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Developing Executive Capability:

Banking and Beyond

By

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A Portfolio of Exploration submitted in fulfilment of the requirements of the examination for the:

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DECLARATION

This Portfolio is entirely my own work and has not been submitted for another degree in University College Cork or in any other University

ABSTRACT

The expectations and demands of a business leader are qualitatively different from those of a business manager. A leader is expected to know and understand the world, strategise and make decisions for the whole of the business, set policy and procedure, organise people in the common pursuit of objectives and have answers for all manner of unstructured problems. A manager follows, pursues the objectives of the business and generally solves known problems based on agreed policy and procedure. The transition from one to the other is perhaps the least understood and most difficult in business. There has been much written about what leadership is but there appears to be no universally proven process of becoming a leader. My motivations in this Portfolio stemmed from my frustrations in transition from Banking Manager to Associate Banking Director leading a staff of fifty, while also observing a deficit of business leadership heading into the 2008 Financial Crisis.

This Portfolio of Exploration examines the development of conscious awareness and meaning complexity as key transformational requirements to operate competently at leadership level and to succeed in a work environment characterised by change and complexity. It recognises that developing executive leadership capability is not just an issue of personality, increasing what we know or expertise. It requires development of awareness and complexity in terms of how we know ourselves, relate to others, construe leadership and organisation, problem solve in business and understand the world as a whole.

The exploration is grounded in the theory of adult mental development as outlined by Robert Kegan (1982, 1994) and in his collaborations with Lisa Laskow Lahey (2001, 2009). The theory points to levels of consciousness which impact on how we make meaning of and experience the world around us and respond to it. Critically it also points to transformational processes which enable us to evolve how we make meaning of our world as a means to close the mismatch between the demands of this world and our ability to cope.

The exploration is laid out in three stages. Using Kegan's (1982, 1994) theory as a framework it begins with a reflection of my career to surface how I made meaning of banking, management and subsequently leadership. In stage two I engage with a range of source thinkers in the areas of leadership, decision making, business, organisation, growth and complexity in a transformational process of developing greater conscious and complex understanding of organisational leadership (also recognising ever increasing complexity in the world). Finally, in stage three, I explore how qualitative changes as a result of this transformational effort have benefitted my professional, leadership and organisational capabilities.

Each stage connects to the next by way of objectives identified through insights, with the final stage effectively cementing this new way of knowing through application with greater clarity. The result is a change in perspective reflecting a deeper understanding of the world of organisational leadership.

The overall impact may be characterised by the transformation from unconsciously operating with potentially suboptimal and outdated assumptions and theories, which framed how I thought about and acted in a leadership position, to being a conscious generator and user of more penetrating frameworks of thought in business organisational leadership. This transformation positions me to operate at a level more appropriate to the complexity of the modern business environment.

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Portfolio Introduction

1.0 Professional Context

I have been employed in two large organisations in the banking industry for twenty four years and was made a Regional Manager in XYZ[1] Bank in 2007. This followed a period of rapid economic and organisational growth from 1997 to 2007 but coincided with the onset of a worldwide financial crisis. I had long term experience, credit expertise and a very good knowledge of my geographic area which led me to believe that I had the capability to operate without difficulty at senior management level.

While the content of the new role involved large scale credit Portfolio Management it was also a leadership role involving fifty people. This brought with it demands and expectations which were qualitatively different to those I had experienced before. In middle management I had gained credibility for my expertise and attention to detail in credit, working to tight deadlines and operating within policy. In a senior role I encountered different types of problems. These were on broader operational, organisational and strategic decision making levels, which I highlight in the next paragraph, as opposed to tasks and duties. Managing the entire business unit could be fractious and disparate in comparison to how comfortable I felt in my previous position. This led to personal and professional dissatisfaction.

Managing several teams of people was difficult and when I tried to introduce operational and structural change to create some homogenous approaches to work it was difficult to elicit support either from those who reported to me or those I reported to. I had perceptions of risks in the business and organisation that I thought needed attention, but could not align people to the cause. In certain ways I disagreed with the direction of the business and its operations. In hindsight, many of these issues related to people in terms of *their* expectations, *their* personal goals and different organisational and market perspectives. In wider terms the organisation I worked in was also in struggling organisationally and again it appeared to come down to issues of leadership, perspective, and how the bank should be run in terms of its target markets. Before, I enjoyed being part of a status quo. Now my evolving perspectives on the organisation as a whole led to frustration and difference because I could not make

[1] For professional reasons the names of the organisations I worked in are withheld.

what I thought were necessary changes. I could not seem to analyse, explain it and provide solutions in clear enough terms.

Prior to embarking on a developmental doctorate I rarely reflected on the role. I assumed that the route to being better at it was by working harder and longer, being more of an expert and up-skilling so that the standard of work-related tasks was at a maximum. Organisation was about getting those tasks done well. Leadership to me was about control and ensuring the work was done well. However, at Regional Manager level I was faced with more. It related to the knowing, the doing, organising people, making decisions and judgement calls and generally all at once. I now felt responsibility for the organisation where before I had responsibility for completing tasks and reaching targets. I had to be cognisant of external changes and their impact on internal work. Some of my early readings particularly Badaracco (2006) and Kegan (1994) gave some insight on the nature of this work; in terms of how I approach it and how I respond to the external environment may in fact be all part of a complex problem which Badaracco (2006) describes as follows: "Today's world seems to thwart serious reflection about life and work. On the job, leaders face relentless pressures to work longer, produce more and make decisions faster. At the same time jobs are more complex as laws and regulations proliferate, technologies rush forward and organisations become more complicated and stakeholders' demands escalate" (2006:163).

I reached the conclusion that I had reached a ceiling in terms of being able to deal comfortably with the requirements of a leadership related role and, in parallel, how to act on how *I* felt an organisation such as my own *should* operate. Taking self reflection as a stepping stone to developing a greater awareness of myself and my role, Drucker (1999) provides advice to changing the situation. "To change course... and do things well, you'll need to cultivate a deep understanding of yourself - not only what your strengths and weaknesses are but also *how you learn, how you work with others*, *what your values are*, and *where you can make the greatest contribution*. Because only when you operate from strengths can you achieve true excellence." (1999:100 – emphases added).

Drucker (1999) directed my attention inward to raise awareness of *how* I operate and engage with the world and that individual awareness of how we react in the world is related to effectiveness and capability. Further reading yielded more. Sowell (2007) referred to the way we perceive the world as the causative end of the cognitive range meaning that information from the world causes us to act, but that action is directed by a system of thinking that is unique to us. This perception is related to the phenomenon of 'experiencing' - the mediation point between us and the world which according to Kegan (1994) we organise according to this way of thinking. This activity is of a qualitative nature and determines *the way* we think – evident in the quality of communication, problem solving, reasoning and decision making. Through reflection on how I made sense of experience, insights on how I operate and how the organisation and market worked would present themselves as an opportunity to operate more effectively in a professional sense.

1.1 Developmental Readiness

Avolio and Hannah (2008) pointed me to the importance of 'self concept clarity' for developmental readiness as a conduit to personal and professional change. The greater the clarity, the more enabled we are to adjust. They state that in large and dynamic organisations leaders need greater understanding of the situation with which they are confronted *and* who they are in terms of their capabilities to handle that situation. The higher their level of awareness of how they operate the more enhanced meaning they make of their situations. They termed this internal interrogation as adaptive reflection, which leads to greater self awareness and self knowledge and contributing to greater choice in terms of actions, behaviours and self regulation over time. Complex leaders process information more thoroughly and expertly and perform tasks better because they discriminate among more stimuli and yet see more commonalities among these.

In the five years following the start of the financial crisis I witnessed wide-scale failure in many different businesses and banking organisations including the one I worked in. There were, I believed, parallels related to the organisational issues I encountered. Business executives were experts at what they did but struggled in organisational terms. On the other hand, there were business leaders and organisations that remained successful in a difficult environment. In both business and organisation they clearly had capacities that delivered greater organisational resilience.

1.2 Hypothesis

There are expectations and demands at an executive level that people like me *should* be able deliver on. Having experienced professional and organisational dilemmas and frustrations as a mismatch in terms of capability and expectations, and similarly at peer level in both banking and business, I wondered about the connection between how complex my thinking was and my performance issues. Furthermore and in a general sense I wondered about the connection between the complexity level of executives and their organisations' performance in banking and business. Do more complex thinkers deliver more healthy organisations? Could I develop my complexity in this field?

In terms of my initial readings and the experiences and issues I have had in a leadership and organisational sense, I hypothesised that to appreciate and deliver a healthy and resilient organisation there were connected elements which I should have insight on. These are not just external to me. It means first gaining an insight on my inner mental workings, my organisational practice, and my perspective of the business. Only from this clarity and platform could I look at adapting how I could think about organisation, leadership and the business in a complex world.

1.3 Target Audience

This Portfolio is intended for those already at or aspiring to senior and executive management roles in financial services and also in general business organisations. It highlights, based on my experiences, that there are significant capability requirement gaps between middle and senior management levels and there are potential solutions based on greater personal, professional and organisational awareness, and of the market our business is in. These gaps are capability mismatches not of the expertise or knowledge variety where one would have to assume their prior existence, but, related to how we best apply them and organise ourselves *to maximise* their use in the context of business and organisation. Through reflection, research and exploration I hope to close that gap.

When I came to this role I had not completed any particular personal or professional development. I now realise that it is a precursor to solving the capability mismatch and relevant to anyone aspiring to being fit for and effective in a senior/executive role.

1.4 Meaning Making

As a means of gaining insight and more complex thinking, I have integrated into much of the Portfolio the concept of meaning making. How meaning is made and used is reflected in the ongoing interchange between an individual's mind and its environment as a flow of evolving reality. We are individually active in the process in terms of creating an image of the world we see where "Individuals are not seen as living in and acting out their lives in relation to a wide reality, so much as creating and sustaining images of a wider reality, in part to rationalise what they are doing" (Morgan, Frost and Pondy, 1983:24).

Frost and Morgan (1983) further suggest that when we make sense of things we are making the world intelligible for ourselves: "We read into things the meanings we wish to see; we vest objects, utterances, actions and so forth with subjective meaning which helps make our world intelligible to ourselves" (Frost and Morgan, 1983:207).

The impact of experiencing as both a learning and perceiving phenomenon leads to the idea that we mentally construct assumptions and informal practical theories (heuristics re how to approach or solve known problems or situations) which we use by force of habit to deal with the world which would otherwise be chaotic to us. In business terms Drucker (1985) provided additional insight into this when he put forward the notion that we are theory users. "Every practice rests on theory, even if the practitioner themselves are unaware of it" (1985:26).

Popper (1972) made a similar observation when he said that "The world as we know it is our interpretation of the observable facts in the light of theories that we ourselves invent" (1972:191).

Thus in terms of being able to negotiate our way in the world we make assumptions, assimilate values and theories which form part of our meaning making. How we see and engage the world is a function of how we have come to know it and the meaning we create from experiencing. How we make meaning works causatively in tandem with what we know. What we know is the *content* of our minds. Meaning making *shapes* the way we know it and operate with it. It also acts like a filter in how we make sense

and perceive what happens around us, how we experience it. In that context we 'see' the world and perform our various roles in life through it. It impacts on our how we see ourselves, have relationships and solve problems. We are constantly shaping our reality. Kegan (1994) describes the need to be aware of this mental activity: "Are we aware that it is we who are doing the constellating, not the stars or the heavens? So we 'make sense', but we do not always take responsibility for how it is made" (1994:206).

Weick (1995) further explained that how we make meaning follows a number of natural steps that involve the construction of a personal identity, is retrospective, social, ongoing, and driven more by plausibility than accuracy. It has implications in all professions, business and organisations. The subjective and differing ways in which we see reality can lead to multiple interpretations and actions.

The relevance of this interactive process is critical to understanding personal, professional and organisational issues and is a focus in this Portfolio. Meaning making is in play in how we self manage, plan, organise, problem solve, make decisions and/or relate through communicating and interacting. Given that these competences determine how effectively we operate in business then we must be conscious of our meaning making. From a professional perspective, exploring and understanding my meaning making was a conduit to understanding my dilemmas in a senior organisational role.

It was central not only in the challenges I faced but how I would approach future challenges. My frustrations in a senior role could be seen as a problem but also and an opportunity to be the author of the development my professional meaning making. The starting point is the problem itself – an inability to move beyond the current and self acknowledged impasse. Weick (1995) puts forward that a failure of our sense or meaning making is consequential as well as existential because it brings both the nature of self and the world as we perceive it into question. Mezirow (1978) and Kegan and Lahey (2009) referred to the nature of this type of issue as a disorienting dilemma or persistent frustration that motivates towards resolution. That resolution is the

transformation or adaption of the meaning making system – to change the form of a system that shapes, selects and makes the world intelligible to ourselves.

In the context of my role, any inquiry would be one into how and what I have constructed in terms of assumptions, values and practical modes of operating being the elements of my meaning making. This inquiry would be the start of a journey of exploration: to discover and reflect on my meaning making, explore ways of adapting it, construct more robust thinking frameworks and test them on the current issues I face.

1.5 Scaffold to Professional Inquiry

Kegan's (1982, 1994) Theory of Adult Mental Development[2] and extended work in Kegan and Lahey (2001,2009) advances the understanding and dynamics of meaning making and introduces illuminating concepts which portray meaning making not only as ongoing but evolving through several different levels of consciousness or complexity (see Appendix 1). It is both a constructive and a developmental theory in that how we make meaning can be developed in a more complex way over time, often in response to limitations of our developmental level.

What is relevant to me in a practitioner sense is that this transformation is qualitative and could be applied in response to the limitations of an existing way of making meaning in negotiating the business world. My dilemmas were twofold: a sense of that performance in leading and organising in XYZ Bank was not at the level I expected and in a wider sense to be able to understand and respond to the Financial Crisis itself.

Interpreting my frustrations through the lens of Kegan's theory lead me to believe that an effective way to overcome these was to differentiate between the assumptions and informal theories of practice and to reconstruct how I perceived leadership, organisation and the business (of banking) in the market environment at a conceptual level. The conscious authoring of a framework could provide a platform for a more penetrating perception of the issue at hand. Assumptions and theories of operation (meaning making) which we are unaware of are causative to our actions. When we are unaware of them we are 'subject' to them (Kegan: 1994). Surfacing them to become aware of them, to make them 'object' is rewarding in terms of the insight it can deliver and the start of the transformation process. The essential difference between being subject to our meaning making is that in effect we are unaware of the operating system that drives behaviour. Making it object puts us in the position to consciously reconstruct our business and organisational philosophies. Additionally Kegan's theory is based on the individual in a social context which I see as fundamental in understanding people, organisation and leadership.

[2] Throughout the Portfolio I regularly refer to 'Kegan's theory'. When I do so I am referring to Kegan's (1982, 1994) works.

One of the important concepts is that he differentiates between levels of complexity. The most common level of complexity in adulthood is that of the socialised mind (see Appendix 1) in which we unknowingly abstract, assimilate and internalise practical theories, values, and beliefs of the groups and culture to which we belong. In the context that one cannot know everything it describes a process by which we can manage ourselves in a social world. Sowell captures the scale of the process when he says that "The ever changing kaleidoscope of raw reality would defeat the human mind by its complexity, except for the mind's ability to abstract, to pick out parts and think them as a whole" (Sowell, 2007:5).

So in a professional sense, if the business, organisational and strategic theories and practices, to which we are subject, are abstracts or internalisations from what we have experienced in the past, they may not be relevant in the present, particularly in a change environment. They may not be complex enough because their features are not comprehensive enough for an optimal outcome (picking out parts and thinking them as the whole). What we unconsciously neglect then may be consequential. And what was suitable before may not be suitable now. In leadership positions in complex and dynamic business environments we may then operate sub optimally at this socialised level of awareness.

1.6 Enhancing Professional Effectiveness: Closing the Complexity Mismatch

Becoming aware of our personal and professional meaning making is an important step to increasing its level of complexity. Kegan and Lahey (2009) state that "We are able to evolve whole patterns of increasingly complex and agile ways of apprehending the world" (2009: x). With Kegan's (1994) theory putting forward different levels of complexity in meaning making and that in adulthood we can qualitatively develop and adapt them using the subject/object separation process, then this was the process I chose to widen and deepen my range of thinking in terms of leadership and organisation.

According to Kegan (1982, 1994) this evolution happens in a sequence where each new mental plateau (complexity or awareness level), with its structure or inner logic, gradually overcomes the systematic limitations of the prior one. Through reflection and making object our assumptions, ideals and practical theories (in this case habits in business practice) we are subject to, we create the mental space for alternative or more probing frameworks of thought that may yield greater ways of negotiating our world. This is a qualitative leap – an ability to see into ourselves and our world, accommodate more in the realm of potential meaning and to act more effectively. The qualitative transformation I sought was to be able to shift from a socialised mindset to take ownership of and responsibility for my work – to *consciously* 'construct' tools of thought which increase my effectiveness in leadership and organisation.

Working with Kegan's theory there are a number of points that are now relevant for me:

1. We are conditioned by experience (Arendt: 1954).
2. Man brings his humanity to work (Kegan: 1994). Meaning is continuous across our private and professional lives.
3. Our competence levels in the workplace can be limited by the fact that our thoughts are structured from an inner source of which we may be unaware. This is the meaning making formed from the unquestioned conditioning of cultural and business related beliefs, values and theories.

4. This meaning making acts like a mental organising system; we impose order on what we perceive and thus on how we operate. For the purposes of this Portfolio we organise business through meaning making. The self, the business and the organisation therefore become intertwined.
5. Lack of awareness of our meaning making, of how we organise reality, can limit our effectiveness in the modern work place.

In this context, without awareness or adapting our meaning making, we may operate from a place of permanence (continually using the same modes of thinking) in an impermanent and complex world. Our inability to change, to be able to deal with complexity, may have negative consequences in terms of sustaining and growing a business.

Perhaps crucially, in the context of awareness I now understood that *interaction* with our environment and others is the essence of human experience and learning in both our personal and professional worlds.

1.7 Portfolio Objectives and Layout

My developmental objective was not just to meet the challenges of the modern business and banking environment at an executive level but to have a more robust mental model of what is needed to lead and organise people. I began the adaptive process by making object how I made meaning particularly in relation to business organisation and leadership. Thus by the subject/object separation process I made the mental 'space' to accommodate other tools and perspectives about the demands of my role. I was then able to consciously add or construct these tools as a means of dealing with organisational issues and promote practices that enhance sustainability and growth.

Taking meaning making as a fundamental mental activity, the objective of the Portfolio was to go through the process of reflection, change and exploration in order to develop how I make meaning in an executive role. Kegan's theory (Appendix 1) was the orientation and the core apparatus to approach this development. By taking responsibility for my meaning system, i.e. by making it object, I could create the foundation to be more a more effective leader in the business organisation.

The main body of the Portfolio comprises three essays. **Essay 1** is a retrospective and reflective view of my working career as a means to this subject/object separation; to become aware of my meaning making and its level of complexity in a senior role and how it affected how I operate thus positioning myself to adapt it which is the subject of Essays 2 and 3. Through introspection and narration of my career I reflected on how I experienced my professional world, leading to understanding how my meaning making was constructed over time. It is a recollection of my professional career leading up to my organisational and leadership practice as a Regional Manager. I make 'object' personal and professional beliefs and assumptions, and ways of operating which I was not aware of. From a developmental perspective it helped identify the source of complexity mismatch between my professional meaning making and my professional role, and what it was I should work on to increase the effectiveness of my professional capability in an organisational setting. It also identified the overlap between the person and the professional which Kegan (1994:10) described as man bringing his

humanity to work. The first essay is an awareness exercise through discovery of the various elements which affect my professional world view. Crucially it reflects the complexity of my meaning making at that time wherein it was difficult to do more than tell what I was doing rather than explain it. It concludes with what is important in the modern business world and this being the crux of the capability mismatch.

In terms of matching capability to the demands of running a sustainable and resilient organisation, in **Essay 2** I set about achieving this through selected readings and examinations of theories associated with leadership, organisation, and business which helped reshape how I think about these as part of a whole business system. This process assisted me on my journey by helping me firstly to think about the individual elements and then provide possibilities regarding my goal which was to construct a more comprehensive mental toolset for organisation and leadership. My focus was to author a new way of thinking that closed the mismatch between the demands of the business world and what I was then capable of in an executive role.

Essay 3 is a practical exploration of how these new tools provide a more complex framework for organisational leadership. I chose three separate exercises to show how the process of adapting mental complexity changes a range of thinking specifically aimed towards leadership and organisation and how they can promote sustainability. Due to space restrictions I appended the latter two explorations (see Appendix 3). In the main exercise I used these new tools to explore bank failure and suggest solutions suited to the modern banking world. In the appendices I further applied these tools in my day to day role as head of a business unit and also in to the context of evaluating and supporting others in business.

Throughout the Portfolio and as part of the adaptive endeavour I use Kegan's theory (1982, 1994), as I understand it (Appendix 1), as a guide to think about the complex issues at hand as well as combining them with other theories for tools to use in the future.

Professional Development Review

Essay 1

Evidence of Meaning Making Construction and Related Practice in a Banking Organisation

2.0 Essay Outline and Objective

The objective of this essay was to become conscious of my meaning making and its evolution. I also used it to note some elements in the way I experienced general organisational practice.

I first look at the value of reflection and its importance as the precursor to the process of development. I then explain how Kegan's (1994) theory orientates the reflection in terms of the facets of the socialised mindset and directs my reflection. I look at the historical context to my professional meaning making, where events, behaviours and practices were experienced, and where assumptions, values and practices may have been formed. Then I split my reflection on practice into two distinct periods in which meaning making is evident: as a manager over a six year period and in a leadership position. For the purpose of developing my meaning making subsequently I also include my observations of general organisational practice prior to the financial crisis as I believe that organisation and leadership are inextricably linked. I do an interim review of my meaning making after the manager stage to surface some core elements of my meaning making before examining the problems I faced in a leadership position.

It leads to insights relating to my practices, particularly in a commercial banking organisation, unveiling assumptions and organisational practices which I have used but was not aware of. It also leads to insight relating to the benefits of having a theory to work with (in this case Kegan's theory). Finally it unveils the development work I required and the direction to which I needed to go to adapt.

The subject/object separation process of surfacing my assumptions and practices helped create a platform or 'mental space' to begin the process of authoring enhanced meaning making in the next phase of my developmental endeavours (Essay 2).

2.1 The Value of Reflective Practice

Boud's (2001) model of reflective practice draws attention to how our experiences of the past affect how we will experience in the future where "Past experiences profoundly affect perceptions of what does and does not count as important, they act to sensitise us to some features of our world and blind us to others, and they shape the intent we have which guides our priorities" (Boud, 2001: 12).

The culmination of experiences which initiated how I made meaning of my professional reality is the ultimate subject of the reflection. Schutz (1967) states that only through this retrospective professional reflection can I begin to understand the nature of the premises through which I work. The nature of reflection temporarily separated me from my mode of thinking. "When by my act of reflection I turn my attention to my living experience I am no longer taking up position within the stream of pure duration, I am no longer living with the flow. The experiences are apprehended, distinguished, brought into relief, marked out for one another; the experiences which were constituted as phases within a flow now become objects of attention as constituted experiences" (Schutz, 1967:51).

2.2 Kegan's Theory as Orientation

In addition to using reflection as a tool, I also use Kegan's (1994) theory of Adult Mental Development , in particular the 'Socialised Mindset' (see Appendix 1), as a guide or lens to think about the complexity of this meaning making. I highlight below a number of important facets derived from Kegan (1994) and Popp and Bowe (2001) which form the challenges of the mental complexity that is the Socialised Mindset, given the implicit nature of its meaning making.

1. Cultural and business values and beliefs embedded from groups we belong to come to the fore.
2. The socialised mind is defined by the expectations of others which structure thought and often validated through mutuality and adherence to these values and beliefs. In this sense we do not have a separate personal or professional philosophy separate from these groups.
3. Emphasis is on agreement, acceptance and connection with others through identification with a common cultural or professional philosophy and maintaining the status quo.
4. Assumptions and professional practices form from cross categorical thinking identified with these common philosophies and connected to events and other points of view.
5. The socialised thinker is selective with the use of knowledge and information in the context of theories.
6. The socialised thinker relies on others authority for leadership, evaluation and learning, and receives ideas rather than generates them.
7. There is a future orientation but only in terms of short term focus and analysis.

Kegan (1994) also asserts that man brings his humanity to work and I endeavour in the discovery process to make object personal elements to my professional meaning making by recalling social and cultural as well as business experiences.

2.3 Professional Meaning Making – Historical Context

While this Portfolio is about meaning making in a business and banking context I am also faithful to Kegan's (1994) assertion that man brings his humanity to work. In that context I felt it was incumbent on me to briefly refer to my social experiences.

In the society I experienced social standing in the context what you did or did not have in terms of wealth, power, expertise or status was ingrained in the culture. It crossed into all streams of life – society, education, employment and there was a seemingly existential effect where winning and losing or success and failure were concerned in the context of how others saw you or even how you saw yourself.

In 1988 I entered the banking world. Everything about banking as I saw it was conservative and stable, even austere on the premises of trust in managing money. The organisation I worked in was hierarchical, the work was methodical and everything was 'safety first' oriented. Authority by position was sacrosanct and in my position communication was something received rather than entered into.

In the late 1980's there was a seismic change in the internal and external business environment which coincided with the introduction of technology and geographic expansion when, I saw for the first time that output, profit and market share were the new measurements of business organisational reputation. Banking as a business became quantitative in nature which impacted the organisation in many ways in terms of decision making, controls, efficiencies and human resources. Roles became specialised in that they changed from broad to narrow disciplines. The structures were hierarchical and departmental, with these departments as cost and profit centres. Communication continued in a top down direction. Power remained among few at the top.

The focus was on budgets and profit and individual performance was appraised on delivering these. I recall the expectations on me to perform as a constant dread (of not reaching the target) and a collegiate atmosphere gave way to a more competitive environment.

I moved to XYZ Bank which was a smaller business banking institution in 1997. It was untraditional by comparison and more closely connected to the business environment. It proclaimed itself as a solution provider rather than a traditional bank. There was a qualitatively different nature to how the bank went about its business by forging closer connections with clients and being more knowledgeable about legal, financial and sectoral elements of the job. In people development terms experience and individual mentoring was the norm. At that time the organisation was flat, coherent, and communicative and success gave everyone a sense of personal and professional pride. It was a niche lender to the SME market and gained its reputation through understanding, specialisation and willingness to provide funding solutions. Its practice marked it out as forward thinking, and good for its clients and its staff. It felt that my personal value was immersed in the organisational value which was very motivating. The bank was full of accessible and communicative leaders who I saw as role models.

The business environment seemed to bring with it stability, growth and positivity. Generally in a twenty year period there was a predictability and confidence that brought with it economic expansion and a feel good factor that seemed to bring an end to 'business cycles' as we knew them. I was exposed to experts in business and politics that had instigated economic growth and deference came their way. By then I had formed an assumption that at those top levels people were authoritive and the ultimate decision makers.

There were other indicators that supported a belief that the market had been managed into a more predictable state. Employment, consumption and average wages grew, and interest and FX rates were steadier due to being part of the European Monetary Union. The Irish Government introduced new taxation legislation that promoted internal and external investment. Ireland was an open economy benefitting from growing global trade and regulation was effectively left to market forces. It was a period of positivity and certainty.

Subsequently and similarly to what I had experienced before, the bank embarked on a campaign of organic and geographic growth. It became quantitative in terms of growth through the pursuit of profit and market share. When it came to the full attention of

financial analysts and investors there was gradual change in how it was viewed and evaluated, how those in the bank viewed and evaluated themselves and the way the business was run. Its main objective became growth and profit. It continued its espoused philosophy of being people and solution centric. It grew rapidly but never seemed to realign itself organisationally or in leadership terms.

All of this happened as my career was moving in a positive trajectory also. In business terms there was stability in what I could expect. In the period between 1991 and 2007 it became ingrained and taken for granted. The world's biggest financial institutions and well respected analysts were all positive about the future engendering the assumption that the business environment had become benign and adjustable.

From 2000/2001 my employer's niche market focus moved from SME to include the more lucrative property market to inflate its profit and size. It spread its geographic exposure to property, which I thought was a good idea as risk was diluted further into other economic areas. While there was a noticeable effort to put the 'brakes' on exposure to development lending in Ireland during 2005/6, it was contradictory in that there was little corresponding reduction in business lending targets and the rules were not consistently applied. However at no time before 2007 did I feel any concern given the successes of political and business leadership in the past.

We had a successful business model. This mode and standard of banking operations was synonymous with this success. I had built up assumptions about the organisation, business and banking, and these assumptions appeared common among my peers in my organisation.

2.3.1 Banking and Business Practice

The assumption that the business world was benign or could be adjusted as necessary was manifest in my capacity as a commercial lender. From a banking perspective, two of the core and elementary conditions of lending are adequate collateral and repayment capacity. In the period after 2003, the belief that the world had become predictable, that there was a demand for everything, and that appropriate

adjustments could be made if the necessity arose, led to a fundamental shift in how banking as a business was done.

In the business and banking industry expectations of capital appreciation became one of the primary drivers of the business and loan amortisation imperceptibly became a secondary feature. It wasn't that I or others explicitly changed the principles of lending, but implicitly (out of our awareness) this assumption that value would continue to rise or at worst level off crept into the business psyche and changed the priority level of amortisation in loans. Changes in credit policy reflected how meaning making in business and banking had changed allowing greater loan to value ratios and lower interest rate margins to facilitate greater growth. It changed the focus from risk and 'safety' first to sales and growth. When the realisation came that the boom was coming to an end, I recall hearing regularly in the media that we would experience a 'soft landing' when values levelled out. Over a number of years Ireland was on the receiving end of huge investment (by way of bank funding and capital investment) and was celebrated as a success by the analysts. I hadn't seen real volatility for the entire of my working life. In a risk sense, there was a long standing theory that there was always a market.

In sensitivity analyses for lending decisions I and my banking peers allowed for a negative impact in collateral value (reflecting history) – using movements in interest rates and asset values over a twenty year period. We used client's historic audited accounts as supporting information for performance prediction. In that sense a second assumption – that the past was an indicator of the future was also evident. This might have made 'sense' in the previous fifty years in Ireland when change was slow. The last crash of real magnitude was in 1929. I had no experience of it. Its story was in the history books; seemingly irrelevant in a more sophisticated and modern age. I assumed that in a more sophisticated world understanding, information and knowledge should be available for the experts and the world could adjust as necessary. I was highly dependent on information/knowledge from analysts who in hindsight were subjective and limited by virtue of their interests – estate agents, stock brokers, investment banks commenting on the economy and demand. I was also reliant on the bank's executive

and board to be informed. My meaning making took cues from these and the hugely successful economic period.

In reality my opinion was largely derived from the experts I interacted with, though I also invested a lot of personal time building my own knowledge and skill base on the basis that the more you knew, the less likely things could go wrong. In any event 'this expertise' was in my mind linked directly to the ongoing growth and the theory that hard work and knowledge would yield success. I also had a theory about learning; the more you knew the better and experts could provide you with this.

Meaning in risk management in lending gradually shifted in terms of the risks to sustainable capital repayment in a predefined period, related to the cash flow of the asset, and corresponding interest margins representing a risk premium, to a sales risk that the loan portfolio would stop growing and interest margins being a profit premium. Banking as a business became more and more determined by global investment with greater expectation of returns on equity invested by way of share value and earnings appreciation.

In hindsight I also feel that greater predictability in economic and financial performance in this period caused banks and businesses to gradually hold less capital, be less concerned about liquidity positions and regularly overtrade on the assumptions that the market would remain favourable. There was an expectation that more could be borrowed for working capital against assets when required, which masked poor liquidity management. This contributed to increased lending and debt levels. In practical terms a fundamental theory about risk and uncertainty had changed in terms of the approach to business. A critical variable, business cycles, seemed neutralised with the consequence that uncertainty was ignored and risk measures were subordinated in the pursuit of profit. Banking in effect became a business, growth focused and competing for market share rather than the facilitator of growth. Few had foreseen the economic consequences and those who warned against it were ignored. The reason for this was that the market had been in a long growth phase for a number of reasons. Innovation, globalisation, external investment and political intervention all played a part.

2.4 Banking Manager 2001 – 2007

I was promoted to manager in 2001 and senior manager in 2003. These ranks were linked to loan book management; the more senior the position the greater the complexity and loan book size. The role entailed the management of a team of five others. These roles had general responsibility for:

1. Following and maintaining the bank's ideology of relationship and solution focused banking, growth and market share.

2. Loan book administration and general risk management which was focused on loan collateral and key performance indicators relating to tax positions, profitability, cost management, cash flow monitoring and repayment capacity for trading company loans, and leases, rental values, demand and capital values for property related loans.

Given the success of the bank I had no reason to dispute the bank's growth strategy. I spent a lot of my own time increasing my knowledge of legal, accounting and taxation matters to increase my expertise and technical powers in the use and interpretation of information. The workload was frequently intensive and I expected everyone on the team to put the same time in, often working twelve and fourteen hour days. We gathered as much information as possible related to the various loan types, used standard tools to interrogate it, make sense of it in the context of making decisions on whether to lend or whether there were risk issues we needed to delve into. However, thinking back now, I can see the bank's cultural influences and assumptions about the business environment in this decision making.

Efficiency

The bank had a reputation for exceptional efficiency with its low cost income ratio goal in the order of twenty five per cent particularly by comparison with the other Irish banks who had ratios in excess of sixty per cent. Its policy and mission was to grow by ten to twenty percent in profit terms per annum. I was part of this collective goal to keep cost down and productivity up. It seemed that efficiency was a core element to achieving better results. In terms of how I was operating I recall that the goal of efficient productivity and growth became the primary motivator and 'making it

happen' irrespective of the obstacles. Going into new and unchartered territory in terms of taking on new business was always achievable for me because I felt that I could always research and expand mine and my team's knowledge and skills to do so.

Expert

Reflecting on my practice now, I was committed to maintaining a hard-won position by delivering what was asked of me. My theory about good business banking management and organisation was a practical one: in order to be successful I should lead from the front, be an expert at what I did, pursue local market share, motivate, empower or coerce people to do whatever was needed irrespective of the workload, deliver the results required, and to ensure those in my team followed the ideals and culture of the bank. Primary was that I needed to be an expert by virtue of my position and pursued greater expertise by absorbing as much technical knowledge as possible. By being an expert I would not make errors.

Control

I kept order in my space, achieved targets and hit deadlines using principles of control and power. Meeting expectations was as much a fear of failure (and probable cause for being seen as a failure), as an achievement and because of this reality I operated with unilateral power. I actually thought at the time that I delegated and empowered but in reality all decisions had to be agreed with me and 'justified' because of the results my team delivered and our subsequent reward.

Communication

In terms of communication I endeavoured to be clear in telling the team what was required which in reality was 'one-way' in the context that I made the decisions based on my position. Interaction was generally cordial though I had the pick of who worked with me, and I indoctrinated them into mine and the bank's way of doing things. The mode of operation was underscored by success and reward. Getting things right whether in terms of management, reporting or budget growth was very important to me. In essence, this element of risk management was as much to maintain my reputation and avoid negative attention.

Development

I recall, based on my own development, that my idea of people development was one of learning through experience and moulding into the archetypal organisational member. Specific career development was not mapped out because promotion and reward by meritocratic means was a bigger incentive. It was more a matter of indoctrination into mine and the values of the bank. So I encouraged them to listen, learn, work hard, forge relationships through lots of client interaction, build up knowledge, build profile through networking, do regular research, and be prepared for endless travel and relentless deadlines. If they could keep it up they were well rewarded and earned a stripe, but many fell by the wayside as the demands became greater. It was very much a survival of the fittest approach.

In terms of the design of my team and work processes I can in hindsight see that as long as I had the right skill resources to achieve what I was aiming for there was no conscious approach to management or organisation. There was so much in the business environment in terms of new and available opportunities to expand the business that there was little chance of being able to change the structures to cope, so I just built up a resilience to it by firstly being able to over extend myself and those who worked with me and secondly making the team robust by knowledge, expertise and flexibility rather than structure. Given there was constant achievement these means were justified despite the overwhelming nature of juggling the incessant demands made on us.

Competition as a Personal and Organisational Value

As the bank's strategy evolved from an ideal about how it did its business to the amount of growth it wanted my approach to the job subtly and unawarely changed over time from a risk to a growth focus. In terms of getting ahead I can see now that I was not just managing myself but those and the environment around me in order to achieve. It was highly competitive internally and externally and if you weren't performing at the top you weren't recognised. In a highly competitive market, my style seemed optimal for the organisation in terms of its pursuit of market share and profit.

There were procedures and policy to follow and I followed the party line. In hindsight my meaning system and the organisation's fused and I expected others to follow suit.

2.5 Interim Development Review

Having reflected thus far I thought about what principle mental organising mechanism may lie behind the way I operated. In terms of Kegan's adult mental development theory (Appendix 1) my behaviours were representative of third order level of awareness (socialised mind) in that I was not conscious of the way I interacted with others, how I made decisions, solved problems, or took responsibility as anything other than the way the job should be done. For example:

1. I had formed an assumption that the market was fixed. The context of how I approached the job was that by being an expert I would be better at it.
2. Any market adjustments required could be achieved through monetary and fiscal policy – i.e. adjustments create longer term order. This had a significant effect on how I carried out my role as a commercial lender in terms of limiting the risks I perceived and relying more on expertise for day to day management. The absence of negativity in the market pushed the focus more and more on extracting profit than risk management.
3. My professional ideals and goals were actually ZXY's organisational ideals and goals. My banking practice was based not just on loan collateral, repayment capacity, risk management, sectoral knowledge and understanding, but strong client and market relationships and providing 'tailored differentiated service'. This was assimilated from the Bank and reinforced by success.
4. I relied without question on external expert opinion and authority to inform my thinking. Experts' assumptions about the property market, the economy, demand and other statistical forecasts were taken as truth and the foundation to do business.
5. Management seemed more like a theory about controlling the outcome in terms of how I operated and protected my position.
6. Success was achieved by being highly competitive. In reality it was founded on others' expectations. Being an expert, having greater knowledge, hard working, and impressing others were the conduit to achieving status. I didn't want to disappoint those whose expectations I delivered on.

2.6 Personal Meaning Making made Object

Reflecting on my sense of self, the influence of the Irish cultural norms where those with status, authority and power were held in high regard and deferred to, is now in more perspective. Being a manager in a then high performing organisation gave a sense of personal satisfaction to my personal and professional life and I (unawarely) ensured through the way I operated in terms of controlling my environment that this 'order' would continue. I had status and social position and people looked to me for advice, embedding a sense of importance and status.

I thought about where idiosyncratic theories about me may exist as an internal management system and where the personal and the professional interacted. In Kegan (1994) he comments on how we manage ourselves and I took from it that the core element of one's own make up is central to all behaviour. Discovering this seems important and the guide points appear to be seeking when and what raises the emotional side in the work place. *"*What this management entails differs depending on how the self is constructed, what its central point of cohesion, its fundamental loyalty, and its principal threat is ... if the self is derived from cross categorical ways of knowing ... the looming failure to preserve a collection of irreconcilable expectations may be experienced as a difficulty in holding ourselves together (1994:167)."

Kegan and Lahey (2001 and 2009) introduced the concept of 'a big assumption' representative of the organising principle in our meaning making system and our mental awareness levels. Through reflection on and recording what one is committed to in an explicit and then implicit sense helps uncover what this 'big assumption' is. This big assumption is effectively a personal theory and in my interpretation a deep lying assumption behind the selection and use of other theories used in a professional environment. In my endeavours to discover what this was I thought about patterns of repeated behaviour at the time. These were:

- Being highly competitive
- Never 'losing' an argument or debate,
- Having to be seen to be the Expert - competent and knowledgeable,

- Delivering organisation goals at all costs,
- Controlling everything around me through agenda setting in terms of alignment to others,
- Wanting to be recognised by clients as innovative, capable and solution driven,
- Wanting to be validated by over-achieving,
- Taking on any workload no matter how overwhelming

All stemmed from a fear of losing my position, of not being seen to be competent and the destructive impact that may have on my self-efficacy. This was my personal theory – by working diligently and being an expert at what I do, I would have value in the group to which I belonged. Taking into account Kegan's insight that 'man brings his humanity to work' (1994:7) it had a profound influence on how the way I organised or led people. I could not define my competence independently of others which led to almost obsessive need to prove myself to others which Kegan (1982) represents as "you are the other by whom I complete myself, the other whom I need to create a context out of which I define and know myself and the world (1982:100)."

The organisation validated me in one sense and my self-worth was validated by having a status position in the workplace. My personal and professional meaning system cohered from this core - a theory of how to maintain order balance and certainty in my world. In the context of mine and the bank's success at that time there appeared to be no discernible reason to interrupt this way of thinking. The bank was successful. I had a senior position. Thus I was also successful.

2.7 Organisational Practice 2005 - 2007

After 2004 there was so much demand for growth that the targets set for each region were enormous. I felt that there was no sensible way to reach that target in the region of the size I ran. Neither did I think that we were organised nor had enough resources for balance sheet growth of that size.

From 1997 to 2004 it had been an exciting and rewarding experience; spotting opportunity, agreeing funding structures and turning credit requests around through many late night discussions and immediate access to the credit committee. In those early days I bought into it because I felt what we were doing was right for everyone concerned – client, bank and economy. However by 2005 the pursuit of high interest and fee earning deals had become the most important thing to the bank because the external stakeholders (share owners and analysts) wanted it. Higher margins and fees seemed to become more important than being organised to deal with the level and complexity of the work and the nature and risks associated with it.

There was insufficient incentive to change course as far as management was concerned. The bank was a star of the stock exchange and upsetting the shareholders and analysts in terms of profit direction was not contemplative. There was considerable external influence on the bank where before it had an internally driven philosophy as a solution driven lender to SME's and Corporates. Rating agencies were invited to report on the bank and spent weeks looking at the banks processes and market. Once they started reporting on the bank's highly effective profit model interest in stock market terms increased internationally.

Communication

However communication between the central executive and the departments seemed to wane in terms of information flow and interaction. People like me were seen as drivers of the business but there was no long term risk strategy articulated in the context of the risks we would assume, the magnitude we would bear; just the returns demanded for bearing it, maintaining the 'relationship/partnership' model, and cursory references to exposure levels to clients and sectors. From where I had started

in banking growth had overtaken the safety first risk management as a priority. It seemed that there was a huge amount of pressure on too few people at the top and centre.

Strategy

The bank had a controlled culture of growth and an innovative approach to service and was a shaper of the environment from 1997 to 2004. In the pre 2004 era senior management had come from various expertise backgrounds and were in control of the bank's agenda in terms of how much risk would be taken and were in tune with the market place. Later with a much more expansive strategy senior management all came from within. Success had made them extremely confident as stakeholders demands grew.

At the beginning of 2007 came the realisation that there was concern for what lay ahead and the large scale exposure to development lending was becoming difficult to control. While every property bubble has had an end I felt that geographic diversification would smooth this – diversification being a business risk deterrent. History never pointed to recession as a global phenomenon to me. In reality it was doing the same but more. A worldwide banking crisis erupted in 2008.

At the onset of this I was promoted into a more senior role as Head of the Cork Region.

2.8 Leadership Position 2007 – 2011

In late 2007 I was invited to interview for the Head of Region role in Cork. The office had fifty people spread across lending, treasury and wealth management. There were different and dual reporting lines for wealth management and treasury which made the job complicated.

The job specification espoused key responsibilities and competencies with a results focus, planning and organising, teamwork, decision making and judgement, communication and development. It also laid out the technical skills and experience requirements in terms of people management and leadership skills, financial services, analytical and numerical skills, negotiation (of commercial transactions), ability to manage an extensive loan portfolio, understanding of legal and other regulatory issues, and ability to develop solutions.

My application and interview consisted of plans for running the office and was primarily centred on working with the team, reorganising design and structure with people development, efficiency, credit quality control and growth in mind. I recall that I did not reflect on or outline at the interview a personal view of the world, or a philosophy of what leadership was and how I saw the role (other than what was laid out in the job specification). The reality is I didn't have a real alternative to how the bank saw it; at that time my goals were their goals and my personal and professional philosophy was effectively their philosophy. All that I would be doing is maintaining and protecting this philosophy.

From a personal perspective I saw leadership as having the final say and being the ultimate decision maker. Aside from not having a leadership philosophy, I had not distinguished the necessity of having one different to a managerial one which was founded on the basis of how I operated at senior manager level – hard work, knowledge, experience, expertise and efficient operations. It was leader as expert and with power to make decisions. Having more responsibility certainly had an effect on how I applied myself to the job: more of the same only with more intense loyalty to the bank and its objectives even though I had my reservations about them.

Organisation

If I was to succeed in objectives I wanted to ensure that I did so in the more error free and efficient way possible. Much of my attention after promotion was on organisation related to credit management and attempted reorganisation in relation to efficiency and perceived risks relating to operations and credit management. The fact that promotion was in the advent period of the Financial Crisis which gathered momentum in later 2007 and into 2008 may be a coincidence but I set about endeavouring to change the office in terms of making it more robust in terms of managing the business/loan portfolio and having the right quality of lender. It is difficult to discern in hindsight whether it was through reflection on the operation or the need to enforce my authority but my perspective on the value of organisation in the context of risk and opportunity was beginning to emerge and manifest through focussing on efficiency, effectiveness, productivity and loan portfolio management. The challenge of the job and my expectations of myself were beginning to focus me on wider issues.

Managing People Resources

In the period leading up to 2007 when the bank was on a major recruitment drive. It had begun as a graduate recruitment programme earlier to bring prospects with good potential in to nurture them for the future. I was part of the interview panel and I valued the foresight of bringing well educated young people up through the system. As it had done ten years before, with a much smaller operation, the bank also heavily recruited from other institutions. I was resistant to that then and the plan to pre resource intended growth in all jurisdictions. I had no issue with growth but I had with the scale of it in terms of it diluting my ideal version of the bank.

The bank in the past had success in attracting people from other organisations who were talented and hungry for greater freedom of expression and learning. However the size of the operation then and now was incomparable and reverting to this formula to fill positions was a mistake. It never seemed to have an integrated HR system that structured recruitment, how people fit into the organisation or development for the longer term; instead recruiting as they saw fit and leaving development and integration to the teams. I felt that this was unsustainable for the bank because it had

become growth by numbers instead of quality. I felt the recruitment drive was going to prove to be disruptive as there was no possible way that the volume of new people could be absorbed or accommodated into the bank without overwhelming operations through the necessity to train and mentor numbers of new people while also managing growing loan portfolios.

In 2007, when I was promoted to regional manager in Cork, I spent the first several months reorganising people according to skills; easing some people out of the team – particularly those who didn't have full appreciation for accounts analysis (audited management and cash flow accounts), who didn't apply themselves diligently and who didn't contribute to growth. I recruited a number of junior people (recognising the length of time it took to develop a lender takes approximately 7 to 8 years given the scope of the job requires competences that range from technical analysis and problem solving, understanding of business sectors, client management, risk management, and judgement). All of it requires time and experience, technical and individual training, and the bank was assuming we could carry on as before when it was a niche lender of three hundred staff.

I also recruited a number of either experienced or skilled people at management level with accounting backgrounds whom I felt were more suitable to the role of risk management and information analysis and who would bring a greater mix of perspective and skills to the juniors. I wanted them to help bring about a more penetrating approach to lending and loan portfolio management.

In terms of people development I believed that with a basic financial skill set, on the job experience and mentoring was the best form of development. However it turned out that this lead to people on different teams receiving different guidance in terms of the banks objectives and culture, and different qualities of experience and training depending on which team manager they were under. It took some time before I realised this. There were five teams in the office when I took over and I could see that two teams in particular developed staff better in terms of their technical skills and their risk management. They were thorough and interrogative in terms of management of their loan portfolios and assessment of new loan requests. There were

other teams where the focus was predominantly on managing and growing client relationships. It was so disparate that at that time I was unable to do anything constructive about it.

From a loan portfolio management perspective it was a problem for me due to differing perspectives of how to deal with clients, carry out the business and reach objectives. However much I tried to manage this situation, it consistently ended up in frustration and in the end relations with some team managers ended up in a poor state. In general, I was having difficulty in communicating objectives that got through in a way that yielded both positive results and coherence. In reality, I was having difficulty trying to bring coherence to it all.

I recognise now that I was part of a disequilibrium that I could not fix. I endeavoured on one side to recruit people with skill sets readymade at a senior level and recruit junior staff for long term development. However because of the varied attitudes, experience, expertise and knowledge among the senior staff, the juniors ended up receiving different direction, training and experience. The reality is that I had no clear philosophy to carry out a role that maximised people while keeping them in tune with bank objectives.

It appeared I had mixed theories about recruitment and maintaining my ideal bank. There was a limit to the level of recruitment that can take place in ratio to currently available people in order to

1. Develop them along similar lines and

2. Not upset the current balance of the organisation.

People development where each member of an organisation receives the same quality of training and feedback to safeguard both the present and the future of the organisation is also a requirement but I didn't have the tools to achieve this. Development takes many years and having technical skills alone do not make a good lender/banker. Coordination is just as important in bank terms.

Structure and Specialisation

From its early state the bank had a core flat organisational structure with an accessible executive board; with support, lending and treasury units and regional offices. Business related departments were made up of teams of four to six people depending on deposit or loan portfolio size. I am not sure whether this was by design or evolution but when I joined, given the size of the organisation it was then (three hundred people), this gave it an edge in terms of how the organisation connected with its market. No client was more than three steps from the executive and no manager was more than two. It was designed, it seemed, to connect, make quicker decisions and disseminate information.

People felt part of the business as it happened, which also kept them informed and this was hugely motivating. The easy connections made decision making faster and was in my view critical to being informed about the business and sharing information.

However at the same time each micro team was relatively autonomous. It grew, managed and administered its own Portfolio. As a lending manager having control over my domain was very important to me, allowing me to influence and dictate when necessary to ensure what needed to be done was done. I had responsibility for the team, though the reality was that I was close enough to the bank's executive to influence my practices. Later however as the bank grew this structure didn't quite have the same effect perhaps because interaction suffered between the teams and the management. That level of autonomy fostered competition and individualism.

I felt that the push for growth, the quality of interaction between teams allied to the recruitment issue already outlined was creating risks to the operation. We set about reorganising the Cork office to separate the administration function from the lending teams, which was partly for efficiency purposes, and partly to separate the risk elements of the job. It would also cut down the sheer workload on the teams. Efficiency was also a primary goal, to allow the lending teams concentrate on both enhancing analysis and growth while other teams handled documentation and ongoing maintenance.

I also set about trying to change the structure and to combine teams to allow for greater integration of skills, experience, and standardised approaches in terms of

risk/growth. I had planned to reduce the five teams to three larger teams of nine. I felt it would bring greater continuity and more rounded approaches to commercial lending. It would have been developmental in terms of new ideas and skills sharing. But I never got to implement it. I couldn't get support from those who reported to me or those I reported to or the bank itself. It caused a lot of conflict partly because I thought I had the right, partly because I felt my position was threatened, and partly because others felt their position was also threatened. It went against the way things had been done for years but there was more to it. The idea of anyone ceding control of their space was completely rejected and I should have recognised that in myself. I let it go but it was very frustrating.

It all seemed to come back to people with differing goals. Those who I had recruited had different ideologies relating to different jobs and different banks and were not fully 'bought' into the system. It was at this point that I realised I was finding it very difficult to both pull people together and express my ideas about structure, risk, growth, people resources, management, and the bank in any coherent way.

The one achievement was where there was agreement to specialise to improve efficiency and strengthen operations. In terms of the split of administration from lending I recruited some at managerial level who were 'minders' (those who administrated and with a risk perspective) rather than 'finders' (those who brought in the business). This helped collate more comprehensive data on each loan, more streamlined approach to loan administration from draw down to ongoing management of collateral, loan terms and documentation. Specialisation of this nature was a positive one for me and the division of labour brought depth to the operation though at times on a personal basis it felt like I was ceding control – a bitter sweet situation.

This adoption of specialisation as an underlying theory for greater efficiency and production has been adopted far beyond my business environment where those who know and understand most about a specific role are incentivised to be the best at that role. It is obvious even from what I have reflected on and recounted above that people were being categorised and categorising themselves as strong in one thing and weaker in another, forsaking the latter to maximise their performance in the former. I had

adopted that theory about myself as a lender and about people in general as good in operations, treasury or lending. The result appears to be a 'win win' with reward increased for the employee and the employer, but it possibly limits appreciation of other parts of the business.

Operational and Portfolio Controls

In addition, risk for me was either operational in terms of following procedures or loan book specific to me i.e. in the context of any particular loan on my list of clients rather than looking at it from an entire Portfolio basis. The bank set the rules on sectoral exposures and other than working within those rules I wasn't concerned about this in the wider context of the bank. Working as a specialist lender cut me off from the rest of the organisation and I had little appreciation for any connection between different lending departments, lending (assets) and treasury (liabilities) or the consequences of one on the other.

The bank had formal policies for everything. Procedures were more pronounced in operations with policy more evident in decision making. Reflection has helped me recognise the powerful role the bank's culture played in how people went about their business in pre 2004/5 that impacted psychologically how those at all levels of the organisation approached their work in tandem with the written down rules of policy and procedure. This type of control affected the bank in a reputational and strategic way. I have also thought about other forms of control, particularly in light of the control I exerted at manager level. These were personal level controls (related to deep lying personal and unconscious agenda to manage my position and self worth) as opposed to organisational controls and it is here that ideological differences were manifest and perhaps reflect other issues outlined particularly people related.

In the leadership role the application of control could be divisive. Due to the larger numbers, delegation of decision making was a necessity. Despite recruiting people in a conscious attempt to bring some heterogeneity to the office perhaps I was also trying to ensure they did things my way which was a total contradiction. I didn't want to cede too much control to others. This was as much to do with me as maintenance of the bank's ideals and forms a thread back to my time as manager. Managing a personal

'agenda', being in a senior position and organisation seemed to be conflicting roles and I had no way of managing them as one. What I was subject to and unawarely operating with as means of leadership and organisation was limiting in such a way that I was unable to either recognise or make choices about them or even to prioritise among them because of their very implicitness. What is now becoming clearer is that my hard won position, a position and self image bestowed on me by those I report to seems to be what is really under threat when disagreement arises with work colleagues. Maintaining this deeply embedded sense of me is a key issue.

Communication

Perhaps it was my communication style which revealed this issue most. Recalling how I interacted with people on the team, I had a direct style at times but it was also pointed out to me by a manager that I was also indirect at times. It would be evident in office meetings when sometimes I would start an open discussion where I appeared to be eliciting a team response to an issue. It would be evident to him that if a potential course of action was veering away from my (unspoken) idea, I would steer the discussion back toward that idea. Many of the conversations were about the organisational issues discussed above and others were related to how we do our business. Without realising it I was basically telling them to do it my way and dealing with any alternative suggestions was really an issue about my meaning making rather than a discussion about credible solutions.

Generally though meetings were kept short and I worked one to one with people or in small groups. In hindsight it was easier to convince people in smaller numbers rather than all of them because there was no way I would contemplate the possibility of open disagreement or defeat with my own agendas at the full gathering of the office managers. The reality is that I probably caused resentment because of the way I was doing it.

Another feature of the way I communicated was that I tended to speak to everyone in the same way with little recognition for the listener as a unique individual, or a group with different skill sets. Often what was a conversation or discussion to me may have come across to others as an order. My style of communication was representative of

my means of management/leadership where I was the ultimate authority and control was the method of avoiding what might appear to be weakness or failure.

Use of Information

Generally credit decision making was on the basis of historic client information, planning and projections for the future. We had our own expectations arising out of interpretation of relevant current information. In that context it was a case of matching expectations and application of static risk factors in terms of possible declines in value and cash flow (repayment source). In that context the practice was subjective. Projections were based on market trends. However, over a decade up to 2007, there was confidence in a 'predictable' future, based on near term trends, and indicators about population, sectoral demand and the economy from analysts. We sought information from people we knew and sources we had become accustomed to using. The assumption about our business environment made this method of decision making look right. Success was continuous and confidence grew in the process. We thought we knew the future.

While I recruited the relevant expertise to handle more in depth analysis and be more demanding in terms of client information one particular issue is relevant. People recruited from other organisations often interpreted information differently and I found that this both satisfied one aspect of organisation that I was concerned with while causing dissonance on a different level in that it was sometimes differently focused to the way I did it.

Motivation

Expectations for expanding loan portfolios put pressure on all lenders to deliver up new clients and increasing existing relationships. The pressure of lending and profit targets may have induced lenders to think as individuals in competition and make credit more readily available. Reflection made me think of a tug of priorities at the time – to hold back on business growth for reasons that it was overdone, and the incentive to grow the Portfolio because your status, salary and bonus depended on it.

Earlier on, validation from the top satisfied and nurtured my identity as the company man in terms of delivering large, profitable and prestigious deals/loans. Later I had become less influenced by this, but what was significant was that those at manager and junior levels were highly competitive in terms of delivering on the growth objective – a value which was encouraged by the end of year bonus incentive.

2.9 Insights

While the objective of this essay was to unfold my professional meaning making and initiate subject object separation, both the exercise and the method of inquiry gave me valuable insights. It was impossible to isolate my meaning making without examining the circumstances in which I worked. There were organisational and cultural meaning makings also at play.

Insight 1

By making object a number of assumptions and values together with banking, leadership and organisational practices, I was now aware of their effect on the way I operated both as a banker and a leader.

Insight 2

In that context and through reflection I also noted elements which interact in the dynamics of organisational practice in a business system: me, others (people), the business (organisation), and the business environment. I made the links by standing back and noticing how different perceptions of the business environment are possible. These affected organisational objectives. In tandem with habitual banking and organisational practice they also affected organisation, policy and operations. Changes in the business environment whether through political and fiscal policies, affected how individuals and organisations perceived reality in terms of assumptions about growth and value, changed principles relating to risk appetite, leading to changes in lending policy. This was how change in an organisational meaning making emerged. I needed to consider this in any development of my leadership and organisational meaning making.

At the same time I had a personal meaning making that affected how I saw the world. This was both culturally and business organisationally influenced. Its interaction with my professional meaning making caused inconsistency in terms of perspectives and practice in banking risk, structure and operations.

It appeared to be a root cause in my difficulties in progressing from mid management (ensuring objectives were completed and procedures followed) to a leadership role (organising people to ensure the organisation's wellbeing). I seemed to be approaching the role with a fragmented task based approach rather than seeing the whole of the situation presented to me. I had no conscious philosophy.

Table 1 captures the problems I encountered both professionally and organisationally, their causes through the lens of Kegan's (1994) theory and their consequences for the well being of an organisation.

Table 1:

Problems, Causes and Consequences at Leadership and Organisation levels

Problems **Me**: • Difficulty in aligning people to organisation. • Difficulty in bringing about or communicating change. • Difficulty in fostering collaboration in solving problems. • Self protective measures evident. • Needing to be seen to be in charge, the expert. **Organisation**: • Internal competition. • Over autonomous teams. • Variances and subtle changes evident in organisational practices and policies over time. • Inconsistency and complacency in perception of business and environmental risks. • Inconsistent information collection and use. • Power seeking.
Causes **Me**: • Embedded personal, professional, organisational and business assumptions

were evident in my practice.

- I operated with the assumption that everyone understood organisational objectives and would accept change and implementation of policy, i.e. people 'should' follow.
- I had no coherent leadership philosophy, just a task based approach.
- I maintained control by enforcing rules and influencing decisions.
- I focused on achieving results which in turn resulted in my validation.

Organisation:

- Individualism and personal achievement were implicit in the organisation.
- There was evidence of an organisational meaning making in terms of how we went about our business in the years up to 2004, but subsequently as the organisation grew and people were recruited en masse from different organisations they brought with them embedded individual professional, organisational, business and market assumptions.
- Bank planning did not recognise the importance of strategic recruitment or integration.

Consequences

Me:

- I had an inconsistent approach to organisation and leadership which impacted my effectiveness.
- My focus was drawn to maintaining my position and delivering results.
- Unwittingly I would not openly consider ideas that contravened my own that may have benefited the organisation.
- Instead of fostering participation I was preventing it.

Organisation:

- Organisationally, teams and departments operating in silos reduced overall interaction and sharing of knowledge.
- Inconsistent adherence to policy and different uses and interpretation of information impacted consistency of decision making.
- Power localised in a small top management team did not consider the ideas

of experienced people generally in the organisation.

- Risks increased and risk awareness was reduced as a result of these organisational and leadership practices.
- These practices were unsuitable to sustain a business in a dynamic market and compromised business performance.

These were core issues to explore in terms of adapting my meaning making: to develop a framework that perceives organisation as a matter of people not tasks, and something more fluid than fixed to take into account the market as a whole.

Insight 3

My experience as a senior member of staff in an organisation in crisis led to professional frustration and loss. However through the lens of Kegan's theory I now had insight into possibilities as to why the crisis occurred not just for me but for others like me; that organisational and leadership practices, which have been operationalised by aforementioned assumptions, may have played a significant part. These are issues not just of practice but of consciousness or awareness.

Kegan's (1982, 1994) differentiation between socialised and self authored orders of consciousness was instructive. In terms of employees at administrative and operational levels in an organisation, knowing how people become socialised can point the way to generally understand how they function. It also pointed the way to embedding certain ways of thinking and operating to achieve objectives and eliminate risks.

In the context of a senior role, there were limitations to being subject to personal and professional assumptions and related practices in terms of them leading to unintended and negative outcomes. It is evidenced in my acceptance of what was being imparted to me from authoritative experts inside and outside of the organisation, in how I managed myself in terms of how others may have judged me, in how I managed others and in how I unawarely saw organisation as a series of short term tasks rather than

with a more critical and longer term view. I was unwittingly ensuring that everything we did endured and nothing changed.

In terms of operating unawarely at a senior level there was risk to being able to deliver on a long term sustainable basis (potential mismatched assumptions and practices related to the business, objectives, leadership and organisation). However becoming aware of it and my practice, its consequences and the need for something more complex for the role, there was opportunity. Practice could be adapted. Awareness can be developed.

Insight 4

Finally there was insight that by *consciously* using a theory, in this case Kegan's adult mental development theory, I had a tool to evaluate my career in such a way as to position myself for further development. Having a theory as a tool or apparatus to think about problems was now something to contemplate in facilitating more comprehensive modes of inquiry and problem solving.

The benefit of making object my meaning making was that I could differentiate between the aforementioned elements in leadership and organisation, and the hidden assumptions and modes of practice I used. It was evident that a necessity for different ways of thinking about the role was beginning to emerge – visible through inquiry, feelings about objectives, change efforts, and frustrations in the lack of genuine progress at the end of the professional review which related to organisational risk and operations. These frustrations represented my experiencing the limit of my meaning making. Kegan and Lahey (2009) referred to this as 'optimal conflict' (2009:54) when you are both aware of it and have the opportunity to move beyond it. I wanted to move beyond this and on that basis I was ready to work on my development.

My practice could be represented in layers. At the bottom there were assumptions, ideals and values constructed from various facets of personal, local and business cultures in terms of how I have valued myself through others judgement (perceived), how leaders are experts by virtue of position and that senior positions bestowed power which should engender obedience in a hierarchy.

These operationalised practices: modes of leadership, organisational and banking practice in the forming objectives, resourcing, decision making, being in control and the sole authority, maintaining hierarchy, and competing for position with those I work with. I concluded that when I was unawarely defending this 'image' of personal reality, I was not accommodating other perspectives that could enhance organisational operations, risk management and business. Nor was I connecting with others in a way that enhanced greater possibilities in leadership.

I had other assumptions about how the bank should do its business; that the business environment was reasonably predictable and that it could be adjusted as necessary. Pre reflection, I had assumed that banking itself was a separate rather than a connected element of the business world. No matter how much of an expert I could be, and no matter how knowledgeable, these hidden assumptions shaped how I made decisions using the knowledge I had.

Leadership, organisation and banking (lending) made up the whole of the required role but I did not have a holistic approach to it. I was beginning to see deficiencies in the organisation; for example when I recruited I did so from the point of view of bringing in additional expertise from non banking backgrounds such as accounting and other banks which had different standards and policies. However I never thought about integrating them into the wider organisation resulting in different levels of skills and expertise, different approaches to lending, differently developed junior staff and invariably conflict. In business leadership terms, if you take into consideration the fundamentals of interaction one can see how difficult it was to have the level of consistent and sustainable approach required.

My experience over time was leading to a wider perspective of how the organisation worked and what affects it in terms of risk. However with no core set of principles or organised system available to me to make sense of it all I was looking at it as a role made up of several individual tasks. The consequence of operating with this meaning making was that there was no alignment or consistency albeit with belated awareness of the unintentional risks associated with it.

My approach was that of manager rather than leader with high levels of control and dependency on specialisation. It was suitable to stable economic situations but not the context of the high complexity and ongoing change of modern banking and business. This was the primary mismatch between my complexity and the complexity required of someone in a senior organisational role.

I saw the need for a more holistic perspective. This was more than just administration because it involved people in the organisation, people in this business, and that business in the market place. People are thus an integral part of both organisation and leadership. Organisation in that sense must be part of leadership and vice versa; part of a more holistic approach that views strategy, organisation and leadership as one activity.

Next Essay

The next essay in the Portfolio is an endeavour to develop a meaning making that recognises this more holistic perspective. Having reflected and recognised my limitations in the role and created that mental space I was in position to move on. I had distinguished between the various elements in play. Keeping with the theme of increasing awareness and mental complexity; my readings of Popp and Bowe (2001) on Kegan pointed to particular challenges to the socialised complexity of awareness. This represents the next set of objectives in the Portfolio.

- To be able to use and critique sources of knowledge and theory in relation to organisation and leadership.
- To generate my own professional philosophy in terms of new standards and practices to cope with the modern world.
- To provide recommendations based on my generated principles regardless of others and to both tolerate and use conflicting views of problems and solutions.

My mode of thinking represented a socialised consciousness about organisation and leadership and was the base to be transformed to meet the demands and challenges of an executive role which were primarily to ensure long term sustainability. My goal in

the next essay was to enhance my meaning making by contemplating leadership and organisational theories with a view to authoring or consciously constructing my own leadership and organisational philosophy for business and banking.

Toward an Expanded Meaning Making - Reading for Change

Essay 2

Developing a Holistic Approach to Organisational Leadership Practice

3.0 Introduction

The process of reflection gave me insight into the relationship between low awareness and performance. It also gave insight into banking and general organisation as a system with a number of variable elements; people in an organisation, business objectives, principles and policy, and a dynamic market. There are performance consequences for leaders operating unawarely with unconscious assumptions and organisational practices across personal, professional and business boundaries. The implications for me were twofold. On a professional level, low awareness of my practices in my interaction with my staff impeded me in leading a cohesive unit and implementing change needed to reduce risk. Control of decision making led to inconsistency. On a business level, I concluded that in a complex and changing market it was necessary for me to be able to align people with business objectives, and business objectives and practices with market reality. In a predictable and less complex business environment planning, hierarchy, division of labour and controlled process on their own are effective. In a complex and change environment this is less likely to be sustainable.

At the time, with a global Financial Crisis in full swing, these were important issues to resolve in terms of constructing a more comprehensive and adaptive approach to sustainably leading an organisation.

This essay represents my route to overcome the limitation of my meaning making and to develop a more holistic approach to achieving effective *and sustainable* organisational practice. In the first section I explore theories and views of several source thinkers to orient my thinking on leadership, behaviours in business, on new ways of looking at administration, on business itself, on growth in the firm, on complexity and the capacities required to deal with it. This led me think about how assumptions and theories from bygone eras persist and what it means for organisations now. I then look at how you could create a framework for organisation and leadership in the modern world by integrating the works of the source theorists. This led to possibilities for dealing with change and new models of organisation which adapt with change in the business environment.

3.1 Orientation from Source Thinkers – Organisational Leadership Issues

From the findings in Essay 1 and reading Kegan (1994, 2001, 2009) three elements stood out for me; people diversity (expertise, meaning making and complexity levels), the business itself and awareness of the nature of the overall business environment. As elements in an interdependent system these could be the basis from which I could expand my meaning making for application in a banking organisation. This is the subject of exploration in Essay 3.

3.1.1 March and Weil 'On Leadership'

Tensions in Organisational Leadership

I began with March and Weil's (2005) 'On Leadership'. Their dialectic approach helped steer me from a categorising approach to the topic of leadership (e.g. stature, knowledge, expertise) and pointed me to three particular 'tensions' which I found very helpful in terms of orientation. The message from these three opposing but potentially symbiotic relationships represented to me the broader issues of modern management. 'Exploitation and Exploration' represented two sides of action in terms of optimising what you have and embracing change through moving with the times. 'Unity and Diversity' balanced people interaction in terms of an organisational single mindedness and flexibility through greater awareness and promoting the growth of ideas. 'Organisation and Ambiguity' recognised the need to have procedures and rules but not at the expense of thinking 'outside the box'.

These tensions were the catalyst to further reading relating to people, the business and change. The central message to me was that I should be thinking about modern organisation as something that involves order, growth, and change.

3.1.2 Cyert and March 'A Behavioural Theory of the Firm'

An Issue of People and Imperfect Knowledge

Cyert and March's 'A Behavioural Theory of the Firm' (1963) brought granularity to some of these issues. The notion that people, not markets, are the driving force of organisational success on the basis that markets are imperfect in terms of the

availability of perspectives on information and knowledge which influence choice connected with me in the context that Kegan (1994) had. At the business strategy level, plurality of meaning making and capability means no two organisations will interpret the market the same way. At operational level, without leadership employees may operate inconsistently through lack of awareness of their personal and professional values and goals, just as I had. Varied meaning making impact on how they select and deselect information internally and externally in the business environment. Consequently they may infer differently, have differing expectations and thus make qualitatively different decisions.

An insight for me was that policy and standard operating procedures can tell us a lot. How these and business plans are constructed tells us about an organisation in terms of its meaning making: its assumptions about the market, how it searches for and handles information, manages uncertainty and diversity through rules and procedures and creates its own unique rationality.

3.1.3 Herbert Simon's 'Administrative Behaviour'

An Issue of Decision Making

I began to see the need for organisation that was more than objectives, tasks, functions, expertise, authority and structure. My readings of Simon (1997) helped in how he portrayed it, that an organisation was a decision making tree. Robust decision making processes that encompass skills, knowledge and information, with explicit objectives and meaning making would be more reliable.

Combining the Adult Mental Development theory and the Behavioural Theory of the Firm gave me insight as individuals have diverse meaning making, so too could organisations, in the form of explicit objectives and mental filters, which dictate how they learn, understand and know their environment, construct problems and thus search for related information and knowledge in an imperfect market. Organisational decision making processes are thus the focus of any meaningful theory. Influencing values and objectives and thus decision making is a core activity of organisational leadership.

Simon's (1997) focus on both exposing bounded rationality - a singular view of the world - and creating organisational rationality in equilibrium with its full network was significantly insightful and very much reflected the possibilities from Kegan's theory in increasing the complexity (see Appendix 1, 6.1) of our awareness. I also thought about additional uses of these theories that could bind diverse people in organisations in terms of belonging, personal development and leveraging skills and perspectives.

3.1.4 Edith Penrose's 'The Theory of Growth of the Firm'; Jonathon Rosenhead's 'Complexity Theory and Management Practice'

Managing Uncertainty and Complexity

The assumption in complexity theory is that the future for any complex system is unknowable. Instead of accepting it, we try to manage it (through uncertainty avoidance) by over planning and using authority in the execution of objectives. However we can take the view that planning is by virtue an image of the future as expounded by Edith Penrose "The fact that the future can never be known with accuracy means that the planning of business firms is based on expectations about the future which are held with varying degrees of confidence; furthermore, the expectations are themselves estimates of various possible outcomes in the future of a given action or series of actions." (1959:56)

Planning carried out by a chosen few deprives the organisation of multiple perspectives. Organising in this way is thus limited. Jonathon Rosenhead (1998) in his article on 'Complexity Theory and Management Practice' promotes the questioning of assumptions and the appropriateness of objectives and goals in light of what is emerging in the market place. He also refers to business culture as important but that group think has its drawbacks where the premise behind it is not regularly tested. The organisation seeking a stable equilibrium in an unpredictable environment, where the future is unknowable, is bound for eventual failure because it builds on its strengths only. These organisations are destined to fail. Intolerance of ambiguity, information overload and complexity all exist side by side with the imperatives of rules, targets, analysis procedures and tightly managed organisational structures. These were the

imperatives of my organisational meaning system and those I have experienced reflecting aforementioned assumptions about predictability and centrality.

An Issue of Growth – of Resources

To me the sustainability of business must come about through strategic and organisational efforts which in turn emerge from complex and continuing interactions between people. While it appears at the other end of the spectrum from intentionally bounded rationality being the conduit to realise profit ambitions, bounded instability could be accommodated where ideas may emerge and the organisation may regularly reinvent itself. I believe that this is how human resources and the business could be both supported and challenged as a form of internal growth. There are parallels here with Penrose's (1959) Theory of the Growth of the Firm when she says: "There is a close relation between the various kinds of resources with which a firm works and the development of the ideas, experience and knowledge of its managers and entrepreneurs, and ... changing experience and knowledge affect not only productive services available from resources, but also demand as seen by the firm. Such changes... together with unused productive services within it create a special productive opportunity of a given firm" (1959:85, 86)

3.1.5 Peter Drucker's 'The Theory of the Business'

An issue of Market Awareness and Alignment

A more long term reliable organisation is thus one which would practice 'mindfulness' in decision making, embracing complexity and uncertainty and fostering high quality interaction and diversity. Peter Drucker's (1994) The Theory of The Business whose core message was early diagnosis and preventative care through mindfulness is also a theory about interconnections. In it he advocates the testing of assumptions about how the organisation imagines itself, its business, mission and objectives, the core competencies it needs. Additionally he advocates that these assumptions and the realities of each member must be aligned or in equilibrium. Communication and interaction are thus critical requirements and capacities of leadership and organisation. Again, this looks more at context and process than structure.

With Penrose (1959) in mind this focuses my thinking not only on maximising revenue and profit but also on maximising resilience and reliability. Preventative care through abandonment, points like Kegan (1994) towards greater awareness by challenging the status quo, collaboration and greater examination of data internal and external to the organisation.

3.1.6 Administrative Behaviour: Additional Insight

Economic Man V Organisation Man

Kegan's (1994) theory gave me insight that people are diverse and any group of people will be pluralistic in terms of the uniqueness and complexity of their meaning systems and this was a fundamental starting point to rethinking organisation of the workplace. In that context, how organisational members think about their job, interpret information and thus make decisions and problem solve was of most interest in constructing an organisational leadership philosophy.

Simon's differentiation between the rational decision maker or economic man and the concept of 'Organisational Man' (1994) came to mind. The former has deemed to have complete knowledge and know how in terms of maximising choice – the perfectly rational man. Such a person does not exist in the modern world though in my experience there is still the propensity to look for someone like this and to follow them. In the context of organisational leadership, pluralism and the imperfect nature (incompleteness of information or knowledge) of the market, it is organisational man who focuses on what we should attend to. If the executive could create meaning in terms of both strategy (what the business should do) and operations (how it should do it) that takes account of the diverse elements of an organisation's network, then the organisation as a decision making environment requires explicit assumptions, unifying values and procedures of operation, and interaction that is collaborative in the sense of creating ideas and awareness to assist in the choosing of alternatives.

3.1.7 Robert Kegan's Mental Development Theory

Capacities of Leadership

Kegan's mental development theory contributes to not just my understanding of the issues but also potential solutions. In terms of the aforementioned issue of plurality it is the complexity (awareness level) issue which interests me as both the understanding and the solution to issues of goal conflict, bounded rationality in terms of information search and analysis and how organisations learn (reflected in standard operation procedures) as outlined by Cyert and March (1963). Kegan and Lahey (2001, 2009) further outline that in adulthood we are also resistant to change, the reasons why this happens and working solutions. The subject object movement is a critical component which I used in the professional development essay.

Head of Regions was a qualitatively different role to that I had previously. It demanded certain capacities that on paper it seemed I had but not in practice. These are communication, interrelations and problem solving which in Kegan (1994) and Kegan and Lahey (2001, 2009) reflect the evolution of one's meaning making (Appendix 1).

I looked at capacities at the various levels of awareness or consciousness. Having an understanding of the plurality of mental complexities and meaning making is an important component in thinking about how people can be organised either as managers or rule followers. Where Cyert and March (1963) came up with relational concepts of conflict, problemistic search, uncertainty avoidance and how organisational learning occurs I thought about the capacities required that would bring about the suggested requirements in 3.1.5.

In terms of communication the challenge is to be able to shift emphasis from where I 'need' to deliver ideas authoritively and forge connections to be able to encourage and accept disagreement and still be able to express my own ideas and feel accepted.

In terms of problem solving the challenge was to be able to shift emphasis from using the most philosophically compatible source of understanding from which decisions are made to be able to look at other concepts and use them to evaluate, interpret, predict and anticipate as required; tolerate and internally recognise conflicting views on the problem and conflicting solutions; generate independent goals, standards and values for evaluation; and make recommendations regardless of disagreement with peers and reports.

In the context that problem solving and decision making are similar; the link between limited rationality and limited awareness and attention was of significant interest – where skills become routine and we download responses without thinking. In this context conscious attention should be an organisational goal.

Finally in terms of interpersonal relations the challenge is to be able to think about more than one layer in organisation where loyalty and mutuality of understanding is required to deal with tasks and issues for the greater group goal. On another layer degrees of disagreement could be tolerated without destroying relationships and where I could take perspective on my own motivations in any process in order to consider a wider range of issues. Ultimately conflict can sometimes be seen as an opportunity.

3.2 Old Assumptions, Practical Theories and related Organisational Concept

On the basis of these readings I endeavoured to come up with a picture of what organisation and leadership looked like in the way I operated heretofore and which in my experience represented many businesses I interacted with.

Old Organisational and Leadership Assumptions

I started with the bottom layer of the cognitive field in terms of the drivers of action. Each of them had roots in the individual's image of himself and the world:

- The 'individual' is the core component in any organisation in terms of resources and in how each member, in particular those in executive or ownership positions views their place and value. In that context power is a core objective for individuals in order for them to maintain 'place' and 'value' in any group.
- Leadership appointments endow powers of decision making.
- Followers adhere to the decisions of those who they report to.
- Organisation is based on objectives and tasks required to reach those objectives.
- The objectives of an organisation reflect assumptions of perfect rationality.
- The objectives of the organisation are correct when experts decide on strategy.
- The business world is relatively predictable.

Old Practical Theories

Based on the assumptions outlined, operational theories ensued which I followed unawarely:

- Power is centralised in few people at the top who make all major decisions on strategy and operations and who communicate in a top down direction
- Organisational structure is in the form of a hierarchy with experts and decision makers on top and followers in a chain of command on a reducing

responsibility basis. Each member has a set role to play and is individually appraised on this.

- Annual and long term planning, policy and standard operating procedures eliminate uncertainty and are both fixed by way of goal and control orientation.
- Greater productivity and efficiency is created through the division of labour and specialisation in departmental structures which become part of an overall hierarchical structure.
- Organisation is measureable on the degree of stability and control (management), as well as productivity, size and profit (growth).
- Organisational improvements are based on higher levels of work input/output and technical changes.

Related Organisational Concept - Permanent Organisation

I thought about the nature of socialised thinking which bears further consideration. Socialised organisation and leadership was evident in both my practice and my experiences where objectives, growth (in terms of size and market share) culture, standard operating procedures, credit policy and the banking industry norms influenced how information was collected and analysed and rarely changed except to foster greater growth (and risk) even as the crisis began. In the places I worked organisational practice was based on hierarchy, planning, rules and a control based on centrality of power, maintaining certainty and predictability in terms of a where everything external was not. Both displayed an immunity to change based on years of success which seemed to dull the senses.

Where an organisational meaning system gravitates to stability, predictability and certainty, the danger is that the external environment is evolving at pace and this is what we are faced with now. In high control organisation, which I experienced, certainty is the hidden goal and ambiguity is eliminated via control. This is what makes for the permanent organisation which remains static in its network. It anticipates based on a one time view of the world.

However, ideas for potential solutions exist in the way my organisation operated in its formative years – its structure, influences, modes of communication and interpersonal relations.

3.3 Toward Organisation for the Modern Business Environment

In reappraising the fundamentals of organising for the modern business I thought about the issues and what assumptions would represent them. Weick (2009) provides these.

Modern Assumptions

Weick (2009) comes up with four assumptions which encapsulate what I have accounted for so far through the various source theorists and which also represent a movement forward in terms of my awareness.

1. The assumption of continuity: Where meaning making of the worker is continuous across personal and professional boundaries intervention is required to create unique behaviours inside the organisation and avoid goal conflict. By assuming continuity I could pay more attention to people diversity, how situations and contexts appear to them, how they perceive their roles and processes and less to the authority and control based structures and boundaries.
2. The assumption of evolutionary epistemology: I thought how intervention in terms of creating individual and collective awareness and integrating behaviour could create a context for how the organisation learns and experiences its environment and also create a context for continuous adaption.
3. The assumption of ambivalence. I initially appreciated this through March and Weil (2005) where the coexistence and acceptance of opposite perspectives of business reality are accommodated in terms of an organisation's objectives.
4. The assumption of complexity according to Weick is one that is prevalent in High Reliability Organisations (HRO). This assumption sparks the need for continuous striving for new insights related to the business with echoes of Drucker's (1994) Theory of the Business. HRO's look at failure to know themselves more. If 'simplification' represents our theory of the business world, deeper knowledge of the environment and deeper understanding of how organisations work can lead to better simplification. To do this we must attend to more, entertain a greater variety of interpretations, differentiate

ideas, debate, listen, reconcile differences and commit to revision and updating of the simplifications.

Reliability and Adaptability are the intended outcomes. The more complex the organisation the greater the ability to cope with issues in the network that fail to show up in annual forecasts. More complexity resolves issues of problemistic search. It may not mean better forecasts but it does mean that the business is organised with greater resilience to change. Greater adaptability of objectives and operations means greater growth prospects as well as ongoing experiential and interdependent development of members which fits with Penrose's (1959) theory.

Modern Organisational Concept - Impermanent Organisation

In the context of leadership capacities I looked at the potential of communication forms and interpersonal relations as conduits to deepening the well from which organisations could understand their environments and respond accordingly with greater problem solving capability. Karl Weick points out that "Communication, language, talk, conversation and interaction are crucial sites in organising." (2009:5)

This echoes Simon's (1997) statement that organisation is a "Complex pattern of human communications and relationships providing assumptions that affects information, goals and attitudes that in turn alter decisions"(1997:19)

Communication and interpersonal relations as leadership and organisational capacities, I believe, are critical points to changing the form of organisation, so that the form may align with its environment. Spurred on by Rosenhead's (1998) look at management practice through complexity theory as a potential practice for the future I thought about organisation dialectically as March and Weil (2005) did. Weick brought the insight for me with the coexistence of continuity and discontinuity in the form of permanent and impermanent organisation. By embracing uncertainty and ambivalence, avoiding simplicity, paying attention to failure while decisions continue to migrate to experts, we can organise for resilience through anticipation: the task of becoming aware of issues which may turn into problems or opportunities. It is a risk and opportunity based approach encompassing all available information and all

available perspectives from within the organisation. It accepts that change is inevitable and the organisation is impermanent.

3.3.1 Practical Approach to Creating a Decision Making Environment

Integrating Behaviour

March and Weil's (2005) dialectical notions of continuity and discontinuity, exploitation and exploration, and unity and diversity lead me to think about how I could simultaneously maintain consistency and promote change.

Constructing an organisational reality to create consistency through meaning and mutuality of understanding for employees was my first step. I engaged Simon's (1997) Administrative Behavioural Theory in thinking about practical ways of approaching this. The three steps he put forward, which encompassed strategy and operations, were those of substantive planning, procedural planning and execution as the primary focus of attention for decision making.

3.3.1.1 Attention Framework (Strategy and Procedure)

Substantive planning takes care of the broad frame of attention – objectives, values, knowledge skills, methods and information requirements – all part of a written down *policy* in order to make certain decisions. Procedural planning represents a narrower frame of attention with mechanisms to direct attention, and channel information and knowledge through *standard operating procedures*. The day to day operation then is the *execution* of these. This is the *framework of attention*.

3.3.1.2 Constructing an Organisational Meaning System

Simon (1997) states that social institutions are regularisers of behaviour in individuals through subjection of their behaviours to stimulus patterns specially imposed.

Formal Means

The question now posed was how to construct an organisation based on making the right decisions. Unlike the human body with its central nervous system to carry messages of information, instruction and warning from the brain, the organisation is

contrived and has no such system. Structure must determine how information is gathered, given meaning and distributed. Members must know what they should do and labour divided between planning and execution. Simon (1997) referred to this as *formal organisation* in terms of how specific rationality is derived. In that context it is also a socialising process where repetitive action embeds practices.

My reading highlighted for me two distinct means of influence. The first is structural and represents more widely known theoretical means:

1. Hierarchy of decision making and expertise.
2. Division of labour: on the basis we cannot source or attend to all matters or information we must limit our attention to certain tasks and divide up the work; HR to recruitment and training, Finance to accounts and funding, Marketing to sales and so on. Each person has a specific role is aware of what others do.
3. Standard operating procedures eliminate ambiguity for critical but repetitive tasks and represents action based on the assumptions of the business.
4. A communication system of authority, expertise and influence represents a formal organisational decision making process generally in the form of a hierarchy. The channel of communication should permit information to flow in all directions to individuals, groups and the organisation itself.
5. Ongoing development and training is part of a system of indoctrination in terms of values, objectives and means to deliver ends. Knowledge, skills and identification enable members to make decisions themselves and with others.

Formal organisation on its own is suitable for delivering consistently and in conjunction with a set of objectives based on known information and on its own is suitable in the short term. But in the longer term in a global market where change is rapid and where service organisations are as many as manufacturing, where products are more complex and evolving, and information is subjective more is required. It requires organisation that accepts evolution and ongoing alignment with its network. It requires everyone in the organisation to be attuned with this. It would draw heavily on the

capacities of those in the executive positions to understand how organisations require and deliver ongoing transformation.

This led me down another path. How could I align people in the organisation and then the organisation to its network?

Informal Means

Informal organisation is more cognisant of the uniqueness of the organisation. Coordination isn't as simple as giving people a set of objectives, procedures and rules. The independent variable has always been the individual. People understand, problem solve, communicate and interact at different levels of complexity. On the basis that 'man brings his humanity to work' (meaning making is continuous) I felt that coordination and collaboration required more than the structures of formal organisation. Cultural values such as power, status, and success, the impact of other organisational realities in new members, and the impact of life experiences are significant forces which formal organisational structures lack the flexibility to account for. In aligning objectives to decision making the issue of uncoordinated diverse perspectives becomes a critical issue of organisation. Alignment is not achieved by rules and procedures alone.

The use of division of labour and departmental structures cannot assume (as I had before) that the individual and groups of individuals will perfectly and effectively relate in delivering on the organisational objective. What one individual, group or department's rationality is may not be another's. Expecting them to coordinate in any complex situation is not realistic where meaning, instruction or adjustment will require an authority not just to direct and have expertise, in the context of organisational objectives, but to engender collaboration and agreement. The leader/coordinator needs to understand that individuals have goals, subject or object, as do groups or departments, which are grounds for conflict in decision making as outlined by Cyert and March (1963). The coordinator's role is for each to demonstrate a partiality for the same values and outcomes.

Operating from what Simon (1997) called bounded rationality or intended rationality are limitations on how the business and its employees see and negotiate the world. There are three important issues: Problemistic search (narrow and set ways of handling problems to deliver organisational objectives), Conflict (of goals and values) on an individual basis and the unintended consequences on the basis of assumptions employed.

The absence of regular shared reflection and interrogation is likely to result in sub optimal solutions in that there is a deselection of information or alternatives as well as inhibiting the formulation of what a problem might be: “Problem representations, like the problems themselves, are not presented to us automatically. They are either retrieved from memory, when we recognise a situation as being of a familiar kind, or discovered through selective search. Formulating a problem is itself a problem solving task”. (Simon: 1997:125)

In this context the framework of attention for the organisation must include complexity as an assumption. In problem solving, higher levels of awareness are needed to look beyond the vicinity of the problem.

3.3.1.3 Coordination: Sources of Influence

I now focused on decision making and execution as organised action. A decision is a conclusion drawn from a set of principles be they value or factual. Influence comes through these and above I discussed means to guide behaviour. The goal of coordination in the context of objectives makes perfect sense. However coordination means subordinating the individual to the collective objectives and values of the organisation. In the Ireland I grew up in the leader was ‘economic man’ which most followers followed in a spirit of obedience. That leader was deemed the ultimate knowledge holder and sanctioning power. This was latent in my meaning system and manifested in expectations of obedience. These limitations are visible in the failures of the Financial Crisis.

In terms of human resources this is an unsustainable form of organisation in that all potential resources are not brought to bear on making decisions. My use of authority

was predominantly to maintain power and achieve implicit personal and professional goals. On that basis authority as a basis for influence must be examined.

Forms and Use of Authority

My use of authority would have been most evident in formal organisation. On a formal basis plans, enforcement of procedures, rules and policies were all elements of coordination through authority and sanctions to govern the workplace. The necessity of formal organisation still holds. However I can see the merits of 'parking' the related assumptions of centrality and power and focussing more on the hypothesis that coordination is a primary requirement in organisational decision making to deal with diversity. I do not propose eliminating the use of sanctions. They do have formal and informal implications in terms of status and position in following policy and procedure. They can also be of use in terms of the social norms of organisation (values and team ethics) used to socialise behaviour.

In the modern society control and acquiescence do not seem a generative form of organisation where restraint, learning and development could be. The use of control and obedience can also be symptomatic of maintaining personal self worth or outdated organisational values when, up to now, I had no perspective on their adequacy. In that context conveying the meaning of the organisation in terms of objectives is better achieved via communication, interrelationships and implanting of values.

Additionally, delegated authority spreads responsibility to the wider organisation. This is a transformational requirement. Its benefits through learning, motivation and ownership can improve long term sustainability prospects.

Authority by expertise and specialisation is another to consider. In the past this was a case of the best person to do the job. With a transformational goal to achieve the greatest organisational effectiveness, it would mean bringing the most knowledge to bear on strategic and operational issues in a collaborative way. Experts located strategically in the organisational structure, where decisions are accepted by others, is

more effective than control by subjugation. Authority becomes a function of subject matter together with position.

In summary, the use of authority on the basis of the meaning system I was subject to was in a very narrow framework used to protect the way things were, both for me and the organisation, rather than to optimise knowledge, resources and general decision making. By delegating authority I could organise for growth and optimal decision making. This brings me on to another of the capacities required of the organisational leader.

Objectives, Values and Culture

Further to the discussion on the means of influence and framework of attention, Simon (1997) and Kegan (1994) directed my attention to looking at the benefits of loyalty and attachment through the creation of objectives and a value system. Given what I have learned and understood from Kegan's theory, in terms of how mental development takes place, the socialising of organisational members is for consideration in creating an intended rationality.

The benefits of identification would be reflected in decisions related to moderately complex problems being informed by company values or culture thus reducing the necessity for executive involvement and more certainty in the direction the decision making goes. In this, each assigned role in effect has socially determined specified values (e.g. customer relations and service levels, innovation in solutions, risk awareness and profit margin as a culture), facts (such as budget, work methods and procedures) and objectives (mission and goals) which focus the contemplated range of alternatives upon which the decisions of the organisation are to be based and thus information and knowledge required. Employees identify with the organisation or its objectives with incentives of reward and success. The more the business progresses the more the incentives and the greater the embedding process of culture. This was used very effectively in my organisation in its earlier days and attracted some of the best available talent on offer. The sense of belonging and identification was a significant influence on decision making and productivity. The values of the organisation were focused on relationships with clients, knowing their business, risk

management and the ability to provide solutions where other banks could not. Personal and organisational growth were powerful incentives. While policy and procedure provided answers for straight forward tasks, culture informed attention for more complex credit decisions where information is unlikely to be complete and subjective. It worked particularly for the small size of the operation at the time.

The pace of growth in size however required rapid recruitment and the culture became diluted through the sheer volume of newcomers at all levels of experience. The communication system was insufficient and the sense of unity was replaced by the pursuit of individual achievement which was one of the portents for the bank's downfall. Basically, the organisation's meaning system, as it was in the beginning, disintegrated.

The insight now is that I could see where the alignment of goals, values, procedures and roles would bring not only consistency to decisions but could embed meaning making and integrate behaviour. Many of these tools were in my repertoire but not necessarily in synch at any one time or thought of in such a way.

My next question was whether this was enough in modern business? While I may achieve more alignment, any change on this basis is just a technical change and doesn't necessarily link or keep an organisation in tune with the reality of the market. It appears that my problem here was also an adaptive one.

3.3.2 Fostering Interpersonal Relationships

In the context of the need for collaboration as opposed to the generally individualistic characteristics of business world I operate in, a common ground is perhaps the most important and difficult situation to create. Integrating behaviour formally and informally is one part of the process. I needed to think about it also in the context of individuals having a better perspective both operationally and strategically.

Hannah Arendt's statement is instructive and insightful: "Only the experience of sharing a common human world with others who look at it from different perspectives can enable us to see reality in the round and to develop a shared common sense. Without it, we are driven back on our own subjective experience, in which our feelings,

wants and desires have reality." (1958:52) Ability to share a common world but to see reality in the round I believe is fundamental to the modern business organisation. To lead a business organisation, not only does it point to the necessity of creating a common meaning system but to transcend our personal realities when partaking in such a world and be able to take on board other perspectives in conjunction with our own to look beyond what Simon (1997) called bounded rationality. This is where Simon (1997), Kegan (1994) and Arendt (1958) intertwined for me and it was a powerful insight. Developing a common sense is key to coordination of *in*dependent people, but on an *inter*dependent basis we are more likely to reflect the broader considerations of the organisation and search further and wider for alternatives in decisions and to have greater awareness of the limitations of 'problemistic search'. Through coordination and interdependence we may be more likely to be successful in the longer term. On that basis social organisation is a critical tool and alignment or integrating of behaviour is an interpersonal issue.

My experience in both organisations I worked in was of fractured relations, particularly in terms of leadership either on the receiving end (follower) or giving end (leader). It interfered with efficiency, productivity, and in hindsight prevented development and ideas from germinating. Additionally, internal politics festered where there was no coordination through encouragement of interpersonal relations. Individual and departmental goals superseded overall objectives.

Kegan and Lahey (2009) and other developmental theorists refer to the 'safe environment' where transformation begins. Good interrelations are an element of this and fostered through open two way communication. It reduces the effect of alienation and subordination that I and others felt from the effects of formal authority and individuals with personal agendas. Its possibilities for me were that it could bring all minds to the equation of being in tune with the objectives of the organisation, change, uncertainties in the market and a means to deal with individual goal conflict. It could build a learning platform through positive and creative interaction with others as opposed to the acquiescent acceptance of decisions from others. It could be effective in reducing the appetite for power in the organisation as the collective becomes the unit for action and decisions. The structure could remain but it is enhanced rather

restrictive in terms of organising for the now, promoting development and accommodating change in the network; what I might call holistic organisation. Simon (1997) and Weick (2009) both bring up the issue of creativity where creativity has a wide range from problem solving and risk management to out and out innovation. He points to the psychological evidence that we are most creative and capable of self actualisation when the structure allows some latitude. Too tight and there are a lack of opportunities for explorations and problem solving.

Participation in Decision Making

The consequences of seeking and maintaining power were set in context by Simon: "In a world oriented toward power, *who* controls becomes more of a primary importance than *what is accomplished*" (Simon: 1997:206 – emphases added)

Fostering interpersonal relations leading to participation in decision making has cognitive and motivational benefits. On the motivational end participation is likely to increase satisfaction, which increases identification with organisational goals, leading to more effort, care in work, and desire to solve problems resulting in greater productivity. From a cognitive perspective I was also reminded of Edith (1959) 's theory of growth of the firm where she states that tacit and unique information is held predominantly by employees rather than their managers and participation brings it to bear on better decision making and problem solving. It is not necessarily about encouraging employees to work harder, but about the application of knowledge and intelligence toward improving or adapting work methods, procedures and assumptions behind them. It can be technical or transformational but through participation the opportunity can be created for greater quality, lower risks and not just workability but sustainability in the dynamic business environment.

Such an environment would represent the opposite of my experiences where conflict was both professional and personal in nature and driven by power, the protection of status/position and habitual ways of doing things. The ideal of the 'safe environment' is thus a concept that could foster organisational slack and improve what Penrose termed the "productive opportunity" (1959:79) for the organisation. Constructive trust, sharing of ideas, participation and affiliation would replace destructive power,

politics and distrust. Thus I believe that this type of environment to be not only safe but adaptive in terms of enhancing of peoples collective meaning making and capability.

3.3.3 Communication

Conduit to Unity and Change

As an executive competence, communication now seemed to be a focal point for systemic coordination. Staying with the structure of creating meaning for decision making in a dynamic environment, there were also formal and informal elements to consider. Simon's (1997) theory described communication as a process of transmission of decision premises from member to member as a means of influence. However, I felt that there was more to be got from it. I believed that more needed to be considered in terms of the pluralistic nature of the workplace and the need to incorporate learning and growth as part of any organisational theory.

Forms of Communication

I thought about the different functions and roles of communication; to inculcate values and objectives, to make information available and to promote its use in the context of those values and objectives thus creating knowledge, to build relations and resolve (goal) conflict, to discuss possibilities and to deal with and promote change. Reflecting on these made me think about the *form* of communication. I thought of different types (both written and spoken) in terms of instructing, informing, learning and creating. In my past repertoire I had never thought of communication as a multi faceted tool. As a capacity it would not have extended beyond the former two, and in keeping with a professional meaning making that prioritised authority as the principal means of organising.

In day to day operations, what I term 'formal communication' comes in the guise of hard and soft copy memoranda, letters, records, internal and external reports and manuals which become part of organisational memory as well as delivering up to the minute information. It informs and represents the ongoing organisational movement of information between departments. Through formal communication and formal

structure, information and expertise is combined. It is critical as means for informed decision making. In the spoken sense it was formal in the sense of top down communication of orders according to position.

However, looking at this through the lens of Kegan (1994), I don't see formal communication considering the deliverer or receiver of instruction or information or considering the environment in which it takes place. It does not foster collaborative situations or learning. Instruction such as procedures, policy and rules made available with a 'how to do' or 'what to do' approach does not consider the fact that people have different meaning systems. Information without discussion can be subjectively interpreted. This type of communication does not consider the possibility that interpersonal relations are critical to unity and mutuality of operations as well as learning.

Change

On the assumption that organisation involves the integration of meaning and awareness creation for decision making, the use of other forms of communication could be considered to take into account issues of plurality such as receptivity, unity, immunity to change and learning. In keeping with adult mental development theory, his and Lisa Lahey's (2001) use of the theory in terms of 'How the way we Talk can Change the way we Work' (title) in a transformational and integrative sense was of benefit to enlarging my interactive range.

The use of the theory in this instance was geared toward change and improving interaction in the workplace. It promoted making 'object' personal and organisational meaning making by facilitating reflection and taking responsibility for development. Its use to improve general organisation in a dynamic environment has merit. It is particularly relevant where reform is required and means questioning the assumptions of the business, operations and the people themselves. For example, in creating a shared commitment, based on an explicit mission, an organisational language of commitment can be created where all hidden and competing commitments (to the business's true objectives) are exposed, the contradictory and inconsistent nature of our intentions are recognised (goal conflict) and long held assumptions (i.e. a meaning

system) are made object. I believed that it was here that the issues of organisation outlines can be really resolved, where the assumptions, values and objectives of the business are made explicit for all. The result is that a context for harmony and learning can be created that improves decision making in terms of problem solving, anticipating risk and spotting opportunity.

Kegan and Lahey's (2001) thrust was that through exposing deep lying assumptions and moving towards shared goals, we can also move away from using related destructive communications to a more socially inclusive form. Their suggested language forms foster the entertainment of various interpretations, ideas, debate and difference.

Their 'social' languages appear ideal as an approach to facilitate a sustainable and forward thinking decision making environment. Two in particular are of interest - one to create support of the individual and community and the other to facilitate coordination through public agreement; support for receptivity and learning, and collaboration to deal with difference and change. Internal and external organisational alignment could be achieved through these language forms.

Languages of Support and Public Agreement

The language of support is the mode by which the leader guides and coaches organisation members. The language of public agreement is the mode by which the members interact without the personal principles of power, personal goals, and insidious group goals. It is a self created environment that accommodates diversity and fosters learning. It is about awareness of informal conflicts which interfere with the organisation's ability to see reality for what it is.

Kegan and Lahey's (2001) language of 'Ongoing Regard' (for the individual) is geared to be transformational in the creation of the workplace environment. The authors explore the under-communication of appreciation and admiration in the workplace which they describe as a deprivation of the vitality of the work setting. They advocate the need for a creative mix of challenge and support to generate the rich learning setting. The premise is that we all thrive on being valued; to know that what we do

matters and that our presence makes a difference to others. My professional experience was that when the focus is on maintaining one's own status, platitudes take the place of genuine appreciation (where value has been received) or admiration (where others decision making has enhanced the organisation). Being direct and specific about achievements are qualities that enhance the supportive nature of this form of communication. Where my meaning making had winners and losers, this type of communication is sincere and puts energy into the environment of decision making. In that context it is transformational. People in this environment know they are the difference and the source of difference.

The unfolding of the language of 'public agreement' signified the dichotomy between my current meaning making and my own transformational goal. The authors zoned in on the fault line between authority, personal principles and formal rules on the one hand, and shared understanding of meaning and co ownership on the other. It was in this reading that I began to experience the difference between manipulating or shaping behaviours and creating a platform to manage difference through a social norm. This form of interpersonal communication fosters a process of collective and public organisational integrity, created by the members themselves, rather than delivered by way of instruction, not to be confused with the standard operating procedures in getting work done but about the mode of interaction between members. It is transformational for the individual and the organisation but crucially must be leader lead. For a leader to do this, awareness of personal and professional assumptions must be complete and a more inclusive self authored approach be enacted, which is part of my journey.

Where hierarchy is necessary in terms of accountability and responsibility and bringing expertise to the right location, promoting interaction by public agreement has the potential to eliminate personal principles of power, personal goals, and insidious group goals and focus solely on the business objectives, risks, growth and opportunities. The language has two purposes – for members to experience fairness and effectiveness through a self created environmental situation of integrity, and to use violations of this as a resource for learning. It is about becoming aware of and subordinating the

personal and informal group conflicts which interfere with the organisation's ability to see reality for what it is; where attention is on a shared prize and not conflicting ones.

This is an opportunity for learning, effectiveness and sustainability. It is commitment to external values that become internal values. It has not just behavioural but epistemological implications – not just how members can do their work but the way that they know it. The experience of this in action might be understood better in the context of how we might currently react to rules of behaviour. The difference is that here we authored the agreements and values ourselves – we own them. They are attentive to particular aims. For the sustainable organisation these aims may not just be the preordained values of the organisation but could also be aims to constantly question our own assumptions and the assumptions of the business. The language can be the basis for order and reorder in an adaptive process.

Where authority and the enforcement of rules and policy reflect a static organisation, the focus on communication and community constructed values and objectives have transformational possibilities. Where the language of regard focused on the individual to help create the supportive environment, this is the collective creating its own meaning making and rules of engagement. Shared understanding and co ownership of meaning and purpose is future oriented, where assumptions are questioned in a constructive manner.

3.3.4 The Importance of Information: Measurement and Data

Measurement

Profit and turnover are benchmarks which measure how a business performs in terms of objectives and consistency. Up to now these were the sole focus of my attention. In the profit driven world I worked in, particularly from 2004 onward, no other measurements were considered. On an ongoing basis the efficiency criterion dictated the selection of the alternative which delivered the greatest return for least cost. There are two issues with efficiency as a measurement.

Measurement tells us if things are going well or not in accordance with objectives and budgets. They don't necessarily question the adequacy of these. Efficiency has a built

in assumption that objectives and budgets fit the reality of the organisation's environment and operates on a relatively short term feedback basis. Furthermore, measurement by profit may tend to unintentionally downgrade the importance of what cannot be measured such as non income producing departments like Human Resources. Profit as a denominator of efficiency cannot provide a measure for all parts of the organisation. In my organisation there was pride in the fact that the bank's cost income ratio was significantly lower than the industry norm. It was a source of envy by peers and lauded by analysts. However, higher efficiency became a requirement to the point that no one questioned its effects other than on a short term feedback basis. No one questioned whether this was also a barometer for overburdened staff or an under resourced organisation in terms of decision making and risk management. Efficiency thus can have both positive and negative effects on operation.

Its position as a specific measurement where income is the only measure of growth is also negative in terms of long run sustainability in that if a result or a potential result is not tangible then it does not get done, or if it cannot be measured in Euros it will not be done. Hence growth in the form of creating 'productive opportunity', in the context of that advocated by Penrose (1959), may be postponed or relegated because of uncertain outcome.

Efficiency can only be a measure where the objective is tangible. It has most relevance when it is a common denominator between the values of profit and cost where scarcity of resources in the form of people, money and time, is the underlying limitation and the nature of them means their application removes alternative possibilities. Efficiency then dictates choice which results in the best delivery of an objective for a given application of resources. It does not determine what should be done with those resources. Neither does it resolve the issue of being able to compare values attainable from different courses of action.

If efficiency is the maximisation of utility, the link between ends and means is flawed because it assumes that all other things remain equal, including the environment. It assumes that the objectives of the organisation fit reality. In addition means will have several additional variables, both internal and external, which will impact on profit. For

example external issues such as the economy, availability of credit, competition, demand, supply, and regulations are all relevant. In the organisation itself strategy, resources, risk management, and functions are all means to deliver ends. Reducing them to a measurement of money is likely to decrease the alternatives explored in terms of the organisation thinking longer term.

People Measurement

The use of an annual appraisal for staff has many benefits. Not only is it the opportunity to measure performance against agreed objectives, it provides a platform to align people to the organisations objectives, to reframe how people should approach the work in terms of attention - the objectives, policies, values and culture of the organisation. It is an opportunity to reset the position and focus on the development needs of the individual which will benefit the organisation.

Data

This also brings to mind collection and analysis of data, representing internal performance, and information external to the organisation. Earlier I looked at 'attention' in terms of a framework for integrating behaviour. Taking that attention to the external world we look at a deeper development of awareness by attending to external flux; organising, identifying and interpreting information which was introduced by Chia (2005) as a central feature of leadership.

In Bank lending policy and standard credit operating procedures there was a reliance on annual accounts and forecasts which at best were useful in a slow changing environment. Where the past was always an indicator of the future and there was an assumption of predictability, detailed information from the present was not a factor in thinking about credit risk. There was little by way of key performance indicators or information on cash flows, working capital and near future requirements of the business which are based on the now and also reflect what business owners' assumptions of the business are. Today in response to the unpredictability of the environment, the availability of *current* internal data is much more relevant to analysing the financial health of a business.

This data is critical for risk management and decision making in lending and management of the business itself. My experience was that many smaller businesses could not produce them on a timely basis which could highlight possible flawed decision making at strategic and operational level.

Furthermore, measuring the potential impact of various external events on these, through appropriate collection of information relevant to the business, could lead to hugely beneficial scenario planning which in turn could foster wider risk management operationally (standard operating procedures) and strategically (questioning the assumptions the business works with).

Quality of information was a key issue for me. As learned from Kegan (1994) and Sowell (2009) we cannot know everything that goes on in the world. Therefore we should be careful about the things we do try to know and make sense of as well as be careful of having an open mind. From what I now understood, quality would arise from what and how information is selected, interrogated and meaning applied – all as a function of seeing it through clear objectives, policies and values (attention) of the organisation as well as the collaborative effort created among experts to make best sense of it. Its application as knowledge, in the context of the organisation's goals, would contribute to long term sustainability through risk management and pursuing new opportunity.

3.4 Managing for the Expected and Unexpected

In tandem with data production and scenario planning, vulnerability to change in the market could be further reduced by redesigning organising processes so that richer thinking is activated among a greater number of people, all of whom try to update what they know regardless of the source. That is a tall order considering the pre-existing variety in language used, distribution of information, how we make sense, rivalries, and past experience.

Weick (2009) starts with a working assumption that "The cognitive properties of human groups may depend on the social organisation of individual cognitive capabilities" (Hutchins, 95:176). This also ties in with Kegan and Simon's (1997) theory. Flaws in collective induction may represent problems in the way people are organised based on the quality of their interconnection. Thinking about complexity; Weick starts with the assumption that organising emerges among people who are loosely connected. He reiterates my earlier discussed issues of problemistic search and goal conflict together with theories about the business as issues of coalitions of various interests. Designs are unplanned and are, basically, contests for control. The assumption recognises the social nature of organisations.

I could look at this as a conduit to resolving efficiency, effectiveness and long term sustainability issues all at once. If all organisations are social structures then their viability is an issue of interconnection. Variations in the interconnection lead to variations of the representation of the image of the environment and the organisation in it. Therefore different forms of organisations have different cognitive consequences. By paying attention to the context of organisations as social networks and the processes by which we make decisions, then rigid structures, such as hierarchies, hamper an overall interconnected cognitive impact. Through hierarchy and departmental structure we may end up with only partial and segmented images of the whole complex picture.

If organisation emerges from loose connections then how could we use this process? With decision making being a core issue of organisation, Weick looks at distributed

problem solving as an element of this. Thompson (1967) described three levels of task and cognitive interdependence that are forms of coordination.

1. Pooled interdependence: Standardisation of skill based action and routine (automatic cognition)
2. Sequential interdependence: Plan and rule based action (standard operating procedures)
3. Reciprocal interdependence: Coordinated by mutual adjustment inducing knowledge based action and controlled cognition.

They coexist and their use depends on the complexity of the problems. In all three contributions are made to the whole. The organisation of the workflow affects how we think. Different people have different pieces of information and knowledge which are contributed for assembly into a meaningful decision or analysis. On their own they have no meaning. In the time leading up to the Financial Crisis there was little sense of something non-routine or ambiguous. Pooled or sequential task interdependence by following norms, procedures and policy does not generate enough reciprocal cognition to look at all the parts with different perspectives. These are not suited to ill defined problems. We tend to normalise unexpected problems based on our repertoires – we download answers based on something that looks similar. Our attention is rational based on our organisationally intended rationality.

In terms of solutions then I came back to the environment in which ambivalence, questioning, testing, debate and discussion among people from different expertise, skills and departments is encouraged. Improving the quality of the interaction is the route to seeing emerging issues and opportunities. A highly refined and defined planning system is less crucial than making sense out of emerging patterns. Weick, points to the benefits of embedding this as meaning or learning in organisation where interdependent cognition drifts from reciprocal to skilled as automatic cognition. Consequentially people development, risk and opportunity are taken care of through improving the quality of interaction. The organisation then moves from just being a problem solver to also become a problem seeker which reflects a higher level of awareness.

3.5 New Models of Organisation

Problem solving and seeking are also themes of Rosenhead (1998) and Penrose (1959) in their models of the organisation. Penrose (1959) looks at the connection between the administrative framework and entrepreneurial management. The administrative structure of the firm is "shaped by conscious attempts to achieve a rational organisation." It can be simple or elaborate. However she points to the fact that administration is a means to an end, not the end itself which I had heretofore seen it as. "In any event there need be nothing fixed about it; it can in principle, always be adapted to the requirements of the firm – expanded, modified, and elaborated as the firm grows and changes." (1959:31).

That there is nothing fixed about organisation, that it is a means to an end, and adaptable as the organisation changes was an important point for me. Structure and control had been fixed elements in 'my' organisation. However, recognising that the firm grows and changes through its entrepreneurial side highlights organisation as 'means' only and not the fixed end I had heretofore thought of it as. To adapt the organisation interaction and communication is critical. Penrose (1959) refers to interaction of productive (human) resources which yield ideas and growth (agility in people). Good knowledge and experience is based on this connectivity.

The idea of order and reorder sitting side by side to manage the expected and unexpected became the central output of my journey here. Managing a dialectical approach to organisation in a complex world may be the future to organisational leadership.

Rosenhead (1998) puts forward the idea of ordinary and extraordinary management. Ordinary managers carry out the day to day problem solving to achieve the organisation's objectives, employing logical analytical processes involving data analysis, goal setting, evaluating options against goals, rational choice, and implementation through standard operating procedures, hierarchy and monitoring. This is planning and management based on shared ideological or cultural consensus with control at its centre**.** Competent ordinary management is necessary if the

organisation is to deliver efficiency in performance. Ordinary management also gathers appropriate intelligence for decision making based on agreed objectives.

Extraordinary managers are required if the organisation is to be able to transform itself in situations of open ended change. Here rationalistic forms of decision making are largely inoperative, since rational decision making requires as a starting point precisely the given assumptions which must now be disputed. Cyert and March's (1963) notion of goal/interest conflict could be turned into a positive – a foundation of creativity. Organisational success could come from contradiction as well as consistency where the big assumptions are challenged. Scenario planning using 'harnessed' diverse perspectives and up to the minute data on internal operations and emerging external events could prepare the organisation for the future and be an ongoing strategic tool. Good communication brings it together.

The concept of extraordinary management, together with intelligence gathering and the appropriate communication with the aforementioned language forms is a probable solution to inertia and immunity to change in a change environment. It requires the activation of tacit knowledge (also referred to by Penrose (1959)), new interpretations of information and creativity available in the organisation. It necessitates the encouragement of informal structures; workshops around particular processes or issues, with membership drawn from different business units, functions, and levels, encouraging the spontaneous, provoking paradox, anomalies, and conflicts thrown up in the process of normal management.

Both types of manager should co-exist for viable organisations. The optimal structure has an intrinsic tension; too tight (over control and hierarchy) and adaptive change is impossible, too loose (no proper use and acceptance of authority) and anarchy will lead to an inability to deliver short term goals. Leaders in the organisation need to manage the boundaries of the organisational network. The organisation needs to ensure there is no single homogenous culture; a concept also introduced to me through Penrose's (1959) theory. Leaders should not espouse a unique vision or long term plan but promote conditions of learning for the emergence of an evolving agenda of strategic issues and aspirations.

In delivering high reliability, maintaining resilience and adaptation I now saw the strategic role of the organisational leader as one that facilitates processes of dialogue, gathering and interpretation of internal and external data which lead the organisation towards shorter term goals, timely intervention and innovation rather than just final arbiters over an elaborate analytical process. Rationality is for handling routine business, but not up to the job of sense making in fast changing situations beyond the norm. It takes high levels of interaction and analysis to set the ground for innovative breakthrough.

Organisations which look to operate only within a stable equilibrium paradigm, wedded to efficiency, effectiveness and control (Rosenhead (1998)) are effective in a slow changing or stagnant environment, but are not organising in equilibrium with the market and therefore blinkered to sourcing vital information to the business and seeing change that impact on both sustainability and creativity. This leads to impaired and ineffective decision making.

Cross functional interaction, change and growth are at the heart of sustainable organisation and the notion of the organisation in equilibrium within its network is conceptually represented by Stacey (1993) by the following:

1. Organisations do not only adapt to their environments, but they help create them;
2. Organisational success can come from accepting contradiction as well as consistency and
3. Revolutionary as well as incremental changes may lie on the route to success.

Thus I believed that Permanent and Impermanent Organisation could live side by side.

3.6 Conclusion – A Way Forward

Understanding meaning making and how it affects awareness and practice at operational and leadership levels remains the central point of the Portfolio. In Essay 1 I made object a personal assumption which continued into professional practice in leadership and organisational terms. Further assumptions about people in the organisation, the business of banking and the relative stability or manageability of the business environment reinforced that practice in terms of control being the centrifugal force of the organisation system (people, business and environment). I concluded that how I was thinking and acting in my role may have been sufficient in mid management level but not at an executive level.

In Essay 2 I have examined the effects of these assumptions and related thinking in the context of people (diversity of capability, meaning making and awareness) in an organisation and the organisation in a complex, dynamic and ever-changing business environment. With this clarity I was enabled to look at other perspectives which opened up possibilities of what I needed to do. The dialectic approach of March and Weil (2005) helped me think in terms of what an executive in an organisation needs to think about. Cyert and March (1963) opened my eyes to the nature of the organisation and the existence of goal conflict, uncertainty avoidance, how we search for and choose information relevant to our work (problemistic search) and how the organisation learns. I was able to relate these back to Kegan's theory in terms of how we diversely make meaning and with different levels of awareness. Simon's (1997) observations helped me separate the components of organisational practice and gave me the insight that what I really needed to be focussing on was decision making. Again I related this back to Kegan (1994) and clarity of purpose began to unfold in terms of focus moving towards people as the foundation of my practice in terms of achieving objectives, exploiting ideas and exploring a changing world outside the organisation. Weick's (2009) concept of permanent and impermanent organisation was the catalyst for an approach where existing theories of organisation and leadership could be aligned with new ones. Adopting new assumptions which acknowledge people diversity in how they behave and learn and the value of collaborative discussion and free thinking opens up the landscape for the future as well as deals with risks in the

present. Through Drucker (1994) my awareness of the system in which people, the business and the market place co exist was raised. Penrose (1959) and Rosenhead (1998) helped me think about how I could incorporate this into new models of organisation. Throughout the process Kegan's (1982, 1994) and Kegan and Lahey's (2001, 2009) insights on awareness levels and mental development were the overarching guide.

To utilise these theories in practice I focused on communication, interpersonal relations and problem solving capacities as critical for leaders and organisations in modern business to foster greater levels of awareness and learning (in the organisation). The starting point for me, as Cyert and March (1963) observed, was people not markets. Putting their theory in the context of Kegan's (1982, 1994) and Kegan and Lahey's (2001, and 2009) brought the issue of people diversity to the fore particularly in terms of not operating with common objectives, seeing the business world and organisation differently, interpreting information differently and low awareness of risks. Drucker's (1994) theory further pointed me to the necessity of alignment of meaning making within the organisation and the alignment of the business and organisation to its market.

The insight was there are three tenets to the business network for which organisation as an action should involve – people, the business and the market. All three come into play to for any organisation in making optimal decisions. Heretofore my experience in business reflected values of power and centrality, individuality and assumptions of perfect knowledge. Associated assumptions of rationality and predictability in business reflected how businesses operated limiting and perpetuating how the working environment was interpreted. Weick's (1995, 2009) work on making sense of organisations lent me the concept of permanent organisation to reflect this mode of business organisation.

These new concepts and assumptions become tools for a holistic approach. If decision making was a function of people, organisational awareness, organisational objectives and values, and an imperfect market then they were also the basis for a new framework. The juxtaposed concepts of permanent and impermanent organisation

were at the core of this: permanent in terms of having a unified system and a set of objectives, values, policies and procedures; impermanent in the context of a set of assumptions which acknowledge diverse meaning making and perspectives which through collaboration and embracing ambiguity deal better with the complex nature of the business world.

Accommodating and thinking through the dialectic tensions of unity and diversity, exploitation and exploration, and organisation and ambiguity in organisational leadership practice led further to the idea of marrying the old and the new in this framework. While existing practices that embody control and consistency would best exploit existing objectives, additional practice to manage the diversity of the workforce and complexity of the market place could be catered for also.

In this philosophy a leader can create a context to both exploit *and* explore. Unity can be created through a framework of attention using the principles of how meaning making is created. On the formal side there is structure through hierarchy, division of labour, standard operating procedures, planning, authority, expertise and training. Informally, coordination of mindset is achieved via objectives, values and culture. For the organisation to be sustainable and grow, more than coordination is required. Collaboration is required to think about and explore the whole business system (people, organisation, business, and environment) and is the bridge between traditional organisation and holistic organisational practice. The communication, interpersonal and analytical capacities of a leader are called on to foster harmony, ideas, problem solving and problem seeking beyond bounded rationality.

While the organisation builds a memory and meaning through records, accounts, and reviews, it can adapt its business and system of operations (policy and procedure) through the greater interpretation and analysis of data that feed the connections. These in turn feed back into values, objectives and culture in a perpetual loop of evolving meaning and awareness.

Greater level of awareness offers greater opportunity and resilience to changes in the environment. In this regard creating an attention framework, a collaborative

organisation and developing information capabilities and analytics may be the platform for optimum decision making.

Behind sound decision making, then, is an alignment between the mission, values and objectives of the business *and* the individual, the organisation and the business environment. Risk awareness, growth in terms of people development and balance sheet all sit side by side in equal importance. The lesson of complexity theory is towards a more practicable way of taking the future into account. This approach is a more pragmatic balance between present concerns and future potentialities. With this greater perspective and mindfulness, the organisation manages for the unexpected and builds resilience and adaptability in harmony with the business landscape in which it operates. The concept of administration and entrepreneurship or ordinary and extraordinary management working in tandem brings with it structural possibilities in analysis or predicting the viable, resilient and sustainable organisation.

Table 2 takes us through the evolution of leadership and decision making – old assumptions which affect decision making and subsequent organisation, what I now realise are the important variables when decisions are made and the risks associated with these. I put forward that with a different set of assumptions we can deliver better organisations suitable for the modern era. From this I suggest new tools of thought and practices to work with to deliver sustainability and resilience.

Table 2: Summary of Decision-Making related Issues and Requirements of Modern Organisational Leadership

Old Assumptions of Leadership which affect Decision Making
1. The business world is relatively low in complexity, predictable and slow changing.
2. Organisational objectives when set are 'correct'; budgets and planning reflect a predictable environment. The organisation is fully rational from which rigid operational policies and procedures ensue.
3. Control by power, rank, rules and expertise (hierarchy) is the best means of organisation. Followers adhere to the ideas/ideals of those at the top.
4. All staff members construe organisation related matters the same way.

Organisational Outcome

1. When plans, procedures, policies and structure remain 'set', it reflects belief in a benign environment. Permanent organisation ensues which contributes to embedded meaning making.

2. Permanent organisations try to eliminate uncertainty for leadership and employees by sticking to plans and continually enforcing rigid policies and procedures. This reflects an immunity to change.

Variables to be recognised in relation to Decision Making

1. While people in organisations may be experts, they may differ in their meaning making leading to difference in how they behave on the basis of the assumptions/practices they are 'subject' to (Socialised Awareness p 48, 165). In that context their heterogeneous nature is negative in terms of delivering required objectives and perceiving the business environment. However, heterogeneity may be viewed as positive in terms of having diverse perspectives of reality which may benefit the organisation. In that context how leadership manage people as resources is a critical requirement.

2. On a collective scale organisations and organisational departments may have different meaning making linked to their *relative* environment.

3. Organisations may be structured hierarchically through historical practice which may inhibit communication and positive consequences of diversity, as well as concentrate power and embedded meaning making among few at the top.

4. The market is imperfect in terms of the accessibility, availability of and perspectives on pertinent information to inform decision making.

The market is complex, dynamic and inherently unpredictable.

Risk Consequences

1. People in organisations may operate with varying personal and professional assumptions, expectations, and awareness of organisational objectives and how these are to be pursued through policy and procedures, leading to issues of inconsistent operations and goal conflict.

2. Habitual practice in terms of how information is sought and derived interpreted or analysed, renders them less aware of underlying risks.

3. Alignment of practices is difficult leading to issues of consistency.

4. People may bring expertise to the organisation but this is not enhancing because of poor interrelations in the organisation (low collaboration).

5. Awareness of Market 'reality' and complexity vary. Organisations tend to follow others in the sector leading to issues of resilience.

6. Overall we may unawarely oversimplify a complex world.

7. Complex leadership is required to recognise and deal with these concerns which impact on the sustainability and resilience of the business.

New Assumptions

1. Understanding and Developing Meaning Making in organisational leaders is fundamental to maintaining and developing healthy organisations.

2. Higher (more complex) awareness results in greater levels of problem solving, interrelations and communication.

3. New assumptions in the form of continuity, evolutionary epistemology, ambivalence and complexity (page 45/46) help shape organisational practice in terms of alignment and awareness.

New Outcomes

1. Uncertainty should be embraced rather than eliminated requiring flexible and adaptive practices to manage for the unexpected – leading to the notion of 'Impermanent Organisation'.

2. Permanent and Impermanent Organisation sit side by side managing for both the expected and unexpected.

Solution – New Tools of Thought

1. Focus on maximising decision making capability to pursue opportunity and eliminate risks by twinning organisational alignment and awareness. Skills and expertise in subject matter are assumed.

2. Deliberate 'Socialisation' may be used as an alignment tool, up to management

level, for more homogenous decision making in achieving organisation's objectives and exploiting its resources e.g. pursuing growth, managing known risks. Socialisation is achieved through creating meaning making and communicated to employees through culture, policy and procedure.

3. This leads to Alignment and is represented by an Attention Framework: a 4th order (see pages 48, 167) process to achieve ingrained socialisation of practice.

4. Recognising and harnessing individuals' expertise and perspectives maximise resources to recognise wider levels of risk and opportunity to the organisation.

5. Recognising complexity and change in the business environment requires the development of awareness of potential impact of events and forces *not* covered in written down policy and procedures.

6. Greater awareness is achieved through collaboration (reciprocal interdependence), participation in decision making, and excellence in data creation, meaningful employee development and measurement.

New Practice for Sustainability and Resilience

1. Reflection (personal/organisational/environmental) is a key starting point to examine context, to making individual and organisational meaning making object, with the goal of resolving issues and developing new meaning making and practices.

2. Leaders/Executives require professional capacities to deliver these. Development occurs through subject object transformation and construction of an enhanced organisational meaning making by enhancing personal, professional and organisational awareness.

3. Aligning an organisation and fostering Awareness allows an organisation to manage certainty and uncertainty, risk and opportunity and generate a platform for continuous transformation. Constructing a specific meaning making via an 'attention framework' is a conduit to integrate behaviour and develop awareness.

4. Leadership capacities required are those of communication, interrelationships and problem solving. Fostering communication via the languages of regard, support and public agreement is transformational. They create the platform for clear communication, interaction, integration and collaboration. They also create the

platform for employee development.

5. In turn they enhance the development of an Attention Framework that comprises organisational objectives, values and culture that recognise both risk and opportunity, are clearly communicated and evidenced in policy and procedure.

6. Enhanced Awareness is achieved through a collaborative, self regulating, assumption challenging, data seeking, data creating, data analysing and performance measuring approach to internal and external risks.

The goal of this combined approach is the maximisation of objectives, developing awareness and continuous evolution of the organisation.

Next Essay

In constructing a new mental framework, I explore how a 4th order approach could benefit how I think about banking and business. I apply it in particular to an inquiry into the cause of bank failure and potential solutions to gauge the nature of having a self authored approach as opposed to operating unawarely in terms of assumptions, ideals and practices. In Appendix 3 I further apply it in my role as Regional Head and in reviewing and advising a business client.

Exploration

Essay 3

Towards a Deeper Perspective of Organisation in Banking

- Insight into Failure in the Financial Crisis
- Toward Sustainable and Resilient Banking Organisation

4.0 Introduction

At the beginning of the Portfolio I outlined difficulties in transitioning into senior banking management which I can now summarise as having embedded personal and professional assumptions and organisational practices, not seeing the organisation and the market as a whole and the absence of an overall leadership philosophy. Reflection, subject/object separation and the construction of a framework of organisational tools to improve decision making has closed the gap. This Exploration shows the outcome in terms of my ability to understand the requirements of banking organisational leadership having experienced the Financial Crisis of 2008.

For this particular Exploration I had two objectives; to seek new insight into the crisis by inquiring into how problems related to banking organisation and leadership of banks may have contributed to vulnerability in decision making and to suggest an alternative approach which would enhance resilience and provide for sustainable banking. Prior to this I had assumed that the reasons for the crisis solely was a cocktail of market forces, economic policy issues, regulatory issues, and poor practices creating substantial risk in the banking system. Following my construction of a new framework to think about organisation and leadership in Essay 2 my view now is that there are alternatives to understanding the causes which also provide greater measures to deal with existing and emerging risks both internal and external to the organisation.

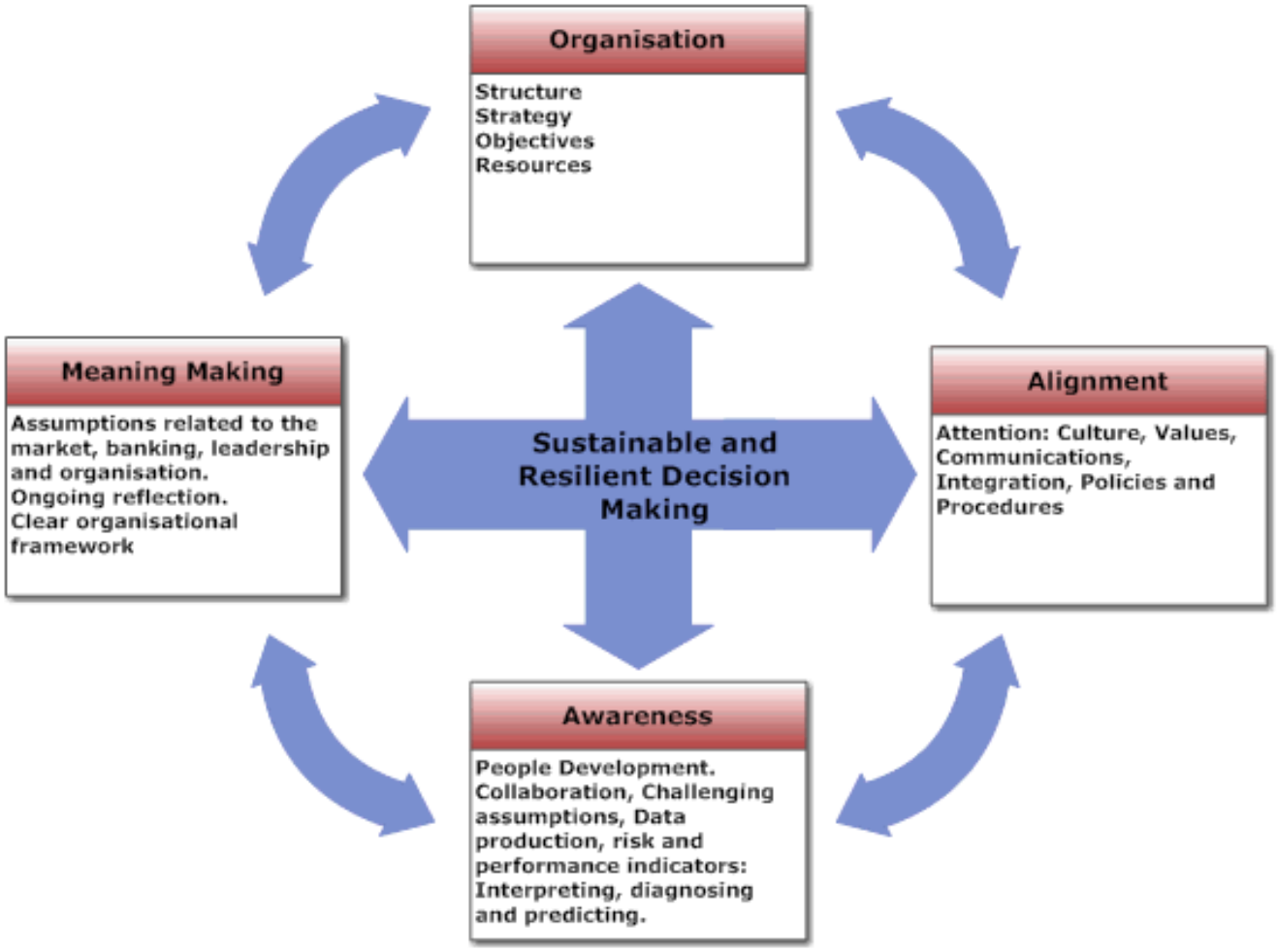
The Financial Crisis exposed organisational decision making deficiencies in a general sense in terms of the absence of explicitly stated and shared organisational values, objectives and practices geared toward sustainability and resilience. Neither was there an awareness of the need for a framework to deliver it. In that context these deficiencies also mirror issues I identified in both and general organisational practices in Essay 1. In summary, inspired by Kegan (1994) and Kegan and Lahey (2001), the tools developed in Essay 2 have provided me with a platform to see the Financial Crisis from a banking organisation perspective and to suggest a solution.

These tools also provided me with a mental framework to perform in a banking leadership role in terms of organising people to deliver on objectives, develop them through enhancing awareness and creating a collegiate atmosphere in the workplace

(Exploration 2). I also brought this learning to client level with a view to promoting better business performance (Exploration 3). While this latter exploration was not directly a banking related matter I wanted to use the same tools in a different setting to see the benefit of having a more complex system of thinking in a general sense and whether this platform had wider holistic applications. These latter explorations are in Appendix 3.

In Figure 1 I represent diagrammatically the basics of this framework for promoting sustainable and resilient organisational decision making in banking and, by extension, business organisations. It recognises the important role that meaning making has as a catalyst to organisation, leadership, and perspective of the market. The output of this meaning making is organisation, alignment and awareness which exist in a continuous loop that maximise objectives and resources, while recognising that the world is an interconnected and changing place that creates risks and opportunities for the organisation.

Figure 1: Sustainable and Resilient Decision Making



Adapted from the Balanced Scorecard by Robert S. Kaplan and Dave P. Norton. Harvard Business School Press. 1996.

4.1 Exploring Bank Failure using New Tools of Organisation

Much of what I have read about the Financial Crisis, and by extension the Banking Crisis, referred to phenomena, generally *external* to organisations, such as 'property bubbles', low interest rates and cheap credit, competition, the demand for better investment returns, greater risk appetite, and light regulation in banking. However, these are all external to the organisation. With the benefit of the various theories used to construct the tools outlined in Essay 2, I started from the premise that organisations derive and pursue their objectives on the basis of a mental image of the market and meaning making (represented by culture/values/related practice) from which organising principles ensue. On that basis how decisions are derived in organisations was very much a key issue.

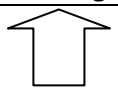
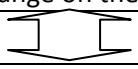
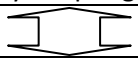
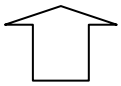
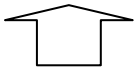
To shape how I could examine the crisis I started out with what the most important goal in banking or any business should be which was long term sustainability and resilience where change and complexities in the market are concerned. I then thought about how banks are structurally organised and my understanding now of what assumptions about the business and market and by extension objectives, structures, and practices affected decisions. To give me a framework, putting Figure 1 above and the tools constructed in Table 2 together gave me a thinking apparatus – in effect a new interpretive lens to give me different insights to those outlined already. I adapted them to create a banking attention framework that would deliver sustainability and resilience (and thus quality decision making) which in effect was *my* vision of how a bank *should* work. I set about weaving the tools into a typical banking structure.

A typical commercial bank is a departmental organisation, by function and division of labour, and main departments comprise credit (lending), treasury (fx, derivatives, deposits, bonds and various other funding mechanisms), credit and treasury Risk management (also including internal audit and compliance), operations (account maintenance, documentation), finance (audit and Central Bank reporting), business management (internal data, reports) and human resource management.

For both inquiry and providing solutions for banking organisations the constructed framework had to be geared towards comprehensive decision making at both strategic

and operational levels and incorporate the development of human, information and knowledge resources. The long term effect had to be a practice which ultimately protects stakeholders, maintaining a profitable enterprise while focussing awareness on risks and change and being able to adapt accordingly. The outcome of my construction is represented in Figure 2 below: a set of values based on protection of shareholders and depositors, conservative growth, appropriate human and financial resources, alignment through better integration of all areas of expertise, enhanced collaboration and awareness through information gathering, discussion and analytics. I would expect this to deliver an organisation that protects assets, exploits objectives while understanding and perceiving opportunity and risks in current markets circumstances and making appropriate internal changes to match rates of change outside.

Figure 2: Framework for Sustainable Decision Making in Banking

<table>
<tr><td colspan="7">Sustainability and Resilience</td></tr>
<tr><td colspan="7">Quality Decision Making and Practice</td></tr>
<tr><td colspan="7"></td></tr>
<tr><td colspan="7">Awareness
Information Collection, Interpretation, Integration, Analysis, Measurement of internal and external information, Challenging assumptions so that risks and change on the outside is matched by appropriate responses and change on the inside in a constant loop of adaption.</td></tr>
<tr><td colspan="7"></td></tr>
<tr><td colspan="7">Interpersonal/interdepartmental interaction and interdependent knowledge creation, focus on awareness of risk and opportunity, policy adapting.</td></tr>
<tr><td colspan="7"></td></tr>
<tr><td colspan="7">Structure</td></tr>
<tr><td>Operations</td><td>HR</td><td>Credit</td><td>Risk</td><td>Treasury</td><td>Finance</td><td>Business Management</td></tr>
<tr><td>Hierarchy</td><td>Division of Labour</td><td>Evolving Policy</td><td colspan="2">Clear Procedures</td><td>High level of Communication flow</td><td>Efficiency</td></tr>
<tr><td colspan="7">Organisation Alignment
</td></tr>
<tr><td colspan="2">Culture – embodiment of values in quality decisions, policy and standard operating procedures</td><td>Interactive Leadership</td><td>Internal Growth – people selection, training and development</td><td>Expertise</td><td colspan="2">Integration/participation in decisions and problem solving</td></tr>
<tr><td colspan="7">Strategy – Mission, Objectives, Operations</td></tr>
<tr><td colspan="7">
Meaning Making – Requirements of a Banker: Banking Values</td></tr>
<tr><td>Image/ assumption of market reality</td><td>Explicit acknowledgement of Principal Agent relationship</td><td>Ongoing awareness of risk and change</td><td>Internal growth - resource development</td><td>Integration of people and collaboration</td><td colspan="2">Profitability and Conservative Expansion dependent on and mindful of balance sheet conservation</td></tr>
<tr><td colspan="7"></td></tr>
<tr><td colspan="7">Continuous focused Reflection of experience, assumptions/values/objectives</td></tr>
</table>

I will further elaborate why I chose these banking values in sections 4.1.1 and 4.2.1. Ongoing reflection is a key tool in the framework both at inquiry and solution level. Using the framework as a guide it helped me think about and understand, how, in an industry known for being conservative people were reconditioned by experience or influence and made decisions contrary to sustainable banking. Thus, general meaning making in banking organisations is important as it evolved between the earlier and later stages of my banking career. Thinking about how banking could be organised to function in a modern, global, profit seeking and more interconnected world, my focus in particular was on structure, alignment, awareness and risk mitigation as key factors in commercial banking.

4.1.1 Reflection – External Factors impacting Internal Objectives

My early experience of banking was of a service business to depositors and borrowers that recognised two core values: the 'principle-agent' relationship of trust and conservative growth and management. For various economic and technological reasons Irish banking was not part of a global banking or investment system in that era. While growth was always an objective at the business level, meaning making underlying banking led to a conservative approach to protecting others' investment/assets and reinvesting carefully through lending thereby facilitating business and growth in the economy. From this there were assumptions about liquidity: it being a difficult to come by resource; that it could only be expanded depending on the convertibility of banks assets and reserves; and that banks should be able to repay deposits if and when required. Careful management was needed. Thus banking values were trust, a duty of care, competence and strong risk and balance sheet management in providing financial services. Senior Bankers needed experience and to display explicit understanding before being entrusted with the responsibilities associated with upholding the principal agent relationship.

However from the middle to late 1990s liquidity and capital was more available and cheaper than before. Significantly enhanced information technology, globalisation of investment and the search for superior returns, and a more interconnected European

Union changed banking. Banking became a business focused on growth in size, an issue of ends and means where ends were the maximisation of shareholder value and means was any method of driving profitability. Growth focused *more* on new business, market share and efficiency through low costs and maximised profit. Expectation and demand for high single or double digit growth and return on investment fed into culture, values and objectives all of which slowly evolved into a banking meaning making centred on growth and achievement. Investors and analysts' appetite not only for strong returns, but also regular information in terms of reporting statements also played a part. In hindsight the importance of the principal-agent relationship and duty of care in banks and businesses seemed to be relegated in the pursuit of capital and market growth. In the pursuit of achievement the sense that it was others' funds that were being used was lost. The nature of the business seemed to separate the banker from the depositor/shareholder. In effect we (in senior banking positions) forgot that those whose return we were maximising were also those who were bearing the risk load.

At market level, relatively long term market stability from the 1980s and upward economic growth gave rise to an assumption in general business and banking that it was continually rising in value terms. Other factors such as lower interest rates and changes to tax in terms of incentives to spend also fuelled the feel good factor. In addition, in the advent to the Euro, the European Exchange Rate mechanism reduced currency fluctuation. It seemed to reduce banks awareness of downside risks.

4.1.2 Resultant Organisational Practice

The result was that banking as I knew it at organisational level changed completely. In the early to mid 1990s, front line bankers in Ireland were either in lending or deposits delivering related products and services in retail or commercial/corporate banking. By 2006 there were a host of other ancillary services such as Wealth Management, Derivatives, Investment Banking, Insurance and Pensions to drive profit. For me, commercial banking had evolved into a growth business. Everything seemed directed to satisfy a demand for returns and to grow the size of the business.

The impact on decision making was visible through greater risk appetite, spurred on by the need to achieve greater profit. Organisational practices in the form of structure, procedures and training did not change much despite being now part of a globalised market, the rapid growth of profit and significant increase in the size of banks and the industry. Furthermore, measurements in profit, margins, strength of balance sheet, share value and market share were the outwardly accepted means of evaluating the health of banking and business.

Using Figure 2 to structure analysis the impact was as follows:

Market Assumption in Banking: There was a long relatively benign/growth period in the market. Monetary and fiscal policies and significant global availability of capital contributed to this. There was an assumption that the market would continue to rise.

Banking Values: There were three main values evident: achievement, market share, and growth of profitability and balance sheet. Protection of shareholders and depositors funds seemed to be relegated though theirs was the largest input and the first and second lines of defence (for those over €100,000 in accordance with the deposit guarantee scheme) in the event of failure.

Bank Objectives: Banks' objectives were stated more in result terms of percentage growth in size by profit, balance sheet, and market share. Where before it might have been expressed in terms of how it operated - to be client focused, or the safest or the most forward thinking bank in the commercial sector. For example, one clear objective became almost a mission which was to lower cost income ratio. Higher efficiency was always high on the agenda which the longer term effect was to ask more of fewer people.

Internal Organisational Alignment:

1. People Resources: Banks focused more on recruitment to meet the demand for growth than to grow within. In my experience many of these came from a variety of backgrounds; from different banks and financial service organisations to graduates out of college. The scale of recruitment lead to an uncontrolled mix of meaning making and thus perception and understanding (of objectives,

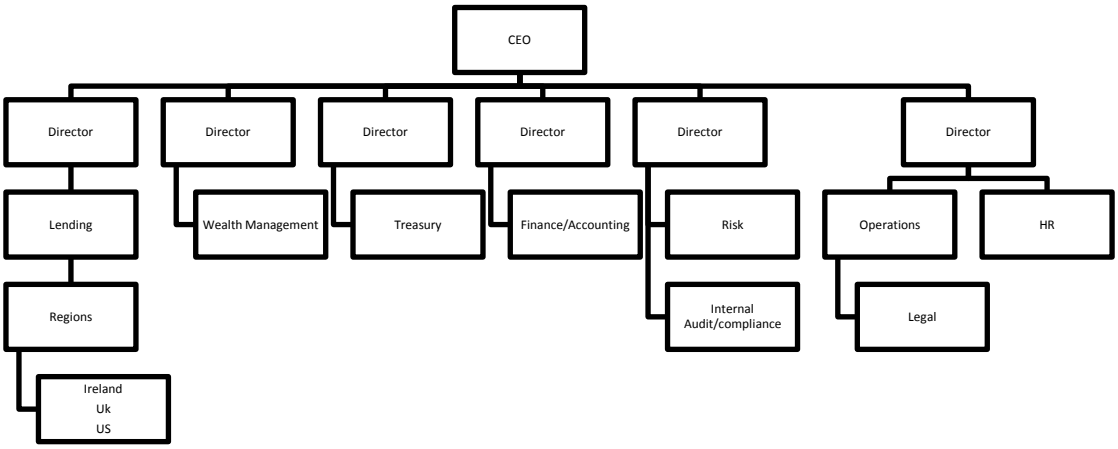
roles, expectations) where policies re communication and integration were not followed and it was left to people at my level to resolve. Skills training did not resolve this. It led to dilution of what Penrose called “management services” (1959:49); services made possible through working relationships between particular individuals making decisions in a particular environment that provides unity, efficiency and confidence. Prophetically she opined that a blueprint cannot just be drawn up and organisation formed by just hiring people.

There was little personal or leadership development beyond manager level, just an expectation that if one performed well in mid tier management one would do equally well in the top tier (see Essay 1). Therefore in a fast growing and increasingly more complex industry, decision making was impacted through lack of integration and professional development.

2. Culture: The overriding cultural values evident were competition on an individual, team and departmental basis and achievement based on continual results growth as opposed to internal growth and good process. It led to a highly individualistic, single minded, competitive approach to work and reward based remuneration to achieving the banks’ monetary objectives which reinforced it.
3. Structure: The overall structure was highly hierarchical in terms of reporting. Teams within lending departments worked in silos run by managers with individual growth targets. Departments operated with their own financial targets. Experts and a small number of executives at the top of the hierarchy dominated with direct line reporting leading to concentration of power in terms of strategic (related to mission, objectives and policy) and day to day operational decision making. Figure 3 shows strict separation of departments and department heads with control of decision in the departments strictly by hierarchy and authority with teams working on a silo basis. They were also separated in terms of each being a profit centre which I believe led to competitive practices within the organisation rather than operating for the organisation as a whole. The main business of the banks was lending. Credit

Committees, who had the final say on all lending decisions, and which had risk implications across all bank departments, were made up of people from credit and risk but not from any other department. Other than ongoing internal audit there was no other formal or informal interaction between departments.

Figure 3: Organisational Structure to Control Decision Making



4. Lending Policy: In terms of additional controls each department had a fixed business policy and set of procedures to deliver it which further guided staff in their work. There were was lending guidelines, for example in terms of types of collateral, repayment terms, margin return, leverage, sectoral spread, reporting and ongoing monitoring. It changed over a period of several years, in effect lowering the barrier on the principles of leverage and repayment in particular. Policy became a tool for growth rather than risk management. In particular most banks in Ireland became exposed heavily to the property market, a form of socialisation through market sentiment and success of other banks.
5. Standard Lending and Operating Procedures: Asset/loan administration weakened for reasons already outlined regarding dilution and development but also because of silo mentality and the overriding pressure to grow. In tandem I believe that issues of interest conflict as outlined by Cyert and March (1963) ensued in that people satisfied their own personal and professional values or delivered on targets for their or their immediate team or department's targets. Separately there was the issue of what they termed 'problemistic search'

(1963:169) in terms of long standing credit analysis procedures which were less complex than I believe needed. There was also "uncertainty avoidance" (1963:166) by continually following but not challenging these credit analysis procedures.

6. Control was implemented through the hierarchical tools of authority, rules and ongoing measurement of performance versus budget or operation according to those rules which weren't adapted to cope with emerging risks.

Organisational Issues leading to Low Awareness and Risk

1. Objectives: From an industry perspective, as lending income inherently became a sales target, normal loan terms involving principle and interest loan repayments became less important. Many (property) investment loans were sanctioned on an interest only basis if the underlying security value remained within overall gearing policy level of 80%. The assumption was that property values would not drop more than 10% based on multi decade averages. Exposure to this sector in terms of both investment and development became concentrated.
2. Communication and Collaboration: In my practice I cannot recall as *a lender* being asked to collaborate directly across the bank's departments in terms of current and potential financial and risk positions. There was no formal opportunity to share any reservations which may have been of interest to other departments. An example of this would be in terms of the linkup between the lending division which became the main profit generator and the treasury division which was responsible for raising funds to support it. Funds were raised either through deposits, bonds or collateralising debt ('wrapping' loan portfolios into coupon producing bonds). This also had implications for the finance department who had responsibility for asset/ liability management. Lack of communication and collaboration between middle and senior management below executive level was a significant factor. Communication went upwards or downwards but never across. Decision making was concentrated at the top and valuable information in 'management services' was ignored. This was not sustainable.

Another example (also confirmed by peers in other banks) where communication and collaboration was stymied was the lack of peer group interaction between lenders who could discuss difficulties or patterns that could feed into an emerging risk forum.

3. Balance Sheet Management and Liquidity Risk: There was inherent conflict between reward and risk because of the need to maintain lending income (to satisfy stakeholders and analysts) but at the same time continually look to the same sector to supply future growth even as low risk property supply dwindled and bets on property development grew in terms of buying land even before it was zoned or had planning. Any delays in zoning or planning add years to the process of development making it susceptible to value depreciation in an economic or property downturn. In turn this would lead to loan impairment and if overexposed to this one sector can cause serious losses. This would severely impact liquidity in terms of capability to raise funds to replace maturing bonds or deposits. Any rumours about liquidity would have detrimental effects on the banks credibility leading to reduction in share value (another source of funding and a critical part of the bank's capital) and possible large withdrawals of on demand deposits. This in effect is what happened in Ireland.
4. Structure: Given the silo team and departmental structures the weekly credit presentations for either new lending or renewal of lending facilities was done via communication directly between credit committee and lending team. The committee was a concentrated forum of senior risk staff and senior lending staff that rarely changed. Decisions were made according to policy but not about the policy itself. Rivalry existed between teams which contributed to goal conflict and prevented a holistic approach to informing and collaborating across the lending teams about emerging risks and to developing staff knowledge and expertise.
5. Data: Information and knowledge from lender research, presentations and subsequent discussions, which could benefit other lenders was not systematically documented and circulated from credit committee meetings

such that others across the lending division could be informed or further analysis whether on a diagnostic or predictive basis about risks was carried out until the problem was already manifested. My recollection was that management information in general was geared only around risks to achieving annual budgets.

6. HR Planning and Development: From a HR perspective data was produced on a fragmented basis by office or team but not at an organisational level for the development, integration or expertise requirements of human resources. It was short term manpower planning rather than longer term sustainable resourcing across the departments. Growth was generated more from recruitment of 'readymade' staff in skills terms rather than developing for the future.

So in the absence of creating awareness the result of the above was that there were missed opportunities to grow and inform internally, missed opportunities to discuss signs of emerging trouble in the market and economy related to value, demand or supply in various sectors due to the lack of internal integration and collaboration in terms of departmental interaction, information deficits, integrated analysis, predictive analysis.

These were issues in terms of strategy, controls, alignment in the organisation, development and the appreciation of the complexity of the business environment – all of which affect decision making.

4.1.3 Organisational Impact – Unsustainable Business Model

From the point of view of the need for awareness for resilience, organisation of this nature reflects an objective to maximise income with a permanent plan in a stable environment. The mode of delivery through hierarchy, long term planning, efficiency and division of labour practices delivered most from least cost. Technical capabilities and individual team structures could solve known or knowable risks but organisations were less geared to perceive emerging or aggregated risks and adapt accordingly. In summary:

1. Risk controls on decision making through policy, internal audit and quality assurance assumed correct objectives and a growing market. Analysis was completed on basis of known or predictable problems that occur.
2. Management information reflected these fixed assumptions and was produced to gauge variances in budgets, policy and procedures.
3. Communications were top-down, and cross collaboration between lending teams or between connected departments of lending treasury and finance was not fostered.
4. There was little challenge to the status quo. Resources were grown by numbers rather than growing long term managerial services and capability.
5. Integration suffered in the context of meaning making not being adapted when resources joined the organisation. Values of power and success of the individual or department were evident in goal conflict and presided over the need for a more complex awareness of the whole (the organisation in the market place).
6. Behaviours became embedded through reinforcement of repetitive actions. Uncertainty was avoided. Modes and depth of risk analysis didn't change until very late in the cycle (problemistic search). There was resistance to change. Awareness was not what it needed to be.
7. Emerging risks related to market, liquidity, solvency, credit and operations were not sufficiently picked up or aggregated. The potential negative impact on the business was significant.

With these practices organisation became *institutions* (as those I worked in) with a sense of permanency, history and infallibility embedded in their decision making where decisions were ultimately grounded in the fact that continued success blunted reflection or focus on emerging issues. There was no sense of connections in the whole system – people, organisations and market. This was neither a resilient organisation nor a sustainable business model in a complex and changing environment. I worked in two of these institutions. Neither withstood the financial crisis of 2008.

4.2 Toward a Solution

The second purpose of the exploration was to use the framework to focus more on the people and awareness parts of delivering long term sustainability. Behavioural problems related to people and awareness could predominantly be described in operational terms as poor internal growth, poor internal connections, poor personal/professional awareness, goal conflict and problemistic search. In business and risk terms problems such as unchallenged assumptions about the market and poor perception of risk, uncertainty avoidance and change have potentially terminal effects. All impact on how leaders and employees think about and carry out their roles effectively and interdependently. They impact on how the organisation gears itself to perceive, understand and predict enterprise risks to its objectives, sees opportunity and makes the necessary changes to sustain in the long term. The issues reflected on in Essay 1 (2.3.1, 2.7 and 2.8) are examples of this from a leadership and organisational perspective.

Organisational health means eliminating these and improving the quality of decision making, the resources to do so and the ability to adapt. Healthy organisations will recognise that stakeholders (business owners, executive, and staff) and the business environment are connected through the business organisation.

In terms of reliability and adaptivity of organisational decision making I brought to mind the assumptions stated in Essay 2 (p 61/2). In tandem with my experiences, these have helped advance my understanding of the need for greater awareness at the information and knowledge level in terms of knowing what is happening in the environment and at the person level in the form of awareness of self, others and the business. They point me to a number of requirements such as:

1. To manage issues of continuity (of meaning making) across personal and organisational behaviours;
2. The need to embrace complexity in terms by avoiding simplification in our understanding of the business world and a commitment to regular revising of

objectives, policy and standard operating procedures in accordance with reality in the business environment;

3. To foster ambivalence in solving more complex problems (related to knowable and potential risks) rather than avoiding uncertainty and applying 'rules' of thumb or nearest answer from policy/procedure;
4. Promoting interconnectivity and interdependence through communication and collaboration;
5. Promoting knowledge through innovation, relative data collection and analysis.

All of these improve the notion of Penrose's (1959) "managerial services". In turn these help develop the holistic approach to organisation in terms of achieving alignment across the organisation (the attention framework) and fostering awareness (of risk and opportunity) of things that have consequences for its health and wellbeing. In effect old organisational theory (involving a combination of mission, objective, policy, procedure, structures, and division of labour, control and measurement) is enhanced by recognising the necessity for connectivity and internal growth throughout the organisation.

From a leadership perspective delivering a reliable and sustainable banking organisation requires a 4^{th} order meaning making; that is with as clear a picture of market reality, an explicit set of values and objectives focused on the health of the organisation and an appropriate set of internal supports and organisational practices. This is as opposed operating with a 3^{rd} order meaning making with embedded values and unchecked assumptions. The aforementioned 'prize' oriented values such as those of status, high volume/profit achievement or market share could rank among these. Object values which protect shareholder, bondholder or deposit holders' investment and promote internal growth and awareness would lead to greater risk management processes.

4.2.1 Influencing Factors

With meaning making and the above in mind my attention is drawn to three factors in business and organisation that are attended to, in terms of perception and practice, which can be influenced.

So when banking executives construe what is happening in their outside world they apply meaning to:

1. Facts in the business environment/economy which may influence strategic and day to day decision making.

That meaning involves:

2. Values which influence the formulation of a bank's objectives and mission.

The process by which meaning is applied on an ongoing basis in an organisation is a function of:

3. Practices which could enhance a bank's decision making capability.

The three factors are congruent in the context of meaning making.

- **External (Factual) Economic and Environmental Factors**

A number of environmental factors and information will affect decision making in terms of objectives, strategy and risk:

1. Market and Economic Information leading to 'mental image' (growing, contracting, benign, demand, supply).
2. Performance of competition.
3. Expectations (performance demands) from analysts.
4. Client information and performance.
5. Availability of resources: Capital (influenced by interest rates, expectation of return and investor appetite for risk) and Human talent.
6. Ownership of capital (deposits, bonds, share issue).
7. Regulatory requirements.

These all contribute to the organisations image of and assumptions about the market and what it can do.

- **Proposed Value Factors Influencing Decisions on Mission, Objectives and Operations**

Kegan's theory helped me understand that meaning making is formed from past experiences. Meaning making at both organisation level (the organisational filter) and for those operating at strategic level plays a significant role in setting the objectives and value set of a bank. The question is whether the organisation is operating with authored or socialised responses in this meaning making. The demands of the market, analysts and shareholders with expectation of profit and capital growth act as significant influencing forces. Therefore meaning making unawarely constructed through continued successes, long term exposure to certain practices leading to habitual performance and at a complex level that conforms to others expectations rather than having an explicit construct leadership, organisational and business philosophy is not conducive to thinking about sustainable practice. This is the difference between 4th and 3rd order complexity. At this latter level you might succumb to the pressures of growth at all costs.

Pursuit of profit, market share, and increasing shareholder value are often recognised goals in any modern business organisation. The pursuits of these have supplanted values of upholding the principal agent relationship and risk mitigation in protecting shareholder funds. What I propose is as follows:

1. The *principal agent relationship* which a bank has with its shareholders, investors, and depositors as value should be central to meaning making in banking where the bank would be more attentive to protecting *their* assets.
2. *Ongoing awareness* and risk mitigation are critical in terms of a bank existing in a dynamic and global environment. It must augment the two dimensional permanent approach to policy and procedure in order to operate in terms of seeing the interconnectedness of the whole of the organisational system (people, the business and market forces) and the risks that emerge. It requires internal resource (people, data) development to generate it. Along with well communicated policies and procedures, coordinated understanding of the business in its environment, greater intra and inter departmentmental

interaction, internal and external data management and analysis, scenario planning, and a culture that is not just client focused but both forward and lateral looking would lead to deeper, more rounded analysis and informed decision making.

3. *Internal resource development* should be a value in itself in terms of enhancing day to day management (management services), knowledge and awareness, similar to what Penrose (1959) proposed, where administrative support, capability and knowledge are developed and aligned and ambivalence is seen as an aid rather than an obstacle to clarity. This also represents Rosenhead's (1998) proposal for ordinary and extraordinary management.
4. *People Integration and collaboration* is a collateral value which acts as the conduit to foster and establish values in action: principal agent, risk, awareness through self informing and internal growth.
5. *Safe growth* of the organisation is both an objective and a consequence of the other four.

- **Connectivity Practices enhancing General Decision Making Capability**

Earlier in Essay 2 (3.2) I outlined elements of permanent organisation. This is a basic framework for decision making but has assumptions about the market and demand for services. Additionally with issues of continuity of meaning making and low awareness there is, as has been borne out in my experiences, potential for failure. However if these (now object) values were systematically communicated and embodied into the fabric and meaning making of a banking organisation these principles would also become intertwined with operational, business and growth objectives. They would make banks inherently more adaptive to market forces by bringing a greater sense of connection with its environment thereby embodying the sense of impermanent organisation.

I have experienced that mere stating of values alone doesn't develop an organisational meaning making. However, I have experienced that constant reinforcement through action and communication does. Acknowledging the people factor again draws on leadership to introduce 'connectivity' and sense of purpose in terms of organisational health to the system. Leadership which instils values through support, communication,

cultivated interaction, and the promotion of information seeking and analysis, could also play a significant role in adapting traditional practice and objectives as is necessary when diagnosing or predicting internal and external risks (or opportunities). Through fostering interpersonal relationships and the introduction of the languages of support and public agreement an enhanced platform could be created to harness human resources and promote development. At the same time the behavioural issues of goal conflict could be minimised while activating richer thinking among greater numbers by accepting uncertainty and developing ongoing change to the organisational meaning making.

In operations and evolving of awareness I am keen to promote collaboration in a more structured sense through systems of pooled and sequential interdependence on one side, and reciprocal interdependence on the other thereby pulling permanent and impermanent organisation together. Pooled (standardisation of skill based action and routine i.e. automatic cognition) and sequential interdependence (plan and rule based action i.e. standard operating procedures) would thus precede reciprocal interdependence (collaboration of ideas and in problem solving) and act as conduits to mutual adjustment, induced knowledge based action and controlled cognition. The end result is alignment and awareness which are my primary building blocks in organisation.

4.3 Toward Alignment, Sustainability and Resilience

Working with Figure 2 what I have are two sets of inputs:

1. An attention framework capturing strategy, objectives, values, policies and procedures
2. Alignment and awareness supports comprising culture, communications, collaboration and information gathering and analysing.

These lead to outputs which comprise organisation with its focus on:

3. Internal growth and alignment leading to sustainable practices
4. Resilience to risks and awareness of change

The role of the executive would be critical to delivery. However as is evident from Essays 1 and 2 Portfolio leaders need to be developed and capable in terms of their communication and interpersonal relations capacities in order to develop meaning making in the form of values already outlined.

4.3.1 Achieving Alignment and Sustainability

Taking the factors of 4.2.1 into consideration alignment requires a combination of a framework of attention and additional supports which enhance services and connectivity.

- **Clear Objectives and Strategy**

The setting and communication of objectives and strategy need to be such that each member of the organisation has explicit understanding and not distorted by contrary interpretation. Taking the long term view, objectives that represent holistic and healthy banking would be ‘sustainable growth’ and banking as ‘a service that enhances business development’. A strategy would include having the appropriately developed staff to promote what is good for stakeholders, society and the economy in the form of a balanced approach to risk and growth.

- **Cultural Values**

Following from those I outlined in Figure 2 and 4.2.1, what must be explicit through any set of bank values should be the maximisation and protection of capital available to the organisation from which a culture of risk management and awareness, internal growth and collaboration can emerge.

While policy and standard operating procedures reflect a bank's meaning making, culture as a combination of values would be the expression of this meaning system that guides employees particularly for issues which affect the long term well being of an organisation. It should also be an antidote to goal conflict, problemistic search in problem solving and uncertainty avoidance. Outside of simple problems and tasks covered by policy and procedures, it embraces rather than eschews uncertainty and complexity.

- **Interaction**

Working in tandem with culture, communication using the language of public agreement, I believe, would further the sense of common purpose and eliminate individual conflict. In terms of having an objective of sustainability there is a self regulating approach here where employees and management set their own rules (or norms) by which they will interact and contribute to organisational objectives, while also paving the way for greater learning, development and effectiveness. The output is a form of self regulation rather than the necessity for constant authority and direction thus enhancing the value set aligned to the organisation's well being.

A positive consequence of this approach would be making object the assumptions and goals of the unaware employee; encouraging him to question his ideals which I believe is transformational. The role of leadership here is as coach in fostering open communication and discussion for a collective and participative approach to problem solving.

- **Integration**

The combination of culture, communication, collaboration among labour divisions, and policy and procedure would help create performance expectation in decision making, further enhanced by exposing employees to skills and expertise across various departments. Thus a cross functional alignment is created as well as a platform for technical and mental development. The transformational effect of focused integration would be that long held personal, professional and organisational values are subordinated to a more aware and complex system of thinking about the organisations needs. Internal growth may follow.

4.3.2 Increasing Adaptability

- **Internal Growth**

A certain amount of Internal growth is a by product of cultivated interaction. However in this model there are other elements necessary to its achievement. These have been inspired in the majority by Penrose (1959).

Recruitment

1. Evaluate and match candidates to skills gaps.
2. Increase resources only in proportion to existing experienced personnel who can absorb and develop new staff without disrupting meaning making of the organisation in the form of strategic and operational flow of the business.

Knowledge

1. Develop knowledge about business and operations, to be recorded and evolved in communities of mid management employees across various departments.
2. Encourage and facilitate mid management staff to interact, forge new alliances and aggregate their expertise and knowledge in fields of operations, finance (profitability and balance sheet management), credit, risk, treasury (liquidity), and business management (interpreting market forces and economic issues and collating trends).

3. This tacit knowledge would also reflect and develop the culture of the organisation.

Motivation and Development

1. Kegan's theory of adult mental development and the process of how meaning is constructed (see Appendix 1) also becomes a basis for organisational development. Coaching through mentoring, appreciation and celebrating 'a well done job' while providing a challenging work environment are fundamental requirements of leadership in supported development. Moving away from perpetuating individualism as an ideal, the employee would be cultivated to focus on collective expectations of performance that integrates with the objectives of the organisation. This socialising approach is geared towards the individual not just doing the best he can do but seeing his own value in the collective success of the organisation where people know they can make a difference.
2. General mentoring of junior and lower management and pairing senior and mid management level employees would be mutually beneficial where responsibility is measurable in terms of the rate of development and contribution. Exposure to all areas of the bank/business through workshops would facilitate a rounded perspective of how the organisations objectives may be achieved and the impact of different departments on each other's subunit goals.
3. Monetary incentives are integral to creating goal conflict and short term thinking if not managed in terms of the proposed values of the organisation. Any incentive should be long term to match the performance of the business e.g. linked to the performance of a loan over a risk period.

4.3.3 Achieving Resilience: Enhancing Awareness of Risks and Requirement to Adapt

Resilience is being prepared for change and unforeseen events and consequences. What I purport is that this is leveraged from alignment and internal growth and uses people to a maximum. It is a heightening of awareness and risk management that

manifests requirements to adapt when necessary and could be delivered through a number of components:

- **Information**

Organisational information, at the beginning of the Portfolio, was predominantly something I gathered to highlight variances against performance. It was generally for the purpose of measuring, controlling and correcting issues related to loan growth, margin income, individual loan performance, standards of loan documentation, following procedures in loan drawdown or people performance which with the benefit of my discoveries in Essay 2 contributed to a sense of permanent organisation. Information was generated to diagnose or prevent knowable problems (from policy and procedures) and issues of efficiency and solutions were prescribed through more control or technical adjustments.

From an impermanent organisational perspective I propose that information is generated also on a predictive basis. This could be done through stress testing loan portfolios, scenario planning and collaborative (inter and intradepartmental) analysis of external information on economic conditions which affect liquidity or loans or directly on loan sectors themselves from issues such as regulatory change. How information is governed and collected is hugely important in both contexts – one is for sustainable practice, the other for resilience. Ownership and accountability should lie not just with senior management but with all staff.

Information management as a barometer of strategy risks and budget variances is a source to inform and reform decision making. Having the capability to record and discover patterns in the economy, in sectors and about the business over the short and long term leads to more in depth knowledge and analysis about the business.

- **Risk and Diagnostics**

Liquidity and capital are the building blocks through which commercial banks carry out their main business. The business yields returns to depositors and investors by leveraging their money (providing credit). Knowing and understanding the risks to availability and sustainability are fundamental. My experience was that not all risks

could be known, understood or interpreted from data that was available. In terms of heightened awareness in decision making measuring and identifying (via the attention framework) is obviously critical, but predicting and preventing is another level.

Risk is the possibility of loss or reduced profitability due to uncertain factors which would create a volatility of net cash flows from any particular unit within the organisational framework (branch, division, region, or product). Mindful of the principal agent relationship, risk management must be based on maximising risk adjusted return to shareholders. Banks are like any other business but profitability always depends on the management of risks. Inadequate risk management will threaten the solvency of the bank (value of liabilities as deposits > value of loans as assets) and thus stakeholders interests. In that context short term profitability should always be sacrificed for sustainability, thereby embodying all of the culture outlined.

Uncertainty is a key variable and how it is handled will determine long term viability. I outlined in Essay 2 that embracing uncertainty helps adapt and enhance the mindset. In that context developing a risk co-culture, from the value of awareness, which accepts the future is unknowable, would be manifest in a predictive and anticipatory approach. This is achieved through data generation, scenario planning or stress testing by applying changes to different interdependent variables affecting lending such as price, interest rate, economic policy, regulation, inflation, and shifting consumer preferences. It would create greater capability for dealing with emerging issues than just that generated from procedures/policy alone. Procedure and policy reflects past experience. Risk management of this type helps adapt these to meet future issues.

Previously I would have known risk management (planning, management and execution) in specialised but isolated units in centralised back office locations. By solely following procedure and policy I would have organised to eliminate uncertainty. However, I believe that risk needs to be pushed to the coal face and decentralised providing deeper analysis before decisions are made because there are few decisions in banking that do not have long term effects. It would need to be both descriptive and predictive, through a people process and structural and technological platform which

correlate risks and analytics to strategic business objectives and ongoing change in the environment.

- **Risk Identification**

There are five main risks in banking; credit risk, liquidity and funding risk, interest and foreign exchange rate risk, market risk and operational risk (see Appendix 2 for individual risk descriptions). In the past I would see them as five independent risks. In a holistic approach these would need to be viewed on an aggregated basis.

- **Risk Measurement**

In terms of aggregation, Basel[3] requirements have begun to reflect the issue of aggregation and the impact of credit, market, rate and operational risks on bank capital. It has highlighted the requirement for greater levels of information in the form of client records and market trends and this approach fits with the descriptive/prescriptive holistic approach.

Basel 2 (regulatory banking capital requirements) as amended in 2007 came too late to prevent the 2008 Financial Crisis but connects with my proposed model that promotes high grade information collection, governance and analysis. Previously the capital requirement was a simple 8% of assets, irrespective of type of lending, which was a 'one size fits all' approach; it was simple, had low levels of detail and little sensitivity to risk. It belonged to a relatively benign era where there was ongoing growth and safety in property assets in particular. There were no capital incentives for better credit risk management.

There were further capital requirements directives with more sophisticated rules, had high levels of detail and high sensitivity to risk. Weightings were given to various types of risk assets (loan collateral), locations, yields, debt coverage, leverage, interest rates, cash flow and EBITDA (earnings before interest, tax, depreciation and amortisation) of

[3] A set of requirements set by the Basel Committee on Bank Supervision (BCBS). This provides recommendations on banking regulations with regard to risks related to capital, the market and operations and whose purpose is to ensure that financial institutions have enough capital to meet obligations and absorb unexpected losses.

trading companies, net worth of individuals and companies and a number of other financial measures. An additional measure which now interests me is based on the quality of the management team which is also the focus of the third element of this exploration. Unfortunately for local and international banking its application came too late to effect a change in practice.

Data capture and the capability of the database are critical to producing risk ratings and weightings. Properly applied they produce analysis on the probability of default based on the information collected, the risk in the sector, and the economy. It is in effect an early warning system that not only integrates information (internal and external) but is the basis for diagnostic *and* predictive analysis among staff from different departments to come up with robust solutions to individual and sectoral concerns, changing patterns and consequential impacts.

It highlights two methods of change which are relevant to me. First is how experience is used to adapt procedure and policy. It has value in the context of permanent organisation but does not in the context of impermanent organisation, i.e. to capture evolving problems in the 'now'. Second it tackles problems in a manner where alignment by adapting meaning making, I believe, builds more resilience. By adapting meaning making the problems are prevented by the individual himself, through problem seeking and greater awareness of how they operate. The first is the descriptive and diagnostic – a function of what we know from the past and what we did to resolve it, the second is predictive and prescriptive – what we need to know now in order to see what is likely to happen and provide solutions.

Two types of measurement are 'quantitative' and 'qualitative'. In each there could be several methods. Quantitative looks for representative aspects of risk related to the *actual* business and is deductive and statistical in nature. You can out a value on the risk. It is more diagnostic. Qualitative is inductive – describes *potential* situations, adds different threat factors, looks for vulnerabilities and makes the problem more complex. It is hypothesis using all areas of expertise if ...then ... what you'd have to do, how you could recognise when it's happening and understand behaviours. It is more predictive, looking for the probability and then the impact.

Measurement:

Quantitative

- Sensitivity analysis which is based on determining the risk sensitivity of 'X', by moving the value of related variable 'Y', creating a suite of impacts.
- Using 20 year averages in yields/rates: This was a standard element of credit analysis in the past but treats risk as homogenous, and on the basis risk is not linear, this has limited benefit.
- Volatility of position: This is measured by looking at the standard deviations of returns over a period. Again this is limited where risk is complex in terms of identified independent variables which may or may not be relevant in the future and which ignores unidentified risks.
- Historical data used for volatility, correlation and value at risk: Again there is a problem with weighting of events and time horizons. The past is never a fair value to the future and past data is not a guide to the future.
- Fair value: This is value on basis of an illiquid asset and is difficult to establish because a number of variables must be input.

I am not suggesting the abandonment of the use of these but just to point out their limitations. For a point in time picture with information that is absolutely current, we can describe problems and diagnose solutions. However the time lag of collection and quantity of information must also be reckoned with. What can yield a greater understanding is looking at combinations of independent variables (different risks) and their effect on dependent variables i.e. sustainable and resilient financial performance

- Correlation risks: it is here that aggregating risks brings greater knowledge and understanding. The interaction of people across departments, both descriptively and predictively, brings greater scope and many perspectives on what is evolving internally and externally. Sensitivity analysis and stress testing and the use of stochastics (use of variables and possibilities) in credit and funding related risks, with interaction and use of knowledge of various

disciplines among experts in different departments provide greater scope for sensing the future.

Qualitative

- Scenario planning and simulation of the impact of various independent variables on particular sectors of the market can help predict situations that would result in various degrees of loss from which preventative actions may be implemented to prevent.
- Operational risk can similarly be approached with various random adverse events being applied to the normal course of business, with prognosis on impacts and where prescriptive solutions can be agreed.
- Both of the above involve full collaboration across the various departments.

- **Risk Mitigation**

Below are important contributors to risk mitigation for banking sustainability and resilience:

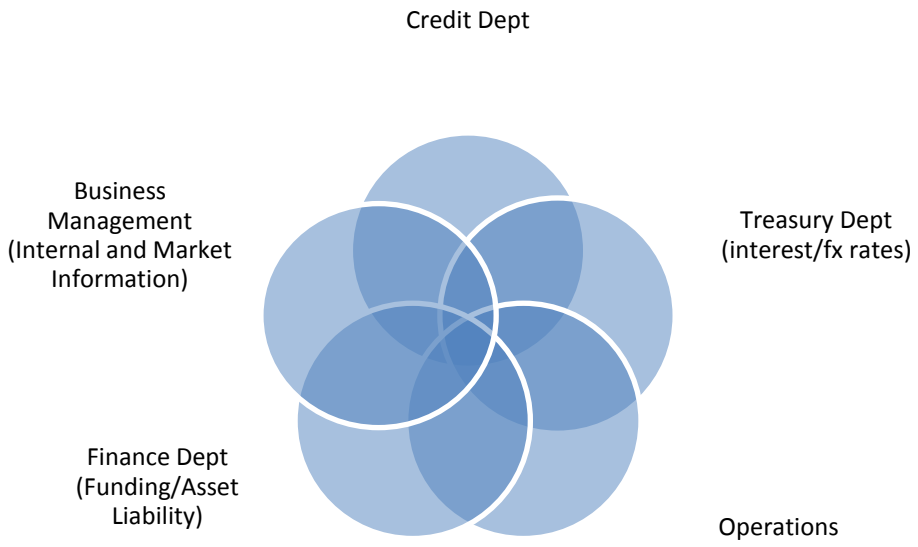
1. Leadership

Through the establishment of a culture, communication that is supportive and works in all directions, and the fostering of organisational language and interaction, leadership is the creation of meaning and alignment where risk and opportunity are twin objectives.

2. Structure

Structure is not just a method of maintaining order and communicating expectations but also to bring expertise to all the right areas. In quantitative and qualitative risk forums, breaking down the boundaries between divisions/departments can enhance participation and interaction. It is also a potential cure for conflict where loan underwriting and Portfolio monitoring (risk management) sit side by side. While the hierarchy outlined in Figure 3 may remain, Figure 4 represents visually the interaction between departments to understand and counteract aggregated risk:

Figure 4: Aggregated Risk Approach



3. Development

Developing employee awareness and knowledge creation (internal growth) brings risk into the mainstream of day to day management side by side with balance sheet growth. Mentoring, fostering integration, collaboration, and communication would be major supports to this development.

4. Data collection

Collection and dissemination of appropriate and reliable data about internal matters related to individual loans, Portfolios of loans, geographic areas, sectors and external market events, with coordination among large groups, is a critical part of mitigation process. It is important to recognise the danger of time lags in delivery.

5. Process

On a day to day basis risks may be described (What happens/happened?) diagnosed (Why?) and prevented and prescribed for by following procedure and policy. However to manage in the 'now' and the 'emerging', analysing on a predictive basis (What could happen? Why? What is the impact?) with bespoke solutions (What would we do about

it then? What should we do now to prevent it? Who is responsible?) is both a problem seeking and solving process as opposed to waiting for problems to manifest. Developing key risk indicators is a foundation for discussion. This process reflects banking values which are both preventative and awareness focused.

6. Regular Review of Standard Operating Procedures and Policy

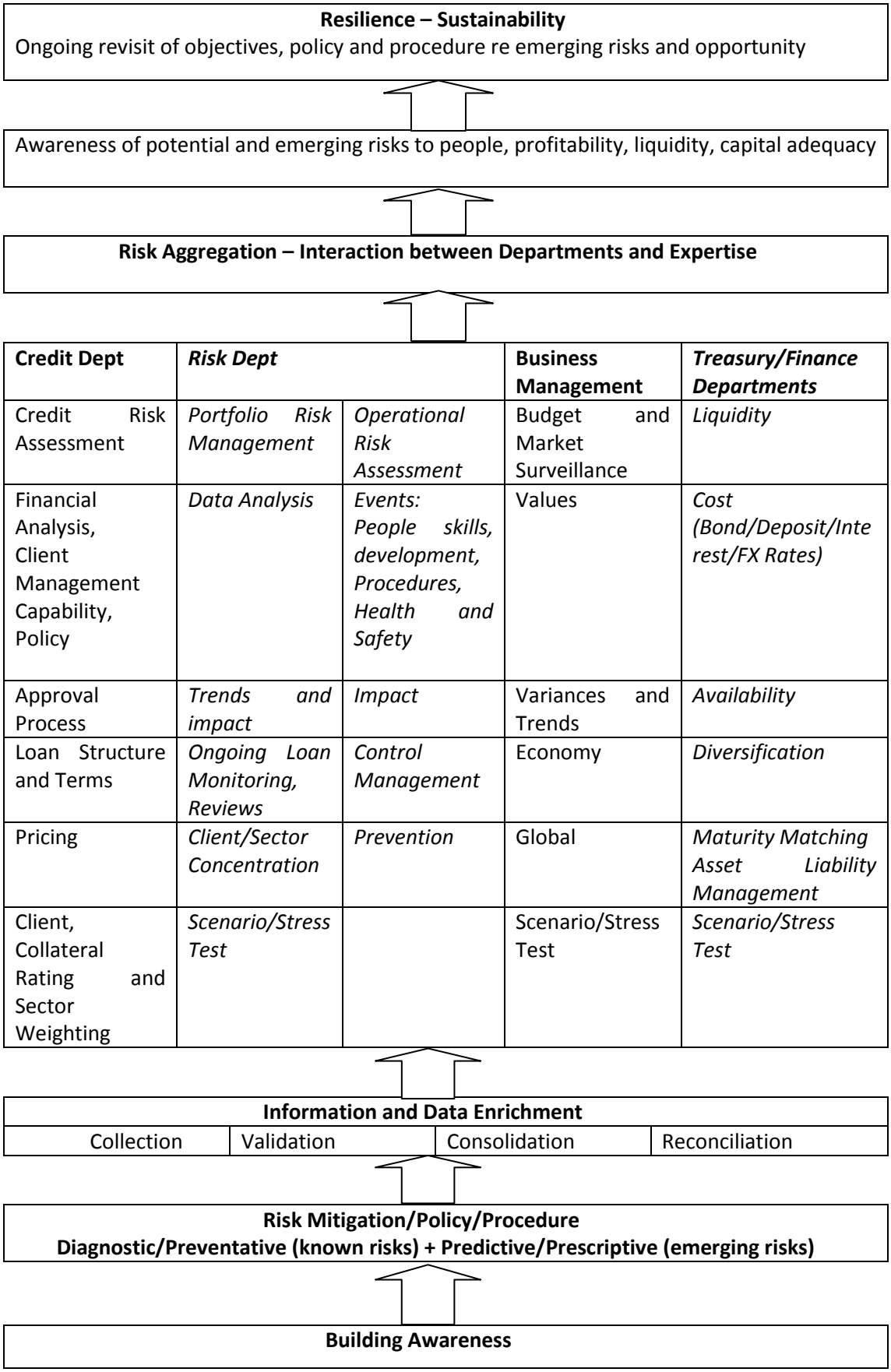
As a result of knowledge gained and greater awareness of operational, policy and environmental risks, the organisation can adapt how it carries on its business, in its environment, by regularly applying its newfound knowledge and awareness to its policy and procedures. It thus recognises complexity as a constant factor.

Outcome

People can become aligned within the business and more connected to emerging risks and opportunities externally. Instead of long term fixed planning with status quo assumptions from which risks are expressed there can be ongoing scenario planning, the benefits of which are awareness in operations and ongoing review of procedure and policy and in asset liability management leading to better management of capital and liquidity.

In Figure 5: 'Toward Sustainability and Resilience by mitigating Risk' I have combined the various elements in a practical guide to holistic risk management process showing how mitigation procedures and policy are enhanced and enriched initially through information and data, through aggregation of the risks by creating interdependence between the various departments, eventually feeding into adapting the goals, policies and procedures of the organisation.

Figure 5: Toward Sustainability and Resilience through Risk Mitigation



4.4 Conclusion

The exploration has served as evidence that the level of complexity of my thinking in this area is more complex than before; that it is has been transformed from a meaning making I was subject to, through making it object and then engaging in conscious development of it.

In Essay 1, through the process of reflection I unveiled how my meaning making formed in terms of professional practice and that these were almost inseparable from the personal and organisational levels. At the level of complex awareness, what Kegan (1982, 1994) called the 3rd Order or Socialised Mind, I had difficulty meeting the demands of a leadership role and being able to manage for the long term prospects of an organisation. I discovered that the root causes to these issues lie in how we make meaning in terms of values, assumptions and practices. I was operating without awareness of these and without any clear leadership philosophy. I had no clear structure on how organisations worked in the context of decision making around objectives, operations and long term sustainability. It was sufficient at mid management where following policy structured my work. Having responsibility for leading people, delivering on organisational objectives and protecting its long term future demanded much more.

This frustration, along with the benefit of Kegan's theory, was my catalyst to develop my capability by authoring for myself a mental framework for organisational leadership; to have a clearer understanding of issues related to organisation and leadership (and by extension banking) and to provide a structure for decision making with long term sustainability in mind. The framework centred on decision making in terms of how and where the attention of organisational members is focused and evolves. Through the framework the continuous loop of alignment and awareness become the basis to any organisation's long term sustainability and prosperity.

The exploration itself juxtaposes my situation towards the end of the reflection in Essay 1. From a banking perspective, I had instincts then about emerging risks relating to credit, administration and people resources but had no clear framework to do anything about it. I responded reactively to these unsuccessfully trying to solve them

one by one. On a day to day basis I operated according to the problems I faced and my responses to them were inconsistent and fragmented as different issues surfaced. Even with the structure of the banks existing objectives, culture and policies; aligning people to these was a challenge because of the continuity of personal meaning making across professional and organisational spheres. In that form I could not cope with the demands of a leadership role in the modern banking world.

Reflection also gave me insights on how the absence of a common professional meaning making created risks for the organisation. The Financial Crisis of 2008 emerged soon after and in the reflection I was able to draw a line between the issues I and the organisation had and the impact the Crisis had. The Exploration was an opportunity to use the framework to examine the Crisis *not* from an *external* perspective relating to the market, economic policy or regulation but from *the inside* of the organisation; how a banking organisation could be contributory in terms of how decision making is organised. I could now suggest how it could construct itself not just to be profitable and maximise its objectives but to be resilient in terms of being aware of complexity emerging issues in its market and be capable of adapting to deal with these.

With the benefit of generating an object framework to look at business and organisational reality, I can be proactive to issues an organisation faces. Having a framework means being more comprehensive, holistic and complex as it recognises and accounts for the plurality and continuity of meaning making in people, the dynamic marketplace and the need for greater levels of awareness and adaptability.

Portfolio Conclusion

5.0 A Note to Peers – Solving the Manager/Leader Mismatch: Development of Meaning Making and Capability

At this point I redirect my attention to the selected audience of this Portfolio; those in financial services and business in general who find the transition into leadership presenting unexpected challenges. Following the journey I have completed it may also be of interest to management and organisational consultants and those already in leadership positions who are responsible for continuing effective organisational performance.

My initial inquiry stemmed from frustrations at a senior level. Having been successful in mid management and established myself in my organisation I struggled to be an effective leader. My initial objective was to develop that capability. I also wondered whether this had implications generally in terms of leadership and organisation following the Financial Crisis in 2008/2009. While I had initially applied to do a Masters of Business Administration, I was fortunate to instead select doctoral study with a focus on mental development as an appropriate means to develop leadership capability.

Following an in depth reflective process in Essay 1 the objectives became more defined having surfaced my meaning making: to seek new ways of thinking about leadership and to construct my own framework to lead in the modern world that both generates a set of principles and also a tolerance for difference. Though I saw the 'gap' as a leadership issue I subsequently realised that business, organisation and leadership are intertwined and that any development necessarily involved all three.

The output of the doctoral process is that it has yielded more than I had hoped for. It has facilitated greater perspective of my role, but has also helped in terms of how I think about business matters and the business environment in terms of goals, strategy, and growth and how we develop awareness of both risks and opportunities which affect these.

In this Portfolio conclusion I draw together the elements of the process and how they have worked for my development. I briefly recount the problems I encountered

undertaking a leader's role with a manager's mindset and the resultant understanding of a significant complexity mismatch in terms of my meaning making. I describe how, inspired by Kegan (1994) and Kegan and Lahey (2001, 2009), I embarked on professional mental development in terms of Leadership; from stage one which delivered several personal, professional and organisational insights in to how I operated without awareness of several assumptions and practices unsuited to modern day leadership ; to stage two which involved the construction of a mental framework necessary for leadership in the post Financial Crisis era; and stage three which was a series of explorations of the framework under different conditions.

The journey was one of discovery; insights into my meaning making, the requirements of leadership and how organisations work. The process pushed me to look at all aspects of the environment of the leader rather than what a leader does. Thus the journey undertaken in my Portfolio had wider consequences in terms of the level of awareness developed along the way.

Problems of a Manager doing a Leader's Job

In Essay 1 I outlined the difficulty I experienced when I became Regional Manager (RM). I was promoted because of my capability in credit management and meeting targets. I was results focused and 'ends' trumped 'means' when targets had to be met. The expectation of an RM is one of leadership in the pursuit of objectives and the well being of the organisation.

My problems stemmed from the absence of a cohesive inner mental framework to communicate my vision to those who reported to me, to best use resources available or to apply effective solutions to my growing fears of risk and complexity in the work and environmental system. I made efforts to reorganise the teams to advance these credit and risk skills involving recruitment, structural changes and giving experience to junior staff with mixed results. There was no uniformity and different teams were taking different approaches to credit management.

My default organisational mode was that of 'manager' which manifested itself by way of control, efficiency and expertise. Being an 'expert' manager in credit may have

bestowed knowledge on me but not leadership capability which now seemed qualitatively different. A 'leader' to me was totalitarian in terms of people doing what I decided. A 'leader' had the ultimate decision-making power. In this approach however, I was unwittingly working against myself. People pushed back and resisted change.

It was not just frustrating; it also led to self doubt, whether at this stage of my career I could change, make the right decisions or create the appropriate working environment. I was used to learning what I needed to know and 'ploughing on'. I could deal with pressure and long hours, hit the targets and satisfy my superiors. I never had to think about how I had got to where I was because ambition and determination always yielded successes. I had no answers as to why I was stuck. As outlined in the Portfolio Introduction, Badaracco (2006) best described my predicament when he said "today's world seems to thwart serious reflection about life and work. On the job, leaders face relentless pressures to work longer, produce more and make decisions faster ... organisations become more complicated and stakeholders' demands escalate" (2006:163).

It was *the way* I was thinking that was the issue. Drucker (1999) recognised this as a development rather than a learning deficit and that responsibility to resolve it resides with oneself more than anyone else. "Companies today aren't managing their employees' careers; knowledge workers must, effectively, be their own chief executive officers. It's up to you to carve out your place, to know when to change course, and to keep yourself engaged and productive over a life that may span over some 50 years. To do things well you'll need to cultivate a deep understanding of yourself – not only what your strengths and weaknesses are but also how you learn, how you work with others, what your values are and where you make the biggest contribution. Because only when you operate from strengths can you make the biggest contribution" (1999:100).

Here were the first real signposts to a solution. We tend to look for answers and instructions from experts, authority figures or further learning to solve problems. I thought by keeping up-to-date with changes to the economy, legal and regulatory changes, and intra company missives I would remain fully informed and lead my staff with more authority. Anything I read about leadership seemed to point to

characteristics or what a leader does but that didn't bring about change in me. It seemed that leadership, particularly in business organisations, is not something to simply read or learn about and apply.

However, the experience of operating as a leader with a manager's perspective helped me realise what the differences were. It was in the way I connected with staff, *how* I communicated with them and *what* I was communicating. As I began to think about it more I could see it was also strategic in terms of the optimal application of expertise with diverse people, often incomplete information, known and unknown risks, the pressures of stakeholder expectations and changing technology, regulations and economic situations. This was the lot of a business leader.

Much of the work required was in the internal workings of my mind, in the way I perceived things. Avolio and Hanna (2008) point to self clarity as a precursor to the development I sought. To effect change, to organise and to lead people I had to first be able to look at myself, how I think and the way I operate. The door was really opened for me through my understanding of Kegan's (1982, 1994) works. It was at this point that I understood that I was at the end of the formal learning line and was ready for a different type of learning. This was development related to awareness, meaning making and complexity in my thinking. I realised that formal learning ends with management and expertise. Organisation and leadership development starts with personal and professional development particularly in terms of how we construe things, problem solve, communicate and interrelate.

On this basis a leader may ask him or her self – from what am I construing, problem solving, communicating or relating with others? A leader needs to look within to examine the source.

Leadership Development for Banking and Business

The concept of meaning making as outlined by Kegan (1994) was initially difficult to grasp in terms of the concept of 'how we see the world'; *how* we know rather than *what* we know; the mind's operating system which *applies* knowledge. It is a function of awareness, individual learning and experiences and which qualitatively exists at

different levels of complexity. The process of becoming aware of meaning making gives insight into the complex nature of the various assumptions and theories we unconsciously work with. Awareness can also be of the kind that includes the interdependent elements in our external world in which we are one of those elements. This internal/external awareness is a platform to construe events and problems in a broader and more penetrating manner so that we may become more effective professionally and organisationally. The clarity it brings also has benefits in how we communicate and interrelate.

The transformation of my meaning making was to be a process that increased my capability in a banking/business leadership role; capability that involved how I saw the business and organisation, solved problems, communicated and interrelated.

The transformational challenge was to become more aware of how I made meaning around this role and then construct a more complex way of knowing the business, organisation and leadership. It had to take into account the dynamic and evolving nature of the modern business environment. For me that movement characterised the transformation of the socialised consciousness to the self authored consciousness (see Appendix 1). In particular, where my work was concerned it was the difference from just *doing* my role to *owning* my role, from being subject to implicit management, leadership and organisational theories, assumptions, values and practices to making them object to me. It meant constructing a more complex and connected framework of thought to suit the environment I work in. By this I mean an apparatus of thought for leadership and organisation from which I see the implications for the whole as I work on different elements of it.

Development Stage 1:

Insights through Reflection and Awareness

The development began through reflection - the platform for subject/object movement, Kegan's (1994) and Kegan and Lahey's (2001, 2009) powerful tool to illuminate our meaning making. It delivered a number of insights.

Insight 1

Reflection is a key part of the development process. It allows us to 'step outside' of our meaning making, to see it and understand its limitations and consequences.

Insight 2

Meaning making does not come in neat packages. My way of making meaning was a melange of assumptions, values and practices which were products of several personal and professional environments. Through reflection I realised that these cognitive triggers not only manifested in response to any single event but often more than one manifested in contradiction to another. For example: when delegating decision making or openly discussing issues with staff my 'need' to stay in control competed with the value I saw in developing others by ceding responsibility or looking for alternative responses to problems (see Section 2.8, Leadership 2007 -2011 - Operation Controls and Communication). In that context I would on the surface look to be open and devolve decision making while also, unawarely, manipulate their decisions to my own ends. I also recognised that some frustrations stemmed from being oriented by a principle of *having* to grow the organisation both in profit and size while also being oriented by a principle of organisational safety, which perhaps generated foresight of impending disaster. In that sense I felt the embedded (socialised) insistence on annual growth was a constraint in my thinking about risk.

I saw leadership in a fragmented way - as a series of tasks to complete, much as a manager would. I was operating with a manager's 'reality' – applying expertise and controlling processes so that procedures were followed and the job was done on time according to expectations.

Insight 3

A key insight was that at my core I was a product of my overall environment. Nowhere was it more evident than the notion of power attached to the word 'leader'; having power and being the undisputed 'expert' was evident particularly when I had an agenda I wanted to run with. This expectation was assimilated and embedded over decades through social, professional and educational experiences. Disagreement with my ideas or perspective yielded a response somewhere between stealthy control and

outright dispute in order to protect that inner perception of my position. It was evident in how I communicated and related to others when I imposed my perspectives. I solved organisational issues and problems my way. It dovetailed neatly with the manager's objective of ensuring individual tasks were completed on time, according to plan and hitting performance targets rather than thinking holistically about the business and organisation. The personal and professional 'me' managed people rather than lead them.

It further differentiated leadership from management for me. In management the world is more linear in that most of the variables are known – the resources, the method/procedure, the inputs and the outcome. The world of a leader is entirely different due to the strategic nature of the role and the necessity to look at the operation of the organisation as a whole in its market setting. The leader's business and organisational world is non linear, imperfect in terms of market information and has diverse people resources with which to reach organisational objectives. Leadership needs capability far beyond expertise.

Insight 4

On a broader scale the unconsciously acquired organisational practices I employed such as division of labour, hierarchy in structure and rigid planning and processes were mechanisms to maximise control and resources in the context of limiting error and maximising profit. They also made the world appear more predictable which, in a world that was becoming more unpredictable, had risk consequences. These suit a stable environment where influences and risk issues are known. They ensured that lending practices remained simplified while the market the bank did its business in was more global, complex and evolving and thus more imperfect in terms of the information necessary to combat risk. In that sense my professional and organisational response was mismatched to the requirements of a modern leader. It did not position my team for potential and unknown risks to the business. We were reacting to risks as they were becoming known rather than predicting and preparing for their emergence. We were neither vigilant nor unified.

The organisational insight, in the sense of how a business must be organised to reach objectives and cope with changing circumstances, is that it cannot be rigid.

Insight 5

From these came a more far reaching insight; operating from a socialised level of consciousness appeared to be inadequate in leadership. At this level we respond and react *to* the role, as I did. However, at the next level we take responsibility *for* the role – to monitor and organise others and be responsible for them. We cannot do this without transformation to Kegan's (1982, 1994) self authoring capacity; to first make object and subordinate those 'theories' we are subject to, and then consciously construct our own framework of thought. The real issue all along was that I did not have or own a clear professional thought framework for organisational leadership.

Insight 6

Reflection also illuminated my thinking in terms of what the important elements of leadership and organisation might be and how they interacted – people, the business itself and the business environment. I began to think about the people aspect and the characteristics of the personal and business worlds I am familiar with. In the context of organisation, individualism and pluralism of meaning making are central issues. People in the workplace operating with a socialised consciousness may make meaning of the world through the ideas, values and perspectives of important others, from their experiences of different groups or through constructed assumptions and theories from general experiences. They may be totally unaware of them. This is an issue for leadership and organisation in terms of, on one side, achieving unity, and on the other, harnessing diversity.

Insight 7

Finally, there was insight that in reflection I consciously used a theory to tease out the issues and make sense. This was Kegan's adult mental development theory. Having this theory as an apparatus to think allowed me to approach transformation with sound starting point, objectives and process i.e. it gave me a structure to think it through. Starting the subject-object movement positioned me to consciously construct a

framework that may work for me in the business of organisation and leadership in the modern world.

Development Stage 2:

Constructing a Leadership and Organisational Thought Framework

These insights positioned me for the next part of the journey which was to construct a framework through which I could think about organisation and leadership in a holistic manner. Why holistic? Using the human body as a metaphor for organisation, and the mind as its leader, one must acknowledge that the body exists in and is affected by its environment. It must be able to live in and adapt to it, and in that process every single part has a role, must be nourished and connected for it to work well. A leader needs a framework to know how all the parts are interconnected and function robustly as a whole. From here he can be strategic in terms of objectives and organisational wellbeing.

I immersed myself in the workings of a number of source thinkers spending proportionately more time on this than any other part of the Portfolio process. The construction of a framework necessarily went beyond what a leader does to include the many elements a leader must think about and connect to reflect the complex requirements of modern leadership and organisation.

A framework needed to comprise tools that would foster resilience, sustainability and renewal which could be applied in banking and further afield. I began with March and Weil (2005) to reorient my meaning of business leadership and organisation perspective. They helped break the categorical nature in which I tended to look at leadership (the 'economic man' type) or organisation (a fixed entity) and have a more complex dialectic look at the role by taking opposing but symbiotic viewpoints. This gave me a new perspective that would work in a modern organisation. On one side organisation, unity and exploitation get the most out of current business resources while on the other ambiguity, diversity and exploration help to better perceive opportunities and risks that affect business over the longer term. So on one side there would be a platform for order while on the other there would be a platform for growth

and change. The twin track approach was the beginning of a framework to approach the role in the future.

People and their diversity of meaning making were key factors which I felt would hold true for banking, general financial services or indeed any business. How people perceive their work roles, the business and the market, when fulfilling the objectives of the organisation must be a leadership concern. Organising meaning making appeared to be pivotal. Along with Kegan's theory particularly in relation to awareness in meaning making, Cyert and March's (1963) seminal work on behaviour in the firm brought this notion to life for me in the business world with their assertion that people, not markets, are the force of organisational success.

Drucker (1994) brought to my attention two explicit questions; how do we know that the organisation's (or leaders) assumptions about the market and its practice are aligned to the current market? How do we know that employees align with the organisation in correctly perceiving what is expected of them? I thought a lot about this. Aside from technical ability, if there is diverse meaning making among employees, then differing perspectives of imperfect market situations could be a recipe for diverse interpretations of what is actually occurring internally and externally in any organisation. They may select and deselect information differently and thus solve problems differently. It may also mean operating with different personal and professional goals and values to the organisation which Cyert and March (1963) also highlighted. Their expectations and the organisations expectations may not coalesce. In terms of risk or opportunity this is significant in both organisational terms and in terms of lending to business organisations. Therefore, at both individual and organisational levels, how reality is perceived must necessarily be a focus of attention.

I thought about what I subscribed to in terms of managing people alignment; explicit objectives, plans, policies and procedures were the only methods of clarifying and unifying perception of the business (meaning making). I now knew *they did not guarantee behaviour*. At the organisational level I asked myself if my default organisational methods of hierarchy, control, discipline, skills training and the division

of labour ensure that the organisation is in tune with its market. They were too static in an evolving world.

Simon (1997) guided me to think about the issues of organisation and leadership as issues of decision making. The organisation must be a decision making tree and robust decision making processes must bring together different ideas, skills, knowledge and information. With an explicit organisational meaning system I felt that reliability could be enhanced in terms of the application of these. In a world of uncertainty and complexity, developing alignment and awareness seemed like the most appropriate solution to long term sustainability and resilience (people alignment in terms of a common meaning making for the organisation and awareness through people development and data availability, analysis and measurement).

At this point Weick's (2009) concepts of permanent and impermanent organisation resonated with me. Through permanent organisation the organisation could maximise its current objectives through the creation of a common meaning making together with the application of the 'old organisational theories' of hierarchy, division of labour and so on. But what about being able to adapt to change and work with complexity? Weick (2009) also drew my attention to organisational assumptions that would suit the modern world – continuity, evolutionary epistemology, ambivalence and complexity. These recognise that

I. People make meaning of their entire lives not in neat business and organisational compartments,
II. Learning fostered internally in the organisation enhances its capability,
III. There is a need to embrace multiple perspectives to enhance decision making,
IV. The world is a complex place requiring complex responses and the need for insight.

Penrose (1959) helped me understand the importance of the need for internal growth in terms of administration and human capital. Rosenhead (1998) championed the necessity for embracing complexity rather than avoiding it. These were the components of impermanent organisation, the missing link for me.

On one side I now had the organisation of meaning making as a critical step to a unified approach to decision making in terms of achieving organisational goals. On another I had the importance of people development, interpersonal relations and collaboration, acquiring data, exploring it, analysing it, and challenging the ways we see it in a way that identifies risk and harnesses the most from diverse perspectives. The leadership agenda became clearer. It was about capturing attention and organising meaning in such a way as to maximise current resources, but also to be able to adapt in order to achieve long term growth, resilience and sustainability.

By creating an attention framework meaning is also created and embedded to regulate behaviour. The framework is the basis for achieving alignment – unequivocally communicated objectives, values, culture, policies and procedures that represent the organisations way of knowing its business environment, how to act in it and to achieve its goals. Decisions would be made through explicit principles *and* practical guide, facilitated by bringing resources together in an authoritative, hierarchical structure of experience, expertise and guidance from leaders. Employees are developed and coordinated to maximise and exploit the organisation's resources while also ensuring they maximise their own potential. Simultaneously an ongoing search for awareness is promoted to spot and predict risks or opportunities in terms of changes in the environment that should be reflected in the organisations strategy, objectives and processes.

Neither alignment nor awareness can be achieved without creating a communal support which fosters interaction, collaboration and development. The glue in each of these is derived from the quality of interaction fostered by leaders. Simon (1997) depicted organisation as a complex pattern of human communication and relationships which provides meaning. It follows that the quality of the organisation will be dependent on the quality of internal communication within it. Weick (2009) also emphasised the crucial impact of communication and interaction. The ability of the executive leader to create this environment is thus critical to long term survival.

In this environment I saw language as the conduit of meaning and change recognising the importance of delivering from a leader fourth order constructions (such as that in

Figure 2) by means of third order socialisation of the members of the organisation. It requires not just the ability of the leader to communicate his vision and objectives but to encourage open communication between employees. Integrating behaviour and supporting change requires a particular environment that cultivates collaboration of minds and the acceptance of difference. Communicating appreciation and valuing people's opinion are important contributors to this environment. In tandem, a language of public agreement where employees foster norms for accountability, responsibility, interaction, openness and acceptance of difference becomes a value in itself in creating a collective approach to seeking and predicting problems that affect the well being of the organisation.

Development Stage 3:

Exploration

The development process doesn't end there. Transformation works not only through subject/object movement and the construction of a new way of seeing the world of leadership. There is a third part to the process, which has two outcomes. The first is the application of this new apparatus of thought. The second is in the application itself the mind pushes itself further away from the original meaning making, a process of embedding in itself how the connections will work in the future.

In the explorations the framework became experience through its application. Firstly, it provided insights in terms of looking differently at the Financial Crisis and enabled me to propose solutions. Secondly, in tandem with the insights in Essay 1, the framework guided me in my day to day work. It gave me clarity of purpose, yielded the results I hoped for and gave me confidence. Thirdly, it gave me new perspective to examine business and advise others. In the first and main exploration it resulted in my being able to construct Figures 1, 2, and 5 which 'grounded' my framework in specific outputs which I will be able to use not only as apparatus of my own thought but potentially in developing others in the art of leadership and business organisation for the modern world – taking into account the elements of the business environment and the variables and resources that matter.

I propose that the output of modern organisational leadership needs to be sustainable and resilient decision making throughout the bank/business. In Figure 1 I was able to show the circular nature of organisation to deliver this. In Figure 2 I was able to deliver in more detail the continuous necessary practices from reflection to leadership/organisational meaning making to strategy and objectives, organisational alignment, structure and awareness initiatives. In Figure 5 I was able to zone in further on the awareness element to deliver risk mitigation and by extension resilience.

Final Thoughts

In an overall sense this framework was a conscious construction for use by me in a senior position in an organisational setting. It is what Kegan (1994) called "the delivery of a fourth order of consciousness that creates and regulates relations, roles, values with which they (mostly) become identified and to which they are loyal" (1994:103).

I started this portfolio as a 'product' of my social, professional and organisational experiences. I have ended it by producing a blueprint by which I can be a leader in the 21st century business world. I began the journey unwittingly trapped by embedded and fragmented assumptions, values and practical theories. I have ended this part of the journey by authoring a framework into which I have woven what I believe to be more appropriate assumptions, values and practices which are relevant to the modern business world. In between was a journey full of insights and discoveries that resulted in both evolution in meaning making and new applications of knowledge and expertise. It represents the transformation of third order socialised meaning making regarding leadership toward a more complex self authored construction of how I believe leaders should think in the post financial crisis era of banking and business.

Transformation is not easy. It requires determination and a dedication at all three development stages. It is difficult to surface meaning making. It is a meandering journey at times to look inwards at different problem events to gain insight into what was going on for you. It requires significant research and thought in a holistic sense to construct new meaning making, a framework to look at things anew and more comprehensively. Application is a reward at the end; the apparatus in action allowing the subject to examine things in a new light and apply themselves more effectively.

Even then the old ways of thinking are not extinguished and for a time must be resisted.

One must guard against complacency. It is not a finite process. Looking outward and looking inward through regular reflection ensures that mental development is an ongoing evolution.

Appendix 1

Robert Kegan's Theory of Adult Mental Development

- Key to Personal, Professional and Organisational Development

6.0 Application

The application of Kegan's (1982, 1994), and Kegan and Lahey's (2001, and 2009) theories in a post Financial Crisis world is in solving the mismatch between our internal mental complexity and the complexity of the outside world. The complexity I speak of is not just about skills and knowledge and making sense of the proliferation of information that comes at us. Complexity is about awareness; how penetrating we are when making sense of problems and fulfilling our roles. The 'average' level of complexity is a function of how we are socialised by our social, historic and economic circumstances and have experienced that world. In turn it influences how we construct the logics we employ in our personal and professional roles.

Developing this complexity requires change which is not of a technical nature but an adaptive one. The mismatch is what Kegan (1994) refers to being "In Over Our Heads" which was the title of his book. The issues I encountered and outlined in Essay 1 were not just about my effectiveness but, to my mind, reflect the issues of senior people generally in business and banking in that period. Kegan (2009) puts forward that these are developmental issues. This is probably best explained when he says the "lack of an adult developmental dimension in organisational learning theory has never been more important than the present, as leaders ask people to do things they are not now able to do, were never prepared to do, and are not yet developmentally well matched to do" (Kegan, 2009:5).

6.1 Orienting Generalisation and Abstract of Kegan's Adult Mental Development Theory

The principal significance in Kegan's theory is that potential for development exists in adult hood through the evolution of meaning making, based on his assertion that meaning making is a fundamental mental activity.

What is Meaning Making?

Meaning making, or way of knowing, is the scaffold through which we interpret, select and construe events and information from our environment, make decisions, and apply skills and knowledge. It distinguishes itself from knowledge and skill sets (content of our knowing) and focuses us on our ability to qualitatively apply them (way of knowing). The four tracking components of meaning making shapes our thinking (cognitive), feeling (emotional) and social relating (interpersonal) and ways of relating to aspects of ourselves (intrapersonal). Meaning making is the operating system of our skills and knowledge.

Complexity

Kegan (1982, 1994) and Kegan and Lahey (2009) differentiate levels of meaning making as levels of awareness or complexity, and outlines how it is not an IQ issue but one of capacity (to think and operate). "Mental complexity and its evolution *is not* about how smart you are in the ordinary sense of the word. It is not about how high your IQ is. It is not about developing more and more abstract, abstruse apprehensions of the world as if most complex means being able to understand a physicist's blackboard filled with complex equations" (2009:15).

If our capacity is an issue of capability, and real development is an expansion of this capability (as opposed to learning which is content oriented), then this is achieved by increasing the complexity of the meaning making. It is about the fit between *the demands* of the world and our capacity to respond effectively. Development of our capacity is about adapting the meaning making system we have; our operating system. His research with associate Lisa Lahey and others show that people make meaning

(way of knowing or sensing reality) at various levels of complexity, sometimes in contrast to the complexity of the cultural and professional demands.

With our external world evolving with ever increasing complexity, Kegan (1994) put forward the need for adults both personally and professionally to keep pace in terms of their own complexity. It is the meeting point between the complexity of the mind (meaning making) and the complexity of the environment we live in which generates a necessity for adapting and developing because often there is a mismatch of complexities – the capacity of the mind to effectively manage its external world. What is of interest here is that we can be active in this development.

6.2 Solving the Complexity Mismatch

Kegan (1994) put forward that a majority of adults operate from a level where abstractions in the form of informal theories, operationalised by deep lying personal and business related assumptions and beliefs act as implicit mental models. Thomas Sowell (2007) refers to these as 'silent shapers' of our thoughts. This is how we negotiate a world or reality that is otherwise far too large, changeable and complex. They are generalisations and simplifications to structure how we enquire, guide action and predict results. In terms of abstraction they are made up of a multitude of implicitly cross referenced data and categories from experience which we record, construct and store.

These 'theories' may overlap with others such that the premises by which we unawarely work may be a confusion of cognitive stimulants which hamper effective performance. Personal theory is often more deeply embedded than others such that it is a fundamental driver in operationalising other practical professional theories. The embededness makes them difficult to unearth or explain other than description. My personal and professional exploration (Essay 1) is an example where I reflected on my leadership and organisational practice. This is at the beginning of the Portfolio with the subsequent realisation that, without awareness, some of our constructed 'theories' can be of limited value because they represent a construct from a specific and situational past, while the reality of an changing external world demands that those in an executive role must minimally match the complexity of that change.

Adapting with a more deliberate construct is the most significant qualitative leap that transforms how we engage the business world. Transforming meaning making is then the development goal; comprised of the informal and implicit theories and deep assumptions about ourselves and the business world. This is about expanding our mental capacity, by shifting that which influences us and structures our thoughts to make them elements of our thoughts; from embedded theories to theories that are visible to us.

Berger (2010) explains transformation as more than adding information into the existing mental container; it is changing the container itself. "Transformation is about

changing the very *form* of the container—making it larger, more complex, and more able to deal with multiple demands and uncertainty. Transformation occurs, when you are newly able to step back and reflect on something and make decisions about it" (2010:2).

To me it brings insight; a means to understand and appreciate a whole new pluralism in terms of how people individually and uniquely make meaning in the work place. It also brings personal and professional possibility in consciously accommodating or constructing more comprehensive and appropriate theories to consciously deal with leadership and organisational issues.

6.3 Theory Features

Kegan's theory is a constructive development theory based on adults' dynamic interaction (mental/social/physical) with the environment which is the basis for their reality.

Constructing Reality

We presume that we apprehend reality directly. We believe we have a direct cognitive relationship with the world but we don't, we construct it ourselves, mostly without awareness of it. Everyone's reality is different - FH Bradley (1914) said "Our real world of fact may, for anything we know, could be one of the least pieces of reality, and there may be indefinite number of other real world's superior to our own. On the other hand, our world is the one place in which we are able to live and work ..." (1914:460).

The world we know is our constructed world, the platform from which we go about our lives. However, much of the platform may lie in the realm of the implicit and subconscious. Bradley (1914) compared our minds to gardens and advocated that we cultivate them. He highlighted lack of awareness in our direct conscious input of how we construct reality and the process of how we experience the world around us. In the prologue to 'The Evolving Self' Kegan directs us to a mediation point between an event and the reaction to it, the "... most human of regions, the place where the event is privately composed and made sense of, the place where it actually becomes an event for that person" (1982: 2).

Kegan (1982) says in the context of the cognitive, emotional, intrapersonal and interpersonal that we are active organisers of our own experience and the "process of constructing reality or making and interpreting meaning is the master motion of personality - the fundamental activity of a human being" (1982:49).

This master motion acts like an interpretive lens, the meaning making system, which filters how we make sense and understand what happens around us .The absence of direct and conscious involvement in the construction through this lens has bearing on how much authority we have over our adult lives. It is our individual 'way of knowing'

and comprises our mental and emotional capacities and our insight and understanding capacities. This is the principle of 'Constructivism'. It is how we individually, privately and often unawarely make sense of our world. We construct our unique and individual reality.

The construction of reality also evolves and develops, through periods of stability and change. The notion of evolution means gradual cumulative change over time producing something qualitatively different and more optimal in relation to the original. Evolution and development doesn't happen in a vacuum, it is within and through interaction with the environment. GH Mead (1936) said the individual "constitutes society, as genuinely as society constitutes the individual" (1936:70).

Challenge to Our Constructed Reality

Changes come in response to challenges and demands from society and, from a mental development perspective, as a result of how we experience these challenges. In echoes of Darwins theory of natural selection, we must adapt and evolve to meet these challenges. Through the evolution of our meaning making we can develop complexity; more complex, integrated and inclusive ways of dealing with our environment be it social or professional. In adolescence and into adulthood, we build up theories (enlargements of what we have observed) about various categories of social, parental and professional phenomena through context and the internal-external dynamic process. We then externalise these theories by way of behavioural response to our various categorical phenomena. 'Uniqueness' has important implications and consequences in that it implies that in our way of mental operating we are not awarely active in its management. We are clearly differentiating here between the content of the mind (what we know) and the quality of the meaning making (the way we know it) in terms of how comfortably and effectively we perform at our life roles and tasks.

Response to the Challenge

To develop our meaning making Kegan (1994) draws our attention to the way our history predisposes us and to make the effort to understand 'myths' and theories we

have internalised or constructed. In discussing relationships and our interpersonal selves Kegan (1994) makes the point metaphorically: "When we are not aware of these stories they continue to author us, and not merely our past, but our present and future as well. When we are unaware of these dramas, we may unknowingly cast (others) into roles and act them out on the stage of our (relationships) according to a script of which they have no way of understanding ... each casting the other in a role derived from a script neither the "caster" nor the "castee" knows they are enacting" (1994: 85).

Evolving the master motion is a qualitative change in *the way* we know. Kegan viewed this mental development as a theory of consciousness where we make increasingly complex meaning in an increasingly complex world through increased levels of consciousness or awareness of our theories over the lifespan. The natural process is unscheduled and the timing and pace of development differs for everyone. It is not correlated to specific age, and the context of ones environment can both support or constrain that development.

Distinguishing between content of the mind and quality of the meaning making enables us to understand the necessity for the development of each. The effect of 'whole of mind' development can be understood on a two dimensional plane with increasing complexity on the X axis and increasing knowledge on the Y axis, and the diagonal between the two representing increasing capacity and effectiveness. In a simple sense then, from a learning perspective, we require two types of training – informational and transformational. What we generally experience however, in formal development, is 'transmission' by way of a transfer of knowledge. The use of this knowledge is only as effective as the meaning system that uses it which brings us to a secondary element to development which is transformation of this operating system. Transformation happens when someone changes "not just the way he behaves, not just the way he feels, but the way he knows—not just what he knows but the *way* he knows (Kegan, 1994:17)."

Adapting the meaning system is transformational and thus transformational learning "not only increases knowledge but leads to a deep and pervasive shifts in perspective

and understanding ... reflective of the qualitative changes in a person's organising interpretive logic or meaning system (Portnow, Popp, Broderick, Drago, Severson and Kegan, 1998:22)" where organising logics "represent the structure of our thinking which we distinguish from the content of our thinking ... an underlying form of reasoning we use ... these logics form the interpretive lens through which we make sense of the content of our lives" (Popp and Portnow, 2001:50).

Adapting the lens then can lead to enhanced judgement, application of knowledge, problem solving and interaction, in our professional roles where the greater and more complex the meaning making system, the greater the potential demonstration of competence.

This possibility to develop potential must also be seen in the light of how the individual adapts his environment as he projects his image and ideas outward. His sense of how something could fit in the world he understands has important ramifications for the workplace and the business world. Depending on the level of consciousness or complexity, individuals in the workplace interpreting their experience from different logics or conceptually and qualitatively operating from different standpoints unawarely see problems differently, make different decisions and deliver different results. In one scenario, they interpret their environment through years of conditioning and cannot see alternatives to their decisions. When faced with difficult situations their choices are unawarely limited. They assess their situation; make a plan of action based on their implicit theories and can only consider another when a problem arises. In another scenario, the way we send and receive information is influenced by meaning making and depending on its complexity; it can be driven by what others want to hear or what we want to hear on the basis of our alignment with an embedded value, ideal or even external group.

The implication for professional practitioners is significant. People operate with different interpretive lens that shape their sense making across multiple realms – interpersonal, problem solving and decision making, communication, and learning. It represents mental pluralism in the working society. We can surmise that if the way individuals make meaning is not developed then the requirements of more complex

professional roles become overwhelming and can limit potential. However if developed to qualitatively higher levels, adults could think more discriminately, be more independent of thought, sees bias in others and own opinion, solve complex problems and thus operate with greater capacity. In that context, if meaning making can be transformed qualitatively, the more potential the individual has to offer.

Matching Complexity: Dynamic Principle and Resistance

Bradley's (1914) carefully worded explanation about our individual realities, though they may be the 'least piece of reality', is the one place we can 'live and work' points to the unease that will be generated from leaving that place and the difficulty in doing so. This is not a technical improvement which is the hallmark of many training and development programmes in the workplace. This is the adaptation of the whole mental system.

To align with external complexity, we need to understand this process of adaptation and its context. Kegan (1994) identifies how we develop the mind by way of transformation from one level to the next – what he terms *the subject-object process* and the dynamic principle of his theory.

Subject-object transformations may be motivated by recurring dilemmas and frustrations which manifest when we do not have a frame of reference to adequately deal with (which necessitate a behavioural response) situations and events which are challenging in our external world. "The persistent experience of some frustration, dilemma, life puzzle, quandary, or personal problem that is perfectly designed to cause us to feel the limits of our current way of knowing, in a sphere of our lives we care about with sufficient supports so that we are neither overwhelmed by the conflict nor able to escape or diffuse it" (Kegan and Lahey: 2009:54).

In stable circumstances when new situations or information matches the existing interpretive framework then the information is assimilated into that framework. However if the existing framework or meaning making cannot achieve this there is a motivation to modify or adapt the meaning making. Where a supporting environment exists formally or informally, this is what Kegan and Lahey (2009) calls Optimal Anxiety.

At this point, and completely in paradox to the notion of a development movement our current system may, to varying degrees, resist change because of our innate need for order and stability. Kegan and Lahey (2009) termed it 'Immunity to Change' or 'Dynamic Equilibrium' (2001). Kegan and Lahey (2001) described it as a "system of countervailing motions that maintains a remarkably hearty balance, an equilibrating process continuously manufacturing immunity to change ... we tend to be captive of our own immune systems. We live inside them. We do not 'have them'; they 'have us'" (2001:6).

Metaphorically we can describe it as having one foot on the accelerator and the other on the brake where we are promoting and preventing the necessary change simultaneously. To move 'Subject' to 'Object' the 'lens' is qualitatively transformed. We create a bigger system that incorporates and expands on the previous one by subordinating beliefs, values, our own and others opinions and ideas to a more complex system which prioritise them, combine them or create new values or beliefs that lead to new theories so that we author of *our reality* and *our standards* rather than be subject to a fixed mode of operation. "...it does not remove the spectre of risk and danger from psychological life; rather, it changes the basis or context from which one's sense of alarm arises. Ultimate anxiety is no longer a function of being excluded from or disdained by one's tribe but instead may be a threat of falling short of our own standards..." (Kegan and Lahey: 2009:53).

Discovering Our Hidden Meaning Making

Kegan and Lahey (2001 and 2009) created a psychological X ray technology called an Immunity Map to aid the surfacing of the implicit personal theories and assumptions (meaning making) which 'have us'. By interrogating our goals/commitments and behaviours we begin to verbalise what holds us back from changing – our hidden commitments which are manifested by an assumption about ourselves and our worlds in the Bradley (1914) sense. These are self images and are the affective influences on our cognitive processes. The assumption is an overarching theory operationalising and generating related theories as 'countervailing motions' to keep it in balance. By surfacing them, by making what we are 'subject to' object is the critical point of

transformation – we can now reflect on these theories, evaluate them and regulate them. They help shift the organising principle of our thinking (see below) to the explicit and conscious.

There are a number of points which are important to emphasise. Firstly one's environmental context plays a significant part in this process. A narrow or broad set of life experiences can limit or enhance the number and difference of experiences from which to build a frame of reference. Secondly, this type of growth and development cannot happen all at once. Transforming the entire structure of our knowing does not happen in one movement – attempting this process would be overwhelming and would only enhance the power of our 'immunity' and preservation of our status quo. It happens over many movements of subject to object, in many contexts, and eventually leads to an entire transformation to a new more complex meaning system.

The overhauled system emerges through consolidation and elaboration of the emerging way of knowing or organising of experience, and understanding that allows for greater 'coordination, interrelation and extension of skill and capacity across knowledge fields *within the current way of knowing'.*

Thirdly, we need to appreciate the slow, continuous and incremental nature of it. It has significant implications for professional life, but in the modern workplace, where there is a demand for immediate results, is not currently facilitating. Finally, when the emergence occurs, a person's performance level in their speciality fields rises sharply, followed by a period of consolidation over several years of 'growth plateau'. It is part of the process of consolidation of the new stability and application to many parts of the individual's life where their skill sets are elaborated.

Our general experience of bringing about individual and organisational change is to try to change the behaviour directly. However where Kegan and Lahey (2009) direct us is back to where meaning was constructed. To bring about development and change in people, we should focus on behaviour as a symptomatic starting point (without attempting to directly change it) and work back to uncover the underlying meaning structure, which contains the implicit theories and cause behaviour (or drives us, that which we are subject to or 'has us'); our psychological lens, so that we can look at it

rather than through it (make object, what we have and can observe). The 'drivers' which we are subject to, are embedded beliefs, values, assumptions and theories from our history in the family institution, society and workplaces. They are enlargements of what we have previously observed but may not be *the* truth or even *half* truths, just *a* plausible truth from the time of their construction. Kegan (1994) directs us to surface them so that we are not inclined by them. It is then we must consciously and slowly put distance between ourselves and these assumptions. These "... are assumptions taken as true, conveyed by ... an ethos ... and held by the person without awareness that these 'truths' are not *the* truth, but only *a* truth, collectively come to by the real but merely human people with whom one has lived. We are expected as adults, to see through to the partial, or assumptive, nature of these truths lest we subject our partners to a dogma of which we are unaware we are orthodox adherents" (1994:86).

Being aware of them, to have them (object) rather than be had by them (subject), is an epistemological shift that allows us to reflect on these beliefs, have values about value systems, to hold and manage the internal mental reflex and external demands, contradictions and conflicts, and choose among them. By doing so it allows us to operate from a larger, more differentiated and integrated mental space. For example to *have* and *own* an overarching theory about leadership and organisation, geared to deal with the complexity of the modern world, would be to operate in a superordinate way where one could create a vision, set objectives, independently and consciously create a context for which all parties in an organisation collectively participate in this vision and contribute to that organisation's objectives, growth, resilience and sustainability, define roles of individuals and teams, assign responsibilities to those roles, set limits and boundaries, support development, communicate well and fairly while seeing oneself in the oversight role. At the subject level one can only describe these, be responsible (but not take it), be heroic in one's endeavours but never truly craft a coherent vision and recruit others to take ownership and identify with it.

Personality/Style

In the context of Kegan's theory being a constructive developmental one, we may have also asked whether this is all bound up in a personality type issue.

In 'In Over Our Heads' Kegan (1994) gives a view on the MBTI personality tests which is quite interesting. He (1994:198) looks at it in the context of 'dealing with difference', the different ways people 'know' and the implications for success in the workplace. We have discussed that people actively construct or 'apprehend' reality that is more than just a response to 'momentary stimulus' but from numbers of incidences in many contexts and 'across several spheres of life'. He compares the MBTI to the Subject Object structure.

He describes how the 'type' approaches to ways of knowing shares with the subject object structure two central 'constructivist' features. These are – 1. That people actively design their realities rather than happen upon them and 2. The type approach is consistent across all contexts (i.e. 'types' approach work and family life the same way).

However, one of the key differences is that the MBTI avoids committing to whether one type/style is qualitatively different to another. There is no confidence that they have identified personal characteristics which distinguish whether one is more effective over another or could evolve from one to another. It does not distinguish between making good or bad decisions (competency) but in how the message may be delivered (style). Kegan (1994) points out that MBTI does not suggest a journey of increasing epistemological vision, whereas the subject object approach can lead to a qualitative shift in complexity or capacity in our mindset.

He quotes Lewis and Jacobs (1993) who say in Kegan (1994:202) that

'Leaders add value to their organisations by exercising discretion and making sound decisions. The style with which they exercise these is not ultimately important. What is important is the quality of these decisions…the critical variable in leader effectiveness is the conceptual competence to do the required work. Awareness of style may help communication slightly but it won't make better decisions'.

In short the MBTI in terms of personality style does not deal with one of the core components for high performance in the workplace – judgement. Whether you are an

extrovert or introvert, or thinker or feeler – the style or preference does not transform epistemologically over time but may operate differently in different meaning systems.

Shared Features of the Principle ways of Meaning Making

Kegan (1994) puts forward five common features to the ways people make meaning

1. "They are not merely principles of how one thinks but for how one constructs experience more generally including one's thinking, feeling and social relating" (1994:32).
2. "They are principles for the organisation (form of Complexity) of one's thinking, feeling and social relating" (1994:32). Knowing which principle people are centred in tells us a lot about how they think but little of what they think or feel.
3. Mental organisation is epistemological; the study of knowledge and justified beliefs. It looks at the sources and conditions of these. We need to evaluate them and our experience in the context of their cognitive origin and in terms of the reliability of perception, introspection, memory and rational intuition. The internal/external processing dynamic is at play where the internal deducts and reflects, while the processors interpret experience and information from the environment. In short we should ask: How reliable is 'How it appears to me'? The root or structure of mental organisation is the subject object relationship within the self system. Subject is immediate: It is those "elements we are identified with, tied to, fused with or embedded in" (1994:32).

   We cannot reflect on, control, and be responsible for that which is subject. Subject is 'immediate, ultimate and absolute'. Effectively when we are 'subject', the structure of the perceptive mind operates from a subconscious reflexive preference. What Kegan (1994) refers to as Object is "those elements of our knowing or organising that we can reflect on, handle, look at, be responsible for, relate to each other, take control of, internalise, assimilate or otherwise operate upon" (1994:32).

   Object is reconciled and relative. When the reflexive self (structure of the mind - subject) becomes elements of self (object) the subconscious prompting to

action becomes a conscious choice. We are aware of it and have authority over it. The former self system may now be reflected on by the newly emerged self. When moving between the levels, orders or principles of meaning organisation the 'cannots' (subject experiencing) are transformed to 'cans' (object experiencing). We subordinate the meaning making to a more inclusive and wider encompassing way of knowing. When this happens we can operate at a more conceptual level. We are more inferential and insightful and less spontaneous and instinctive. We can achieve greater perspective and mind complexity. The selective, interpersonal and executive interpreting capacities are regulated in a wholly different and more qualitative way. We *have* object, we *are* subject.

An example of being 'subject' is 'cultural blindness'. Drath (1990: 486) says that subject is to "see with" rather than to "see through" and puts forward that "To see with our culture-bound norms and expectations, accept them as given, and cannot examine them for what they are – that is, we cannot see through them. Our cultural heritage is something we are, not something we have. The culture holds us; we are embedded in it and cannot rise above it."

4. Kegan's fourth feature is that the "principles of mental organisation are intimately related to each other" (1994:33). They are not just different ways of knowing, not a case of one replacing another, and not just cumulative in terms of applying knowledge. They are "transformative, qualitative and incorporative" (1994:33). Each one encompasses the last. That what was subject becomes object to the next principle – more complex, more inclusive – that makes the prior principle an element or tool of the next. He uses a geometric analogy of point, line and plane. Each is subordinated into a more complex organisational principle of the previous one. They are developmentally related.
5. What we take as subject or object is not necessarily fixed. They are not permanent. Transforming our ways of knowing - shifting that which 'has us', to that we 'have' – this is "*the most powerful way I know to conceptualise the growth of the mind"* (1994:34). From this concept he establishes orders of

consciousness; hierarchical levels of awareness, complexity of thinking and mental organisation. It is his theory of enabling and growth to cope with being In Over our Heads.

In 'In Over our Head's', 'How the Way we Talk can Change the Way we Work' and 'Immunity to Change', Kegan not only looks at the complexity of our minds but the psychological burden of the demands on us from our cultural and professional environments in our various positions. While new capacities are added at higher levels of consciousness there is stress and anxiety in the transition. The transition begins when we reach the limits of our capacity to deal with the demands made upon us; the mismatch between expectations and our epistemological capacities.

Each epistemology has distinctive 'self to environment' characteristics. Each has potential and limits. Each system sees, feels, engages and experiences a different relationship with the world than the others. Bachkirova (2010) also says that Kegan's theory suggests that human beings have parallel tendencies that can rarely balance – to be autonomous and differentiate oneself, and to belong. To adapt we must pursue both. The pursuit of both happens through the subject object dynamic; shifting from the perceived self to one of the elements of self in a cyclical, evolutionary process.

In terms of the epistemology, there are five stages of development or orders of the mind according to Kegan (1982, 1994). They run along the balancing pattern of differentiation and integration (we want to be autonomous but we also want to belong) where the development proceeds from concern with the needs of the ego, to concern with the environment and the people we interact with, to concern for the wider world. As we will see, the process is more inclusive and encompassing as it evolves. Bachkirova (2010) likens it to greater psychological muscle as you shift through subject object phases. The stages cannot be skipped, because each is built on the previous one. Just as Kegan (1994) likens it to a line in a plane, she references Wilbur (2006) who calls it 'Holarchy' – similar to the relationship between atoms, molecules, cells and whole organisms. The implication is that you cannot go from atom to cell by skipping the molecule.

The qualitative differences in how we know and think is demonstrated by what Kegan (1982, 1994) calls 'Orders of Consciousness', separated by full transformation, through the subject object process of whole meaning systems. As we move up through the orders our thinking becoming less rigid, less exclusive and dogmatic and becomes more open, flexible and complex. We become more tolerant of difference which yields greater 'constructive capacity' and helps us to be more adaptive.

The transitional stages between them are where the subject object shifts take place and show the emergence of the next state. Each incrementally higher level is an evolved version of the previous one, has its own logic and has a profound impact on the effective use and comprehension of information and knowledge. It is best described by a quote from Reimer and Other (1979:25)

"It is important to note that a particular logic or way of knowing represents both 'the organised possibilities and limits that characterise a person's thinking and feeling processes at a given point in (his) development"

6.4 Capability and Levels of Complexity in Meaning Making

Kegan (1994) identifies five qualitatively distinct levels in ways of knowing or levels of complexity which he calls mental plateau; three of which are relevant to this discussion; the socialised, self authored and self transforming minds. These are sequential development stages, and while not age specific, have a broad link to life periods, and linked to environmental context. These broad mental plateaus are long lasting and robust. They have an identifiable inner logic and each 'logic' or level of awareness builds upon, integrates and transforms the previous one. The inner logic is *the organising principle* for each level. While the orders give definition to where we operate from, it is likely that we operate between the levels such that we show elements of different stages. They affect the quality of our communication, problem solving, decision making, and interpersonal competences and the responsibility for self at each level. Thus they are issues of capability.

Adult complexity generally resides at the third of five levels. It is preceded by the levels associated with children.

Instrumental Consciousness - Order 2

At this level, thinking is concrete, rule oriented and come across as absolutes in terms of 'black or white'. Rules, explicit or societal, are adhered to for fear of consequence or punishment. Others opinions are recognised, but either are aligned or barriers to achieving one's own ends. There is a predominant element of self centeredness in their motivation to act. In the workplace, order two thinkers may work firstly in their own interests and will require regular supervision.

Underlying Structure: durable category (concrete dispositions)

Balance: Toward separation (from our cultural surrounds)

Age Profile: Adolescent and early Adulthood

Socialised Consciousness – Order 3

At this next level one's needs and desires are subordinated (made object) to those of others. Order three thinkers are more abstract in their thinking, and think about their

action in the context of others. Relationships rather than self interest have greater value, and there is a gradual build up in devotion to externally accepted or imposed norms. Conflict is experienced when important others disagree, thereby making it difficult to make decisions without feeling guilt. There may be little sense of their own identity separate from the institutions they *belong* to making it difficult to be comfortably assertive. The sense of loyalty to that institution becomes the overriding structure of thought. They don't want that feeling of having let others down even if it is the right decision. In that context the homogenous approach will be the central driver. The limiting factor is that the socialised thinker will rely on and internalise (be subject to) externally constructed perspective and theory from a trusted source, will rely on others for ultimate leadership and will be an idea receiver rather than generator.

Underlying structure: Cross categorical, others are co constructers of the self

Balance: Toward inclusion (with one's cultural surrounds)

Age profile: Early adulthood onwards; can remain at this stage depending on experiential context.

The following is what we do and feel at this level which has implications for organisation and leadership:

- Our focus is inward and on the interactive with other people or ideology (politics/religion/beliefs) leading to a sense of self, identity, mutuality, acceptance and belonging.
- We coordinate needs with those of others to create relationships, thus subordinating our own needs.
- Difference or being in minority is stressful and may result in being defensive. We have a preference for sameness and peer approval. Our concern is with what others think is right.
- We rely on authority and experts for learning.
- Our values and beliefs are implicit and constructed from the context of our upbringing and immediate culture. We are thus unaware of what defines us.

- Self can be defined by the expectations of others.
- Our needs can be regulated and therefore less impulsive.
- We think more broadly and abstractly.
- We are future oriented in terms of the connection between the present and events yet to occur, but tend towards shorter term analysis.
- Intuition plays an important role in the use of information.

Subject (structure of knowing): Inner feelings, relationships, generalisation, ideals and values.

Object (content of knowing): Enduring dispositions - *Has* needs, interests, wishes and points of view.

Self Authored Consciousness – Order 4

At the self authored level, the internalised beliefs, values and standards which formerly structured and controlled thought processes are made object. There is a self generated identity that exists outside of relationships. Self Authored people generate their own internal sets of beliefs, values and standards and have their own opinions and theories of 'how the world *should* work' which are the basis of their decisions. They are self motivated, self evaluative and self guided and can exercise responsibility over themselves and their work. They can feel empathy for others in the context of understanding where they are at and their needs, opinions and wishes. They are less inclined to feel or absorb the conflict between or with others because they are more distanced from or in relationship with these relationships, and can mediate these conflicts. They can also distance themselves from, or subordinate their previously internalised theories, *have* their own vision, and apply theory as an element of thought (object).

Underlying structure: Systems/complex.

Balance: Toward separation.

Age profile: Later adulthood and context dependant.

The following represents how we deal with personal, professional and organisational issues which have significant implications for those aspiring to and performing competently at executive level:

- We are responsible for and create our own ideology or overarching theory
- The locus of control moves internal, where the authority is the self, which has its own system with its own rules to make decisions.
- We are less influenced by relationship concepts; subordinate the relationship to a bigger vision without threatening the existence of it; can exist outside the relationship but can empathise.
- We work from a 'larger mental space' thus having values about value systems, can hold and manage internal and external demands, contradictions and conflicts, and can choose among them.
- We can invent our own work without seeking guidance, are self initiating, correcting and evaluating; are responsible for self in terms of what the self sees as important rather than what others do.
- We see family or organisation as a whole and self as part of the whole.
- The self authored are those who "Seek mastery, promotion, recognition, credential, and confidence; crystallising work identity; readjusting career goals to realign with changing picture of self and significant others" (Kegan: 1994, 180). We own our behaviour at this level.
- Our identity remains consistent across all roles and contexts; and is committed to the institution (work/family/group).
- Others perspectives can be taken without threat to one's own – they are independently generated psychological expressions or theories.
- The self is the driver, chooses what it wants to know, consults with who it judges will enhance its authority in terms of standards, values and goals
- Diversity is 'rich'.

Subject (structure of knowing): authorship, ideology, identity; a larger abstract system.

Object (content of knowing): *Has* inner feelings, relationships, generalisation, ideals and values.

Self Transforming Consciousness – Order 5

At order five, one's meaning making complexity allows greater distance to be reached from their own and other's ideology and to embrace diversity. Self transformers can hold the different views and theories of the many and look for the similarities. They can 'see' the unfolding origins and the dynamic processes of theirs and other's identity. They can therefore handle many complex roles. They seek common ground between polar opposites rather than attach to one side or another. Therefore they can coherently integrate and accommodate many perspectives, are community creators, change embracing and concept generators. At this level, the absence of attachment to ideology puts them in a clear and unambiguous place to make judgement.
Underlying Structure: Trans Theoretical

Balance: Toward Integration

Age Profile: Middle to later adulthood

This level is ideally suited to ongoing change and having change agendas:

- We can see the limits of our own system; recognise the limitations of thinking oneself as 'whole' or 'complete'.
- We begin to see that life is not about defending one's form of self but to have the self as transforming – it is less 'survival' and more 'integral', a different use of energy.
- The self transformer 'Sees motion, process and change as primary features of reality' (Erikson – Family Journal).
- We are concerned with the larger system to which many systems including self, and group belong.
- We know our system has multiple selves that fulfil many roles.
- We look for inner bias and partiality in own system; a self perspective.
- We are not threatened by contrariness.
- We seek truth – objectively.
- We eschew absolutism and are friendly to contradiction and oppositeness.
- We are relationship builders, seeking to connect and be collaborative.

- We promote and celebrate pluralism.
- It involves improved understanding of one's own and others position.
- We do not try to mould others to our theory or ideology but promote dialogue between theories and theory holders.
- It is focused on the process of building ideas rather than the ideas themselves.

6.5 Relevance for Executive Practice

Understanding how we organise meaning, how it evolves and how we can be party to developing higher complexity to meet the demands of the workplace presents opportunity to realise potential personally, professionally and organisationally. From Kegan we now know how meaning making is constructed, to be aware of how our 'history inclines us' and to see through the assumptive 'truths' that limit our sense of the world and in turn limit our capacity.

Development is not about increasing our well of knowledge, it is about enhancing how we can use it, relate to people and relate to ourselves – it is our *way* of knowing. We each construct our own reality and in doing so we each have an interpretive lens. The demands of modern society can overwhelm us. Development of our meaning making system gives us greater capacity to engage these demands. Kegan's dynamic principle of development is the subject object movement; the transformation of how we organise meaning. It involves the deepening of our interpretive, executive, construing and interpersonal skills in order to become more aware, flexible, inclusive, complex, and less judgemental across a multiple of realms. The developmental hotspot in this Portfolio predominantly lies between the socialised and self authored levels.

For people in executive roles, involved in the strategic and operational management of a business, operating at a socialised level whose characteristics for organisation and leadership are already outlined, appear limited in negotiating a complex world. In the post Financial Crisis era we cannot be defined by others, blindly follow others, feel the need to behave like others or operate a business or bank unawarely in terms of the rules and logics we employ.

However the prospect of transformation means we can evolve this way of knowing. Making socialised beliefs, values, standards and practices object allows the opportunity to generate one's own internal sets of beliefs, values, standards and practices as well as opinions and theories of how the business could and should work. This self authorship would allow executives to exercise responsibility over themselves and their work, be less influenced by or under the control of others. By subordinating previously held beliefs and theories they can *have* their own vision, and use theory as

both to evaluate, enquire and operate. This, for me and in senior positions in banking and business, seems to be the minimum requirement.

Appendix 2

Five Risks in Banking leading to Aggregated Risk

7.0 Risks

Credit

This is the risk that a borrower defaults on a loan either by outright default or delay in servicing the loan. The present value of the asset declines thereby undermining the bank's solvency.

The difficulty with lending is the variety of issues that are prone to plurality and complexity of meaning and skill sets. I have experienced lenders, subject to aforementioned personal assumptions and theories about business, banking, and standards, make decisions based on their promotional prospects, volume, margin and fees. I have seen them influenced by competition and market trends in terms of potential for capital appreciation and sectoral bias. I have seen them making credit decisions based on standard measurements and information, inadequately assessed or accepted projections, historic accounts, and strong relationships. These are issues of "problemistic search" (Cyert and March, 1963:169) and asymmetric information as a result of imperfect knowledge.

Liquidity and Funding Risk

This is the risk of insufficient funding for normal operations; to meet liabilities as they fall due where cash cannot be raised on the retail or wholesale side, or cash cannot be raised at a reasonable price. Where depositors depend on the bank to be liquid, liquidity being a service, any loss of liquidity could quickly spell the end for the bank as costs cannot be reduced nor long term assets realised. Maturity matching eliminates funding risk where any deposit can be met from cash flow of maturing assets. However, depositors tend to roll deposits over rather than withdraw and only a small amount will be withdrawn on any given day. Maturity matching to reduce liquidity risk to zero would mean much lower profit so some mismatch will be necessary to add value.

Interest and FX Rate Risk

This arises from interest rate mismatches (e.g. deposits vs. loans) in both the volume and maturity of interest sensitive assets and real or contingent liabilities (guarantees). Any unanticipated movement in rates can seriously affect profitability. Therefore an asset liability management group is a necessary part of bank management. There will always be some mismatch between fixed and variable rate assets but a substantial excess of one or the other when rates move may have an effect on net income.

Market Risk

This relates to the risk of loss due to changes in prices or values of traded assets, the value of collateral and probability of cash flow.

Operational Risk

This relates to inadequate internal processes, people resources and systems that could have a debilitating effect on asset management. Some of these are control issues. Some are change resistance issues.

I have seen operational deficiencies in terms of documentation and collateral which have effect long after the inception of the loan. Relying on old policy and old procedures, poor training and oversight are issues of ordinary management and resistance to change. A poorly integrated information system, a poorly integrated risk system, and a deficit in the approach to developing human resources are issues of operational risk.

Aggregated Risk

The impact of adverse movements in any of the above is most keenly felt in bank capital. Capital and reputation are inextricably linked and any negative trend both depletes capital and reputation creating a spiral which is difficult to arrest. Minimum capital regulatory requirements deal with minor issues but in the old format are not enough.

Appendix 3

Further Explorations

Exploration 2 – Application in role as Regional Manager

8.0 Background

From 2010 to 2013 my role as head of a business unit covered a number of commercial loan portfolios and comprised two regional areas. Following the introduction of the National Asset Management Agency (NAMA) in 2009/10 all property development and client related loans were sold into this separate management vehicle leaving the majority of loan types in the bank (and my region) as personal, investment, non development related property, small and medium enterprise and corporate loans. These loans were further split into performing or impaired for reasons of deteriorated collateral value or reduced repayment capacity. Impaired loans were housed in a new department called Recovery Management.

My role was in this department and in 2013 the scope of my role broadened to include all the bank's regional offices. Additional loan portfolios were taken on from other units. During that period I also oversaw the incoming transfer of twenty new staff from other areas. The main objectives for this area of the bank were deleveraging (to reduce the size of the bank's balance sheet) and recovery thereby reducing funding and capital costs which had grown substantially during the financial crisis and reducing bad debt. Loan repayment and loan sales are the main means to achieve this.

I had responsibility for fifty six staff in total with broadly mixed loan portfolios (investment, property, SME and personal). Each office had a senior manager covering administrative and portfolio management processes.

Purpose

The first Exploration in Essay 3 used the tools constructed in Essay 2 to examine issues related to the Financial Crisis and propose long term solutions. The purpose of this Exploration was to transcend the issues outlined in Essay 1, Table 1. The goal was to adapt the tools constructed in Essay 2 and the framework outlined in Figure 2 to my day to day leadership role; allowing me to thinking through what needed to be done in a superordinate way i.e. with a vision of what needed to be done through a more

structured, holistic, consistent and comprehensive agenda than evident in Essay 1 and applying it to day to day operations.

With a thought framework geared toward quality decision making and practice in banking I believed that it could apply to this recovery work. The key common elements would be Reflection, Meaning Making, Alignment, Awareness and Continuous Adaption.

My approach consisted of a reflection and enquiry with regional management of what was happening externally and internally for the bank in the regions and the assumptions used in recovery practice. Application of the framework involved setting out a vision for recovery, communication, engagement and planning across the offices which were the foundation for alignment of practice. This alignment involved setting out clear objectives, values, policy, procedure and structures for administration and portfolio management. In parallel I focused on generating internal growth, collaboration and awareness of further risks to the portfolio. The outcome looks at what it meant for others in the bank, clients and me.

8.1 Reflection

My starting point was Reflection. Having the framework to guide my thoughts made me more focused leading to a number of key questions: What were the key elements in the environment? What assumptions were there in the practice of loan recovery? What objectives should we have? Did these align to those of the organisation? How relevant were the practices we use? How could I align staff in the various regional offices to the objectives and needs of the organisation while remaining vigilant to the risks? How could I tackle difference? What did I need to change?

For greater clarity on the issues at hand I reflected on the three elements in the organisational system (environment, organisation and people) which were the general economy, the bank and its clients, and the staff.

This is what I now saw as relevant:

Economy

1. Not only was the economy in severe recession, but the banking system was significantly restricted in terms of the ability to lend money and fund itself, thus limiting the supply of working capital to enterprise and causing values to reduce. The bank I worked in was operating under severe cost and regulatory constraints.

Bank and Staff

2. Expectations of the bank regarding recovery time were ambitious relative to the issues in no 1 above.
3. All clients in difficulty were treated similarly though they belonged in different classes of loans related to the sectors they were in e.g. enterprise loans, property and investment loans. Being categorised as 'impaired' resulted in banks increasing pressure on them to resolve the position or having them solved by way of receivership or liquidation.

Clients

4. Many clients, who had lost their entire equity in their business, were unable to resolve their situations for various reasons relating to the recession, their organisational capabilities, and low finance and capital availability. This led to low confidence. The relationship with clients was generally deteriorating as their financial capability worsened.

Staff

5. Regional Staff were spread in different geographic areas; were differently managed in the past; had different backgrounds and skills and (aside from day to day operations) different ways of dealing with the situation.
6. This included embedded methods of loan recovery, predominantly using standard insolvency practices reflecting times when they could realise adequate value towards clearing debt, but also involving uniform psychological pressure to repay debt. This didn't recognise that each lending situation is different and in terms of maintaining or realising value in loan assets or collateral these tools were unsuitable in terms of the scale of the recession and market dislocation.
7. There were morale issues, uncertainty, and acrimony leading to increased levels of staff turnover.

Additional Enquiry

Given the location differences I believed one of the key issues was going to be interaction, common purpose and awareness. To enquire further I looked at connectivity across the organisation.

Connectivity

In the past there was no real inter-office communication so I was unsure how well the different regional teams followed procedures, policy and controls. I didn't know the levels of expertise and how well they were matched to the job at hand.

As outlined in Essay 2 communications and collaboration are key organisational tools. To ensure full involvement, I initiated discussions with the managers from each office

to understand how aligned operations were across the offices; how they ensured general policy and standard operating procedures were applied, their objectives (professional/organisational), their approach to Loan portfolio Management, their attitudes towards recovery and how administration was completed.

It was an opportunity to highlight in group discussions that practices may be different. Due to different experiences, different training and background there seemed to be no common approach to recovery and thus dealing and communicating with clients. It showed how meaning making differs between offices leading to the organisational behavioural issues as outlined by Cyert and March (1963).

We also discussed staff who had transferred in from other units and how aware and knowledgeable they were in terms of policy, standard operating procedures and Central Bank Regulations in relation to dealing with clients. These were quite different for them where they worked previously influenced their behaviours.

Interdepartmental Misalignment

I spoke with colleagues at peer level in other Lending departments and those in the Risk Department. While the overall thrust was the same I could sense that methods and priorities differed in terms of organisational objectives in relation to the department they worked which was in keeping with what I had learned in Essay 2. I sensed that they had different approaches depending on their backgrounds and experiences. Some followed policy and procedure to the letter of the law. Others saw it as a guide.

Client Enquiry

Part of my role was to stay in contact with clients. In terms of looking to maximise recovery I saw that in the majority of cases client issues included issues of organisation in terms of their continuing to make the same errors and not adapting to current economic climate. Many felt that there was no longer a constructive relationship between them and the banks. It made the work acrimonious and difficult to carry out.

8.2 Assumptions in Recovery Practice

Next I thought about assumptions inherent in general banking practice related to recovery and bad debts. At individual client level the insolvency process is the default process to recover value. It was being used extensively in many banks at the time as repayment schedules slipped and relationships broke down with clients. Generally the approach would work because values had rarely dropped by more than 20% in a downturn (hence a general loan to security value rule of 75% to 80%) and assets could be quickly realised through market sales. However this inbuilt assumption was now proven to be inadequate.

This market meltdown had not been experienced by any of the stakeholders (staff, bank, and client) before. While it was categorised as a property and banking crash it was also an economic crash causing a general lack of liquidity and confidence which had a significant effect on SME's and ran contrary to the assumption about market patterns in a downturn. The entire market system seemed dislocated. Working to a short term or fire sale timeline in order to realise the best possible outcome would not be appropriate or efficient.

Credit availability was almost zero because of the shortage and cost of available liquidity to banks and the more onerous capital requirements which were being enforced by regulatory authorities. There seemed an inherent contradiction in the way government and regulatory authorities wanted banks to deleverage on one side (i.e. reduce the amount of lending in their books), increase their capital base on the other (where necessary loan provisioning was already eating into whatever capital was left following the crash), while the cost of capital was in itself very expensive. This squeezed the market dry of liquidity in the form of available credit as banks had to hold what capital and liquidity they had in the form of deposits, bonds and reserves. With the credit supply line shut off for existing SME businesses, there were few obvious means of stimulating recovery in the economy to raise confidence or in the bank(s) through asset sales.

In that context it seemed to me that the practice of going down the insolvency route reflected a theory that assumed that at worst there would be minor downward

variations and reasonably normal market behaviour and demand. The reality was markedly different.

Clearly while the objective was to recover value, the assumptions leading to a practice of quick realisation were invalid. This had implications for current practices in recovery. I believed that the focus needed to shift to clients in terms of their being able to maintain or add value to their business so that a certain level of repayments could continue to be made that reduced the likelihood of further impairments.

How to communicate this message to staff and those I reported to and persuade them to my goal was my challenge.

8.3 Applying the Framework

My response to market conditions was to focus on how we should deal with individual clients and how we managed ourselves internally.

My philosophy for loan recovery in value terms was to align stakeholders (clients, the bank, and the staff) with the market we operated in, to enhance capability and competence in dealing with the issues at hand and to foster greater awareness of emerging risks and possibilities. Applying the framework (as in Figure 2) I felt that the best entry point was at the awareness stage because it would lead to an examination of where we were and what we should be doing, leading back to a common meaning making. To do so meant fostering interaction and participation.

8.3.1 Using Tools of Engagement

In Essay 2 I outlined the importance of the language used in the workplace as both transformative and important to creating the framework for interaction and collaboration. Before I would decide the objective, the path to this and deliver it as a fait accompli. This time I would use interaction and collaboration as the springboard to unity and awareness of the issues at hand.

Interpersonal Communication and Collaboration

A fundamental element to my approach was to connect with others across the offices and connect these with each other. I had a number of discussions individually and collectively with my senior staff where we discussed the issues as outlined earlier and subsequently agreed on our objectives and the values behind them (see 4.8.2). It was also an opportunity to outline the benefits to the team of working in full harmony. I wanted to empower staff to make everyday decisions, but also to consult with me and each other for more complex issues. I emphasised the importance of everyone being kept informed of what others were doing and to share information that was relevant and beneficial to the work as a whole.

Through regular formal and informal discussions I stressed the importance and necessity of creating a positive and productive atmosphere in the office and to lead by

example. By focusing attention on the collective, I encouraged them to recognise and resolve personal difference and to use professional difference to highlight the source of difference as well as solutions to problems for the betterment of the overall team. Feedback to me and between each other whether positive or negative was encouraged. I endeavoured to even out the attention and support I gave by ensuring that every day I had numbers of interactions with different teams on the floor of the main office in Cork.

My next step was to discuss with the senior people in all the offices how we could become more productive and efficient in the face of the constraints already outlined. I had discussions individually and in groups to get feedback, find common ground, make explicit the issues that everyone had or saw and put a participative strategy and plan in place that would fit into the bank's longer term plan while delivering a cohesive approach to maximising on what we already had in terms of resources.

Collaborative Planning

To my mind timeline constraints (to deliver results) and cost cutting put a strain on delivering recovery. Ensuring that the teams made optimum decisions, while also adhering to this practice, was a concern. I felt that policy had become inflexible in terms of recognising the individuality of client's capability. I thought about the issues at hand, particularly the volume of SME loans we held, which required more regular financial analysis and interaction with the client than for example a property investment loan. Property investment loans require less frequent reviews as tenancy agreements are generally fixed for five year periods.

The new loan portfolios comprised one of very large loans and another of small enterprise loans. We needed to absorb a significant amount of additional workload with the same resources, which would bring about additional risks in terms of Portfolio management and delivering on our goals. I needed more efficiency to sustain the effort.

I organised a number of meetings of different teams, both the lenders and the operations people, seeking everyone's opinion regarding the issues they perceived

with their current situation and the difficulties associated with doing a due diligence and managing a larger Portfolio in the context of the value set we wanted to operate with to maximise recovery. I asked them to think about possible solutions and to work together to not only solve the problem but to predict other problems which may arise and how we would prescribe for those also.

I also wanted this to be the basis for ongoing loan management where team discussions involved people across the offices in terms of analysis. In keeping with the 'ordinary and extraordinary' management theme I had come across a company called Gartner Analytics who perfectly summed up a process for dealing with current issues while increasing awareness of future issues. 'Describe and Diagnose' is what we do for existing and known problems and how we might deal with them, while 'Predict and Prescribe' is geared more towards readiness and awareness of changes in the elements that keep the organisation in equilibrium. I wanted them to move beyond the stages of pooled and sequential interdependence which were routine and procedural which solve known or knowable problems and patterns, to reciprocal interdependence where there was mutual adjustment and controlled cognition as outlined by Weick (2009). Connectivity promotes this form of interdependence and is the ideal platform in detecting emerging problems.

8.3.2 Using Tools of Alignment

My next objective was to align how banking staff thought about their job; to create an expectation about their approach and behaviour. In effect it is a socialisation of behaviour, in the context of Kegan's (1994) third order of consciousness (the socialised mind), using the organisational tools constructed in Essay 2.

Objectives and Philosophy

While my business objective was that of deleveraging, I wanted to widen the avenues and possibilities taking into account the economic environment, clients, and staff assigned to them and using all the available data and experience to maximise recovery.

My organisational and leadership objectives centred on alignment, awareness, people development, continuity and greater problem solving among the staff.

To do so I wanted to ensure that the loan portfolios were being managed on a consistent basis across the offices. Looking at the portfolios as a whole (rather than as individual offices) allowed me to see problems across sectors where I could use all the available talent in the offices to deliver efficiency and multiple solutions.

While the effective attention framework of the bank itself was predominantly covered by regulations, procedures and policies, there was little enrichment or future orientedness via coordinating leadership, culture, development, alignment, meaningful information creation or collection, teamwork or ability to adapt to changing trends. Along with the maximisation of resources to achieve more in recovery, this was the void which I construed as the job at hand to resolve.

Values and Culture

I thought about the banks culture when I joined which was customer centric. I thought about this in terms that clients had effectively lost their entire equity and life's work in their businesses and were facing not just a life of financial ruin but a rather simplistic hard-line approach from lenders in the pursuit of recovery based on insolvency practices and unrealistic timelines. Due to the scale of the market fall there would never be an outcome where a number would ever have the ability to fully repay those loans such was the fall in asset value and drop in business turnover/income.

Given that there was no market for property/collateral assets there would have to be an alternative approach to how we thought about the work at hand. Adapting the customer centric approach of before, I endorsed the value of following a recovery culture based on the customer. This was to assist and support where there was reciprocation, and facilitate change in client's business management so that both client and bank was more medium term solution focused rather than short term realisation focused.

What would it mean in terms of the work we did? We would recognise that while the bank lost money, so too did clients in most cases lost their entire equity in business or investment ventures and that this required a collective (bank and client) effort. In many cases clients needed support and motivation to continue. I believed that this

made sense not just because the market was not functioning properly but that by restructuring businesses and their loans, there would not only be a positive effect on recovery but on the market itself. So, rather than use 'ultimatums' solely as methods of resolving loan problems, i.e. issuing demands for information, conformance or repayment, we would concentrate on clients who would work with us, strengthen the relationship, look at issues in their business that could be worked on and generally have more patience with a turnaround.

The assumption that this would be the best avenue of recovery was made explicit through all discussions with managers about clients, affecting the information we sought, the manner in which we sought it, the relationship with the client, the attitudes we had and the decisions we made. We looked beyond the problem as it presented in the past. We integrated the behaviour into our thinking and it was made possible by the agreement by all that this was what we believed was the right thing to do.

Thus one set of assumptions attracted another – that of collaboration among us as the optimal approach to our work. With the cost constraint we were also mindful that internal growth was going to be high on the agenda.

Policy and Procedures

Procedures are important to me in the context of creating habitual operational practices. They are the means by which we carry out many of the tasks relating to the work that safeguards the bank's position. They eliminate 'uncertainty', in the terms of Cyert and March (1963), in choice and act in terms of standard requirements and known problems. They are in the main task related and guides to the terms of an individual decision, rather than the overall approach regarding recovery.

Day to day procedures were there to streamline processes and eliminate risks of staff performing ongoing tasks differently related to administering the loan book. Procedures of this nature relate to ongoing collateral (loan security) management (property, leases, insurance, perfection of mortgages and debentures, monitoring loan

covenants, monitoring repayments, reporting variances etc.). There were procedures in terms of how we issued various levels of documentation.

While procedures are specific, policies guide behaviour in different work aspects. Particular to my field, credit policy governed the sanctioning process for new loans, extending loan periods, how we dealt with delinquency in loan agreements (e.g. loan arrears), annual reviews, and portfolio management. Central Bank regulations covered codes of conduct.

This was further broken down into the format of reporting into the credit committee; the form they took, process of analysis towards loan workout (financial information, covenant review, net present valuations of cash flows), the terms in which business would be done (pricing, security, repayment and repayment capacity, cooperation and recovery/exit strategies) and enforcement. In effect this was the Risk Department's attention framework for recovery in terms of reporting and review.

These policies reflected a set of stable expectations as to what each individual or department contributed to the end product, requiring that everyone in the organisation is on the same wavelength. Properly followed they eliminate goal conflict, variable approaches to tasks and problem solving at that administrative and management level.

I thus attended to ensuring that all staff, not just the staff that had transferred across, acquainted themselves with these as a matter of priority.

Structure - Administration

Many of the same issues influenced my thinking in terms of whether I would continue with the existing structure or change it. The need to allocate the most skilled and experienced resources was probably the most important one in terms of consistency and quality of decision making, but so too was my preference for encouraging interaction across these and their teams. While adopting the matters of behavioural integration and attention, as a pilot scheme I integrated the administration function in

two offices into one team in order to maximise resources while prescribing against the risks of the loss of expertise and explicit knowledge of the bank's systems. Unnecessary duplication could be eliminated as well as streamlining the work.

Operations would service the lending teams in terms of information gathering, documentation, conforming to certain codes of practice and collateral management. In that context the operations team took on more work than before in terms of being responsible for the information gathering both on the accounts and the market. Crucial, as outlined earlier, along with participation, was the communication of changes as they were being discussed.

Structure - Portfolio Management

In managing the loan books established organisational methods (such as division of labour and hierarchy) were enhanced by the new connections between people with knowledge and an object mental model about recovery, the market and clients. The following is what was agreed in terms of the existing loan book and the additional loan books we were to manage:

- Accounts would be split in terms of their complexity and geography so that those with the most expertise would apply their skills to those clients and covering specific area so that an unnecessary amount of time would not be spent driving across the various counties. Simultaneously more time would be spent on accounts on a net present value of cash flows or a value at risk basis encompassing the greater amounts and probability of recovery.
- On that basis we classified loans on a value at risk basis, probability of recovery, time consumption and technical expertise requirement basis, scored them 0/5 (in reverse for time consumption) and allocated them to those most suitable.
- An external legal firm was hired to ensure that bank's security was intact for the new loan books.
- Time lines were agreed to contact all new clients by letter, by phone and then face to face.

- The strategy based on a culture of resolution before insolvency was agreed where clients would be assisted in any possible way.
- Management would meet to discuss levels of client cooperation over time so that those who engaged were given more time and help, and those who didn't were put into the insolvency process. In effect we had a change agenda – not just among ourselves but with clients. Change takes time and sometimes resistance is so great that it would be beyond our scope.
- On an ongoing basis, where possible, external advice would be procured about the market (in terms of property and business sectors) and collated along with our own individual experiences to form a knowledge bank to deal with future cases.

8.3.3 Using Tools of internal Growth and Awareness

Internal Growth - Recruitment, Development and Support

Central to creating openness to change and awareness is that I would engage, support, encourage and develop those who reported to me, whether formally or informally. I endeavoured to provide and seek feedback on the basis of honesty and professional regard and foster greater engagement.

Resource management was a regular issue due to the uncertainty which led to staff turnover. While a good number had transferred from other departments, I could only recruit when people left the organisation. In keeping with my theory it was better to develop from within. I tried to ensure that the ratio of existing staff to staff recruited (internally or externally) was kept to two per team of four so that balance and adherence to policy and procedure wouldn't be upset and there were enough home grown resources to absorb new ones rather than the other way around. It safeguarded continuity in decision making.

I particularly focused on staff members who were knowledgeable in their fields but previously unrecognised for reasons of contrarian viewpoints which I now promoted. I made the effort to 'rebuild bridges' and supported them both individually and in meetings to give their opinion be it about operations or about client strategies for loan

reduction. I supported two particular individuals through to promotion which gave others a sense of opportunity, meritocracy and acceptance regarding 'openness and opinion seeking'.

With a strain on resources for training, experience became the biggest single contributor to staff development. I identified optimum learning grounds, which were part and parcel of a normal day but which we could structure to ensure that junior and middle level staff would get regular access to. These learning grounds were those where they would be most exposed to different perspectives and skills. These would primarily be through ongoing mentoring, meeting with clients, their advisers, and writing and presenting to the bank's credit committee which involved a lot of interrogation and discussion. The opportunity would be made available afterwards to reflect and discuss what went well, what didn't, what was learned, what we could do to add to knowledge and understanding, and for everyone – whether credit committee was buying into our approach and if our approach was achieving the desired effect. While some of it was driven by staff departures at the beginning, I also moved some of the staff around so that they were getting the benefit of working with different types of manager, or managers who would be sensitive to and compatible with their personality.

I continued to work on building overall interaction (which from Kegan's theory I see as a critical part of learning through experience), so that staff were not just part of their team but of the offices, so that they would interact to problem solve and share information. Additionally two people would go to each meeting with clients; one senior and one junior which was important for recording but also development purposes.

So, 'People' in the form of clients and staff were at the core of organisation and leadership, in terms of the enrichment of decision making.

Teamwork

On a weekly basis I would discuss with each office the loan presentations they would make to the credit committee. When available other managers from the various

offices join in (by video link) and we would ensure that our objectives were being met while all our expertise, experience and multi perspectives were shared. There would be intra team and inter team meetings to discuss issues and cases. More complex cases would be discussed at regular meetings from both a reciprocal interdependence basis and a developmental basis.

Data Management

In terms of dealing with the additional workload and promoting greater awareness and knowledge, opinions were sought and the following was decided:

- A common approach would be followed to manage every file in terms of their structure, information, updating, collateral management and analysis. Each file should have a front section with a summary of file information and timeline of requirements or 'to dos' that would allow people unfamiliar with the files to pick them up and make sense of them, as well as ensure that management was timely and policy followed as regards review and milestones for recovery strategies.
- An overall spreadsheet would contain all the vital information on each account to simplify reporting and assist in trend spotting.
- Monthly key performance indicators (KPI's)would be kept on the book in terms of specific and general performance and management of the Portfolio – level and quality of interaction with clients, trends in sectors, good and bad client performance, issues with information and collateral and so on.

  The information was there to share to see common issues and share solutions as well as to see patterns in particular sectors as they arose.

8.4 Outcome

This period spanned over four months and was a real test of my development not just in my capability to organise and lead people but being effective in dealing with changes to staff and workload. I looked at the outcome in two ways. Firstly I looked at it in the context of the way I was now able to think about my leadership role in this business. Secondly I looked at it in terms of my effectiveness, how more effectively organised the regions were and the effect on results.

Planning and Enquiry

Having a thought process that was clear, structured, and object made for a much more coherent and holistic approach to the role. Reflection allowed me to step back and look at each of the elements related to loan recovery and devise what assumptions should dictate how we recovered value. Having a tool set to align people while focussing on effectiveness and efficiency allowed me to attend to the individual building blocks but with the whole in mind. Critically, not being subject to hidden personal, professional and organisational assumptions and practices gave me freedom to think without confusion of values. Overall I was able to plan it out and operate fluidly on a day to day basis on the back of developing my meaning making.

Staff

While maintaining the traditional organisational practices of hierarchy, control, standard operating procedures, and division of labour I could also introduce the additional tools. Alignment, communication, interdependence, collaboration, and information boosted interactive practices, awareness and creativity. It reduced difference and the error count significantly.

Bearing in mind the culture of individualism heretofore, it was a slow and ongoing process of adaption. However managers and members of teams did begin to collaborate to resolve operational issues and problems related to risk and loan management.

It worked very well in the offices I could spend more time in but there was resistance from some people in offices further away. I could be consistent with efforts where I was most often. I was in daily contact with the others by email, phone and on video link. However, the absence of physical presence made the connection more difficult. Communication efforts led to improved relations, more consistent approaches and better results in recovery but intents would be sometimes misread or misunderstood which took some time to resolve. Some managers resisted and I understood they felt that *their* position as the ultimate decision maker was undermined. It was reminiscent of how I felt myself before beginning this development process. However being able to recognise it and understand it allowed my response to be constructive whereas before I may have reacted to it as a threat.

It pointed to the necessity of not only staying in regular contact with managers to reinforce both our objectives and value set but to realise that there is a transformational exercise going on for them also. In that context coaching them individually and collectively is necessary. By that I mean spending more time unearthing their meaning making, explaining the reasons for what I was doing and asking for and giving support. I learned from Kegan (1994) and Kegan and Lahey (2001, 2009) that challenge and support must be delivered side by side to push through the resistance to change.

It may also be that there were remnants of my previous meaning making in trying to do too much myself instead of focussing on developing the managers more at the beginning , while allowing them to be fully participative in the process of setting objectives and values, so that they would take the lead when returning to their offices.

In organisational terms the atmosphere was more positive which was maintained and contributed to by the majority. By continuing to focus on communication, interaction and collaboration an informal 'language of agreement' began to permeate into teams which reduced the need for behavioural management as people worked for each other.

Staff turnover levels slowed which gave us more stability, though through some planning and development work we had readymade replacements and people ready to

step up giving us consistency. It is undoubted that client successes, the coordinated approach to integrating behaviour and increasing awareness assisted.

Clients

In client terms we had successes in turning around some situations that were presumed irretrievable particularly those which were SME. There were clients which took longer to bring about change with and those who just wouldn't or couldn't work with us at all, reflecting both a plurality of meaning making and an immunity to change. We had greater success in hitting all deadlines in terms of reports, client reviews and getting repayment strategies agreed many of which proved to be successful.

Interdepartmental Relations

During this period and beyond the credit committee gradually accepted this client centric approach; appreciating efforts and allowing them time to implement strategies. In turn it became acceptable in policy and practice. Interaction, relationship building and communication became an obvious ingredient for success within the organisation and with its clients.

Conclusion

Having a conscious structure to think about the situation at hand and recovery in general gave me clarity, strategic focus and greater ability to communicate a vision to staff. It was also a platform to being consistent and coherent in practice. With an integrated organisational meaning making we reduced goal conflict, increased efficiency and productivity and had a positive effect on not just each other but our clients and our credit committee in terms of them accepting our approach as a productive one. With a clear framework I could focus on the 'oil in the machine' of fostered interaction while developing better practices and awareness through better information. Thus, through the effect on productivity and outcome, change was justified.

The insight and empowerment of having an adapted and comprehensive philosophy has had a significant effect not only on practical organisation and leadership, but its applicability beyond banking. This is the subject of the part a third exploration.

Exploration 3: Client Business Review (Hospitality Company)

9.0 Context and Background

For all loan accounts banks are concerned with the ongoing servicing of debt and the eventual repayment within the term. In pre 2008, when the economy was booming, most SME clients had good cash flow and the capital values of well located properties held as security were considered as a failsafe. The saying goes that a 'rising tide lifts all boats'. However with capital values now down by 50% and trade significantly hit, the focus was mostly on repayment or looking at ways of increasing the loan values.

'BarFly' is an SME client; a pub business operating in my region and comprised of several owned and leased public houses. The owner has been in this trade all his life and has extensive knowledge of this business which had seen him perform comparatively well even during the financial crisis.

From a sectoral point of view, there was substantial change in consumer habits, partially due to reduced discretionary spend. There was a considerable swing from 'on' to 'off' licence sales. In tandem with this, the local area had a high concentration of public houses in the country per capita which means that competition was fierce in the face of changed consumer habits.

A trend in this sector among many of the operators was the focus on turnover and it was ingrained in their meaning making over many years. Throughput had always been the single most important focus of their attention in making decisions about their business. There was a simple assumption behind it. Prior to the financial crisis, pub values were always based on a multiple of the pub's net turnover. In rural areas it was <1.5 times. In urban areas it was >2.5 times for the better properties. For example a pub with a €1 m turnover would be worth €2.5 m or more in a good urban area. Trade was comparatively steady for well located premises and demand was relatively constant.

This rule of thumb had been contentious among lenders. Recently we had discussed this among management and external property and financial advisers/consultants. In valuing the pub business, the value is wrapped up in the state and location of the

premises, the turnover and the operator. Turnover represents the entrepreneurial skills of the owner/operator and his understanding of his market. However in light of what I have absorbed I have tried to think of it through a new lens; not just in terms of value, but the business in general in terms of the decision making and organisational skills of the borrower. Further in this line of thinking I wondered whether it would be helpful when reviewing this operator and whether there was something he could take from it.

Purpose

In this final exercise I wanted to explore how, either as a bank lender or as an adviser, how I would now approach a review of clients' business operations. I would use Figure 2 again as a means to approach the review. I wanted to understand how he saw his business environment, how he was dealing with rapid economic change, how he organised his business, and what they attended to in terms of decision making.

For reasons of confidentiality the clients name and details have been changed. This exercise was carried out in 2014.

9.1 Discussion with Client

I started by asking him about the assumptions he had in terms of his approach to the business.

My experience of the sector is that many publicans would tell you that they position the business and present the premises in order to maximise the number of people they can attract through the doors, the assumption being that the more you get in the more paying customers you have, and the more paying customers you have the higher the profitability. It is a simple assumption for any hospitality related business. However I believe that this represents the past when attitudes to socialising, particularly in public houses, were different and consumption was relatively price inelastic. In the past people have congregated in public houses as a means to meeting others, entertainment and leisure. In that context a certain level of business was almost a given in any well located premises.

In the modern era, however, where choice, growth of urban areas and economic circumstances have changed in terms of how people interact and seek leisure, the meaning behind the assumption is invalidated in terms of how profitable the business might be. Consumers are faced with different circumstances and have a wider and more varied choice in terms of their options. Pubs in different areas face different pressures in terms of demand and costs. Owners have different levels of investment in the business and different levels of borrowing.

This particular client had a more modern perspective than many of his peers. His business assumption was that he could not maximise his business without understanding what different niches in the prospective client market wanted (perhaps implicitly) so that he could sell them what represented their tastes – where the product range, price, location and the premises are all one 'product'. This is different to others in this sector who often endeavoured to mould clients preferences by modernising premises fit out to their own subjective tastes or were now having 'happy hours' (low priced alcoholic drink) on the assumption that price was a differentiator in a depressed market or for lower income niches. This client thought about the different type of client who came to his various premises. He divided them into types in terms of

personality, taste, and ability to spend. In his multiple outlets he catered for 'spend ability', modern tastes (e.g. craft beers), preference for old style pubs, and sophistication/genre in yet another (wine, tapas). The pubs were located in homogenous pockets to cater for each type but not too far away for clientele to try something different in one of his other pub types.

He made the effort to understand what encourages people to return is not just price but what they were comfortable with. In that context the focus was on maintaining each pub's layout, setting, and service all the way down to details of maintaining a certain level of lighting so that the client became familiar and relaxed with it. He observed and learned how the client likes it and then maintained it. The owner was aware of what had meaning and was meaningful for the client. His business had a culture which was customer centric – not just service, but knowledge and awareness of trends. It worked on the basis that the customer educated them not they educating the customer. This is how he knew his business. Being able to articulate it was impressive from my perspective and the fundamental part of his business attention framework. He had a vision of the market, had awareness of change and the impact it had on profitability.

In terms of integrating behaviours, staff members in each pub were trained through the culture and had a set of operating procedures commensurate with the theme of that pub. He was involved on the ground, supportive, constantly communicating in terms of the model with them and had an excellent rapport with them. I witnessed this on several occasions and could not help but notice this maintained understanding of business goals, alignment of staff and awareness of consumer trends as they evolved. Each time he seemed to have insight on what was changing as it happened because of the participative nature in decisions among his more senior staff.

It corresponded well with the requirement for ongoing reflection of the business environment, assumptions of the business, alignment and general meaning making in the business.

9.2 Issues: Business Management, Operations and Risk

Problems in upstream organisation were uncovered when we discussed the day to day decisions relating to cost management, staffing, stock management, understanding cash flows, profitability per pub, understanding inherent risks in operations and so on.

1. There was a set rota for staff irrespective of whether they were required – behind the counter, cleaning, security, and kitchens. Creditors and the revenue were paid according to bank balance.
2. The cash flow from one pub was used to pay bills in another thus masking the true profitability/efficiency of each pub.
3. Stock was ordered from the drink suppliers by different people resulting in inefficiencies regarding discounts in terms of volume, or not using preferred suppliers with whom agreements had already been put in place.
4. Accounts were run by different people for different bars using different methods and accounting packages. There was no view of the 'future' in terms of cash flow requirements and the impacts of certain decisions made such as those in 1 to 3 above. He relied on annual audited accounts to tell him how well his business was doing but had no system to tell him how day to day cash was managed, especially the peaks and troughs that arise throughout the year.
5. Important information regarding future plans, overall cash flows, banking and suppliers was controlled by him and through him – as he said 'in one briefcase'. In tandem with number 4 above, in effect he had much less control of the finances than he thought. His information system was limited in terms of knowing which pubs were more profitable than others or what measures on an efficiency or cost basis could be taken to increase the bottom line.
6. The client's working capital facilities were insufficient for a business of this size which made him very vulnerable in terms of managing liquidity.

I regress slightly to explain this in meaning terms. Driven by the 'Great Moderation' when the market was relatively benign, particularly for the SME sector, trade and value gradually rose over twenty years from the around 1990. This also coincided with the beginning of my banking career. Business people like this client produced annual

profit and loss and balance sheet accounts which were the sole indicator of profitability and capability both for him and the bank. Traditionally the borrower's accountant did the advising and the annual audit. However, in a faster changing environment these figures don't tell enough in terms of the management of the business. He effectively had no information or risk management system to inform his decision making. Understanding his clientele was not enough. Understanding how decision making affects finances was also critical to resilience and sustainability.

The client was very aware in an entrepreneurial and people sense but less so in a holistic organisational sense and not enough to be resilient in the current environment or change environment. His operations were highly tuned into the way they could increase turnover but not tuned as much into how the bottom line would be managed. Thus decision making was not as effective as he would have liked because his attention was mainly to one side of the business with the 'results' only visible through annual accounts.

Data (cash flows and management accounts) and risk management (key performance and risk indicators) would give greater information and transparency to himself and the bank, greater control over and understanding of his cash flow in terms of timing and trend of income, timing and necessity of creditor payments, stock management, and profitability. It would lead to greater ability to manage both real and potential risks to the business, credit and maintaining profitability. Monthly cash flow budgets, management accounts and ongoing variance analysis would be needed in terms of planning and measuring business performance for each individual pub.

Business management of this nature determines corporate health, profitability and liquidity and allows the business to take proactive measures to ensure sustainability and resilience. In tandem, granular measures for controlling stock and the timing of payments to creditors all lead to strong working capital management.

In addition to understanding real underlying efficiency and profitability, another problem for the client has been the issue of overtrading (trying to do too much trade with too little capital or liquidity). Common signs of this are rapid increases in turnover and/or capital assets, slower turnover of stock, falling current and quick ratios (current

liabilities increasing faster than current assets), cash flow problems, and small or no increases in owner equity or capital. In this case he was highly susceptible to running out of cash as suppliers had to be paid before stock was realised. This issue would have been recognised with proper cash flow management forecasting which would have highlighted the need for either less stock or higher working capital banking facilities.

9.3 Solutions

We had several discussions about this. It took a number of months and perseverance to gain buy-in. We helped source an expert on cash flow and working capital management. The client sourced a new computer system, office and staff to collect, manage and analyse information on a weekly basis from each of his venues. He brought all his senior people and advisers together and worked the cash flow budgets for the following year.

They produced weekly numbers on every aspect of the trade and monthly profit and loss accounts for each venue from which highlighted where there were issues of control (inventory V's sales variances), changes in turnover, changes in profit margin, changes in consumption of drink and food, down to the type of payment received in terms of cash, cheque or card. From this they could understand through the various analyses where there were inefficiencies in terms of number of staff, level of security, types of drink stocked, food supplies bought and consumed and the margins achieved. They could make adjustments. Instead of allocating staff to each bar they allocated them to an area of two or three pubs to create a flexibility of cover. Instead of hiring security companies they started their own and worked them with the same flexibility. They could also verify what was going well and according to plan.

Additional credit faculties were agreed with suppliers and bank. These were managed stringently and maximised, using the full creditor days from suppliers and revenue so that bank overdrafts were kept to a minimum and used only when required, resulting in interest cost saving. At the same time everyone was paid on time to maintain credit standing and eliminate any reputational risk.

9.4 Outcome

This exploration worked on two levels; for the client and for me. It brought benefit to the clients operation and confirmation for me that credit risk to the bank was substantially reduced. From a professional perspective having this conscious framework to this analysis about business organisation allowed me to think clearly and holistically about business as well as banking.

Client

A number of savings were made across the group, errors in stock management were eliminated, general variances were understood, finances in the form of liquidity and profitability were much better managed and trends acted upon. He and the bank had much more transparency into the entire business. His risk and awareness levels increased. Informational trends became knowledge points and these became enacted into procedures.

The quality of his decision making rose, he was able to think holistically about the business internally and externally, his relationship with the bank and suppliers rose and his business operated in equilibrium with his market. His summary of the way he had adapted was 'before I wanted to be in control, now I have control'.

Me

In banking/advisory terms I was better positioned to understand the whole of a business like this and the importance of each individual part in it. In terms of banking a lender looks at the bottom line, stripping out non trading items in terms such as banking, depreciation and tax to give a true picture of management and the internally generated profit called EBITDA (earnings before interest, tax, depreciation and amortisation). Value is derived by applying a sector multiple and those who attract the greatest custom *and* have a proper management system (finance, efficiency, profitability) will have the greater business value.

In capability terms having a philosophy to structure my thought processes was hugely motivating. Not only was I bringing value to the client but the thought process was so

much more penetrating about the business as a living whole. Where before I followed rules of thumb, procedures and used out of date audit information which in reality did not expose current or emerging risks in the how the business was being run, now I could understand it as things happen so that intervention could be immediate whether in a diagnostic or prescriptive basis.

Finally, I was now also in a position to help the client be fully aware in his business by being able to zone in on what worked (alignment, communication, collaboration) and what needed attention (information and risk management) so that the business became both profitable *and* resilient.

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