

## **LEADERS' DEVELOPMENT AND CORPORATE CULTURE**

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### **-Abstract -**

*You are not born to be a leader but can develop into one. A number of developmental theories describe the way adults can develop towards more complex and differentiated ways of understanding themselves and the world, measured e.g. by a research-based test, the Washington University Sentence Completion Test (WUSC).*

*A case study of a highly competitive bank in Sweden with a humanistic corporate culture was conducted through a multimethod study including the WUSC test. The aim was to investigate in which ways this kind of culture, where learning is considered as a part of everyday work and employees actively participate in the business planning process, is related to development.*

*Results show that the vast majority of employees (including managers) represent a specific developmental level where people still are task- rather than goal-oriented. The developmental level of managers were important for how their leadership was thought of by employees and for how successful they were in involving employees in the business planning process. Thus developmental aspects seem to be important for maintaining and further developing a culture that supports learning.*

**Key Words:** *Leadership, Development, Adult Development, Corporate Culture, Banking,*

**JEL Classification:** O15

## **1. INTRODUCTION**

Companies of today need leaders who can rapidly and continually adjust to an ever-changing business environment and hardening competition. Leaders need to develop their employees to become independent and pro-active in order to create a successful organisation. It is not easy to find leaders with such advanced abilities that are required in leading change and developing others. Many of these abilities are something people are not born with but can develop during a lifetime.

## **2. THEORETICAL FRAMEWORK**

### **2.1. Adult Development**

It is quite obvious that human beings undergo a radical psychological developmental process in turning from helpless infants into adults with advanced cognitive, emotional and social capabilities. However, research shows that the possibility of personal development doesn't necessarily end together with our childhood. Adult development theories state that we can continue to go through substantial personal development leading to more inclusive ways of thinking and understanding ourselves and the world (Hagström 2003). This developmental process leads to changes inside of us, but is driven by interplay between the person and the surrounding world. There has to be external conflicts that influence us to re-evaluate our way of knowing, and at the same time enough security to be able to leave familiar ways of thinking and look at things in a new way (Kegan 2004).

### **2.1 Development and leadership**

Through development in adult years certain capacities emerge which certainly are needed in work life of today. A smaller part of adults (15 % or less) will remain in the teenage developmental level which can be named "conformist" because of the wish to conform to people around you and to social conventions. Most adults will leave this level of social dependence for the most common level in adult populations, the "expert" level. (Joiner 2007) At this level you can find the typical grown-up, independent adult who can make own decisions and take responsibility

for own actions. A strive for problem-solving and a belief that there is one best solution is why the “expert” often is well suited to do a good job in traditional work life. There is a wish to develop routines and to gain more knowledge in one’s field in order to be more efficient and do an even better job. An expert as manager is quite capable leading daily work and other “experts” in *what* to do as long as she or he doesn’t have to re-evaluate *why* things are done. At this level it is hard to make decisions at a more abstract, strategic level when there are no obvious “rights” or “wrongs”. This manager is more task- than goal-oriented and it can be good enough as long as that’s what is asked for in the organisation. Nearly 40% of an adult population in previous large studies has been found being on the “expert” level (Kegan 2003).

A slightly smaller number of people (around 30%) evolve into the next stage, “achiever” level, where absolute knowledge can be challenged and you have a growing distance to your own assumptions. The “achiever” manager doesn’t necessarily have to control details as long as the goals are achieved. Often personal career is important and this is the typical stage for efficient goal-oriented leaders and top executives, who stabilize at this level regarded as an ideal developmental level in many contemporary societies. Only about 15% of a population develop beyond this into “individualist”-levels or later (Kegan 2003). The great difference when leaving the rational “achiever”-world is the inward turn when beliefs of objectivity gradually are lost. The “individualist” looks for answers inside oneself and others more than in outside conventions. This leader starts understanding and valuing human development and often takes a great interest in developing people and organizations. An understanding of processes is developing and the “individualist” leader is not as quick to draw models in order to understand what happens in organisations. She or he has a natural feeling that all complexity cannot be reduced but can be dealt with. Even fewer (around 5%) take the next step in development into “strategist” level and further, where true understanding for process is a valuable skill needed in a turbulent, ever-changing world. Research show that true organisational transformations need leaders who have reached to this point in their lives. (Rooke and Torbert 2005).

## **2.1 Corporate Culture**

Ideas and truths that exist within the organization guiding people’s every day

acting and learning at work can be entitled a “corporate culture”. For example, Peter Senge has discussed the learning cycle and how a learning organization can become reality, and that the set of beliefs and assumptions that develop in a learning organization are different from the ones in an ordinary hierarchical organization (Senge 1990). Senge stresses the guiding ideas of the organization and that these exist either they are deliberately developed or not.

### **3. THE CASE STUDY**

#### **3.1 Handelsbanken**

Handelsbanken is an old Swedish bank which has been highly competitive on the national and international market for many decades and today has more than ten thousand employees.

A large re-organization was carried out in the early 1970's by the then CEO, Jan Wallander. The company headquarters was dramatically cut down and many functions were decentralised to regions or even down to the office level. The ideas behind this were based on a humanistic view of man as proactive and meaning making, which still is a main theme of the corporate culture of today. All employees are involved in the yearly business planning process, which makes it possible to for everyone to understand how individual performance contributes to total goal fulfillment of the bank. There also are generous pension funds for all employees including profit-sharing, so employees get a share of profits as long as the bank is successful.

Instead of controlling the organization in detail, decisions are to be made at the lowest organizational level possible (Wallander 2002). Each branch office has quite a large amount of freedom to do what they think is the best, but at the same time following the principles in accordance of the corporate culture of Handelsbanken. The corporate culture is formulated in a booklet of principles and beliefs that everyone in the bank should have as a guideline when making decisions in their everyday work (Göransson 2010).

#### **3.2 Methods of study**

A multi methodological approach has been applied using observations, interviews

and surveys in three research steps: 1) explorative observations and interviews of 65 employees in 12 work groups, constituting a base for 2), a survey directed to all employees in the organization in Sweden (N=5347, response rate 70%) that, in turn was the base for a 3) study more in depth of interaction patterns in 10 local work groups (109 employees). In step 3) the WUSCT was used to measure developmental levels of employees in these work groups, including managers. The WUSC test is well renown, initially developed by Jane Loevinger (Hy and Loevinger 1996), widely used in research and thoroughly evaluated by researchers around the world.

#### 4. RESULTS

An explorative interview study of this bank (Wilhelmson et al. 2006) and a large survey in 2008 with all personnel in Sweden indicated very strong identification with this company's culture among the personnel. This strongly indicate that there is something in common among these ten thousand employees, probably some kind of value system that ties them together. This could be considered a corporate culture perceived somewhat similarly among most people in the bank.

Results of the study show that a great majority of employees in work groups studied are at an "expert" developmental level (Göransson 2007). This can be understood in the light of the kind of work at the bank, where doing things correctly is important in dealing with customers and their financial matters. It is more surprising that so many of the managers also represent the "expert" level, and of ten only one has reached the level of "individualist", (see Figure 1)

**Figure-1: Distribution of developmental levels in studied work groups (n=105)**

Developmental Level	Number	% of total	Women Number	Men Number	Managers Number
Opportunist	1	1 %	0	1	0
Conformist	9	9 %	3	6	1
Expert	77	73 %	48	29	7
Achiever	17	16 %	10	7	1
Individualist	1	1 %	1	0	1
Total	105	100%	62	43	10

All managers in the bank were evaluated by their subordinates of their work group in a survey to all in the Swedish personnel of the bank (Research Step2). These questions were not supposed to measure simply popularity, but if the manager is independent and has personal integrity, and if she or he encourages their work group into new thinking. Results of these questions constitute a “Good Boss”-index and show that managers are generally rated relatively high (mean 4,67, at a scale of 1-7), which indicates that employees in the bank are relatively satisfied with their managers. They also think that their manager involves them in an active way in the yearly business planning process and they feel they are active parts of this process.

In Research Step 3 developmental level of ten managers was measured and can be compared to this “Good Boss” result (Figure 2). Even though the number of managers studied is low, there is a correlation between these two of 0,34. This sample shows that managers of higher developmental levels are regarded as better leaders.

**Figure-2:Managers developmental level and “Good Boss”-index (n=10, Scale 1-7 of index)**

“Good Boss” index	Managers developmental level
3,83	Expert
4,47	Expert
4,79	conformist
5,55	expert
5,62	expert
5,75	expert
5,88	individualist
5,96	achiever
6,20	expert
6,50	expert

## 5. CONCLUSION

A decentralised company as Handelsbanken needs a strong culture to guide the organisation in striving for the same goals. Employees need to grow in order to be the independent and proactive as they are needed to be if decentralisation is going to work in reality. The humanistic assumptions of people as being willing to learn and take responsibility offers opportunities for employees to challenge themselves and thus find enough conflict for development to occur. But the leaders role is crucial, since managers are those who can either involve their subordinates taking part as active individuals in decision-making, or suppress them into a more passive role. It is of great importance that leaders understand human development in order to create it, and understand the importance of continuous involvement of subordinates in decision-making. Enough security is certainly to be found in this stable bank. Therefore, this organisation appears to need leaders that have passed at least the « expert » stage and can challenge old ways of doing things and truly live according to what the culture states ; independently and constantly learning. This study shows, however, that most managers are actually at the « expert » level, which could be alarming for the future of the bank. But managers are still conceived as quite brave and independent leaders by their subordinates. It could be that the market situation and the nature of work in the bank hasn't yet put decentralisation to a test. Employees are taking part in decision-making but it could be rather low-level decisions that have to be made since this bank or perhaps banking in general actually doesn't face very turbulent changes at a daily base.

More developed leaders are perceived as better managers according to this study. Interesting issues are raised from this. Generally you could say that leaders who have developed ability enough to deal with complexity and change are needed in today's ever-changing business environment. A leader who can use existing knowledge in new situations and who can conceive the organisation from an outside-in-perspective (Kegan 1994) can react successfully to changes both inside and outside the organisation.

Since advanced leadership skills generally develop during a long term process covering many years, it is of great importance that companies make it possible for employees to develop within the organisation. It might not be easy to find mature, good leaders but by giving people opportunity to grow within the organisation,

they can become leaders of tomorrow.

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