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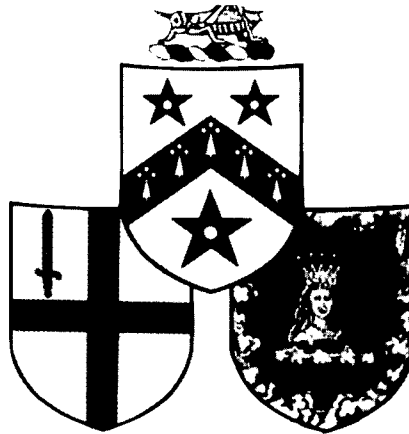## COLLEGE

NEW LEARNING FOR A NEW CITY

COMPETENCE AND CAPABILITY

A Lecture by

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New Learning for a New City

Competence and Capability

Market changes, new technologies and shifts in the nature and form of competition are placing tremendous pressures on the City, its institutions, business and all those working for its continued success and prosperity. The competence of managers and leaders within the City and the capabilities of their ventures will determine their competitiveness. This lecture will explore both the types of competences needed and the underpinning knowledge and understanding. The lecture highlights the way the leaders of City based ventures will need to re-think not only their approach to organisation but the roles that their managers and management teams play.

The Zig Zag Manager

The eminent sociologist C. Wright Mills once wrote about the emergence of a new kind of business leader. He called them Zig Zag managers because they built their business by zigging and zagging between the areas of business ignored or under-developed by traditional corporations. When the giant soaps companies pruned brands like Pepsodent from their ranges - zig zag managers bought them up and exploited the residual demand for their products. This is not a new technique in the City. Successful institutions have learned how to link retail banking with international corporate finance. At a more basic level, most dealing rooms are built around people who life is driven by the need to move in and out of positions at bewildering speed. Traditionally, however, these skills have been localised and the holders of these skills have had little need (or incentive) to transfer these skills elsewhere in the organisation. Financial institutions, not only

in Britain, have based their dominant management paradigm on the models of the larger, predominantly manufacturing enterprises.

These models placed an emphasis on stability, continuity and process. This was as true for their approach to markets as their attitudes to manufacturing and distribution. In the 1970s, for example, the major US and British car companies decided in the 1970s to apply the 80:20 rule to their dealer networks. They withdrew their backing and probably hoped these "less successful" dealers would quietly disappear. Instead, the Japanese car firms zigged and zagged between these dealers. They signed up the best and solved the biggest barrier to their entry into the US and British markets - lack of dealer support.

Illustrations abound of entrepreneurs performing their classic economic role as "gap fillers", "boundary managers" and "risk takers." The fill the gaps in markets left by large firms. Initially Anita Roddick's Body Shop filled the gap that the giants of Lever Bros, Procter and Gambol and Colgate left in the market. The "boundary manager" role is harder to define. Virgin Atlantic and Southwestern Airlines zig zag along the price and service boundaries of the airline industry. They succeed because they push the boundaries further than their larger rivals will go - voluntarily. Risk taking involves the ability to zig zag between the opportunities and threats that exist in new developments. Ted Turner survived because he was skilled at zig zagging between the opportunities created by 24 hour television and the risks of a totally new approach to tv news broadcasting.

The drivers in the US financial sector show many of the same skills as they develop venture capital markets, extend the potential of equity investments and change the nature of their organisations to meet to market needs. The growth, for example, of the provision of financial services as a branch of e-commerce is surprising many. Even in retail banking, insurance and pensions – traditionally conservative areas, resistant to change, new entrants such as the major retailers, "direct" marketers and new partners such as Virgin – are gaining most of the headlines, and on increasing share of the profit. Many of these innovations are

driven by first or second-generation entrepreneurs or entrepreneurial concerns –
Richard Branson, David Wood and Ian McClaurin.

Sharp increases in entrepreneurial activity coincide with economic turbulence
and revolutionary changes in markets. The list of entrepreneurs who emerged in
the City at the first half the nineteenth century seems almost limitless. They
overcame religious, national, ethic, political and social barriers to transform the
UK and eventually the world economy. Entrepreneurs from across like Nathan
Rothschild were attracted because they recognised the turbulence and
opportunities created by other entrepreneurs. Institutional entrepreneurship
requires a set of competences that are not part of the traditional selection,
recruitment or development programmes for City institutions. The spark of this
enterprise did not die with end of the first industrial revolution - it simply
spluttered, flared less often and in many cases moved elsewhere as the City's
pre-occupations became internal control and stewardship.

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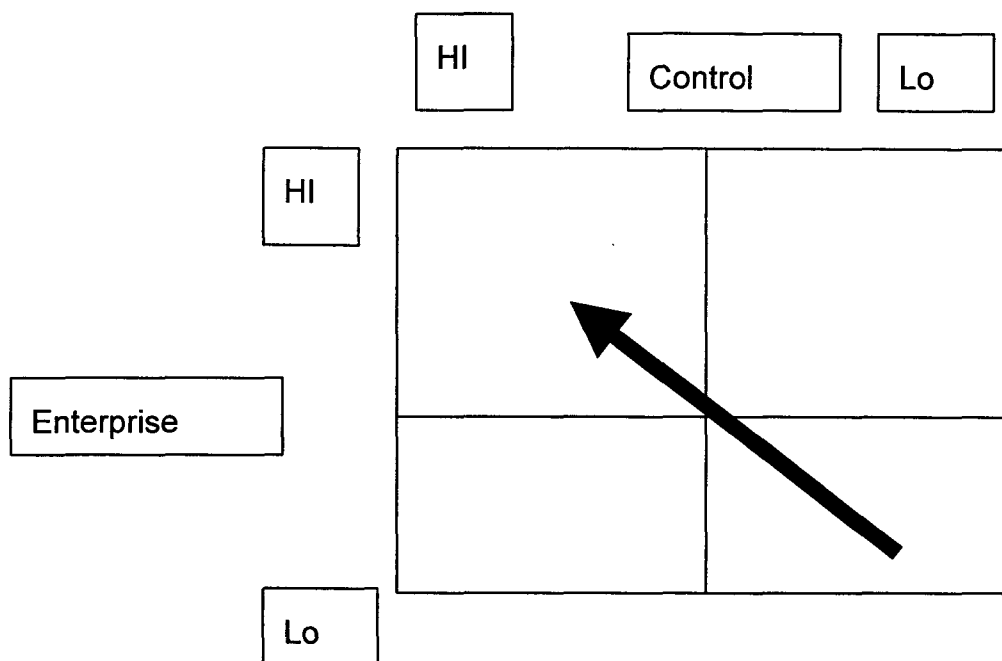
Internal, corporate entrepreneurs is playing an increasingly important role in the
achievements of larger firms outside and inside the City industries of finance, the
law, insurance. The story of Thomas West, one such entrepreneur, was

described in the book *The Soul of the New Machine.* He mixed a willingness to take risks, follow unconventional routes and make creative leaps with the ability to mobilise resources, develop people and manage a complex administration. At 3M, the company culture enables, encourages and endorses the work of internal entrepreneurs who seek out new business opportunities and turn them into successful businesses. Robert Devereaux - head of Virgin Communications - has the freedom to develop to business as an internal entrepreneur. John Neill at Unipart, Percy Barwise at ABB are corporate entrepreneurs who encourage the entrepreneurial spirit across the enterprise.

They are aware that enterprise is not enough. The parallel strand in business development is recognition that team work is increasingly important to success. The team rather than the unit or group within a hierarchy lies at centre of their success activities that range from strategic decision making to optimising operations. Winning consensus from the team is the first step in any development. Gaining this support and involvement is not easy. Time and effort is spent building the sense of team by breaking down institutional barriers between people. The lack of barriers is used to draw people in the decision, use their knowledge and expertise to minimise risk and maximise gains and ensure their support for policies. The prevailing view is that time spent in winning pre-decision support is more than repaid by time saved in post-decision implementation. The pattern in different forms is repeated elsewhere in Asia. Jim Rohwer of First Boston in Hong Kong describes how the intensive networks that characterised Chinese society are replicated in the group behaviour in the firms that emerge in these societies. The ability to mobilise the talents and endeavours of the group provides these firms with significant advantages over their more individualist, less cohesive rivals.

The gains include access to a wider set of experiences, insights from team members with special knowledge and less resistance to change. The team is, in effect, the proving ground for ideas and the means of delivering added value and innovation. Teams can be creates on the vertical, horizontal and along a mixed

plain. They can be relatively permanent or short-lived. Vertical teams bring together managers from every level of the organisation. This can mobilise the strategic, distributive, communications and operational insights, which reside at different points in the hierarchy to tackle a task or challenge. This form of vertical team is especially effective at changing even undermining the hierarchy by drawing out the distinct competences of managers.

Horizontal teams pull in people who have the same type of seniority. They are typically drawn from different functions with various types of expertise. They can tackle specific tasks while reinforcing bonds between functions. Effective horizontal teams shift the enterprise philosophy from an assembly of different (sometimes competing) groups to a multi functioning and multiskilled unity. Mixed teams are increasingly popular with enterprises that aim to get the right people to work together in the right way to produce the right results. Potential to contribute is more important than status or claimed expertise.

The paradox facing managers and organisations lies in wedding these twin themes - entrepreneurship and teams of into City institutions. The search for independence is more important as a motivator for entrepreneurial activity. This does not sit easily with the notion of team playing or building organisations. The same problem exists with the team players acting entrepreneurial. Available evidence on the most effective or successful team players shows that they seek satisfactions in forms, which sharply contrast with the aspirations of entrepreneurs. They prefer structure, relationships, peer recognition and comfort to independence, power, creativity and risk. The City professional shown many of the characteristics of the team player – search for security through professionalisation with a desire control. The new City demands that these traditional competences need to be combine with competences in managing innovation, developing others, lifelong learning and team building.

Individualistic Teams

Despite the paradox implicit in the notion of the entrepreneurial or individualistic team, there is burgeoning evidence that they can be created and once created they can provide a powerful spur to business development. The success of 3M symbolises the benefits that can derive when individualism and teamwork can combine. 3M has created a culture in which individual enterprise like that shown by Art Fry and Diane Baum Verpleogh is married to a cohesive organisational structure in which team working provides an edge over isolated enterprise. Nestle has invested heavily in creating a culture in which the enterprise of all its managers in wedded to team goals. Reto Domeniconi of Nestle describes both the scale of the task and the nature of the opportunity. He noted that "to get excellence the greatest source of untapped resources is from middle management down. But people play old games; knowledge is power and initiatives get blocked.

There is no fundamental reason why enterprise, individualism and entrepreneurship cannot be wedded to team goals or why teams cannot show enterprise. The histories of sports, the arts and business are full of examples of the success that can be won when this paradox is resolved. The greatest US football teams - from the Green Bay Packers in the 1960s to the San Francisco 49ers and the Dallas Cowboys in the 1980's and 1990s - linked integrated stars who enterprise made a difference to teamwork that created a platform for greatness. Joe Montana of the San Francisco 49ers was the playmaker but he was protected and converted by others. In soccer, Hungary in the 1950s, Brazil in the 1960's, Holland in the 1970's, Germany in the 1980's combined players like Puskas, Pele, Cryff who could redefine their role even the game with other like Mattias who created the opportunity. Cricket, baseball, basketball, hockey and other great team sports illustrate the capacity to link entrepreneurship with team work.

It is easy, however, to argue that this link is an integral feature of the sport itself. At Dallas Troy Aikman simply could not perform without the offensive line to

protect him or Emmett Smith to convert his efforts. Are they interchangeable with other managerial bureaucrats? Eric Cantona's enterprise and talent transformed two "win nothing teams" like Leeds United and Manchester United into champions so was it the team or the individual that made the difference? In team sports, an individual like Dennis Lillie, the Australian cricketer, can be a talisman who has an effect far beyond his individual contribution. Individuals can seldom produce the same immediate effect especially when moving one enterprise to another.

A Flock of Eagles

Individualist or entrepreneurial teams combine the strengths of enterprise and teamwork. The problem they pose was well summarised by Ross Perot who complained about his experiences at General Motors. He felt GM stifled enterprise that "eagles don't flock" - at least not normally. There is, however, that entrepreneurial eagles can flock in firms that combine the right leadership, supportive systems and the right atmosphere. Leading entrepreneurial teams has been described as "learning to herd cats." This means finding the right inducements while manoeuvring them on routes they feel they want to follow.

Leader/managers have many of the classic characteristics of other leaders but they have learned to display them and use them indifferent ways. Vision is important. It is hard to get other entrepreneurs to buy into a way forward without a vision of the direction in which the firm is moving. Alex Ferguson at Manchester United and Jimmy Johnson at the Dallas Cowboys communicated a simple vision - returning their teams to their former greatness. In large City institutions, it is hard to convert the vision into such simple terms. It is, also, difficult to provide the immediate feedback and reinforcement that sport provides. Equally important, the stewardship role that is inherent in many City enterprises adds further challenges to the leadership groups' definitions of the roles. The leader/manager must provide a simple but clear vision. She must combine this ability to articulate

this vision with a willingness to accept challenge and provide continuous support or reinforcement.

Buy Yourself a Dog

Talent and entreprenurship go together but surprisingly little attention is given to the management of any form of talent in business even in the finance sector and the other City – Knowledge talent industries. Clear and strong incentives provided through the leadership group matter a lot. Talent often shows little respect for the powers of office. Talk to investment bankers, corporate lawyers even entertainers and the feedback is surprisingly similar. The judge people by their ability to perform not by the trappings of office.

It is hard for some City leaders to cope. They are familiar with using the powers of office to reinforce their position. They get their way - in part, because they can hire, promote, punish, demote even reward and punish. These powers are employed to reinforce certain types of behaviour or specific people or to deter other behaviour. Subordinates respond because their freedom to react or withdraw is limited. The eagles in our new City team have fewer inhibitions. They are confident of their talent and enterprise. This confidence inevitably reassures them that they can withdraw or leave if their abilities and contributions are not recognised. Loyalties centre on their fellow team members or their talent itself. Relatively little is given to the specific firm. In the words of the famous New York investment banker - "If you want loyalty, get a dog."

Leaders of these entrepreneurial teams tap their talent by supplying a vision and nurturing the support of the team and the talent. Sometimes the vision is hard to sustain - once the first goal is achieved. In the later parts of the story of New Machine - West's declining interest is evident. Bill Kenwright the theatre impresario tells the story of his production of Piaf. For weeks before the part was cast, Elaine Page frequently approached him about taking the role. She was anxious to get the part and promised total dedication to the role. She eventually won the role. Her interpretation of the role was a great success on the first night.

The following day, Elaine telephone Bill to tell him that she was not willing to perform matinees. She was changing the rules.

The ability to change the rules to the organisation's advantage is one of the great strengths of entrepreneurial teams. This gift requires direction and control if the firm is to reap real benefits. Rule changing places a premium on the ability of the leadership to articulate the vision in ways that compel the support of team members. A compelling vision is designed to win their support, energise the members and give them the confidence that they can deliver the desired outcomes. Leadership involvement at these stages adds extra value as it endorses the shift in behaviour. Effective behaviour change is reinforced when examples and models are set; needs and achievements are recognised and celebrated and development or learning is made an integral feature of the process of improvement.

The End of the Anonymous Manager

Management support for the entrepreneurial team gains greatest value when it is clear and public. Anonymity has emerged over the last half century as a cloak behind which managers' hide. Anonymity allows managers to hide behind their office, avoid responsibility and dodge any pressure to stand up and be counted. The worst feature of IBM at the end of the Aaker's era was the proliferation of anonymous managers. They were fond on the phrase "managers are only human" and used this to minimise their responsibility to address the challenges facing the company.

The rise of the anonymous manager is a feature of organisations in trouble. There is the famous cartoon of the manager, behind the giant desk speaking to an aggrieved customer. His comment is "I don't know how you managed it, madame, but you have got through to someone in authority." It is a sentiment that is familar to many of those inside organisations. The leaders and managers are just as anonymous to their colleagues as their customers. They have become bureaucrats not managers. Analysis of some of the most successful City firms

indicates that most have leaders and managers who are confident enough to communicate their views. They identify themselves with their vision and break out of the safety first, straight-jacket of anonymity. They have to challenge the views of those managers, from Chief Executive onwards, who are tempted to "let the figures do the talking" or some other line. This leaves their colleagues unclear about their vision. More dangerously, it suggests that if the leaders will not stand up for their policies - why should I?

Fools' Gold

Anonymity provides managers with the appearance of security. If they don't know me, how can they blame me? But, this is the fool's gold of management in the modern City. Anonymity emasculates managers and turns them into bureaucrats. This occurs because the primary difference between the two is the manager's accountability and acceptance of responsibility. It is intriguing to read letters from lawyers. Some take this move away from accountability even further by signing their letters in the name of the firm not the person but it undermines any sense of personal commitment to customer service. Accountability has its positives and negatives. Effective managers learn to take responsibility for rewards and reward systems. Once again, the temptation is to minimise personal involvement and hide behind process, procedure and time. In contrast, Ed. Crutchfield, CEO of First Union Corporation argues that "recognition and reward has to be done on a very short interval basis ... given immediately after the service was rendered. (Its) not something that you get in your pension 35 years from now, but its something you can buy break with on Monday."

Immediate rewards add three important dimensions to the entrepreneurial City team. First, it forces senior managers to get involved. The only way quick rewards can be given, is if the manager is a full team member - able to spot and recognise achievement. Second, immediate rewards are immediate feedback. Research on entrepreneurs indicates that they work to shorter action - reward cycle times than others. That is why they sometimes seem impatient or in a

hurry. Quick rewards respond to that need in "natural" entrepreneurs. These rewards condition those with less clear, entrepreneurial traits to think in that way. Quick rewards bond teams together by breaking down barriers between levels and responding to endeavour and achievement not position.

Rosabeth Moss Kanter describes the changes that occur in the team. Social Psychologists have shown that the maintenance of an authority relationship depends on a degree of inequality. If the distance between the boss and the subordinate - social, economic or otherwise - declines, so does automatic deference and respect. This is further aided by the existence of objective measures of contribution. Once high performance is established, the subordinate no longer needs the good will of his or her boss quite so much. One more source of dependency is reduced, and power again becomes more equalised. Proven achievement reflected in higher earnings that the boss's produces security. Security produces risk taking. Risk taking produces speaking up and pushing back." In sum, if you want colleagues who are deferential and risk averse maintain large, position based reward differences. If you want entrepreneurs, who will work in teams to take risks and push the company forward - get involved, reward achievement publicly and quickly. You have to walk the talk and show you mean it.

High performance, entrepreneurial teams break down other barriers. They can, for example, resolve the act short term, think long term paradox. They have the confidence and resolve to act immediately to tackle issues and the breadth of knowledge take an expansive, long term view of the environment. Their development requires a shift in managerial attitudes. Coaching and mentoring of the kind more closely associated with team sports is more important than controlling and directing. Peer group pressure has the same the same effect in entrepreneurial teams as in sports teams. This pressure puts the onus on the individuals to develop and management themselves. Self-development, training, the search for new ideas are part of the ethos which the entrepreneurial team creates.

Napoleon's Knapsack

Feedback from within and without the team guides the members and each individual. One of the less publicised features of successful Japanese firms is the role of group feedback in stimulating improvements, sustaining quality and pressing for added value. At Canon the task is defined in relatively simple terms. Initially, it was "Beat Leica," later it became "Beat Kodak." Behind this simple proposition were teams that shared a determination to deliver that message. They supported, cajoled and challenged each other until they won. Similar approaches were adopted by Toyota, Komatsu, NEC and other Japanese firms. The learned that it was possible to square the effect of bringing people together if you had them working in teams as well as, as individuals. This culture exists in some vital areas of the City – dealing rooms, market traders, corporate finance – the challenge, however, is to move this vision across the enterprise.

3M, for example, prides itself that it is a company made up of 90,000 entrepreneurs working in team. The teams at 3M can be stable over long periods of time but new teams can be constructed to handle specific tasks. The company works hard to keep it main operating units small. Division managers are expected to know their staffers by name. They repudiate the anonymity of the machine workers of scientific managers. When a unit gets to large to meet this test, it is broken up. Managers get to know their colleagues and support them through success and failure.

Risk taking is encouraged and resulting failures tolerated - if the lessons are learned. At 3M, Napoleon's old maxim - that every soldier has in his knapsack a marshal's baton - is taken literally. People who come up with an idea that the firm wants to follow up are given the freedom to recruit their own team, shape a work plan and implement the programme. Even when and idea lacks official support, people can spend part of their working time proving its value. There is even a venture capitalist side to 3M's operations. Each year a number of Genesis grant are available for up to $50,000 to support people's ideas.

Michael Milken adopted a similar philosophy during his glory days at Drexel Burnham Lambert. He claimed that "there is no second in command. You could say that on some days there's one hundred seventy people that are second in command, and other days, you know, there's ten. It depends on what's happening, what the situation is. People have responsibilities, rather than a formal organisational chart." Milken over-reached himself and went beyond the bounds of the acceptable. Despite that, he created a powerful, achievement oriented team of entrepreneurs.

In Germany, some of the most successful firms confound their image by building their success on flexibility, enterprise and personal freedom. They build on the culture of quality training and personal competence to allow entrepreneurial freedom. The German national training system has created perhaps the most skilled workforce in the world. Management training is integrated in engineering education to create effective polymaths. The best German firms provide the freedom for these trained people to deploy their skills to the full. The same process of integration is emerging in the City especially through CPD programmes and Lifelong learning strategies.

The Saturn Plant links technological capacity with people's capabilities. It draws on the knowledge, insights and involvement of workers to design to create an open and integrated working environment. Barriers are broken down. Skip LeFauve says "managers don't wear suits, this breaks down the barriers between bosses and workers." This is a far cry from the formalism and separation that characterised so many US and British companies until recently. When I got my first job in management, there were eleven different restaurants to cater for the eleven different tiers of manager. All employees at Saturn are involved in solving problems and creating added value. They are expected to work until the right solution is produced not some compromise. This has improved every aspect of production from the use of components to the process of manufacture. According to Skip "(this) is revolutionising the assembly process ... it is a ten cent solution to a million dollar problem."

Goodbye to All This

This shift in behaviour and attitudes heralds a deeper change in the relationship between leaders, entrepreneurs and managers. The business literature of the last two centuries is full of attempts to define these groups and draw lines between them. Leaders were often thought of in terms of the famous military or political leaders of history. Parallels are drawn with people like Churchill, Napoleon, and Lenin. These led nations or armies to great triumphs and disasters. People were willing to follow them when all seemed lost - as in Britain during the 1940. Their followers achieved the seemingly impossible - Napoleon's armies took on and almost defeated the combined armies of the rest of Europe. Even when they were in a tiny minority, these leaders can still win through - as with Lenin in 1918. This heroic view of the leader sharply contrasts with the more mundane view of leadership adopted by some equally successful leaders. Prime Minister Asquith, struck a chord with many when he said "I am their leader, therefore I must follow them."

In many business circles there is a stated or latent wish that heroic leaders will emerge and transform the business. These heroes will face up to crises like Churchill, be as decisive as Patton, have the credibility of Eisenhower, show the strength of personality of Kennedy, be as brave as Gandhi and be as visionary as Martin Luther King. The fact that close scrutiny of all these lives shows that all had their weaknesses does not dim the ardour of those wanting heroic leaders. The contribution of these leaders is often contrasted with the limited, operational work of management. It is, however, clear that the line has never been as clear as some imply. The divide that has existed is blurring as managers face the challenge of creating visions so that their colleagues can buy in. Pressure, challenge and change calls for managers who can communicate, mobilise their colleagues, supply focus, tackle crises and get more out of their colleagues that they believed they could achieve. The old line is becoming redundant. The best managers in the City are leaders.

These same features are increasingly part of the set of assumption made about good managers. They must cope with independent decision making in the increasingly fragmented decision units that make up contemporary businesses. They are expected to take risks and learn as much from their failures are their successes. The new industrial revolution is an opportunity rich environment. Those managers who spot and exploit opportunities build business while those who do not, undermine businesses. The line between the entrepreneur and the manager is disappearing even more quickly than the line between the manager and the leaders. This has profound implication beyond the day to day work of managers and their companies. It affects the training and development of managers and the cultures in which they operate. The paradox of the entrepreneurial team become less real, the more the manager and the entrepreneur come together. This focus on enterprise and development challenges the notion of "sticking to your last" became one of the great managerial truths of the 1980s.

The Seeds of Destruction

Like, virtually, all social truths, sticking to your last contains both elements of wider realities and the seeds of their own destruction. The wider truth in this case was that the role of organisational capabilities and competences is more important and more complex than hitherto assumed. Companies cannot move from one business to another merely because of an act of will or a clear business opportunity. Their freedom of manoeuvre - at least in the medium term - is constrained by a mixture of their historic endowments, their capabilities and competencies and the architecture of the firm.

The firm's endowments are the assets that the company has accumulated over time. They provide a foundation for all future developments. All firms have some set of endowments. These are assets created in the past which remain in the firm. They are needed to survive but can shape the company's future competitiveness. Endowments have the great advantage that their costs are

typically sunk ie they were paid for in the past. The current costs are primary those of maintenance and protection.

Intel's endowments include the intellectual property rights sustained through patent legislation across the developed world. Glaxo has a similar endowment with the protection afforded to Zantac. Marks and Spencer has an important endowment in its retail outlets and strong supplier base. Many automobile firms have an important endowment in the differential trade-in relationship with past customers. Banks in Britain have an important endowment in the limits put on companies applying for retail banking licenses. Some endowments can, also, be liabilities. Littlewoods Stores in Britain are heavily endowed with large stores in declining city centres. A strong balance sheet, good Research and Development, Patents, licenses, brands are all part of a company's endowment.

The ways City firms use their endowments is largely a function of their capabilities. These capabilities define the ability of firms to use their endowments. The extent to which this use is unique or specific to the organisation converts a capability into a distinctive capability. Intel, for example, is endowed with many valuable patents. Its capability is its ability to build a commitment to successful innovation on this endowment. This becomes a source on competitive advantage if it is better than its rivals at using this innovativeness commercially. It is just as easy to fritter away an endowment by failing to wed it to the enterprise's capabilities as it is to build on it.

The problems of diversification - companies moving beyond their capabilities - prompted many to renew their focus on their distinct or core capabilities. They asked what activities use our endowments or assets best. Not surprisingly, many came up with the answer - the activities that created these endowments in the first place. Michael Porter was to the fore in advising companies to look at the relations with their markets. Close examination of the links in the chain of relationship highlights aspects in which the firm has distinct or differential advantages when it comes to creating customer value. Concentrate resources

here and results will improve. This type of reductionist approach works well when market conditions are generally stable or contracting. Unfortunately any edge or leadership position is temporary and, as Peter Drucker points our, "is likely to be short lived."

Capability building for the future and future competitive advantage is as important as capability maintenance for the present.
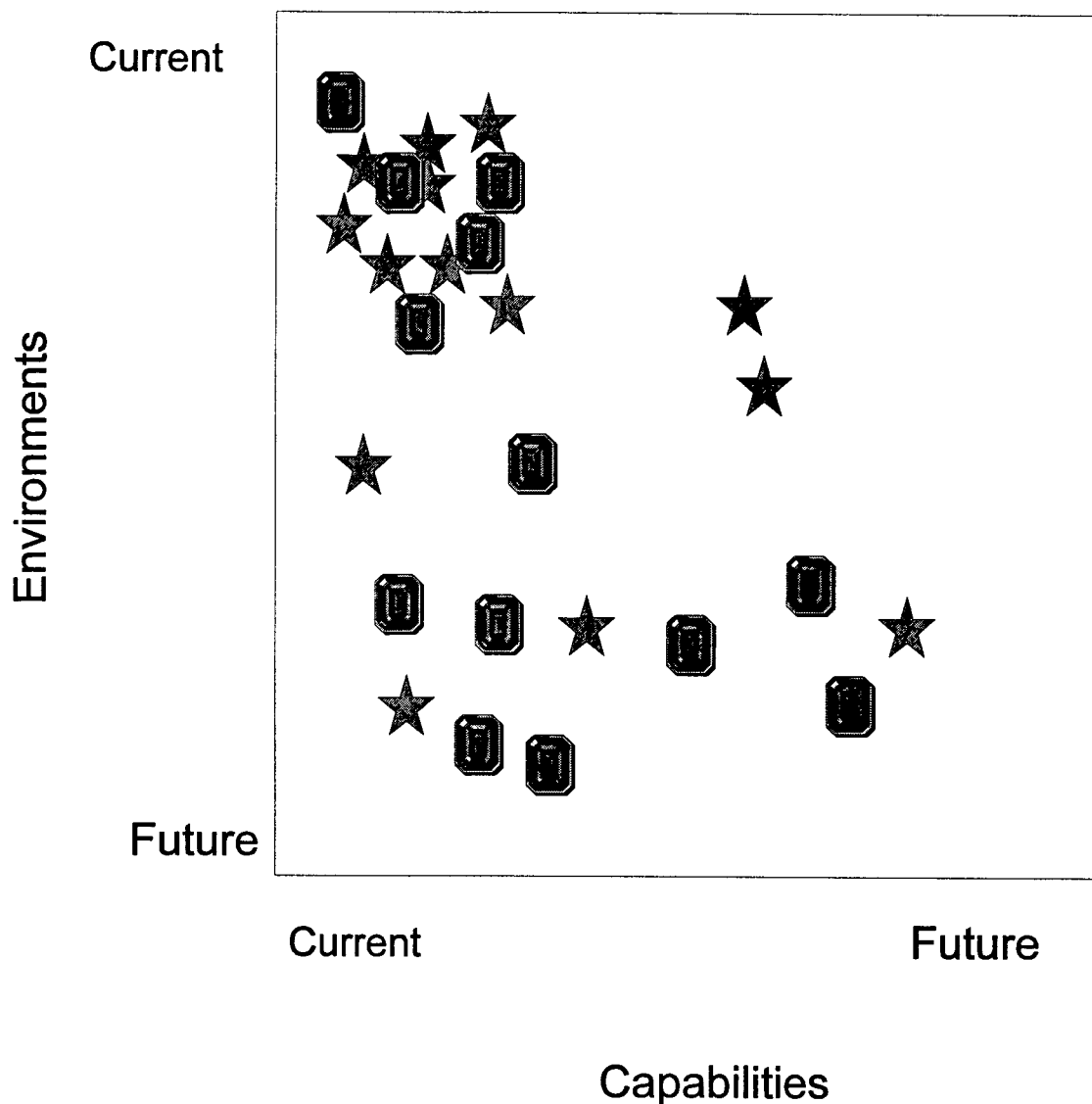
Capabilities

Building capacity for the future while sustaining present capabilities within existing or less resources poses problems for managers that compare with those of providing better products and services at lower prices. This requires a novel

approach to focus which builds on two related strands of development. The first is the effective audit of the organisation's capabilities. The second is the creation of scenarios, which describe possible futures. Current capabilities are mapped against future scenarios. Gaps in capabilities or the need to adapt capabilities are identified and ways to overcome these weaknesses explored.

Short term - Long Termism

This process imposes major demands on firms as they juggle current capabilities and needed future capabilities against future scenarios. The answer lies in challenging assumptions about the way capabilities are used and leveraged. Short term, long termism provides people with the power to act now while continually looking for ways to adapt current capabilities to new needs while building the capabilities that are needed for the future. Numbers can be a great help in both refining existing capabilities and building new capabilities to fit new conditions.

Federal Express has built much of its reputation on the quality of its service. Its service standards are one its current core capabilities but James Barksdale, Federal Express's president constantly seeks higher standards. "If we have 98 per cent overnight delivery of eight hundred thousand packages and letters, then sixteen thousand - 2 per cent - of our customers did not receive their packages absolutely, positively overnight. I'm not inclined to brag too loudly about sixteen thousand packages gone astray." The problems are worse for frequent users. Assuming that the two per cent failure rate is distributed evenly across all users - it does not take long before every frequent user is affected. It is theme, which the head of Britain's Post Office endorses. John Roberts points out that a two per cent failure rate would mean two Jumbo jets crashing every day at Heathrow!

Building capabilities for the long term means trying to understand the long term and taking early action to adapt. Derek Wanless, Chief Executive of NatWest Bank, talks about how short lead times really are in most markets. "If, for example, Britain decided not to participate in the single European currency, we

would need to start repositioning ourselves now. This is needed that we have the capabilities required to succeed in an environment in which London's role as an international banking centre would be affected profoundly."

This form of capability building requires a greater emphasis on local leadership and ownership of compentences. Both are easier to create in a high trust environment. Motorola give much of the credit for their transformation over the last few years to the high trust environment created by CEO Bob Galvin. The story is told that symbolises this attitude. One of Motorola's senior managers was working to complete a major job when he was ask by a sub-ordinate if he could leave early. One of his sons had been involved in an accident. The manager said it was very difficult in the circumstances but he'd check with Bob Galvin who was driving this project. Glavin's immediate reply was - "Is it Tom or Ralph who was injured?"

High trust, high involvement environments are high performance environments that are not alien to the City – just sometimes forgotten. Part of this process is the creation of local leadership strategies.

Hamel and Prahalad recommend a "naive" approach to some aspects of business development. "Be as little children" is their advice in testing the boundaries of acceptability and moving beyond the conventional. It is, however, clear that the firms that get the most value from this "naivety" have a deep understanding of their environment, focus their efforts along paths that fit their capabilities and take an integrated, whole person approach to their people. This means that by resolving the paradox of entrepreneurial teams City institutions can create organisations that produce more for less.

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An independently funded educational institution, Gresham College exists

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- to engage in study, teaching and research, particularly in those disciplines represented by the Gresham Professors;

- to foster academic consideration of contemporary problems;

- to challenge those who live or work in the City of London to engage in intellectual debate on those subjects in which the City has a proper concern; and to provide a window on the City for learned societies, both national and international.