

BUSINESS LEADERSHIP AND MANAGEMENT

Workshop Presentation: Mr Chris Harkin

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I have often thought that *Business Leadership & Management* is something that many people in schools have not thought much about; and for some, the very notion that a school might consider conducting itself within a business framework is quite foreign.

This workshop will attempt to discuss Business Leadership and Management in schools within the context of the conference theme, and from the perspective of four key pillars that I have nominated:

- *Human Resource Management*
- *Servant Leadership*
- *Business Ethics*
- *Financial Reporting & Benchmarking*

Firstly, some definitions of the topic: Business – Leadership – Management

- ***Business:*** *one's work, occupation, profession; rightful concern; a matter, activity; the buying and selling of goods/services etc.* To me, the primary purpose of a business should be to create a positive impact on its employees and community, rather than the sole motive being profit. Schools should also have a profit motive; flexibility in educational programs can only come about through strong financial performance [as depicted in the Profit & Loss Account], and a strong Balance Sheet.
- ***Leadership:*** *to direct by influence; to direct the course of; by going before.* For me, the modern meaning of leadership is not so much directive but 'to go before and show the way' – this implies a leadership by example.
- ***Management:*** *those who direct/control/have charge of affairs.* Managers have to be enablers who enable things to happen – they need to sometimes direct, to sometimes control, but always have charge of affairs. It will be their management style that will often determine the success of their ability to enable.

1. Human Resource Management

I read recently a quote from Bob Joss, Dean of Stanford University's Graduate School of Business and former head of the Westpac Corporation, that the greatest breakthroughs in management in the future are likely to come from what he termed the "softer" side of management. He believed that management in the future will be firmly based in human management.

Joss went on to say that "*we know that when our students go out into the world, if they have to struggle, it will not be because they're not smart enough, or that they don't have enough good ideas – it will be because they struggle over managing themselves and their relationships to other people*". I would like to suggest that knowledge of self counts for more than knowledge of things.

Organisations of all sizes are faced with a continuous series of changes and challenges. Effective leadership is not a simple matter of managing events and people. In addition to the necessary knowledge of operational demands, true leaders need skills like listening, collaboration, teamwork and reflection. More importantly, they should know themselves first – their values, strengths and shortcomings. With this grounding, the "soft" skills of human interaction become powerful tools for leadership.



Human Resource Management is not exclusive to human resource managers. Whatever jobs people are in, any function at any level, people will have to deal with and/or manage other people. I would suggest that the secret in doing this lies with understanding oneself.

Leaders need to use a range of leadership styles depending on the developmental level of their employees. Critical managers know that people are the organisation, and consequently move to establish vital connections among people. This, I suggest is the first step towards empowerment – to put people in touch with each other. If a manager is able to bring people together, this will gradually give rise to letting go of direct control over his or her staff. This often involves shifting to a more participative, rather than a directive, style. Staff then tend to feel more motivated and confident by being granted greater authority and accountability for the results they achieve.

Empowerment is not abdicating managerial responsibility. Rather, it entails diligence in providing clear objectives and what staff require [e.g. training, resources] to achieve their goals, without managers over-stepping the mark and resuming control. It also involves enabling staff through the provision of resources they require and removing any obstacles to their goal achievement.

Simply drawing up a flat organisational structure is not going to mean that staff are going to be empowered. In fact, the flattening of organisational hierarchies is also increasing the number of staff that most managers have to supervise. Coping with these pressures requires that managers empower their staff to make decisions and take actions agreed within guidelines. Doing so enables managers to alleviate their workload and associated stress, leaving them less encumbered and more able to proactively define and pursue their objectives.

Empowerment has a positive impact on staff performance and morale. An improved understanding of organisational processes through greater participation increases staff strategy development and decision-making ability. Staff who are exposed to an empowering manager are strengthened and enriched by the experience, rather than being frustrated and embittered by overly close supervision and domination.

Disempowered employees tend to become over-reliant, dependent, demoralised and not very willing or able to use their initiative. The opposite is true, however, whereby empowerment enhances staff productivity and satisfaction by increasing their motivation, competence and efficiency to successfully complete challenging tasks.

Techniques for empowering staff:

- Coaching
- Participation
- Demonstration
- Mentoring
- Stimulation
- Rewards

2. Servant Leadership

Servant Leadership is a practical philosophy which supports people who choose to serve first, and then lead as a way of expanding service to individuals and institutions. Servant leaders may or may not hold formal leadership positions, but they are people who encourage collaboration, trust, foresight, listening, and the ethical use of power and empowerment.

Servant leaders believe that power and authority are for helping others grow, not for ruling, exploiting, or gaining advantage by setting individuals or groups against one another.

Robert Greenleaf believes that this form of leadership begins with the natural feeling that one wants to serve. Then conscious choice brings one to aspire to lead.....The difference manifests itself in



the care taken by the servant.....first to make sure that other people's highest priority needs are being served.

As Greenleaf says: *"The best test, and most difficult to administer, is: do those served grow as persons; do they, while being served, become healthier, wiser, freer, more autonomous, more likely themselves to become servants? And, what is the effect on the least privileged in society; will they benefit, or at least, not be further deprived?"*

At its core, servant leadership is a long-term, transformational approach to life and work. In addition, there is nothing wimpish about servant leadership. The strategic toughness of this approach requires the consistent living within the organisation of such core values as honesty, integrity, fairness, respect, good citizenship, and accountability.

The heroic greatness of such people as Mother Teresa, Fred Hollows, Victor Chang or Nelson Mandela lies in their being servant leaders. They didn't focus on their own reputations or careers, but on the needs of their people. They provided something worthwhile and gave of themselves with true dedication.

Greenleaf states,

"What makes for a good society is persons caring for one another, the more able and the less able serving each other. Years ago, most caring was done person to person – now much of it is administered through institutions, often large, powerful, impersonal, not always competent, and sometimes corrupt. If a better society is to be built, one that is more just and caring, that enables people to grow, the most effective and economical way is to raise the performance as servant of as many institutions as possible by new regenerative forces initiated within them by committed individuals: servants"

Servants may never be many in number and may never predominate, but their influence may be a leaven in that community.

The more I am around schools, the more I read, and the more I reflect, I am coming to think that the biggest thing that holds our schools back is a lack of vision – and, quite frankly, that vision is not likely to be supplied by the administrative leadership in schools, as good and necessary as we all are.

Our schools deserve Boards/Councils that are far-sighted, have imaginations that are unimpaired, are detached from day to day managerial concern, and are led by able and visionary chairpersons. These are the people who can provide the vision for our schools. If school boards are not dynamic like this, something fundamental has to change; and the most reasonable and manageable change is to gradually begin to raise the effectiveness of boards until they are influential enough and farseeing enough to inject new visions of greatness for the school. But that influence is not likely to emerge unless a strong visionary emerges to chair these efforts.

A transforming movement that raises the serving quality of any institution begins with the initiative of one individual person.

There are over 1300 references in the Bible to the word *servant*, yet there is ample evidence today that ours is a low-caring society in spite of the resources we have.

Society at large may not be giving the maturing help to young people that is well within our means to do. Instead we may be acting on the principle that knowledge, not the spirit, is power. Knowledge is but a tool, whereas the spirit is of the essence.

Possibly, the first step is in increasing the proportion of young people who are disposed to be servants



Leadership is initiating – going out ahead and showing the way.

Continuous regeneration is essential for viability of persons and institutions and society as a whole.

If the voluntary character of our complex society is to be preserved and enhanced, a major investment in strengthening and maintaining the role of governing bodies in our schools seems imperative.

The servant will stand as the advocate of persuasion to the largest extent possible. Persuasion is the critical skill of servant leadership. This type of leader ventures and takes the risks of going out ahead to show the way. They are the one whom others follow, voluntarily, because they are persuaded that the leader's path is the right one – for them. In this sense, persuasion stands in sharp contrast to coercion or manipulation.

Those who embrace the spirit of servant leadership early in their lives and incorporate it into their lifestyles are likely to have a very different view of what is the currently accepted view of power striving by some successful people. The day may come when such 'success' is viewed as being pathological, because it makes for a sick society.

In preparing young people for servant leadership, the issue of competition must be dealt with. Modern use of the word *compete* means 'to strive or contend with another', whereas the Latin origin of the word is *competere* - to seek or strive together. The clear implications of the origin of this word is that competition is a co-operative, rather than a contending, relationship.

The stronger the urge to serve, the less the interest in competing.

Schools know how to prepare and inspire young people. Mentors of the young are strong, able people who give the young a vision for the future. Student leadership programs are strong in most of our schools - teachers can be inspired to raise the society building consciousness of the young.

3. Business Ethics

In March of this year the Commonwealth's *Criminal Code Act [1995]* came into effect, producing a shift of focus in business ethics. Laws are helpful in changing public attitudes but they are only part of the picture, and in the long run may be unsuccessful.

The ethical dimension resides in the language and practices of the everyday.

The issue of ethics in an organisation goes far beyond simply drawing up a code. Organisations need to create a workplace culture that actively nurtures values such as integrity, trust, compassion, fairness, respect and teamwork.

A healthy organisational culture is one that makes its values explicit, and is consciously ethical in its mode of operation. Attracta Lagan, an Applied Ethicist, says that,

"Culture is the background against which every business transaction operates, and as much time should be spent developing the organisational culture as developing the business strategy, because the culture will either facilitate the attainment of the business goals, or it will thwart them."

It is therefore important for organisations to 'walk the talk', or live their values every day. A code of ethics is meaningless unless it is practiced at all levels of the organisation and reflected in the actions of people of power and influence.



Ethical behaviour is usually characterised by openness and honesty. A culture of dishonesty from senior management will permeate throughout the organisation.

Honesty and integrity are values that we aspire to inculcate in the students of our schools, and many of our schools have these values articulated in their vision statements. Isn't it then incongruous if we don't fully disclose incomes and expenditures in the completion of the Financial Questionnaire to the Commonwealth Government each year? And the purchase of Sales Tax Exempt vehicles for inclusion in staff salary packages, or the quantum of expense benefits in salary packages – expert taxation and accounting opinions say it is within the law, but should it be an expert's opinion or even the law itself that determines our ethical fabric?

Ethics is difficult to teach. Maybe what we have to do in organisations is break it all down into codes of behaviour, conducts and standards. If organisations have managements that coach and mentor, ethical behaviour can be modelled in developing the potential of all workers.

“Every strong moral person has always had to choose the ground upon which he or she would stand. One of the qualities of a life of greatness is the ability to know with some certainty the solid ground one stands on at any one time. It produces a toughness of mind with which to look out on society's problems and ask the meaning of it all – not so much to judge it, as to enlarge the perspective from which to build even more solid ground for one's own two feet to stand on.” – [Greenleaf].

4. Financial Reporting & Benchmarking

Let me now turn to another key area of Business Leadership in schools – Financial Reporting and Benchmarking.

The efficiency with which a school produces its financial reports will be a key management role for the person charged with that responsibility. This role is usually managed by a Bursar/Business Manager/Commercial Director etc., and delegated through accounting staff.

The setting of the Annual Budget is an important time for a school, and should not be taken lightly. Budgets are not just about seeing how much money we can get into the school in order that we know how much we've got to spend – budgets are curriculum statements in \$\$\$ terms – budgets are very much about setting the future, taking into account the very things that identify us and our mission – who we are and where we're going.

It would be wise for a school to employ procedures which ensure that the monthly financial reports can be generated within, say, three working days of the end of the month. Anglican schools already have efficient software to assist them in accomplishing this time frame. If, however, there are no procedures and targets in place, it is likely that frustrations for others, as well as the Business Manager's office, will result.

Such an efficient generation of financial reports will make for efficiency in Finance Committees and School Council meetings. It will also be necessary for the Council and Finance Committee to determine the style of the reporting. It is my own belief that the work of financial review should be done in the Finance Committee, hence the need for the Committee to determine the structure and style of the report. If the same style of financial report is also generated for the School Council, what is the sense of having a Finance Committee? The hazard here is that the Council becomes bogged down in financial issues which have already been discussed by the Committee and not give adequate/appropriate time and attention to other matters.

Generally, members of Finance Committee will be able to read financial reports – this may not be the case with Council members though, where members/directors come from varying disciplines. It will therefore be necessary that the style of the report for Council is brief and meaningful. Likewise,



with reports to other senior administrators within the school, reports should be structured in such a way to be meaningful, timely, and helpful in their areas of management.

The school's annual budget will need to be supported by a cash flow budget for the year and with, I believe, a budget forecast for the following 7/10 years. This is particularly relevant for developing schools that need to balance a number of competing factors to ensure that the enterprise will be viable financially.

There are many factors which will influence the position of a school when using key performance indicators or benchmarks in comparing schools. Individual schools will best understand the factors and detail that affect their own performance. The strategic position and available resources varies between schools, and must be considered when assessing how a school is performing relative to others.

The use of Key Performance Indicators is crucial in assisting to schools manage their finances, in developing a strong financial performance and developing strength in the balance sheet.

Each year the Association of School Bursars and Administrators conducts a Financial Performance Survey. Most Anglican schools in Queensland have participated in this in the last two years. If by some chance your school doesn't participate, I would strongly recommend that you consider doing so.

Some of the more important benchmarks for a school to consider are:

- Teacher/Student Ratio – highly sensitive to the school's strategic plan.
- Non-Teacher/Student Ratio.
- Operating Efficiency – the efficiency with which assets and resources are used affects the overall running costs of the school, and ultimately the fee levels. A school's position can be improved through activity-based costing techniques.
- Outstanding Fees per Student – indicates a school's ability to convert services into cash.
- Various other revenue ratios, e.g. Grant Income as a percentage of total income, Fees as a percentage of total income
- Debt per Student.
- Debt Servicing/ Income Ratio – a vital benchmark used in assessing a school's capacity to repay debt.
- Reinvestment Ratio – measures the extent to which a school reinvests its cash flow to acquire new assets and maintain its asset base.
- Working Capital Ratio – the capacity to pay current liabilities when they fall due.

There may be a number of other areas that could be specifically dealt with under Business Leadership & Management. For this workshop I have attempted to deal with four.

Effective leadership is often more about asking the right questions than providing answers. Proper consultation gets the people involved who are really going to make the difference. Stephen Covey proposes that exceptional leadership begins with clarity of thought and purpose, and a balance between character and competence. Leaders must cultivate a positive environment to bring out the best in people, and they must model appropriately. They must be a model of honesty and integrity and be prepared to venture out and show the way. I personally believe that the Servant Leadership model is an attractive one to be considered by those working in schools.

'People commitment' is very important; you get commitment from people when they are valued, when they feel that they are an important part of the organisation, and when they feel that their opinions are taken into account in the decision-making process.



Together with great visions, strong financial performance and balance sheets are required to underpin all that we do. These are good and valuable resources and should never be an end in themselves, but prudently managed these resources can be the difference between being a good school and a great school. Whilst schools are referred to as being in the 'not for profit' sector of business, we ought not be afraid to have a profit motive to underpin the great work we do.

Above all, flexibility and a good sense of humour are the keys to successful leadership. Those who can cheerfully adapt quickly will be able to respond to new challenges.

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Frances Hesselbein: *A Call to Leaders*

Robert K Greenleaf: *The Power of Servant Leadership*

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