The Rt Hon Eddie George
The Governor, Bank of England
giving the 1999 Templeton
Foundation Lecture in memory
of Clifford H Barclay
Management Development – Why Bother?

An interview with Rory Knight, Dean and Fellow in Finance

What are the new challenges for business? | Of course the first of these, and to a large extent the driver of the others, has to be the new technology. The technological revolution is here now, creating an even greater impact than the Industrial Revolution. The increasing globalisation of business is one of its immediate results. The traditional organisational structure is no longer the most appropriate way of supporting businesses based on the rapid transfer of knowledge. Partly in response to these factors, organisations are merging and consolidating. These seismic shifts have created a leadership vacuum.

How can individual firms respond? | By innovating.

But surely successful organisations have been innovating all the time? | Yes, but much of this innovation has been technical. Now technical innovation has moved far beyond what most people thought possible only a few years ago, but management has not caught up. Very large institutions must develop an entrepreneurial capability within themselves, if they are not to meet the same fate as the dinosaurs. And as firms merge and grow, the potential level of bureaucracy increases, and this becomes even more difficult.

Can you be more specific? | The traditional boundaries have been exploded. Organisations need to reinvent themselves. This means stepping back and taking a radical look, not just at how they do things, but at why do them at all. A good example is the way Jack Welch at GE has dealt with development. How has GE managed to maintain a price:earnings ratio of 46, equal to high growth pharmaceutical companies, when it is a large industrial organisation? The answer is by continuous innovation, continuous redesign of the business. GE
has even gone so far as to have a programme entitled DYB.com – Destroy Your Business. The logic is that if you destroy your business, you can also reinvent it; if you don’t destroy it, the market will – and then no recreation will be possible. This has been achieved within the company by building leadership development into individuals’ career plans and DYB.com into GE’s management development programmes.

But you cannot successfully implement such a programme without a culture of innovation; and such a culture cannot be achieved without excellent leadership.

**So what can corporations do?** | Most firms are unlikely to be able to achieve such a cultural change alone, and that’s where management development comes in. There is a huge opportunity here to work closely with organisations such as the business schools where there is no conflict of interest, as there can be on occasion when using consultants. Recently, there has been a massive shift to commissioned programmes – driven by senior management – addressing key strategic issues specific to that company. This is not off-the-shelf management training, but true bespoke management development, created in partnership and consultation between the commissioning firm’s senior executives and the business school to meet specific objectives. This approach is a world away from old style management courses, and is an enormously powerful tool for any organisation to employ.

**How does the individual manager deal with career planning in such a context?** | The changes are indeed intimidating. Probably the single most important attribute for developing one’s management capability today is to develop an entrepreneurial mindset. At an individual level, this requires readiness to change, an open mind, an ability to look ‘outside the box’ – a recognition that businesses, organisations and individuals must constantly reinvent themselves, and that one’s MBA may well now be redundant.

Learning in a climate of constant change, where skills are transferable and careers are portfolios, must be lifelong. Management schools can develop a long-term relationship with the individual that reaches beyond the constraints of the organisation and, indeed, of the business school itself – for business schools too are subject to change. Oxford is an ancient university, where work has traditionally been centred on the individual and the concept of ‘mentoring’. Templeton, a thoroughly modern business school, takes the best of this Oxford tutorial tradition and adapts it to management development. Individual mentoring and coaching are combined with group work enabling senior executives to spark ideas and gain new perspectives with their peers from other industries. Individuals and organisations alike benefit from the entrepreneurial, innovative approach to business fostered by this world view with an individual focus.

*A version of this article first appeared in ‘Swiss Derivatives review’ issue number 12 – October 99.*

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**Management Development Programmes at Templeton 2000**

**The Oxford Advanced Management Programme**
9 January–5 February | 18 June–15 July | 1–28 October

**The Oxford Strategic Leadership Programme**
26–31 March | 14–19 May | 12–17 November

**The Oxford Senior Executive Finance Programme**
9–14 April | 26 November–1 December

For further information contact:
Stephanie Parsons
**Business Support Manager**
Tel +44 (0)1865 422770
Email enquiries@templeton.oxford.ac.uk
www.templeton.ox.ac.uk
Williams is a leading international security group, with manufacturing plants, service centres and sales offices on all continents. Its business is protecting people and property from fire and intrusion throughout the world. Today, it operates in some 35 countries employing more than 43,000 people worldwide and covering the Americas, Australasia, the UK, Europe and Africa. The group is ranked in the top 250 publicly quoted companies in the UK with a market capitalisation exceeding £2 billion. Its businesses include Yale locks, Chubb alarms and security systems, Kidde and Sicli fire extinguishers and TESA Entry Systems.

Templeton’s longstanding relationship with the group began when doctoral student Nancy Hubbard – now an Associate Fellow – carried out research within Williams. This contact led to Williams’ Chief Executive Roger Carr commissioning a pilot programme for senior executives in May 1995. The pilot was a success, and the College has since run two one-week programmes a year for the group, the design and content of which have continuously evolved to meet Williams’ changing business needs.

This year, Templeton ran two programmes for the Intruder Security Products Division, one of three Divisions which make up the Williams Group. The Division’s critical business issue was how to increase organic growth. Course directors David Feeny and Nancy Hubbard created a range of sessions and project work ‘to focus participants on the need to accelerate the rate of organic growth, and to enhance participants’ ability to stimulate such growth within the Division’s businesses’. Sessions on strategic thinking, brand strategy, organising to make strategy work and change management were all designed to meet this overall objective.

The September programme was attended by 18 participants, most of whom were ‘company presidents’ – general managers of business units within the Division. They came from all over the world, including Australia, Hong Kong, Indonesia, Zimbabwe, the Netherlands, Italy, Spain and North America as well as the UK. Throughout the week, participants undertook project work. The results of this ‘clearly demonstrated that the ideas presented during the course had enabled participants to recommend ways of tackling issues of marketing innovation and organisation in pursuit of organic growth,’ says David Feeny.

Bernard Brogan, the Division’s Managing Director, who made three visits during the week, agrees. ‘The structure of the course content and the project work allow managers to achieve personal development, while also contributing to finding solutions to ‘real’ current business issues,’ he says.
Focus on Research: Managing Risk

‘I relish the challenge of it – it’s exciting, creative and extremely varied – looking at real problems, trying to approach them from a different angle, questioning accepted assumptions ...’ says Deborah Pretty, Marsh Research Fellow, about her work on risk management.

Risk management is a huge area, encompassing on the ‘event risk’ side alone anything that can adversely affect a company, from the merely inconvenient to the tragic. Areas which Deborah Pretty has researched for Marsh include:

- **catastrophic risk** – disasters such as Bhopal, Piper Alpha and Exxon Valdez

- **diversification of risk** – across different industry sectors and geographical regions

- **off-balance-sheet risk** – exposures which accumulate over a long period of time, such as those of environmental, asbestos and tobacco liabilities

- **intangible asset risk** – damage to a company’s brand or reputation, such as was incurred by Hoover after its free flights fiasco, Shell after the Brent Spar incident and Coca Cola when its bottles had to be recalled from northern Europe.

Deborah Pretty’s research hinges on trying to identify the most effective risk management strategies for large corporations, in a shareholder value context. ‘It’s a blend of the strategic and the analytical, combining detailed mathematical analysis with a broad strategic picture – sometimes putting the behavioural into financial terms. Corporate attitudes towards risk vary enormously – I try to develop systematic ways of looking at risk and its management. There are many themes to explore: risk policy and financial strategy, risk identification and measurement, risk control, risk financing and hedging, risk auditing and governance’.

Marsh, the world’s largest international risk advisers and insurance brokers, fund Deborah Pretty’s Fellowship, which follows on from her doctorate. Marsh, part of Marsh and McLennan Companies, bought Sedgwick, the original sponsors, in October 1998. The company decided to continue funding the research, which it values as an independent view that can be used in identifying client needs and suggesting solutions. The research carries the credibility and independence which Oxford implies; it is also a good marketing tool which helps Marsh to move up the organisational hierarchy, gaining access to chief executives and finance directors and adding authority to its consultancy services.

‘Deborah’s work brings objectivity and a rigorous academic approach which demonstrates to the market place that Marsh has access to the leading edge of academia,’ says Chad Lion-Cachet, of Marsh Risk Finance. ‘She has worked in our business, understands client needs, and provides the perfect bridge between theory and practice.’

The Fellowship demonstrates Templeton’s belief that the research agenda lies in business; for management research to be of value, it must be applied to commercial reality. ‘My work is part of a focus at Templeton on risk and value; Rory Knight, Dmitry Dragun and I are all working on different aspects of the subject and building up expertise as a team,’ says Deborah Pretty. ‘There is responsibility, freedom and flexibility in the approach. We are encouraged to be free thinkers, to be entrepreneurial – to think outside the box. And this breeds creativity. All while remaining firmly grounded in practical applicability. It’s a rewarding challenge.’
As reported in the Michaelmas issue of Templeton Views, Janine Nahapiet recently won an award for the best paper published in 1998 in the Academy of Management Review. The paper, entitled ‘Social capital, intellectual capital and the organizational advantage’, was written with Sumantra Ghoshal of the London Business School, and is already having considerable international impact.

**What’s the paper about?** | At its simplest, the paper examines in a rigorous and analytical way the idea that ‘who you know affects what you know’.

As we move to the knowledge economy, there is a growing interest in intellectual assets as a key competitive resource, both at a national and enterprise level. Of interest to philosophers for centuries, both the academic and managerial communities are today seriously intent on deepening their understanding of how knowledge is created, shared and exploited yet protected as a critical asset. In this paper, we argue that new knowledge comes about largely through exchanging and combining existing insights in novel ways and that social relationships have a fundamental impact on these exchange and combination processes. Trading knowledge depends on people being able to work together, to understand each other and to trust each other. Taken together, these relationships can be viewed as a key resource, social capital, which underpins knowledge creation and thereby value creation.

Our paper presents a model describing the links between social and intellectual capital which we use to explore why organisations, in contrast to markets, as institutional forms may be especially good at creating and sharing knowledge. We also point out that where parties make serious investments in social relationships, then social capital can also exist in inter-firm relationships such as alliances and joint ventures.
Why do you think the paper has attracted so much interest? | In part, because it pulls together a hitherto disparate set of ideas and literatures in a clear and accessible, if theoretical, way. But perhaps more importantly, it addresses a topic currently of great interest – the role of intangible assets, such as knowledge and relationships, as a critical source of value creation.

How did you come to be interested in this subject? | For some time I have been interested in how organisation can itself be a source of competitive advantage.

We are living at a time when large companies are undergoing major change – restructuring, outsourcing, globalising and investing in increasingly collaborative as well as competitive strategies. At the same time, we are seeing new companies such as Amazon.com and ARM Holdings growing very quickly, enabled by new technology, but based on a very different organisational model. In both contexts, we are seeing an increasing emphasis on network forms of organisation. My work focuses on how value is created in such networks.

What did the prize mean to you? | Well, it is both rare and very encouraging to get such positive affirmation from international academic peers that our work is of a high standard, of great interest and really is having an impact. We say we want our work to be read and used but we often don’t achieve that!

The award ceremony at the Academy of Management Annual Meeting in Chicago was also quite an experience: 4,000 people, big screen, wonderful citations and that way of celebrating success and winners unique to America. A very public occasion in contrast to the many lonely hours that went into the making of the paper.

What are you working on now? | I am building on the Academy paper – which means that I am still working on the interrelationship between social and intellectual capital. However, while that paper was theoretical, what I am doing now is much more concerned with managerial practice. The question that drives my current work is ‘if social and intellectual capital are so important, how then do companies set about making investments in these critical areas?’

I have two studies which seek to answer this question in the context of knowledge intensive firms. The first is the research I have been doing in Skandia, the Swedish insurance company mentioned in the last edition of Templeton Views. Skandia is known to many for its intellectual capital programme, and its investment in finding new ways of visualising and measuring important but hidden value creating assets in the firm. But it is also interesting for its commitment to building network forms of organisation, indeed the Skandia AFS business describes itself as specialists in co-operation. The paper I am working on right now examines in detail the range of investments made by Skandia in both its intellectual and social capital programmes, and how together they have built an important and distinctive resource for the firm.

My second project focuses on professional service firms and specifically global relationship management. Again, I wish to identify the key investments in social and intellectual capital which underpin this resource intensive but increasingly important network strategy for servicing major global clients.
Finance has been a prominent part of The Oxford Advanced Management Programme (AMP) since AMP began in 1983. Over the years, the module has developed a distinctiveness which manages to address the needs of senior executives so they can move from a standing start to address the strategic implications of financial policy making. As a result of encouragement from AMP participants and sponsoring companies, we have launched this module as a separate offering, The Oxford Senior Executive Finance Programme.

The framework for the programme is the creation of sustainable value. It begins with a review of the fundamentals of the language of finance and then allows participants – senior executives and fast-track management talent – to develop their own confidence and abilities in dealing with the financial consequences of strategic decision making. What it is not is a basic elements-of-finance course for general managers, although participants do leave with a more effective set of financial tools and techniques. This programme offers far more: a range of in-depth insights into the financial connections that lie at the heart of the enterprise, into the challenging and increasingly global environment in which it operates, and into the sophisticated strategies these challenges demand. The Oxford Senior Executive Finance Programme has been designed to strengthen your executive capability in finance under the testing conditions of the new global marketplace.

Programme Profile:

The Oxford Senior Executive Finance Programme

The Oxford Institute of Retail Management (OXIRM) was established in 1985 to focus the retail industry interests of members of the Fellowship. Jonathan Reynolds, who took over as Director from Ross Davies in August 1999, has been involved with OXIRM since its inception. ‘The Institute will continue to act as a bridge between sound scholarship and the practical needs of retail and consumer services companies,’ he says. ‘In 1992 we broadened our focus to become more European and launched the annual European Retail Seminar at Oxford. This seminar will continue – the subject in May 2000 is likely to be Retailers as Brands – and the Institute will become increasingly international, in line with the growing globalisation of OXIRM’s major retail clients. 1999 is an exceptionally exciting time to be taking over as Director of the Oxford Institute of Retail Management. The past few months have demonstrated yet again that dynamic change is an inescapable feature of the retail industry, even within the supposedly stable and mature European marketplace.’
Originally, much of OXIRM’S work concentrated on the retail planning and development process and policy aspects of retail, but, over time, the emphasis has moved towards retail strategy. The impact of technology on retailing is of particular interest. ‘Of course the balance of our work has shifted further to reflect the growing interest in e-commerce,’ says Jonathan Reynolds, ‘and it’s interesting to see many organisations jumping on the e-commerce bandwagon! We actually have a long track record here – in fact, Elizabeth Howard and I helped Ross Davies set up a home shopping site for Tesco in the early 1980s.’

Another new development is the on-line publication of the European Retail Digest. The Digest – which analyses strategic issues for senior retail executives – is now published on the College website, www.templeton.ox.ac.uk. Subscribers can download articles, which may be available electronically before they are published in hard copy, as well as additional relevant material.

**OXIRM Profile**

The Institute operates broadly in three areas: teaching, research and work in the public domain.

**Teaching** | Encompasses two public programmes, the European Seminar for directors and senior managers from a cross-section of European companies and Retail Location Analysis, which looks at site location, strategies and techniques. Templeton also has many retail company clients for its tailored programmes, drawn to Oxford by OXIRM’s expertise and reputation.

**Research** | OXIRM carries out research oriented to the significant questions facing retail businesses – some commissioned for particular organisations, others for publication. This includes work on public policies in retailing, e-commerce, retail/supplier relations and the supply chain, and globalisation in retailing. The most recent pieces of work include:

- *Loyalty Cards in European Retailing* by Richard Cuthbertson, sponsored by KPMG Consulting
- *Private Label in Food and Non-food Retailing* by Satu Koskinen, sponsored by the SOK Group
- *E-commerce Strategies for European Retailers* by Jonathan Reynolds
- *Retail Response to the European Directive on Energy Labelling* by Elizabeth Howard, sponsored by the European Commission
- *The Contribution of the Shopping Centre Industry to the UK Economy* by Ross Davies, sponsored by the BCSC
- *Shopping for New Markets: Southern Europe*, sponsored by Jones Lang Lasalle

**Public Domain Work** | Includes:

- Publications – the *European Retail Digest*, research papers
- Subscription groups – the Oxford Retail Futures Group (see Michaelmas 1999 issue of Templeton Views) and the Oxford Retail Group. Run by Ross Davies, this group offers advice to UK government on planning and transport policy, with the aim of achieving balance in planning. Membership is by invitation.
- Representation – OXIRM members are actively involved in trade and industry bodies for retailing across Europe, as well as serving on the UK Office of Science and Technology Foresight Retailing Panel and advising the Competition Commission on UK supermarket pricing.

For further information about OXIRM’s work and publications, please contact:

Jonathan Reynolds  
*Director, OXIRM*  
Templeton College  
Tel +44 (0)1865 422714  
Fax +44 (0)1865 422501  
Email jonathan.reynolds@templeton.ox.ac.uk
Profile:
Chris Sauer

Chris Sauer has just returned to Oxford after spending 15 years in Australia. Templeton’s new Research Fellow in Information Management has 25 years experience in the IT industry as a computing professional, consultant and academic. A graduate of Oxford University and the University of Western Australia, he has written many books, chapters and journal articles. He holds a number of positions in the international community, including Deputy Chair of the International Federation for Information Processing Working Group on the Transfer and Diffusion of IT, Joint Editor-in-Chief of the Journal of Information Technology, and Associate Editor of MIS Quarterly. He has conducted consulting and training assignments for a wide range of private and public sector organisations and was principal author of the 1998 Australian Government report, Information Technology in the Building and Construction Industry: Current Status and Future Directions.

For the last six years, Chris Sauer has been Deputy Director of the Australian Graduate School of Management’s Fujitsu Centre for Managing Information Technology in Organisations. The guiding principle of the Centre has been to undertake research of immediate practical value for managers. ‘At the Fujitsu Centre, I learned how to run a self-funded research centre within a business school. I see coming to Templeton as an opportunity to apply and extend that experience. In particular, I look forward to integrating the knowledge production and distribution processes through presenting the lessons of my research in the College’s executive programmes,’ he says.

Templeton’s Information Management specialists influenced his decision to come to Oxford. ‘The chance to work with Leslie Willcocks, David Feeny and Gerd Islei was very attractive. I see an opportunity for the Oxford Institute of Information Management (OXIIM) to build a higher profile and establish itself as a stronger sub-brand of Templeton. Research which has a direct effect on business practice flows naturally into executive programmes and I am looking forward to doing more executive teaching. Of course, it’s nice to feel part of Oxford University. But more important for me was Templeton’s distinctive environment and its focus on research and teaching for executives.’

Although Australia has a thriving IS/IT management community, in population terms it is a small country. Chris Sauer is looking forward to having easy access to a much larger number of colleagues in Europe, as well as a larger market for his research. But will he miss Australia? ‘Sydney is a stunningly attractive city in which to live. But when friends have asked why I’m going back to the UK, I say I’m not going back, I’m taking the next step forward. The UK has changed an enormous amount over the last 15 years. In many respects, it is as much a new country as Australia was when I first stepped off the plane there.’
Faculty News


Jonathan Reynolds, Fellow in Retail Management, and Director of the Oxford Institute of Retail Management (OXIRM), acted as an expert witness for the European Commission Enterprise DG’s seminar on Distributive Trades in Europe in Brussels in November 1999 and is a member of the panel for the Retail Week ‘Retailer of the Year Awards’ 2000. He also gave a keynote paper at the Siemens-Nixdorf ‘Retail Topics’ conference in Paderborn, Germany in November 1999 and recently gave invited papers at the Autumn Seminar of the Consumers’ Association Council and the Colque de la Distribution Internationale, organised by Negocia, Paris.

Alan Rugman, Thames Water Fellow in Strategic Management, presented two papers at the annual conference of the Academy of Management in Chicago in August. In October he gave the keynote address to the annual meeting of the Australia-New Zealand International Business Academy in Sydney. He is co-author of the 2nd edition of International Business: A Strategic Management Approach (Pearson Education and the Financial Times/Prentice Hall group, January 2000).

Mari Sako, P&O Professor of International Business and Professorial Fellow, has been appointed Deputy Director (Research) of the Said Business School. ‘My top priority is to promote an exciting research environment that will attract good researchers and new funding from both public and private sources. Management research is necessarily intensive in time and resources, and I believe that by building systematic bridges within Oxford and in the business world, we can harness our potential in carrying out academically rigorous and relevant research,’ she says.

Marc Thompson, Research Fellow in Employee Relations, addressed the Institute of Personnel Directors (IPD) National Conference in Harrogate on the launch of his new report reviewing existing research on HR strategies and business performance. The report, written with Ray Richardson of the LSE, is available from the IPD.
Programmes & Events
Hilary Term 2000

The Oxford Advanced Management Programme
9 January–5 February

The WTO Millennium Round: an Assessment
Alan Rugman and Robin Pedler
17 February 16:00 to 18:00
Open to everybody

The Oxford Strategic Leadership Programme
26–31 March

The Oxford Senior Executive Finance Programme
9–14 April

Retail Location Analysis
12–14 January

Research Conference on International Management
27–29 April
Alan Rugman

European Retail Seminar
4–5 May

Major Projects Association Programme
14–19 May

For further information about any of these events, please contact:
Stephanie Parsons
Business Support Manager
Templeton College
University of Oxford
Oxford OX1 5NY
England
Tel +44 (0)1865 422770
Fax +44 (0)1865 422501
Email enquiries@templeton.ox.ac.uk

Further information about Templeton can be found on our web site:
www.templeton.ox.ac.uk

Many of you will remember Sy Tilles who taught on the Oxford Advanced Management Programme for many years. We were saddened to hear of his recent death and send our sympathies to his wife Gloria.

Student News

Nikolaos Pisanias, Leyland Scholar, was recently appointed Templeton’s Junior Dean. He is working on his doctorate, which examines the business implications of electronic commerce and focuses on the impact of the Internet on broking markets.

Brendan Ryan has been elected President of Templeton’s GCR. An MBA student from Australia, he previously spent five years with Shell Coal in a variety of roles ranging from underground coal miner to group mining engineer.

New Vice President Elected

Marshall Young, Fellow in Strategic Management, was recently elected to serve as Templeton’s Vice President for a period of three years.

After joining Templeton from the Boston Consulting Group in 1976, he subsequently worked for Thorn EMI Home Electronics International as Business Development Director, leading a management buyout in 1990 to establish a specialist multimedia publishing company of which he remains chairman. He returned to the College in 1995 after two years advising an international bank on its strategy development programme in Asia. At Templeton his main focus has been on the senior executive programmes, in particular directing and teaching on The Oxford Strategic Leadership Programme.