Title

Leading successful product innovation in consumer financial services.

AUTHOR: Paul Harborne

Thesis submitted for the degree of PhD

CITY UNIVERSITY BUSINESS SCHOOL

DEPARTMENT OF STRATEGY AND MARKETING

JANUARY 2000

CONTENTS

TABLES AND ILLUSTRATIONS

TABLES AND ILLUSTRATIONS

ACKNOWLEDGEMENTS

I acknowledge, with gratitude, the time and help given by those who co-operated in my study; the patient guidance and advice of Professor Johne and other members of the Department of Strategy and Marketing; and, last but not least, the forbearance of my wife Rosemary over the last 4 years.

DECLARATION

I grant powers of discretion to the University Librarian to allow this thesis to be copied in whole or in part without further reference to me. This permission only covers single copies made for study purposes, subject to normal considerations of acknowledgement.

ABSTRACT

This thesis investigates ways in which leadership style - the way that leaders act - affects success levels in complex New Service Development (NSD) projects. It builds on Bartlett and Ghoshal's (1995) concept of "new style" businesses, which empower staff to deliver success, instead of using the "old style" command and control approach.

Whilst the study was able to identify "new style" trends in the industry researched - consumer financial services - it was not possible to identify any particularly innovative businesses. Industry experts and practitioners did, however, spontaneously identify innovative development projects and so this study concentrates on project leadership practice.

The study uses multiple case studies formed from a purposive **sample** of 10 successful and 9 less successful complex NSD projects, from both market incumbents and new entrants. These cases demonstrate that, whilst each project was subject to similar procedures across all the businesses, levels of success varied. Success was judged on meeting the project "opportunity window" as defined by each project's objectives for (i) time, (ii) budget, and (iii) specifications.

We found that it was the active involvement of **project leadership teams**, formed of three leaders - a senior, a business and a project leader - working together synergistically in a specific leadership **style,** that affects project success. The leadership style found to be associated with successful projects was encouraged by the senior leader, and involved (i) senior leaders visibly participating in the development; (ii) informal and formal contact between all leaders and project team members; and (iii) all leaders acting to enable rather than control.

This study suggests therefore, on the basis of the field study findings, better ways in which leaders can act in complex NSD projects. As we studied both market incumbents and new entrants, the findings are generalisable across the consumer financial services industry.

Chapter 1

Introduction

1.1 Introduction

This chapter describes the need for the research, how it expands on current knowledge and the advice it offers to practitioners. It provides an overview to the literatures used to derive the working hypothesis; defines the key terms used in the thesis; and outlines the research method. Finally, the chapter highlights some of the key findings.

1.2 The need for the research

Businesses offering products and services in the consumer financial services markets are experiencing a rapidly changing, turbulent, and increasingly competitive environment. Changes to regulation have led to additional constraints on incumbent businesses, i.e. those businesses already established in the industry, whilst at the same time allowing in new entrants from often very different industries. Change has been further supported by major advances in technology and customer acceptance of technology, particularly in computing and telecommunications. Incumbent businesses have recognised the threats and have reacted by launching telephone and PC based products. Since 1997, many banking and insurance businesses have established a business labelled "*****Direct" or "****Line".

Technology continues to offer opportunities and threats - frequently, the same technology is both an opportunity and a threat. For example, electronic commerce – the replacement of physical delivery of paper documentation by telecommunications techniques - has existed in the business-to-business market for some years, but now opportunities are emerging in consumer markets, ranging from transactions over the internet to the operation of electronic shopping malls. Whilst electronic commerce has the potential to expand into consumer

markets, it poses new questions for both business and consumer markets, particularly in both ease of use and secure payment methods. Security is an area that incumbents might be assumed to have an advantage through experience and reputation, i.e. electronic commerce is an opportunity for incumbents – and yet new entrants are challenging the assumed advantage, i.e. electronic commerce is a threat.

At present, payment is usually made using standard credit cards, i.e. existing, proven products, yet the concept of electronic cash is being developed. NatWest led the development of Mondex as part of a growing realisation since the late 1980s that electronic cash offers major opportunities to ease payment transaction handling costs for the banks - cheques being relatively expensive to process. However, this opportunity for banks in electronic cash is also a threat as other businesses have the infrastructure to offer similar services. For example, BT has tested a product "Array" which allows small payments to be debited to a telephone account; Coca-Cola has run a trial at the University of Helsinki which allows vending machines to be operated by a mobile phone with the cost debited to the phone account.

The threat to incumbents goes beyond individual products. A number of large organisations including retailers, car manufacturers, major computing and software businesses have the infrastructure, resources and in some cases (M&S, Tesco, GM) the financial services experience to be a major competitor to existing financial institutions. The issue for existing financial service suppliers is how to develop a range of products and services for their fast-changing markets that will allow a sustainable differentiation from new entrants as well as from existing competitors. This is leading to more complex products and more focus on product development.

New consumer financial service products for current markets are frequently complex bundles of product components and services, i.e. "augmented products" as defined some 25 years ago by Blois (1974) or, more recently, "offers" as proposed by Mathur & Kenyon (1997). Overall, new service development has become: -

- More complex.
- Increasingly dependent on interdepartmental, even inter-company, co-operation to assemble the "offer".
- Increasingly driven to market quickly before the "me-too" offerings erode the first-mover premium.

These changes lead in turn to a greater need for businesses to focus on interpersonal and inter-departmental relationships, and for effective leadership. However, there is little research into leadership of new service development; indeed Bryman (1992) and Brown & Eisenhardt (1995) comment that there is a weakness in leadership research due to the focus on the Chief Executive Officer (CEO) with little exploration of the roles and interactions of leaders below him.

Burgelman (1994) has provided an example of how "junior" leaders - as defined in paragraph 1.4 below - can influence business performance, when he studied Intel and found that middle management effectively changed the direction of the business through new product development before the official corporate strategy changed. Middle management –the junior leaders - had even complied with resource allocation rules within the business and sought top level permission to make the investment and development actions.

Research by Burgelman (1983), Clark & Fujimoto (1990), and McGill & Slocum (1998) suggests that the CEO cannot achieve business success on his own; (s)he requires the support

of junior leaders. Furthermore, these studies reveal the existence of "multiple leadership" in businesses. Multiple leadership is the concept that a number of leaders will be synergistically involved in an activity, each acting as a leader in their own part of the activity but combining with the other leaders to deliver success for the overall activity. In NSD this would involve a number of leaders being involved in a development project. Leadership, for the purposes of this study, is assumed to be choice of the direction of activity and the establishment of a working environment which positively encourages and supports that activity. The definition of leadership is discussed in detail in Chapters 3 and 4

Businesses operating in the increasingly turbulent financial services industry need to understand how they can develop new products and services with higher levels of success. Leadership of new service development (NSD) is an important component of achieving greater business success and yet there is little understanding of how leadership works in practice. This lack of understanding applies to both existing businesses and the "new style" business approach that Bartlett & Ghoshal (1995) recommend for success in continuously changing markets. New style businesses do not use a traditional management control approach but seek to empower people and use the resultant higher performance to build success for the business. The Bartlett & Ghoshal (1995) approach requires a focus on leadership rather than management – a difference that Bennis & Nanus (1985) described as a focus on "doing the right things" rather than "doing things right".

The basic premise of this thesis is that there is a need for research to understand how leadership of New Service Development (NSD) employs multiple leaders and empowerment to deliver development success.

1.3. The novelty of the research

The study explores a specific issue - how style of leadership involvement helps in NSD projects - in the little researched area of leadership practices in NSD. Our field study is designed to enhance academic understanding of leadership in complex new service development; particularly the use of more than one leader and how this multiplicity of leaders can be employed synergistically to improve the level of project success. It specifically examines what leader roles are performed by, not only senior managers, but project managers as well. This approach will address the gaps in knowledge identified by Bryman (1992) and Brown & Eisenhardt (1995).

The study, therefore, aims to explore: - (i) actual practices adopted by businesses, (ii) the rationale for those practices, (iii) the application of leadership in complex new product development, particularly in terms of enabling or constraining success, (iv) leader roles adopted, (v) any overlap between roles, (vi) interactions between leaders in development projects, and (vii) interactions between leaders and project team members. The objective of our study is to examine quite specifically those leadership practices associated with success in NSD projects not prove causal relationships.

The novelty of this research into new service development lies in its study of all leaders involved in NSD projects rather than just the top leader. Our proposition is that the style of a "leadership team" involvement in complex NSD projects affects the level of project success. It is assumed that multiple leaders are involved in complex NSD projects and that NSD is delivered through projects.

1.4. Definition of key terms

A number of terms are used in this thesis and were used in the questions asked of respondents. For consistency, the following definitions are used: -

Added Value – the concept that a product or service will be perceived as more valuable by customers because it addresses more of their needs. For example, 24 hour access to banking using the telephone or the personal computer, which allows customers to bank when it suits them not just between limited hours.

Business - a discrete, profit-taking enterprise that may be stand-alone, or part of a larger commercial organisation. For the purposes of this study, the business is one that managed, marketed and was accountable for the performance of consumer financial service products in the UK.

Business (organisational) leader – defined by Burgelman (1983) as a leadership level between the project leader and the strategic (senior) leader, which prioritises development opportunities and promotes those which best meet strategic objectives.

Chief Executive Officer (CEO) – the most senior manager of a business, sometimes alternatively known as the Managing Director (MD).

Development - the process by which innovations and new products are taken from conception and made ready for launch into the marketplace. This includes the provision of training, tools, spares etc, ensuring staff are able to support the new product or service.

Formal procedures - a process or interaction for which there are agreed business rules and codes of conduct, usually contained in a written instruction available to all parties.

Functional Department - a discrete part of a larger commercial organisation, providing specific, specialist services, e.g. marketing, finance.

Informal procedures - a process or interaction for which there are no formally agreed rules and codes of conduct and hence no written instructions available.

Junior manager/ leader - someone reporting to the CEO/MD of a business, or to a direct report of that CEO/MD.

Implementation - that part of the development process when the idea is converted from concept to reality and made ready for introduction.

Initiation - that part of the development process when the idea is conceived, defined and tested for feasibility.

Innovation - a change to the portfolio of products and services that a business offers to the marketplace. This change may affect one or more of (i) product features, (ii) product positioning, (iii) process, or even (iv) supporting services that "surround" a product. It may involve minor (incremental) or major (radical) change for the business, and also major or minor change for the customer.

Leadership - choice of the direction of activity and the establishment of a working environment which positively encourages and supports that activity. The definition of leadership is discussed in detail in Chapters 3 and 4.

Leadership team - the concept that a number of leaders will be synergistically involved in an activity, each acting as a leader in their own part of the activity but combining with the other leaders to deliver success for the overall activity.

Managing Director (MD) - The most senior manager of a business (see also Chief Executive Officer).

Mission/direction statement – a less detailed statement of objectives than usually contained in a strategy, intended to provide guidance for decision-makers in the business. This may set targets on entering new markets or on a way of operating. A (non business) example is the JF Kennedy statement in the 1960s which declared that America would put a man on the moon before the end of the decade and bring him back safely.

Multiple leadership – see Leadership team.

Organisational (Business) leader – defined by Burgelman (1983) as a leadership level between the project leader and the strategic (senior) leader, which prioritises development opportunities and promotes those which best meet strategic objectives.

Product - the term product is used in a general sense and so also covers service products, e.g. a current banking account.

Product Manager – an individual directly responsible for managing the "whole life" - that is from launch, through enhancements, to withdrawal - performance of a product or service. "Performance" embraces both quality of service and profitability.

Programme – a number of projects designed and managed to achieve a common set of objectives. These projects may or may not be sequential but will normally have a management structure where a programme manager or leader is appointed as well as project managers or leaders for the individual projects.

Project – a scheduled activity with an overall leader, a formal plan, and a set of objectives and deliverables. For the purposes of this study, projects investigated are those delivering product developments.

Project leader or project manager - an individual directly responsible for managing and co-ordinating the development of an innovation. Where this innovation is a product, the project manager may or not be the product manager responsible for "whole life" performance.

Radical innovation - a new idea that introduces major change, which may be "new to the world", "new to the country" or "new to the business". In the context of this study, the change is that perceived by the customer, e.g. the PC is a radical innovation because it had a radical impact on end customers.

Resources - encompass people, accommodation and funding, including the purchase of assets (hardware, software, patents etc) for use in a development.

Senior (strategic) manager or leader - the chief executive or managing director of a business or business division and his/her direct reports, who will normally be heads of functional departments. Burgelman (1983) described a strategic leader as the senior leader responsible for the overall strategic direction of the business.

Strategy - a formal statement which describes key business ambitions and objectives, together with the approach for achieving them. This statement may or may not contain building block strategies covering elements such as development, human resources.

Value Chain – A concept detailed by Porter (1980) which analyses all of the activities needed to satisfy customer needs, from obtaining the raw materials to post sales service, and assembles them in a sequential "delivery chain". Porter (1980) has used the value chain concept to analyse business strategy and competitive positioning.

An individual business may take part in one or more parts of a value chain and Porter (1980) argues that participation must involve adding perceived value, i.e. making a change for which a customer will be willing to pay extra, because participation involves adding cost. For example, financial advisors must demonstrate knowledge of available financial products that a customer cannot obtain as easily from other sources and be able to use it to advise a customer. Their place in the Value Chain is between the financial services sales channel and the customer.

Work packages – a discrete sub-set of work within a project, usually with a named leader or manager reporting to the project leader.

1.5. Major Literature

Three major strands of literature were studied and are summarised in Chapters 2-4 as follows: -

(i) **New Service Development -** Chapter 2 is concerned with the general context of successful product innovation in service markets and introduces the literature on complex

service development including the concept of augmented products and "offers". Chapter 3 examines the literature on how businesses can plan for successful innovation, covering business development and key success factors in new product development (NPD) and new service development (NSD).

(ii) **Team-working** - Chapter 3 explicitly considers the importance of interpersonal and interdepartmental interactions and hence team-working, before drawing out those facets of team-working which leadership influences.

(iii) **Leadership** - Chapter 3 also reviews the general leadership literature to identify factors of successful leadership that are applicable to product innovation and to develop a conceptual model that will support the development of testable hypotheses. The leadership literature is extensive and includes studies from a variety of fields and on leadership in political, military, religious and business organisations. Our focus is on leadership of complex NSD projects rather than leadership of a business, and Chapter 3 includes the few project leadership studies that have been conducted. Chapter 4 then builds a model of project leadership employing more than one leader – based on the premise that complex development projects involve multiple leaders.

In the course of this literature review we considered and derived a number of models. Firstly, in Chapter 3, we highlight models of team-working that came from specific studies such as Ruekart & Walker (1987) which allowed identification of areas where leaders can influence team-working and hence development success. Then in Chapter 4 this was evolved into a model describing relationships between the project and its stakeholders - the business, senior managers, the project leader, the project team, customers and suppliers – in the context of the project environment (Figure 4.1). As our focus was on the actions and interactions of the "leadership team", this contextual overview was refined into a model of the relationships between three leaders (Figure 4.1), describing the tasks each undertake and on whose behalf.

Finally, the model was further refined to focus on the key roles and tasks for which these three leaders were responsible (Figure 4.2). This model was used to guide the areas of probing in the field study interviews.

1.6 Research Approach

A post hoc, case study approach was chosen in order to develop an understanding of key elements of leadership of NPD/NSD. This understanding will facilitate further, more detailed investigation and also guide practitioners in the short term.

Propositions were derived from the literature and tested through information gained in semi-structured interviews, as part of a qualitative exploration of aspects of leadership, to provide insights both helpful to practitioners and as an entry point for further studies. It is the thesis's premise that all NSDs use projects but the more successful product developments have a different style of leadership. The "hero leader" is more likely to be "hero leaders" operating at all levels of the business and interacting on product innovation projects, so the focus of the study is on project "leadership teams".

We selected the industry for study from those that had been particularly affected by changes in regulation and technology. The financial services industry has been so affected with consumer financial services being offered by incumbent banks, building societies, and insurance businesses as well as new entrants like Virgin and Tesco.

Initially, we sought to identify innovative businesses but the general perception - amongst the players themselves, academics, and also journalists - was that no specific businesses could be singled out. A number of businesses had innovative new products but none could be classified as generally more innovative. The research, therefore, focuses on innovative

projects, with (a) a population of all consumer financial service projects initiated in the last 2 years for launch in the UK, and (b) the sample frame being retail banking projects, initiated by a cross section of businesses based in the UK and competing in retail banking during the period 1996-99.

Interviews were conducted by telephone, and on some occasions in person, at the respondent's choice. The use of the telephone led to earlier appointments, with most respondents being reluctant to schedule face-to-face meetings due to a busy work schedule. There was little difference in apparent openness between the telephone and face-to-face interviews, although the face-to-face interviews were all conducted with the senior leader. Interviews were semi-structured with respondents encouraged to talk, moderated only by a set of prompts which were unseen by the respondents.

Two projects were explored with each business, a successful project - selected by the senior manager interviewed - and a less successful project, selected by the project leader interviewed. Differences between the two were then studied.

1.7. Key Findings

The research approach resulted in all bar one business displaying significant differences in leadership activity between more and less successful projects. This one exception claimed that all its projects had been very successful - indeed the respondent was from a new entrant that had launched new products successfully over the last 2 years, although not always complex products.

The research objective was to explore interactions between all leaders, i.e. the leaders at different management levels in the business involved in complex NSD projects - the strategic

(senior) leader; the organisational (business) leader; and the project leader. Respondents revealed that the major differences were concerned with interactions firstly between the senior leader and other leaders and secondly between the senior leader and members of the development team. This finding was unexpected as the roles of the senior leader had been expected to lessen as the development progressed, with the major tasks of obtaining resources, maintaining motivation and meeting milestones and deliverables being undertaken by the business and project leaders.

Success was found to be associated with senior leaders being involved throughout the project to a level that involved "hands on" participation. The leadership style was one of involvement. Often, there was even a sharing and merging of some roles between leaders, particularly the "ambassadorial" and " task co-ordinator" ones identified by Ancona & Caldwell (1992), but always there was an active involvement by the senior leader throughout successful projects. There was a different style of discharging the leadership roles in the more successful projects. This different style was clearly seen in greater use of informal interactions; a focus on "enabling" not just "command and control" management; and more hands-on involvement throughout the project. However, there were critical periods of senior leader involvement, particularly at the start of the project. The establishment of a specific organisational form and the bending of rules to allow sufficient budgets to be allocated to develop the new product concept and an understanding of a new market were reported to give complex new developments valuable time to "bloom". Successful projects were marked by an "enabling" style of leadership stimulated by the senior leader from an early stage.

These findings on leadership were unexpected but presented a very clear difference between success and lesser project success in complex NSD. The study therefore, in practice, explored senior leader actions and style of involvement with other leaders and with the development

project team, rather than the intended focus on the actions of the organisational and project leaders. The results will, however, help structure further studies to focus on development leader roles and interactions "beneath" the senior leader. In particular, four aspects: (i) how the senior leader can optimise his involvement in NSD projects, (ii) how junior leaders can be developed to fulfil senior leader roles, (iii) how the findings are affected by increasing speed of development and project size, and (iv) the impacts of changing methods of communication, e.g. the e-mail and the intranet on communication between senior leaders and development project teams.

The findings from the research are, of course, based on a relatively small number of case studies but this was intentional so that time could be taken in the interviews to explore more deeply what actually happens in the leadership of NSD projects. The results have set the stage for a later quantitative study. This further research could also include a study of differences in leadership practices between incremental innovation projects and the complex development projects that formed the sample for this study.

Our study also used telephone interviewing, a technique that was well received by the respondents. Use of the telephone is a standard business tool and respondents stated that they often use the telephone for conferencing and meetings to make best use of their available time. Respondents were comfortable with this approach and pre-booked appointments were always fulfilled. However, a larger sample size using mail questionnaires or separation of the sample into two groups accessed by mail and telephone respectively, would provide a test of the robustness of the use of the telephone.

1.8. Conclusion

The study is focused on the leadership style in complex NSD projects and how leadership style can affect the level of development success, defined as achievement of project objectives for (i) time-scale, (ii) budget, and (iii) specifications. It poses and tests hypotheses but also, as an exploratory investigation into a little researched area, aims to discover information from the semi-structured interviews employed that can be used to define further studies into key aspects of leadership.

This chapter has introduced the study and provides an overview of "why", "who", "where" and "how". It introduces the main areas of literature explored, which will be summarised over the subsequent chapters 2 and 3, and why this literature was selected for the purposes of this study. Finally, we explained how the initial findings led to a different focus for the study with concentration on the senior leader interactions with the rest of the leadership team.

The remainder of this thesis will now expand on this short introduction and is structured to first set the context of the study, including current examples of complex NSD in service industries (Chapter 2); to discuss the literature (Chapter 3); to build a conceptual leadership model and research hypotheses (Chapter 4), before explaining the research methodology (Chapter 5). We will then summarise the results of the case studies (Chapter 6) before testing hypotheses (Chapter 7), discussing the implications (Chapter 8) and identifying further studies to build upon the insights gained in this study (Chapter 9)

Chapter 2

The Experimental context
Successful product innovation in Consumer Financial Markets

2.1 Introduction

Many service markets have experienced major turbulence as legal controls, privatisation and technology have changed their environments. Hitherto national markets have become exposed to global competition, and markets regarded as mature have suddenly become re-defined, segmented and re-vitalised. New competitors, often small, have launched successful entry strategies offering augmented products to specific market segments. Market incumbents have been forced to adapt or lose business. Some have adapted successfully, others less so, but little research has been undertaken to understand the key factors of success in offer development or to guide practitioners in tackling the more complex, augmented product development process.

Whilst the focus of this study is on consumer financial services markets, it is helpful to consider how similar market changes are being tackled in other service markets. The chapter highlights some of the key changes occurring in four service markets; introduces an enlarged concept of new product development - "offer" or "product augmentation" development - and its importance to businesses in these markets. It explores the literature concerning augmented products including early research on service innovation, which provides a model for service definition that is helpful in defining augmented products. The chapter then examines the changes occurring in the consumer financial services market in detail, drawing out the importance of offer innovation and the activities of both market incumbents and new entrants – including use of alliances and external suppliers. Overall, the chapter sets the context for the topic investigated in this thesis.

2.2 The limitations of product development

Market incumbents in mature service markets find new products rapidly copied and so competitive advantage often comes from internal efficiencies - improving processes to reduce cost. Processes become formalised, even the new product development process that will seek to exploit what the business sees as its core competencies and have controls designed to ensure that it does. Both Dougherty (1992) and Kanter (1989) stress that competencies can become rigidities, adversely affecting the business's capability for innovation. They recommend consciously criticising and discarding core competencies when managing innovation but recognise that this change is difficult unless a new project can be isolated from the main business.

An important concern in management following the popularisation of the Value Chain approach to business strategy (Porter 1980) has been how their business can best add value for the customer thereby improving its competitive positioning. Whilst this "value adding" concept was initially applied to the core product offered, it applies equally to the augmented product, i.e. the total product offering, comprising elements such as payment terms, billing, pre and after-sales service. Grönroos (1990) argues that it is augmentation that is the key differentiator between offers. Sir Colin Marshall (Weiser 1995), reflecting on the success of British Airways, referred to satisfying customers' "value driven needs" and gave an example of developing flight lounges for customers arriving after long, overnight flights. Market research showed that customers believed that airlines just "dumped" them early in the morning before public transport and offices opened. Offering arrival lounges as part of BA's overall First and Business class service, enhanced the perceived value of the service, differentiated it from competitor offerings, and justified a premium price.

Increasingly, customers for service products have shown that they are willing to pay a premium price for augmented or value added services (VASs). These VASs are goods and services - not necessarily all from a single supplier - integrated into an offer such that customers will pay a premium over the combined cost of the component goods and services. Examples are: -

1. Household insurance which not only insures property, but organises any repairs that become necessary, relieving the policyholder of the need to select and pay for tradesmen.
2. Facilities management of buildings, computing or telecommunications infrastructure - where the facility provider owns, manages, maintains and upgrades the facility allowing the business customer to focus on his own, core business, paying only for facility usage.
3. Air transport which includes end-to-end travel, using courtesy cars at both ends of the journey; in flight personal services such as massage, manicures, computer games - even beds on long distance flights.

The concentration on the augmented product has been addressed by Mathur (1992) and Mathur & Kenyon (1997) who describe the augmented product as an "offer" which is competing for customer choice against other offers. Service businesses are recognising that differentiation and effective competition can be derived from concentrating on the offer. However, the augmentation is not necessarily all done in-house, as is the case in traditional product augmentation. For example, BA use nearby hotels at regional airports to provide the "arrivals lounge" service; household insurers use independent tradesmen to provide the repair service that they offer with the insurance policy.

The concept of the Value Chain, and its use to identify competitive platforms at various stages of the chain, adds a further complexity for the level of competition may be increased in markets where core product attributes can be freely purchased from other suppliers. Not

only are investment and market entry barriers reduced, but also the business can focus on investing in the augmentation that delivers the final differentiated product. For example, telecommunications legislation in the UK, mainland Europe and the US insists that the owners of the physical networks that link customers, provide capacity for competitors' calls to be carried over these networks at controlled charges. A Value Added Service provider may, therefore, augment the basic product - a call - and enter the market without building a network, i.e. with reduced investment. The telecommunications regulator, OFTEL, views value added services as a major growth opportunity and of benefit to the majority of customers, so it is altering regulation to promote such product augmentation. Already customers may buy Personal Numbers from service providers that allow callers to reach them whether they are in the office, in transit (with mobile phone) or at home, by dialling a single number. The product augmentation or value add is the technical capability to receive the single number dialled, test where the dialled customer is, and then use someone else's network - fixed or mobile - to deliver the call. A further example lies in the internet which allows businesses or individuals to set up information databases and electronic retailing for access world-wide. The service providers are not concerned with the network operations or selling access to it - just the provision of the database and retail transaction. For example, HSBC are reportedly (Mail on Sunday 1999) "poised to win the race to create the world's first global internet bank". HSBC will provide the banking services; the internet will provide customer access.

How service businesses are defining and delivering innovation as part of successful business development programmes is, therefore, of great importance. Failure may mean loss of market share, loss of image, high profile job losses or even failure of the business - the banking world has seen a number of examples in the 1990s. Virgin Atlantic has taken major market share in the business air travel market by concentrating on the "offer"; similarly DirectLine

with car insurance and FirstDirect with personal banking. Market incumbents were concentrating on the core product features - the new entrants concentrated on the "offer" and won Mathur's (1992) competition for "customer choice". Concentrating on product development, i.e. core features, is limited and a broader, more radical view appears necessary for successful service innovation (Mathur & Kenyon 1997).

A number of seemingly mature service markets have experienced considerable change in recent years as governments have sought to change the competitive nature of certain markets:

-

- Telecommunications is no longer a state run monopoly in the UK and changes have also occurred in Europe and Japan.
- BA has been privatised and made to face open competition and it, together with US airlines, is trying to force the same openness world-wide.
- Financial services legislation in the UK, US and Europe has encouraged freer competition.

These environmental changes, together with the ready availability of computing power and low cost, global communications, have allowed businesses to radically change their operating processes and the products that they offer. It has also allowed new entrants to so-called "mature" markets, changing the competitive balance through augmenting the products and services offered to customers. Change has been actively encouraged by governments to increase both the level of competition and innovation in the market. The result has been major change in how service businesses operate and compete. Customers are being offered range extensions, different distribution channels, longer opening hours, loyalty bonuses and new products. Some of these are new-to-the-world products but many are better described as new "offers", i.e. augmented products, tailored to meet the need of specific customer

segments. At the other end of the competitive spectrum, financial businesses have been forced to offer telephone distribution channels, usually with extended hours, as a defensive strategy.

2.3 The emergence of offer development in service markets

The result of this environmental turbulence has been the emergence of offer innovation in a number of service industries including: -

Facilities management:

Andersen Consulting offer: -

- An out-sourced accounting function - used by Sears.
- Business consulting services.

Gardner Merchant offer: -

- Catering facilities, building management services, security and retailing services.
- A partnership with the Royal Armouries as the "business manager" and operator of the visitor experience at their museum complex.

American Express offer : -

- Corporate credit cards.
- A travel and hotel booking service for businesses.
- Itemised expense accounts for business management control.

ISS Mediclean: -

- Provide cleaning, pest control, catering and switchboard services for hospitals.
- Work in partnership with Hammersmith hospital to increase income generation through catering.

Air transport:

British Airways have: -

- Offered through ticketing covering non-BA airlines.
- Made their ticketing system available for use by other airlines.
- Essentially franchised their brand through partnership deals, e.g. USAir.
- Offered a holiday travel service.

Virgin Atlantic have: -

- Introduced door to door transport.
- Offered interactive in-flight entertainment, goods and service ordering, and communications.
- Entered partnership deals to provide a "Virgin Europe" service.
- Offered a holiday travel service.

Financial services:

Barclays offer: -

- Home banking using PCs and the Internet.
- A link with Cellnet to give account information over a mobile phone. This is intended to lead to full account control.
- A current account product that includes legal advice, healthcare and household repair services.

HSBC/ Midland offer: -

- Telephone banking (FirstDirect) offering account services, insurance, currency exchange, and credit (including mortgages).

- Control of banking using a mobile phone, bundled with a special mobile phone call-pricing package.
- A combined motor insurance, property emergency insurance and legal assistance insurance policy.

Insurance businesses have responded to the expansion of banks into insurance by changing their "offers": -

- Royal Insurance set up a low cost direct sales arm - The Insurance Service.
- Royal Bank of Scotland operate DirectLine, a successful direct insurance sales arm.
- The Prudential Assurance business, have expanded into banking and launched Egg, a new banking product which can now only be accessed through internet banking. This new product combines savings and investment elements.

2.4 The concept of offer innovation

Offer innovation has been investigated in a number of studies and it is helpful to consider the theoretical concept developed in these studies, in more detail. The concept of the augmented product dates from the 1970s, including a study by Blois (1974), but that of the "offer" is much more recent. A major proponent, Mathur (1992) argues that businesses compete for customer choice with "offerings". These offerings are a combination of core product features and support leading to an "augmented product". An understanding of the "augmented product" is essential to the understanding of an "offer", and is best achieved by first considering the early, basic research and the models developed, and then the more recent research.

The concept of augmented products in service markets has been derived from research on tangible products or goods. Blois (1974) argued that consumer behaviour and general marketing theories applied to all products. Sasser, Ohlsen and Wycoff (1978) stated that the management problem for service markets, could be dis-aggregated into three: -

- The service concept or consumer benefit (functional, effectual and psychological).
- The service delivery system or process.
- The service level (qualitative and quantitative measures).

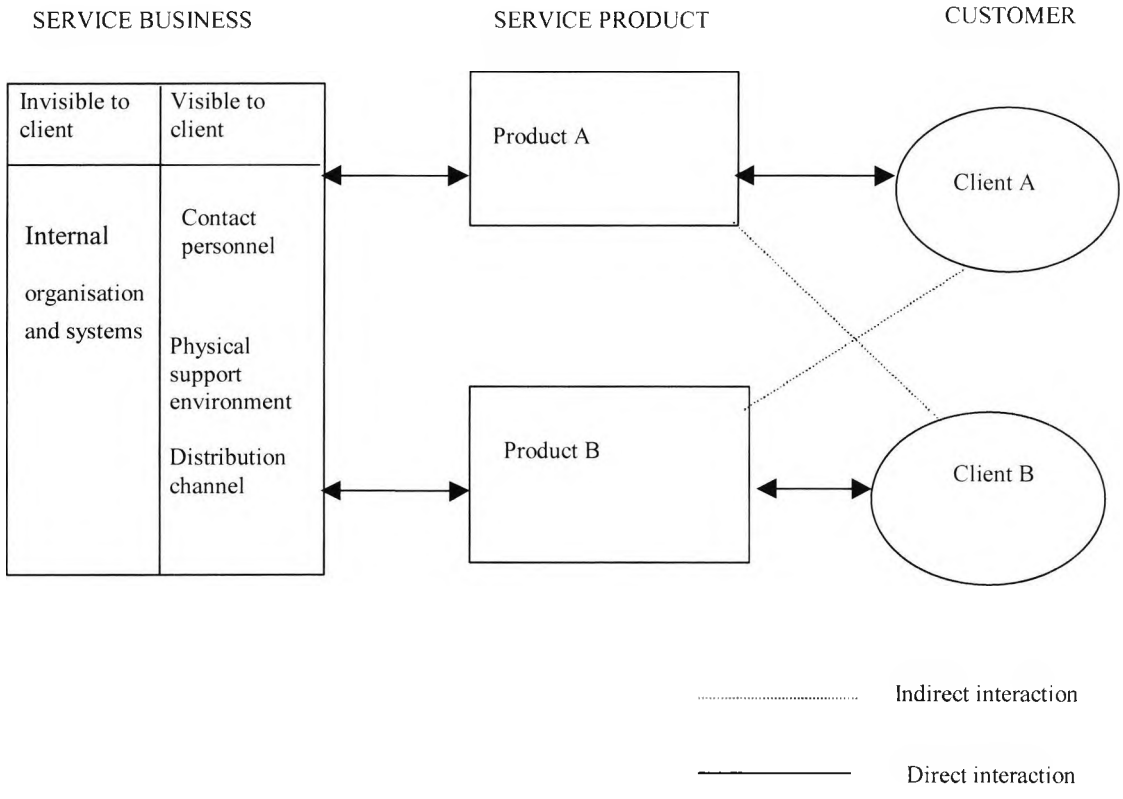
Similarly, Eiglier & Langeard (1977) pointed out that a basic service is usually supported by a whole group of peripheral services, e.g. a hotel offers a place to sleep plus meal services, clothes care, leisure, fitness and communication. Eiglier & Langeard's (1977) proposition is summarised in Figure 2-1. Often only the tip of the service delivery "iceberg" is visible to customers, and even then may be different for different customers depending on the actual service purchased. For example, express clothes cleaning or 24 hour room service or tickets for entertainment. These "products" rely on a varied range of support services, even involving service provision by other businesses, but the customer experience will be confined to the result, for example, the ease of collection and the perceived standard of cleanliness and finishing of the clothes returned.

The support system will, of course, also put the charge on the bill and getting the charge wrong may remove any good feelings that the customer may have had of the cleaning service and the hotel itself. Customers are interested in the final "product/offer" not the service delivery system. Hence, product definition for a service is a complex activity and particularly so for an augmented service product or offer.

Figure 2-1

The components of an augmented service product

This figure demonstrates how a service business can offer two variants of its service product to different customers. The variants are achieved by varying the elements of the business visible to the customer and/or those elements that are invisible – the "back office" systems. Client A is aware of Product B but does not have any direct contact or interaction with the product. Similarly Client B and Product A. Their direct interaction and experience is of the product that they purchase.



Source: Eiglier & Langeard (1977).

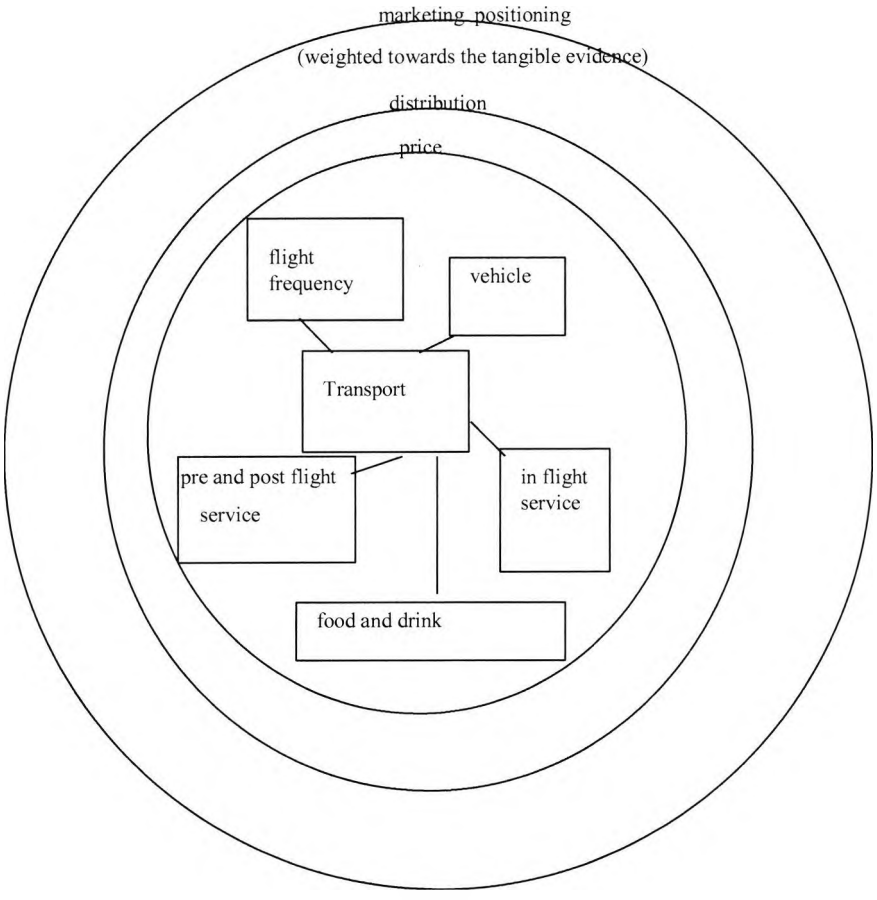
Shostack (1977) has suggested a molecular model approach to allow "visualisation" of a service and to highlight the tangible and intangible elements. In particular, the model embraces management of the "tangible evidence". Shostack (1977) argues that, as tangibility decreases, managing the tangible evidence increases in importance. This tangible evidence influences the perceptions of customers and the perceived differentiation between services offered by competing businesses. At a simple level, the location and conditions of offices which customers visit to purchase services can influence customer perceptions. An elegantly appointed office in an exclusive location would suggest an expensive service; a chaotic and decaying dental surgery could lead potential customers to doubt the efficiency of a dental surgeon.

Shostack's (1977) managing the "tangible evidence" can be used to design new services and to innovate, by analysing first the components that comprise the service and then deciding on which to differentiate. An example is airline service, where the service offered by airlines is actually a jigsaw of inter-related services - some tangible, such as food and drink, and some not. This is shown in Figure 2-2. Airline travel is an amalgam of ticketing, service frequency, pre-flight service, in-flight service and post-flight service, e.g. luggage handling, complaint handling and travel from the airport. It is the process in which pieces are assembled and then marketed to target customers that decides success. The components need to be assembled and then "surrounded" by elements such as price, distribution and promotion. Products are then positioned at target audiences, e.g. Virgin Upper Class and business customers. Shostack (1977) argues that the tangible evidence must support its positioning, which explains the use

Figure 2-2

Shostack's molecular model of the augmented air transport service product

This figure illustrates how a service product, as it is perceived by a customer, has a hidden structure comprising a number of layers, building from the tangible – in this case the aeroplane – to the most intangible, the positioning of the product. Designing the air transport product would therefore need to consider all of the component parts – the "atoms"- that form the product "molecule".



Source: Shostack (1977).

of china for in-flight meals, the better wine lists, the luxury cars to ferry customers to and from airports, and the exclusive airport lounges providing office facilities.

On the other hand, Heskett et al (1994) describe how SouthWest Airlines had achieved success in the very competitive internal market in the US by offering low fares, frequent departures, on-time service, friendly employees and less baggage lost. However, it does not offer meals or assign seats or integrate its ticketing service with other airlines, so the tangible evidence supports its positioning, i.e. low cost. Offer innovation does not necessarily mean more, rather a way of "offering" differently.

These examples from the air transport industry illustrate what Mathur (1992) and Johne (1993) describe as "offers". They argue that a business offers a package to customers, which is comprised of many attributes, from the core product features to the service surround; from the distribution channels to the business reputation; and from the price to the image. Mathur (1992) further suggests that the "offer" defines the market and hence the competitive strategy required. Johne (1993) describes "new style product developers" as those who avoid "slog-it out" competition by concentrating on "output orientated" offer development. The above examples of a development focus on the offering were in the airline industry, but this approach is not confined to this industry alone. Other service businesses have evolved their "offers" to meet the needs of the changing market and competition.

Another augmented product example from a different service industry - retailing - comes from IKEA, which began as a Swedish mail order operation and developed into the world's largest retailer of home furnishings. Norman and Ramirez (1993) describe a complex product which involves tangibles such as furnishings backed by easy access, childcare facilities, restaurants, ease of transport home, clear instructions, home design layouts and low prices.

They ask the question "Does IKEA offer a product or a service?" and come to the conclusion that it is neither - and both - and that a better description is "offering".

Urwin (1975) considered the evolution of services as being in two phases, a first phase where the service is "done by hand" and is highly personalised to meet individual needs; and a second phase where the service business will begin to rationalise, streamline and mechanise, e.g. banks and ATMs. Levitt (1976) described this as the "industrialisation of service". The risk of industrialisation is that offers become commodities, little different from each other, and hence competing solely on price. Differentiation, therefore, requires businesses to augment the basic product, i.e. assemble a "jigsaw" to construct an offer, the special augmented product for which customers are willing to pay a premium.

Grönroos (1990) argues that the conventional theory on the augmented product was too goods oriented. Conventional models regard the augmented product like the famous Russian dolls, where as each layer is removed a smaller "doll" is revealed. The smallest "doll" is the physical attributes of the product, with successively larger "dolls" adding packaging, brand, price, guarantees, and after sales service. Grönroos (1990) compares this model with his alternative model for services, which explicitly considers distribution, communications, advertising, the market, competition and other environmental factors. He argues that it is within the context of all of these that the customer will perceive the augmented service - the offer. In designing augmented service products, these components must be explicitly considered. Customers' perceptions of service products are affected by more than for goods products. In particular, he argues that the process of delivery is part of the service - for example a meal in a restaurant with Michelin stars is a different offer to that of a meal in MacDonalds; personal banking from Coutts is different from that of HSBC.

Figure 2-3

Examples based on Grönroos' (1990) analysis applied to products and services

	Core product	Facilitating service	Supporting service	Intangible element	Tangible element
Goods product	Television	Retail outlet	Extended warranty	• TV brand • retail outlet brand	• TV set • retail outlet • warranty document
Service product	Car insurance	• broker • branch office	• loan car • "get you home"	• company brand	• policy document • branch or broker office • insurance agent
Service product	International Air transport	• ticketing • in flight meals • in flight entertain – ment	• lounges • transport to and from airports • in flight massage	• airline brand • entertainment software	• tickets • plane • airport including lounges • crew • transport
Service product	National Air transport	Ticketing	• in flight meals • in flight entertainment	• airline brand	• tickets • plane • airport • crew

Source: based on Grönroos (1990)

The development of an augmented service is, therefore, concerned with the development of product attributes outside the intangible core. However, Grönroos (1990) further refined the definition of augmentation by identifying the concepts of "facilitating" services - those things, such as ticketing for air transport, without which it is not possible to obtain the service - and "support" services - i.e. the extras such as airport lounges that can differentiate offers. He also argued that it is possible for there to be a moveable boundary between facilitating and support services - for example a meal on a long distance flight is a facilitating service but on a short distance flight it can be a support service. Figure 2-3 demonstrates examples of this for both goods and service products

The result of offer innovation is an augmented product, which forms a differentiated "offer" to customers and where the augmentation is the key differentiator. The purpose of offer innovation is to persuade a customer to change from their current purchases to a new one, which is an offer that better meets their needs. FirstDirect is an offer innovation where the value added is 24 hour banking accessible by a telephone. This telephone banking replaces the conventional channel distribution method, i.e. the branch and extends the availability of banking service. To some extent, these two elements embrace Grönroos' concepts of both facilitating services and support services.

Conversely, the AA car breakdown offer, which not only deals with the breakdown, but also offers "get you home" or accommodation service and the handling of any car repairs that ensue, clearly differentiates the support services. The customer could buy each of these services separately but the offer packages them so that the augmentation beyond the core service - car breakdown - transforms the offer. Examples shown earlier indicate that

augmentation may be within a business or it may utilise other businesses - as an integrated strategy or not.

Telephone customers in the UK can now rent a single telephone number that connects any calls to them that have been dialled to their home, office(s) or mobile telephones. The caller is connected without the caller having to track the called party down; the called party does not miss valuable calls. A new entrant spotted the opportunity and has offered the service before the main telephone businesses. Conversely, market incumbents may spot the opportunity - British Airways perceived the need for changing facilities etc at airports and has integrated this into their air travel offerings; Midland Bank (now HSBC) perceived the market opportunity for a new personal banking offer and set up FirstDirect.

However, offer innovation may involve more than product augmentation development and include some of the other types of development, e.g. process development such as with DirectLine and telephone ordering of insurance instead of via brokers. It can even be argued that some offer innovation is a form of vertical or horizontal integration, e.g. the enhanced AA breakdown service.

These examples show the potential of offer innovation and the difficulty in defining it succinctly. Our study assumes Mathur's (1992) assertion that offer innovation uses product augmentation to develop an offer for specific markets. However, whilst this assumption is helpful in understanding offer innovation, we now need to put it in the context of other activity in the turbulent conditions of the consumer financial services markets.

2.5 The new methodology for competition in consumer financial markets

Given the turbulent market conditions, the goods marketing literature suggests that the finance markets should have experienced: -

- Clear signs of businesses adopting a value adding approach.
- Increased differentiation between businesses and their products.
- A large number of new entrants, often limited to specific niches.
- Reduced profits for market incumbents leading to business failures and mergers.

The nature of services also affects the likelihood of the above, in that: (a) services are easily copied so differentiation is less sustainable; (b) service quality is frequently a subjective measure and customers are less ready to change from a proven supplier; and (c) service provision is essentially a value adding product.

Examining the financial markets reveals some examples of specialisation and product augmentation, although the major players have not significantly changed except for a small number of major failures (BCCI, Barings), mergers (Halifax/Leeds Building Societies; Royal Insurance; and Sun Alliance); and a restructuring of building societies to become PLCs and banks. Major focus appears to have been placed on product distribution with increased use of direct marketing and the telephone to sell to, and service, customers.

Penrose (1996) reported a trend towards home banking, accessed both by telephone and personal computer, and how delivering this service involved working with partners to get products to market. Following this trend was described as a defensive strategy by incumbents, to offset the success of new entrants, such as FirstDirect, and involved targeting

key customer segments to retain business. Since then the threats to the incumbent banks have grown on a number of fronts: -

- British Gas launched a credit card in an alliance with Household Finance Corporation, under a new brand called Goldfish.
- Daihatsu formed an alliance with Capital Bank (Royal Bank of Scotland) to offer banking products to its customers buying cars and associated products.
- British Airways formed a financial business to offer financial services to its more affluent customers.
- Virgin formed Virgin Direct to offer specific investment products and then VirginOne to offer a revolutionary current account banking product. This relied on alliances with Australian Mutual Provident and Royal Bank of Scotland.
- Tesco, Sainsburys, Safeway and Morrisons supermarket chains launched banking and insurance products in association with incumbent businesses. In 1999, Tesco, Sainsburys and Safeway are each reported (Mail on Sunday 1999) to have received over £1bn in deposits.
- Marks & Spencers offer financial products to their customers and in 1998/99 reported a £110m profit from financial services.
- In June 1999, Wal-mart bought a US bank and are planning to offer financial services through their branches world-wide, which now include ASDA in the UK.

Incumbent banks have recognised the threat and have, for example, launched telephone and PC based products since 1997. Indeed it was incumbents in the banking and insurance world who pioneered distribution innovation in the 1980s, e.g. Royal Bank of Scotland with Directline; Midland (HSBC) with FirstDirect. These new offers require radical supply side innovation in terms of technology, people and training, but none of these is a major entry or mobility barrier once the new offer concept had been pioneered. The new offers have been

promoted as radical market innovations - phone banking being sold as 24hour convenience banking - and yet this is really incremental innovation building on the use of ATMs (which dispense cash, display account balances, and accept DIY deposit envelopes) and unattended branches.

Technology continues to offer opportunities and threats, particularly the concept of electronic commerce, which encompasses products ranging from transactions over the internet to electronic shopping malls. At present payment is usually made using standard credit cards, but the concept of electronic cash is being developed. The Mondex product development by NatWest is an early example of electronic cash but the concept is being further developed by a number of players as trading by internet grows. This type of trading relies on trusted intermediaries to provide the software, communications and security essential if electronic commerce is to grow as predicted. Businesses such as Microsoft and BT are being conjectured as possibly becoming major electronic banks to support the use of their other products in the electronic commerce field. BT has tested a product called Array, which permits small purchases to be charged to a telephone bill. Coca-Cola set up a trial in December 1997 at the University of Helsinki, to allow cans to be bought from a vending machine using a mobile phone to which the purchase was debited. These are simple, early realisations of electronic cash.

New entrants have offered limited product portfolios to specific market segments, particularly where the new entrant has a brand identity with the target segment, e.g. Virgin Direct (financial products) or KwikFit (car insurance). In some cases, particularly with retailers like Marks & Spencer or Tesco, financial services are being provided as brand extensions and augmentation of their retail service portfolio.

Nevertheless there are signs of more radical offer innovation in the consumer financial services market from both incumbents and new entrants. VirginOne is a revolutionary approach to consumer financial products combining current accounts, savings accounts loans and mortgages into a single "product". FirstDirect are offering Octopus, and NatWest, Zenda, to supplement conventional banking services with other informational and transactional services. Prudential has launched Egg, a new retail banking product and has subsequently made it accessible only via PCs.

Service product literature has always stressed the easy imitation of products and the importance of the delivery process to the customer perceived "product". It has also stressed the difficulty of industrialising service products, which have always tended to be customised, either due to the personal attention of the supplier, or due to the involvement of the customer in the delivery process. The financial services market appears to be proving the truth of "imitation" but moving towards industrialisation of services - Levitt's (1976) next stage in service marketing - either through phone banking/insurance and Call Centres or personal computer based banking.

Nevertheless, concentrating on product augmentation appears to be a major strategy in the financial service markets, whether it is confined to minor or incremental offer innovation or to major or radical offer innovation. However, even minor innovations from a market viewpoint, may need major supply side innovation. Such supply side innovation has meant reliance on partners and suppliers – for incumbents with businesses outside the financial world, e.g. telecomm/IT, consumer goods manufacture, hotels, garages, retail etc; for new entrants, with existing banks at least in the initial stages. It is unclear whether the pioneers were better at team-working with external partners and hence were able to deliver the augmented product more quickly, or whether the development strategies were different. What

is clear is that delivering offer innovation successfully demands a more open approach by financial service providers and increasing use of others to deliver the offer innovations through alliances or new ventures. In some cases the partners provide delivery capability; in others the partners provide competence and experience in different markets. For new entrants, the incumbents bring one very valuable asset – a banking licence, which eases entry into the financial service marketplace.

2.6 Adding value through alliances

An important concern in management, following the popularisation of the Value Chain approach to business strategy by Porter (1980), has been how to add value for the customer. Whilst this concept was initially applied to the core product offered, it applies equally to the augmented product. Grönroos's (1990) argument for augmentation as the differentiation between offers is being recognised by service businesses that are building effective competition through concentrating on augmentation. However, the augmentation need not necessarily all be "in-house" as might be expected from traditional product augmentation. BA use nearby hotels at regional airports to provide the "arrivals lounge" service; household insurers use independent tradesmen to provide the repair service that they offer with the insurance policy.

The use of external service providers adds a further complexity - the level of competition may be increased particularly in markets where core product attributes can be freely purchased from other suppliers and hence investment and market entry barriers reduced. For example, telecommunications legislation in the UK, Europe and the US encourages value added service providers who augment the basic product - a call - and enter the market with reduced investment. Advances in technology have further supported such market entry. For example, internet technology allows businesses or individuals to set up information databases

and electronic retailing for access world-wide using infrastructure provided by the telecommunications incumbent. The service providers are not concerned with the network operations or selling access to it - just the provision of the database and retail transaction. Entry and mobility barriers are therefore reduced and new entrants can offer new services built on their own particular resources and competencies, facilitating innovation in the market and challenging the established businesses.

A major problem identified in studies such as Fast (1978) is that radical innovation is often inhibited in an established business. This may be due to a lack of resource a lack of suitable competencies within the business, or just unwillingness by management to disturb the status quo upon which they have built their position. Johne & Harborne (1985) commented on how major UK banks were only just changing in the mid-1980s from a "cradle to grave" employer. Since then many financial service suppliers have still been slow to accept Marketing Directors from other industries.

Businesses in the financial services markets are tackling the problem of organisational resistance to innovation in a number of ways. Rather than solely in-house development, a number of businesses have formed special supplier relationships and implementation of an augmentation may be through a service provided by a different business, e.g. home insurance where Mondial Assurance manage the household repairs. Barclays offer home contents insurance where they replace damaged contents through contracts they have with suppliers - insurers in the United States pioneered this approach. These are not always formal joint ventures but an alliance to provide a specific "offer" to customers.

IBM used the alliance approach to develop the Personal Computer, with mixed results. Johne (1993) describes how IBM based their development team for Personal Computers, physically

and organisationally outside of the main business to avoid the resistance that it would otherwise have met - the very conditions described by Fast (1978). However, this approach requires careful handling by the top management of a business to ensure that decisions that are good for the special team are optimal for the business. Burton (1995) reported that, subsequently, IBM suffered in its existing mainframe computer business because of the success of the PC project and then in its PC business because the agreements with key partners (Intel, Microsoft) worked disproportionately in the favour of the IBM partners. Alliances obviously need careful managing and Dyer (1996), Lorenzoni & Baden-Fuller (1995) and Norman & Ramirez (1993) have looked at the methods and problems of managing a network of businesses in the way that Chrysler, Benetton and IKEA have done successfully.

Alternatively, offer innovation could be performed through formal new ventures. Kanter (1989) has written on the need for "newstream" ventures alongside the "mainstream" business to keep the business competitive and profitable. She points out that competencies and processes have been defined and implemented for the existing products; existing managers' jobs, career plans and power are built on the status quo. One way of preventing this inhibition is to set up a new unit - the "newstream" to develop the radical innovation. Given the need for radical innovation to break up the mature markets being studied and exploit the market/environmental turbulence, examples of new ventures to launch new "offers" would be expected. New ventures offering small focused ranges of products have been formed in a number of service markets over the last 10 years - for example, Royal Bank of Scotland formed DirectLine to direct sell car insurance. However, Royal Bank of Scotland has also supported new entrants coming into the market, e.g. Virgin. New competitors, often small, have launched successful entry strategies offering both augmented products and new-

to-the-world products to specific market segments - for example, Virgin and their loyal customer base.

Market incumbents have been forced to adapt - changing the product, service and distribution channels - or lose business. Sometimes - as with Abbey National and Future, their direct insurance venture - the attempt has failed leading to high profile job losses and market withdrawal. So what makes the difference between successful offer developments and the less successful developments? Is it better to use new ventures, in-house development, or alliances? Can suppliers, e.g. NPD agencies be used to provide the marketing expertise rather than establishing partnerships to provide this area of competence?

2.7 Conclusion: The Need for Research

This chapter has considered the changes affecting service markets in the UK. It has been shown that businesses operating in many large markets are undergoing significant turbulence as a whole range of environmental factors change and provide new opportunities for major growth. Many businesses have reacted and the examples in paragraph 2.3 show the types of activity under way, most of which involve product augmentation to deliver offer innovation and the use of separate new ventures to incubate the complex NSD required. However, these are pragmatic actions based on practitioners' instinctive feel for customer needs, and without any support from practical or academic studies into best practices in complex NSD development for offer innovation.

Offer innovation is a new challenge for management and provides opportunities to exploit revitalised markets, previously thought mature and slow growing. Success may bring growth in customers and revenue; failure could exacerbate the decline of the established business trying to fend off competition from both new and old players.

Management needs support in understanding the complex new service development that is offer innovation - both when and how to employ it successfully. Studies such as Shostack (1977), Grönroos (1990) and Mathur & Kenyon (1997) have suggested areas on which to focus in developing product augmentation or offers, but not how to do it successfully. This is potentially a broad field of research, demanding an underpinning by a number of studies, so it is necessary to introduce the broad picture and then to refine it down to an area of research manageable in a single study.

This chapter has given examples of how the consumer financial services market environment is changing and how businesses are developing new products and services and even changing the way they compete. New service development is obviously important for ongoing business success and so understanding the factors underpinning success in complex NSD is important to both practitioners and academics. Choosing a single market to study - consumer financial services - was the first step. Chapter 3 will describe the outcome of the next step, which is first to build an understanding of potentially important factors in successful new service development from the literature. This understanding is then used to identify those factors that relate to successful leadership and management of innovation. The main topic of this study – leadership - is then systematically explored, as the final part of the chapter.

Chapter 3

Managing Product Innovation: A review of the literature.

3.1 Introduction

Chapter 2 examined the changing market environment for financial service products; the increasing use of complex new service development for offer innovation; and alliances for competitive advantage. Financial service businesses are increasingly experiencing the type of drivers that led goods businesses to introduce formal business development planning, and build improved product development processes. This chapter reviews four elements of literature: (i) business development, (ii) development success factors, (iii) team-working, and (iv) leadership. It looks at how these findings can be used to guide how service businesses plan, manage and lead innovation projects, highlighting opportunities for research.

Firstly, the chapter briefly examines the literature on how businesses plan and manage to develop themselves through innovation, improving their chance of success. We highlight findings categorising the types of development that can be pursued and the growing importance of considering the augmented product in offer development in both goods and service businesses, reinforcing the examples in Chapter 2. Having outlined the potential types of product development, we then review the literature on NPD success factors to understand the factors for success in product development, particularly for augmented products and offer innovation.

The chapter then considers how businesses can organise for innovation, looking in particular at interpersonal interactions, interdepartmental interactions and multi-functional development teams, all areas that the literature on NPD success factors highlight as important. Studies in these areas are examined to understand how teams function - particularly product

development teams. There is substantial literature on team-working including conceptual team-working models, which are explored and developed into a model to understand the critical facets of how teams can be organised, motivated and led.

The conceptual differences between management and leadership are examined to clarify whether these are two different activities and whether studies have been consistent in applying the appropriate description. The importance of leadership to innovation success is highlighted and then we describe the current understanding of leadership built from a number of research studies and commentaries from business practitioners. Finally, the chapter re-examines the need and opportunity for research before stating the particular focus of this study – leadership style in complex NSD projects.

3.2 Types of development in service businesses

Managing product innovation for success starts at the strategic level, considering business development and those facets of business development that are important to a service business. Grönroos (1990) has produced a number of definitive studies on the anatomy of service marketing but has not been prescriptive about strategic or business development, other than to warn of the pitfalls of a supply side focus. Our review of business development theory writings in major journals over the last 3 years, reveals little focus on the business development for service businesses, other than as examples in reports on (i) "re-engineering" and fundamental process changes, e.g. revolutionary strategic planning as described Hamel & Prahalad (1994) and Hamel (1996), or (ii) strategy in regulated industries. As Chapter 2 explained, many service industries are subject to careful monitoring and control by government appointed regulators. Even in service marketing journals, the key interest has been in how deregulation has driven financial service businesses into strategic planning for the first time. Case studies show the difficulty in (a) integrating products obtained via non-

organic growth into portfolio planning and (b) employing benchmarking to objectively measure business performance of specific activities against successful practitioners outside the industry, for use in strategic planning.

It is necessary, therefore, to look to the business development literature for goods businesses to understand some of the key elements of business development and how these elements affect the degree of success in New Product Development. Burns & Stalker (1966) showed that business development is supported by a rich literature starting in the 19th century. Business development literature ranges from the Levitt's (1975) basic "defining the business" recommendation to specific studies on product, market and supply development. The evolution of business development research matches, unsurprisingly, the changing focus of business over the years - for example Boston Consulting Group (BCG) led work on business development in the 1960s which looked at the cash-flow implications of products or businesses across two axes *(market growth rate and relative market share).* This schema categorised products/businesses and then senior managers considered how each should be developed, meeting the needs of the conglomerates that were being formed. The late 80s saw a different focus, away from the BCG cash focus to the "value add", supporting the break up of conglomerates into more effective, focused businesses by understanding where businesses add value both from a financial and from a customer perspective.

Adding value for the customer has involved augmenting the basic product – goods businesses began to use the service component as a differentiator and the augmented product, increasingly became a mixture of the tangible and intangible. Peters & Waterman (1982) stressed the need to use the *service* component and gave examples of successful businesses, which had done so. In service products, the balance between the tangible and the service element reverses, although, as was explained in Chapter 2, Shostack (1977) highlights the

need for service businesses to explicitly manage the tangible elements of the service offer. Nevertheless, it is the service that is the "product" being purchased.

Business development literature for goods products offers some useful insights that should be applicable to service products. For example, Booz, Allen and Hamilton (1982) dis-aggregated product development into six component parts: -

- product improvement
- new product lines
- product line extensions
- new-to-the-world products
- cost reductions
- re-positioning

Each is equally relevant to new service development and service products. Johne (1993) suggests that services are particularly open to product augmentation development and Easingwood & Storey (1996) highlight the importance of appropriate support for success in consumer financial services.

Johne (1993) refines the Booz, Allen & Hamilton (1982) analysis by arguing that cost reduction and re-positioning are not distinct types of product development but "process" development and "product augmentation development", respectively. He re-defined the business development components for services and suggested that they consist of 4 types of development (as shown in Table 3-1). Within each of these four types, development may be as radical as "new to the world", or simply incremental "product improvements", as defined in the Booz, Allen & Hamilton (1982) schema. Johne's schema relates to the focus of new service development - product, market, service surround or process.

Table 3-1

Johne's (1993) schema of development typology

This schema suggests different forms of development, which may result in innovation for both goods products and service products.

Product development	The development of the core attributes of a product.
Market development	To more closely target specific market segments, e.g. by positioning the product to more closely meet segment needs.
Product augmentation	To alter the product "surround" development, e.g. billing, pre and post sales support, delivery.
Process development	In the case of goods this is usually to improve cost but process is so integral to services that process development can effectively produce a new service product.

Source: Johne (1993).

The purpose of business development in service businesses must, therefore, be to take the product, product augmentation, market and process development strands and construct an innovation matrix which exploits the core competencies and resources to deliver the business objectives. Chapter 2 showed how consumer financial servicebusinesses are increasingly focusing on the product augmentation element but they must deliver this augmentation successfully to the end customer, something that can be more difficult with service products than tangible goods. Grönroos (1990) stresses that a "service" customer is exposed to more of the process, i.e. the supply, than a "goods" customer and so failures in the process will adversely affect customer perception of the service purchased. For example, a customer for the product *personal banking* may use counter services, ATMs or even the telephone to obtain the product and so will have experienced service from the counter staff, people selling the product and people providing support services (training, advice etc). His judgement of the product will depend on his experiences of ease of use, convenience and the management of any queries or problems that he has.

Worries on the supply side (ATMs - phantom withdrawals, exposure to muggings, exposure to the elements) and worries on the service side (surly counter staff; delays in making appointments; inconvenient opening hours) may destroy the competitiveness of the augmented product being offered. Product positioning will depend on customer perceptions, e.g. did the service component of Midland Bank support its 1990s "Listening Bank" positioning; did the service and supply side of Commercial Union match the "we don't make a drama out of a crisis" positioning? These issues suggest that New Service Development for service businesses involve more than one of Johne's (1993) development strands and, therefore, understanding the factors for development success is complex.

Fast (1978) suggests that innovation may be inhibited by the existing business, particularly by managers who currently have power due to the existing organisation, technology or products. Kanter (1989) has written widely on new ventures and the importance to innovation of physical and cultural separation from the main business. Leonard-Barton (1992) and Dougherty (1995) phrase the issue differently - they stress that core competencies can become core rigidities. Yet Campbell, Goold & Alexander (1995) and Hamel (1996) argue for businesses to concentrate on core competencies when planning development.

These contrasting findings suggest that business development has to consider not only the development components but also the best structural design for innovation, particularly for radical innovation. In mature markets, the drive for change may not be great until a major threat occurs to upset the status quo. Chapter 2 showed that these threats are now present and resulting in an increased focus on how to improve the levels of success in new development. However, the above has described how New Service Development is complex, so a clear understanding of how success can be measured is needed before success factors can be identified. The measurement of success has received considerable study.

3.3 Measuring development success

3.3.1 The breadth of measures

Most studies of development success have been concerned with product development but all participants do not measure success in product development in a single way. Cooper & Kleinschmidt (1987), De Brentani (1989) and Griffin & Page (1993) have found that business measures of product development success are varied and extend beyond simple financial and market share goals. Griffin & Page (1993) point out that managers have personal as well as business measures of success; indeed, some US development managers regard not failing as achieving success. The authors found that neither practitioners nor

academic researchers use single measures of success and identified some 75 different measures. For example, Cooper & Kleinschmidt (1987) measured the success of 203 new products using 43 measures covering 10 aspects of product success. Later, Cooper, Easingwood, Edgett, Kleinschmidt and Storey (1994) identified 104 measures, which they applied to 173 new financial services.

3.3.2 Categorising success measures

It has proved possible to aggregate measures into a small number of broad areas. In a study of 106 new financial services, De Brentani (1989) identified five areas associated with NPD success: (i) product/market fit, (ii) quality of execution of the launch, (iii) product/company fit, (iv) service expertise, and (v) product advantage. Cooper, Easingwood, Edgett, Kleinschmidt and Storey's (1994) 104 measures were intentionally aggregated, i.e. combined, into De Brentani's five areas as part of their study design.

Griffin & Page (1993) sought to identify all currently used measures of success and then to categorise them using expert opinion and factor analysis. They identified 5 broad performance areas encompassing project and programme, customer, financial, and "other business" benefits which overlap De Brentani's (1989) 5 areas.

The majority of studies have been concerned with stand-alone, short-term success, however, some new products are judged successful if they establish the objective of a "foothold" in a new market or new technology application. Measures covering entry into new markets and milestone success are particularly important for programmes - a co-ordinated set of projects - where an individual project may not be successful in its own right, financially but provides a platform for the remaining projects - the "Other Booster" measure suggested by De Brentani (1989).

Having explored the variety of ways success can be defined; the factors in new product development that can deliver "success" can now be examined.

3.4 Success Factors in New Product Development

A number of studies since the 1980s have examined the success factors behind NPD in service businesses developing lessons from goods marketing. Cooper & Kleinschmidt (1987) - see Table 3-2 - built upon the results of three studies, to develop a conceptual framework for successful NPD in both goods and services businesses. These studies were by (i) Myers & Marquis (1969) which stressed that NPD success more often came from market pull than technology push; and (ii) Globe, Levy & Schwartz (1973) who found that in radical innovations, success required a market need recognition, ample R&D funds, a proficient R&D manager and a technical entrepreneur; and (iii) Roberts & Burke (1974), who discovered that successful innovations from GE laboratories always depended on identification of market needs.

Johne & Snelson (1990) - see Table 3-3 - also studied a range of goods businesses looking particularly at the strategic choices in new product development across the full value chain. They found that supportive top management and processes that differentiate between the needs of the project initiation and project implementation phases affected the levels of success.

De Brentani (1989) extended the above studies - see Table 3-4 - into the development of industrial services and found that services share many of the same success factors as goods. However, she asserted that there is a need to adjust a business's approach to reflect the distinct character of services particularly the need to consider customer perceptions of differentiation and quality. She also recommended that businesses pay attention to improving cost performance.

Table 3-2

NPD success factors identified by Cooper & Kleinschmidt

Cooper & Kleinschmidt (1987) suggest that NPD success came from: -

- product advantage.
- technical synergy (product to firm).
- good project definition.
- proficiency in the pre-development phase, marketing and technology.

Source: Cooper & Kleinschmidt (1987)

Table 3-3

NPD success factors identified by Johne & Snelson

Johne & Snelson (1990) found a number of common features in high achievement businesses such as : -

- the existence of an explicit product development strategy as part of a proactive competitive strategy.
- the use of formal systems in a "loose-tight" arrangement (i.e. open during the idea generation and conceptual stages changing to tight control during the development and implementation stages of development).
- a wide range of development options supported by a wide range of specialist development staff.
- a high degree of both technical and marketing skills.
- supportive top management involvement in product development led by the CEO actively promoting development.

Source: Johne & Snelson (1990)

Table 3-4

NPD success factors identified by de Brentani

De Brentani (1989) found that success required : -

- a focus on quality.
- good customer/client interfaces.
- the existence and careful application of a new service development process.
- the involvement of all functions involved in the production and delivery of the service.
- good internal marketing.
- the need to differentiate continuously to retain competitive advantage despite the ease of copying of service products.

Source: de Brentani (1989)

Table 3-5

NPD success factors identified by Cooper & de Brentani

Cooper & de Brentani (1989) found that success required: -

- product development which used skills and resources in synergy with those of the business.
- a good fit between product and market as business services are bought by expert and more critical buyers.
- the development of a unique, superior product.
- good quality execution of marketing activity.
- good quality execution of the product launch, including pre-launch testing.

Source: Cooper & de Brentani (1991)

Table 3-6

NPD success factors identified by Iwamura & Jog

Iwamura & Jog (1991) reported that innovation success required : -

- a clear strategy and focus.
- good external and internal communications.
- good management of the idea generation phase of development.
- the involvement of all design and delivery functions, including the customer.
- good communications between customer relations and product line departments.
- good and systematic monitoring of competitors- in fact of all sources of ideas.
- devolvement of budget authorisation on a case by case basis.
- a reward system (financial and non-financial) based on innovation.

  and group decision-making.

Source: Iwamura & Jog (1991)

Table 3-7

NPD success factors identified by Cooper et al

Cooper, Easingwood, Edgett, Kleinschmidt and Storey (1994) identified the following success factors : -

- market synergy
- managerial synergy
- product advantage and product responsiveness
- a market driven NPD process
- innovative technology
- good customer service
- good marketing communications
- good preparation for product launch.

Source: Cooper, Easingwood, Edgett, Kleinschmidt and Storey (1994)

Table 3-8

Peters & Waterman's recommendations for business success

- have a bias for action, i.e. continually test and experiment
- be close to the customer
- promote autonomy and entrepreneurship
- aim for productivity through people, i.e. empower them
- be hands on/value driven, i.e. communicate and reward values
- stick to the knitting
- have simple form/lean staff, i.e. keep small, spread best practices
- exhibit simultaneous loose-tight properties.- i.e. balance controls

  with the encouragement to innovate

Source: Peters & Waterman (1982)

Cooper & de Brentani (1991) examined financial services - see Table 3-5 - and found both similarities to the requirements for manufactured products and a number of differences. These differences included the need to explicitly manage the tangible "evidence" for the service product, and, surprisingly, that neither the newness to the business of the product nor the level of marketing competitiveness appeared to be important to success.

Iwamura & Jog (1991) - see Table 3-6 - also looked at the financial services industry and in particular the organisational structure and management of the innovation process. They found that success depended on clear strategy, communication, involving everyone and matching rewards with objectives. Cooper, Easingwood, Edgett, Kleinschmidt and Storey (1994) examined the factors that distinguished the top performing service products - see Table 3-7 - using multiple measures of performance. They analysed the results in three key areas: - financial performance, relationship enhancement and market development and found that a number of factors support success, particularly process efficiency and matching business competencies to the market.

3.5 Success factor conclusions

The results of all these studies show remarkable similarity and support the recommendations popularised by Peters & Waterman (1982) - see Table 3-8 - which highlighted the business need to focus on customers, staff, innovation, business strengths and action. Sadly, a number of the "excellent" businesses in the study have since experienced problems, so maintaining excellence in a turbulent environment is clearly not so easily prescribed at the company level.

Brown & Eisenhardt (1997) have considered how to maintain excellence through continuous change and identified many of the same success factors that have been described above. However, they recommend an increased focus on communication and exchanging

information and ideas within a business, and a strategy of continuous innovation through small steps. They highlight the problems caused by infrequent, large innovations such as difficulties in adjusting mid-project to changing technologies, markets and competition. Continuous innovation in small steps allowed low cost probes to investigate new possibilities and for the business to have an "up to date view of the future". Successful businesses in Brown & Eisenhardt's (1997) study also communicated freely between projects sharing newly gained knowledge and technology. One of the unsuccessful businesses stressed its project management as a particular strength and yet its managers complained that it is difficult to stop a project once started and even more difficult to understand where it is no longer appropriate. This complaint suggests that a core competence has become a core rigidity as defined by Leonard-Barton (1992) and that success factors identified in less turbulent times may need to be reviewed before automatically assuming that they are still current.

For example, are success factors for "core" products and services the same as for the augmented products - offer innovation - which we suggested in Chapter 2 is important for current service markets?

3.5.1 Additional Success Factors in Offer innovation development

The concept of offer innovation is relatively new and has been mainly pursued by Mathur (1992), Mathur & Kenyon (1997) and also Johne (1993), Johne & Pavlidis (1996), and Johne & Davies (1999) who have all examined offer innovation in the financial service industry. However, without using the term, offer innovation has been studied by other researchers such as Norman & Ramirez (1993) when explicitly considering the complexity of the augmented product offered by IKEA. It might be expected that this more complex service development would require additional success factors but results did not identify many additional success factors to those shown in Tables 3-2 to 3-8. The exceptions were Johne &

Davies (1999) emphasising the importance of a clear vision and strategy and Johne & Pavlidis (1996) highlighting the importance of marketing skills.

3.6 Organising development activity for success

The studies into development success factors in NPD/NSD highlight the importance of formal team-working and of leadership. Although team-working is only explicitly mentioned in a few of the studies, it is key to fulfilling a number of the factors of success that were consistently identified, such as: -

- Involvement of all business functions.
- Group decision-making.
- Good internal communications.
- Good quality execution.
- The development of products in synergy with the skills and resources of the business.

Similarly, a common finding was the need for supportive involvement of senior management - particularly the CEO - in the NPD process. De Brentani (1989) stresses that the senior management in service businesses are usually functional experts working in a flat organisational structure, so their involvement should not only be expected but is valuable. Hence, leadership at all levels of the business - from the senior team to project teams - is an important consideration in successful product development.

The above findings suggest that examining the literature on both team-working and leadership in new product development would be helpful in further exploring success factors in offer innovation and identifying specific aspects of offer innovation for more detailed study. Both team-working and leadership have been researched to different degrees but are closely linked. Johne & Snelson (1990) have identified leadership teams in high achieving

businesses at all levels of the business, and the impact of team leadership on a specific aspect of development success - speed of development - has been studied by McDonough (1993).

McDonough (1993), Donnellon (1993) and Hershock, Cowman & Peters (1994) have studied other key elements of team-working in project teams, particularly interdepartmental interactions and it has been possible to develop models of these interactions and other influencing factors. Sufficient evidence has been collected to suggest extending such an interdepartmental interaction model to describe interactions in a development project. The use of project team-working is now common to new product and new service development, but Brown & Eisenhardt (1995) assert that the way leadership functions within development teams is far from clear. Leaders are part of the project team – as well as part of a larger business leadership team - so it is helpful to better understand team-working and where leaders can influence teamwork success before studying leadership of development projects and its impact on development success.

The remainder of this chapter examines the literature on team-working and leaders but, as this literature potentially spans a wide range of fields including psychology and social science, it has been confined to those aspects that would affect service product development and implementation. However, team-working and leadership in service product development remains a broad area of research. For the purposes of this study we concentrate on one facet, team-working and leadership in complex new service development, exploring the importance of the leader to development success, and the key roles a leader must discharge.

3.6.1 The importance of interpersonal and interdepartmental interactions to team-working

Teamwork is one of the most common prescriptions to solve business problems arising from increasing complexity and rate of change in the business environment. Crawford (1994) recommended breaking down departmental barriers as part of successful innovation.

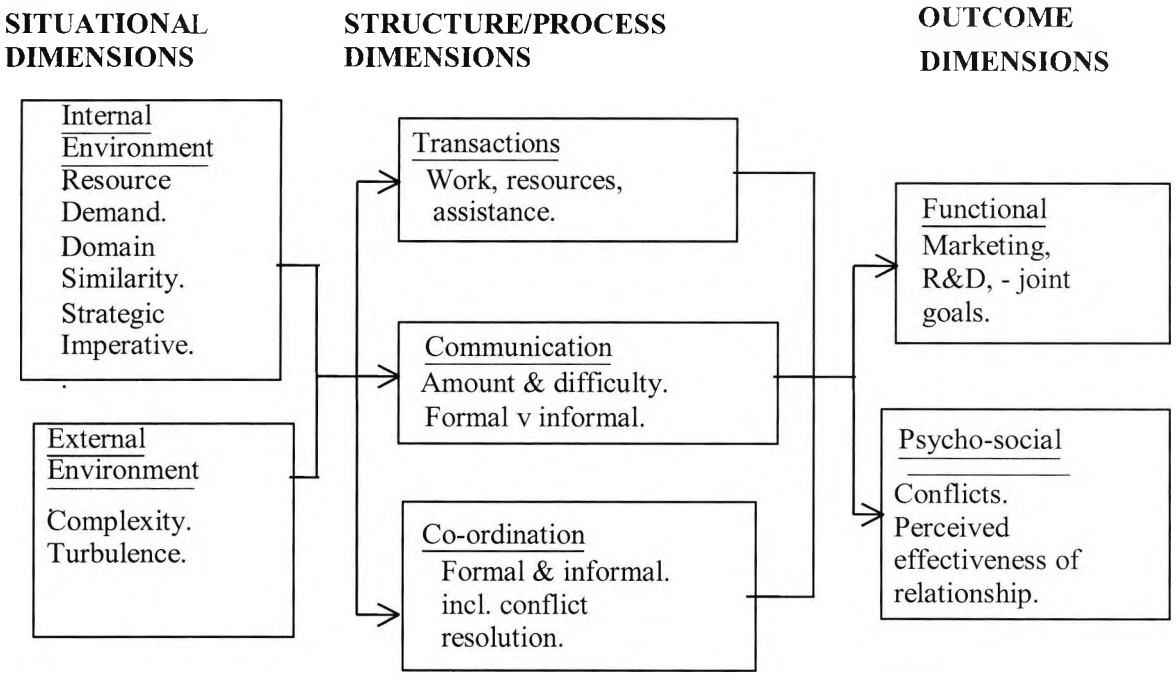
whilst Kennedy (1994) similarly recommended team-working for process re-design, i.e. process innovation. Griffin & Hauser (1996) list 15 studies covering goods and services businesses which found that one aspect of team-working - communication between R&D and Marketing - impacted on new product success. Studies by McDonough (1993), Donnellon (1993), Hershock, Cowman & Peters (1994) on team-working have concentrated on project teams, whilst Ruekert & Walker (1987), Gupta et al (1986) investigated effective working between R&D and Marketing. In some cases, the researchers described their understanding of the "mechanics" of interdepartmental relationships - an integral part of team-working - by means of a conceptual model. Griffin & Hauser (1996), as an introduction to their model, described and critiqued some of these "mechanics".

Two of the above models offer particularly helpful insights and so are described here. Firstly, Ruekart & Walker's (1987) model which focused on the effectiveness of general working between departments and so the model (see Figure 3-1) describes how specific business processes combine within a given set of environmental conditions to deliver results. The results are measured in terms of goals and relationships achieved. Environment in Ruekart & Walker's (1987) model encompassed both internal and external environments. The major external environment consideration is the turbulence of the market in which the team is operating and the complexity of the business. Internal considerations resolve around the critical strategic objectives, resource availability and organisational structure. Business process considerations were confined to the how departments were co-ordinated, e.g. formal meetings, progress reports; how and how much they communicated and the amount of work departments did for each other.

Figure 3-1

How interdepartmental relationships influence business outcome

This figure illustrates the major issues, which affect the effective inter-working of departments in a business. It shows the linkages between those situational elements that affect interdepartmental co-operation, specific structural/process areas for a business to address and the outcomes that this affects. Consideration of these issues and desired outcomes allows a business to adjust structure and processes to deliver the desired interworking outcomes.



Source: Ruekert & Walker (1987)

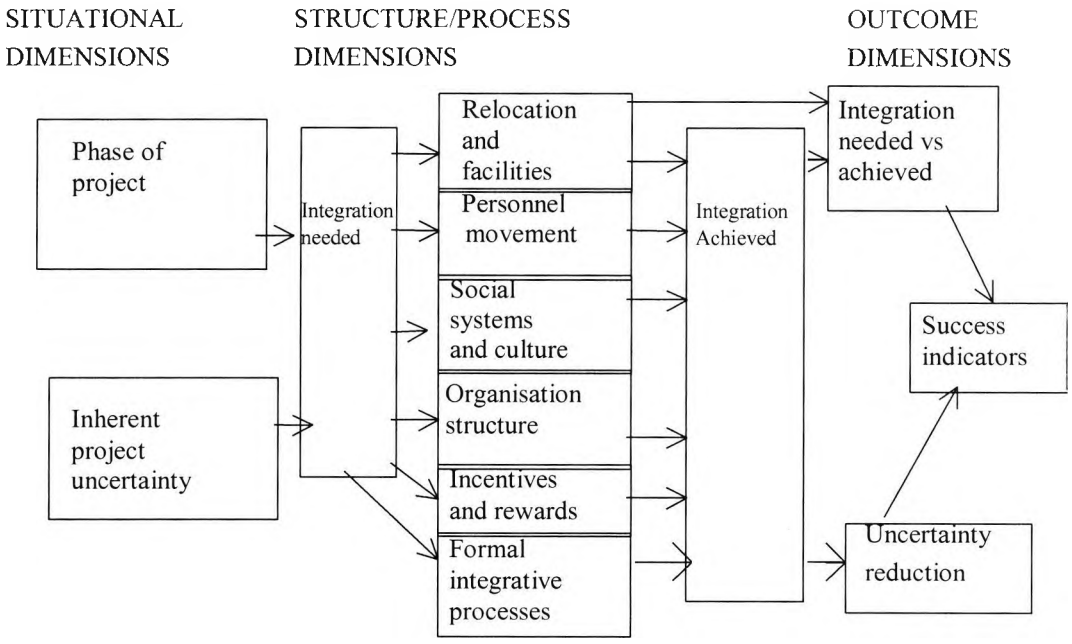
Ruekart & Walker (1987) predicted that more interdependence, task and work similarity, formal inter-group interactions and influence between groups, leads to less conflict, higher transaction flows and perceived effectiveness between the groups. Senior managers could, therefore, encourage better interdepartmental co-operation by changing the way the business operates.

Griffin & Hauser (1996) drew on Ruekart & Walker's (1987) model, together with work by Mohr & Nevin (1990) and Gupta et al (1986), to develop a further model shown at Figure 3-2. The resultant model concentrated on the integrating mechanism at the project level, i.e. the actions that a business could take to improve project success - described in far more detail than in Ruekart & Walker's (1987) general model. Conversely, its examination of outcomes is less detailed, using the simple outcome definition of "commercialising a successful and profitable product in a timely fashion". There is no explicit consideration of relationship effectiveness or any goals that do not impact on overall product success. The Ruekart & Walker (1987) model implicitly assumed that the objective for products was standalone success measured in financial terms. However, it also considered interim project effectiveness measured in terms of the extent to which the project process achieved the level of interdepartmental integration required and to which it reduced project uncertainty. As the focus was on projects, Griffin & Hauser's (1996) model looked at environmental factors in terms of their impact on the level of project uncertainty that results from those factors. The model assumes that variations will occur depending on the phase of a project and that project uncertainty - in terms of knowledge of technology or product or market - defines the amount of interdepartmental integration required. The more uncertainty; the more integration is required.

Figure 3-2

R&D/Marketing integrating mechanisms to achieve project success

This figure describes the key issues to consider in development projects so that the people involved can be organised and motivated effectively yet deliver project success. It demonstrates how situational factors alter the way in which businesses need to structure a project and the elements that would need to be addressed in setting up a project team.



Source: Griffin & Hauser (1996)

The structural/process dimension suggests actions that a business could take to achieve integration - defined as a combination of communication and co-operation. These actions can, and will, vary depending on the situation but will include explicit consideration of organisational structure; the need to re-locate people; the facilities provided; the culture of the business and its departments; the formality of the integration process; and how people are motivated and rewarded for their activities.

Hence, Griffin & Hauser's (1996) model suggests that, for the high project uncertainty that product augmentation in the consumer financial service market would experience, businesses would require significant action to build interdepartmental integration.

We could therefore expect to see innovation service projects accompanied by: -

- Structural change, e.g. new ventures or divisions.
- Relocation, e.g. moving the NSD team to a separate location.
- Cultural re-alignments, e.g. changing the culture of the NSD team to be more open and less risk averse.
- Formal processes, e.g. standard reports, meetings, and business cases.
- Special reward systems, e.g. faster promotion in a new business unit.

Studies on interdepartmental interactions in product development have concentrated on the R&D/Marketing interface (Gupta et al 1986; Ruekart & Walker 1987). Nevertheless, the above findings are aspects that need to be explicitly considered by business leaders and project leaders in order to improve success levels from team-working in product development.

However, first it is necessary to define what a "team" means and then to understand what other studies have revealed about the mechanism and key issues, particularly when used in

new product development. The component facets of our team-working model are then discussed to understand where leadership can influence it and hence enable greater success.

3.7 How teams work

3.7.1 What are teams?

Crawford (1994) refers to the use of project teams in NPD as an important process for success. His examination of teams included a short description of a number of alternative team formats contrasting baseball teams with football teams with tennis doubles, as promulgated by Drucker (1994). All share a common goal, i.e. team victory but work together in different ways to achieve that goal. Crawford (1994) stresses the need to provide the NPD team with an explicit strategy, if the project team is to meet a common set of business needs rather than differing perceptions of business needs or goals.

Drucker (1994) considered different models of teams suggesting decreasing individuality and increasing support as the team concept moved from an example of baseball teams to that of tennis doubles. Baseball teams are essentially a collection of individuals selected for individual skills but balanced to provide a "winning" collective skill-base for the team; tennis doubles are two people interchanging, working together and heavily supporting each other. Football teams were described as somewhere between the two. Quinn, Andersen & Finkelstein (1996) looked at professional service businesses and highlight that professionals do not like to work in hierarchies - hence the preponderance of partnerships, which appear closer to the baseball team concept. Getting the best out of such teams involves careful use of systems and encouragement to share information, to ensure that expert knowledge is available to the team.

Johne & Snelson (1990) found that the high achievers in their product development study used teams, which they liken to rugby teams - similar to Drucker's (1994) football team analogy. They found that teams existed throughout these businesses, from small teams that were at the top to special purpose teams assembled to discharge specific tasks. These teams were usually composed of a number of different functions within the business and were often self-managed, i.e. the project leader had freedom to organise team activity within the pursuit of a set overall goal.

Kennedy (1994) reports the mushrooming growth of self-managed teams as part of business process re-design. She assumes "self-managed" to be described by the McKinsey definition of " a small number of people with complementary skills who are committed to a common purpose, performance goals and approach for which they hold themselves mutually accountable". However, the use of self managed teams is not new, having been used by Procter & Gamble for 40 years after McGregor had devised a "Theory Y" factory (i.e. using participative management rather than Theory X or authoritarian management) for them. Other businesses such as the Eaton Corporation were reported by Kennedy (1994) to have tried and failed with self-managed teams in the early 1980s, because their employees were unready. They are now being used successfully, and Eaton accredit this change in success to better education and an unexpected outcome of the introduction of Total Quality Management (TQM) during the late 1980s. TQM encouraged staff to question more and to seek to improve their work by suggesting process changes etc, i.e. self-management. Nevertheless, extensive training is required, as it was with TQM, particularly as consultancies such as PA and Lucas Engineering Services find that weaning line managers from a traditional control structure can be difficult.

3.7.2 The problems faced by teams

It is not just the relationship between line managers and their staff that can be difficult - Kennedy (1994) quotes the McKinsey findings that successful teams have a mixture of technical/functional expertise; problem solving and decision making skills; and interpersonal skills. These findings also stressed the importance of the latter because collaboration is difficult, particularly with members from different functions who have different experiences and aims.

House & Price (1991) reflect that "NPD teams are typically composed of members who do not have the experience or qualifications to criticise each others judgements or performance - certainly not while the project is evolving. They do not know what their colleagues want". House & Price (1991), therefore, quote and support the Hewlett-Packard approach, which assumes that " it is not possible to manage what cannot be measured and what is not measured, does not get done". This finding does not mean that teams cannot be self-managed but it does mean that all team members have to have a good grasp of the commercial aspects of the project - not just the project leader. House & Price (1991) describe how Hewlett-Packard developed and use a tool called the Return Map, which graphically represents the contribution of all team members to project success in terms of time and money. House & Price (1991) report that using the tool creates self-discipline and a team focus on what needs to be done. They explain that Hewlett-Packard use this tool for both individual and for families of products, programmes and major systems. House & Price (1991) give the example of how a complete programme for an important market usually embraces three generations of product. As not all three generations will succeed, the Return Map allows the team to manage the programme towards overall success even where component projects fail.

Hershock, Cowman & Peters (1994) examined the use of Action Teams – special teams formed to improve innovation - in a division of 3M where the objectives were broad and included a number of cultural measures. It was recognised that the Action Team needed to challenge current business processes and systems if it was to meet its primary objectives - improving time to market and broadening the technology base - but that such challenging had to be done carefully if the organisation was not to resist the Team. The Action Team itself underwent careful training and was supported by explicit senior manager sponsors and the expectations that successful team members would enjoy career benefits.

Interpersonal issues were critical in that functional managers became enablers not supervisors and this was a difficult transition. Middle managers had been excluded from the project and such exclusion proved to be a mistake, requiring resolution during the projects. These managers were heads of functional departments and hence in a position to influence interdepartmental working in teams, as predicted in the Ruekart & Walker's (1987) model. The managers are now also trained and where they are particularly resistant to change are appointed as project leaders to involve and hence persuade even the most resistant managers.

In the 3M example of Hershock, Cowman & Peters (1994), the business ensured that the organisation was equipped to support the teams. Donnellon (1993) contrasts four US firms where three introduced cross-functional teams without other changes whilst one adjusted to support the team. Unsurprisingly, only the supported teams were a success although teams in the other three businesses tried their best within the confines imposed on them. Donnellon (1993) explains the need for support by reference to the Piaget theory on child development, that fitting new data into an existing cognitive structure (assimilation) is not as effective as adjusting a cognitive structure to take account of new data (accommodation). The "good" business accommodated and the results of product development improved markedly.

3.7.3 The team as a social system

An important consideration within social systems is the use of teams and Ciborra (1993) develops the theory of a team as an open system, and in particular a control system. He cites the 1940s Tavistock studies into long wall coal mining - Trist & Bamforth (1951) - as the key breakthrough in the understanding of teams, particularly in association with technical systems. The resultant problems after the introduction of long wall working were resolved once it was understood that the new practices had fundamentally affected the team goals that the teams followed rather than the one that the business required. Ciborra (1993) defines the key attributes of a team, using the control system analogy as: (i) memory of work progress, (ii) feedback functions, and (iii) communications functions. He recognised that, for example, an assembly team and a surgical team differed but argued that this difference was a function of coping with differing levels of uncertainty. The more uncertainty - as in surgery - the more the autonomy required. However, it could be argued that some surgical procedures are as standard as some assembly procedures and therefore levels of autonomy could be expected to vary even between surgical teams. Ciborra (1993) did not develop this autonomy theme. He did postulate three typical team situations: (i) perfect co-operation, (ii) fragmentary co-operation, and (iii) diversity of interests - with the second being most common. This finding supports the theory that interpersonal skills and common goals are essential for team success.

Ciborra (1993) also supports the findings by Johne & Snelson (1990) that teams can be found at a number of levels within an organisation. He described levels of teamwork: (a) amongst workgroups, (b) between doers and managers, (c) within management groups, (d) between those who implement new technology and those that use it, (e) among firms, and (f) across institutions (business, academic, government). Ciborra (1993) described, as an example of

changing teamwork, how pilots in an airline had been organised as a self-managing team whilst flight crews were managed using more autocratic management. This is being changed to a "team of teams" approach to develop a flatter organisational structure and to give more autonomy to flight crews. Part of the change will involve new technical systems to improve communication and information.

Ciborra (1993) argues that this combination of social and technical systems makes team-working more effective and allows processes to be re-engineered replacing historical and outdated practices. Applying this "team of teams" approach to innovation in the consumer financial services industry would lead to expectations of autonomous teams, flatter organisations and improved communications systems. Indeed, Ciborra's arguments would suggest a change in the way the team used its technical support systems, e.g. PCs, e-mail, corporate intranets.

3.7.4 Virtual team-working

Hewlett-Packard's concept of team self-management is taken up by Handy (1995), concerning the increasing use of virtual teams to form virtual organisations, i.e. teams composed of individuals working in different locations - even for different businesses. Handy (1995) suggests that the answer to the resultant managerial dilemma - how to manage people that you do not see - is by trusting them. He postulates a different work environment for the future with individuals coming together as needed for specific projects but normally working separately. This new work environment brings both managerial and interpersonal repercussions - for example, proximity helps to build team spirit and common purpose. Handy (1995) suggests that virtual organisations increase the need for personal meetings to build a sense of community within a team (rather than to a place, e.g. an office). This sense of community develops trust and improves team working such that little management is

needed - only leadership! However, Handy (1995) also argues that leadership will not stay with one person but move between team members during the project. He uses the sports analogy of a rowing eight to illustrate, showing that leadership moves between the coach (in training), the captain (off the water), the cox (for steering) and the stroke (for setting the standard).

For many firms such virtual team-working is only possible for specific functions, e.g. sales, with manufacturing remaining firmly restricted to specific sites. However, even in manufacturing, team-working has been successfully employed to boost productivity. Preece, Fleischer & Toccacelli (1995) report that Levi Strauss had converted 70-80 assembly lines into 300-400 self-managed teams since 1992. Overall production time had decreased by 70%, with fewer re-works, lower absenteeism and fewer days lost to injury. Furthermore, as part of this approach, Levi Strauss blurred the division between itself and its suppliers and retailers. Levi Strauss then carefully developed a team approach across the businesses. The driver or common goal for this team approach was a conscious effort to manage the Levi Strauss reputation despite the blurring of businesses. It is unclear whether a similar blurring occurs where suppliers offer services, e.g. marketing, advertising. Preece et al's (1995) study did not report whether an innovation team at Levi Strauss includes an advertising agency member nor whether such an individual would support the team or his/her parent business.

Johne (1993) refers to IBM basing their development team for Personal Computers physically and organisationally outside of the main business, to avoid the organisational resistance that it would otherwise have met. However, this separation requires careful handling by the top management of a business to ensure that decisions that are good for the special team, including any supplier partners, are optimal for the business itself. Subsequently, Burton (1995) commented, IBM suffered, firstly because of the success of the

PC project impacted on its mainframe business, and secondly because the agreements with key partners (Intel, Microsoft) worked disproportionately in the favour of these partners, creating powerful competitors.

3.8 Team-working in NPD/NSD

There are a number of factors to be considered in managing teams for NPD/NSD, particularly clarity of objectives; the characteristics of team members; and characteristics and style of the project leader.

Specific studies on team-working in NPD are few. Exceptionally, McDonough (1993) investigated team-working from the speed of NPD aspect, particularly the affect of characteristics of the project leader and team member characteristics, e.g. age, education, experience. He found that the project leader - at the extremes - can either micro-manage projects, controlling every aspect of the project tightly or can adopt a participative style, with team members controlling their own activities and the project direction. McDonough (1993) reports that the choice affected the speed depending on whether the development was radical or more routine. Directive team-working was better for radical developments - particularly where part of the development was external - with participative team-working being better for routine development. He also found that the best team-member characteristics - for speed of development - varied depending on whether the development was radical or routine. Routine developments were faster when the team style was participative and when team members were better educated and had been with the businesses some time, thereby understanding business processes and practices. Conversely radical developments required a directive style, with team members relatively new to the business.

3.8.1 Characteristics of project leaders

McDonough (1993) found that different characteristics were required of a project leader with radical developments proceeding more quickly under a project manager who was young and sufficiently educated to be capable of micro-management. He suggested that the faster development could also be partially explained by the enthusiasm and ambition that such "new to the business" managers had. They were also more likely to accept external developments because they were new to a business. Conversely, Dougherty & Hardy (1996) found that innovation success required experienced project leaders (or champions) to obtain the necessary resources and collaboration with other functions that are essential to innovation success. They also argue that sustained success needs different competencies - particularly solving innovation to organisation problems - and recognition by senior managers that changing procedures, introducing teams and champions is not enough, there must be a fundamental re-organisation of power in the organisation.

3.8.2 The impact of strategic objectives

Speed is not the most important or best indicator of success - indeed McDonough (1993) postulates that management seeking fast developments would only pursue routine developments, possibly risking competitive advantage in the longer term. However, a business development plan that required radical developments could improve development speed by choosing project and team members according to McDonough's (1993) findings. What is not clear, as this study was confined to individual projects, is whether programme management is: (a) best served by a specific or even single team management style, and (b) if so, what are the characteristics of the team leader and members that optimise success. Furthermore, other studies on team-working in innovation suggest that teams require freedom to achieve greater success.

3.8.3 Innovation and teams

Amabile, Conti, Coon, Lazenby and Herron (1996) in assessing the impact of work environment on creativity and innovation looked at creative project work by teams in an electronics business. They found that high creativity project teams had environments higher in: -

- Work group support - through diversity of team membership; mutual openness to ideas; constructive challenging of ideas; and a shared commitment to the project.
- Challenging work.
- Organisational encouragement - an encouragement of risk taking and idea generation; fair, supportive idea evaluation; reward and recognition; participative management; and participative decision making.
- Supervisory freedom - by goal clarity; open interactions; and supervisory support of a team's work and ideas.

This finding suggests high creativity requires participative styles of team-working. Amabile et al (1996) built on the work of Gersick (1988) who argues that the context of the group affects success, and the designer of the group affects the context even where the groups are within the same organisation. From this finding, the leader and leadership style would be expected to affect the success of a team - a finding that both McDonough (1993) and Amabile et al (1996) support, if with different conclusions. It may be that speed as the measure of success requires different conditions from other measures of success.

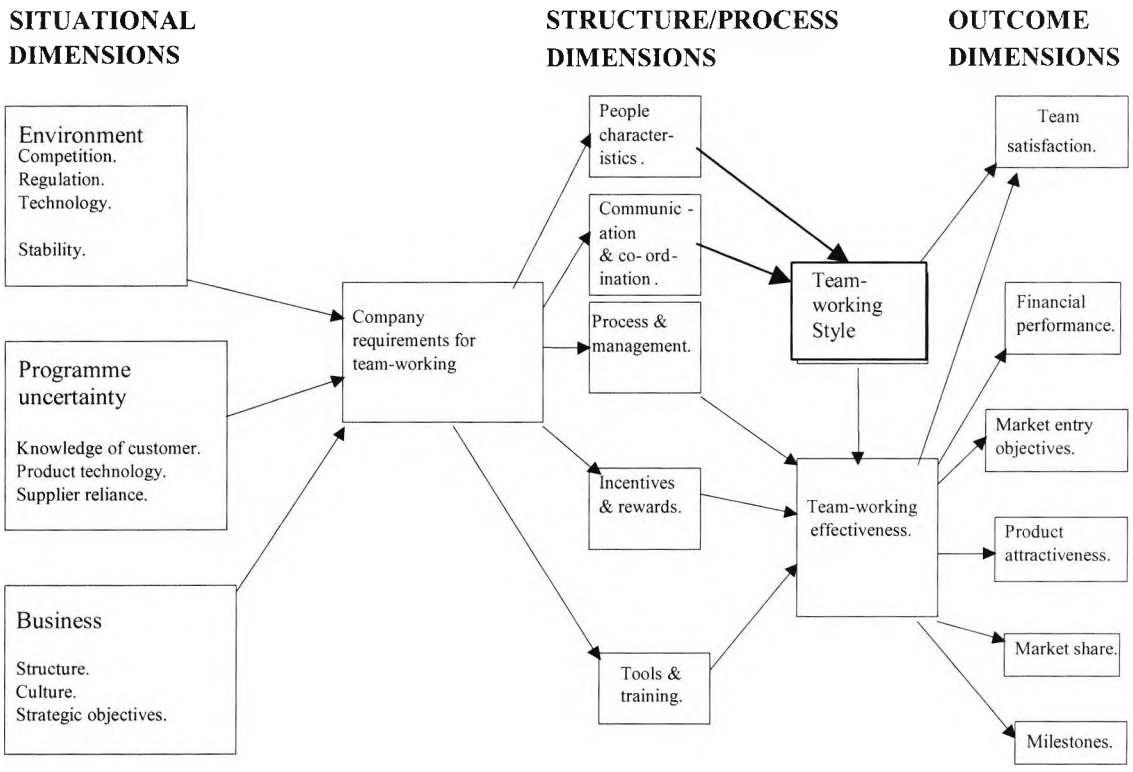
3.9 Managing teams in NPD/NSD

Our study assumes a model for team-working in complex, new, service development, involving situational; structural/process; and outcome dimensions (see Figure 3-3).

Figure 3-3

A model for team-working

This figure builds on the mechanism described in Figure 3-2 and describes in more detail how a business needs to design its processes to account for different situations and the key issues on which to focus.



Source: based on Griffin & Hauser (1996) and Ruekart & Walker (1987)

This model has been developed from the models of Ruekart & Walker (1987) and Griffin & Hauser (1996) in order to understand where and how business leadership can impact on team success in new service development. The component parts are described below to highlight where leaders can influence success. However, the team-working model can be summarised as describing how a business can take actions in specific ways (structural and process) to achieve objectives in the face of situational/environmental factors operating on the business at that time. We will first briefly explain the situational dimensions and the outcome dimensions before concentrating on those specific ways – the structural and cultural dimensions. The introduction of team-working has been stated by Drew & Coulson-Thomas (1996) to result from environmental pressures, so the situational dimensions require full consideration before actions to improve team-working can be proposed.

3.9.1 Outcome dimensions

Cooper & Kleinschmidt (1987), De Brentani (1989) and Griffin & Page (1993) have explicitly examined how businesses measure product development success. They have found that the measures are varied and extended beyond simple financial and market share goals. Senior business leaders must, therefore, be clear about development objectives and clearly communicate these to the development team.

Our model considers a range of NPD/NSD success measures, as follows :-

Milestones - project and programme.

Market Share - in total and/or by market segment, particularly if part of a market entry strategy.

Financial Performance - meeting revenue, cost, profitability and return on investment targets, but again by total market and/or market segment.

Product Attractiveness - the innovativeness of the product or the improvement offered to the customer in terms of reliability, speed of operation, value for money or solving a specific

problem. The impact will normally be seen in market share and financial performance but may also be seen in business image and recognition. During a market entry strategy these may be more important than the financial performance.

Market Entry Objectives - specific programme objectives that are milestones to delivering the longer term market share and financial performance that are intended from a market entry strategy, i.e. opening a new market window. Specific projects may deliver a product that is not particularly successful in conventional commercial measures but may fulfil objectives such as gaining customer awareness in a new market or segment.

Team Satisfaction - Hewlett Packard found that being involved in successful teams led to high satisfaction levels in team members, which can offset the need for financial incentives. Therefore, measuring teamwork effectiveness should ideally include a measure on team satisfaction, allowing a view both of the impact of working on the less exciting or less obviously successful components of a programme, and of the team-working style. Quinn, Anderson & Finkelstein (1996) found that professionals in many service industries prefer to work independently and have to be encouraged to work in teams - a directive team-working style may, therefore, lead to low team satisfaction.

Whilst the range of success measures is wide, it does not follow that every business, programme or project uses all of them to measure success. Indeed, Griffin & Page (1993) point out that managers may have personal as well as business measures of success that they apply. It is assumed that all fall within those measures listed earlier but that weightings and underlying purpose may be affected by specific project considerations.

Previous team-working studies have looked at team-working and the speed of development, (McDonough & Barczak 1991; McDonough 1993) or at team-working in a particular business (House & Price 1991;Donnellon 1993; Hershock et al 1994), where the measures for

success included speed but also softer measures such as creating an entrepreneurial culture, improving innovation etc. However, it is clear from general and trade press articles that NPD/NSD practitioners concentrate on only a few measures of success, such as revenue and customer growth when publicly describing major initiatives.

Given the market turbulence discussed in Chapter 2, established businesses require radical successes to offset the gains made by new, start-up businesses who exploit the opportunities offered by changes in regulation and technology, to re-define markets. The result is that the received wisdom of a mature market dominated by existing players does not apply - a different approach to innovation is required, e.g. FirstDirect and personal banking; Virgin Atlantic and business air travel. Prokesch (1995), Grant & Schlesinger (1995), and Reicheld (1996) point to the new focus and consideration of market segments, and of revenue and customer growth in those market segments. Mature markets are being fragmented into a number of market segments, which can be addressed and stimulated with specially targeted offers.

3.9.2 Environmental factors

Success in new service development will be affected by a number of environmental factors. The markets considered in this thesis are turbulent but in various stages of change and hence the level of uncertainty will vary. Judging success requires an understanding of environmental factors, as described below, and the uncertainty that the development experienced. Business leadership may choose to take action to reduce the uncertainty on behalf of a development team; conversely it may wish to communicate urgency by stressing the uncertainty.

Environment

Service markets - for example in telecommunications, banking and air transport - are increasingly turbulent and complex as changing world-wide regulation and technology lead to greater competition, frequently from new players. In some markets, such as banking, Reicheld (1996) found that the customer buys products from a number of suppliers and retaining customers demands faster, tailored product development and a clear added value if commoditisation is not to alter a business' profitability. There needs to be a clear understanding of: -

- The stage, rate and focus of regulatory change - finance has undergone both de-regulation and increased regulation as the Government seek to open up the market to competition whilst preventing criminal and unethical behaviour. Continuing and highly public problems are leading to demands for increased regulation. Telecommunications regulation continues to change and become tighter on the dominant player British Telecommunications whilst making it easier for other businesses. Comparing performances and the method of operation of businesses within a market requires a clear understanding of regulatory pressures.
- Competitiveness - some industries such as air transport are very competitive in some markets, e.g. internal US flights, US-UK flights, but not in others such as internal European flights. Competitiveness may be constrained by shortage of critical resource, e.g. landing slots at major airports or by local Government controls. This shortage may constrain the extent or even the demand for radical success, so again it must be understood and controlled for in this study.

Programme Uncertainty

The competitive need to focus product offerings on target customers also carries the risk that lack of understanding of customers, of technology, and of changing competitors will

adversely affect the outcome success of a product development programme. Cooper & Kleinschmidt (1987) report that NPD success required technical synergy with the business; Cooper & De Brentani (1991) stress the need for a good fit between product and market. These "synergy" findings were expanded by Cooper et al (1994) who found that NPD success for a business required both marketing synergy and managerial synergy. A development programme using known technology and selling to known customers would appear to carry less risk, but Burton (1996) has commented on how a failure by IBM to spot that the market for Personal Computers would radically affect the market for mainframe computers, subsequently adversely affected the IBM company. Hence, technology - both the rate of change and the business expertise in that technology - will affect the composition of teams and the programme uncertainty. Additionally, if the expertise comes from external suppliers, then this external involvement affects team-working and the programme uncertainty. Business leadership can control uncertainty through decisions on team composition, alliances with other businesses, and the choice of technology.

Business

The business context in terms of culture, organisation and strategic objectives affects the success of team-working. Donnellon (1993) examined the introduction of team-working in four US businesses and discovered that it was only successful in the one business that re-organised to actively support team-working. Johne & Snelson (1990) amongst others, found that top management support affects NPD success. The business context in terms of culture, organisation and strategic objectives affects the success of team-working. We have commented that the introduction of team-working into a 3M division, was found by Hershock, Cowman & Peters (1994) to be jeopardised by middle managers who not only did not have a role under the new approach but team-working threatened the existing role that they performed. Hence, business leadership at all levels affects success by decisions from the

"strategic" considerations to the practical considerations highlighted in descriptions of the other situational dimensions.

3.9.3 Structural and Cultural factors

Other areas of key understanding to enable the impact of team-working on success to be studied effectively are: -

- The organisation of the business - is it organised functionally, by line of business, as strategic business units, as new product development units alongside in life business units?
- How are product developments directed, managed and controlled? Is there a formal, autonomous, product development strategy?
- Is team-working a formal way of working to improve interdepartmental interaction? How do functional managers balance responsibilities?
- Are staff formally trained and provided with the tools to employ team-working effectively?
- Do the businesses leave internal marketing and communications to individual programme and project teams?

When both the situational dimensions and outcome dimensions have been considered, our model then assumes that a team can be assembled to achieve the desired results by focusing on a number of specific considerations. The major considerations are discussed in more detail below.

3.9.4 People Characteristics

McDonough (1993) has defined people characteristics, which he investigated in a study of the affect of teams on speed in NPD. The characteristics studied were: - age,

education, length of time with business, and tenure. Personal characteristics have been used in other studies, e.g. Mowday (1979) who explored the characteristics of experience and self-confidence in situations where authority for decisions lay in senior leaders; hence upwards influencing skills became important. He found that the leader characteristics affected the influencing method chosen with the more experienced, self confident leader choosing to persuade senior leaders rather than threaten or manipulate them. Katz (1982) also considered leader characteristics in his study of the effect of project group longevity on communications and project performance. He examined whether performance degraded in long term projects due to the length of experience (and hence modernity of technological knowledge) and age of its members (longer-term projects typically had older members), but did not find any significant association. Our model uses the same characteristics for the programme/project leader, the programme/project team member and - given the experience within 3M - the middle managers with functional responsibility over individual team members.

3.9.5 Communications and Co-ordination

A number of studies on NPD success factors by De Brentani (1989), Iwamura & Jog (1991) and others have identified communications/internal marketing as being important. Specific studies on the effectiveness of functional interactions by Kahn (1996) and by Donnellon (1993) have identified the importance of communication across the functional barrier. Griffin & Hauser (1996) in their literature review, highlight the barriers that are caused by such things as the technical language adopted by each function - even the different "thought worlds" that exist within functions due to commonalties in training, experience, etc. The effectiveness of teams can, therefore, be directly affected by how well members understand each other, their common purpose, and the progress of the team towards it. Communications - type, frequency, content, direction (including outside the team) – are, therefore, important dimensions in any model of team-working effectiveness. So is co-

ordination of team members and teams - for example, formal team meetings, progress reports - in terms of type, frequency, and degree. Griffin & Hauser (1996) also identified conflict resolution as an important part of co-ordination.

Ancona & Caldwell (1992) found that successful developments exhibited elements of two strategies they described as "ambassadorial" and "task co-ordinator". The former related to external communications, i.e. "selling" the development to win support and resources and to moulding expectations; the latter, to discussing design and co-ordinating activities with "outsiders". "Ambassadorial" leaders develop teams with high cohesiveness and high initial performance; "task co-ordinator" leaders achieve a better longer-term performance. The blend of the two into what was described as a "comprehensive" approach was found to offer the best all round performance in innovation. Hence, communicating the vision or "product concept", externally as well as internally, has repercussions on the performance of the development team. Clark & Fujimoto (1990) further stressed that successful "heavyweight" project managers were active communicators - the antithesis of project "clerks" who concentrated on reports, plans and written communications. Katz (1982) found that there was a risk with well established project teams that they rejected external information that contradicted their own views and hence it was important for the project leader to ensure that open, external dialogues were maintained throughout the project. External communication was also the subject of a study by Allen, Tushman and Lee (1979) where they discovered that the transfer of technology across an organisational barrier in product development required a communication "star" or "gatekeeper". Someone who maintained open communications outside the organisation and was able to pass on the latest information from other experts - both the "know what" and the "know how". This communication becomes even more complex where team members belong to different businesses or where the team involves customers.

3.9.6 Process and Management

Johne & Snelson (1990), amongst others stress that high achieving businesses in NPD had a formal development process which was applied to all projects. They identified a difference in the degree of control between the conceptual and development stages - described as loose-tight - confirming the observations of Peters & Waterman (1982) and also the findings of Johne & Harborne (1985). The existence of formal processes and the mechanism of control, e.g. Stage Gates is, therefore, likely to be important to team-working effectiveness.

Donnellon (1993) comments on how the effectiveness of team-working was affected by whether the business really supported its use. In comparing less successful projects with successful projects, our study needed to control for the impact of structure and process on team-working effectiveness.

3.9.7 Incentives and Reward

Incentives and reward structures are an integral part of any business plan to motivate its people to achieve set goals. Donnellon (1993) highlights the cultural paradox in the US where individual accomplishment and competitiveness is stimulated in school and business, but the media, folklore etc. espouse team values, e.g. the importance of the family, church, and country. Similarly, encouraging team-working but using a reward system within which bonuses, pay and advancement depend on putting self before team would be counterproductive. The extent to which team-working is rewarded - financially and non-financially - is, therefore, an important dimension to team-working effectiveness. The reward may be monetary to the entire team; career advancement of recognised good team members, or it may even be the use of special, highly public, awards to highlight particular team-

working achievements. Rewarding teamwork becomes more complex where team members belong to different businesses or where the team involves customers.

3.9.8 Tools and Training

As Donnellon (1993) points out in her study, adopting team-working without equipping members and non-members to deploy it will negate its effectiveness. We have commented earlier on House & Price's (1991) study of how Hewlett Packard specifically trained its teams in team-working skills as well as providing tools such as the Return Map. Griffin & Hauser (1996) identify the use of other tools such as Quality Function Deployment, which have been used effectively in Japan since the 1970s and also by Ford and Xerox in the US. The adoption of specific team-working training and tools supports the process and management of projects within a business permitting a commonality of approach and a building of expertise. Kennedy (1994) reports how consultants, such as PA and Lucas Engineering Services now offer training to overcome some of the problems that their client businesses had identified, particularly at middle management level.

3.9.9 Team-working Style

McDonough (1993) and McDonough & Barczak (1991) measured the impact of project leadership styles in their research into speed in NPD. Our team-working model considers the complementary team-working style - how the team, including the leader, work together to meet common objectives. The extremes are: (i) a directive style - members are given little freedom to decide how the team will achieve its goals or how that team member will fulfil functional objectives, and (ii) a participative style in which decisions on how to discharge objectives are made by the group. McDonough (1993) found that the style affected NPD speed but that it also depended on the type of development, i.e. radical or routine:

McDonough & Barczak (1991) found that style affects willingness to adopt technology from outside the business.

Our model demonstrates the complexity of team-working and also the need for business leaders to actively manage a number of factors for success. Adopting a team-working approach requires a significant investment in business processes, tools and training. Donnellon (1993) highlighted what happens when this support is not in place. Furthermore, team-working is not confined to the working level and senior management teams have been reported in studies such as Johne & Snelson (1990). It is, therefore, helpful to summarise the key factors for team-working success as identified in the literature.

3.10 Key success factors for team-working in business

The literature shows a number of common factors associated with success in team-working in businesses. These can be summarised as: -

- High diversity of expertise covering problem solving, technical and business skills.
- High levels of interpersonal skills supporting mutual openness and constructive challenging of ideas.
- Training and tools to support team-working.
- Explicit organisational support through structure, rewards and communications.
- A sense of community to develop trust in each other.
- Shared commitment and goals.

These can all be influenced by the action of leaders in a business.

It is recognised that team-working may vary depending on circumstance - for example, where there is high uncertainty in the project, the team requires greater autonomy but perhaps tighter team leadership. Ciborra (1993) illustrates this with the example of a surgical team;

McDonough (1993) commented on success in radical product developments. There is clearly a need for business leaders to actively manage how they use and support teams in their key processes.

3.11 Management and leadership: the distinction

We have drawn the conclusion from literature that teams need to be actively *managed* for success but have also found references to *leaders* - particularly project leaders. Is there a necessary role called "leader" - different from "manager" - for teams to function effectively? Bennis & Nanus (1985) reflected on the difference between management and leadership and described it as "management is doing things right; leadership is doing the right things". Bennis (1989) added that "leaders master context; managers surrender to it". At the level of the firm, this adage means that deciding strategic objectives and the direction to develop a business is the province of the leader or even a leadership team if that is the way the firm operates. Delivering the strategic objectives would, therefore, be expected to be the role of management. It is difficult to distinguish between the two at times as elements of both will be needed at any time - for example, managing the process of the leadership task "deciding strategic objectives".

Even recommendations by Hershey & Blanchard have migrated since their (1977) study from using the term "management" to using "leadership" in describing styles to be adopted by managers for guiding and controlling their direct reports. Another study of that period, Blake & Mouton's (1978) "Managerial Grid" balances task and people orientation to set a business culture - something that would be described today as the task of the leader. Kourzes & Posner (1987) were more specific in their differentiation between leaders and managers - leaders are associated with change and innovation: managers with control and stability. Kotter (1996) suggests that business up to the 1990s required management rather than leadership and

developed people accordingly. Initiatives in the 1990s to meet the demand of the rapidly changing competitive environment, e.g. flattened hierarchy, developed decision making, and self managed teams, have led to a change in requirements – leaders are required not managers. Bryman (1992) summarises the "New Leadership" literature as being about emphasis. Table 3-9 illustrates the difference in emphasis between leaders and managers, re-inforcing the Bennis (1989) observation that "leaders master context; managers surrender to it". Bryman (1992) asserts that management is about planning and controlling - leadership about envisioning, motivating and enabling.

McDonough (1993) examined two project leader styles in real life environments - one where the project leader actively directed activity, and a more participative one where the team directed itself. At face value these styles seem to indicate a project leader acting as a leader in one case and as a manager in the other. However, the different styles could also be described as "command and control" and "empowering" - the shift in leadership style recommended by Bartlett & Ghoshal (1995) for new style businesses.

"New leadership" is now the prevailing approach within sociologists studying leadership. It is a composite approach, which encompasses both style, and contingency approaches. It recognises that people can be born with traits that help them become leaders, but that success can be affected by the situation and training. Howell & Frost (1989) actually used scripted actors as "leaders" - supported by colleagues whose behaviour set performance norms and morale in teams - in an experiment which showed that performance, satisfaction levels and conflict can be affected by the leader style. As the "leaders" were scripted actors, this result suggests that leadership can be learned.

Most descriptions of business success in the popular press attribute leadership to a single, often charismatic person within that business, e.g. Richard Branson and Virgin; Wood and DirectLine; Bill Gates and Microsoft. What is it they did or do within those businesses - manage, lead or both? Bryman (1992) addresses the popular concept of charismatic leadership mainly from a sociology viewpoint, summarising the research on political, religious and social leaders. There appears to be evidence that charismatic leadership does affect performance and satisfaction levels, but much of the essential requirements of the charismatic leader are very similar to the findings on leadership per se - formulating vision; communicating the vision; enabling the vision; removing obstacles; building trust etc. In most examples of successful, charismatic leadership, it has been where there has been a crisis and someone has stepped in and successfully transformed the business.

Part of the activity of a charismatic leader is high profile communication - particularly to the "outside world" convincing them that the business has a future. Zucker (1987) referred to this need to get "legitimacy" from outside - in business, legitimacy tends to be sought from the financial community and stakeholders. One business area where charismatic leadership appears important is in Direct Selling Organisations (DSOs) where the successful ones appear to have a leader - usually the founder - who is particularly adept at communicating the vision and energising the people working within in it. Biggart (1989) found that these leaders become regarded as special people and treated with awe and respect by those involved with them - the organisation is run almost like a cult or social movement. The description of DSOs suggests that DirectLine might be regarded in this category.

However, the literature does suggest that charismatic leadership is not necessarily beneficial to a business. The driving force is the leader's vision but this can become an obsession and cloud rational thought - Steve Jobs at Apple was reported to ignore dissenting advice and be

such a powerful orator that he could convince others of his view. This obsession leads to a tendency for almost tyrannical rule - Dreyfeck (1985) reported a Chairman sacked despite good results because of his authoritarian style. Donald Burr was reported to have become similarly difficult as his People Express business ran into major problems. This occurrence reflects another research finding by Nadler & Tushman (1980) - that an appropriate management must back the vision and good leadership style. Kotter (1995) concurred but also argued that the vision itself had to be both feasible and desirable by all stakeholders. He gave the example of a US home banking service that was visionary and feasible but failed to be attractive to customers. Kotter (1995) asserted that the most striking visions have a market orientation.

Although other research found that Donald Burr actually carried the seeds of failure for People Express with him, he was still highly regarded in the popular press in the US. Chen & Meindl (1991), in considering leadership images in the popular press in the US, took the particular example of Donald Burr and his airline business
People Express. They found that people in the US held four positive image themes for a leader: -

1) Altruistic democracy, running a business for the good of all its members.

2) Responsible Capitalism, building wealth and employment without damage.

3) Small town pastoralism, to avoid the impersonal and inhuman image of big businesses.

4) Individualism, i.e. the US value self made men and women.

Chen & Meindl's (1991) study raises the issue of culture and leadership - do collectivist cultures like Japan and the Far East have the same images and needs of leadership as the more individualistic Western cultures?

Table 3-9

A comparison of Management versus Leader task emphasis

The New Leadership literature suggests the following differences between managers and leaders:

Management emphasis	**Leader emphasis**
Planning.	Vision/mission.
Allocating responsibility.	Infusing vision.
Controlling and problem solving.	Motivating & inspiring.
Creating routine and equilibrium.	Creating change & innovation.
Power retention.	Empowerment of others.
Creating compliance.	Creating commitment.
Emphasising contractual obligations.	Stimulating extra effort.
Detachment and rationality.	Interest in others & intuition.
Reactive approach to the environment.	Proactive approach to the environment.

Source: Bryman (1992)

Misumi & Peterson (1985) reviewed Japanese research programmes to test whether the premise that the Japanese prefer a more autocratic style of leadership than the US was correct. They found that the Japanese sought consistency and so required more tactical leadership; US businesses concentrated more on strategic issues and were prepared to change strategy more often than the Japanese, to meet changing environmental conditions. Implicitly, in the West, tactical activity is seen as management not leadership.

A comparison with military operations would argue against this approach. Shepard (1967) noted that commando raid planning involved all ranks contributing before a decision was made on the actual strategic plan. Once the raid started, it was run under strict military hierarchy. The commando leader would actively lead his men and could take tactical leadership decisions within the framework of the overall strategy, i.e. tactical decisions are leadership not management. Pascale, Milleman & Gioja (1997) found that is reinforced by modern day training in the US Army which uses exercises and After Action Reviews to encourage all ranks to learn from experience. Particularly to learn that in combat they must set aside hierarchy, exercise self-criticism and work as a team to benefit from the distributed intelligence of the battlefield. There has been a move away from a "command and control" type leadership.

In summary, the difference between management and leadership is not clear in business and may vary according to culture. Any study of the importance of leadership to NPD success must, therefore, clearly distinguish leadership roles and tasks from management, before drawing conclusions from past research or planning any future study. It must also control for culture. Nevertheless, there is a significant body of research on leadership on which to draw, including the studies of Burgelman (1983) and Brown & Eisenhardt (1995) which have both

clearly identified the concept of leadership and its importance to new venture and new product development respectively. Furthermore, they have identified a number of leadership roles that need to be discharged, and Burgelman (1983) drew some initial conclusions on where in the business management hierarchy these roles had been discharged.

The sociology literature has concentrated on formal leaders and particularly the top leader - Bryman (1992) recognised that leaders were distributed throughout an organisation and stressed the need for research to explore other leader roles, including those of informal leaders.

3.12 Leadership theory and practice

The preceding section on team-working has considered how individuals and departments interact in the form of teams and has looked at some of the results of studies into the use of teams in product development. It has also raised the importance of senior management to development success and contrasted the focus of management and leaders. We will now examine the literature on leadership in more detail.

Leadership has been extensively researched over many years with the focus on the "hero" leader, a single individual responsible for success in war, business, politics, religion and/or sport. However, Kotter (1996), and McGill & Slocum (1998) amongst others have raised the implausibility of the senior leader being able to achieve success on his own. For example, one key aspect of teams is the role of the project leader and how well this role is discharged. The concept of multiple leadership in business will be discussed further, but first we will introduce the breadth of research available on leadership before focusing on business related leadership studies.

3.12.1 Background

The literature on leadership is rich, spanning a variety of approaches which is perhaps best exemplified by Bennis and Nanus (1985) description of evolution from "Great Man" through "Big Bang" to "transformational leadership". This reflects a movement away from the premise that "leaders are born", i.e. that they have certain traits and qualities that enable them to be successful at leadership.

Early work on leadership looked at history and the lives of past military and political leaders to glean the critical qualities. The "qualities" approach was superseded by the work of social scientists and behavioural scientists such as Tannenbaum, Weschler and Masserik (1961) which argued that leadership can be defined as a number of functions and that people can be taught these functions.

3.12.2 The Social Scientist Approach

Tannenbaum, Weschler and Masserik (1961) summarised the social science approach that leadership was an interpersonal activity and could be explained using all of the social sciences incorporated into a holistic view. They sought a tool kit for practitioners which considered interpersonal, personality, situational and cultural variables but noted a concern that there was a risk of encouraging leaders to be amateur psychologists and indulge in unethical behaviour. The study involved considerable analysis of the attitudes and activities of people, and how the leader could influence outcomes by understanding the conscious and unconscious drivers of people (including the leader himself).

Leadership was considered as having three aspects - perceiver, perceived and situation - and correctly understanding the interactions between each was felt to be critical to leadership success. Leaders had to consider group dynamics and differences between people to achieve

a positive outcome in specific situations, and hence may involve the leader in consciously choosing a leadership pattern, and even organisational change. Tannenbaum et al (1961) argued that such choices must not be unilateral if the group is to be motivated, although they highlighted the tension between the western culture of democracy and the typical authoritarian nature of organisations. They suggested that leaders must have formal authority to perform their role but that this authority has to come from the people being led, not just by virtue of appointment. The functions of leadership were described as organisation, direction and control, but the importance of influence to achieve goals and communication to exercise leadership was also stressed.

3.12.3 Recent Trends

Bennis and Nanus (1985) conducted a wide ranging study of CEOs, university presidents, sports coaches, orchestra conductors, city managers, zoo presidents - even Neil Armstrong who led space exploration teams - in an effort to identify uniformity that could be used as strategies for success in leadership. This search for lessons from a wide range of fields has been replicated in a number of articles in the Harvard Business Review. These include lessons from the Army, as outlined by Pagonis (1992); from a football coach, as reported by Rapaport (1993) - even Kim and Mauborgne's (1992) exploration of Korean parables. The latter was almost a return to the "qualities" view with essential qualities such as humility, perseverance, commitment, empathy and vision being cited as those that a leader has to seek to acquire. However, the implication was that these should and could be learned.

Adair (1988) includes facets from both the traits and functional schools - arguing that certain traits are necessary for leadership in certain situations, e.g. physical courage for military leadership, and summarises feedback from a study of CEOs on what qualities they believe a leader should have. He reviews the concept that there are three aspects to consider in

leadership - the leader, the situation and the followers or group (or Tannenbaum et al's (1961) perceived, perceiver and situation), and suggests that there are three spheres of overlapping needs that must be considered. However, the *situation* is treated as the *task* and he argues that leaders should exemplify the task characteristics. Nevertheless, Adair (1988) believes that it is possible to define and train for certain functions of leadership. Adair (1988) suggests that to be a leader you have to understand what you have to know, what you have to do and how you have to develop yourself - above all as a leader you are accountable!

Bennis and Nanus (1985) found four common themes in their study: - (i) setting the vision, (ii) communicating the vision, (iii) positioning the business, and (iv) care in deploying self. The latter refers to the need to develop yourself using personal time for the tasks that you can perform most effectively. Development requires honest self-appraisal and a creative approach to use of a leader's time. Flowing from this self-appraisal is identifying the need for organisational learning and the acquiring of new competencies within the organisation. Above all the leader must inculcate a positive approach to achieving goals to avoid the Wallenda factor, i.e. concentrating on avoiding failure leads to failure. Wallenda was a noted high wire artiste killed in a fall after a period when he had concentrated on avoiding falling rather than his usual positive attitude of envisaging success. Promoting a positive attitude would appear to be a key use of a leader's time.

Other studies looked at the primary function of leadership in businesses, i.e. setting the direction. Kotter (1995) defines elements for success when leading change in an organisation as: (i) creating a vision, (ii) persistence, (iii) communication, (iv) removing obstacles, (v) encouragement, and (vi) the creation of a continuous improvement culture. Bartlett and Ghoshal (1995) studied the changing role of top management and emphasise the need for personal contact instead of traditional systems and hierarchy. They assert that the leader

needs to move the business to a culture where people understand a common vision and willingly work towards it. Controls would be the minimum conducive with effective management of key business elements and there would be a culture of managing through personal relationships. A leader would, therefore, need to set an agreed vision, seed the business with key people who would spread that vision and desired behaviours and seek to achieve control through internalised behaviours.

Bartlett and Ghoshal's (1995) finding aligns well with the results of Kotter (1996). It is further supported by Heifetz and Laurie (1997), who state that businesses today face adaptive challenges. They assert that, for success, leaders need to be able to: (i) view patterns as if from a balcony, (ii) identify the adaptive challenge, (iii) regulate distress, (iv) maintain disciplined attention, (v) give the work back to the people, and (vi) protect voices of leadership from below, i.e. encourage leadership *throughout* the business not just "at the top". They argue that solutions to adaptive challenges reside in the collective intelligence of employees at all levels, but that leaders must release it in the most effective fashion.

Such involvement of employees stresses the critical need for a leader to harness people in the definition and achievement of a collective vision. Kotter (1996) stressed that this involves more than setting a vision, it requires the leader to build a solid construction that will enable the vision to be achieved. The need from a leader ranges from establishing the right structure and culture to using early wins to build momentum and the habit of success. This may even involve communicating a crisis to create a sense of urgency behind changes, as Hill & Wetlaufer (1998) found Bernabe did during his stewardship of ENI, although Dess, Pickens & Lyon (1998) warn that communicating a crisis can be dysfunctional if it translates into paralysing fear and inaction.

Bryman (1992) summarises the New Leadership approach that has arisen since the early 1980s. This approach melds traits, style and situation and argues that leadership combines all of them. He uses the Roberts & Bradley (1988) studies of an individual in an American, Mid-West, education department to demonstrate how someone can be a successful leader in one situation but after promotion, and in the absence of a crisis, be an undistinguished leader in another. Crises are a frequent pre-cursor to successful leader activity, providing an opportunity for transformational leadership. Tichy & Devanna (1988) found that transformational leaders view themselves as courageous, change agents, who are visionary, never stop learning, can handle uncertainty and can articulate a vision for others to adopt. This finding came out of in depth interviews with successful CEOs like Iacocca, Welsh, and Harvey-Jones, who were all both transformational and charismatic.

Becoming too involved in day to day management was felt by Trice & Beyer (1986) to threaten the "special" image of a charismatic or transformational leader. However, failure to ensure that appropriate management took place could lead to a failure to achieve the vision. Achieving the correct balance is important. Kotter (1996) stresses that whilst leadership is now much more important, there is still a need for managers to make sure that the new actions are implemented effectively. Leadership and management are not mutually exclusive, indeed, transformational leaders may need to be supported or followed by more "management" focused leaders to deliver the changes. However, this can cause problems, for example, a subsequent study of Harvey-Jones's successor revealed a lack of confidence within ICI because the successor was seen as a "grey man", a "manager" lacking in vision.

The literature suggests that leadership is an activity that can be taught and is a role that is essential to business success, particularly in the current dynamic market environment. We referred earlier to the Howell & Frost (1989) experiment using professional actors as

"leaders" to test whether leaders affect performance. As the actors did affect performance, at least in the short term, it suggests that people can be taught how to act as leaders, although other writers such as Avolvio & Gibbons (1988) argue that training must take place early in a career to affect behaviour. Certainly there appears to be agreement that certain aspects can be taught, e.g. building a vision, public speaking, interpersonal skills.

However, specifics that are close to the older theories of traits, may still have a place in certain circumstances, e.g. courage and military leadership although Tichy & Devanna (1988) appear to argue that courage is necessary for business as well. Additionally, Willner (1984) referred to the impact of personal characteristics such as eyes and voice, confidence, intelligence - some of which are alterable with training but not all. Hence, it seems that to be effective, leaders have a set of requirements, some, but not all, of which can be learned. The literature commonly suggests that the requirements of a leader are: -

- Setting a vision or direction.
- Communication of situation, direction or desired behaviour. This may be by word or deed or exemplifying task characteristics.
- Creating the internal environment for success, removing obstacles whether they are people or activities.
- Deploying self to maximum effect, whether that is in vision setting, communication, coaching or assembling a team to achieve the goal.
- Explicitly assuming overall responsibility for business performance.

Tushman & Nadler (1986) summarised leadership tasks as being, in essence, described by the terms "envisioning", "energising" and "enabling". This involves, respectively: -

- Strategy - developing and communicating the strategy throughout the business.

- Building a culture through core values, norms, communications networks, and conflict resolution.
- Building individual and team skills including group problem solving skills.

These align well with the requirements of a leader described earlier but the tasks need not be necessarily delivered by a single leader - indeed it would be difficult for a single individual to do more than stimulate others within the business to join him/her in delivering all of the above tasks.

3.12.4 Guidance from practitioners

The above is a summary of the results of many years of academic study but there have also been management articles based on individual, successful practitioners. For example, Pagonis (1992) was a US Army General who controlled supply logistics in Saudi Arabia before during and after the Gulf War. He attributes his success to excellent training and stresses his belief that "leaders are made". However, he also refers to the need for a "command presence" which is acquired through faith in one's abilities and trust from "followers". This trust is acquired through successfully demonstrating abilities established through training and practice to build up expertise. Pagonis (1992) also refers to the need to know one's own strengths and weaknesses, and then acting to remove the weaknesses, e.g. a leader will be involved in public speaking and this can be taught. He stresses the need to be able to know what and how to communicate and the need to consider perceptions in dealing with people.

Throughout, he refers to two key elements of leadership - expertise and empathy - and refers to leadership as being concerned with people and organisations. Expertise is equivalent to Adair's (1988) "exemplifying task characteristics" - gaining people's trust that the leader

understands what and how. Empathy is involved in understanding people's reactions to situations, e.g. Muslims in Saudi Arabia objected to female soldiers, so that the most effective response can be made. Pagonis (1992) stresses the need to ensure that everyone understands the situation through setting the vision, delegating key officers to spread the desired behaviour, careful briefing, standing orders, regular personal communication and broad involvement in planning.

Pagonis (1992) argues the benefit of preparation and of good information - a pragmatic approach - and yet his reference to the need for empathy for a command presence and even muscle memory (the creation of instinctive reaction) argues for something more. He subsequently left the army and became head of logistics for Sears. Pascale, Milleman & Gioja (1997) report that Pagonis has successfully taken the leadership lessons learned from the army into his leadership approach in business.

Rapaport (1993) sought lessons from Bill Walsh, a legendary National Football League (NFL) coach who had been responsible for a major turn-round situation with the 49-ers team. Walsh described his role as leader as being more an art than a science but explained to Rapaport (1993) his belief that certain tasks are essential to the creation of a strong team, unafraid to contribute to goals and activities. The leader must also prepare - including mental conditioning to prepare for conflict - and teach people through lessons and practice. Walsh regards two elements of leadership as being most demanding - encouraging individual expression within a team framework and deciding when players could no longer contribute. Rapaport (1993) reports Walsh' observation that, whilst a leader must have an element of humility, as the leader s/he is ultimately responsible, and the hard decisions - e.g. deciding when players can no longer contribute - are ones that s/he alone can take.

Harvey-Jones (1988) reflected on his years of leadership in both the Royal Navy and ICI, also concluding that leadership is an art not a science. He argues that a business must progress all the time and it is a primary task of the leader to set the future direction of the business. However, this should not be the CEO's personal vision, rather that of the senior management team and one formed by both top down and bottom up discussion. This shared business direction provides the context for a second key task for the leader - gaining commitment. Much of the activity of the leader must be to "switch on" people, reducing unhelpful bureaucracy and unlocking people abilities. He must create a desired form of behaviour in the business, encouraging people to believe in themselves and to deliver the objectives. Harvey-Jones (1988) sees delegation as allowing people to decide how to deliver the agreed strategy, having first put the conditions for success in place. The leader must consider the management of change, adopting the concepts of catalytic and judo management, i.e. to facilitate positive change without necessarily taking part. However, in the final analysis, the leader is responsible for performance.

Harvey-Jones (1988) explicitly covers the way in which he needed to manage himself, including learning, focusing on a few key areas, empowering others and making good use of his leisure time. This activity is in line with the Bennis and Nanus (1985) concept "deployment of self".

There is considerable commonality in the recommendations of practitioners of leadership in different fields. These are: -

- Setting the direction or vision.
- Communication.
- Creating an environment to free people's abilities.
- Motivating people/encouraging self-belief.

- Ensuring skills are available through training and practice.
- Being seen to take responsibility.

3.12.5 Synthesis

Academics, analysts and practitioners now agree that leadership can be learned. In some cases intrinsic qualities are necessary so the early premise that "leaders are born" is subsumed to some extent in current theory. However, it does not appear to fully integrated - for example, both academic studies and practitioners refer to specific human qualities as being necessary, e.g. humility, integrity, vision, openness, sensitivity, but the "leadership can be learned" school rather lamely add that the effective leader must learn to exhibit these qualities.

There is agreement between practitioners and research findings on the essential functions of a leader, which we have summarised in Table 3-10. The key functions are: -

- Setting a vision or direction.
- Communication of situation, direction or desired behaviour. This may be by word or deed or exemplifying task characteristics.
- Creating the internal environment for success, removing obstacles whether they are people or activities.
- Deploying self to maximum effect, whether that is in vision setting, communication, coaching or assembling a team to achieve the goal.
- Explicitly assume overall responsibility for business performance.

This set of functions appears to be common across a range of activities from commercial leadership to military leadership to sports leadership. It is also common throughout an organisational hierarchy, with senior leaders leading junior leaders.

Table 3-10

Comparison of key requirements for a leader as defined by practitioners with those derived from academic research

From empirical academic Research	Recommended by practitioners
Setting a vision or direction.	Setting the direction or vision.
Communication of situation, direction or desired behaviour. This may be by word or deed or exemplifying task characteristics.	Strong Communication.
Creating the internal environment for success, removing obstacles whether they are people or activities.	Creating an environment to free peoples' abilities.
Deploying self to maximum effect, whether that be in vision setting, communication, coaching or assembling a team to achieve the goal.	Motivating people/encouraging self belief.
	Ensuring skills are available through training and practice.
Explicitly assume overall responsibility for business performance.	Being seen to take responsibility.

Source: based on Bennis & Nanus (1985), Adair (1988), Bryman (1992), Kotter (1995), Heifetz &Laurie (1997). Harvey-Jones (1988), Rappaport (1993) Pagonis (1992),

Tannenbaum et al (1961) referred to the basic organisational unit as being a group and an organisation as being a complex of groups. Hence, a project leader and the MD of a business need to perform the same set of functions but the scale and scope would be different.

3.12.6 Leadership and team-working in business

Above all, there is a consensus that leadership is a "human business" and success depends on influence and persuasion, in order that members of a group are motivated to achieve goals that have group "ownership". Many argue that whilst the style of a leader is a matter of personal choice, the leadership role to be fulfilled is not. Yet McDonough & Barczak (1991) show that the leadership style can significantly affect the speed of development projects - so perhaps even the style of the leader needs to be prescribed in some situations! This suggestion is supported by Gersick (1988), who stated that the leader of a group was also the "designer" and could alter the context within which the group operates. Indeed, Scott & Bruce (1994) showed that the leader-member exchanges in a development team significantly affected the innovative behaviour of individuals.

The level of the team may dictate the extent of control the leader has on the group and its output. For example, senior level teams in businesses may be responsible for agreeing a strategy for a whole business, led by the MD or Chief Executive. Hence, a leader may be responsible for setting business strategy or leading a team to agree the strategy. It is unclear how much control a leader of a major development programme would have on setting the development strategy – it may be enough for him/her to gain consensus to the programme strategy.

At the end of the review on success factors in NPD, we highlighted how team-working was a way of fulfilling many of them. It is notable that throughout the literature on leadership runs

the concept of groups and teams. The practitioners of leadership in particular referred to teamwork and even senior management teams.

Nevertheless, there appears little research on delivering leadership through effective team-working at senior level or on how such team-work could affect the development of products or of a product portfolio.

Katzenbach (1997) has suggested that "top teams" are a myth and that attempting to get the senior executives to work as a team may be counter-productive. He argues that there are seven issues which form his rationale for discounting the myth: - (1) a meaningful purpose is difficult to define for a top team, (2) tangible performance goals are hard to articulate, (3) the right mix of skills is often absent, (4) teams require a heavy time commitment which top teams cannot give, (5) real teams rely on mutual accountability; senior executives have individual accountability, (6) non-teams fit the power structure; a single leader approach fits the expectations of the hierarchy that governs most organisations, and (7) non-teams are fast and efficient; single leader groups can be energised and aligned quickly.

Katzenbach (1997) believes that effective team-working becomes more difficult, the further the "team" is away from the marketplace, and suggests that senior executives are not close enough to the market. However, his examples suggest a manufacturing focus to his remarks. Johne & Snelson (1990) noted in passing that (i) service businesses tend to be organisationally flat and hence senior leadership teams are necessarily involved in development projects and (ii) that senior leadership involvement is a positive success factor, although the interrelationships of senior leadership and development project teams have not been investigated.

Katzenbach (1997) does not discount the potential for "top teams" to be effective, but suggests that their use should not be automatic. He asserts that when they are used, great care should be taken in ensuring that team-working is the best approach for the task in hand and that the organisation addresses the seven issues he raised (see previous page). Katzenbach (1997) argues that senior executives must be prepared for the extra demands of team-working, such as learning and using different leadership approaches and the possibility of leadership moving between people during a project. However when top teams are successful - as in product development at Mobil and Texas Instruments - it is like a " musical ensemble" with members developing mutual respect and a conviction about the value of their work together.

The literature reveals other, conflicting views on senior leadership approaches. Brenneman, Keys & Fulmer (1998) reported a successful Shell leadership approach, called "servant leadership", to compensate for the turbulent competitive environment, where the leader's role was to "advance" others and to "walk ahead" - a similar concept to Handy's (1995) "post heroic management". The leader helped and supported others to deliver the business objectives, rather than to keep tight control and direct activity himself. Conversely, Johne & Davies (1999) found examples in successful insurance businesses of the antithesis of this supportive leadership, a CEO who took personal control and deployed a "nasty" style of management, removing "veteran" managers and actively creating a sense of crisis and uncertainty. There appears considerable scope for research into senior leadership teams and leadership of major product developments in terms of impact on development success.

3.13 Hierarchy and Leadership in businesses

Much literature has suggested that leaders significantly affect business performance, but not which leadership tasks are important. Many popular texts and articles refer to the importance

of the overall business leader but this was questioned in a study into Chief Executive Officer impact by Lieberson & O'Connor (1972) who concluded that business success owed more to situational factors than the standard of leadership. Weiner (1978) and others subsequently criticised these results pointing out significant flaws in the methodology which rendered the conclusions invalid. Thomas (1988) re-visited the issue and found that, whilst CEO operated within constrained limits defined by situational factors, his impact on business performance within these constraints need not be minor. However, Thomas (1988) did not address whether the leader necessarily discharged all the tasks, summarised in the synthesis in paragraph 3.12.5, himself. The following reviews the literature that looks at the tasks and activities that leaders perform and the evidence that these are shared amongst a leadership team.

Tushman & Nadler (1986), Crawford (1994), Johne & Snelson (1990) and Cooper (1993) have looked at how a business might organise for innovation although in most cases they refer to managing the process rather than leading. As discussed in paragraph 3.11, there is inter-changeability between the terms "leader" and "manager" in much academic literature and so real leadership tasks and roles can be distilled from the consideration of process management. A number of key innovation roles have been identified, which are concerned with leadership: -

- Idea generators - this could be from anywhere within the business or even outside. Setting the culture was seen to have a major impact on success in idea generation.
- Champions as identified by Maidique (1980), particularly product champions who personally promote and fight for business support for their product.
- Gatekeepers/boundary spanners - to ensure a ready flow of information intra-company and from outside. Allen, Tushman & Lee (1979) stressed the importance of this role.
- Sponsors, mentors, coaches - as part of a learning organisation, ensuring that people involved in the process had full help and support.

Similarly, the distribution of leadership roles within a business was highlighted by Burgelman's (1983) study which derived a process model for internal corporate ventures, set up to develop and commercialise innovations. Burgelman's (1983) model identified stages and the roles of different levels of management in these stages, as shown in Figure 3-4. This study considered a US high technology firm and 6 case studies within it and took place over 15 months. The time taken allowed him to interview 61 individuals in all parts of the business, not just the New Venture Division and understand the interactions and activities by different leaders in both the parent and new venture. He identified three, key, leadership roles and differentiated the activities undertaken by each of these roles. Burgelman's (1983) analysis showed clear separation between roles and the relation of hierarchy to the role performed, however, the study pre-dates the less hierarchical, "new style" business approach being recommended by researchers such as Bartlett & Ghoshal (1995), and the discovery of merged leadership roles by Clark & Fujimoto (1990). Nevertheless, the Burgelman (1983) study identifies leadership roles within a new venture or project and the existence of a leadership "team" in an era when a "command and control" approach by a single senior leader was common in businesses.

Burgelman (1983) identified a number of key activities for the leadership team: -

(i) Technical and need linking, i.e. the use of technology to provide a solution to a market need.

(ii) Strategic building, i.e. building a broader strategy to grow from a single product business.

(iii) Strategic forcing, i.e. a narrow short term focus on market penetration.

(iv) Delineating, i.e. deciding between new fields of business.

(v) Rationalising, i.e. confirming or rejecting initiatives.

(vi) Structuring, i.e. building a multi-product business.

Figure 3-4

Key and peripheral activities in an Internal Corporate Venture

This figure shows activities concerned with development at different management levels of an internal corporate venture and its corporate "parent". The figure (i) differentiates involvement in core and overlaying development processes, (ii) separates process activities into strategic, structural, project definition and impetus (or delivery!) and (iii) highlights key activities (asterisked) for each level of management. These key activities are defined on P.115.

		Core process activities		Overlaying process activities	
		definition	impetus	strategic context	structural context
LEVEL IN COMPANY	Corporate Management	monitoring	authorising	* rationalising	* structuring
	New venture management	coaching stewardship	* strategic building	* delineating	negotiating
	Group leader or venture manager	* technical & need linking	* strategic forcing	gatekeeping idea generating bootlegging	questioning

* key activities

Source: Burgelman (1983)

However, Burgelman (1983) also identified that these activities took place at different managerial levels in the business. Activities (i) and (ii) were delivered by the project leader who, having been convinced of the potential success of the product, was prepared to take risks with his career to drive the development and early marketing, even where this involved unofficial activities to get things moving. The benefit was seen as the opportunity to head up a new venture. Burgelman (1983) found that this product champion role was critical to success and the business being studied had little formal control over the product development process during this early championing stage.

Middle managers were actually seen as bridging the discontinuity between entrepreneurial and institutional activities and were critical to business decisions to continue with a venture. They fulfilled an organisational championing role that involved choosing the ventures to support and recommend and then incorporating them in an articulated, convincing strategy for senior managers. This championing role involved political skill - to understand how "corporate winds were blowing" - and evaluation skills - to put a new venture into strategic context and judge between the claims of a number of product champions.

Burgelman (1983) described the senior management roles as being to set the strategic context and the general fields of interest for the business and then retrospectively reject or rationalise initiatives. He used the term retrospectively because in the case studies he discovered that the initiatives were well developed before senior management reviewed them. This situation obviously reflects the control procedures of the particular firm rather than a general case. Nevertheless, there is more general support for some of the conclusions on top management involvement from Johne & Vermaak (1993) who considered top management involvement

and found that their roles were essentially business portfolio considerations and the longer term view.

3.13.1 Leaders as Champions

We commented in paragraph 3.11 on the confusion between the terms "leader" and "manager". Another term used in the literature, describing a leader type role is "champion", either as a formal or an informal role. In some businesses, the champion role will be part of job descriptions – in others, for example 3M, business culture will foster product champions. Burgelman (1983) identified two championing roles, product and organisational corresponding to two of his leader roles. The role of product champion was also highlighted by Maidique (1980) whilst Johne (1996) and Johne & Pavlidis (1996) have suggested a further championing role - that of market champion. This role describes someone who promotes activity in a particular market and seeks to get development initiatives within his/her business to address that market. In the context described in the two studies above, market championing was particularly appropriate for offer innovation, in that the new product initiative may be augmenting some existing core products so that they meet the specific needs of a target market.

Weiser (1995) described the concept of customer champions - a focus on what the customer needed rather than the business - to explain the turn-round of British Airways. This role appears to be very similar to the market champion concept. Ready (1996) has also identified the "change champion" to drive through change in an organisation. The change role may be applicable to innovation where a major change in technology, portfolio or market is needed. This identification of the term and the role of "champions" supports our earlier assertion that it is necessary to look beyond official job titles before identifying leader roles and interactions.

3.13.2 The need for leaders throughout the business hierarchy

In summary, the literature reveals a number of key leadership tasks and suggests that the owners of those tasks within a business, might be as follows: -

- Strategic champion/leader - setting the strategic concept, direction and priorities.
- Strategic champion/leader - stimulating communication.
- Strategic champion/leader - stimulating action, e.g. by removing barriers.
- Strategic champion/leader - people development.
- Organisational champion/leader or sponsor - gaining business resources for a project or action.
- Product and/or market champion - establishing business support for a project or product.

This analysis is based on the Burgelman (1983) finding that the tasks are discharged at specific levels within an organisation, however, Clark & Fujimoto (1990) amongst others found that tasks could be delivered by more than one leader. Hence, any study of the importance of leadership to innovation success must not only consider the various tasks and their respective impacts on success but who discharges them in each case. This will allow consideration of the respective importance of the individual, his organisational power and role, to innovation success.

3.14 The Need and Opportunity for Research

The literature review has shown that the focus of research into business leadership has been on the leadership of businesses rather than the leadership of projects. However, increasingly, projects are being used to discharge business activity, particularly new product and new service development, allowing businesses to maximise skilled resource and meet tight time-scales. Researchers such as McDonough & Barczak (1991) have explored project leadership

but not how this fits into the leadership hierarchy of a business (see also paragraph 3.12.6 on leadership in hierarchies). The growing use of projects means that understanding optimal ways of integrating leadership roles is likely to become increasingly important to businesses. This need has been identified by a number of researchers, including Bryman (1992) and Brown & Eisenhardt (1995).

Bryman (1992) in summarising research on leadership, stressed the fact that most research had been concerned with the "top" leaders, i.e. the Chairman, CEO, religious, political and social leaders. This focus may have been due to the ease of identification of such leaders, the concentration on charismatic leaders or the pre-occupation with vision as the instrument of change for an organisation. As a result, Bryman (1992) comments that there is a recognition that leaders exist throughout all levels of an organisation, that leaders are not always formally appointed and that there is little research or understanding of how leaders at different levels contribute to success.

Brown & Eisenhardt (1995), in their study of product development research, discuss the pros and cons of three basic streams of research into product development success before proposing a consolidated model. They highlight (i) the over-dependence on internal measures of success (ii) the lack of research into aspects of project team working - particularly the impact of uncertainty in rapidly changing industries, and (iii) the paucity of research into the roles of both project leaders and senior managers concerned with product development. Brown & Eisenhardt (1995) were particularly concerned that there is: -

- Little understanding of the creative process underpinning the creation of a product vision, by the project leader and senior management and subsequent communication to the team.
- Little research into the management skills needed by project leaders.

- A lack of clarity about how the senior manager participates in the creation of a product vision and then controls the delivery of this vision by the project team whilst permitting sufficient autonomy to the team to stimulate creativity and motivation.
- A general lack of clarity about the respective roles of the senior manager and project leader in a development.

Brown & Eisenhardt's (1995) findings raise the topic of vision again but the vision of a product not the entire organisation. Hence, leaders distributed through an organisation could develop individual, but consistent, visions to help achieve change for their particular area, e.g. project, product or market. This conclusion supports Bryman's (1992) finding on the perceived importance of vision to a leader role and explains how vision may be applicable to a plurality of leader roles. However, the earlier literature review reveals that leadership is more than just setting a vision so our premise is that fuller aspects of the multiple leader roles require investigation.

Chapter 2 explained that the financial services industry is an industry undergoing major change and uncertainty. It also highlighted the need to understand more complex product development, i.e. offer innovation development and the involvement of third parties in the development process through alliances, new ventures - or "merely" suppliers of the technology that will permit radical supply side change. These developments will involve a range of leaders - project leader, senior leader, new venture leader, CEO - but it is unclear what they contribute to the success of offer innovation development or the roles that they play. In essence, these are the concerns expressed by Brown & Eisenhardt (1995) applied to a specific industry and to a specific type of product development. Our study, therefore, seeks to provide understanding of NSD project leadership, and provide answers to practical issues,

such as what leadership practices differentiate between the leadership of successful and less successful developments.

The research opportunities in understanding leadership roles are very broad, even when restricted to a particular type of product development. Brown & Eisenhardt (1995) and Bryman (1992) have suggested that leadership roles and interactions are particularly deserving of research. Our study examines the leadership roles and tasks involved in complex new service development in consumer financial service markets but focuses on leadership style – how the multiple leaders are involved and interact in NSD projects and the impact that this has on project success.

3.15 Conclusion

This chapter explored the business planning considerations that underpin development in service businesses and then examined the factors that have been found to be associated with product and service development success. In considering the factors that may lead to development success, aspects of team-working and leadership have been found in a number of studies to be positively correlated with success.

The chapter explored the different types of development; interpersonal and interdepartmental relationships; and the mechanism of team-working. It then highlighted the key roles that business management has in enabling success through actions affecting these team-working success factors, and examined the confused usage of the terms "management" and "leadership" in management research. This resulted in identifications of actions taken for leadership rather than management, a focus that Bartlett & Ghoshal (1995) describe as essential in the "new style" businesses that are essential to success in the current turbulent competitive market environment.

Having differentiated between management and leadership, the literature on leadership was examined, building an understanding of the key factors associated with successful leadership, synthesised from the experience of practitioners and the findings of academic research. As this study aims to add to the current knowledge by investigating the impact of leadership styles on NPD project success in the consumer financial services markets, it is now necessary to develop a conceptual model of project leadership. The model aims to improve understanding of leader interactions. The next chapter is therefore concerned with building the conceptual model, defining the research problem and developing the research propositions.

Chapter 4

Leadership: The Conceptual Model

4.1 Introduction

As part of Chapter 3, we reviewed the literature on team-working and how team-working can contribute to development success; and introduced the importance of leadership to teams delivering NPD/NSD projects. The review also identified the need to distinguish between management and leadership. We then reviewed the leadership literature to understand factors for successful leadership.

Leadership has a rich history of research undertaken from a number of perspectives, e.g. psychological, social science and economic. Studies have explored political, religious, sports, military and business leadership. The literature reveals the need to look behind "labels" - for example four specific business leader roles were found that were defined by the term "champion" rather than leader - this is similar to the confusion between management and leadership discussed in paragraph 3.11. It also reveals that whilst the concept of multiple leaders - i.e. more than one leader working together on a project or new venture has been proposed, models of how multiple leadership works in projects, particularly how these leaders interact, are scarce. The team-working models in Chapter 3 help identify where leaders can affect team success but to explore further we need to understand firstly the project context and then develop a conceptual model for project leadership in complex new service development projects.

Our study addresses NSD project leadership and factors that underlie success in innovative new service development rather than leadership per se. It considers lessons from studies into

the leadership of a range of activities, but is focused on findings on business leadership. As was shown in Chapter 3, there are more studies relating to leadership of businesses than projects - particularly charismatic leaders who have achieved remarkable results - but the literature suggests that leadership principles are common across both activities. We have, therefore, assumed that general leadership principles, particularly those underpinning business leadership, apply to project leadership, and derive propositions about how elements of leadership affect NSD success. If supported by this qualitative analysis these may form hypotheses for future studies. They are tested in this study but this is primarily a qualitative study.

4.2 Understanding the context - The McKinsey 7S Framework

Leadership of a project operates within a business context and for clarity, any research study needs to understand that context in a structured way for each of the projects (and hence businesses) examined. We use the McKinsey 7S analytical tool framework to provide that structure, consistency and clarity. The McKinsey 7S framework was advanced by Peters & Waterman (1982) for use in analysing successful businesses and has subsequently been used by Johne & Snelson (1990), Dwyer & Mellor (1991) and Johne & Pavlidis (1996) to analyse the management of product innovation in both goods and service businesses. Use of this framework required modification of Peters & Waterman's (1982) definitions to make the framework applicable to the product innovation process and hence required re-validation to ensure that it can reasonably be transferred from business to product innovation analysis. The three subsequent studies referenced have shown that it is a framework that practitioners understand for interview purposes and has been helpful in analysing the differences between more successful and less successful product development in both service and industrial products markets. It provides a consistent analytical framework exploring seven elements of a business each described by a term beginning with "S" - hence the "7S framework".

Furthermore it explores elements which have been described as "hard" - structure, strategy, systems, - together with more people oriented elements described as "soft"- skills, staff, shared values, and style. This sets the context within which or leadership model will operate.

The definitions for the 7Ss used in our study are shown in Table 4-1 and specifically relate each of the Ss to the NSD process which, as our analysis of the literature has shown, is predominately project based. Hence, "Strategy" is concerned with the product innovation strategy; "Structure" with the organisation of product innovation which includes the NSD project; and "Skills" with the particular skills imparted to NSD project members as part of the business approach to product innovation. "Staff" is concerned with the numbers and functional type of staff allocated to NSD projects; "Systems" with the systems that are applicable to the product innovation process, and "Shared Values" with common beliefs and objectives of the NSD project teams. "Style" is concerned with the leadership style adopted by the leaders involved in the NSD project.

For the purposes of our study, we assume the model of team-working in NPD/NSD shown in Figure 3-3 applies to complex NSD projects. This model embraces all of the 7S elements - e.g. the Business component of our model includes Structure, Strategy and culture (Shared Values) - to define the overall context for the project team. However, paragraph 3.10 highlighted the need for leaders to focus on issues that are summarised below: -

- High diversity of expertise covering problem solving, technical and business skills. **(Skills)**
- High levels of interpersonal skills supporting mutual openness and the constructive challenging of ideas. **(Skills and Shared Values)**
- Training and tools to support team-working. **(Systems)**

Explicit organisational support through structure, rewards and communications. **(Structure)**

Table 4-1

The McKinsey 7S Framework

The definitions of the 7Ss as applied to product development or innovation.

Strategy	the product innovation strategy and its relation to corporate strategy.
Structure	the organisational framework of product innovation management.
Skills	the specialist knowledge and methods applied to innovation tasks.
Staff	type, quantity and quality of functional specialists required for the innovation tasks.
Systems	co-ordination and control mechanisms for product innovation.
Shared Values	NSD project members beliefs about corporate objectives; the role of product innovation in achieving them; and the objectives of specific innovation projects.
Style	leadership support for, and approach to, product innovation.

Source: based on Peters & Waterman (1982), Johne & Snelson (1990), Johne & Pavlidis (1996).

- A sense of community to develop trust in each other. **(Shared Values)**
- Shared commitment and goals. **(Shared Values)**

However, as we have discussed in Chapter 3, our study specifically focuses on one of the 7Ss – Style. Our premise is that leadership style has an important bearing on the other important Ss - Shared Values, Skills, Systems and Structure - for NSD projects and hence the level of success of the project. Hence the research question is focused on the impact of the leadership style of involvement in complex NSD projects, i.e. how do the leaders approach and support NSD projects through word and deed. Paragraph 3.12.5, in summarising key leadership tasks, stresses the need for action as well as communication.

4.3 Research Question

How does the style of leadership involvement enable complex NSD projects to deliver higher levels of success?

In answering that question the study will have to explore a number of aspects of leadership of NSD projects.

PRACTICAL QUESTIONS FOR WHICH ANSWERS ARE BEING SOUGHT:

1. Can product innovation be left to a single leader?
2. If not, then what leadership roles and role tasks are critical to success?
3. How does leadership style affect NPD project team-working?
4. How does distributed leadership, i.e. at different levels, affect NPD project team-working?
5. Is the style of leadership interaction important to project success?

The data theory for our study covers a number of fields of study. This is not eclecticism for its own sake but demonstrates the complex nature of understanding leadership roles in product innovation. Nadler & Tushman (1980) suggested that there are 4 component parts of an organisation to consider when analysing the transformation process that takes a strategy into implementation. We propose that, if we consider strategy and the implementation of strategy to relate to the development or innovation strategy, the same components apply to product innovation. The components are (i) the task, (ii) the individuals, (iii) the formal organisational arrangements, and (iv) the informal organisation. Hence, understanding leadership impact on product innovation requires examination of literature on each of these components but for manageability, concentrating on how these impact on product innovation. Hence the 4 components become (i) NSD (the task), (ii) leadership and team-working (the individuals), (iii) organising development and team-working (the formal organisational arrangements) and (iv) leadership and team-working (the informal organisational arrangement). These have been discussed in Chapter 3 but it is useful to summarise the key studies that have been used before we posit the research proposition in pragraph 4.4.

Firstly, we examined NPD studies, including those of Cooper & Kleinschmidt (1987), De Brentani (1989), Cooper & Brentani (1991), Myers & Marquis (1969), Iwamura & Jog (1991), Johne & Snelson (1990), Cooper, Easingwood, Edgett, Kleinschmidt & Storey (1994), Cummings & O'Connell (1978), Peters & Waterman (1982), Johne (1984), Johne & Harborne (1985), Grönroos (1990) Griffin & Page (1993), Shostack (1977), Mathur (1988), Dwyer & Mellor (1990) and Johne & Pavlidis (1996).

A consistent success factor, identified by these studies, is interpersonal relations and interdepartmental relations, i.e. embracing Nadler & Tushman's (1980) individuals, formal and informal organisational components, hence the literature on team-working is important to project success. This includes studies by Ancona & Caldwell (1992), Donnellon (1993),

Hershock, Cowman & Peters (1994), Ruekert & Walker (1987), Griffin & Hauser (1996), Mohr & Nevin (1990), Gupta et al (1986), Crawford (1994), Drucker (1994), Kennedy (1994), Hershock, Cowman & Peters (1994), Ciborra (1993), Handy (1995), Amabile, Conti, Coon, Lazenby and Herron (1996), and Gersick (1988). Team-working studies of NPD were scarce but the work of McDonough & Barczak (1991) and McDonough (1993) was identified.

The activities of financial service businesses have clearly employed a number of organisational structures and approaches to offer innovation including in-house developments, new ventures and alliance ventures. Literature on the latter two areas is also relevant, particularly Fast (1978), Kanter (1989), Burgelman & Sayles (1986), Garud & Van der Ven (1992), Shortell & Zajac (1988) and Hills & LaForge (1992) for New Venture Development; Johne (1993), Dyer (1996), Lorenzoni & Baden-Fuller (1995) and Norman & Ramirez (1993) on NPD through alliances between more than a single business.

The studies above consider the organisational components, and so finally, a key part of Nadler & Tushman's (1980) "individuals" component - leadership - literature needs to be considered. In the cases of both leadership and team-working, literature covers many disciplines and it is necessary to focus on such literature that affects business and NPD in particular whilst reviewing enough of the general background literature to understand basic principles. In leadership, this means reviewing the work of social scientists and behavioural scientists such as Tannenbaum, Weschler and Masserik (1961) before concentrating on the more business related work of people such as Bennis and Nanus (1985), Maidique (1980), Adair (1988), Bartlett and Ghoshal (1995), Kotter (1995), Heifetz and Laurie (1997), Tushman & Nadler (1986), Scott & Bruce (1994), Lieberson & O'Connor (1972), Brown & Eisenhardt (1995), Thomas (1988) - or practitioners such as Harvey- Jones (1988) and

Pagonis (1992). In a number of cases, the work on NPD success, on team-working and on new ventures also incorporates insightful information on leadership.

Leaders in politics, sport and business have been praised and criticised for their performance measured by the surrogate of their "group's" performance. Yet Maidique (1980) and Burgelman (1983) revealed the existence of a multiplicity of leadership roles across a business, which leads to the concept of 3 key leader roles for new projects - the senior leader, the business leader and the project leader. It is our *assumption* that all three leader roles are important to product development and our *proposition* that it is the style of involvement of these leaders in specific developments that is associated with the level of success. Our proposition includes the concept of the "leadership team" which assumes that a number of leaders will be synergistically involved in an activity, each acting as a leader in their own part of the activity but combining with the other leaders to deliver success for the overall activity.

4.4 Research Proposition

Having posited the research question, the literature summarised above allows us to develop the following research proposition.

Higher levels of success in complex NSD projects are associated with a continuously involved leadership team; lower success levels with continuous involvement of a single leader only.

In particular, the research proposition was built on studies that clearly showed that it is not enough for leaders to confine themselves to strategy - for success they must become much more involved. These studies are mainly concerned with transformational leadership and it is

necessary to consider the different context of NSD against whole-business transformation before applying the results. Some of the leadership studies did consider new product development, for example Tushman & Nadler (1986) who argued that managing innovation requires executives who set a clear direction and then infuse that direction with energy and value – they encapsulated leadership in 3 roles, Envisioning, Energising and Enabling. Similarly, Kotter (1995) defined elements of success when leading change in an organisation as including creating a vision; persistence; removing obstacles; and encouragement. Furthermore, Kets de Vries (1998), in studying exemplars of transformational leadership, declared that it is not just enough to build a vision, for success a leader must build a solid construction - a structure and systems - that helps achieve the vision. These confirm and expand on observations made in studies such as Johne & Snelson (1990) that in successful innovative businesses there is notable support from top management.

Bartlett and Ghoshal (1995) studied the changing role of top management and emphasise the need for personal contact instead of traditional systems and hierarchy. The leader needed to move the business to a culture where people understood a common vision and would willingly work towards it. Controls would be the minimum conducive with effective management of key business elements and there would be a culture of managing through personal relationships. A leader would, therefore, need to set an agreed vision, seed the business with key people who would spread that vision and desired behaviours and seek to achieve control through internalised behaviours. This suggests leaders being involved throughout the project. Conversely, the traditional management model would argue for tight processes and control with top management being involved only for authorisation and review, i.e. a more arms-length style of leadership. Only the project leader would be continuously involved, reporting at agreed milestone reviews to the senior leader for ongoing authorisation.

4.5 The leadership model

The research proposition proposes continuous "involvement" of a multiple, leadership team as the differentiator between levels of success in NSD projects. However, what is the composition of "involvement" and the leadership elements that are important?

Conceptual model of leadership activities

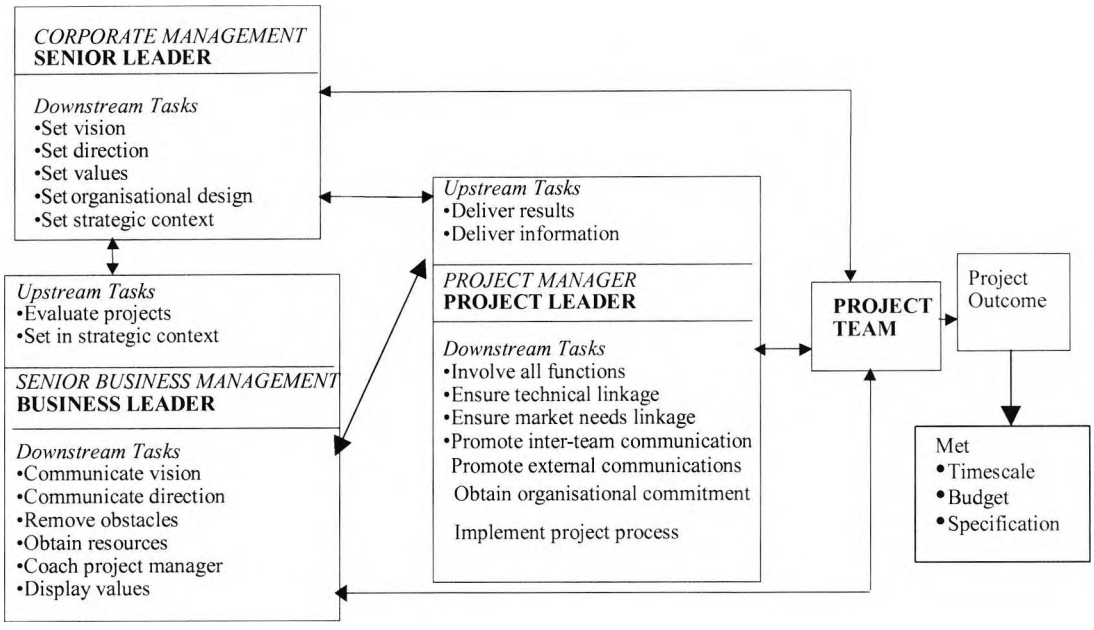
In trying to understand leadership roles and interactions, it is necessary to develop a model of the roles and tasks of leadership and how these become leadership activities that impact on the development team. However, it is helpful at this stage to reflect on the terms - roles, tasks and activities. A leadership **role** fulfils a specific function in the development process – it comprises a number of **tasks,** each to deliver a specific objective of the leadership role. These tasks can be further dis-aggregated into sets of **activities** required to enable the task to be achieved**.** This is illustrated in the leadership model shown in Figure 4-1, which shows the leadership roles – senior, business and project - and the key tasks for each role. Activities are not shown, both because it would make the figure extremely difficult to read, and also because the specific activities may vary from project to project.

A number of studies – ranging from Burgelman (1983) to Hunt & Laing (1997) - provide insights which were used to build the leadership model illustrated in Figure 4-2. Our model not only highlights the roles of leaders at various levels but also identifies some of the interactions with feedback and feed-forward loops..

Figure 4-1

Leadership Model

This figure describes the roles, tasks and linkages between multiple leaders involved in development projects. It assumes a hierarchy of senior leader then business leader then project leader. Upstream refers to tasks performed as part of the liaison with the "higher" management level; downstream with "lower" levels.



Source: based on Griffin & Hauser (1996); Ruekart & Walker (1987), Maidique (1980), Burgelman (1983), Brown & Eisenhardt (1995) and Hunt & Laing (1997).

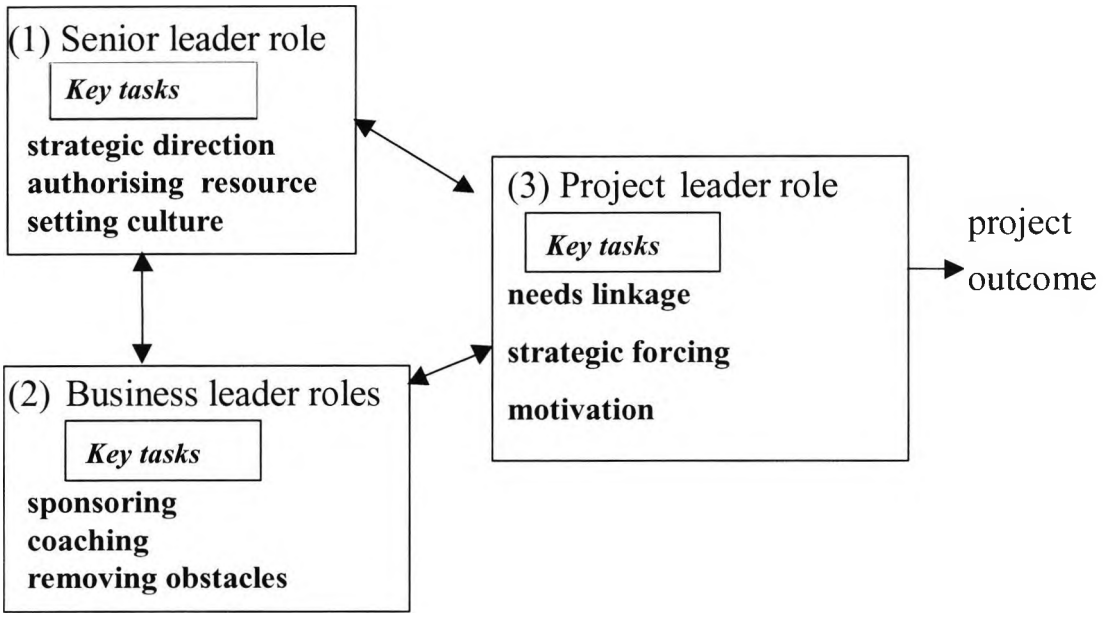
However, Chapter 3 showed that there are some leadership roles that are more critical to success than others so it is possible to get clearer insights and to simplify this model into a conceptual model of key leadership roles and tasks – as shown in Figure 4-2.This model can then be used to develop supporting propositions about practices that lead to higher levels of development success.

Our model essentially recognises three leadership roles – strategic/senior, organisational/business and project. Each has a primary responsibility – for example, the senior leader is concerned with direction, authorisation and culture – but there is interaction between the leaders to discharge that responsibility. The business leader's prime responsibility is in sponsoring projects, removing obstacles to the effective discharge of the project, including coaching project leaders. However, whilst the project leader is primarily concerned with motivating the project team, driving acceptance and support for the project (Burgelman's (1983) strategic forcing and needs linkage), and meeting project objectives, s/he may also be concerned with breaking down obstacles, which is the prime responsibility of the business leader. The interactions between the leaders are therefore drawn as two-way - they will be affected by the leadership culture set by the senior leader. If the culture sets a particularly interactive leadership style and this style is displayed by the senior leader then the individual leader roles may be discharged in a more communal way - for example, all leaders promoting the project around the business to gain support and co-operation. It is our proposition that the leadership style adopted for a NSD project will therefore affect its success by the impact it has on leadership interactions and the way that the multiple leaders discharge their roles and responsibilities.

Figure 4-2

Leadership model: conceptualisation of key roles

This figure focuses on the key roles and tasks of three levels of leader involved in NSD projects. It proposes linkages and two-way interactions between the leaders. Role 1 is that of the senior leader; role 2, the business leader; and role 3, the project leader.



Source: based on Griffin & Hauser (1996), Ruekart & Walker (1987), Maidique (1980), Burgelman (1983), Brown & Eisenhardt (1995) and Hunt & Laing (1997).

The model in Figure 4-2 shows the leadership interactions, which this proposition suggests are affected by leadership style.

We have also proposed that the study will employ the McKinsey 7S framework to provide common analysis across projects, so it needs to be consistent with the conceptual leadership models. The leadership model does fit well with the McKinsey model with each of the Ss being identifiable within the leadership roles. Whilst, the model developed by Burgelman (1983) showed clearly defined role tasks for each of the leadership roles, i.e. separates the 7Ss between the leaders, our model (Figure 4.2) explicitly includes leaders interacting. Hence, responsibility for the role tasks could, potentially, be shared between leaders, as suggested by studies such as Gemuenden (1998) and Fujimoto & Clark (1990). If this sharing were expressed in terms of the 7Ss, it would be as follows -

Senior Leader - Strategy, Structure, Style, Shared values.

Business Leader - Strategy, Style, Staff, Systems, Shared values.

Project Leader - Style, Staff, Skills, Systems, Shared values.

There is confirmation of our assumptions on the plurality of leadership roles in the studies of both Dwyer & Mellor (1991) and Johne & Pavlidis (1996) who found that responsibility for the Ss was shared between operational managers and senior managers. Strategy, structure, style and shared values were the province of senior managers; the remaining Ss, the province of operational managers. In the project team context, these operational managers would equate to senior leaders and project leaders respectively. However, there is a difference of opinion between the studies of Dwyer & Mellor (1991) and Johne & Pavlidis (1996) as to whether shared values was a senior manager or operational

manager responsibility. The Johne & Pavlidis (1996) study was of financial services where project leaders are senior managers so that may be a partial explanation for differing findings. However, this divergence in findings re-inforces the Brown & Eisenhardt (1995) assertion that the respective roles of project leaders and senior managers are not well understood within the development activity. If the senior manager performs the project leadership tasks then the project head is really a project *manager* and the senior manager is the project leader. To avoid confusion, our study intentionally focuses on the leadership role and looks beyond formal titles to identify whom actually discharges the business and project leadership roles. This approach will also address a weakness in leadership research stressed by Bryman (1992) that of focusing on titles rather than the roles performed.

The conceptual model, illustrated in Figure 4-2, shows how leaders can interact and how the chosen leadership style can affect how leadership roles are discharged. An "arms-length" leadership style would have the senior leader setting the strategic direction and authorising the project without further involvement; a "hands-on" style would have continued involvement with a sharing of responsibilities between the senior, business and project leaders. The working proposition proposes that higher levels of project success are associated with the continuous involvement of a multiple leadership team throughout the project. The literature suggests that the leadership style of involvement has three components: -

- Style of participation.
- Style of communication.
- Style of control.

Effective team-working between the leaders will, therefore, depend on the styles adopted for these three elements. The main research proposition will be affirmed if supporting propositions based on the styles of participation, communication and control can be sustained.

However, it would be unsafe to assume that increased leadership involvement is automatically beneficial to development projects. It is possible for a leader to be "over-involved" – this would results in the micro-management that McDonough (1993) recommends for project leaders to adopt to increase the speed of development projects. The leader is involved in all decisions, directing the team to discharge specific tasks. This is very much the "command and control" approach that new style businesses look to avoid. Similarly, over-dependence on informal communications particularly involving the senior leader can result in a team having little process and independence to deliver development projects as self-managed teams. This is close to the web-like "power" culture, described by Handy (1981) as typical of family businesses. Success depends on the effectiveness of the central power source but again this is the "command and control" approach not the enabling new style business which seeks to empower its staff.

Leadership involvement therefore carries the potential danger of decreasing project team effectiveness through over-involvement by a powerful leader - and it is our assumption of the leadership team, which is important to overcoming the risk. The leadership team approach requires a number of leaders to work together synergistically, i.e. power is not vested in a single leader. It is the active involvement of the leadership *team* that we propose as important to greater levels of success – not the active involvement of a single leader. Nevertheless, care is taken in the study to identify any instances of "over-involvement" of a single leader, particularly the senior leader given his/her position power.

4.6 Supporting Propositions

4.6.1 Supporting Proposition 1

One of the most obvious signs of involvement in a development project is "hands on" participation by a senior leader. As we are studying service businesses, De Brentani's (1989) observation that senior managers are often functional specialists and use their special skills for the business (as senior or business leaders) applies, but "hands-on" participation is more than that. Indeed, leadership studies show that a successful leader must do more than set and communicate a vision - a number of studies, highlighted below, stress an action orientation by the leader. The conceptual model also shows how each leader has a set of specific tasks but by interaction with other leaders, for example, through an action orientation towards "selling" the project across the business, can support the other leaders to deliver their tasks.

Tushman and Nadler (1986) identified one of the three key tasks of leaders as energising, i.e. actively creating the conditions for success. Brenneman, Keys & Fulmer (1998) referred to the servant leader who "walked ahead"; a frequent rejoinder from leadership studies is that leaders must "walk the talk" and lead by example. Ancona & Caldwell (1992) identified a key task in persuading key people within the business of the necessity for the project (Ambassadorial role) often referred to as the sponsor role - and for success in a turbulent environment this is a continuing role. Johne & Pavlidis (1996) found that top managers in the more active innovator businesses took active steps to re-inforce market related considerations as the foundation of product innovation. All seem to suggest that senior leaders need to be active - to become involved. The first supporting proposition, therefore, proposes that the evidence for leaders to be active - which is mainly based on major change projects for businesses - applies to major new service development projects.

S1 Higher levels of success in complex NSD projects are associated with a "hands on" style from the senior leader in the development: lower success levels with an "arms-length" style from the senior leader.

4.6.2 Supporting Proposition 2

A number of studies have found evidence of multiple leaders as a standard work practice in business. These studies range from Burgelman (1983) through Kotter (1996) and Gemuenden (1998) to McGill & Slocum (1998), who comment on the fact that the "great man" CEO cannot do it all on his own. They recommend that it is helpful to break tasks down so that they can be distributed to a number of leaders, however this requires these leaders to then communicate with each other. Some studies comment on the "communication approach" that is taken by leaders - Clark & Fujimoto (1990) describe the activity of heavyweight product leaders as being active communicators, the antithesis of project clerks. Bartlett & Ghoshal (1995) refer to the need for personal contact from top management and the exercising of control through managing personal relationships. Mowday (1979), and Dougherty & Hardy (1986) comment on the importance of personal influence to get resources and gain commitment; Handy (1995), Brenneman, Keys & Fulmer (1998) on the role of a leader in achieving success by supporting and enabling his/her people. These suggest a development environment where there is both multiple leadership and extensive personal contact and interaction between leaders and their teams. Hence the supporting proposition: -

S2 Higher levels of success in complex NSD projects are associated with an informal communication style between the leaders and the development team; lower success levels with a predominately formal communication style.

4.6.3 Supporting Proposition 3

This proposition builds on Bartlett & Ghoshal's (1995) findings about "new style" businesses and the New Leadership literature summarised by Bryman (1992). New in both cases is said to mean a movement away from a controlling form of management towards leadership and empowerment of employees. Leaders enable their people to deliver success rather than direct them in what they should do. The third supporting proposition is therefore:

S3 Higher levels of success in complex NSD projects are associated with an extensive, "enabling" style of interaction between multiple leader roles; lower success levels with a "command and control" style.

4.7 Conclusion

In this chapter we have built on the results of studies discussed in Chapter 3 which indicate the importance of leadership in complex NSD projects. This led to the definition of the research question for our study and supporting propositions exploring the importance of the leadership style in NSD projects on development success. Our assumption is that *leadership teams* are involved in complex NSD projects and it is the style of involvement of all of the leaders that is associated with NSD project success, not the style of a single leader. We introduced the potential risk that "over involvement" of a single leader could lead to the very opposite of the enabling leadership style that we propose as important to project success.

We took information gleaned from teamworking models - described in Chapter 3 - which identified how leaders can affect NSD success, and from the literature, and proposed models of leadership roles and tasks in NSD projects. These leadership models allow both the roles and the interactions between the plurality of leadership roles in a leadership team to be identified and tested, particularly the model illustrated in Figure 4-2 which focused on interactions between three key leadership roles.

A well established, analytical tool – the McKinsey 7S framework – was introduced and described. This tool is used in the study to ensure that the business context of each project is understood and examined consistently. However, the opportunity was taken to examine whether the concepts underpinning the leadership models, developed in this chapter, are compatible with this well-established tool, to permit the management model to be used for analysing the results of the study. Finally, we synthesised the literature into first the research proposition and then into 3 testable supporting propositions on key facets of leadership style in complex NSD projects. These propositions encompass what we believe to be a key leadership characteristic – style of involvement. They assume that "involvement" has three components: -

- Style of participation.
- Style of communication.
- Style of control.

and that an open style in all three is associated with greater success in NSD projects. However, this study is primarily a qualitative study which aims to build understanding through a case study approach sufficient to guide further quantitative study. The propositions may form formal hypotheses in future studies but are used here to help explore whether understanding and concepts developed from general leadership research are applicable to the leadership of complex NSD projects and , in particular, are applicable to multiple leaders working together. Nevertheless, we treated the propositions similarly to hypotheses in definition and, as will be explained in Chapter 5, in terms of testing.

Chapter 5

The Design of the Field Study

5.1 Introduction

This chapter explains the research methodology and the rationale for the field study design, which employed post hoc case studies and the McKinsey 7S framework to analyse new service development projects in 10 businesses. A case study approach allows information to be gathered to shape further studies, and, as explained in Chapter 4, the literature did allow propositions on leadership style to be developed and tested, as part of building understanding. The data collection and analysis tools - semi-structured questionnaires and content analysis table respectively - are explained including a description of the scales used and the literature used to develop those scales. Finally, we discuss the limitations of the adopted design and the steps taken to overcome them.

5.2 Research objectives

The study explores a specific issue - how style of leadership involvement helps in NSD projects - in the little researched area of leadership practices in NSD. Our field study is designed to enhance academic understanding of leadership in complex new service development; particularly the use of more than one leader and how this multiplicity of leaders can be employed synergistically to improve the level of project success. It specifically examines what leader roles are performed by, not only senior managers, but project managers as well. This approach will address the gaps in knowledge identified by Bryman (1992) and Brown & Eisenhardt (1995).

The study, therefore, aims to explore: - (i) actual practices adopted by businesses, (ii) the rationale for those practices, (iii) the application of leadership in complex new product

development, particularly in terms of enabling or constraining success, (iv) leader roles adopted, (v) any overlap between roles, (vi) interactions between leaders in development projects, and (vii) interactions between leaders and project team members. The objective of our study is to examine quite specifically those leadership practices associated with success in NSD projects not prove causal relationships.

To recap, industry experts and practitioners could only identify innovative projects not innovative businesses so we focus on project leadership teams not business leadership teams. Furthermore, whilst the design of our study is at the project level, we are concerned with leadership practices, i.e. the variables studied apply to the NSD leaders - and so the unit of analysis is the leadership team not the project. We are not seeking to explore differences between projects other than in the practices of their leadership teams and their impact on the level of project success, so other variables are controlled.

5.3 Variables

5.3.1 Dependent Variable

The dependent variable, project success, is measured by the achievement of project objectives for (i) time-scale, (ii) cost, and (iii) specification. Most businesses use a number of measures, including some that are too commercially sensitive to be shared outside the business, and some that are intentionally made public, e.g. rate of customer acquisition, for public relations purposes. This "advertising" of success is intended to create beneficial perceptions of business performance amongst customers and the market. The milestones of specification, cost and time-scale are effective measures of success for NSD as failure to achieve these measures means that the new product being developed will have failed to meet its opportunity window. The product might be under-featured, too late or too expensive to be successful. Preliminary investigation showed that the use of project measures as a measure of

success is used consistently across projects and across businesses. Such project measures are understood and known by both managers and participants in development projects. They are therefore particularly relevant to the unit of analysis as a measure of their success in delivering the NSD development against pre-set objectives.

5.3.2 Independent Variables

A number of variables have been identified in other studies (see Chapter 3) and the conceptual model (Chapter 4), to be correlated with the type of development success, on which we focus, including: -

- Business strategy, particularly if the business is in crisis and in transformation.
- Corporate values.
- Cultural values.
- Resource availability, both type and quantity.
- Superior product.
- Superior processes.
- Synergy with firm's technical and managerial strengths.
- Senior management involvement.

The analytical tool used to provide a consistent measurement of projects - the McKinsey 7S framework - examines Strategy, Structure, Staff, Skills, Systems, Shared values and Style. These embrace all of the variables listed above.

5.3.3 Principal Independent Variable

Whilst a number of independent variables were identified from the literature, many - for example strategy, resources, processes, cultural values - are established and controlled by

actions of the senior business leadership. Given the focus on leadership, the principal independent variable for our study was taken as leadership style **defined by** the extent of: -

- "Hands on" involvement by all leaders throughout the project.
- Formal/informal communications between development team members and all leaders.
- "Enabling" interactions between the project leadership team.

The choice of this independent variable has been explained in Chapter 4 but relates to the lack of understanding of leadership practices in complex NSD, as highlighted by Bryman (1992) and Brown & Eisenhardt (1995). Leadership style has been shown to affect project performance as demonstrated by McDonough (1993); and senior leader involvement associated with innovation success by Johne & Snelson (1990). Our study examines leadership involvement in development projects in more detail.

5.3.4 Other Independent Variables

The study controls for other independent variables found in other studies to be correlated with development success, as shown in paragraph 5.3.2. For example, IT skills are particularly scarce due to the demands of Y2K/Millennium Bug and European Monetary Union projects as well as being essential for all NSD projects now. We controlled for type of resource as well as quantity. Similarly, transformational leadership studies suggest other variables - such as recent organisational or strategic change - that might impact on project success, in terms of leadership involvement. The literature is clear on the importance of the situation to the performance of leaders, particularly a crisis that typically permits a transformational leader to revisit the business vision and radically change the business. We therefore controlled for organisational or strategic change and for recent innovation or business failure that might have led to a change of senior leadership. The extent of change is measured and shown as a "Consistency" scale in the application of the McKinsey 7S

framework under "Strategy". All businesses investigated had been discharging an unchanged strategy over the two-year period the study investigated with constant senior leaders.

Project leader performance is another variable for which we controlled. The project manager is held constant across the more successful and less successful projects. We are not interested in serendipitous or idiosyncratic success solely due to the performance of the individual, rather an approach that could be replicated across development teams in the consumer financial services industry. The McKinsey 7S framework is a helpful way of understanding the independent variables and ensuring that they are controlled in the study.

We also controlled for the type of project – all were complex NSD projects. This was established at an early stage of the interviews with senior and project leaders.

5.4 The research method

5.4.1 The type of study

A number of designs were considered for the study, to meet the specific objectives of:

- Testing propositions gleaned from the literature.
- Providing insights into leadership in NSD projects.
- Producing results generalisable across a range of businesses.

Laboratory experiments and controlled groups within a commercial environment are impractical for a highly competitive industry. On the other hand, any ethnographic, diary based or action research type study would be protracted, resource hungry and therefore lack immediacy for practitioners. The literature was also explored to identify other case studies that could be used for secondary analysis in support of the field study, but none could be found.

The final choice, therefore, rested between a design using survey methods that would permit statistical generalisation of results - for example a postal questionnaire - and a more in depth study of a smaller number of cases. A major issue is that there is insufficient prior research to guide the formation of questions that would elicit the information on leadership practices despite variation in terms between businesses. Leadership is a complex activity and there is a need to build a better understanding of leadership in NSD projects before a large-scale postal questionnaire and testable hypotheses can be developed.

We chose a post hoc, empirical survey covering multiple case studies across a number of businesses. The design of the study is intended to allow leadership in complex New Service Development to be investigated empirically, but takes the contingent view. Its purpose is, through identifying correlation, to expand existing knowledge of leadership of complex NSD whilst at the same time offering early guidance to practitioners on what has worked in certain circumstances. We also chose personal, semi-structured interviewing of active leaders of NSD which, particularly when performed by an experienced interviewer, permits a richness of information to be gleaned on actual practices. This is resource intensive and time consuming but better for obtaining qualitative information, building up information through interaction between interviewer and interviewee, and probing that adapts to the answers given.

The study investigated leadership practices in both more successful and less successful new service developments. This approach is preferred to a cruder comparison of successful against non-successful development. There are two reasons: - firstly, practitioners are frequently uncomfortable talking about failure and this reluctance leads to a post hoc

rationalisation of failure, which hides the real reasons. Secondly, the interest is in the leadership practices that lead to excellence rather than just success.

5.4.2 Preliminary fieldwork

The preliminary fieldwork took place during 1998 to understand the practical context of new service innovation in UK consumer financial services, and involved a review of trade journals and then interviews with practitioners, journalists and academics studying the industry. This fieldwork found that no individual business was identified as being generally more innovative than others. Some businesses were identified as on occasions being more innovative in a specific area, but these were individual selections unsupported generally. It was agreed by respondents that a combination of market and technology changes offered significant opportunity for innovation but, typically, the industry moved forward through individual innovations and then rapid "me-too" product development. Indeed, a number of individual innovations were mentioned consistently during this preliminary fieldwork.

The research intent had been to choose proactive, innovative businesses (i.e. those that have shaped markets through radical innovation) through desk research and confirmed through interviews with journalists, academics and practitioners. These would have been studied and compared with businesses identified as being less innovative. Consistently, respondents remarked that there were not any generally innovative businesses just innovative projects, which are quickly copied by competitors. Given the exploratory nature of the research, an in-depth study of leadership in a small number of NSD projects selected purposively should be more insightful than a similar study of randomly selected projects, i.e. a case study design. Yin (1994) describes a case study as an "empirical inquiry that investigates contemporary phenomena in its' real life context" and argues that, despite "traditional prejudices" against

case studies, these provide an effective research strategy where the situation is complex and there are no clear, single set of outcomes. However, he does stress that effectiveness depends heavily on the researcher and the rigour in the approach adopted. Brown & Eisenhardt (1997) support this approach and used it to investigate their proposition on moving from infrequent major innovations to continuous innovation.

5.4.3 Quality control

All research methodologies need careful attention to validity and reliability. The three components of validity are construct, internal and external validity. Construct validity is concerned with ensuring that the study measure is appropriate – Yin (1994) suggested multiple sources of evidence, a chain of evidence and support from key informants to improve construct validity. In our study, project success is measured using the project objectives set at the project initiation. Standard project methodology sets 3 basic types of objective – meeting time-scales, budget and specification. Preliminary fieldwork explored how consistently this measure is used across the industry, together with other measures that may vary across both businesses and projects, and found it a standard measure. We, therefore, used these project measures which, as they are used in a number of businesses and by different levels of management as part of standard reporting processes, fulfil the above requirements recommended by Yin (1994).

Singleton, Straits & Straits (1993) suggest that internal validity is concerned with ensuring that it is the independent variable - not extraneous variables - that affects the outcome. The primary importance of internal validity is to provide sound evidence of a causal relationship. The intent in our study was to show association and not necessarily correlation, so internal validity, whilst important, is less critical. Nevertheless we took measures to obviate distortions caused by extraneous variables. There is a rich literature on the variables affecting

development success and so care was taken to control for them, isolating the principal independent variable for our study, as explained in paragraph 5.3.4.

External validity is concerned with the generalisability of the results of the study. For example, if we had confined the study to a single, in depth case study, there would be doubts about the generalisation of the results across other businesses. The use of multiple case studies means that the results are more generalisable, at least across new service developments in the UK retail banking industry. Similarly, as the projects investigated came from a range of businesses from incumbents to new entrants, results are more generalisable. However, the use of purposively selected case studies does reduce external validity in that the sample is not a statistically valid sample. Yin (1994) differentiated between *statistical* and *analytical* generalisation, arguing that whilst survey research leads to statistical generalisation, case studies, like laboratory experiments supports analytic generalisation. The intent is to generalise a set of results to a broader theory rather than selecting a representative sample as a surrogate for measuring the total population.

Reliability is concerned with the replicability of the experiment, i.e. would other experimenters applying the same procedures obtain the same results. This depends on the care taken in planning, conducting and reporting the case studies. In our study, we planned the study, research tools and analytical tools in advance of the main study. Care was taken in phrasing the questions to avoid ambiguous or leading questions or ones that might prove difficult for use in telephone interviews (too long or complicated). Preliminary fieldwork checked that the language and concepts were familiar to practitioners and then the responses in initial interviews were considered to identify any areas of difficulty for respondents, for example that the frame of reference for individual questions was unambiguous.

Subsequently the same research tools were applied to all interviewees by a single researcher who recorded the information during the interview. This researcher - the author - is an experienced and trained interviewer with experience in conducting semi-structured interviews with senior managers of large businesses. The same researcher using standard analytical tools - the McKinsey 7S framework and content analysis, then interpreted the data. These tools provided a structured approach to the analysis - the former in identifying the existence and types of standard business factors and the latter in extracting consistent and comparable information from the verbatim data gathered during the semi-structured interviews.

The research design involved analysing both cases with similar outcomes, and cases with contrasting outcomes - more successful and less successful development projects. Replication across case studies was therefore both literal (similar outcome) and theoretical (contrasting outcome).

5.4.4 The sample

The **unit of analysis** was the project leadership team involved in complex new service development. The population was all consumer financial service projects initiated in the last 2 years for launch in the UK; the sample frame was retail banking projects initiated by a cross section of businesses based in the UK and competing in retail banking during this period. The businesses included major incumbent banks and new entrants from the building society, insurance and other industries.

The sample frame was established after preliminary fieldwork, which involved: -

- Desk analysis of general and trade press articles.
- Discussion of individual business performance with journalists.
- Discussion of individual business performance with academics.

- Discussion with practitioners – within consumer financial services businesses and also with businesses selling to them - on perceptions of innovativeness within the financial industry.

The sample was a purposive sample of projects with selection by managers in the businesses participating in the study and based on measures of success defined by project measures, i.e. meeting pre-set time, budget and specification criteria. The selection of projects in turn gave the leadership teams, which constituted the unit of analysis.

5.4.5 Data Collection

Data was collected using standard tools with care taken to record full details of the interview and the interviewee - a "chain of evidence" was established. A results database was assembled before analysis was performed. The data collection tools were: -

Personal interview questionnaire (senior leader) - this was used in a semi-structured interview to record the senior leaders' perception of the business environment, business systems and processes, project leadership, and results of complex new service development projects. Additionally, more specific perceptions were gathered on multiple leadership roles (their use in the industry, business and product development); actual titles, interactions and relative powers. These related back to the leadership model in Figure 4.2, testing whether and how key tasks were performed. Questions were intended to:-

- identify a successful project
- set the business context;
- identify processes and systems that should apply to the project;
- to understand how resources were allocated and
- the people who had been involved, including senior management.

- any problems that could have affected the way the project was delivered

The approach was essentially qualitative inviting expansion beyond simple yes/no answers, to personal views and the business rationale. However, the above questions cane be related directly to the questionaire. The interview also sought personal information on functional specialism, business experience and specific responsibilities within the business to set context.

Personal interview questionnaire (project leader) - this was again a qualitative questionnaire seeking both personal views and factual information. It sought to gain the project leader perception on many of the areas answered by the senior leader, establishing where the actual processes differ, if at all. Again the questions related back to whether and how key tasks shown in the leadership model (Figure 4.2) were performed. Questions were designed to focus on what actually happened so to:-

- identify the project leader's understanding on strategic direction;
- understand the perceived project team culture;
- confirm or otherwise the leaders involved in the project and their impact
- understand leader interactions on the project
- identify what and how business functions were involved in the project
- understand the responsibilities and power of the project leader
- confirm project success measures

The above can be related directly to the questionnaire used. Additionally, the questionnaire collects personal information on the project leader in terms of age, experience, qualifications, functional department, tenure in the business, and preferred style of leadership and communication. The objective is to supplement the picture of how the project was delivered with an understanding of how the person himself may have affected the outcome. For

example, whether s/he is a "heavyweight project leader" as identified by Clark & Fujimoto (1990).

The preliminary fieldwork also highlighted some constraints on access. Development teams are fully occupied and senior leaders are reluctant to divert resource to support research studies. For example, the initial design included the use of multiple methods – personal interviews, self completion questionnaires and analysis of business records. During the pilot interviews with senior leaders, agreement was sought to obtain information through self-completion questionnaires from project team members, but there was a general unwillingness. Most senior leaders were conscious of the high workload on their development project teams and whilst willing to help research, wished to constrain the adverse impact on workloads. Similarly access to records, although there were additional concerns about confidentiality from such access. Some written information was freely provided but this tended to be promotional. Nevertheless, agreement was obtained to interview two members of project leadership teams with the sample businesses, i.e. to some extent there was triangulation on data sources if not on method. The senior leaders – who were senior managers in the businesses whose projects were studied - expressed their willingness to be interviewed. They were interested in the subject of the research and their willingness to participate gave an excellent opportunity to understand the "high level" business drivers and rationale for operating in the way that the business was doing. Project leaders, on the other hand, were well placed to understand and report on the activities taking place in complex NSD projects. Often even these project leaders were quite senior managers in the business, in some cases being titled project director rather than project leader or manager. Interviewing these two members of the project leadership team therefore provided insights on business practices at the strategic and detailed level.

Access to businesses and sample projects was obtained by telephone – contact numbers for senior managers were obtained from a number of sources (business directories; academics; industry experts) and then a telephone call made to the MD or a member of the management board. In most cases, an appointment for the introductory talk with the senior manager was made through a secretary and so the respondent had some pre-warning. A script was used for both contact with the secretary and with the senior manager, to ensure that the discussion was clear, to the point, and persuasive. In only two cases did this not lead to co-operation, the managers contacted declined to participate for "policy" reasons. Where agreement was obtained, a further appointment was then made to conduct the personal interview, which could be either a face-to-face or telephone interview at the senior leader's discretion. Most chose a telephone interview and an appointment was made even for telephone interviews. These were never cancelled whilst the face-to-face interviews were sometimes cancelled and re-arranged.

In all cases, the questionnaire was supplied to the senior leader in advance, at their request, so that they could understand the areas to be discussed. The advantage was that this approach allowed them to recall the necessary information; the disadvantage was the opportunity for post hoc rationalisation and the preparation of replies that presented the business in the best light, and/or gave the answers that they thought were expected. Nevertheless, this condition was a standard quid pro quo for agreeing to the interview; it did not preclude the probing that is a valuable part of the semi-structured questionnaire used, and the pursuing of specific areas, which arise during the interview. The questionnaire supplied showed the basic topics but not the interviewer prompts and probes.

All participants requested anonymity but as results are considered at an aggregate level, such requests did not pose any problems.

5.4.6 The advantages of semi-structured questionnaires

The study design allowed collection of both subjective and objective information, i.e. the design employs methods to overcome the observation by Mintzberg (1973) that "managers are poor estimators of their own activities". The use of semi-structured questionnaires encouraged respondents to talk about their perceptions of events but allowed their responses to be probed. Probing varied according to the individual interview, but supported post interview analysis of the information gathered to understand what had actually happened rather than what a manager might like to have happened. Semi-structured questionnaires have also been found to receive a better response from senior leaders who dislike being controlled by very structured interviews and feel that it does not allow them to fully report their knowledge and experience. The personally administered semi-structured interview with senior leaders encouraged the manager to describe how leadership operates in product development in his business and to make judgement on successful developments and the people responsible for them. It also sought to elicit the business "jargon", i.e. understanding the terms/titles particular to that business so that activities can be compared irrespective of the words used. Senior managers were invited to select a more successful, complex new service development and then to consider their replies in relation to this project. Access to the project manager for this project was sought and always given, but permission to interview more widely, e.g. project team members was denied, on the grounds that business resources were limited.

A similar, personally administered, semi-structured interview was then booked with the nominated project leaders. All of these were conducted over the telephone at the project managers' request. The purpose of the interview was explained in advance, together with a request to identify a less successful project for discussion as well. The questionnaire was

again semi-structured and supplied to the individual in advance. It aimed to supplement the environmental information on business culture, strategic imperatives, processes etc collected from the senior leader interview and then concentrated in more detail on the mechanics of the development in connection with a specific project to build an understanding of roles and interactions within the service business. The intent was to test whether processes had been applied in practice, i.e. did project leaders actually do what senior leaders thought that they did; did the senior leader achieve what he thought he had; what actually happened during the project; what communications and interactions occurred.

Communication, both formal and informal, is a specific area of focus. This covers communication within a business, communication with partner businesses involved in a Joint Venture and the identification of any communication with an external technical community. The leadership literature stresses the importance of communication but highlights that the medium is varied and includes the actions of the communicator, so the interviews explore communication in its widest sense, i.e. interactions between people.

In a few cases during the interviews with project leaders they volunteered colleagues for additional interview. These colleagues were then interviewed using the project leader questionnaire but the difference in results and additional information was minimal and so, particularly in view of senior manager wishes, efforts were not made to gain further access to additional project team members for all of the projects investigated.

5.4.7 Overcoming respondent error

The fact that interviews about the more successful project were conducted with more than one person helped reduce the risk that, in a post-hoc study, time and post-hoc rationalisations affect recollections. As business leaders made the project selection - the

senior leader chose the more successful developments and the project leader of that development selected a less successful development in the chosen business - there is a risk from the subjective nature of these selections. Griffin & Page (1993) found that subjective decisions on success could derive from personal rather than business reasons, conversely other researchers have found that post-hoc judgement is influenced by market performance.

However, we were interested in very successful projects and we believed that the choice by the senior leader was likely to be representative. Promoting success has become very important to business leaders as confirmed in the preliminary fieldwork, when we identified the use of "public" measures such as rate of customer number (or revenue) growth to signal success to the marketplace. Project leaders proved more open to talk about the less successful when comparing such projects with the very successful, to highlight issues that they felt affected their capability to deliver a successful project. The choice of a success measure that was consistently meaningful across projects and across businesses - delivering the development project to time, budget and specification - made selection easier to specify. Brown & Eisenhardt (1997) took a similar approach in their study of innovation through continuous change.

At the end of the discussion on the more successful project, the project leader was invited to choose a less successful project (as briefed when the interview was arranged) and the analysis repeated to identify differences in practice between the more and the less successful projects. Only one project leader claimed not to have been involved in a less successful project so information was gathered on leadership teams in 10 more successful and 9 less successful projects.

This multiplicity of data sources did not extend to the less successful project analysis and it is here that access to team members or other leaders in the less successful development would have been helpful. However, the fact that the projects were of a similar type, followed the same processes and that the same project leader was involved in more and less successful projects, meant that the project leader's responses could be probed to obviate against post hoc rationalisation or protective answers. The use of semi-structured interviews supports exploration below the initial response.

Three other areas of possible respondent error were considered, as recommended by Singleton, Straits and Straits (1993), (i) the fact that senior leaders may be experienced at being interviewed for research studies and therefore adept at giving the answers that they believe best presents their performance, (ii) interviewee attrition or maturation and (iii) memory distortion. The last was addressed by making the period under analysis a recent one and also allowing interviewees sight of the questionnaire to "jog" memories or allow project documents to be consulted before the interview. The first was minimised through use of probes to test and identify facts behind the initial response. Interviewee attrition - loss of participants during the study - and maturation - physical or physiological change in the participants over time - was avoided through the cross sectional design of the study and short period of interviews. Interviewee attrition was not experienced at all.

5.4.8 Telephone as the interviewing medium

Telephone interviewing was used to facilitate ease of access. The managers interviewed used the telephone as a frequent method of communication and are comfortable with its use, even for interview periods of 1 hour. Audio-conferencing, i.e. pre-booked meetings using the telephone, is now a common practice in business and in project management. This is known from the interviewer's personal experience and confirmed

during interviews. The respondents were comfortable with this methodology, even suggesting it.

Franckel (1989) reported that use of the telephone had become the most common method for structured interviewing in the US, being as reliable as face to face interviewing but more cost effective. However, methodological studies on telephone interviewing, such as those of Groves & Kahn (1979) and Keller & Bradford (1996), have mainly concentrated on use in market research surveys rather than academic research. These studies report that (i) response rates are higher than face to face interviews, (ii) care needs to be taken in the formation of questions and the lack of visual prompts, and (iii) care is needed to avoid sample bias. Even though these findings applied to market survey research, care was taken to avoid these problems in our study. The latter did not apply given the population studied, whilst the question formation was tested in preliminary fieldwork. However, findings are contradictory - Groves & Kahn (1979) versus Miln & Stewart-Hunter (1976) - on whether telephone interviewing is better for sensitive subjects due to its anonymity. This stems from the difficulty in building trust when not in face to face interviewing. Again this observation is based on market research survey interviewing. Telephone interviewing has been used for business surveys on subjects such as partnership plans - as shown in Materials Handling Engineering (1996) - and use of Network Operating Systems (Radosevich 1996), so the medium has proved effective for quite complex subjects. Semon (1998) comments that telephone interviewing allows the interviewee to clarify questions before answering them although it loses the potential of reading clues from body language - a facility open to the face to face interviewer. However, we compared the three face-to-face interviews with the telephone interview experiences for the senior leaders and this did not reveal any obvious differences in the openness of responses.

Our use of an extended semi-structured questionnaire led to rapport being built between the interviewer and the interviewee. Care was taken that building the rapport with the interviewee did not lead to the interviewer "putting words into the interviewee's mouth" or reflexity - the interviewer being given the answers that he wants. Probes were open and sought explanation of terms that could be ambiguous. Only in a small number of questions were interviewees invited to choose from a list of responses and this was always supplemented by an option to choose an unmentioned alternative. Additionally, the research proposition referred to a rival explanation to that which the researcher had personally experienced to avoid the risk of gathering evidence to prove a pre-conceived conclusion.

5.5 Analysing study results

The design of the study whilst facilitating exploration and a building of experience for further detailed studies, allowed propositions to be tested. These were formulated after the literature review to test those elements of leadership practices and associated business organisation and processes that the review had suggested impact on service development success. This approach tests for a relationship between project success and leadership involvement and assumes that the direction of influence is that leadership involvement influences project success. It could be argued that leaders become involved with successful projects because of the halo effect that this involvement contributes and hence that the direction of influence is the reverse.

The study whilst a post hoc examination of NSD projects uses two sources of information to understand when and how leaders became involved in the development. In this way it is possible to test whether leaders became involved before the project was successful and hence confirm that the direction of influence is as propositioned.

The data collected in interview was analysed using two analytical tools: -

Audit schedule - designed using content analysis techniques to allow the researcher to analyse the results of interviews. Content analysis is a method of analysing the symbolic content of any communication - for example an interview - reducing the content to a set of categories and then quantifying them. The categories and scoring are determined pre-study - if attitudes or values are being assessed, then content analysis will involve measuring the intensity or strength of the information in the categories. For our study, the categories are the 7 Ss in the McKinsey framework.

Quantification involved the scales that were derived from the literature and are shown in Table 5-2. Hence the results of the semi-structured interviews were analysed by a single researcher using a pre-determined content analysis tool that enabled the scales within the 7S categories to be derived. This tool sought to identify the existence of specific responses regardless of the actual terms or language used. For example, the existence of a senior level sponsor was identified even when the respondent referred to a project "godfather", as the interviewer prompts sought clarification of such terms. A pre-determined content analysis tool helps to define prompts for the interviewer. The intent is for the tool to be usable by other coders and for the results obtained in analysing the interview reports to be the same regardless of the coder.

McKinsey's 7S framework – used by the researcher to score key components of the controlled and principal independent variables in a consistent manner. The McKinsey framework has been used in a number of studies including Johne & Snelson (1990); Dwyer & Mellor (1991) and Johne & Davies (1999), and these found it to be readily understandable by practitioners and effective in discriminating between businesses and development practices. It considers 7 aspects of a business or a project - shown in Table 5-1 - and scales are used to score against these 7 aspects and allow ready comparison of practices.

Table 5-1
Literature used to construct the scales used in the field study

The scales in Table 5-2 were developed from the results of a number of prior studies. This table shows the literature source of the dimensions used in each scale.

Measure At **project** level	Literature
Strategy	
Comprehensiveness	Cooper & De Brentani (1989); Johne & Snelson (1990)
Consistency	Cooper & De Brentani (1989); Johne & Snelson (1990)
Structure	
Matrix organisation	Hitt (1999), Handy (1988), Bartlett & Ghoshal (1995)
Multiple Leader roles	Maidique (1980), Burgelman (1983), McGill & Slocum (1998)
Systems	
Mandatory processes Formal project management	De Brentani (1989), Johne & Snelson (1990), Iwamura & Jog (1991)
Staff	
Team – development experience Team – project experience	McDonough & Barczak (1991), McDonough (1993), Donnellon (1993)
Skill	
Adequate Resource Overall Special Skills	Cooper & Kleinschmidt (1987), Cooper & De Brentani (1989)
Shared values	
Degree of business goal comms	Tushman & Nadler (1986), Kotter (1995)
Market Driven	Matthur (1992) Cooper et al (1994), Day (1998)
Perceived empowerment	Harvey-Jones(1988), Kotter (1994), Heifetz & Laurie (1997)
Clarity of initial objectives	Iwamura & Jog (1991)
Clarity of innovation budget	Iwamura & Jog (1991)
Style	
Senior management participation	Johne & Snelson (1990), Crawford (1980), Brown & Eisenhardt (1997)
Perceived action to remove barriers	Kotter (1995), Scott & Bruce (1994)
Informal interaction with team	Mowday (1979), Handy (1995), Brenneman, Keys & Fulmar (1998)
Informal interaction with leaders	Bartlett & Ghoshal (1995), Brown & Eisenhardt (1997)

Table 5-2

The McKinsey 7S Framework defined for NSD projects

To enable consistent analysis, scales were defined to measure projects against each of the 7 Ss. Each S was measured in at least 2 dimensions but Style, the focus of our study, utilised four dimensions.

Scales	**Range** (scored 1 – 3)
Strategy: The service innovation strategy and its relation to corporate strategy.	
Scale 1: Comprehensiveness of development strategy	*Low - High*
Scale 2: Consistency	*Low - High*
Structure: The organisational framework of service innovation management.	
Scale 1: Matrix organisation	*Low – High*
Scale 2: Multiple leader roles	*Low – High*
Systems: Co-ordination and control mechanisms for service innovation.	
Scale 1: Mandatory processes	*Low – High*
Scale 2: Formal project management	*Low – High*
Skills: The specialist knowledge & methods applied to innovation tasks.	
Scale 1: Team development experience	*Low – High*
Scale 2: Team project experience	*Low – High*
Staff: Type, quantity and quality of functional specialists required for innovation tasks.	
Scale 1: Overall resource	*Low – High*
Scale 2: Specialist skill resource	*Low – High*
Shared Values: Organisation members beliefs about corporate Objectives; the role of product innovation in achieving them; and the objectives of specific innovation projects.	
Scale 1: Degree of (business) goal communication	*Low – High*
Scale 2: Market Driven	*Low – High*
Scale 3: Perceived empowerment	*Low – High*
Scale 4: Clarity of innovation objectives	*Low – High*
Scale 5: Clarity of innovation budget	*Low – High*
Style: Top management support for service innovation.	
Scale 1: Senior management participation	*Low – High*
Scale 2: Perceived management action to remove barriers	*Low – High*
Scale 3: Informal interaction with leaders	*Low – High*
Scale 4: Informal interaction with team	*Low – High*

Source: based on Peters & Waterman (1982); Johne & Pavlidis (1996); Johne & Davies (1999).

The study did not invite interviewees to score against scales, rather for the researcher to take the answers given and then score them. Consideration was given to applying complex Likert type scales as part of the interviews, however the study focus is on leadership style and what had happened in specific cases rather than on interviewee's attitudes so simpler scales were more appropriate. As the study approach was qualitative to build a better understanding of style through analysis of the actual leader roles, tasks and interactions, respondents were asked to give full answers rather than score activity using scales. When analysing the results from interviews; there was little benefit in using a 5 or a 7-point scale given the focus on more successful versus less successful - a 3-point scale proved more insightful. Whilst there was a risk of central tendency, as with most odd numbered scales, scoring effectively resolved into high and low with an occasional "medium".

The scales for the McKinsey framework used in our study were developed from a number of sources in the literature - some are shown in Table 5-1. They describe key elements of the "Ss" that have been found in previous studies to be associated with success. The scales are therefore based on considerable previous studies but have not been defined before in the way that they are used in our study. Johne & Pavlidis (1996), Dwyer & Mellor (1991), previous users of the McKinsey framework, developed their own scales to fit the particular focus of their studies - in our study the focus is on where leadership affects the 7 "S", particularly leadership Style and Shared Values.

5.6 Methodology for proposition testing

Whilst case studies frequently rely on "pattern matching" (i.e. do the actual results align with predicted results?) leading to an inductive approach and resultant hypotheses, it is possible to derive and test "propositions" as part of the inductive approach, where there is sufficient information from the literature to make deductions. We were able to pose propositions and

have tested these propositions using hypothesis testing methods. In our study, three supporting propositions were developed from the literature and scales designed to score projects based on the independent variables contained within them.

The design of the experiment involved correlated groups (project leadership teams for more and less successful complex NSDs within the same businesses) and non-parametric, ordinal scoring by the analyst. Hence, the propositions were tested using the Wilcoxon matched-pairs signed ranks test – as described by Pagano (1994). Whilst quite a powerful test, it lacks some of the rigour of statistical and parametric testing methodologies such as "t" testing that would be enabled by a statistical methodology, e.g. random samples etc.

The low number of case studies and the purposive nature of the sample excludes such testing, being insufficient to form meaningful statistical parameters or to conclude a normal distribution.

The Wilcoxon matched-pairs signs test

This test has two basic assumptions: -

- The scores within each pair must be at least ordinal.
- The difference scores must have at least ordinal scaling so that they can be rank-ordered.

The test is applied to correlated groups - in the study the more and the less successful projects that each project leader reported - and compares the sizes and the signs of difference between scores for each group. The test assumes a null proposition that the differences happened by chance and then compares observed scores with a score obtained from tables depending on the number of scores compared and a specified level of significance. If this

score is more than the observed score then the null proposition is rejected, i.e. the alternative proposition that a variable affected the outcome is proved.

The Wilcoxon matched-pairs sign test methodology is to: -

- Compare individual scores for the two groups and take the difference (ties are discarded).
- Rank the differences, i.e. first, second etc where the difference was negative, the ranking is a negative ranking (and where positive, the ranking is positive).
- Sum positive and negative rankings separately.
- Compare the lower of the sums with tables.

This analysis is best displayed in tabular form to show the methodology as well as results.

5.7 Conclusion

This chapter has explained the research objectives, reviewed alternative study designs before justifying the choice of design of the field study, which is a post hoc, cross-sectional, empirical study into a number of purposively selected case studies. Our study was conducted using semi-structured telephone and personal interviews with two leaders in each of the project teams studied, and following advance notification of the questionnaire areas. This was found to be a very effective method both for collecting information and for gaining co-operation given the time pressure on development teams. Consistency and repeatability in analysis of the information was achieved through careful, advance planning of the study including definition of data capture and analytical tools. This approach followed advice given by Singleton, Straits & Straits (1993), Yin (1994) and Brown & Eisenhardt (1997) on conducting successful case study research.

Chapter 6

Findings of the Field Study

6.1 Introduction

The leadership model and propositions, developed in Chapter 4, were tested in a field study that took place during late 1998 and early 1999. Chapter 5 described the design of the field study, highlighting the fact that the personal interview design permitted additional insights into leadership practices in NSD projects to be gleaned from leaders of more successful and less successful developments. The researcher conducted all interviews personally and coded the data collected.

This chapter summarises the information gained in the study and presents it as case study summaries, including verbatim quotes shown in italics. All participants requested anonymity so the businesses have been allocated pseudonyms. As the case studies were a more successful and less successful project in each of ten businesses (including two separate divisions of a multinational bank), the summaries are grouped to show the two case studies for each business. This allows the contextual information concerning the business to be shown once and then the case study information to concentrate on what actually happened in the development being studied. In one business, TalkBank, the respondent claimed that all developments in recent years had been very successful so only one case study is discussed. This reveals similar characteristics to the more successful examples from other businesses.

6.2 MegaBank

The business is a large, multi-national bank, a multi-product incumbent in the UK consumer financial services market.

Business processes are structured and formalised. There is a business vision, a Strategic Plan, and an annual planning and budgeting process. Project and product management processes

that are established and mandatory. Formal business cases are required before any new project can be initiated and "skunkwork" activity is discouraged. However, the Strategic Plan is not a barrier to opportunistic service development projects providing the business case is sufficiently strong. The levels of authority for business case approval vary but are mandated.

The business structure is that of hierarchically managed functional departments brought together in multi-disciplinary project teams which develop and launch products before handing over to product managers. Project teams are led by project "managers" who in turn are responsible to a business leader for the project business area– who may or may not be the project leader's line manager – and a senior leader who has the ultimate authority for allocating resources in that business area. Co-location of the project team is not sought although often a reality of small team-working during the concept development phase. A Strategic Development Unit leads radical innovation. Functional loyalty is still strong and can be stronger than team loyalty unless business wide support for projects is obtained. Project member careers depend on their function not on projects.

Business culture is changing but is still that of a large established business. Decision-making is regarded as slow and not "entrepreneurial". New ideas are often queried with "*why aren't our competitors doing it*". Failure is starting to be accepted where it can be demonstrated as part of learning but the business is still risk averse. However, the need for innovation is recognised and supported at Board level. The role of senior level sponsorship is well established, including involvement in important projects. High level communication and building of support across departments is part of this sponsorship.

Project "managers" are expected to lead projects to deliver project objectives, specified as part of the initial business case, and to fulfil the requirements of the mandatory processes.

Project managers have power to make things happen within limits. For example, they have some flexibility in selection of team members and where applicable, the final development option. However, heads of department in each function allocate project team members and availability will depend not only on the required skills but also on who is available. Personal influence with these departmental heads can be advantageous.

Case Study 1

This more successful project involved use of new technology to form a new distribution channel, available 24 hours every day. It involved partnership with a number of other large businesses not in the banking industry.

The senior leader for this project was a Board member who was active in communicating and ensuring good working relationships with the partner companies. He was actively involved in this throughout the development, meeting with the partners acting as a communication gateway, building support and understanding partner requirements. Additionally, he maintained contact with the business and project leader through both formal reviews and reports and also frequent informal communication. This informality extended to contact between the business and project leader and between these two leaders and the development team.

The three leaders had clear roles and responsibilities but co-operated to deliver the project objectives. Respective leaders and the development team were given freedom to manage their activities subject to the mandatory processes and expenditure authority levels, which in turn constrain overall resource.

The business leader was an experienced financial service product manager and had worked with the project leader on other projects. Similarly the project leader was an experienced project leader with financial services product management experience. Both were in the

"Cards" department, which was described as being more open in terms of communication and more open in terms of seeking innovation. The project depended on new technology and the project leader did not have any choice in the type of technology. Her role was therefore confined to managing resources and project options and measured by project objectives on timescale, cost and product specification. The development team included both the internal functions of Marketing, IT, Systems, Finance, Contracts, Personnel, and external members from the partners and consultants. External consultants were particularly involved in marketing aspects including the area of customer-technology interactions. Team members were involved in formal meetings and frequent informal meetings, involving some and all team members as required. The project leader commented "*there was lots of informal contact – particularly verbal*". She was not always involved in these informal meetings; members were encouraged to manage their tasks to meet specified objectives.

Case Study 2

This less successful project was a development project within the same department – "Cards" - and so subject to the same structure, culture and processes. However, despite these processes the project "vision" was never sufficiently clear - a distinct difference from the more successful project. Communication of the objectives of the project and of the need for the project was never clear and the development team did not share a common commitment to project success. In fact, communication was heavily biased to formal communications i.e. formal reports on progress and meetings, and these did not address the lack of clarity in the project vision. Business case approval was given in the normal way and a multi-departmental project team was formed, led by the nominated project leader.

However, after approving the business case, senior management did not get heavily involved, confining themselves to the authorisation process i.e. the senior leader was distanced from

the project and failed to act effectively as project sponsor and build support within the business. Similarly the business leader failed to become involved other than in formal reviews; he did not seek involvement from the senior leader or attempt to build support across the business in place of the senior leader. These two leaders became even more remote as the project continued and the majority of the project leadership responsibility fell to the project leader alone. The level of informal communication with the senior and business leaders was minimal and the project team activity became increasingly formal.

6.3 MajorBank

The business is a large, multi-national bank, a multi-product incumbent in the UK consumer financial services market.

Business processes are structured and formalised. There is a business vision – "*to re-invent personal banking*" -, a Strategic Plan, a medium term plan and an annual planning and budgeting process. Project and product management processes that are established and mandatory, and are guided by a set of NPD principles. Formal business cases are required before any new project can be initiated but normal practice is to interest an Executive Sponsor to support the business case. Similarly it is normal to ensure that the project complies with the NPD principles and Strategic Plan drivers. The levels of authority for business case approval vary but are mandated. This business case authorises resource but it is the project leader's responsibility to obtain the resource.

The business structure is that of hierarchically managed functional departments brought together in multi-disciplinary project "virtual" teams which develop and launch products before handing over to product managers. Project teams are led by project "managers" who, in turn, are responsible to a business leader for the project business area– who may or may not be the project leader's line manager – and a senior leader – the Executive Sponsor - who

has the ultimate authority for allocating resources in that business area. A two level project management board system applies – an "executive" level board chaired by the senior leader and the project team itself chaired by the project leader. The senior leader focuses on building cross business support and is also helpful in ensuring special funding when, for example, budgeting and development cycles are not synchronised. Functional loyalties are still stronger than team loyalties, so cross-divisional senior executive support is essential.

Business culture is changing but is still that of a large established business. Decision-making is regarded as slow and hierarchies are being "*collapsed into a flatter structure*" to improve this. However, whilst this "*gives more opportunity for the MD to get involved*" in projects, it also means that they have to manage more direct reports i.e. a greater span is created and this reduces the amount of time that the senior leader can spend on individual projects.

Failure is starting to be accepted but reluctantly - the business is still risk averse. However, the need for innovation is recognised and supported at Board level.
Project leaders are expected to lead projects to deliver project objectives, specified as part of the initial business case, and to fulfil the requirements of the mandatory processes. However, they have some flexibility in selection of team members and where applicable, the final development option.

Case Study 3

This more successful project involved augmentation of a basic financial product to offer a range of additional professional services.

The senior leader for this project was a Board member who was active in communicating and notably said that his "*door was always open*" for the project team. He was actively involved

in helping the project leader obtain experienced resource rather than the normal mix of experienced and inexperienced (as part of project training). Additionally, he acted as a high-level communications gateway – both to other senior executives and with the business and project leader through both formal reviews and reports and also frequent informal communication.

The three leaders had clear roles and responsibilities but co-operated to deliver the project objectives. Respective leaders and the development team were given freedom to manage their activities subject to the mandatory processes and expenditure authority levels. They promoted the same informal communication style for the project team and the result was heavy use of informal and ad hoc meetings to progress the development. The project was divided into work packages and the owners encouraged to "*get deliverables done*". Doing this involved the necessary people and not always the project leader - however the project leader was described as "*mopping up*" the results of these informal meetings at review meetings.

The senior leader influenced the membership of the project team with departmental heads made to understand the importance of the project to the business and hence allocating experienced personnel. The intent was to create a "*virtual team approach – the project manager pulls the team together*".

The business leader was an experienced financial product manager and had worked with the project leader on other projects. However the project leader was a relatively inexperienced project leader although established within the business. He was given what he described as a "*blank sheet of paper*" to develop the product, although guided towards an external NPD consultant to detail the product specification at an early stage, and encouraged to "*focus on customer needs*". Coaching and support came from both the senior and business leaders.

Case Study 4

This less successful project was within the same department but involved developing a product with a large travel company. Systems and processes were identical to the more successful project but after the project business case had been authorised, the project had failed to get senior management interest and support. This was surprising given the partnership with another large business and the fact that there was a need to get the product to market as quickly as possible. The lack of senior level involvement led to very formal processes and a slow development. Contact with senior management was confined to formal reports and review meetings to understand progress. The senior leader did not contact the project leader informally; it was unclear whether there had been any informal contact with the business leader who in any case confined his contact with the project to formal reviews. He was the project leader's line manager and contact was mainly hierarchical and formal.

The project team had been set up in the normal way with nominees from the different functions but the departmental heads were not influenced to assign particular people and so the project leader did not have any choice in project team members. Subsequently, as the project progressed slowly, it became difficult to get the necessary resources - both quantity and quality- to recover whilst the project leader was simply told to "*get on with it*" when he asked for help.

6.4 MultiBank

The business is a large, multi-national bank, a multi-product incumbent in the UK consumer financial services market.

Business processes are structured and formalised. There is a business vision, a Strategic Plan, and an annual planning and budgeting process. Project and product management processes that are established and mandatory. Formal business cases are required before any new project can be initiated. The levels of authority for business case approval vary but are mandated.

The business structure is that of hierarchically managed functional departments brought together in multi-disciplinary project teams which develop and launch products before handing over to product managers. Project teams are led by project "managers" who in turn are responsible to a business leader for the project business area– who may or may not be the project leader's line manager – and a senior leader who has the ultimate authority for allocating resources in that business area. Co-location of the project team is not sought although may occur during the concept development phase, whilst the team is still small.

Business culture is changing but is still that of a large established business. Decision-making is regarded as slow and not "entrepreneurial" - the business is still risk averse. "*Failure is tolerated – just!*" Where a more entrepreneurial approach is required, the business is beginning to separate projects from the mainstream business during the development. The need for innovation is recognised and supported at Board level but requires senior level sponsorship, including involvement in important projects. High level communication and building of support across departments is part of this sponsorship.

Project leaders are expected to lead projects to deliver project objectives, specified as part of the initial business case, and to fulfil the requirements of the mandatory processes.

Case Study 5

This more successful project offered a new augmented financial product – enhanced through the addition of an information service which would answer a wide range of questions on accommodation, travel etc.

The senior leader for this project was a Board member who was active in communicating, ensuring good working relationships with other functions and setting up the project separate from the mainstream business. This included accepting a "*pseudo*" business case to initiate the project, recognising that feasibility work was required before the full business case could be produced. He was actively involved in supporting throughout the development and became an early customer, providing constructive feedback. Additionally, he maintained contact with the business leader, the project leader and the team through both formal reviews and reports and also frequent informal communication e.g. "drop in" visits – "*X was a frequent visitor to the team*". This informality was highly visible and extended across contact between the business and project leader who met at least daily, and between these two leaders and the development team. It was "*helped by co-location of the team away from main HQ*".

The three leaders had clear roles and responsibilities but co-operated to deliver the project objectives. They were guided by a common project vision and an explicit mission to deliver the product in a "*convenient and accessible way*". Respective leaders and the development team were given freedom to manage their activities subject to the mandatory processes and expenditure authority levels. Team members were expected to be "*single points of responsibility (SPOREs)*" for their function. The project team included marketing, sales, systems and finance to an increasing degree as expenditure rose during the project. External consultants were used to provide a bespoke technological solution and the project team also

heavily involved representatives of content providers. Customers were involved during the project to guide development and to test the product at an early stage.

The business leader was an experienced financial product manager and had worked with the project leader on other projects. He was active in communicating and supporting the project around the business Similarly the project leader was an experienced project leader with financial product management experience. Both were long established employees of the bank. The project leader stressed the contribution and involvement of the senior leader and the way in which he had helped the project avoid the prejudices and constraints of the risk averse "*Financial Old Guard (FOG)*" of the bank. These were very short term focused and concerned with the reaction of the financial regulator. The senior leader needed to be a diplomat and build consensus to support the project.

Case Study 6

This more successful project involved use of new technology to form a new payment system to replace cheques.

The senior leader for this project was a Board member who was active in a sponsoring or "*grandfathering*" role. He provided "*seed money*" to develop the concept to a stage where it could be fully specified for development and a business case prepared. The senior leader was actively involved throughout the development, running regular review meetings and building support across the business. He also separated the project team from the main business and allowed the team to be formed by recruitment both internally and externally, rather than solely internally. The project team was then co-located.

Additionally, the senior leader maintained contact with the business and project leader through frequent informal communication to understand progress and any problems that had

arisen. He often visited the project team. This informality extended to contacts between the business and project leader and between these two leaders and the development team. Informal contact between the senior leader and team members was infrequent.

The three leaders had clear roles and responsibilities but co-operated to deliver the project objectives. Respective leaders and the development team were given freedom to manage their activities subject to the mandatory processes and expenditure authority levels. Moreover, a different culture was actively created within the project team by the business leader, a culture less bound by hierarchy. Constructive challenging and peer reviews became a normal way of working – the business leader encouraged this and participated as a member. An external focus was encouraged with project objectives to sell the product to other banks globally as well as to meet the needs of the parent bank. External consultants were employed to provide technical and marketing support.

The business leader was an experienced financial product manager and had worked with the project leader on other projects. Similarly the project leader was an experienced project leader with financial product management experience. Team members provided a variety of experience and knowledge being a mixture of bank and specially recruited professionals.

Case Study 7

This less successful project - a credit card product - was developed in a much more formal way according to standard bank development processes. It relied on formal processes and a leadership structure that was hierarchical. Risk was minimised and the team communicated through formal mechanisms, delivering actions according to a project plan devised by the project manager.

The business leader was responsible for most progress reviews with the senior leader only active at the initial authorisation stage and at formal stage reviews. This project team did not involve external consultants or customers and the focus was less outward i.e. the project was not as customer focused in the absence of a clear direction from any of the senior management.

Little informal interaction and communication took place with formal meetings, reports and communication being the "norm". There was little "team" activity with team representing their functions and discharging their responsibilities with little pro-active contribution to the development. The project team was not separated from the mainstream business and did not benefit from much attention by the senior leader during the project. Processes were followed and the senior and business leader acted in a more hierarchical way, controlling the project by review rather than through involvement.

The project leader was left to lead the project as a singleton leader, reporting progress at the review meetings with his line manager and the senior leader at major milestones. He and the team followed bank processes with little informal contact – either in person or through telephone or e-mail. Whilst allowing the project team members to manage their own work activities, the project leader made all key decisions and directed the development effort.

Case Study 8

This less successful project - a banking product - was developed in a much more formal way according to standard bank development processes. It relied on formal processes and a leadership structure that was hierarchical. Risk was minimised and the team communicated through formal mechanisms, delivering actions according to a project plan devised by the project manager.

The business leader was responsible for most progress reviews with the senior leader only active at the initial authorisation stage and at formal stage reviews. All of the project team were members representing departments of the bank and customers were not involved until the product was ready for launch.

Little informal interaction and communication took place with formal meetings, reports and communication being the "norm". There was little "team" activity with team representing their functions and discharging their responsibilities according to the project plan. The project team was not co-located, only coming together for project meetings and only received attention from the project leader. Processes were followed and the senior and business leader acted in a more hierarchical way, controlling the project by review rather than through involvement.

The project leader was left to lead the project as a singleton leader, reporting progress at the review meetings with his line manager and the senior leader at major milestones. Whilst allowing the project team members to manage their own work activities, the project leader made all key decisions and directed the development effort.

6.5 NorthernBank

The business is a medium sized bank, a multi-product incumbent in the UK consumer financial services market.

Business processes are structured and formalised. There is a business vision of "*Anytime, Anywhere, Anyway*" banking and a rolling Corporate Plan leading to a product plan, a technology vision, a distribution plan and a customer strategy. The target customers are described as "*money rich; time poor*". The Corporate Plan is underpinned by eight key points on ethics, partnership approach etc. They have an "upmarket" customer base and have been active in introducing new technology to enhance their financial products. Project management processes are established and mandatory. This set roles, responsibilities, reporting arrangements and reviews. Formal business cases are required before any new project can be initiated - levels of authority for business case approval vary but are mandated. It is possible to vire funding and resources between projects is the right level of authority is convinced

The business structure is that of hierarchically managed functional departments brought together in multi-disciplinary project teams, which develop and launch products. In some cases the project leader continues as the in-life product manager otherwise the project leader hands over to the product manager after launch. This is decided early in the project. Project teams are led by project "managers" who in turn are responsible to a business leader for the project business area– who may or may not be the project leader's line manager – and a senior leader or sponsor who has the ultimate authority for allocating resources in that business area. This sponsor "at top level" is important in getting resources. Co-location of the project team is possible but does not always happen.

Business culture is changing but is still not "entrepreneurial". Failure is accepted where it can be demonstrated as part of learning and the need for innovation is recognised and supported at Board level. Senior level sponsorship is well established, including involvement in important projects. High level communication and building of support across departments is part of this sponsorship.

Project leaders are expected to lead projects to deliver project objectives, specified as part of the initial business case, and to fulfil the requirements of the mandatory processes. However, they have some flexibility in selection of team members and where applicable, the final development option. Project leadership is seen as a key leadership skill in the bank; a central project office is maintained to collect and communicate learning.

Case Study 9

This more successful project involved use of new technology to form a new distribution channel, available 24 hours every day and to be part of a range of distribution channels using new technology. It involved partnership with a number of other large businesses not in the banking industry. In particular the technical development was outsourced, as normal for this bank.

The senior leader for this project was a Board member who was active in communicating and ensuring good working relationships with the rest of the business. He was actively involved in this throughout the development, including managing a particular work package where his professional skills were valuable. Whilst contributing in a work package the senior leader insisted *that "rank was left outside the door*" and this was observed. Nevertheless he retained responsibility for the overall project and maintained contact with the business and project leader through both formal reviews and reports and also frequent informal communication.

This informality extended to contact between the business and project leader and between these two leaders and the development team. Informal contact between the senior leader and team members was infrequent. However, the project leader stressed the importance of communications throughout the project - "*the key thing was communications - to the top team and to the rest of the bank*".

The three leaders had clear roles and responsibilities but co-operated to deliver the project objectives. Respective leaders and the development team were given freedom to manage their activities subject to the mandatory processes and expenditure authority levels. The project team included representatives from marketing, customer service, call centre management, as well as the external consultants. Each was expected to be a single point of accountability for their function. They managed their own activity based on a "*delivery promise*" underpinned by a philosophy of "*don't commit unless you can achieve*". Failure was "punished" by "*a formal embarrassment process*". The development team was expected and encouraged to be self-managed.

The business leader was an experienced financial product manager and had worked with the project leader on other projects. Similarly the project leader was an experienced project leader with financial product management experience. The project leader role was described as "*pivotal - with strong support from the sponsor*".

Case Study 10

This less successful project was a more conventional banking product. The business case was approved in the normal way but thereafter lacked a supportive and effective sponsor. Project leadership proceeded in a more ad hoc way with a lack of clarity on roles, responsibilities and objectives, which never improved throughout the project. Generally, the project lacked

consistency in approach. The project leader tried to compensate for this by taking more responsibility to direct the project based on his own experience.

The business leader was involved in reviewing progress and reporting progress to the senior leader, but otherwise neither became personally involved in the project. They both operated at armslength relying on formal communications, reports and meetings to monitor and control the project.

Successful development depended on the expertise of the project leader and the project team. The project leader prepared the project plan and milestones and directed the team members to deliver to these milestones. He then monitored their performance against these milestones and reported progress to the business leader accordingly. The process was much more hierarchical and formal than the more successful project. This difference owed much to the different senior leaders. The more successful project had a senior leader who had come from outside the bank and brought some very different approaches to the way products are developed and development projects led.

6.6 TalkBank

The business is a multi-product newcomer to the UK consumer financial services market.

Business processes are formalised but not mandatory. There is a business vision - *"to be the best in the world in personal banking*" - and guiding principles rather than a formal strategy. Project and product management processes exist but are not mandatory. They are intended to guide and can be ignored where they can be argued to "stifle" innovation. Formal authorisation is required before any new project can be initiated but this is achieved by presentation to the Board and then a senior management group that allocates resources.

The business structure is flat with functional departments brought together in multi-disciplinary project teams, which develop and launch products before handing over to product managers. There is a concept of "*enablers*" (innovation champions); "*achievers*" (specialists such as IT) and "*sustainers*" (customer service departments such as the call centres), all of whom are involved in the development. Development is led by a member of a marketing and innovation unit, who would be the "*enabler*" and responsible to the business area owner (business leader) and the board sponsor (senior leader) for the project success. Co-location of the project team is normal due to the relatively small size of the business, mostly located together.

Business culture is that of a small business with risk taking and idea generation encouraged. Decision-making is regarded as quick and supporting an "entrepreneurial" outlook. The need for innovation is recognised and actively supported at Board level. A concept evaluation budget is maintained in the marketing and innovation unit. Senior level sponsorship is well established, including involvement in important projects. High level communication and building of support across departments is part of this sponsorship.

Project leaders are expected to lead projects to deliver project objectives, specified as part of the initial business case, and not just fulfil the requirements of the mandatory processes. Jobs within the marketing and innovation department are sought after for the exposure to exciting new developments. However, project leaders have little flexibility in selection of team members and development options.

Case Study 10

This more successful project was intended to offer sophisticated information services for existing customers, available 24 hours every day.

The senior leader was the Board member sponsor who was active throughout the project communicating and ensuring good working relationships with the rest of the business. He was actively involved in this throughout the development. Additionally, he maintained contact with the business and project leader through both formal reviews and reports and also frequent informal communication. This informality extended to contact between the business and project leader and between these two leaders and the development team. Informal contact between the senior leader and team members was frequent.

The three leaders had clear roles and responsibilities but co-operated to deliver the project objectives. Respective leaders and the development team were given freedom to manage their activities subject to meeting the stringent project objectives. The project team comprised members from marketing, IT, telecomms, finance, personnel and external contractors offering technology and NPD marketing skills. Members were encouraged to solve issues through small groups, using frequent informal contact to progress activities. A key skill for team members was the ability to take a "*blank sheet approach*" – i.e. to innovate rather than depend on previous experience or other received wisdom. The project leader was frequently involved in these small groups but the team was encouraged to manage themselves and their activities. Meeting objectives was the key criteria and these were well specified.

The business leader was an experienced financial product manager and had worked with the project leader on other projects. Similarly the project leader was an experienced project leader with financial product management experience.

Case Study 12

This less successful project was a more conventional banking product although distributed in an innovative way for the industry. It relied on previous developments for the expertise on

distribution and on team member's experience of it. However, the project team was comprised completely of bank employees and lacked an external focus. It was also much more formal in style and lacked the extensive informal contact of most projects in the business. Conversely the more successful project described above was much more informal than most development projects.

Senior management was involved in agreeing the concept and the business case but then took little action thereafter. There was little involvement from a senior leader and the project leader was given little support. She was expected to resolve issues herself and to ensure that the project delivered to its objectives.

6.8 NewBank

The business is a newcomer to the UK consumer financial services market but part of a large multi-national diversified business.

Business processes are structured but the business is small and based on a concept of "*involving everyone*". There is a business vision and a strong strategic direction rather than Strategic Plan. The focus is on the short term – "*typically six months*" – and the use of projects to deliver strategic objectives within that period. Project and product management processes are becoming established and mandatory. Formal business cases are required before any new project can be initiated but product concepts are presented to the Board at an early stage to gain authorisation to develop them sufficiently to build a business case.

The business structure is that of hierarchically managed functional departments brought together in mullet-disciplinary project teams which develop and launch products before handing over to product managers. However, the small size of the business means that the hierarchy is flat and co-location of the project team is normal.

The business culture is not that of a large established business, although business success is leading to an increase in business size, which is testing the current informal "small business" culture. Decision-making is quick and "entrepreneurial". Failure is accepted as part of learning but discouraged due to impact that major failure could have on business finances and the brand. Nevertheless, the need for innovation is recognised and encouraged at Board level. Senior level sponsorship is well established, including involvement in important projects. Again this reflects the flat hierarchy and the "involving everyone" culture. A business leader has responsibility for specific business areas and will be involved in the project development given its potential impact on his business area. There is little banking experience in the business but considerable levels of marketing and product management experience in other industries. This is regarded as a strength and an aid to differentiating the business from the incumbents.

Project leaders are expected to lead projects to deliver project objectives, specified as part of the initial business case, and to fulfil the requirements of the mandatory processes - "*the project manager leads and in this sense the project team is self managed*". Moreover, project leader has freedom to choose the technology, team members and the development approach. The key driver is getting results and the involving everyone culture is believed to deliver "well developed" products. It is the "*common theme of a full business focus – top, down and across*"- on every project that is the business strength. In fact the business was reported as never having had a project failure; all projects had been very successful. An example of these very successful projects was the development of a savings product accessible remotely 24 hours every day.

Case Study 13

This project involved use of telecommunications technology to provide the distribution channel, but the product being developed was a savings product forming a component of a combined savings and investment account. It involved partnership with a large bank to provide the savings expertise required to specify and develop the product.

The senior leader for this project was a Board member who was active in communicating and ensuring good working relationships with the partner company. He was actively involved in this throughout the development, providing the "*direction and driving force*". Additionally, he maintained contact with the business and project leader through both formal reviews and reports and also frequent informal communication. This informality extended to contact between the business and project leader and between these two leaders and the development team. Informal contact between the senior leader and team members was also frequent but owed much to the small size of the business. The senior leader' involvement was particularly helpful in resolving a resource issue caused by priority conflicts within the business.

The three leaders had clear roles and responsibilities but co-operated to deliver the project objectives. Respective leaders and the development team were given freedom by the senior leader to manage their activities subject to the mandatory processes and the product concept

The business leader was an experienced product manager and had worked with the project leader on other projects. Similarly the project leader was an experienced project leader with product management experience. In general the project team had considerable experience in developing products in short timescales.

6.8 HomeBank

The business is a large bank, which although it has considerable experience in UK savings and loans is a newcomer to the multi-product UK consumer financial services market.

Business processes are structured and formalised. There is a business vision, "*make customers lives easier*", a Strategic Plan, a high-level development strategy (owned by the Corporate planning department) and an annual planning and budgeting process. Project and product management processes are established but are described as "*preferred*" and not yet mandatory. The exact approach is allowed to vary depending on the size and complexity of the project. Formal business cases are required before any new project can be initiated and the levels of authority for business case approval are mandated.

The business structure is that of hierarchically managed functional departments brought together in multi-disciplinary project teams which develop and launch products before handing over to product managers. Typically the project leader will report progress to a business leader responsible for the business area affected by the innovation – this may or may not be the project leader's line manager. Additionally, it is regarded as good practice to have a senior leader – a member of the Board or Director - supporting the project.

Business culture is changing but is still that of a large established business. Decision-making is regarded as slow and not "entrepreneurial". However, the business approach is described as "*results rather than bureaucracy*", reflecting the desire to change. Failure is starting to be accepted where it can be demonstrated as part of learning but is generally discouraged - the business is risk averse. However, the need for innovation is recognised and supported at Board level. Senior level sponsorship is well established, including involvement in important

projects. High level communication and building of support across departments is part of this sponsorship.

Project leaders are expected to lead projects to deliver project objectives, specified as part of the initial business case, and to fulfil the requirements of the mandatory processes. However, they have some flexibility in selection of team members, depending on their contacts and powers of persuasion, and, freedom to decide the development approach.

Case Study 14

This more successful project involved the development of a credit card augmented to be perceived as a "*rich*" product rather than a me-too product competing on core features. It involved the use of consultants to provide expertise in NPD, marketing and partnership with a key company providing credit card processes.

The senior leader for this project was a Board member who was active in communicating and ensuring good working relationships with the partner company. He was actively involved in helping the project get established and then in maintaining interest across the business throughout the development. Additionally, he maintained contact with the business and project leaders through both formal reviews and reports and also frequent informal communication. Formal involvement included chairing a Steering Group to monitor progress and help overcome obstacles. During the project the business merged with another business and the project came under heavy senior level pressure to change from the card platform being developed to the one that the other company used. This threatened to disrupt the project until the senior leader persuaded his peers that the project should continue as planned.

The senior leader's informality extended to frequent contact between the business and project leaders for briefing meetings and discussions on progress. This was explicitly raised by the project leader " *I did the briefing of the sponsor at each stage – normally the process is more formal*". There were also frequent informal meetings of the senior, business and project leaders. The business and project leaders mirrored this informality in their contact with the development team and in encouraging the team to interact more frequently. The business e-mail system was used as a method of quick and informal communication, leading to good relationships between team members and strong support from all departments. Informal contact between the senior leader and team members was infrequent.

The three leaders had clear roles and responsibilities but co-operated to deliver the project objectives. Respective leaders and the development team were given freedom to manage their activities subject to cost and timescale objectives. The project had to deliver by a specific date to meet a crucial market opportunity window.

The business leader was an experienced financial product manager and had worked with the project leader on other projects. However, the project leader whilst experienced as a project team member was an inexperienced project leader. Her considerable experience within the business compensated through her resultant knowledge and personal contacts that proved invaluable in obtaining specific people for the project team.

Case Study 15

This less successful project involved developing a tailored credit card for another business. Senior management was involved at the initial authorisation stage but did not develop into a strong sponsorship role. The senior manager stayed aloof and got involved only at reviews of progress and requests for further authorisation. As a result there was insufficient "buy-in"

within the business; "insufficient appetite" to devote the resources and attention that the project needed. Whilst the project leader had both clear ownership of the overall project and a "*personal belief in the project*", she was unable to mobilise the resources of the business to a deliver a successful project. The business leader had also stayed aloof from the project and was unwilling to support the project leader in asking for more substantial buy-in from the business.

The project leader had formed the project team in the normal way and used the business processes to progress the development, however without senior level sponsorship the roles and responsibilities within the project were continually questioned and unclear.

Eventually, the project leader, supported by the project team, presented a paper to the senior leader, which was in effect an ultimatum. Either the business provided the necessary support or the project leader would close the project. The senior leader rejected the paper and accepted the project closure.

6.9 CrossBank

The business is a large bank, which although it has considerable experience in UK savings and loans is a newcomer to the multi-product UK consumer financial services market.

Business processes are structured and formalised. There is a business vision, a Strategic Plan, and an annual planning and budgeting process. Project and product management processes are established and mandatory. Formal business cases are required before any new project can be initiated although some budget is reserved to allow for unexpected developments to be funded. The levels of authority for business case approval vary but are mandated.

The business structure is that of hierarchically managed functional departments brought together in multi-disciplinary project teams which develop and launch products before

handing over to product managers. Normally the product manager will be involved in the development, as will be the business leader for the area affected by the innovation. Senior level is also sought – a senior level leader on the Board helps a project gain priority.

Business culture is changing but is still that of a large established business. Decision-making is regarded as slow and not "entrepreneurial". Failure is starting to be accepted where it can be demonstrated as part of learning but the business is still risk averse. However, the need for innovation is recognised and supported at Board level. Senior level sponsorship is well established, including involvement in important projects. High level communication and building of support across departments is part of this sponsorship.

Project leaders are expected to lead projects to deliver project objectives, specified as part of the initial business case, and to fulfil the requirements of the mandatory processes. They have little flexibility in selection of team members and, the development approach.

Case Study 16

This more successful project involved use of a new combined savings and investment product. This involved components from existing products being combined into a new package together with additional service components. The project was structured into 4 key project strands with an overall programme leader. Focus was helped by the " *Project Sponsor ensuring a clear direction*" and by communication " *there were lots of informal meetings between the package, project and programme managers*".

The senior leader role for this project was shared between two Board member who promoted the project and were active in communicating and building support throughout the development. They visibly maintained contact with the business and project leader through

both formal reviews and reports and also frequent informal communication. This was stressed by the project leader who said that "*the involvement of Exec. Directors showed the importance*". The formal reviews were through formal reports and also a jointly chaired Steering Committee meeting fortnightly. Issues were raised at the meeting and the senior leaders acted to remove obstacles. Informal communication involved frequent briefings from the business and project leaders supplemented by informal meetings. The project leader specifically commented that there was "*lots of informal contact*" between the project leader and senior leader. This informality was adopted by the business and project leaders in their contact and between these two leaders and the development team. Informal contact between the senior leader and team members was infrequent.

The four leaders had three clear roles and responsibilities but co-operated to deliver the project objectives. Respective leaders and the development team were given freedom to manage their activities subject to the mandatory processes and expenditure authority levels, but in particular subject to meeting the project objectives. The timescale and cost objectives were paramount with the product having a limited market opportunity window.

The business leader was an experienced financial product manager and had worked with the project leader on other projects. Similarly the project leader was an experienced project leader with financial product management experience. He commented specifically on how the "*practical approach*" adopted by the senior leaders had contributed significantly to helping him to achieve success with the project. In fact he described his role in this project by " *the project manager is the facilitator*".

Case Study 17

The less successful project was organised according to standard processes and followed the normal authorisation route. However, thereafter it differed significantly from the more successful one.

Firstly the senior leader involvement was confined to progress reviews and authorisation. The strong sponsorship and cross business support that arise from a committed senior leader were missing with the Steering Committee acting a monitoring body – it did not help resolve issues. It also did not question the product requirements sufficiently nor note that the project team was struggling to define the product sufficiently to allow the project plan to be clear and actionable. The project budget was inadequate and the necessary resources were not obtained.

Communication and interactions between the senior leader and the project leader were purely formal and confined to reports and review meetings. This extended into communications within the development team - informal communications was minimal with team members being reactive throughout the development. This helped prevent the requirements and hence budgets being clearly specified and agreed.
The project leader set the project plan and milestones and the team members focused on delivering just what was asked.

6.9 CareBank

The business is a large insurance company, a multi-product incumbent in the UK consumer financial services market.

Business processes are structured and formalised. There is a business vision, a Strategic Plan, and an annual planning and budgeting process. Project and product management processes that are established and mandatory. Formal business cases are required before any new project can be initiated and "skunkwork" activity is discouraged. The levels of authority for business case approval vary but are mandated.

The business structure is that of hierarchically managed functional departments brought together in multi-disciplinary project teams which develop and launch products before handing over to product managers. Whilst a senior leader or sponsor is helpful in getting cross business support for the project, a further leader is involved – the "manager" responsible for the business area affected by the innovation. This business leader may or may not be the project leader's line manager.

Business culture is changing but is still that of a large established business. Decision making is regarded as slow and not "entrepreneurial". Failure is starting to be accepted as part of learning but the business is still risk averse. However, the need for innovation is recognised and supported at Board level. Senior level sponsorship is well established, including involvement in important projects. High level communication and building of support across departments is part of this sponsorship.

Project leaders are expected to lead projects to deliver project objectives, specified as part of the initial business case, and to fulfil the requirements of the mandatory processes. However, they have some flexibility in selection of team members and where applicable, the final development option.

Case Study 18

This more successful project involved use of new technology to form a new product line for the business, available 24 hours every day. This was intended to take the business into the evolving market of e-commerce. The development involved a number of other businesses to provide specialist skills in NPD and marketing and customers to provide constant guidance while the product concept was evolving.

The senior leader for this project was the CEO who was active in promoting the project internally and externally communicating. He was actively involved in this throughout the development and chaired a Steering Group that oversaw the project. The CEO also communicated a strategic intent for the project expressed in terms of a customer offer – "*to harness the power of information to offer the help that you need*". The project concept was evolved over a 12-month period, and subject to a series of business cases presented to the Steering Group to gain authority and resources. Additionally, the CEO maintained contact with the business and project leader through frequent informal communication. This informality extended to contact between the business and project leader and between these two leaders and the development team. The CEO encouraged a "*consultation culture*" and heavy use of electronic communication to maintain contact. This included both video telephony -between sites- and the intranet. An electronic "noticeboard" was maintained for project information and ideas.

The three leaders had clear roles and responsibilities but co-operated to deliver the project objectives. Respective leaders and the development team were given freedom to manage their activities subject to the mandatory processes and expenditure authority levels. The CEO "*allowed people to deliver*". The project team was recruited from the parent business and externally to provide the desired mix of competencies.

The business leader was an experienced financial product manager and had worked with the project leader on other projects. Similarly the project leader was an experienced project leader with financial product management experience.

Case Study 19

This less successful project was also a savings product but did not get the same senior level focus. It followed big business processes with a formal business case being authorised and a project leader being appointed to lead the project. However, thereafter senior management did not get involved other than at formal reviews. They did not sponsor the project across the business or give direction on their vision of the product. For example, they did not press the project team to adopt a market orientation seeking customer involvement in the project or encourage the project team to actively seek input across the company. The project team culture was that of the parent i.e. risk averse and inwardly focused.

Senior leaders controlled the project through formal communication and processes and did not get involved other than at authority and review stages – they stayed aloof. The project leader was made accountable for the project outcome and he therefore directed the project, requiring team members to deliver against milestones and a plan that he had prepared. The "consultation culture" of the more successful project was not sought nor achieved. Similarly, potential customers were not consulted or involved until product trial.

6.10 Conclusions

The case studies reveal differences between the leadership practices that occurred in more and less successful projects. Despite the case studies being from different businesses forming a spectrum of incumbent and new entrant "banks", there is a commonality in the findings. NewBank, who claimed never to have had less than very successful projects presented a case study that was similar in most aspects to the more successful ones from other businesses, so

there may be justification for their claim. However, the interview revealed that the practices described were coming under pressure from the growth being experienced as a result of the success. A further case study within the next two years may be illuminating in terms of their success in maintaining the practices that have generated project success.

The results will now be explored further in Chapters 7 and 8. Chapter 7 shows the results of proposition testing whilst Chapter 8 discusses the qualitative information contained within the case studies and the implications which will be used to underpin further more quantitative field studies.

Chapter 7

Proposition Testing

7.1 Introduction

The leadership model and propositions, developed in Chapter 4, were tested in a field study that took place during late 1998 and early 1999. Chapter 5 described the design of the field study - a case study approach - highlighting the fact that the personal interview design permitted insights into leadership practices in NSD projects to be gleaned from leaders of more successful and less successful developments. The researcher conducted all interviews personally from December 1998 to April 1999 and coded the data collected.

Chapter 6 described the findings from the case studies in detail - this chapter further analyses the results of the field study and test propositions that leadership style affects the level of NSD development success, as described in Chapter 4. It is structured to first provide an overview using the McKinsey 7S tool, setting the internal business context of the projects studied. The individual propositions are then examined in turn and the evidence for each shown and tested. This analysis reveals that the propositions are supported by the results, i.e. that the style of leadership involvement in NSD projects affects the level of success of the development project.

7.2 An overview of the results of the field investigation

The use of the McKinsey 7S analytic tool facilitated a systematic investigation of the sample projects. The summary results in Table 7-1 suggest clear differences between

Table 7-1

Results from the field investigation expressed in the McKinsey framework as a comparison of the more and the less successful projects studied

Measure At **project** level	More Successful projects n=10 **Mean** (3High-1Low)	Less Successful projects n=9 **Mean** (3High-1Low)
Strategy		
Comprehensiveness	2.2	2.2
Consistency	3	3
Structure		
Matrix organisation	3	3
Multiple Leader roles	3	3
Systems		
Mandatory processes	2.1	2
Formal project management	3	3
Staff		
Team – development experience	2.4	2.4
Team – project experience	3	3
Skill		
Adequate Resource		
Overall	2	1.9
Special Skills	2	1.6
Shared values		
Degree of business goal comms	2.5	2.2
Market Driven	2.5	1.5
Perceived empowerment	2.7	2.2
Clarity of initial objectives	3	2.2
Clarity of innovation budget	3	2.2
Style		
Senior management participation	2.3	1.4
Perceived action to remove barriers	2.8	1.2
Informal interaction with team	2.8	1.2
Informal interaction with leaders	2.4	1.2

Source: based on Peters & Waterman's (1982) McKinsey framework and populated from the Field Study (1999)

more and less successful projects, although it would not be prudent to use these mean scores for statistical testing when the total number of observations for each is only 10.

There is little difference in some of the Ss – unsurprisingly, given the general responses that formal procedures and systems were common across development projects. Businesses appear to have adopted lessons from other studies. However, there appear to be key differences in the scores for those Ss known as the "soft" Ss, i.e. those related to people, and, in particular, Shared Values and Style. Whilst Style specifically refers to the leadership style used in new service development, Shared Values is both defined and created by actions of the business leaders. As part of the literature review it became clear that these two Ss were of critical importance to the success of team-working and aspects that could be influenced by leadership practices. Leaders not only choose the shared values they wish their business to have, but, by their actions, can encourage/discourage the establishment of those values.

Whilst the study is an exploratory one into leadership practice in complex new service developments, a research proposition and three supporting propositions were developed from the literature for testing during the study. The following explores those leadership aspects, which were the subject of supporting propositions, i.e. hands on participation; communications with the team; interaction between leaders, and tests the supporting propositions in turn.

7.3 Supporting Proposition 1

S1 Higher levels of success in complex NSD projects are associated with a "hands on" style from the senior leader in the development: lower success levels with an "arms-length" style from the senior leader.

The findings reveal that a major difference between more and less successful projects lies in the senior leader participation. Project leaders stressed the helpfulness of senior leaders and the way in which they demonstrated support of the more successful projects by their hands on involvement. This involvement ranged from leading sub-projects to being active participants in the pre-launch trials and then being early adopter customers. The key difference lay in the duration of participation. In more successful projects, the senior leader "hands on" participation was throughout the project - it was a continuous involvement.

Analysis of the interviews reveals that the more successful projects experienced higher levels of hands on participation. This is reflected in the "scores" as can be seen in Tables 7.2. Participation was measured using the Style scale 1 score in the McKinsey framework (see Table 5-2). The results of the study reveal that the difference between more successful and less successful projects was the duration of participation of the senior leader. This analysis was confirmed by the comments made during the interviews. In the more successful projects s/he participated throughout. Respondents expressly commented on the participation – "the CEO maintained informal contact throughout"; "X was a frequent visitor to the project team"; "the hierarchy has been collapsed, allowing the MD to get more involved"; "the project sponsor ensured the direction was clear". The significance of the findings was tested using the individual project scores and then by applying the Wilcoxon matched pairs test. This test is laid out in Table 7-3. The results show a difference in project scores between the more successful and the less successful projects that is much greater than could be expected by chance. **The proposition is therefore supported.**

7.4 Supporting Proposition 2

Higher levels of success in complex NSD projects are associated with an informal communication style between the leaders and the development team; lower success levels with a predominately formal communication style.

Again the more successful projects were marked by the style of contact with senior managers at both the sponsor level and the business champion level. Communication, whether verbal, written and/or meetings was extensive and a mixture of formal and informal. Project managers continued this contact with team members. Formal communications were controlled and confined to that laid down in business processes, whereas informal communication was set by business culture and the style of the leaders involved in the project. A number of respondents remarked on the unusually high level of informality experienced in the more successful projects, as follows: -"there was lots of informal contact with the project leader and with the sponsor"; "the senior exec. was very interested - his door was always open"; "the key thing was communication - to the top team and to the rest of the bank"; "the project leader encouraged informal meetings"; "common theme was full business focus - top, down and across"; "the general informality was helped by co-location of the team away from main HQ"; "there were lots of informal meetings between the package, project and programme managers". The interviews, when scored, show two very different results for formal and informal communications, as shown in Table 7-4. Formal interaction hardly varies but there is marked variation in informal interaction, particularly in (i) the level of informal communication with the team by both the senior and business leader, and (ii) the fact that the senior leader communicated throughout the project. The significance of this finding was tested applying the Wilcoxon matched pairs test to individual project scores for the Style scale 3 (see Table 5-2). Table 7-5 illustrates that this is much greater than could be expected by chance. **The proposition is therefore supported.**

Table 7-2

"Hands on" participation of leaders in the complex New Service Developments

Leader Studied	Leader Participation in project	More Successful projects. (n=9) **Mean** (3High-1Low)	Less Successful projects. (n=9) **Mean** (3High-1Low)
Senior leader	at any time throughout	3 2.3	3 1.4
Business leader	at any time throughout	3 3	3 3
Project leader	at any time throughout	3 3	3 3

Source: Field study (1999)

Table 7-3

The Wilcoxon matched pairs test applied to the field study results for Supporting Proposition 1

Project Manager	More successful	Less successful	Differ-ence	Rank of Differ-ences	Signed rank of differences	Sum of positive ranks	Sum of negative ranks
1	2	1	1	3.5	+3.5		
2	2	1	1	3.5	+3.5		
3	2	2	0	Discard			
4	3	1	2	7.5	+7.5		
5	2	1	1	3.5	+3.5		
6	2	1	1	3.5	+3.5		
7	2	1	1	3.5	+3.5		
8	3	1	2	7.5	+7.5		
9	2	1	1	3.5	+3.5		
Sum						36	0
T(obs)							0
T(crit)							3
Accept Null?							No

Note1: The null hypothesis is that the results happened by chance
Note 2: alpha = 0.005

7.5 Supporting Proposition 3

Higher levels of success in complex NSD projects are associated with an extensive, "enabling" style of interaction between multiple leader roles; lower success levels with a "command and control" style of interaction

All projects used multiple leader roles but the supporting proposition requires that they must work together often and in a non-hierarchical way.

The major differences between the more and less successful projects lie in the interaction between the senior and project leaders. In less successful projects, there was a hierarchical feel to interactions, with the senior leader interacting with the business leader who interacted in turn with the project leader. The interaction between leadership style. Respondents contrasted the difference between more and less successful projects on the last point, and highlighted how the project team itself had struggled to resolve issues on less successful projects. This struggle had been averted by senior leaders at the outset on more successful projects, "there was senior support from Day 1"; "we were allowed to submit a pseudo business case to get started".

In more successful projects, there was easier interaction between all of the leaders throughout the project, regardless of hierarchical levels. Leaders encouraged relationships that enabled the project to succeed rather than relationships that demonstrated their position power. One respondent reported a senior leader actively involved in a sub-group where "rank was left outside the door" for the meeting. Another mentioned that "X (the project leader) did the briefing of the senior leader at each stage. Normally the process is more formal". The enabling style of the project leader was also highlighted, "the project manager is the

Table 7-4

Communication between leaders and team members in the complex New Service Developments

Leader communicating	Type and timing of communication	More Successful projects. (n=9) **Mean** (3High-1Low)	Less Successful projects. (n=9) **Mean** (3High-1Low)
Senior Leader	Formal Informal	3 2.8	3 1.2
Business leader	Formal Informal	3 2.8	3 1.2
Project leader	Formal Informal	3 3	3 3

Source: Field study (1999)

Table 7-5

The Wilcoxon matched pairs test applied to the field study results for Supporting Proposition 2

Project Manager	More successful	Less successful	Differ-ence	Rank of Differ-ences	Signed rank of differences	Sum of positive ranks	Sum of negative ranks
1	3	1	2	4.0	+4.0		
2	3	1	2	4.0	+4.0		
3	2	1	1	8.5	+8.5		
4	3	1	2	4.0	+4.0		
5	3	1	2	4.0	+4.0		
6	2	1	1	8.5	+8.5		
7	3	1	2	4.0	+4.0		
8	3	1	2	4.0	+4.0		
9	3	1	2	4.0	+4.0		
Sum						45	0
T(obs)							0
T(crit)							5
Accept Null?							No

Note1: The null hypothesis is that the results happened by chance
Note 2: alpha = 0.005

senior leader and project leader was also not a continuous one throughout the project, but concentrated at the beginning when authorisation was required, i.e. a controlling facilitator", "the project manager leads - and in that sense the project team is self managed"; "we use a virtual team approach - the project manager pulls the team together".

Whilst all projects were subject to the same process, the way the process is used by senior leaders varied. In more successful projects, process is used to enable - and may be "bent" on occasions: in others it is used to control. Where it is used to enable, it builds expectations and perceptions of the development team. The project team saw that senior leaders were committed to the project and willing to change priorities and bend rules - with some personal risk - to help give it a good chance of success. Respondents commented "the CEO allowed people to deliver"; "involvement of Exec.
Directors showed the importance"; "the project manager is pivotal - backed by the sponsor".

The significance of this finding was tested using the Wilcoxon matched pairs test on the individual projects scores for the Style scale 4 (see Table 5-2). Table 7-7 illustrates that this is much greater than could be expected by chance. **The proposition is therefore supported.**

7.6 Working Proposition

The results gathered by the field study show clear differences in approaches between more successful and less successful projects. Qualitatively, the results affirm the supporting propositions. More successful projects had multiple leaders working as a leadership team, with all of them active and showing continuing interest in the project.

There was clear evidence of senior leaders whose involvement extended beyond monitoring and controlling, to running a sub project and being active in product trials in the project.

Table 7-6

The interaction between leaders of complex New Service Developments

	Timing of interaction	More Successful projects (n=9) **Mean** (3High-1Low)			Less Successful projects (n=9) **Mean** (3High-1Low)		
		Senior Leader	Bus Leader	Project Leader	Senior Leader	Bus Leader	Project Leader
Senior leader	at any time Throughout		3 3	3 3		3 3	3 1.2
Business leader	at any time Throughout	3 3		3 3	3 3		3 3
Project leader	at any time Throughout	3 3	3 3		3 1.2	3 3	

Source: Field study (1999)

Table 7-7

The Wilcoxon matched pairs test applied to the field study results for Supporting Proposition 3

Project Manager	More successful	Less successful	Differ-ence	Rank of Differ-ences	Signed rank of differences	Sum of positive ranks	Sum of negative ranks
1	2	1	1	6.0	+6.0		
2	2	1	1	6.0	+6.0		
3	2	1	1	6.0	+6.0		
4	3	1	2	1.5	+1.5		
5	3	1	1	6.0	+6.0		
6	2	1	1	6.0	+6.0		
7	2	1	1	6.0	+6.0		
8	2	1	1	6.0	+6.0		
9	3	1	2	1.5	+1.5		
Sum						45	0
T(obs)							0
T(crit)							5
Accept Null ?							No

Note1: The null hypothesis is that the results happened by chance
Note 2: alpha = 0.005

Furthermore, simple scoring and proposition testing using the Wilcoxon matched pair signed ranks test suggests that the results of the study are unlikely to have been obtained by chance. The study supports the proposition that greater success in complex new service development is associated with certain leadership practices. Hence, the working proposition for the experiment is supported by the results obtained.

7.7 Key findings

Our study provided evidence in support of the working proposition that more successful NSD projects were differentiated by a continuously involved leadership style, where the style of leadership involvement comprised three elements:-

- Style of participation.
- Style of communication.
- Style of control.

Each of these formed a supporting proposition, which was specifically tested and supported by the findings. However, the objectives of this study were not only to test the propositions but to develop a better understanding of leadership practices in complex NSD projects for use in designing further studies. We will therefore consider the wider picture in this examination of the study results.

In gathering the data to test the propositions, the responses from those interviewed showed a number of key issues in terms of style of leadership involvement in NSD projects. This involvement during more successful projects went beyond that needed by an old style "command and control" culture and aim to actively *enable* developments through a number of actions such as: -

- Encouraging and supporting the use of multiple leadership in radical development projects. Individual leaders cannot effectively discharge all of the tasks needed to deliver a successful development - particularly to obtain resources and cross-departmental commitment. However, in more successful projects, these multiple leaders work together

as a team towards a common goal, perhaps sharing the lead at different times in the project.

- Adopting a style and use of communication that imparts to the other leaders, the development team and to other functional departments, the importance to the business of the development and of the direction sought. However, in more successful projects, this communication comprises a dialogue between all parties involved to ensure that the development meets the needs of the market, and of all departments. It is also communication by both word and deed - respondents remarked positively of senior leaders who involved themselves in the project and made themselves available for discussion or for testing the product. This also transposes into higher scores for empowerment and goal clarity.
- Inculcating an external focus and openness to more diverse inputs. In most of the more successful projects studied, senior leaders not only insisted on a market-focused approach but also involved external agencies to help the project team achieve it. Hence, the difference in scores for market driven strategy.
- Increasing the opportunities for communication and information exchange with those involved in the project. A notable differentiator between more and less successful projects was the level of informal interactions between different leaders and between leaders and project team members. Communication did not rely on formal reports and review meetings.
- Being seen to use business process to enable developments rather than just control them as tested in Supporting Proposition 3. This revealed examples of senior leaders altering business processes to "enable" projects in the initial phase. This "rule bending" even involved setting up new units away from the mainstream business, hence the difference in scores on structure.

7.8 Conclusion

This chapter has reviewed the findings from the field study, firstly to understand the context provided by the McKinsey 7S framework, secondly to test the working propositions and finally to highlight some other leadership insights.

The propositions were supported by the findings and indicated the importance of senior leader involvement in projects, particularly their style, and duration, of participation; style of communication; and style of control of those involved in the development. The key findings reveal how the more successful, senior leaders were noticeable for their willingness to adapt business processes to enable developments rather than control them; for their encouragement of an external focus; and the use of personal action to support changes to communication styles and business culture within development projects. Senior leaders were involved throughout the most successful projects, supporting the project leadership team whilst retaining their overall authority.

Chapter 8

Discussion of Results and Managerial Implications

8.1 Introduction

Our study is concerned with the impact of leadership style on NSD project success. Style is only one of a number of business aspects that leadership must consider – the McKinsey 7S framework includes it as one of seven - but our findings, presented in Chapters 6 and 7, suggest that it affects the level of development success. Chapter 3 identified the roles that leaders adopt in NSD and the tasks within these roles that leaders need to discharge. This chapter discusses those roles and how leadership style affects project success, identifying key issues for managers involved in new service development, and highlighting approaches that our study has found associated with greater levels of project development success.

It does this by first discussing the multiple leadership context of Style within the businesses whose projects were studied, and then discussing how the leadership styles we found to be associated with higher levels of success can be established. Finally, we propose a schema of leadership style for senior and junior leaders of development projects. This schema allows senior leaders to consciously plan their involvement in developments. The implications of our study are relevant to practitioners seeking to improve success in NSD projects; particularly senior leaders who have the authority to change the way projects are led in their business. It highlights the importance of a concept we describe as taskforce leadership - multiple leaders that work together synergistically on projects as part of a leadership team. The chapter also discusses specific actions that leaders can take to improve project success, in terms of communications, participating in projects and empowering others, i.e. sharing power. A leadership style of enabling rather than controlling is recommended, however, we also stress the importance of leaders being actively involved throughout. This requires a

carefully balanced approach, not least in terms of "managing self", i.e. the leader using his/her personal time to best effect. A leader can only get involved in a finite number of projects so choosing the projects or developing junior leaders to provide greater support will be increasingly important.

8.2 Multiple leadership in NSD projects

We have identified three key components of setting leadership style that are associated with higher levels of NSD project success. However, in investigating the case studies it became apparent that the multiple leader context within which the projects took place was also important.

All projects had a number of leader roles although not all were replicated across businesses. Those that were, included roles that conformed to the Burgelman (1983) model, i.e. strategic/senior leader, organisational / business leader and project leader. However, a marketing leader - as suggested by Johne (1995) and Johne & Davies (1999) - was also common, particularly at project definitional and pre-implementation stages - frequently the in-life product manager who was involved in, but rarely led, complex new service development. The issue is what leadership practices differ between the multiple leaders in less successful development projects and those in more successful projects. We will, therefore, now explore two elements of multiple leadership more fully - sharing power and functioning as a leadership team.

8.2.1 Leaders and shared power

The potential to merge leadership roles has been raised in the literature. Burgelman's (1983) model suggested 3 leaders but there is evidence from Gemuenden (1998) and Clark & Fujimoto (1990) that leader roles can merge into less than this three. Leadership style needs to support this sharing of tasks and responsibilities, without diluting specific responsibilities

that should be delivered by the individual leaders. For example, in some of the projects investigated, elements of sponsorship were clearly shared between the senior, business and even project leadership. This sharing tended to be in building and maintaining commitment to the development project across departments and applied regardless of the business.

Whilst the literature refers to the importance of effective sponsorship in obtaining overall resources, there is a subsequent task persuading others to provide both the right quality and quantity of resource. Avery (1999) argues that managing the skill fit for projects is the role of the project leader; building commitment is the role of the more senior leader. As project working in businesses typically uses matrix working with team members working on a number of teams, getting the "right" resource was reported in the study to be a potential problem. Respondents referred to the value of an experienced project leader in being able to get the resource required; one project leader stated that personal links with one department had been particularly beneficial in getting the "right" people. This finding suggests that the clear roles as defined by the Burgelman (1983) model are liable to merge in modern matrix organisations with the level of leader - the formal power - important for getting authority for overall resource and more personal, informal power being used to get the "right" resource.

Dougherty & Hardy (1996) stated that sustained product innovation success required a fundamental re-organisation of power in the organisation - this assertion may reflect the growing importance of informal power, particularly that of self-managed teams. All respondents believed that they operated self-managed teams with members committed to the project rather than their department. The study supported the Pascale, Millemon & Gioja (1997) and Bower (1997) findings that traditional control and command leadership is fading, and found that successful projects experienced leadership that was enabling rather than controlling. There was clear evidence of an informal leadership style permeating both

communications and processes. Power was shared between the leaders albeit with the senior leader retaining overall authority. This latter point is important and was one of the common leader requirements highlighted in Chapter 3 and identified both in studies and by practitioners.

There are elements of leadership roles that merge as each leader contributes to the overall change or innovation required, but there also elements that must be owned by the individual leaders, particularly the senior leader. The senior leaders of more successful projects in the study adopted a style that shared power but maintained ownership of specific responsibilities such as the strategic direction and interacting with their senior colleagues. Indeed one of the critical differences between greater and lesser success lay in the senior leader's delivery of goal clarity. Amabile et al (1986) found this to be a major factor in successful creativity from teams, and comments from respondents in the study indicated that, without this goal clarity, projects found it difficult to maintain momentum and usually were closed.

Clear goals are particularly important as the findings support Handy's (1995) suggestion that leadership moves between people during a project - he uses the analogy of a rowing eight. Our findings suggests that the senior leader starts the innovation and then the business leader and project leader take it further, maintaining commitment and progress, with the senior leader supporting and encouraging. The leadership style in the more successful projects was supportive and shared tasks and responsibilities - it was enabling rather than controlling. However, the senior leader retained overall authority and specific tasks such as setting direction and clear goals.

8.2.2 Taskforce leadership - the development "top team"

New service development is increasingly complex, involving the development of augmented products. Furthermore, development time-scales are becoming shorter as markets become

more volatile and competitive. These pressures create an environment where one leader is not enough, despite the apparent focus of many articles on the "hero" CEO. McGill & Slocum (1998) ask the question "can the great man do it all on his own" and answer that he cannot. Bower (1997) posits a "leadership business" - the antithesis of a conventional, hierarchical organisation – where decision making takes place at a number of levels in the business. He suggests that a business is managed by a series of teams, both operational and advisory, of which the top management team is just one. The literature therefore suggests that development projects in " new style" businesses are managed by a number of leaders at different levels in the business but all discharging part of the leadership role to make the project succeed. Hitt (1999) suggests that the top management team needs to be able to ask the right questions rather than necessarily have all the answers - other teams within the business are then empowered to provide the answers. This recommendation appeared to have been adopted in the projects that we studied; the difference between the successful and less successful projects lay in the duration of the top management team's interest in obtaining the answers - in the less successful it was not maintained much beyond the initiation stage.

Our findings suggest that the use of multiple leaders is normal as part of mandatory processes. In some cases, due to hierarchical structures, but in other, flatter organisations, in order to deliver the basic control processes. This use of multiple leaders is not the same as our suggested concept of **taskforce** leadership, which derives from both the existence of multiple leaders and also the effectiveness of these leaders working together. The former is leadership process; the latter relates to leadership style. Our results showed that all projects in the sample were managed by multiple leaders but in the less successful ones, the level of involvement and commitment to the project leadership team from senior leaders was not as high. In the more successful ones, involvement was high and there was evidence of overlaps between the leaders particularly in cross-departmental communication and building

commitment. The recommendation for new service developers therefore is that it is not enough to have multiple leaders – these leaders should function as a team with each displaying commitment to the project, if the project is to achieve high levels of success.

8.3 Setting leadership style

We have seen that leadership style is important in delivering higher levels of NSD project success and the results of the study suggest that a number of factors contribute to setting leadership style. These factors are leader participation, communication, and enabling rather than controlling development projects. The following considers how these factors can be addressed by leaders, to set the leadership style associated with higher levels of success.

8.3.1 Leadership style and participation

Participation has a number of facets including how the leader participates and how s/he manages the extent that s/he can get involved in development projects.

Active involvement in projects

Active involvement by senior leaders was found to be the most critical issue for project success. In the more successful projects, this was clearly perceived by project members and demonstrated by actions such as regular communication and visits; participation in the trial; managing a sub-project; "bending the rules" at the project inception to allow it "seed money" or save it from an inappropriate business case process. When discussing less successful projects, in which they had been involved, differences in senior leader involvement and informality were cited by project leaders whilst reporting that the project team approach did not change. Our recommendation for senior leaders is that it is not

enough to be involved, they should consider how they could demonstrate their involvement clearly and effectively to the project team.

Acting as change agent

It was clear in a number of projects that there was a senior leader acting as a change agent and encouraging team building through activities such as training or co-location. These leaders employed the leadership style of informality and frequent contact as recommended by Handy (1995) to build commitment to change. However, this like other evidence in the literature, applies to leaders acting as successful change agents at the business level, i.e. operating on the business; there is little on leadership of development project teams. Our study is concerned with leadership of projects and hence leaders as change agents operating on the project - nevertheless it is helpful to explore where the findings on successful projects mirror the more general change agent literature.

Bryman (1992) observed that a crisis often causes a willingness to change and creates an opportunity for a leader who can then offer a compelling vision for the business that takes it out of the crisis. However, the leadership style for doing this may vary from the supportive to the "nasty". Hill & Wetlaufer's (1998) description of Franco Bernabe's transformation of ENI is a typical example of a supportive style. Conversely, Johne & Davies (1999) found evidence of a severe approach to leading change in successful innovatory insurance businesses. The CEO adopted a "nasty " style of leadership in order to break down the business before re-building it. He was directive in style and not supportive of people within the business until the breaking down had taken place. This may be explained by findings by Kotter (1996), who in his examination of leading change in organisations, remarks that a major problem for any senior leader and change agent is that other senior managers can obstruct change. They have position power, an established culture and a style of command

and control working which prevents the successful embedding of any major change. The "nasty" style of leadership uses formal power to overcome the resistance; the alternative - a leader effecting radical change by painting a compelling vision and then seeding the organisation with key people - uses informal power. The latter approach might be stern but always supportive and persuasive. Percy Barnevik's ABB transformation came through just this type of approach.

In our study of consumer finance projects, change to enable project success was led through a persuasive and supportive style - even setting up new units so that change could take place gradually. Leaders provided direction and a culture for the project teams, the context as referred to by Gersick (1988), who stated " that leaders set the context", and Bennis (1989) who declared that leaders master context. The leadership style in the more successful projects was to motivate and encourage - Harvey-Jones' (1988) "switch on people" or even Heifetz & Laurie's (1997) advice to leaders to "give work back to the people" - a participative style of leadership. They argued that the solution to adaptive changes resided in the collective intelligence of the business. Tichy & Devanna (1988) recommended that charismatic leaders - employing a leadership style that uses personal image to build commitment - should not get too involved in day to day work or they would lose this charisma. Respondents in our study referred to a number of senior leaders in a way that suggests charismatic leadership had occurred, and yet the leaders were participating and getting involved in the project - one even led a sub-project. This finding may reflect a difference in service businesses where leaders are often functional specialists, or support for the "servant leadership" style, that Brenneman, Keys & Fulmer (1998) reported being adopted by Shell, where leaders "walk ahead", advancing transformation in others and the business. The leadership style for greater success in our sample of projects, appears to be setting the framework, leading from the front and

being involved, whilst empowering people to deliver. This result seems to support both the "servant leadership" style and Handy's (1995) concept of "post heroic" leadership.

Senior leadership involvement in incremental innovation

Given that complex NSD projects are breakthrough activities and will occur rarely, there is also a need for incremental innovation. Our study suggests that such activity in the UK consumer financial services industry is led by the product manager and does not receive the same level of attention from the senior or from the business leader, although it conforms to the same processes as more complex innovation. Authorisation is at a lower management level but still requires cross-functional teams and commitment from elsewhere in the business. McDonough (1993) suggests that such developments are best managed with a participative leadership style, using the expertise of the team members in a self-managed team. Formal leadership appears to be more a singleton activity involving just the project leader but in effect the leadership team becomes the self-managed project team rather than the **taskforce** leader team used for more complex innovation. Respondents, in passing, appeared to confirm such an approach but this was not the focus of the study and a fuller view was not obtained. However, it contrasts with the findings of the Brown & Eisenhardt (1997) study, which argued for the continuous change and incremental innovation approach it had found in the more successful businesses in the US computer industry. This is an industry in an equivalent turbulent competitive environment and yet incremental innovation is the focus of its senior leadership. Without further study it is not possible to comment further than to observe that the definition of incremental innovation may well vary from industry to industry.

Our study of the consumer financial services industry suggests there is minimal involvement of senior leaders in incremental innovation.

8.3.2 Leadership style and communication

Communication is frequently mentioned as a critical part of a leader's role. This extends from the concept of transformational leader communicating a crisis, as suggested by Hill & Wetlaufer (1998), to one the five common requirements from a leader identified in Chapter 3, being to communicate a compelling vision. Such importance provides a testing challenge for leaders' communication skills and applies to all leaders whether leading a business or a project team.

This communication should be by word and deed – Kotter (1996) gives examples of how initiatives have failed because the deeds do not match the words. Both Barnevik with ABB and Bernabe with ENI have stressed the effort that they and their top team expended in communicating – in their view perhaps even "over communicating" but claim that this is essential. Ket deVries (1998), echoing Pagonis (1993), refers to the need for "empathy", to get the best out of people. Empathy leads to an appreciation of concerns and uncertainties within a "community" such as a business or project. For example, most people regard change as a threat and Dess, Picken & Lyon (1998) found that communication of the benefits, to reduce anxiety and encourage constructive activity is essential. Hay & Williamson (1997) in considering what a good strategy looks like from "below" recommended that it should give inspiration; guidance; link with the tasks that people had; give discretion to people in delivering those tasks; and facilitate communication by establishing a common language for the business. Hence, the perceived leadership style can be set by how, what, and the frequency, with which leaders communicate within the business and project team.

In our study, we found examples of leaders communicating a crisis for some projects, particularly where new approaches needed to be established in incumbent businesses. These projects had very different cultures which senior level respondents explained were essential

to overcome some of the problems of the established business - for example the paralysis that regulation seemed to have inculcated. Senior level respondents were intentionally using communications by word, training and external involvement to create a sense of crisis and urgency in addressing new markets and the new competition approach from new entrants. However, in the less successful projects, the sense of crisis shifted to an internal focus - the crisis was in not having clear budgets and commitment to the project. The successful projects adopted a communication style modelled by the leaders, one of openness and joint focus on meeting a clear set of project goals.

At the project level, Ancona & Caldwell (1992) identified two key aspects of communication for success - "ambassadorial" or selling the project across the functional departments to get commitment; and "task co-ordination" which involved listening and involving others. Our study found that communication of the ambassadorial type took place at senior, business and project leader level whereas task co-ordination appeared to be the province of project leaders and sometimes the business leader. The more successful projects experienced formal and informal communication embracing both ambassadorial and task co-ordination tasks. Tushman & Nadler (1986) reflected on the importance of the informal network for successful innovation, both to get direct feedback when things are changing or not meeting requirements and also to know who to call to solve problems. Handy (1995) argued that informal communication also helps to build team commitment. The study found that the less successful projects experienced breakdowns in communication of goals and commitment. Senior leaders did not appear to listen or at least did not give a clear position statement when their assistance was sought. They were not involved and hence not part of the informal communications network, both from a listening and communicating viewpoint.

The method of communication is changing with the advent of e-mail and intranets, i.e. special, business wide, communication systems, based on internet technology. A number of respondents explicitly referred to senior leaders giving full freedom to anyone in the business to e-mail them with ideas and comments. Similarly, corporate intranets are being used both as repositories of information and process instructions, easy cascade of information "from the top" and to collect new ideas for products.

Opportunities for communication have increased and are being exploited by many businesses. The new methods contrast with the need in the past for CEOs like Barnevik, Bernabe and Walton (Wal-Mart) to travel widely and communicate in person. It is however, unclear whether the advent of the e-mail is complementary rather than substitutional. Personal visits allow the CEO to "experience" the business or a project and through contact to build the empathy that Ket deVries (1998) has highlighted. The more successful projects in the sample were ones that experienced personal contact with the senior leader as well as having the opportunity to use the intranet. As both more and less successful projects operated under the same internal communication conditions, it would appear that formal, internal communications provide a backcloth for a business, i.e. they are a standard part of business operations rather than a specific enabler for individual projects.

This suggests that the continual rejoinder in leadership studies that communication is not just in words but in action, is true where enabling innovation success in specific projects is concerned. Leaders being seen to visit all parts of a business or project can establish an open, approachable, leadership style. Clark & Fujimoto (1990) stressed that "heavyweight" project leaders got "out and about" and were not project clerks sitting in an office, monitoring progress. Personal presence adds something to perceptions of leadership style so relying on e-mail may not be enough to prove an open approachable style.

Our study found that informal communication in more successful projects was common between all leaders, although in some cases less frequent between the senior leader and the team members. Hence, leaders are more open to influence by other leaders or rather there are more opportunities to do so. This raises the question about whether being actively involved in a project makes a leader more amenable to influence. In the less successful cases studied, does the fact that leaders were not very involved in the less successful projects mean that there was less opportunity to influence them to resolve goal and budget problems? Alternatively, was it that they did not consider the project important enough to justify their involvement? If the latter, there may be a breakdown in communications which leads to project leaders continually trying to influence the senior leader when s/he is not concerned. This breakdown may be at the business leader level, where Burgelman (1983) would argue political skills and contacts should establish senior leader indifference before the project inception.

Communication through interpersonal interactions

All of the projects investigated used formal meeting, reports and progress reviews at which team members and leaders interacted to deliver the progress. This interaction was usually very hierarchical with, typically, sub-project teams reporting progress to a project manager who reported progress to a senior level project steering group. Timing varied from fortnightly to monthly formal reporting but did not appear to vary during the project, although it might have been expected that there might be more frequent reporting immediately pre and post launch. However, a number of the businesses studied see projects as being quite short time-scale activities – there was even reference to strategy being set by a 6 monthly project horizon - so short time-scale projects would be expected to have a greater frequency in reporting. Mandatory processes appear to create the conditions for Ancona &

Caldwell's (1992) task co-ordination, i.e. constant dialogue between the project and other parts of the business ensuring that the project meets business needs.

Additionally, all projects reported use of informal interactions with team members meeting in small groups to deliver work packages and with sub-team managers talking or meeting informally with the project manager. Time-scales were neither regular nor quotable; rather "as required" to achieve the immediate objectives. The people involved in these informal interactions varied as well as the frequency of their interactions. Extent varied with the more successful projects involving informal interactions "up the hierarchy" including the senior leader level. Some confined informal contact to the business leader – typically larger organisations - but in the more successful projects, most encouraged regular informal contact with the project leader as well as the business leader. This contact encompassed progress reporting but also allowed the senior leader to be more effective in the sponsorship roles. Reporting was therefore less dependent on a review timetable and driven more by the need for the various leaders to maintain contact, knowledge and influence. Where the senior leader encouraged such informal contact, he was perceived as a very effective and valuable sponsor.

However, does formal process lead to effective task co-ordination? Evidence from Allen, Tushman & Lee (1979) suggests that teams involved in lengthy projects, in practice tend to increasingly ignore external input; could this ineffectiveness occur even in short projects? Hershock, Cowman & Peters (1994) pointed to the functional department versus project dilemma and nearly all banks studied still employed functional departments. Department heads usually nominated project members and hence there is the risk that the nominee becomes a departmental representative not a team member, i.e. only takes part in the formal activity.

Successful teams are usually denoted by a strong esprit de corps; the initial research identified this and the tendency to tackle activity in small groups /subsets of the team. Is it the effectiveness of the informal interactions that marks a successful project? This is mainly the Energising role suggested by Tushman & Nadler (1986) - although departmental fixation could be argued as a culture failure, i.e. a failure in Envisioning at the boundary of Envisioning/Energising. Both point to the need for effective action at the senior and business leader level.

There is a converse risk on longer projects and that is of the departmental member losing touch with "his" department, losing information on valuable trends and probably more importantly, personal recognition as someone who ensures that the departmental specialist concerns are incorporated into the project. This "losing touch" is a complementary risk to that identified by Allen, Tushman & Lee (1979) in long projects, of project teams developing a sense of their own superiority in knowledge and ignoring inputs from "outside" the team, i.e. a failure in the "task co-ordination" role.

8.3.3 Leadership style and enabling projects

Two particular aspects of leadership style in enabling projects were reported for the more successful case studies - support at project initiation, and in shaping the processes applied to the development projects.

Project initiation

An area where leadership style appears important is during project initiation. The initial research shows that project leadership commonly remains with the same leadership throughout, not transferring to the product manager until after launch or until "business as usual". This was a phrase that featured frequently in the research and seems to indicate that the new development projects regard themselves as separate from "business as usual", i.e. the

in-life management of products and services. Innovation is not seen as "business as usual" despite the fact that respondents recognised how critical it was for their business to innovate. The apparent contradiction may reflect a perception that the development **project** is different from "business as usual" rather than the **act** of innovation.

Some larger organisations actively discourage "squirrel funds" and "seed money" to develop a concept because it does not fit in with the business planning process. Given the long time-scales - typically 6-9 months before the next financial year - that such planning processes involve, this reduces the freedom to respond to a volatile, trading environment, including advances in technology. When questioned on freedom, respondents answered that the senior manager and budget holder has some freedom to change priorities and free money for new projects. This freedom is constrained both by authorisation processes and the fact that managers takes a personal, career risk in changing priorities between projects, particularly if this change affects the business unit financial performance in the short term. Yet respondents reported that senior leader support to make funds available, ameliorating the full requirements of mandatory business case processes, was often essential to getting more successful projects started. In some cases this extended to gaining Board approval to set up a new division or unit operating outside the main business. This activity went beyond the sponsor role identified by other studies although the importance of the projects investigated here led to the sponsor being at the senior leader level rather than the business leader level as would be expected from the Burgelman (1983) model.

The senior leader was taking considerable professional risk in sponsoring the development project - and doing so in businesses known for being risk averse. In the incumbents, these senior managers would have reached their management level by displaying the traits of conservatism and risk aversion that is the business norm. What is unclear is why they should

depart from this approach, adopting a risk taking style, and how they were able to obtain the necessary support across the business to do what they wished to do.

Again, the importance of the senior manager role - and style of discharging it - to initiating change was stressed. All respondents referred to the need to get a high level and supportive sponsor at the project inception and retain him/her throughout.

Shaping process

All projects were subject to process, embracing business cases, new service development and project management. This process is usually formal and well documented, either in paper manuals or on intranet sites. The attitude to these processes at the senior manager level varied from "we use it where it helps" or " we focus on results not process" to "the new process has helped us tremendously". Process was claimed to help establish roles and responsibilities and hence avoid confusion. It is particularly helpful in matrix working with functional representatives having clearly defined responsibilities - one respondent referred to functional representatives being charged with being the single point of responsibility for their department rather than being able to define their own terms of reference and limit their responsibility. Having a process was argued to help establish clear objectives and budgets, and yet in some less successful projects, operating under the same processes, clarity was patently lacking and the main cause of problems. Hence, the value of process is limited by the efficiency of its implementation.

The problem faced by leaders then becomes achieving a balance between adherence to the formal strictures of process and the apparent need for informality for greater levels of success. This balance must be the responsibility of the senior and business leaders - some of the most successful projects in the study resulted from the judicial support of senior leaders

at the initiation stage in avoiding the full business case requirements until such time as better market understanding could be built. The senior leader's approach to process provided clarity and a way to remove barriers and empower the development team to succeed.

Yet the same process was applied for both more and less successful projects - so what was the difference? The difference appears to be the involvement of senior leaders in the process. Participation appears to provide full organisational support for a project not just the words contained in the process manuals. Processes can control or they can enable. In a bureaucracy they are used to control and so contact with senior leaders is to obtain authority, review progress or to resolve problems; in the more successful projects they were clearly used to enable the new service development team to succeed.

8.4 Managerial Implications

The focus of our study was on NSD leadership teams; their roles and interactions, with the intention of offering advice to senior managers on how to organise for higher levels of new service development success. It became clear from the study that leadership style in innovation projects had a significant impact on the level of success. The study found a number of similarities in the leadership of complex NSD projects with results from studies of leaders involved in other innovatory activities. For example, Ket de Vries (1998) considered the key roles of transformational leaders and suggests that building a compelling vision is not enough, a good leader must be able to underpin this vision with solid construction which transcends organisation and includes communications, reward systems and trust. This observation refers to the leadership of a business, but appears relevant to our study of complex NSD projects. Having the right leadership style is not enough it must be supported by actions such as building a complementary project environment and being personally involved to consolidate the impact on NSD.

The results of our study suggest that a critical need is for a senior leader to create a proactive environment that he/she personally stimulates by involvement and clearly communicating a sense of priority. This not only helps get commitment across departments but can provide "seed money" or a less testing business case environment to get the project initiated. Personal involvement must be perceived to *enable* projects and not just control them, i.e. participating at formal reviews is not enough. In some of the projects, not only was the senior leader in frequent contact with the project team but participated in other ways, e.g. as a customer in the trial or launched product; running a sub-project as a functional specialist.

In some cases, project leaders referred to a flat hierarchy facilitating contact with senior leaders - either because the business is relatively small or because of changes in incumbent structure. This contact leads to greater demands on the senior leader as the number of direct reports increase and a greater need for the senior leader to decide how to allocate his personal resource most effectively. This leads to a critical decision - if personal, active involvement of the senior leader is important to success then do businesses need to focus on fewer development projects or appoint more senior leaders. The latter, suggests an ABB style approach, i.e. a small head office with many small businesses operating independently but to a common vision and framework, - or a Virgin approach of businesses being built in units of 50 people.

The active involvement of all leaders is important to creating **taskforce leadership**, where multiple leaders work together synergistically to deliver the NSD project. Successful projects in our study worked to tight time-scales and frequently involved other businesses, yet claimed to be self-managed rather than subject to directive leadership. It was clear that the taskforce leadership approach gave very clear direction without being perceived as

bureaucratic. Formal progress reviews maintained control but informal contact provided stimulation. It would therefore be incorrect to regard the approach as simply participative and with reduced control; greater success appears to require a leadership style that does not use authority to constrain - rather to enable - and yet does not abnegate the senior leader's ultimate authority and responsibility

All of the projects followed formal processes and hence had formal reviews and communications. The more successful ones supplemented formal processes by informal communications - conversations and impromptu small meetings to resolve issues and communicate progress. This extended to the senior leaders who maintained informal contact with the other leaders and in many cases with team members. There did not appear to be a single "right" way with some senior leaders making regular visits to the project team; others having informal meetings and/or frequent telephone conversations.

The increasing use of corporate intranets provides yet another method of communication that facilitates informal contact. This style appears to be the normal approach for the smaller, new entrants who said that they "involve everyone". Smaller size permits this "involving everyone" style, as the new entrants are essentially large project teams. It is unclear whether the mirroring of this style by larger organisations is effective because the style is "new" (cf. the Hawthorne effect - Mayo (1933)) or because it is perceived as a move away from a command and control approach. It will certainly provide senior leaders with early warning of potential problems and obstacles, and allow them to act early. Additionally, it is unclear whether the new entrants will need to change as they adjust to the rapid organisational growth that they are currently experiencing. Our recommendation is that informality appears to be effective and that senior leaders should aim to decrease

reliance on formal communications and utilise both informal and formal methods. At the very least it is another demonstration of involvement in the project.

8.5 Developing the leadership style for the NSD leadership team

The major implications from our study lie in the need to provide multiple leadership and the cultural environment within which it can function effectively; and the identification that senior leader involvement is critical to setting the environment. However, the senior leader must share power and allow junior leaders to support him, particularly in major development projects. These two components together set a style of senior "management" which can perhaps be better understood through a schema developed from the findings of our study (see Table 8-1). Four senior "leader" styles are suggested - Figurehead, Leader, Commander and Manager, depending on the extent of involvement and shared power with the junior leaders.

Innovation is critical to a business and deserves major attention from senior leaders, including the role they choose to adopt. Our study suggests that senior management in consumer financial service businesses have acknowledged the results of previous studies and have paid careful attention to process; the use of formal project management; setting vision, missions and strategic direction.

All project managers agreed that they used a simple view of the mission for their project or business to guide them rather than an explicit strategy. Larger businesses tended to have fuller business plans and strategies but permitted a simpler mission statement to be derived.

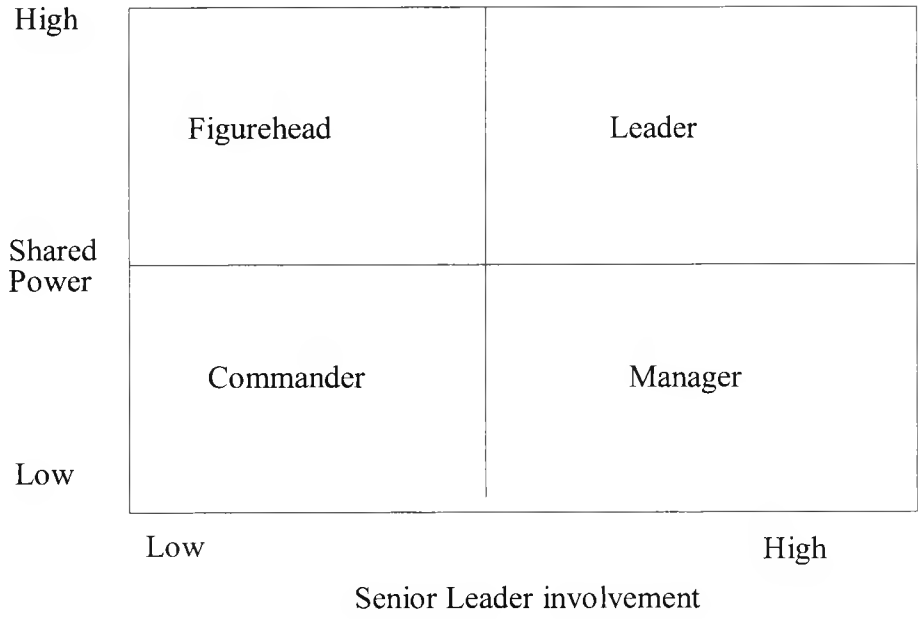
However, our study suggests that senior leaders need to understand that it is the fact and level of their engagement that helps generate the energising of projects and the level of subsequent success. It is the nature of their leadership that can make a critical difference to success - as expected from the model. Senior leaders must *be seen* to be involved in key innovation

projects, prioritising those projects which are sufficiently major to justify their attention. This is a valuable use of their personal resource and will require them to be in frequent contact with the project leader as well as the leader at the next level in the hierarchy. The style of contact is important and this should include informal, verbal contact as well as the formal reviews and reports. Whilst participation in the project could not be proved to be associated with success, it was freely quoted by a number of project managers as a clear demonstration of senior leader involvement and interest. Consideration should therefore be given to active participation if possible, as a reinforcement of interest.

Senior leaders should also consider the perceived style if they change their level of involvement. If they become very "hands-on", reducing the power shared with other leaders then they would become more "manager" than "leader". This may be the reason for Tichy & Devanna's (1988) concern about leaders becoming involved in day to day project activity. Our study found examples of where leaders became less involved, and this reduced involvement could manifest as one of two style changes. If the reduction is accompanied by retention of shared power then the senior leader becomes more a "figurehead"; if not the senior leader becomes a "commander" resorting to command and control rather than the "enabling" role that project teams find stimulating. Moving to "commander" or "manager" may be difficult to resist if a project is going badly - we did not identify any examples of this, rather a move from leader to "figurehead" on less successful projects. However, the change occurred early in the projects and the project were either terminated or found some measure of success. A "figurehead" may be appropriate in some projects to show major business interest but where senior leaders do not have time to be involved - it then needs to be supported by careful project staffing with good junior leadership. One of the respondents spoke of the performance of the project director - similar to Clark & Fujimoto's (1990) heavyweight product manager - in delivering success. This reduced the amount of

Table 8-1
A matrix of senior leader styles

Proposals for the "leadership" style that could be adopted by a senior leader depending on the extent of shared power and involvement in development projects



Source: based on Hershey & Blanchard (1977); Blake & Mouton (1978)

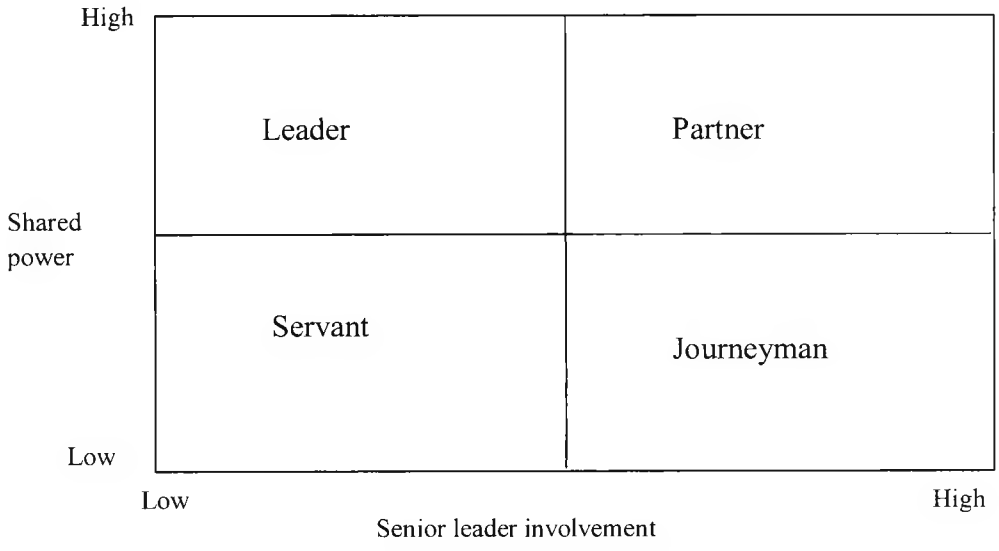
involvement needed by the senior leader. Senior leaders should therefore consider the style that they need for each project and ensure that the choice of other junior leaders is synergistic with this mixture of shared power and involvement.

Four junior leader styles - counterparts to the senior leader styles shown in Table 8-1 - are described by Table 8-2. The four styles are leader, partner, journeyman and servant, and are defined by the extent of both the shared power with the senior leader and the senior leader involvement in the project. "Journeyman" reflects a junior manager using his expertise to support a senior leader who has decided to micromanage a project, i.e. high involvement/low shared power. "Servant" is indicative of the response required in a command and control environment, i.e. low shared power and low senior leader involvement. The requirements from junior managers are therefore very different and may lead to dissatisfaction where the desired role of the junior leader is different from the one that he may find on a project. A journeyman role may be acceptable whilst learning and as a route towards leader or partner roles; "servant" would not. Indeed, it may be a way of training future senior leaders, developing them through journeyman to partner to leader - much as was used in the old English craft training methods.

Maccoby (1999) offers advice on how to identify and develop future leaders which includes looking for those whose assume power and deliver their objectives rather than wait to be "empowered". McCall (1998) however recommends that potential high flyers are identified and exposed to meaningful experiences that will develop the leadership skills needed by the business in the future. He uses an example of a past President of Kelloggs, to show how letting leaders emerge solely on a trend of successes can mask potential weaknesses that will make those leaders ineffective in future roles. This developmental approach would fit with

Table 8-2
A Matrix of junior leader styles

Proposals for the "leadership" style that could be expected of a junior leader depending on the extent that the senior management share power and become involved in development projects



Source: based on Hershey & Blanchard (1977); Blake & Mouton (1978)

the journeyman and partner roles but would cause major conflict and be ineffective if say the servant role was forced on such individuals

Senior leaders may also need to vary involvement during a project but this should be done with consideration of the impact of change in perceived style. Movement from "leader" to "manager" could lead to de-motivation of other leaders and confusion by the team. It would probably also require an increase in formalisation and a reduction in the informality that the study suggests is helpful for greater success. A change from "leader" to "figurehead" could cause loss of direction and frustration unless the junior leaders are equipped to compensate.

The style at the inception of the project is particularly important. In all of the more successful, projects, establishing the project required a phase of almost nurturing activity. Senior leaders could provide strong sponsorship to allow the concept to develop and build the necessary business case to gain formal budget cover in the annual business planning cycle. This sponsorship was mentioned as being critical when the innovation takes the business into a new market where previous experience and knowledge is lacking.

Our study is indicative in areas where senior leadership can increase the success level of complex new service development. However, a number of new areas became apparent during the study that require further study - for example the impact of the intranet on project team communications both to and from the leadership team; and how in empowering others to deliver development projects, senior leaders share power without abnegating their authority. There is also the issue of how to maximise or optimise radical innovations within a business - is it limited by the number of senior leaders and how do businesses train their senior leaders to fulfil this active senior leader role? Is the ABB approach of many small businesses the

optimum route to maximising radical innovations? How should incremental innovation be prioritised, managed and perceived within businesses?

Overall, the conclusion of our study is that Handy's (1995) "post heroic management" is needed for success in complex innovation however the single hero leader has been replaced by **taskforce leadership** which relies on a number of "heroes". However, there is a critical need for the senior leader to become **involved** in complex innovation to increase the probability of greater success.

8.6 Conclusion

This chapter has taken the research findings and highlighted areas for consideration by senior leaders planning to innovate through complex NSD projects. The research findings emphasise the importance of leadership teams for successful development projects; the interaction between leaders in the team **and** with project team members; and the way in which informal processes contribute to higher levels of development success. We have discussed ways of setting leadership style and also supporting that style within NSD projects, drawing out key implications for practitioners. In doing this, the chapter also highlights areas that require further study.

Finally, this chapter introduces two matrices that: -

- Describe specific leadership styles that apply to senior and junior managers, under conditions of shared power and senior management involvement.
- Highlight issues for senior management attention in managing complex NSD projects and grooming future senior leaders amongst junior managers.
- Stress the need for senior leaders to consider how best to employ their personal resources on those NSD projects key to future business success.

This will be explored further in Chapter 9 which considers the limitations of the study together with the implications described in this chapter and describes potential, further research studies that are required to build on them.

Chapter 9

Conclusions and Suggestions for Further Leadership Research

9.1 Introduction

Our study has identified significant findings in implications for senior leaders seeking increased success in complex NSD. The prime finding is the requirement for a senior leader to be continuously involved in complex NSD projects and to pay particular attention to his/her style of involvement, resulting in a need for the senior leader to spend considerable amounts of his personal time on the project. This has implications on the number of projects and size of business that an individual senior leader can manage. In this chapter we will reflect on the limitations in the study performed and identify further areas of research to address these limitations and build knowledge in the leadership of NSD projects and particularly the use of **taskforce** leadership.

9.2 Summary of conclusions

The case studies revealed some clear differences in the practices adopted by businesses even between projects within the same business. All businesses showed the use of multiple leaders in NSD projects but our findings suggest that greater success in complex NSD projects is associated with these multiple leaders working together synergistically as part of a leadership team, and displaying a specific leadership style.

Key Finding 1

It is the establishment of this project leadership team, its' practices and style that is important. We found specific actions were taken by senior leaders of the more successful projects to establish the team and its' leadership style, as follows:

- Encouraging and supporting the use of multiple leadership in complex development projects.

- Adopting a style and use of communication that imparts - through both word and deed - to the other leaders, the development team and to other functional departments the importance of the development and of the direction sought.
- Inculcating an external focus and openness to more diverse inputs.
- Increasing the opportunities for communication and information exchange with those involved in the project. Communication should not rely on formal reports and review meetings.
- Being seen to use business process to enable developments rather than just control them.

Key Finding 2

Where the senior leaders took this action, then the other leaders adopted a similar style and the leaders worked together as a team, continually building support across the business, motivating and supporting the project team to deliver the development successfully.

Key Finding 3

The project team noted the senior leader support, particularly where he actively participated in the development or was seen to resolve issues that were adversely affecting the project. They also noted the leadership working as a team and project team-working improved. Team members did not simply discharge their actions, representing their function but were proactive and contributing team members. It was not simply the interest of the senior leader, it was the formation of an effective leadership team that differentiated between the more successful and the less successful projects. The senior leader did not take over the project and "micro-manage" or fully control it, he fully played his part in an effective leadership team, and enabled the development team to deliver.

Key Finding 4

As well as the qualitative analysis performed on the information gleaned from the interviews, we posited, tested and found evidence to support three propositions concerning the leadership

style of involvement in complex NSD projects. The literature had suggested that style of leadership involvement comprised three facets:-

- Style of participation.
- Style of communication.
- Style of control.

and the propositions tested each facet.

The propositions were supported by the results of the study and re-inforced key elements of the qualitative analysis.

9.3 Limitations of this study

Whilst this study has advanced both practical and academic knowledge on leadership of new service development, it has also identified a number of issues that require further research. Despite the fact that the primary research focus was not on the senior leader but on the roles and interactions of all the leaders, it became clear that senior leader/junior leader interactions are a critical factor in the level of project success achieved. The work involved in exploring these interactions meant that it was impractical to fully explore all multiple leader roles and interactions in this study. The study confirms the suggestions in the literature that leadership of new service development is discharged by multiple leaders sharing power. However, the actual roles varied across the sample. There was a core of senior, business and project leaders, but others were also highlighted. These ranged from marketing to business design to technology. It is unclear whether the variation is the result of particular organisation or specific project.

Interviews involved senior leaders and project leaders but not business leaders. This was due to constraints imposed as a condition of access. It meant that certain aspects of the study could not be further explored – particularly the actions of business leader in the less successful projects. For example, it was unclear whether the lack of involvement of the

business leader caused, or was caused, by the lack of involvement of the senior leader. The business leader role requires good "political" skills and the influencing of senior leaders. Secondly, it would have added a further perspective and check on the information gathered from the other leaders i.e. the senior and project leaders.
Similarly it would have improved the study if the interviews could have been extended to team members of both the more successful and less successful projects.

The study was also mainly qualitative to gain insights into leadership practices of NSD project that would guide more detailed study. Its findings therefore need to be tested across a wider number of projects and industries, using more quantitative methods. Additionally, the qualitative exploration in this study "opened" a number of areas that require further exploration. These are now described.

9.4 Further leadership studies

9.4.1 Effective support for Senior Leaders

A number of issues affecting senior leaders arose from the findings of this study. In volatile markets, do senior leaders need to prioritise their involvement in innovation and restrict the number of such projects to a number that fits their available personal resources? If so, what is a reasonable number of innovation projects? Can senior leaders reduce their level of involvement once the project has started and if so what are the compensating requirements? Does this affect organisational design and are the intuitive approaches of businesses like ABB and Virgin, restricting the size of individual units, the most effective way of optimising the impact through radical innovation?

These issues gives rise to a basic question - can the senior leader compensate for his/her lack of involvement by careful staffing and hence increase the number of development projects without compromising success levels? Table 7-2 shows the complementary model to the

senior management matrix in Table 7-1, which would suggest that the junior manager adopts specific roles in response to the senior manager role - for example, a junior manager has to be most importantly a leader where the senior leader is a figurehead. Where shared power and senior leader involvement are high, the junior manager becomes a partner leader - something our study identified through the high levels of contact, informality and sharing of key tasks found in some of the more successful projects. This is the merged roles concept outlined by studies such as Gemuenden (1998) and Clark & Fujimoto (1990).

Further study is required to understand: - (i) the incidence of conscious decision making by the senior leader on how best to deploy himself in innovation, and whether he considers the capabilities of junior managers when he makes those decisions; (ii) whether the senior leader changing his/her style of involvement during a project affects the level of success.

9.4.2 Leader development

In the larger businesses, the senior leaders effecting change had progressed through the hierarchy conforming to the "old", conventional, risk-averse culture. Yet something allowed them to break free from that culture and take a radically different approach, risking their personal career in the process. The leadership literature declares that leadership can be taught although Avolvio & Gibbons (1988) suggest that this training needs to take place early in careers. Where did these "break free" leaders gain the expertise that allowed them to successfully transform their approach?

McCall (1999) declares that leaders will emerge even without an explicit programme to develop them, but that this omission risks the emergence of senior leaders with unknown and unresolved weaknesses. He recommends development through "meaningful experiences" and this is perhaps the route that the "break free" leaders serendipitously followed to develop

their skills and approach. However, is there a common factor, common trigger or a key relationship in their background that facilitated the emergence of radical leadership

The literature usually describes change agents or transformational leaders as charismatic and yet despite Tichy & Devanna's (1990) warning about such leaders getting involved in day to day activity, our study found a number that did. This may be because service businesses are a special case with senior leaders often being functional specialists with expertise valuable to complex development projects.

9.4.3 Junior leader roles & interactions

The senior/junior leader roles and interactions were explored but not the roles and interactions of the junior (business or project) leaders only. Study of common roles and how interactions affect success, is required.

9.4.4 Impact of project size

Two of the sample projects were programmes, i.e. comprised of a number of linked projects, but showed similar results to individual projects. However, does **task-force** leadership become more complex as development teams increase in size and are there specific needs that a senior leader must address, for example where co-location is impractical?

9.4.5 Impact of decreasing development cycles

The measurement of success in our study was not simply speed of development; however, the feeling of the respondents was that the very competitive marketplace is demanding more and faster developments. Do the findings of our study apply if the desired outcome is predominately faster development? Does informal communication become the de facto main review process where development time-scales are short? It was insightful that a number of respondents talked of multiple, formal, fortnightly, progress meetings supported

by interim informal meetings. This researcher, from experience, would have expected formal reviews at monthly or specific project gate intervals - fortnightly reviews show an increased urgency in development focus.

9.4.6 Communication methods

Greater levels of development success were quite clearly seen where the senior leader was involved in informal communication. The reason was less clear - was it because this informality made him more approachable and involved in resolving issues earlier? Or was it effectively the Hawthorne effect as described by Mayo (1933), with the exceptional leadership involvement and interest motivating the development team? Yet in some smaller businesses the leadership involvement and informal communication was "business as usual", so the Hawthorne effect cannot be the only explanation.

There needs to be a more careful examination of the benefits of informality looking at, for example, the importance of personal contact vis-à-vis electronic communication. The study found increased use of corporate intranets – can such use compensate for the time spent by leaders like Barnevik, Bernabe, Branson, Walton etc in visiting business sites to meet and talk to people?

9.4.7 Leading incremental innovation

The study concentrated on complex new service development. What are the differences in leadership roles, tasks and interactions with simpler or incremental innovation projects? Are self-managed teams in effect "leadership teams" with the project or business leader as the senior leader?

9.4.8 Leading alliances in development projects

A common theme in the successful projects was how the senior leader forced an external focus to the development by use of alliances and external agencies. In our study most of the cases involved external agencies rather than alliances, and these agencies appeared to be integrated into the project team as just "other" members.

Given the increasing business use of outsourcing and alliance to provide essential skills and resources, a better understanding of the implications of alliances on leadership is required. For example, do alliances lead to an increased leadership team involving leaders from other businesses, and hence the need to match leadership styles for NSD projects?

9.5 Conclusion

This chapter has described the limitations of the study and identified a number of further questions that were not addressed, and hence areas that require further study. It confirms the initial reason for pursuing our study, which was that there is significant work required to understand leadership in "new style" businesses and how leaders can effectively manage complex New Service Development.

The chapter reflects on the fact that our study was essentially qualitative, to explore the topic of leadership for more detailed study, whilst testing hypotheses that advanced knowledge. It therefore suggests further quantitative and qualitative studies to expand the understanding of leadership, particularly the concept of **taskforce leadership**, which employs a number of leaders synergistically in a leadership team for NSD projects.

Appropriately, given that technology is one of the main drivers of the increasingly turbulent service markets, it also asks whether the new, technology based methods of communication

can effectively replace face-to-face contact. Leaders such as Bernabe, Barnevik, Branson, Walton, Iacocca and others have historically relied upon personal visits and face to face contact to help drive change in their businesses, even while the new technological methods of communications were introduced into their businesses.

REFERENCES

REFERENCES

Adair, J. (1988) Effective Leadership. (London: Pan Books).

Allen,T.J., Tushman, M.L. & Lee, D.M.S. (1979) Technology transfer as a function of position in the spectrum from research through development to technical services. Academy of Management Journal. 22 (4): 694-708.

Amabile,T.M., Conti,R., Coon,H., Lazenby,J., Herron, M. (1996) Assessing the work environment for creativity. Academy of Management Journal. 39 (5): 1154-1184.

Ancona, D.G. & Caldwell, D.E. (1992) Bridging the boundary: External activity and performance on organisational teams. Administrative Science Quarterly. 37: 634-665.

Anonymous (1996) How partnerships pay. Materials Handling Engineering. 51(12); 62-63.

Avery, C.M. (1999) All power to you: collaborative leadership works. The Journal of Quality & Participation. 22(2): 36-40.

Avolvio, B.J. & Gibbons, T.C. (1988) Developing transformational leaders: a life span approach. In J.A. Conger & R.N. Kanungo (eds) Charismatic Leadership: the elusive factors in organisational effectiveness (San Francisco: Jossey-Bass).

Barczak, Gloria. & Wilemon, D. (1995) Leadership differences in new product development Teams. Journal Of Product Innovation Management. 6: 259-267.

Barnes, L. B. & Kriger, M.P. (1986) The hidden side of organisational leadership. Sloan Management Review. (Fall): 15-25.

Bartlett, C.A. & Ghoshal, S. (1995) Changing the role of top management. Harvard Business Review. (May-June): 132-142.

Leonard-Barton, Dorothy. (1992) Core Capabilities and core rigidities: a paradigm in managing new product development. Strategic Management Journal. 13: 111-125.

Bennis, W. (1989) Why leaders can't lead: the unconscious conspiracy continues. (London: Jossey-Bass).

Bennis, W. & Nanus, B. (1985) Leaders - the strategies for taking charge. (London: Harper & Row).

Biggart, N.W. (1989) Charismatic Capitalism: Direct Selling Organisations in America. (Chicago:University of Chicago Press).

Blake, R.R. & Mouton, .S. (1978) The New Managerial Grid. 2nd Edition. (London: Gulf Publishing).

Blois, K.J. (1974) The marketing of services: an approach. European Journal of Marketing. 8(2): 137-149.

Bond, B. (1993) Internal presentation to BT product managers.

Booz, Allen and Hamilton (1982) New Products Management for the 1980s. (New York : Booz, Allen & Hamilton).

Bower, M. (1997) Developing leadership in a business. The McKinsey Quarterly Review. 4: 5-17.

Bower, M. (1997) The will to lead: Running a business network of leaders. (Boston; Harvard Business School Press).

Brenneman, W.B., Keys, J.B & Fulmer, R.M. (1998) Learning across a living company: the Shell companies experience. Organisational Dynamics. 27(2): 61-69.

de Brentani, Ulricke. (1989) Success and failure in new industrial services. Journal of Product Innovation Management. 6: 239 –258.

de Brentani, Ulricke. (1993) The new product process in financial services - strategy for success. Journal of Product Innovation Management. 11(3): 15-22.

de Brentani, Ulricke. (1995) New industrial service development scenarios for success and failure. Journal of Business Research. 32: .93-103.

Brown, Shona L. & Eisenhardt, Kathleen M. (1995) Product development: past research, present findings and future directions. Academy of Management Review. 20 (2): 343-378.

Brown, Shona L. & Eisenhardt, Kathleen M. (1997) The art of continuous change: linking complexity theory and time paced evolution in relentlessly shifting organisations. Administrative Science Quarterly. 42 (1): 1-34.

Bryman, A. (1992) Charisma and Leadership. (London: Sage).

Burgelman, R.A. (1983) A Process model of internal corporate venturing in the diversified major firm. Administrative Science Quarterly. 28: 223-244.

Burgelman, R.A. (1994) Fading memories: A process theory of strategic business exit in dynamic environments. Administrative Science Quarterly. 39: pp24-56.

Burgelman, R.A. & Sayles, L.R. (1986) Inside corporate innovation: strategy, structure and managerial skills. (NewYork: The Free Press Macmillan).

Burns, T. & Stalker, G.M. (1966) The Management of Innovation (London: Tavistock).

Burton, J. (1995) Composite Strategy: the combination of collaboration & competition. Journal of General Management. 21 (1): 1-23.

Campbell, A., Goold, M., & Alexander, M. (1995) Corporate Level Strategy - the quest for parenting advantage. Harvard Business Review. (Mar-April): 120-132.

Chen, CC & Meindl, J.R. (1991) The construction of leadership images in the popular press. Administrative Science Quarterly. 36 (4): 521-551

Ciborra, C (1993) Teams, Markets and Systems. (Cambridge: Cambridge University Press).

Clark, K.B. & Fujimoto, T (1990) The power of product integrity, Harvard Business Review. (Nov-Dec): 107-118.

Cooper, R.G. (1979) The dimensions of industrial new product success and failure. Journal of Marketing. 13 (Summer): 91-103.

Cooper, R & De Brentani, U (1991) New industrial financial services: what distinguishes the winners. Journal of Product Innovation Management. 8 (2): 75-90.

Cooper, R., Easingwood, C., Edgett, S., Kleinschmidt, E. & Storey, C. (1994) What distinguishes the top performing new products in financial services? Journal of Product Innovation Management. 11(4): 281-299.

Cooper, R. & Kleinschmidt, E. (1987) New Products: what separates winners from losers? Journal of Product Innovation Management. 4 (3): 169-184.

Cowell, D. (1984) Service Markets: the effects of competition policy and consumer protection. In :The Marketing of Services. (London: Heinemann).

Crawford, C.M. (1994) New Product Management. 4th Edition (London:Irwin).

Cummings, L.L. & O'Connell, M.J. (1978) Organisational innovation: a model and needed research. Journal of Business Research. 6: 33-50.

Day, G.S. (1998) What does it mean to be market driven? Business Strategy Review. (Spring): 1-14.

Dess, G.G., Picken, J.C. & Lyon, D.W. (1998) Transformational leadership: lessons from US experience. Long Range Planning. 31: 722-731.

Donnellon, Anne (1993) Cross-functional teams in product development - accommodating the structure to the process. Journal of Product Innovation Management. 10: 377-392.

Dougherty, Deborah (1992) A practice-centred model of organisational renewal through product innovation. Strategic Management Journal. 13: 77-92.

Dougherty, Deborah (1995) Managing your core incompetencies for corporate venturing. Entrepreneurship Theory and Practice. (Spring): 113-135.

Dougherty, Deborah & Hardy, Cynthia (1996) Sustained product innovation in large mature organisations: Overcoming innovation-to-organisation problems. Academy of Management Journal. 39(5): 1120-1153.

Dreyfeck, K (1985) Why Beatrice had to dump Dutt . Business Week. 19 Aug 1985: 20-21.

Drew, S & Coulson-Thomas, C. (1996) Transformation through teamwork: the path to the new organisation? Management Decision. 34(1): 7-17.

Drucker, P. (1994) Theory of the business. Harvard Business Review. (Sept/Oct): 95-105.

Dwyer, L. & Mellor, R. (1991) Organisational environment, new product process activities and project outcomes. Journal of Product Innovation Management. 8(1): 39-48.

Dyer, J.H. (1996) How Chrysler created an American Keiretsu. Harvard Business Review. (Jul-Aug): 42-56.

Easingwood, C. & Percival, J. (1990) Evaluation of new financial services. International Journal of Bank Marketing. 8(6): 3-81.

Easingwood, C. & Storey, C. (1996) The value of multi-channel distribution systems in the financial services sector . The Services Industries Journal. 16(2): 233-241.

Edgett, S. & Jones, S. (1991) NPD in the financial services industry: a case study. Journal of Marketing Management. 7: 271-284.

Eiglier, P. & Langeard, C. (1977) A new approach to services marketing. In Marketing Consumer Services: New Insights. MSI. (Nov): 33-57.

Eisenhardt, Kathleen M. & Brown, Shona L. (1998) Time pacing: competing in markets that won't stand still. Harvard Business Review. (Mar-Apr): 59-69.

Ennew, C. and Wright, M. (1990) Retail banks and organisational changes - evidence from the UK. International Journal of Bank Marketing. 8(1): 4–9.

Farkas, C. & Wetlaufer, S. (1996) The ways Chief Executive Officers lead. Harvard Business Review. (May-June): 110-122.

Fast, N.D. (1978) New Venture Departments. Industrial Marketing Management. 7(2): 77–88.

Floyd, S.W. & Wooldridge, B. (1997) Middle management strategic influence and organisational performance. Journal of Management Studies. 34(3): 465-485.

Franckel, M.R. (1989) Current research practices. General population sampling including geo-demographics. Journal of the Market Research Society. 31(4): 447-455.

Gardner, W.L. & Avolio, B.L. (1998) The charismatic relationship: a dramaturgical perspective. Academy of Management Review. 23 (1): 32-58.

Garud, R. and van de Ven, A.H. (1992) An empirical evaluation of the internal corporate venturing process. Strategic Marketing Journal. 13: 93-109.

Gersick, C.J.G. (1988) Time and transition in work teams; toward a new model of group development. Academy of Management Journal. 41: 9-41.

Gemuenden, H.G. (1998) Innovation Teams. An unpublished paper. University of Karlruhe.

Grant, A.W.H & Schlesinger, L.A. (1995) Realise your customers' full profit potential. Harvard Business Review. (Sept/Oct): 59-72.

Griffin, Abbie & Hauser, J. (1993) The voice of the customer. Marketing Science. 12 (1): 1-27.

Griffin, Abbie & Hauser, J. (1996) Integrating R&D and Marketing: a review and analysis of the literature. Journal of Product Innovation Management. 13 (3): 191-215.

Griffin, Abbie & Page, A.L. (1993) An interim report on measuring product development success and failure. Journal of Product Innovation Management. 10 (4): 281-308.

Grönroos, C.(1990) Service Management and Marketing. (Massachusetts: Lexington Books).

Groves, R.M. & Kahn, K.L. (1979) Surveys by telephone: a national comparison with personal interviews. (New York; Academic Press).

Gupta, A.K., Raj, S.P. & Wilemon, D. (1986) A model for studying R&D Marketing interfaces in the product innovation process. Journal of Marketing. 50: 7-17.

Hamel, G. (1996) Strategy as revolution. Harvard Business Review. (July/Aug): 69-82.

Hamel, G. & Prahalad, C.K. (1994) Competing for the Future. (Boston Mass. :Harvard Business School Press).

Handy, C. (1981) Understanding Organisations. 2nd Edition (Middlesex: Penguin Books).

Handy, C. (1995) Trust and the Virtual Organisation. Harvard Business Review. (May-June): 40-50.

Harvey-Jones, J. (1988) Making it happen: reflections on leadership. (London: Fontana Collins).

Hay, M. and Williamson, P. (1997) Good strategy: the view from below. Long Range Planning. 30 (5): 651-664.

Heifetz, R.A. & Laurie, D.L. (1997) The work of leadership. Harvard Business Review. (Jan-Feb): 124-134.

Hershey, B. & Blanchard, K. (1977) Management of Organisational Behaviour: utilising human resources. 3rd Edition (Englewood Cliffs NJ: Prentice- Hall Inc).

Hershock, J., Cowman, C.D. & Peters, D. (1994) From experience: action teams that work. Journal of Product Innovation Management. 11: 95-104.

Heskett, J.L., Jones, T.O. , Loveman, G.W. , Sasser, W.E & Schlesinger L.A. (1994) Putting the service profit chain to work. Harvard Business Review. (Mar-April): 64-174.

Hill, L. & Wetlaufer, S. (1998) Leadership when there is no one to ask: an interview with ENI's Franco Bernabe. Harvard Business Review. (July-Aug): 81-94.

Hitt, M.A. (1999) Achieving and maintaining strategic competitiveness in the 21st century: the role of strategic leadership. The Academy of Management Executive. 13 (1): 43-57.

House, C. & Price, R. (1991) The return map: tracking product teams. Harvard Business Review. (Jan-Feb): 92-100.

Howell, J.M. & Frost, P.J. (1989) A laboratory study of charismatic leadership. Organisational behaviour and human decision processes. 43: 243-269.

Hunt, J.W. & Laing, B. (1997) Leadership: the role of the exemplar. Business Strategy Review. 8 (1): 31-42.

Iwamura, A. & Jog, V. (1991) Innovators: organisational structures and management of the innovation process in the securities industry. Journal of Product Innovation Management. 8(2): 104-116.

Jemison, D. B. (1984) The importance of boundary spanning roles in strategic decision making. Journal of Management Studies. 21(2): 131-152.

Johne, F.A. (1993) Insurance product development: managing the changes. International Journal of Bank Marketing. 11(3): 5-14.

Johne, F.A. (1995) Evaluating product development: success within a business - development context. Ch. 2 In: Product Development - meeting the challenge of the Design Marketing Interface. by Bruce M. & Biemans W.G. (eds) (London:Wiley).

Johne, F.A. (1996) Succeeding at product development means more than avoiding failure. European Management Journal. 14 (2) April: 176-179.

Johne, F.A & Harborne, P. (1985) How large commercial banks manage product innovation. International Journal of Bank Marketing. 3(1): 54-69.

Johne, F.A. & Pavlidis, M.P. (1996) How banks apply marketing expertise to develop new derivatives. Journal of Product Innovation Management. 13: 440-452.

Johne, F.A. & Snelson, Patricia A. (1990) Successful Product Development. (Oxford: Blackwell).

Johne, A. & Vermaak, L. (1993) Head Office involvement in financial product development. International Journal of Bank Marketing. 11(3): 28-39.

Johne, F.A. & Davies, R. (1999) Approaches to innovation in mature insurance companies. British Journal of Management. 10: 101-121.

Kahn, K. (1996) Interdepartmental integration: a definition with implications for product development performance. Journal of Product Innovation Management. 13: 132-151.

Kanter, Rosabeth M. (1989) Swimming in Newstreams: mastering innovation dilemmas. California Management Review. (Summer): 45-69.

Katz, R. (1982) The effects of group longevity on project communication and performance. Administrative Science Quarterly. 27: 81-104.

Katz, R. & Tushman, M. (1981) An investigation into the management roles and career paths of gatekeepers and project supervisors in a major R&D facility. R&D Management. 11(3): 103-110.

Katzenbach, J.R. (1997) The myth of the top management team. Harvard Business Review. (Nov-Dec): 83-91.

Katzenbach, J.R. (1997) A tougher game at the top. The McKinsey Quarterly Review. (4): 28-39.

Keller, E. D. & Bradford, Fay.W. (1996) How many are really in the electronic superhighway?: An analysis of the effects of survey methodologies. Journal of Advertising Research. 36(6): 2-8.

Kennedy, Carol (1994) Managing without managers. The Director. (October): 49-52.

Kim, W.C. & Mauborgne, R.A. (1992) Parables of Leadership. Harvard Business Review. (Jul-Aug): 123-128.

Kim, W.C. & Mauborgne, R.A. (1997) Fair process: managing in the knowledge economy. Harvard Business Review. (July-Aug): 65-75.

Kirkman, B. L. & Shapiro, D. L. (1997) The impact of cultural values on employee resistance to teams: towards a model of globalised self-managing work team effectiveness. Academy of Management Review. 22 (3): 730-757.

Kotler, P. (1980) Marketing management. 4th Edition (London: Prentice Hall Int).

Kotter J.P (1995) Leading Change -why transformation efforts fail. Harvard Business Review. (Mar - April): 59-67.

Kotter, J.P. (1996) Leading Change. (Massachusetts : Harvard Business School Press).

Kourzes J.M. & Posner, B.Z. (1987) The leadership challenge. (San Francisco: Jossey-Bass).

Leonard-Barton, Dorothy (1992) Core capabilities and core rigidities: a paradox in managing new product. Strategic Management Journal. 13: 111 – 125.

Levitt, T. (1986) Marketing Imagination. (London: Collier Macmillan).

Levitt, T. (1975) Marketing Myopia. Harvard Business Review. (Sept/Oct): p.26 et seq.

Levitt, T. (1976) The Industrialisation of Service. Harvard Business Review. (Sept-Oct): 63-76.

Lorenzoni, G. & Baden-Fuller, C. (1995) Creating a strategic centre to manage a web of partners. California Management Review. 37(3): 146-163.

Lieberson, S. & O'Connell, J.F. (1972) Leadership and organisational performance: a study of large corporations. American Sociological Review. 37: 117-130.

Maccoby, M. (1999) Find young leaders or lose them. Research Technology Management. 42 (1): 58-59.

Maidique, M.O. (1980) Entrepreneurs, champions and technological innovation. Sloan Management Review. (Winter): 59-76.

Mail on Sunday, London (1999) – Wal-Mart threat to shake up UK banks. July 4th: Financial Mail section: 1-2.

Mail on Sunday, London (1999) – HSBC to be first world bank. August 8th: Financial Mail section: 2.

Mathur, S. (1992) Talking straight about competitive strategy. Journal of Marketing Management. 8: 199-217.

Mathur, S.S. & Kenyon, A. (1997) Creating value: shaping tomorrow's business. (Butterworth: Heineman).

Mayo, E. (1933) The human problems of an industrial civilisation. (London: Macmillan).

McCall, M.W. (1998) High Flyers: Developing the next generation of leaders. (Boston: Harvard Business School Press).

McDonough, III E.F. (1993) Faster NPD: investigating the effects of technology and the characteristics of the project leader and team. Journal of Product Innovation Management. 10 (2): 241-250.

McDonough, III E. F. & Barczak, G. (1991) Speeding up NPD: The effects of leadership style & source of technology. Journal of Product Innovation Management. 8(3): 203-211.

McGill, M.E . & Slocum, J.W. (1998) A little leadership please. Organisational Dynamics. (Winter): 39-49.

Miln, D. & Stewart-Hunter, D. (1976) The case for telephone research. In Proceedings of 19th MRS Annual Conference. 41-54

Mintzberg, H. (1973) The nature of managerial work. (London: Harper & Row).

Misumi, J. & Peterson, M.F. (1985) The Performance-Maintenance(PM) theory of leadership: review of a Japanese research programme. Administrative Science Quarterly. 30 (2): 198-223.

Mohr, J. & Nevin, J.R. (1990) Communication strategies in marketing channels: a theoretical perspective. Journal of Marketing. Oct: 36-51.

Mowday, R.T. (1979) Leader Characteristics, self-confidence and methods of upward influence in organisational decision situations. Academy of Management Journal. 22 (4): 709-725.

Nadler, D.A. & Tushman, M.L. (1980) A model for diagnosing organisational behaviour. Organisational Dynamics. Autumn: 35-51.

Narus, J.A. & Anderson, J.C. (1995) Using teams to manage collaborative relationships in business markets. Journal of Business-to-Business Marketing. 2(3): 17-46.

Narus, J.A. & Anderson, J.C. (1996) Re-thinking distribution. Harvard Business Review. (Jul-Aug): 112-120.

Norman, R. & Ramirez, R. (1993) Designing Interactive Strategy. Harvard Business Review. (Jul-Aug): 65-77.

Pagonis, W.G. (1992) The Work of the Leader. Harvard Business Review. (Nov-Dec): 118-126.

Pagano, R.R. (1994) Understanding Statistics in the Behavioural Sciences. 4th Edition (St Paul Mn; West Publishing): 462-465.

Pascale, R., Milleman, M. & Gioja, L. (1997) Changing the way we change. Harvard Business Review. (Nov-Dec): 127-139.

Penrose, P. (1996) The online frontline. Banking Technology. (February): 32-34.

Peters, T. and Waterman, R. (1982) In Search of Excellence. (London: Macmillan).

Piercey, N. and Morgan, N. (1991) Internal marketing - the missing half of the marketing programme. Long Range Planning. 24(2): 82-93.

Porter, M.E. (1980) Competitive Strategy. (London: Collins Macmillan).

Porter, M.E. (1996) What is strategy? Harvard Business Review. (Nov-Dec): 61-78.

Preece, S., Fleischer, C. & Toccatelli, J. (1995) Building a reputation along the value chain at Levis Strauss. Long Range Planning. 28(6): 88-98.

Prokesch, S.(1995) Competing on customer service. Harvard Business Review. (Nov-Dec): 101-112.

Quinn, J., Anderson, P. & Finkelstein, S. (1996) Managing professional intellect: making the most of the best. Harvard Business Review. (Mar-Apr): 71-80.

Radosevich, Lynda (1996) Change is coming. Computerworld. 30(45); 101-112.

Rapaport, R. (1993) To build a winning team. Harvard Business Review. (Jan-Feb): 111-120.

Ravald, A. & Grönroos, C. (1996) The value concept of relationship marketing. European Management Journal. 30 (2): 19-30.

Ready, D. (1996) Champions of Change. A consultancy report by Gemini Consulting and the International Consortium for Executive Development Research.

Reichfeld, F. (1996) Learning from customer defections. Harvard Business Review. (Mar-Apr): 56-69.

Roberts, N.C. & Bradley, R.T. (1988) Limits of charisma. In J.A. Conger & R.N. Kanungo (eds) Charismatic leadership: the elusive factor in organisational effectiveness. (San Francisco: Jossey-Bass).

Ruekart, R.W. & Walker, O.C. (1987) Marketing interactions with other functional units: a conceptual framework and empirical evidence. Journal of Marketing. 51:1-19.

Sasser, W.E. Ohlsen, P., & Wycoff, D. (1978) Understanding service operations. Chapter 2 In Sasser, W.E. Ohlsen, P., & Wycoff, D (eds) Management of Service Operations. (Boston: Allyn & Bacon).

Scott, S.G. & Bruce, R.A. (1994) Determinants of innovative behaviour. Academy of Management Journal. 37(3): 580-607.

Semon, T.T. (1998) The questionnaire medium makes a difference. Marketing News. 32(19); 18-19.

Shepard, H.A. (1967) Innovation results and innovation producing organisation. Journal of Business. 40: 470-477.

Shortell, S.M & Zajac, E.J. (1988) Internal corporate joint ventures: development processes and performance outcomes. Strategic Management Journal. 9: 527-542.

Shostack, Lynn G. (1977) Breaking free from product marketing. Journal of Marketing. 4(2): 73-80.

Singleton, R.D., Straits, B.C. & Straits, M.M. (1993) Approaches to social research. 2nd Edition (Oxford; Oxford University Press).

Storey, C. & Easingwood, C. (1996) Determinants of new product performance. International Journal of Service Industry Management. 7(1): 32-55.

Tannenbaum, R., Weschler, I. & Massarik, F. (1961) Leadership and Organisation: a behavioural science approach. (London: McGraw-Hill Book Co Inc).

Thomas, A.B. (1988) Does leadership make a difference to organisational performance. Administrative Quarterly Review. 33: 388-400.

Tichy, N. & Devanna, M.R. (1988) The Transformational Leader. (New York:Wiley).

Trice, H.M. & Beyer, J.M. (1986) Charisma and its routinisation in two social movement organisations. Research in Organisational Behaviour. 8: 113-164.

Trist, E.L. & Bamforth, K.W. (1951) Some social and psychological consequences of the Longwall method of coal getting. Human Relations. 4: 3-38.

Tushman, M. & Nadler, D. (1986) Organising for innovation. California Management Review. 28(3): 74-92.

Urwin, S. (1975) Customised communications - a concept for service advertising. Advertising Quarterly. 44 (Summer): 28-30.

De Vries, M.K. (1996) Leaders who make a difference. European Management Journal. 14(5): 486-493.

De Vries. M.K. (1998) Charisma in action: the transformational abilities of Virgin's Richard Branson and ABB's Percy Barnevik. Organisational Dynamics. (Winter): 7-21.

Weiner, Nan (1978) Situational and leadership influences on organisational performance. In: Proceedings of the Academy of Management.(1978): 230-234.

Weiser, C.R. (1995) Championing the customer. Harvard Business Review. (Nov-Dec): 113-116.

Willner, A.R. (1984) The Spellbinders: charismatic political leadership. (New Haven: Yale University Press).

Womack, J.P., Jones, D.T. & Roos, D. (1990) The Machine that Changed the World (Oxford: Maxwell McMillan International).

Yin, R.K. (1994) Case Study Research; design and methods. (California: Sage Publications).

Zucker, L.G. (1987) Institutional theory of organisation. Annual Review of Sociology. 13: 443-464.

APPENDICES

CITY University
BUSINESS SCHOOL

Tele: 0171 356 7108
Fax: 0171 356 2568
Harborne@btinternet.com
March 1999

Dear

As discussed. Thank you for agreeing to participate in a City University Business School research study which is looking at processes for innovation in the consumer financial services industry.
The questionnaire should take about 45 minutes to complete and I will call you at 11.00 on 26 March to complete it by telephone.

I am interested in patterns that I can identify from a number of developments and hence any publication will relate to the patterns rather than individual projects. The study is seeking information from a number of companies, so I will be taking great care concerning confidentiality of individual responses. My objective is to better understand best practices in involving different levels of management in new product development and hence benefit both the academic and practising business communities.

I would like you to answer the general questions 1- 3 and then to answer the remaining questions with regard to project Zenda in which I understand you were involved. It would also be helpful if you would reflect on a less successful project in which you were involved so that we can identify and specific areas of difference that helped make Zenda successful.

A table of definitions is included at the end of questionnaire to help where any term may be unclear, otherwise I will explain as we go through the questionnaire

Thank you for your help and your time, it is much appreciated.

Paul Harborne

Company:

CITY University
BUSINESS SCHOOL

Business - Structure and Strategy

1. Does your business have an explicit business mission?
Yes/No *Please Circle*

Do you have an explicit development strategy?
Yes/No *Please circle*

If yes,... what is it?
.....

2. How would you describe the culture - that is the general internal approach to work , business, employees, customers - within your business?

Please Circle

Is there open communication of goals and progress	*Yes/No/Sometimes*
Do you have the power to make things happen?	*Yes/No/Sometimes*
How are problems addressed?	*Ad hoc/formal process to resolve immediate problem/to learn*
Do you use company processes for resolving conflict?.	*Yes/No/No process*
How does your business treat failure?	*Accepts as learning/ strongly discourages*
How does your business treat new ideas?	*encourages/actively seeks/no specific action*
How strong are departmental loyalties?	*departmentally managed/business managed stronger than project loyalty/not as strong*

3. Is the business noticeably better than its competitors in any specific way?
Yes/No *Please circle the answer closest to your view*

If yes ,....what is it?

Time to market Value for money Reliability Innovativeness Service Other

*Please circle the answer closest to your view . If Other,....*please explain?

CITY University
BUSINESS SCHOOL

The Development Process

4. Were any senior management members involved in the development?
Yes/No Please circle
If yes, how
.....

5. Were you involved in the authorisation process?
Yes/No Please circle
If yes, how
.....

6. Were there a number of formal management roles in your product development process?
Yes/No *Please Circle*
If Yes, what were they

Title ....

Function ....

7. Who had overall responsibility?
.....

How did they interact on the project?. *Please circle one or more*

Formal project gate meetings formal progress meetings issue resolution correspondence other

if other, please describe.....

8. Who were actively involved in the development

a) throughout ?
Please circle : marketing, R&D, sales, engineering, systems, personnel, finance, contracts, other businesses, customers

CITY University
BUSINESS SCHOOL

8b) at some stage
Please circle : marketing, R&D, sales, engineering, systems, personnel, finance, contracts, other businesses, customers

9. What freedom did you have in this development

to choose the technology ?

.....

to choose between development options?

.....

to choose the people involved?

.....

10. What success measures were you judged by?

.....

Were any of the following a **major** threat to your success?
Please Circle: Resource shortage Technology Newness Market Newness Conflicting priorities

11 Which management role had the most impact on success for this particular development?

.....
How? .....

12. What do you believe made the product that you developed succeed in the marketplace?
.....

Finally a few personal details to understand the impact of personal characteristics such as experience , qualifications etc

CITY University
BUSINESS SCHOOL
Barbican Centre
Switchboard
Direct Line
Fax

Personal Background

Name :

Job Title :

Dept :

Qualifications:
Please circle

HND/HNC BSc/BA MSc/MA Chartered Engineer PhD

Other ..... Please specify

Time with business :
Please circle

0-1 yr 2-5 yr 6-10 yrs 11-15 yrs More than 15 yrs

Experience as project leader :
Please circle

0-1 yr 2-5 yr 6-10 yrs 11-15 yrs More than 15 yrs

Functional specialism (if any)
Please circle

Engineering Marketing Sales Accounting/Finance Customer Service

Other ..... please specify

Company:

CITY University
BUSINESS SCHOOL

DEFINITIONS

A number of terms are used in the questions which could be subject to different interpretations. For consistency, please assume the following definitions:

development - the process by which innovations and new products are conceived and made ready for introduction. This includes readiness of all staff through training, tools, spares etc.

implementation - that part of the development process when the idea is converted from concept to reality and made ready for introduction.

initiation - that part of the development process when the idea is conceived, defined and tested for feasibility

innovation- a new idea changing product features, product positioning, process or even supporting services that "surround" a product. This may produce minor (incremental) or major (radical) change

mission/direction statement - a more specific set of objectives than usually contained in a strategy. This may set targets on entering new markets or on a way of operating. A (non business) example is the JF Kennedy statement in the 1960's which declared that America would put a man on the moon before the end of the decade and bring him back safely.

product - the term product is used here in a general sense and so also covers service products e.g. a current account

project manager - an individual directly responsible for managing and co-ordinating the development of an innovation. Where this innovation is a product, this may or may not be the product manager responsible for "whole life" performance.

radical innovation - a new idea that introduces major change. This may be "new to the world", "new to the country" or "new to the business". In the context of this study, the change is that perceived by the customer e.g. the PC is a radical innovation because it had a radical impact on end customers.

resources - this encompasses people, accommodation and funding , including the purchase of assets (hardware, software, patents etc) for use in a development

senior management - the chief executive or managing director of a business or business division and his/her direct reports

strategy - a formal plan which describes key business ambitions and objectives, together with the approach for achieving them. This may or may not contain building block strategies covering elements such as development, human resources etc

stage gate - a formal milestone within a project where progress is reviewed and permission to continue must be gained.

Content Analysis

Methodology

Each interview was assessed by a single coder, looking for the indicators shown below, against each of the scales. For each project, the evidence was then scored – low, medium or high - using the criteria shown in the table. The interviews probed for information on specific areas and also for supporting evidence e.g. if respondents answered that a clear strategy existed, they were asked to quote it. If any of the elements of the higher score could not be demonstrated then the next lower score was taken. Respondents were re-contacted to clarify issues where necessary.

Item	Indicators	Low Score 1	Medium Score 2	High Score 3
Strategy :	Interviewee response shows			
Scale 1: Comprehensiveness of development strategy	• Development strategy exists and can be quoted • Strategic objectives or direction used to guide development • Explicit (process) linking of project goals to business strategy	• No strategy • No link of project to bus objectives • No bus direction or guidance communicated	• Bus strategy known • Unclear link development to strategy • No link of project to strategy	• Bus strategy known • Developments linked to bus strategy • Project guided by bus strategy
Scale 2 : Consistency	Described as • New , recent or modified • Still on learning curve • On trial • Having problems or about to change • An individual's crusade, pet project, idea, wish • Senior management involvement in strategy • Senior management attitude to strategy • Senior management actions to communicate strategy	• Strategy changes every year • Strategy changes to meet each crisis • CEO/MD has tactical bias	• Strategy changes to meet problems • Formal process to set strategy • CEO/MD owns/leads	• Strategy is stable • Strategy owned by top team • Strategy is living plan ; change is not crisis dependent

Item	Indicators	Low Score 1	Medium Score 2	High Score 3
Structure :	Interviewee refers to			
Scale 1: Matrix organisation	• Project team members from different functions/divisions • Projects being intra-divisional only • The power of functional managers • The focus of loyalty of individuals • The recognition of more than one manager for team members	• Functional org • Strong functional managers • Individuals represent functions • Individuals report to functional managers	• Functional org • Teams used for projects • Functional managers still most important to individuals	• Frequent use of cross divisional teams • Individuals report to project leaders and functional leaders • Functional managers support team-working
Scale 2: Multiple leader roles	• More than one individual or title involved in new service development • NSD projects involving individuals at different organisational levels • People said to own, lead, sponsor or champion specific activities such as strategy, business plans, setting or communicating vision, initiating innovation, allocating resource, gaining organisational commitment, project initiation, project implementation, communication, specific technology, specific markets or customer segments	• Activities discharged by functional teams • Hierarchical management applies • Project manager solely responsible	• More than one leader in project • Leadership focused on specialism	• More than one leader involved in project throughout • Leadership team for projects
Systems :	Interviewee refers to			
Scale 1 : Mandatory processes	• Standard company process/procedures for business cases, project development and project management • NSD conducted by same division in all cases • NSD projects led by specialist project leaders • NSD conducted by setting up new venture or new project in all cases • Special conditions to vary from mandatory processes • Freedom to work in own way • Processes not applying to specific divisions	• Few processes • Restricted to financial control • Managers free to use own methods	• Key processes set • Not mandatory	• Full bus processes • Processes are mandatory • Process to allow variation
Scale 2 : Formal project management	• The availability of project management processes • The helpfulness of project management processes • The impact of processes on the job	• No project management process • No development process	• Project management process • Documented process	• Defined project management process • Documented process with controls

Item	Indicators	Low Score 1	Medium Score 2	High Score 3
Skills :	Interviewee refers to			
Scale 1: Team development experience	• Experienced team that have worked together before • Experienced team members • The use of projects for training • The use of coaching and mentoring to overcome inexperience • The importance of project and development experience to careers • Project and/or development specialists	• <50% have experience • Leader has <1 yr • No mentor for leader	• 50-80% have experience • leader has 1-3yrs • no formal mentor	• >80% have experience • Leader has >3yr • Mentor for leader
Scale 2:Team project experience	• A team comprising/including senior managers • A team experienced in developing financial products • Own experience in development and in projects	• <50% have experience • Leader has <1 yr experience • No mentor for leader	• 50-80% have experience • Leader has 1-3yrs experience • Informal mentor	• >80% have experience • Leader has >3yr experience • Mentor for leader
Staff :	Interviewee info on			
Scale 1: Overall resource	• Resource problems • When and what resources • The impact of resource problems • The need to spend time obtaining resource • The need for special relationships • Prioritising demands for resource • Actions by others to obtain resource • The power to assign resources	• Resource claimed to have affected project • Major activity for project leader to gain resource	• Resource did not have impact • Major activity for project leader to gain resource	• Resource did not have impact • Processes & practices provide resource
Scale 2: Specialist skill resource	• Specific skill shortages e.g. IT , technical, marketing • Competition for special resources • Special Actions to obtain specific skills, internally or externally • The use of external suppliers or partnerships	• Specific resource claimed to have affected project • Major activity for project leader to gain resource	• Resource did not have impact • Major activity for project leader to gain resource	• Specific resource did not have impact • Processes & practices provide specific resource

Item	Indicators	Low Score 1	Medium Score 2	High Score 3
Shared Values :	Interviewee refers to			
Scale 1 Degree of business goal communication	• Clear business strategy or direction • Meetings, newsletters, e-mails, audio or video-conferences on business objectives • Meetings, newsletters, e-mails, audio or video-conferences on how project meets business objectives	• No or unclear objectives • No meetings or other comms on bus or project objectives	• Project objectives exist & are communicated • Unclear how project objectives link to business objectives	• Projects exists & link to bus objectives • Clears comms on bus and project objectives
Scale 2:Market Driven	• Existence of market champion or involved marketing specialist • External marketing specialist support • Marketing goals set for project • Senior leader communications on meeting market needs	• No marketing specialists involved • No marketing goals	• No marketing specialist involved • Marketing goals set	• Marketing specialists involved • Market goals set & communicated
Scale 3: Perceived empowerment	• Degree of control by superiors • Power to set project objectives • Power to discharge set tasks	• Superiors tightly control • Superiors give objectives	• Superiors review • Team has power to meet set objectives	• Superiors enable • Project team build objectives • Team has power to deliver objectives
Scale 4: Clarity of innovation objectives	• Existence of business innovation objectives • Existence of project innovation objectives and fit with business objectives • Project team commitment to meeting innovation objectives	• No bus innovation objectives • No link between bus & project innovation objectives	• Project innovation objectives • Team commitment to objectives	• Linked bus & project innovation objectives • Team commitment to meeting innovation objectives
Scale 5 Clarity of innovation budget	• Existence of special budget for innovatory projects • Focus on balancing innovation budget between radical and incremental • Clear budget for innovation projects from outset • Business commitment to providing budget – in plans and objectives	• No special budget • Unclear project budget	• No special budget • Clear project budget	• Special budget • Clear project budget • Bus commitment to project budget

Item	Indicators	Low Score 1	Medium Score 2	High Score 3
Style: Scale 1: Senior management participation	Interviewee refers to • Meetings with senior leaders • Visits to project by senior leaders • Existence of project actions "owned" by senior leaders • e-mails and telephone contact by senior leaders	• No meetings or visits from senior leaders • No actions for senior leaders	• Comms from senior leader • Review meetings with senior leader	• Frequent visits from senior leader • Clear actions for senior leader • Easy, frequent comms with senior leader
Scale 2:Perceived management action to remove barriers	• Examples of direct action by senior leaders to remove barriers • Examples of direct involvement by senior leaders to remove barriers • Easy access to senior leaders to brief on barriers for removal	• No examples of direct action or involvement • No easy access	• No examples of action • Some clear involvement	• Examples of action • Easy access to senior leader
Scale 3:Informal interaction with leaders	• Existence of open door policy between leaders • Existence of frequent e-mail or telephone contact between leaders • Visits between leaders and/or open leader fora • Co-location of leaders in project	• No open door • Formal email telephone & visits • No co-location	• No open door • Some informal email, telephone & visits • Some co-location	• Open door • Frequent informal email, telephone & visits • Co-location
Scale 4:Informal interaction with team	• Existence of open door policy by leaders • Existence of frequent e-mail or telephone contact with leaders • Visits by leaders and/or open team fora • Co-location of leaders with project team	• No open door • Formal email telephone & visits • No co-location	• No open door • Some informal email, telephone & visits • Some co-location	• Open door • Frequent informal email, telephone & visits • Frequent informal meetings • Full co-location