to stakeholders
Personal	Adaptability – adjusts personally to high pressure, rapidly changing business conditions and uncertain business environments	Uses self-insights to capitalize on one's strengths and offset weaknesses Trusts one's own instincts and hunches in ambiguous or uncertain situations Keeps control of one's own feelings and behavior in high pressure situations Learns from personal experience and integrates experience to cope with new or untried events Seeks and utilizes opportunities for continuous learning and self-development

such as: personal development goals, rationale, competencies addressed, actions required, deadline, resources required, and target dates for progress review or completion. The executive reviews the individual development plan with their

superior to gain agreement on the overall plan. Then both the executive and superior sign the individual development plan as an expression of commitment. Periodic progress reviews are typically conducted with the consultant, but may include

participation, either separately or concurrently, with the executive's superior.

The process is then repeated among the next lower-level tier of executives, then onto mid-level managers and supervisors. Competency models may change over time. Some competencies may be deleted if top executives think the competencies have become well established within the organization, while new competencies may be added later on. The cost of the assessment can range from US\$5,000-\$10,000 per person, and may be repeated in two to three year intervals. It is a significant investment in which senior management expects to receive tangible benefits, from both individual and operating performance perspectives. Indeed, this approach to leadership development can be very helpful to people that take it seriously.

However, there are important shortcomings to the process. For example, a person that has attended a workshop may decide against completing their individual development plan if they know that their superior does not value this approach to leadership improvement. In other words, they may cut short the process because they are not rewarded for achieving their leadership development goals. Often, the daily demands of business eclipse efforts to improve individual performance. In some organizations, leadership development using the competency model tool may be viewed as a "flavor of the month". and thus worth no more than symbolic participation. The competency model process may include the use of a 360° feedback instrument, whose results can be a tremendous shock to people previously unaware of serious flaws in their behavior. This may contribute to a desire to disengage from the process at the conclusion of the workshop.

Another important shortcoming is that the primary competencies, secondary competencies, and behavioral indicators, while perhaps defined in the competency model, are subject to interpretation (Lucia and Lepsinger, 1999; Cooper, 2000). For example, a communication competency may include non-specific behavioral indicators such as: "expresses ideas effectively", "conveys ideas confidently", or "listens actively", while a teamwork competency may include indicators such as: "encourages teamwork", "displays organizational savvy", or "works to get buy-in from individuals" (LCM, 1999). The indicator "works to get buy-in from individuals", for example, could be achieved in either threatening or non-coercive ways, while "business acumen"

could be viewed as: knowing how to favorably manipulate a common business metric such as "earned hours", or recognizing how the "earned hours" metric drives poor decisions and eliminating it. A further complication is that most indicators are not usually actionable.

Importantly, the foundation for competency models is that behaviors led to competencies. The models and associated processes assume that a person's beliefs are not relevant, either explicitly or implicitly, to the expected behaviors that are needed to achieve the competency, or that all people share the same beliefs. The purpose of this paper is to examine how leaders' beliefs, rooted in management practice, influence their behaviors and resulting competencies. "Conventional management practice" and the "lean management system" (Emiliani, 2000; Emiliani *et al.*, 2003) are presented to illustrate the substantial differences in progression from belief to behavior to competency. The beliefs associated with conventional management practices are shown to result in less desirable competencies, while the beliefs associated with the lean management system result in more desirable competencies.

Dissonance between competencies and beliefs

The competency model process implicitly assumes that participants accept the competencies and indicators as being the correct ones for either themselves or for the business. For many people this assumption will be valid, while for some it will not be valid because they possess different beliefs. Importantly, the creation of competency models does not start with an assessment of the beliefs held by people in lower levels of the organization. Instead, it begins at the top of the organization and is driven by the perceptions of top executives regarding the competencies that are needed to meet future business challenges. While their perceptions may indeed be correct, the current issues that consume people's mental energy may be discounted as if they did not exist at all, thus making it more difficult to achieve the desired outcomes. In some organizations, the dissonance can be quite large, and represents an improvement opportunity regarding the use of competency models.

Most organizations possess a political landscape that people will easily recognize after a period of time. The degree to which an organization runs on politics can of course vary (Kets de Vries and Miller, 1986;

Kets de Vries, 1993). In highly political organizations, experienced people will quickly recognize a dissonance between the desired competencies and the way business is actually conducted – including formal and informal reward systems, and punishments. In less political organizations, such realizations may take longer or may not even be a barrier to leadership development though the use of competency models.

Table II shows the primary competency, secondary competency, and the deeply held beliefs that some people, likely many people, participating in a leadership development process possess. The beliefs are often driven by organizational routines that people experience every day at work (Argyris and Schon, 1974; Argyris, 1990, 1991; Mintzberg *et al.*, 2002). If people have different beliefs based on their actual work experience within an organization (Boyatzis *et al.*, 2002) or as a result of other extant factors, then the ability to realize the desired outcomes associated with competency models will be greatly compromised. The time and money spent on leadership development, while helpful to some, will be mostly wasted.

An important part of the process should include surveying people at different levels of the organization to understand their deeply held beliefs, identifying the ones that are at odds with the competencies, and then determining their root cause (Ohno, 1988). The countermeasures for addressing the root cause could then become part of the competency model, likely resulting in much better outcomes. The question, of course, is: Where does the dissonance come from?

Conventional management belief system

Most businesses, whether service or manufacturing, public or private, profit or non-profit, are managed principally according to conventional, or “batch-and-queue”, practices. In batch-and-queue practice, materials are processed in large batches, which result in long queue times between operations. While the term batch-and-queue originated in manufacturing, the conventional way to deliver services is also batch-and-queue – e.g. processing information, documents, etc., in large batches, which again results in long queue times. Batch-and-queue processing – whether it is materials or information – has many serious deficiencies including long lead-times, lower quality, higher cost products or services, and customer dissatisfaction (Womack and Jones, 1996; Bowen and

Youngdahl, 1998; Goland *et al.*, 1998; Brady, 2000; Barron, 2000; Emiliani, 2000). The source of these systemic problems is poor information flow, information that reflects a distorted view of reality, organizational politics, and blame (Emiliani *et al.*, 2003).

Businesses that operate using conventional management practices have some distinctive characteristics worth noting. For example, they typically focus on results, with little or no attention given to the processes that were used to achieve the results. Lacking awareness of the process means that good results are unlikely to be repeated, while poor results are likely to be encountered periodically. There is also an intense focus on locally optimizing the performance of individual functional departments, coupled with the common assumption that the gains achieved will accrue to the business as a whole. However, business metrics support local functional optimization routines usually come at the expense of other departments or metrics. For example, a classic conflict occurs between the “purchase price variance” metric used by purchasing departments and the “parts per million” metric used by quality departments. One of the purchasing department’s key goals is to reduce the price of goods and services, which can result in the use of lower quality suppliers leading to unfavorable quality performance. The result is systemic blame between departments, which can become amplified by organizational politics (Bianco and Moore, 2001). In other words, companies forget about their customers, which could be an important reason why the lifespan of most businesses is about 30 years (de Geus, 1997). The reality is that business processes are connected (Womack and Jones, 1996; Rother and Shook, 1999; Emiliani *et al.*, 2003), yet most businesses are managed as if these connections did not exist.

To make matters more difficult, US corporate law and management practice in most large publicly owned businesses over the last 15 years or so advocates the primacy of shareholders (Kelly, 2001; Mitchell, 2001; Mintzberg *et al.*, 2002). The ultimate purpose of business, according to their view, is to “maximize shareholder value” – typically short-term. In order to achieve such an outcome, even in good economic times, tradeoffs must obviously be made against other key stakeholders. Managers practice “corporate unilateralism”: they lay people off, close plants or offices, and squeeze supplier’s profit margins to return greater financial rewards to themselves and investors. Throughout the 1990s the portion of executive compensation based on stock

Table II
 Leadership competency model-belief system dissonance

Primary competency	Secondary competency	Belief
Leadership	Strategic leadership – provides a clear vision to others of what the organization needs to ensure its future success	“I will be here for only five years, so I am not really concerned about the future success of the company. Loyalty is dead – everyone knows that. I’m here just to build my résumé and do what is right for me. But I play the game”
	Teamwork – creates an environment in which people are involved, included, and have a sense of ownership	“I don’t see the executives acting as a team, so I won’t either. Besides, there is no reward for teamwork. People get promoted for the results they achieved, not how they achieved them. We have false teams”
	Developing talent – achieves competitive advantage and fosters a learning environment by taking personal responsibility for identifying and developing people	“Oh please! There is definitely no reward for me to spend my valuable time developing other people. I am on my own. The people who get promoted have been pre-selected by senior managers – it’s the ‘be-like-me club’. Talk about a learning environment ... I learned this early on”
	Customer focus – champions actions to exceed current and future internal/external customer needs	“When I act as an advocate of our customers’ interests, people look at me as if I am from another planet. Our real goal is 15 percent EPS growth, not customer focus”
	Focus on results – drives obligations to closure with precision to benefit the organization and every constituent	“This I do believe. People who worry about the process get beat-up. I just focus on the metrics in my area – even though everyone knows they drive the wrong behaviors”
Business acumen	Forward thinking – develops plans that anticipate short- and long-term business demands	“I have tried to present forward-thinking solutions in the past but always get a lukewarm reception. I know we are in a very competitive business and have to do some things differently, but I am struggling to be heard. I will keep trying”
	Business innovation – drives change and uses new or unique solutions in business situations	“We are mostly status quo-oriented – that is the reality. Innovation is driven top-down, not bottom-up. We participate in innovation if it is the boss’s idea. My best, most innovative ideas have been consistently rejected. It is mostly because of budget constraints. The budget drives people’s activities, not the other way around”
	Business judgment – determines alternative solutions to problems, evaluates courses of actions, and reaches sound business decisions	“My boss is in the driver’s seat; I am just a passenger. He is not truly interested in my opinions. We solve problems the way he thinks they should be solved. Our course of action is pre-determined. I have no control over that”
	Analytical thinking – identifies root causes of problems, secures relevant information, and identifies possible solutions	“My boss thinks that finding the root cause of problems takes a lot of time, which is time away from my work. So she does not really support this activity. We firefight. That is the way it has always been”
Communication	Listening – encourages others to engage in dialogue, listens actively	“This is an important area for me to improve on and I am making some progress. However, dialogue is a time-consuming activity. We spend most of our time in discussion or endless debate. So that creates a lot of animosity. We are probably all saying the same thing in different ways. But we rarely get to the meat of an issue without it resulting in a lot of negative conflict. It is amazing we get anything done”

(continued)

Table II

Primary competency	Secondary competency	Belief
	Communication skills – expresses ideas effectively to establish oneself as a credible and impactful leader	“It is really hard to express ideas effectively when the conversation quickly slips into a debate. So we have learned to focus our communications on a simple transactional level, just to get the job done. I am not sure what it means to be an ‘impactful leader’. The CEO is the leader, but I don’t perceive her to be impactful. This is an unreasonable expectation for someone at my level”
Personal	Adaptability – adjusts personally to high pressure, rapidly changing business conditions, and uncertain business environments	“Anyone who works here has to be adaptable, by definition – otherwise they wouldn’t be here! I don’t enjoy the pressure or the politics – it really takes a lot out of me, and it’s not how I want to live my life. I am learning a lot, but plan to move on in a few years. The grass is always greener ... right?”

options increased dramatically and surely contributed to this aggressive behavior (Fox, 2001; Loomis, 2001; Cassidy, 2002; Wolf, 2002). So it is likely that slavish devotion to economic output, at the expense of customers and appropriate balancing of social interests, is another important reason why the lifespan of most businesses is relatively short (de Geus, 1997; Handy, 2002).

Predictably, companies beholden to short-term shareholder value maximization eventually get into deep trouble (Byrne, 1998; Barsky *et al.*, 1999; Maremont and Berner, 1999; Bianco and Moore, 2001; Berman and Blumstein, 2001; Kaufman, 2001; Norris, 2001; Charan and Useem, 2002; Eichenwald, 2002; Frank and Solomon, 2002; Gasparino, 2002; Harris, 2002, 2003; Sandberg and Pulliam, 2002, Weil, 2003). The CEO will then mandate various actions to improve performance and specify certain goals to achieve, typically financial in nature. However, the goals will not be recognized by various parts of the organization as being applicable to them, in part because they are not specific or actionable (Emiliani, 2000). Instead, people will look for fast, easy solutions to systemic problems within their function, if required. The company comes to rely on and reward heroes, thus undermining well-intentioned efforts to promote teamwork.

Additional detailed features of conventional management practice have been previously reported (Emiliani, 2000; Emiliani *et al.*, 2003). The central point is that most businesses are managed, to one degree or another, in ways that result in conflicts between people. To those that work in such environments, conflict can become viewed as the inevitable outcome of postmodern management practice. The belief system that promulgates these characteristics may be established in business school education

(Emiliani *et al.*, 2003), either directly or indirectly, or through business experience. If people initially believe in something different, they will, in most cases, adopt the company’s belief system because it:

- may appear to be reasonable;
- is a means for advancement; or
- simply becomes a matter of survival.

Quite often people at all levels of the organization will sense that something is amiss, but they are unable to explicitly and systematically identify cause and effect.

Conventional management practice carries with it beliefs that drive certain behaviors, which over time result in managerial competencies. Table III shows this progression for over two-dozen beliefs. These are not intended to be a comprehensive account of all operative beliefs among managers. Rather, they simply illustrate many of the key beliefs that are in play and from which important management decisions are based upon (Emiliani, 2000; Emiliani *et al.*, 2003). The progression from beliefs to behaviors to competencies becomes increasingly less desirable. Few managers would want to be known as having such competencies, yet these are indeed what most possess.

Importantly, the competencies shown in Table III do not deliver the specific skills, knowledge, or characteristics needed to perform a role effectively and to help a business meet its strategic objectives (Lucia and Lepsinger, 1999) because competency model theory and practice does not take into account the beliefs possessed by leaders skilled in conventional management practice, which in turn forms the basis for individual and organizational learning (Senge, 2003). Instead, the unfortunate result is “skilled incompetence” (Argyris, 1986) – i.e.

Table III

Conventional leaders

Belief^a	→ Behavior^b	→ Competency^c
People (employees, suppliers, etc.) understand what management says	Stop asking questions Be impatient	Speak in abstract terms Give direction that is not actionable
There is a shortage of management talent/cannot find skilled people	Search for the unattainable Seek expensive technological solutions	Ensure that work remains complex
Managers are élite	Arrogance/super-high ego	Highlight differences between stakeholders
Economies increase with scale	Seek preferential treatment Seek scale	Drive stakeholders apart Rely on scale to reduce cost
Labor unions are bad	Seek to minimize labor's position	Perpetuate power-based bargaining routines
Green policies add cost	Delay/avoid sustainable business practices	Slow to recognize changes in stakeholder sentiments Damage the environment
People are the problem	Blame people (e.g. employees)	Set negative tone/perpetuate fear of failure Unable to understand business processes Perpetuate power-based bargaining routines
Companies exist to maximize shareholder value	Negate existence of other stakeholders Divide key stakeholders	Find ways to maximize shareholder value: layoffs, plant closings, squeeze suppliers, reduce benefits, etc.
Cost is in manufacturing	Hold manufacturing accountable for cost reduction	Deny the true source of cost (i.e. product or service design) Maintain status quo in design/engineering
Layoffs improve productivity	Lay people off when needed	Divide key stakeholders Ignore morale problems Ignore the existence of waste
We are in a low margin business	Search for higher margin products/services	
What gets measured gets managed	Create many conflicting measures	Perpetuate inaccurate paradigms Data assumed to be accurate and valuable
Low employee retention rate due to external factors	Deny management's role in determining employee satisfaction	Failure to recognize and respond to employee concerns
Purchasing people are clerks	Minimize purchasing's role and influence	Perpetuate wasteful stereotypes
High fill rates require more inventory	Overproduce unwanted goods or services	Increase the cost of goods sold
High quality costs more money	Managers determine acceptable level of quality	Perpetuate producer focus (vs customer focus)
Volume reduces cost	Find ways to increase volume/maximize asset utilization	Game the business system and related metrics (i.e. channel stuffing)
Buyer has nothing to learn from suppliers	Ignore suggestions from suppliers	Remain inwardly focused Maintain the status quo
Delays and re-work are acceptable	Slow to resolve issues or act on opportunities	Maintain the status quo Miss opportunities
Sourcing to low-wage countries is a good solution to cost problems	Ignore costs not assignable to unit cost	Inability to recognize and understand total costs
Suppliers are the problem	Blame suppliers	Ignore the influence of buyers' business practices on supplier performance Perpetuate power-based bargaining routines

(continued)

Table III

Belief^a	→ Behavior^b	→ Competency^c
Suppliers are responsible for themselves	Do nothing to help suppliers succeed	Ignore interdependence of buyers and sellers
Business is complex	Focus on complex solutions Rely on expensive software or technology	Make business more complex Locally optimize performance Slow decision making/maintain status quo
Must make trade-offs between cost, delivery, and quality	Seek trade-offs as solutions to common business problems	Perpetuate false paradigms Maintain status quo
Large variations in _____ are OK	Deal with problems as they arise	Avoid understanding root cause of variation Inability to reduce variation
Hard skills and soft skills are separate	Focus on hard skills	Align reward system with hard skills
Resources are scarce	Maintain internal focus Limit project scope and depth	Ineffectively utilize resources Perpetuate false paradigms Ignore existence of waste
Unit cost drives business performance	Do anything to reduce unit costs	Game the business system Ignore costs that fall into other budget categories
Anyone can be replaced (i.e. high management turnover is OK)	Assign meaningless work Hoard knowledge	Underutilize valuable human resources
What I learned in business school is correct	Defend knowledge areas, practices and results	Not receptive to new ideas Perpetuate the use of ineffective business practices
Can solve problems without going to the source	Talk about problems and solutions	Develop ineffective solutions to problems Repeat mistakes
Lean is cost reduction program	Limit application of Lean to a few tools	Failure to recognize the full potential of Lean

Notes: ^a Something accepted as true; ^b Conducted based on beliefs; ^c An established skill or capability

managers that are good at doing things that result in undesirable outcomes.

Lean management belief system

A small but growing number of companies practice a profoundly different type of management system rooted in the principles and practices of the “Toyota Production System” (Ohno, 1988; Womack *et al.*, 1990; Womack and Jones, 1996; Basu, 1999; Fujimoto, 1999). Leading practitioners include Toyota Motor Corporation, Honda Motor Company, the Wiremold Company (Emiliani *et al.*, 2003), Freudenberg-NOK, and Danaher Corporation. Many other companies, both large and small, have embarked on the path of conversion from conventional management practice to the lean management system (Shingo, 2003).

At its core, the lean management system is focused on eliminating waste (called “*muda*”, in Japanese) – activities that do not add value and can be eliminated – and creating value for end-use customers using well-defined principles and practices (Ohno, 1988;

Womack *et al.*, 1990; Womack and Jones, 1996; Imai, 1997; Basu, 1999). The typical result is superior financial and non-financial performance, the establishment of intra- and inter-organizational capability building routines, and improved time-based competitiveness (Fujimoto, 1999; Emiliani *et al.*, 2003). The lean management system is an effective means for realizing business strategies. Companies that can successfully transform themselves are formidable competitors in good economic times and usually outperform peer group companies in difficult economic times.

Businesses using the lean management system have some distinctive characteristics that are mostly the opposite of that found in conventionally managed businesses (Emiliani *et al.*, 2003). A principal shift is from results- to process-focus. Emphasis is placed on gaining a very detailed understanding the process used by people to perform an activity, and separating value-added work from non-value added but necessary work and waste. Teams of people then work to eliminate waste using simple processes and tools, which reduces lead-time

and cycle time, improves quality, and lowers cost. Focusing on the process also helps ensure that favorable results can be easily repeated. If unfavorable results are encountered, then teams work to quickly discover the root cause of problems and apply countermeasures. Establishing a no-blame environment is essential for getting information to flow without interruption and achieving continuous improvement. Lean management, done correctly, is not a layoff program.

The lean management system also focuses on improving the entire business system, rather than optimizing individual parts of the business. If an improvement is good only for one functional area but not good for the entire company or its customers, then the improvement is not undertaken (Toyota, 2001). Business metrics are mostly non-financial and do not conflict with other departments. Organizational politics are greatly reduced because day-to-day management of activities and processes are made visual using a variety of one-page charts, and business measures are simple and easy to understand by the people that perform the work. Complex, inaccurate, or misleading metrics such as earned hours, standard costs, purchase price variance, or machine utilization rates are not used. Lean businesses are less likely to lose sight of their customer's interests because they establish market discipline using tools such as quality function deployment, target costing and value engineering in the design process, *kaizen* costing and value analysis in production, and delivering products or services commensurate with the actual rate of customer demand (called *takt* time) using "pull" systems (Ohno, 1988; Akao, 1990; Monden, 1995, 1998). *Kaizen* is a Japanese word that means "change for the better", and is interpreted as "continuous improvement". It is a key process for making rapid improvements and establishing a new culture among managers and associates (Emiliani *et al.*, 2003). *Kaizen* is typically three to five days in duration, and there are normally dozens of *kaizens* each month.

Rather than seeking to "maximize shareholder value" in the literal financial sense (i.e. short-term), lean businesses seek to balance the interests of key stakeholders such as employees, customers, suppliers, investors, and the community. They instead use a non-literal interpretation of the term "maximize shareholder value", in which factors such as market share, product or service innovation, quality, etc., are considered important parts of the total value of a business. Balance, mutual co-existence, co-prosperity, and harmony between social and economic interests are important

principles that guide management decision-making, without losing sight of the importance of generating profits (Toyota, 2001; Nikkei, 2003). Indeed, lean businesses usually outperform competitors because they use concepts, principles, processes, and tools that result in improved cost management and the creation of products and services that better satisfy customer needs (Emiliani *et al.*, 2003). "Corporate unilateralism" is not seen as an effective solution because it divides key stakeholders and forces people to act in their own self-interests. It is the last resort, rather than first resort, to business problems.

Lean businesses, like any other, are subject to market conditions. When problems arise, the CEO will mandate various actions to improve performance. In contrast to conventional management practice, the improvements identified will be largely non-financial and specific (Emiliani, 2000). Associates will know how to make the mandates actionable by using lean principles, processes, and tools that they use everyday to eliminate waste and create value for end-use customers. The CEO usually has deep knowledge of continuous improvement processes and will often participate in *kaizen*. Cross-functional teams work together to identify and implement solutions, and the reward system supports teamwork rather than heroic individuals. Favorable financial results, including creating shareholder value (long-term sense), are the outcome of such efforts and not the principal focus.

Additional detailed features of the lean management system have been previously reported (Emiliani, 2000; Emiliani *et al.*, 2003). A central point is that lean businesses are managed in ways that reduce or eliminate conflict between people because conflict is viewed as waste (Emiliani, 1998a). Conflict is not seen as the inevitable outcome of postmodern management practice. The belief system that promulgates these characteristics is not a regular feature of business school education. Rather, business school courses typically marginalize the lean management system and its many benefits due to a plethora of misconceptions and lack of first-hand experience among professors. However, people who directly experience well-executed lean management know that it is a more sensible way to conduct business and will have great difficulty returning to conventional management practices. The lean management system drives organic productivity improvement that leads to wealth, whereas waste eventually results in poverty from both human development and financial perspectives.

The lean management system also carries with it beliefs that drive certain behaviors, that over time results in managerial competencies. Table IV shows this progression for over two-dozen beliefs. Again, these are not intended to be a comprehensive account of all operative beliefs among managers. Rather, they simply illustrate many of the key beliefs that are in play and from which important management decisions are based on (Emiliani, 2000; Emiliani *et al.*, 2003). Note that the progression from beliefs to behaviors to competencies is more desirable than that shown in Table III. Most managers would want to be known as having such competencies, yet very few actually possess them because their beliefs are rooted in conventional management practice. Table V summarizes some of the key differences between conventional management competencies and lean management competencies.

Competencies-in-use vs competencies espoused

Argyris defines learning by humans as “the detection and correction of error”, and differentiates between single-loop learning, “the correction of errors without altering the underlying governing values”, and double-loop learning, where “errors are corrected by changing the governing values and then the actions” (Argyris, 2002). Argyris also identified two types of theories-of-action used by people. The first is theories-in-use, which are the actual behaviors people exhibit that are designed to control events, avoid threats, or circumvent undesirable outcomes. An important result is debilitating defensive routines, which inhibit learning and leads to mediocre individual and organizational performance. In short, defensive routines prevent people from taking action. The second is theories espoused, which is the behaviors that people think they exhibit or should exhibit. The incongruity or gap between theories-in-use and theories espoused is rooted in the beliefs that people have: they know they should behave in a certain ways to achieve better outcomes, but instead behave in different ways to fit the reality of their existence as they see it.

Competency models follow the same learning and theories-of-action typologies identified by Argyris (1990). The leadership competency model shown in Table I is an example of competencies espoused by top executives. It contains all the right words. However, Tables II and III illustrate the

competencies-in-use, which will undermine the competencies espoused for most participants in leadership development workshops and promote only single-loop learning. Therefore, leadership competency models will be ineffective at improving management’s behaviors and skills relative to future business needs because it does not address their underlying beliefs (Boyatzis *et al.*, 2002).

In conventional management practice, the beliefs shown in Table III are deeply rooted. Coupled with defensive routines that discourage action and block the flow of information, it is unreasonable to expect that any of the competencies shown in Table I can actually be achieved, except perhaps in isolated cases. Instead, the CEO, for example, will continue to exhibit easily identifiable behaviors and competencies based upon these beliefs. Most managers below the CEO will copy his/her behaviors because it is usually advantageous to do so – to secure advancement or greater financial rewards – and then develop the same competencies. Succession planning is often tacitly based on the ability of other people to model the same or similar behaviors and competencies exhibited by top executives, thus setting the stage for continuity in “skilled incompetence” (Argyris, 1986). The long-term effect on the business (e.g. competitiveness) and its key stakeholders will surely be unfavorable.

In the lean management system, differences between theories-in-use and theories espoused are minimized or eliminated because variation is considered waste. Importantly, people are not seen as waste; rather, it is business processes that contain waste. lean leaders strive to eliminate not only waste, but also unevenness (called “*mura*” in Japanese) and unreasonableness (called “*muri*”, in Japanese) – in both leadership behaviors and business processes (Lu, 1989; Emiliani, 1998a, b; Emiliani *et al.*, 2003). The beliefs shown in Table IV are also deeply rooted among managers that practice the lean management system correctly (Emiliani, 2000; Emiliani *et al.*, 2003). The resulting behaviors and competencies reflect a much more positive view of the potential of people and their ability to make valuable contributions to the business and to society. It is a non-zero sum view of business, compared to the zero-sum view possessed by leaders of conventionally managed businesses.

Many brownfield businesses have recently made the initial transition from conventional management practice to lean management practice (Shingo, 2003). To do so requires

Table IV
 Lean leaders

Belief^a	→ Behavior^b	→ Competency^c
Companies exist for socio-economic reasons	Reduce or eliminate trade-offs	Strive to achieve stakeholder satisfaction Management recognizes reality
Employees are valuable resources	Treat employees fairly	Hire with great care/achieve stable employment Train employees
Suppliers are valuable resources	Treat suppliers fairly	Partner with great care/achieve stable supply base Train suppliers
Customers are valuable resources	Treat customers fairly	Create value for customers Grow market share
Investors are valuable resources	Treat investors fairly	Seek long-term investors Ensure a fair and consistent return for investors
Business must respect communities	Contribute to the community	Awareness of business impact on community
The amount of waste is large	Seek opportunities to eliminate waste	Business system improvement
All business processes can be improved	Improve all processes	Consistent and correct use of Lean principles and practices
The real money is in non-financial metrics	Focus on time, distance, space, inventory, productivity, etc.	Manage the box score, not the scoreboard Management teaches people methods of improvement
Inventory is not an asset	Use Lean principles and practices tools to reduce inventory and improve response to customer demand	Question traditional views/assumptions
No end to improvement	Focus on eliminating waste	Question traditional views/assumptions
Important to achieve non-balance	Achieve balance by eliminating waste	Question traditional views/assumptions
Spend ideas, not dollars	Seek simple solutions to complex problems	Use root cause analysis to understand problems and implement countermeasures
Problems may never be "solved"	Periodically re-visit the problem	Re-evaluate effectiveness of countermeasures
Forecasts are always wrong	Distrust forecasts Eliminate waste	Respond to rate of customer demand Use market information
Humans are greatly under-utilized	Work with people to develop capabilities	Invest in people Commitment
Humanity must be respected	Eliminate wasted human effort	Ensure meaningful work by increasing value-added
What I learned in business school may not be correct	Study problems/critical thinking	Question traditional views/assumptions
Variation is waste	Level work loads (volume and mix)	Steady production processes
Stakeholders are interdependent	Cultivate human relationships	Collaborative problem solving
Seeing is believing	Go to see actual place, actual part, actual situation when problems arise	Accurate view of reality
Business processes must be understood	Define processes to ensure repeatability and to establish basis for future improvement	Consistent and correct use of lean principles and practices Discipline
Responsibilities must be clear	Eliminate waste (e.g. ambiguity)	Accurate view of reality
Must have both control and flexibility	Separate conditions requiring control and flexibility	Develop human capabilities and creative potential
Plans change	Avoid unnecessary rigidity Update plans and standards frequently	Develop processes that can adapt to changing circumstances

(continued)

Table IV

Belief ^a	→ Behavior ^b	→ Competency ^c
Need tie-ups to effectively influence business partners	Invest in key suppliers	Discern supplier's unique competencies Train/develop suppliers Disciplined collaborative relationships
Long-term competitiveness more important than short-term focus	Build capabilities	Stable long-term growth Avoid repeat mistakes
Information must flow in order to be competitive	Eliminate delays Efficient processing of information	Transmit accurate, value-laden information Increase information density by eliminating waste
Harmony has more value than conflict	Cultivate human relationships	Cooperation/collaboration Eliminate waste
Lay-offs are the last resort	Grow slowly and carefully Fully utilize internal and external resources	Stable employment

Notes: ^aSomething accepted as true; ^bConduct based upon beliefs; ^cAn established skill or capability

changing the fundamental beliefs that people possess about the conduct of business. A key process is *kaizen*, a form of action learning in which most people quickly begin to realize that their existing beliefs do not serve them, the business, or their key stakeholders well. Business beliefs and practices once thought as highly effective are later found to be ineffective and costly. With the aid of *kaizen* consultants and participation in *kaizen* by top executives, beliefs and behaviors begin to change and new competencies emerge. People at all levels become engaged in double-loop learning because senior management has created a new context for doing so.

In lean businesses, lean competencies are highly valued, but competency models – transactional or transformational – are not because they can imply that all people must be exactly alike or exclude important ways of thinking or behaving. Instead, new beliefs, behaviors, and competencies are established by teaching lean principles, processes, and

tools at the point where the work is actually performed. This learning process gives people a fundamentally different view of the nature of change: a willingness to accept and seek change. It also gives them a new basis for thinking and taking action, working together, and contributing ideas that eliminate waste and create value for end-customers (Sonoda, 2002). Done correctly, it results in the creation of new organizational routines that lead to capability building and long-term competitive advantage. Applying the two key lean principles, “continuous improvement” and “respect for people” (Toyota, 2001), results in widespread commitment to the new management system. Senior management creates a new reality in which people develop new beliefs and behaviors that lead to better competencies, which are more adaptable to changing business conditions. The typical result is improved outcomes for all key stakeholders (Womack and Jones, 1996; Emiliani *et al.*, 2003).

Table V

Some key differences

Conventional leader competencies	Lean leader competencies
Give direction that is not actionable	Management recognizes reality
Drive stakeholders apart	Create value for customers
Set negative tone/perpetuate fear of failure	System improvement
Lay-offs, plant closing, squeeze suppliers, etc.	Question traditional views/assumptions
Deny the true source of cost	Use root cause analysis to understand problems
Ignore the existence of waste	Respond to customer demand
Perpetuate false paradigms	Invest in people
Perpetuate wasteful stereotypes	Commitment
Game the system	Mutual problem solving
Maintain inward focus	Consistent and correct use of Lean principles and practices
Ignore interdependence of buyers and sellers	Discipline
Make business more complex/local optimization	Avoid repeating mistakes
Under-utilize valuable human resources	Cooperation
Repeat mistakes	Stable employment

Lean businesses do not value competency models for another reason: they have in place well-established business principles and processes that enable people to take action and successfully achieve desired outcomes. Their systematic approach to improvement provides a basis for continuing practice and for developing a deep understanding of business processes. The benefits operate on two levels, the individual and business, without having to create an expensive new competency model process. Defensive routines (non-action), organizational politics, or the absence of recognizable rewards are common features of conventional management practice that will inhibit effective realization of the desired competencies for most people. lean business principles and practices minimize or eliminate these types of negative conditions because they are waste. This, plus a no-blame environment means that people can develop new and better competencies without the need for competency models such as that shown in Table I.

It is also worth briefly noting that lean businesses do not value wilderness or outdoor leadership development experiences. The principal reasons are because this type of development activity does not:

- Develop managers' capability to observe and discern between value-added work, non-value added but necessary work, and waste.
- Teach people to think and understand business processes using simple non-financial measures and root cause analysis.
- Eliminate waste in business processes.
- Create value for end-use customers.
- Change people's belief system.
- Occur at the actual location where the work is performed.

In short, it does not create conditions for double-loop learning in the actual work environment. This further illustrates the importance of *kaizen* in achieving the desired individual and organizational changes in response to changing business conditions.

The change-over problem

Businesses encounter many situations where they must change from one way of doing business to another, often simply as a matter of survival. The types of change-overs encountered span a variety of situations such as:

- Organizational change, such as going from conventional management practice to the lean management system.

- Changing from material requirements planning (MRP) to enterprise requirements planning (ERP) software systems.
- Change in leadership from one CEO to another (including associated management paradigms and methods).
- Replacement of old technology with new technology, such as manual machines to computer-controlled machines.

Competency models can also be viewed as a method for changing over from one set or subset of leadership behaviors to another.

In general, the problem of changing over from condition A to condition B is not well understood in conventional management practice, and the key shortcomings of competency models previously noted provide evidence in support of that view.

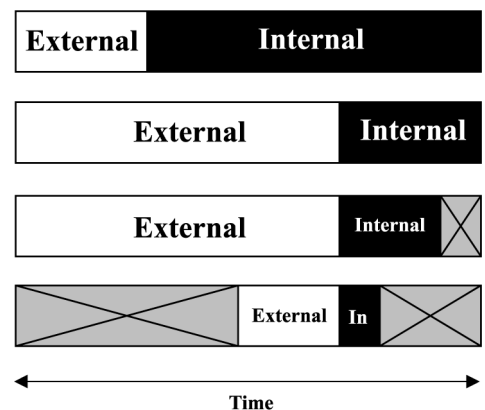
Importantly, the process for doing so, whether it relates to people or equipment, is even less well understood, and so change-overs typically take a long time, encounter severe difficulties, or fail altogether.

However, the situation is very different in lean businesses. There, change-over is an extremely important problem and the process for doing so must be well-understood because it has a dramatic impact on cost structure and the ability to respond to changing market conditions – and therefore competitiveness (Shingo, 1985; Ohno, 1988).

Historically, the context is machine or equipment change-over (i.e. "set-up") in a manufacturing environment; that is, changing over from one type of product or process to another (Shingo, 1985). In conventional management practice, machine change-overs take hours or days, while the same equipment in a lean business is changed over in minutes. Figure 1 illustrates the process, which is made up of the following four steps:

Figure 1

Diagram of the process used to perform machine or equipment change-overs



- 1 identify and separate internal and external set-up;
- 2 convert internal to external;
- 3 decrease internal set-up;
- 4 combine and eliminate tasks to decrease internal and external set-up.

where internal set-up is activities that must be performed when the machine is shut down and external set-up is activities that can be performed when the machine is running.

The same thinking can be applied to the development of new leadership beliefs, behaviors, and competencies, as this is also a change-over problem – but with two important qualifications:

- 1 No intent is made to characterize people as machines.
- 2 Change-over in leadership behaviors will take longer than minutes to complete and requires ongoing practice.

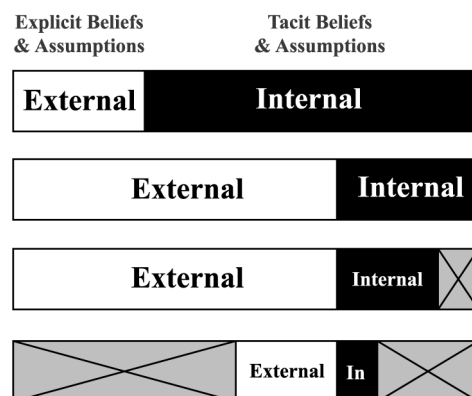
Simply think of the change-over process in a general sense. Figure 2 illustrates the change-over process applied to leadership development, which is made up of the same four steps:

- 1 recognize tacit (internal) conventional management beliefs and assumptions;
- 2 convert tacit (internal) conventional management beliefs and assumptions to explicit (external);
- 3 reduce tacit (internal) conventional management beliefs and assumptions; and
- 4 decrease tacit (internal) and explicit (external) conventional management beliefs and assumptions.

Internal beliefs and assumptions are business beliefs and practices that are thought to yield favorable results. These include: companies exist to maximize shareholder value (short-term sense),

Figure 2

Diagram of the process for achieving change-over in leadership beliefs, behaviors, and competencies



learning curves, economic order quantities, absorption accounting, return on investment calculations, and business metrics such as purchase price variance, standard costs, or earned hours. The first step is for leaders to ask themselves if these common business beliefs, practices, and measures are truly effective, or if they instead result in local optimization, cause uneven business performance, poor process understanding, information blockages, and conflicts in human and business relationships. They then question whether or not their formal education, training programs, and work experience, lead to consistently positive outcomes for key stakeholders.

The second step is to convert these internal beliefs and assumptions to external. In other words, the leader must confront them directly and be willing to abandon prior knowledge and learning experiences without fear or remorse. This is a very difficult step for most managers. Doing so, however, sets the stage for valuable double-loop learning. Most people can arrive at only one conclusion: that there is great opportunity to improve leadership thinking and practice. In step three, the leader decreases his or her internal beliefs and assumptions related to batch-and-queue management practices. The fourth and final step, they decrease internal and external batch-and-queue beliefs and assumptions, which require them to learn more about lean principles and practices.

Importantly, the change-over model shown in Figure 2 can only be achieved by participating in a dramatic new experience. So what would propel leaders to engage in the change-over and create their own personal double-loop learning environment? In lean businesses, *kaizen* – especially shop floor *kaizen* – is the action learning experience that makes leaders critically examine the effectiveness of conventional management thinking and practice. Leaders that participate in *kaizen* quickly begin to realize that most of their beliefs about the conduct of business are incorrect, from which new beliefs, behaviors, and competencies arise. Leaders that engage in the change-over then begin to put into practice the two key principles of the lean management system: “continuous improvement” and “respect for people” (Toyota, 2001).

Unfortunately, most leaders embarking on the lean path do not participate in *kaizen* and thus miss important opportunities to learn and explicitly support the establishment of new beliefs. The challenge is to get out of the corner office and onto the shop or office floor, as their personal participation is *kaizen* is

essential for establishing the competencies they seek in themselves and others.

Summary

Leadership competency model development and deployment processes were discussed in the context of conventional management practice. Leadership competency models in general, and the specific model shown in Table I, are deficient in several ways, including:

- Competencies and behavioral indicators are subject to interpretation and are not usually actionable.
- Discounting the relationship between people's beliefs and behavioral indicators or specified competencies.

The ability of competency models to deliver benefits to individual managers, and, by consequence, to the business at-large, is compromised because conventional management practices, rooted in "batch-and-queue" thinking (e.g. blame, blocked information, defensive routines), sustain the gap between competencies-in-use and competencies espoused and perpetuates single-loop learning. The beliefs associated with conventional management practices are shown to result in behaviors and competencies that do not benefit the business or its stakeholders (Table III), and thus eclipse well-intended efforts to improve leaders' skills through competency models.

The beliefs, behaviors, and competencies of leaders skilled in the lean management system are presented in contrast and shown to be remarkably different from that possessed by managers skilled in conventional management practice (Table IV). In the lean management system, dissonance between competencies-in-use and competencies espoused are minimized or eliminated. A context is established in which people can engage in double-loop learning without defensive routines and practice lean principles and processes to develop the required competencies which are more beneficial to managers, the business, and its stakeholders.

The beliefs, behaviors, and competencies of lean leaders cannot be strictly classified as transactional or transformational. While the competencies are more characteristic of transformational leadership, the path to competency development is rooted in action learning through *kaizen*, which combines elements of both transactional and transformational leadership in a blame-free environment. A more appropriate characterization would be *kaizen* leadership,

where capabilities are built through direct observation and participation in continuous improvement activities designed to eliminate waste and create value for end-use customers.

The development of new leadership skills is shown to be a change-over problem that can be modeled after the machine change-over process. Leaders, including the CEO, should personally participate in *kaizen* to simultaneously develop new technical skills and beliefs, and eventually lead *kaizen* activities in both the shop floor and office, to eliminate waste (*muda*), unevenness (*mura*), and unreasonableness (*muri*) and therefore improve competitiveness.

These results point top executives in a different direction. Instead of using ambiguous but well-intentioned leadership competency models, they should understand and implement the lean management system to establish an environment where new beliefs, behaviors, and competencies can be realized through *kaizen* that better support business strategy, operating goals, and outcomes that benefit key stakeholders.

Future research will focus on identifying the implicit beliefs that underpin the explicit beliefs that, in turn, support lean management thinking and practice.

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Application questions

- 1 Have leadership competency models been effective at helping your business achieve its strategic business objectives? If so, how do you know?
- 2 Identify several competencies espoused and compare them to competencies-in-use. What can you do to close the gap?
- 3 Refer to an organization chart, business process flow chart, or value stream map and identify several leadership beliefs, behaviors, and competencies using the format shown in Table III.