

Leading and Learning, Inc. is a 45-member **organizational management consulting firm** based in Los Angeles with clients across the U.S., Canada, Europe and Asia. We support leaders during change processes with focus on organizational change management, leadership development, and personal, professional effectiveness. Our client roster includes CEOs and other leaders in corporations and organizations spanning **banking, utilities, manufacturing, hospitality/entertainment, hospitals/health systems, technology/aerospace, service industries, government and nationally-based nonprofits.**

EACH MONTH Dr. Billie Blair, President of Leading and Learning, Inc. writes an article for Lead-Zine that focuses on the variety of ways that executives and other managers can manage 21st Century processes that require adept use of both traditional management techniques as well as organizational change strategies. This month, Dr. Blair is focusing on **management accountability in environments of change.**

◇ **Additional Articles on management accountability** have been invited and are included on the pages that follow.

Authors this month include :

- Michael Sandnes, Managing Director - Healthcare Sounding Board Associates, Baltimore Office
- David F. Grossman, DFC International
- Deborah Wallace, EdD, BrinkPoint Consulting
- Ken Springer, President, Corporate Resolutions
- Mike Cook, Partner, Vitalwork
- Karen Lehman, Sr. Associate, Cambridge-Leadership Associates.

Dr. Blair's latest book

ALL THE MOVING PARTS:
ORGANIZATIONAL CHANGE
MANAGEMENT

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DECEMBER 2007 – “MANAGEMENT ACCOUNTABILITY”

A Timely Topic for the Holiday Season

BILLIE G. BLAIR, PhD

At a time when organizations operate in environments of organizational change, accountability assume increasing importance. In the current environment of business operations – from healthcare systems to manufacturing operations – there is now a continuing need to demonstrate **accountable business operations** in the arenas of: 1) customer satisfaction; 2) global interface; 3) environmental responsiveness; 4) innovative practices; and 5) financial exigency. Where the financial picture was once the primary method of establishing continuing success of the organization, there now are four additional ways in which viability and participation must be demonstrated.

► **Customer Satisfaction** – To establish and achieve a successful customer service environment requires developing strong efforts of *teamwork* between the organization, its personnel, and the customer. High customer satisfaction is obtained when this contract of accountability is consistently demonstrated.

► **Global Interface** – Even if an organization's services are not offered in countries outside the U.S., each business enterprise will be affected by the global environment in which all modern organizations operate and will need to be able to describe these interactions as contributions made to the overall viability of business operations.

► **Environmental Responsiveness** – The public expects businesses to establish “green” accountability initiatives – ranging from the design of environmentally-approved buildings, to the self-generation of power, sounder practices of energy efficiency and conservation, and use of environmentally-sensitive materials and supplies.

► **Innovative Practices** – In the modern age, every organization is expected to develop innovative practices. These can be original experiments that precipitate new inventions or simply actions aimed at serious attention being paid to operating the business with greater originality and creativity.

► **Financial Exigency** – Business operations are now viewed from the perspective of financial solutions that provide viability in the present age. Financial reporting should respond to the accountability aspects of Sarbanes-Oxley as well as to the urgency of the financial needs of the organization. Credible material should be presented that is easily absorbed by interested members of the public.

***THE LEAD-ZINE HAS
EXPANDED TO MULTIPLE
PAGES!***

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**HARSH CLIMATE EXISTS FOR HEALTHCARE PRESIDENTS/
BOARD LEADERS**

Michael Sandnes, Managing Director, Executive Sounding Board Assoc.

Healthcare is one of the most complex and difficult industries on the planet, and in the first part of the 21st century the speed of change and turbulence has reach all-time highs. CEOs and Board leaders today face unprecedented accountability, responsibility *and* liability for their actions.

With more than one of every five CEOs replaced each year for performance issues, board trustees are finding it increasingly difficult to ensure continuity in their leadership. This is particularly true when organizations are forced into such distressed circumstances as restructuring and bankruptcy.

A large non-profit healthcare system located on the eastern seaboard presents a microcosm of the problem faced by many hospitals and systems today. The organization was losing \$300,000. per week, had zero cash balance and needed to borrow \$20 million from the county to keep its doors open. An emergency community meeting demanded greater accountability by asking for the removal of the board chairman; and the system's CEO, not having a plan to turn the system around and having tired of dealing with outdated facilities, poor Medicaid and charity care reimbursement and a high indigent population, chose to retire early.

Accountability is a serious issue facing healthcare institutions across the country. Boards are consistently disappointed in the performance of their selections for CEOs – as evidenced by high turnover rates for these positions. Upcoming healthcare reforms will also place physicians and middle management under the same regulatory oversight that aims for better accountability to health care consumers.

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**MANAGEMENT ACCOUNTABILITY – NOT JUST ABOUT
PROFIT ANYMORE - David F. Crossan, DFC International**

Modern corporate accountability has taken on new and different dimensions, particularly since the 2002 passage of the Sarbanes-Oxley Act and its compliance requirements. It is now commonplace for businesses to be sued for a wide range of reasons – from global warming to immigration violations to sexual harassment to product safety liability issues. The rapid growth of companies also adds complexity and additional challenge to the mix.

A corporation's success is usually measured by growth. However, rapid growth that exceeds 15% yearly can bring challenges that dwarf the success. Rapid growth impacts a number of business services and operations.

Customer satisfaction is a vital function that often takes a negative hit. A common corporate failing is the inability to foresee and plan for the strain that growth will cause. A 15% growth will result in at least a 20% spike in customer inquiries, which creates additional work for the customer service department. Without additional resources, customers experience a reduction in response and performance.

Top management must show their support of customer satisfaction and its value to the organization. There are a number of ways to lead this effort:

- ▲ Recognize how and where the organization must improve
- ▲ Approve the necessary budget for customer satisfaction improvement efforts
- ▲ Establish collaboration of management and employees for customer satisfaction efforts
- ▲ Provide compensation incentives for management that delivers superior customer satisfaction ratings
- ▲ Distribute "how we are doing" status reports from top managers, to keep everyone abreast of progress.

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BOARD ACCOUNTABILITY

Deborah Wallace, EdD, Principal, BrinkPoint Consulting

Accountability, a linchpin of governance reform, has become the new gold standard for determining board effectiveness. This new prominence can be attributed to several factors: legislation and regulation; the collective embarrassment by lax boards; and new research that shows strong correlation between stock performance and the degree to which boards are accountable. Areas that are now routinely included in a board's standards of accountability are: more substantive and detailed understanding of a company's policies and procedures; increased caution and scrutiny of new and potential directors; and greater appreciation for the future implications of shareholder activism.

Risk management, a term once confined to the insurance industry and disaster preparedness, has injected itself into the thick of corporate life and quickly become a core responsibility for management. For boards, responsibility becomes the oversight of ensuring that management has identified the organization's major risks, has drawn up viable contingency plans and is keeping the board current on the status of those risks and plans. While this level of accountability is inherent in every board's fiduciary responsibility of protecting shareholders, specific accountability for risk oversight remains a challenge for many directors.

Increased caution and meticulous scrutiny of new and potential directors is another new challenge in the arena of board accountability. While there is a major effort to discourage the filling of board seats from the ranks of known associates, this is still the prevailing practice. The increasing liability associated with poor director recruitment practices is pushing D&O insurance premiums to their maximum. In addition, with hedge fund activists, who may or may not be acting in shareholders' best interest, clamoring for and often securing board seats, recruitment can be an unexpectedly slippery slope, one for which directors would be well advised to do their homework.

As the business of shareholder activism continues to thrive, so too does the demand for better communication from directors. Directors today are expected to know when, what and how to communicate with shareholders to whom they are always and ultimately accountable.

DIAL "F" for FRAUD

Ken Springer, President, Corporate Resolutions, Inc.

Managing your company's risk has always been tricky. It may sound nostalgic, but it seems that in the past companies were not vulnerable to so many forms of fraud. Today, fraud has become an umbrella term that encompasses any type of wrongdoing from an unsatisfied employee to vendors/subcontractors with ulterior motives and from a sexually harassing officer to deception by a rogue director.

There is no crystal ball to predict whether someone will defraud you in the future, but past history is frequently indicative of future performance. Indicators or troubling patterns of behavior, if identified during the vetting process, can minimize future risk.

How does one mitigate exposure to fraud? There are, of course, the tenets of due diligence and the power of relying on hunches. But it seems daunting to find a way to *guarantee* that your company is not vulnerable to fraud. We think we may have found a way to help out. A few years ago, we received a call from an investor in a large convenience store chain. The investor said he knew he was being defrauded but, because of the size of the 100+ convenience store operation, he was not sure where the fraud began and where it ended. Our solution was to conduct a multi-pronged investigation.

First, we sent accountants and surveillance experts into all the company's stores. The team's work included surprise audits as well as monitoring of managers and vendors. Cheating, lying and misrepresentations were found to be rampant throughout the organization, and we needed to be able to pinpoint the originator of the fraud.

An anonymous tip hot-line was installed, to help us discover the central source of the fraud. Employees were told that concerns, complaints or frustrations could be voiced anonymously by using the 800 number. Through these employee accounts, we were able to clearly pinpoint the fraudulent practices as well as those responsible. Based on the information obtained, new corporate policies were implemented to prevent further instances of malfeasance.

Welcoming tips from employees is an effective way to guard against ongoing fraud – in 508 cases studied in 2004, businesses lost \$761 million as a result of fraud – 39% of the fraudulent cases had been uncovered by a tip; 60% of the tips were reported internally by employees. Establishing accountability of all employees is sound management.

LEAD-ZINE Continued on page 4 -----▶

MANAGEMENT ACCOUNTABILITY IN ENVIRONMENTS OF CHANGE

Mike Cook, Partner, Vitalwork

For several years now, employment opportunities have been moving to locations around the world where there is at least equal, and sometimes better, competence, and the cost of doing business is significantly less. As a leader, you may not relish the idea of outsourcing but may find that you need to think seriously about the practice.

Instead of viewing employees as managed expenses, you will find yourself taking a different approach if employees are viewed as individual assets. Although this might represent a radical shift, it is imperative in building a dynamic productive team in the modern age. The concept of “employees as assets” will require that a work culture of interdependence is created and maintained. A culture where employees feel valued allows that value to be returned in equal measure.

In an outsourced economy, we will need to create an environment where knowledgeable workers want to work *with* company leaders, as capable and committed partners who share business objectives and have a stake in the company remaining competitive.

DO YOU REALLY EXERCISE LEADERSHIP?

A 10-POINT QUIZ THAT WILL HELP YOU FIND OUT

Karen Lehman, Senior Associate, Cambridge-Leadership Associates

- 1 - I regularly exceed my authority to take on issues my superiors and reports consider to be “risky” or beyond what’s expected of me.
- 2 - I think systematically and regularly assess the influence of diverse stakeholder groups on issues I’m concerned about.
- 3 - I view leadership as mobilizing people to deal with the tough problems our organization faces, not as a command and control process.
- 4 - I protect dissident voices in the organization, the people others may think of as “troublemakers” – they provide valuable information and say the things that others are afraid to say.
- 5 - I’m good at “giving the work back” – letting the people who have the problem solve the problem, rather than taking it all on my shoulders.
- 6 - I believe that living with ambiguity is essential for real organizational change and am comfortable with a lack of clarity.
- 7 - I understand that my authority is a constraint as well as a resource, and I welcome leadership by people at all levels of the organization. I do what I can to give them cover and partner with their initiatives.
- 8 - I understand that real change involves skills and capacities that lie beyond my, and the organization’s, current repertoire. Learning what we need to learn is difficult because we come face to face with our own incompetence.
- 9 - I understand that I own a piece of the “mess” and that leadership requires that I examine the behaviors I’ve become comfortable with and change those that are holding us back.
- 10 - I understand that there can be casualties in processes of fundamental change. I work with people to help them transition to new possibilities.

Reflecting on these 10 points allows those who serve in leadership positions to re-examine current functions for ways in which leadership efforts can be better exerted.