Leadership Development: A Case of a Russian Business School

Anatoliy Viktorovich Molodchik

Perm National Research Polytechnic University, Perm, Russia

Abstract: This paper explores the practical technologies of leadership development based on self-involvement mechanisms. In drawing on relevant theoretical literature and previous research projects, the paper identifies the challenges of self renewable leadership development. Further, following a single case study approach, the author investigates three practical tools implemented in a Russian business school. The study reveals that the self-involvement mechanism for leadership development is based on individual and organizational tension. The organizational design for such creative tension on an individual and organizational level includes voluntary participation in a leadership development program, self-determination of goals and responsibility for results, transparency and long-term rules. The paper defines four different stages of leader development: desires, beginners, creators and experienced. The author shows the benefits and risks of implemented leadership development tools based on individual intrinsic motives. The paper provides practical guidelines for leadership development allowing for sustained knowledge creation, retention and innovation. The tools could be applied in other organizations.

Key words: Leadership development · Business school · Self-organization · Case study

INTRODUCTION

Forward-looking companies make leadership development a top priority. The origin of change and innovation in any organization is the people; especially those people who can inspire and lead. Leader-driven organizations are more successful and are the focus of theoretical and practical studies [1, 2]. The wide body of literature argues that the leader-driven organization is the answer to an unpredictable and rapidly changing global environment. The dynamic of a leadership process determines sustainability of innovation and organizational performance [3]. There have been many attempts "to crack the code"; finding answers to the question of what make successful leaders and a profitable organization.

Most recent scientific studies have explored leadership using a complexity approach. That means the organization is rich in people diversity, structure, activities, processes and culture, as the organization is also under the complex pressure of a dynamic external environment. The complexity approach also emphasizes the role of self-organization, emergence and nonlinear feedback [4, 5]. The self-organizing system can change its basic structure as a function of experience and

environment [6]. These issues require deeper understanding of leadership as phenomenon grounded in experience and expectations [7], in personal commitment to being a leader and in developing authentic ways of leadership [8]. In analyzing the relevant literature, the authors found that the investigation activity in this field is shifting from a primary emphasis on theory generation to theory testing. Several studies show that the vast majority of today's leaders act reactively, pursue individual goals, carefully form their reputations and please shareholders [8]. Such evidence determines the challenge to leadership development of a modern organization.

Another dimension of leadership development in high performance organizations is connected with future leader development, with promoting leadership within an organization by encouraging people to become leaders, putting them in line with critical business opportunities and creating "a pipeline for future leaders" [9]. It is concerned with growing and developing new leaders, organizing the process of knowledge transfer and retention, as well as knowledge creation and innovation. Academic discussions in the field of leadership development based on self-involvement dominate the

Corresponding Author: Molodchik, Perm National Research Polytechnic University,
614990, Perm, Komsomolskiy Street, 29, Russia.

question of what organizations should do to be better off in a competitive environment. Only a few studies investigate the question of how to do this. The author has found a gap between theoretical issues and practical tools regarding the self renewal leadership development process. This paper addresses the question: "How to grow leaders based on the principals of self organization?" Using a case-study method, the authors analyzed the 20-year experience of a successful leadership development practice in a Russian business school that provides education, training and consulting services within the Russian educational market.

The paper starts with a theoretical analysis of the literature concerning leadership development. Section three is devoted to the specific features of the business school as an institution. Research design is described in section four. The case study presented in section five gives insight to the practical tools of leadership development in the Russian business school. The last section concludes the findings and shows the research limitations of the study.

Leadership Development: Theoretical Background: Leadership development is determined to be a complex phenomenon that encompasses the interaction between the leader and the social and the organizational environment [10]. Leader development is more about individual skills and behavior. The major investigations in this field are closely connected to psychology: self-motivation, self-efficiency, self-determination and other components of successful leaders are discussed in the scientific literature. Nowadays, leadership development is more than the programs constructed by human resource specialists. In analyzing the relevant literature, the authors have found the following challenges of leadership development in modern organizations:

- To create self-awareness to be a leader and to be in constant self-development process [4, 11];
- To align personal and organization interests and be committed to the organization for the long haul [9];
- To develop leadership at all levels [10];
- To create new knowledge and to inspire innovation.

The first challenge of leadership development concentrates on understanding the conscious steps taken to become a leader. Self-development in this process plays a pivotal role [10]. According to the developmental school of thought, leadership development is based on a leader's personal experience and expectations. The

self-awareness to be a leader is connected to a deep understanding of one's emotions, strengths, weaknesses, needs and drives and a clear articulation of personal values and goals. This awareness creates an inward tension between one's current reality and the vision of the future. It is intrinsic by nature. In an extreme case, a leader feels total intrinsic commitment to self-mobilizing and seeks "either my way or nothing" [11]. This issue correlates with authentic leadership theory postulating that truly authentic leaders behave and lead in a way that honors their core values, beliefs, strengths and weaknesses. This assumption requires a specific organizational design. In other words, it is necessary to build an organization that enables these leaders to express their own unique identity and style; and creates a sense of excitement and internal satisfaction [8].

The alignment of personal and organization goals is one of the greater challenges for leadership development. Considerable attention is paid to the creation of the larger-than-life mindset of a leader, as well as his followers [9]. When a leader takes responsibility for a group of people, it will be the gap between corporate goals and restricted resources that creates the tension on the organizational level.

The third aspect of leadership development concerns more level and distributed leadership. According to the Human Capital Institute Report, forward-looking companies pay more and more attention to leadership development programs, which leverage existing leaders as coaches or teachers. When existing leaders are actively incorporated into the development of the emerging leaders, companies reap the benefits [12]. The organizational culture, structure and corporate strategy create conditions for a sustainable appearance of new leaders with different innovative ideas. The barriers to knowledge transfer are lack of time and lack of accountability who are the clear winners [12]. Tichy [1] argues that the leaders that survive are those who can teach their followers and who themselves keep learning. This Virtuous Teaching Cycle keeps generating more learning, more teaching and the creation of new knowledge [1, 2, 8]. The evidence is represented that leaders on a high Leadership Development Level exhibit a more authentic way to lead. These leaders demonstrate "the transition in the knowing self realm from an externally defined understanding of self to and internally defined understanding of self, in the knowing other realm from self-focus to other-focus and in the knowing our world realm from simplicity to complexity" [13, p. 361]. This transitional process corresponds with the intrapersonal,

interpersonal and cognitive levels. The development of more level leadership is a step to knowledge retention within an organization.

Last, but not least, the task of leadership is to turn knowledge into action; especially, to create new knowledge and to innovate [9]. Everybody knows where ideas come from and who realizes these ideas. The answer is obvious – people. Organizations need to grow the people who can create the ideas and realize them – the leaders.

In summarizing the challenges faced by modern leadership development, it should be emphasized that this process needs to be embedded in everyday practice, to be strongly corresponded with organizational strategy and requires specific organizational design or even a specific business model. This paper investigates only one example of the successful realization of leadership development, which highlights the case of knowledge intensive organization within a business school.

A Business School as Leader-Driven Organization: A business school is a very specific institute which acts in the educational market. It is challenged to stay relevant both in terms of education and research, as well as remain an active market player in a highly competitive environment. It needs to justify its experience, actuality and effectiveness to industries, students, parents, government, journalists and academics alike [14]. In the past two decades, business schools have implemented many promising tools, such as, knowledge management, KPI system, TQM approach and others.

The next component of a business school is that it consists of a number of nested systems. It has different faculties, research departments, administrations, student communities and so on. All units are strongly interconnected but perform different activities and achieve different sub-goals. In that sense, the role of strong leadership, especially of distributed leadership, is obvious [15]. Evidence is represented that educational organizations are successful if they re-design and re-structure themselves deliberately so that leadership can be more widely shared and spread. The creation of new teams, flattened structures accomplished with greater responsibility and accountability given to individuals, can form critical psychological states where employees feel more involvement and motivation to improve organizational performance [16, 17].

Research Design: The paper follows the single case study research design. The exploration of leadership development is based on the 20-year experience of an innovative Russian business school -- Regional Management Center (RMC) -- operating in the Russian regional educational market. RMC is the recognized leader among the regional organizations providing education, training and consulting services. In this paper, the author attempts to formalize the methods and day-to-day routines which allow RMC to provide leadership development based on self organization. Generalizing the results of the RMC, the relevant documentation and the market's dynamic were analyzed. There were provided 7 semi-conducted interviews with the heads of business units and employees who were in a so-called "high innovation potential group." The interviews were held in October-November 2010. The permission for records and citations was obtained from all the respondents. The analysis of motivation sources (extrinsic or intrinsic) was based on four series of short questionnaire surveys in 2000, 2004, 2010.

Characteristic of the Russian Business School: RMC was founded in 1990 at the time of intensive reforms in the Russian educational and retraining system. From the very beginning, it took an active position in the regional market. Today RMC is a financially independent organization, which enjoys the privilege of the state licensing system accredited to provide continuous adult professional education. RMC provides assistance with further education by offering a number of special programs in general management, economics, finance, business and marketing, accounting, law, personnel external relation, PR and others. On completion of the courses, the students are granted federal diplomas (certificates). RMC provides product innovation (new educational programs, new consulting services and so on) and process innovation (new professional communities, new systems of client feedback). Geographically, RMC is situated in a big industrial Russian region – the Perm region, with a population of one million people. According to the staff list, there were 184 employees in 2012. Additionally, RMC invites visiting professors, trainers and experts from other regions and different countries. Work conditions and performance based fees are the most attractive in the region. The market share of RMC in the regional market was 53 percent in 2012. It was calculated as a part of the total revenue of eight main players in the market niche of retraining programs in business education.

RMC has a product-oriented structure and decentralized profit oriented management system. Today there are 49 business units, which work as profit centers. Every business unit has a subaccount. The heads

of the business units have the right to make the financial and managerial decisions. Some business units are connected to business groups. In this case, they have common strategies and may have similar clients. There is also a cost center dealing with utilities (gas, water and others) and accountancy. The director of RMC deals with the strategic development and guarantees the long term rules of financial relationships.

Practical Tools of Leadership Development Based on Individual and Organizational Tension: In using RMC as a case study and looking for the answer to the question "how to grow leaders under the pressure of challenges faced by leadership development in modern organizations," the authors have noticed a similarity to the life cycle view [3]. The values of leaders change over time. That's why a leader's life can be compared to the shape of a bell curve. There are predictable phases which can be identified. Among the leaders acting in RMC, the following types were identified: "the desirers," "the beginners," "the creators" and "the experienced." Consequently, particular tools oriented for a particular leader's lifecycle stage were examined. The most important issues were the self-involvement principle, the transparent rules of leadership development processes and the existence of successful practices.

At the beginning of the leadership development program there are the *"desirers"*—those who want to be leaders. They have learning abilities and are eager to start something new. These people voluntary take the responsibility for self development and goal achievement in four directions: teaching, researching, consulting and entrepreneurship. The gap between ambitious individual goals and current reality as well as restricted resources creates individual tension. This tension provides additional employee's with a tug in productivity and innovativeness. Elaborated mechanisms of individual tension are oriented on the future leaders and professors, young teachers and trainers, who work or are going to be employed at RMC. This program includes a self-determination of a timetable of professional achievements.

The analysis of internal RMC documentation showed that starting leaders are asked every year to fill out a form where they present their goals according to the following competences: teaching, researching, consulting and entrepreneurship. At the end of each year, the achievement of the individual goals is evaluated through external indicators. The quality of teaching activities is evaluated with the help of student feedback. Research attempts are recognized through scientific funding or by

publication of research results in peer reviewed journals. The presence of customers is a signal of successful consulting activities. The realizing of personal goals in entrepreneurship is measured by the start up of the individual's own business.

The next stage of leaders' self selection is connected to realizing the entrepreneurship abilities of "desirers." Those who follow this stage are called *"beginners."* They also are ambitious, show successful results at the first stage and are eager to take responsibility not only for self development but in leading others to organize separate business activities in the educational field. In RMC, everybody can start their "own" business – to be the head of a new business unit. Every head of a business unit acquires a virtual property right - the right to use the largest amount of the unit's revenue and this is for the long term. But they also take the risk of financial failure. After some time (observations showed that it can be from six months to one and half years) their behavior changes, they begin to associate themselves with the results of the unit. In the literature it is called entrepreneurship motivation. The heads of business units become the leaders who take the risks, are proactive and innovate for the wealth of the unit and consequently for the organization as a whole. In RMC they are called leaders, not heads. One of these leaders during interview October 2010, said:

> "I have worked here since 1993 and there has been no change in rules. Every month I give to the Central Budget 16% from my subaccount and the rest stays at my disposal. I pay a salary to the trainers, pay for the working papers, which we distribute among the clients, auditorium rents and so on. How do I spend my profit? I can pay it to myself. But if we speak seriously, it depends upon the season...in summer we have practically no money. Autumn is a good time, but we usually work only for "salary." In winter and spring we try to "invest" in our qualification: to attend special workshops, conferences. Secondly, we pay attention to new product development and provide some current performance to our clients."

"The creators" differ from the "*beginners*" according to the following characteristics: they have regular successful financial results, are oriented to long term results, pay attention to team creation and can organize business groups. A business group includes several business units with the virtual property right. A leader-creator delegates the part of his/her responsibilities and

Table 1: Motivation factors of business units' leaders

Motivation Factors	2000 (39 leaders)	2004 (44 leaders)	2010 (49 leaders)
Salary	2.95	2.40	2.90
Bonuses	1.90	1.50	1.55
Praise	2.80	2.80	2.70
Social recognition	3.35	3.20	3.40
Right to take decisions	3.75	3.82	3.80
Work satisfaction	3.75	3.70	3.65
Identification with the result	3.70	3.70	3.75

Source: Questionnaire surveys

gives the rights and resources to start new business units under his/her "umbrella." The virtual property right mechanism is pushed up to the next level. This is the beginning of a more level leadership development.

The most difficult challenge, as was mentioned above, is the alignment of personal and organization goals. The study of the leadership development process provided in RMC showed that the psychological profit derived from success through autonomy and the ability to seed and to harvest their own ground allows for an alignment of a leader's individual interests and the organizational goal with the result that RMC is the most profitable and attractive business school in the region. In contrast to well-known profit-center models, the motivating factors are not monetary, but nonmonetary benefits. One of leaders of business group during interview November 2010, said:

"Why I work here? I have the possibility to realize myself. I see the results of my work and I can decide what to do further. The people around me are so enthusiastic, they are in constant drive. It is really exciting to work together."

In analyzing the origin of motivation of the existing leaders ("beginners and "creators") it was found that intrinsic motivation dominates over extrinsic (Table 1). The leaders answered the question "What factors influence your motivation?" and they chose from four level scales: 1 – no influence; 2 – small influence; 3 – important factor; 4 – main motivation factor.

"The experienced" leaders demonstrate sustained successful financial results, sustained innovation and what is more they create a constellation of leaders and a more level leadership structure. They make the effort to develop the organization as a whole unit. These people (in RMC they are representative of the heads of business units) take further voluntary steps; they cooperate with each other, aiming to avoid too much competition, disloyalty and enable synergies and mutual benefits. A

very challenging issue is the integration of autonomy within the business unit and involvement in the whole organization. From the very beginning, RMC, as a hub of educational initiatives from training to consulting, gives every starter the equal opportunity to use the reputation of RMC, the common infrastructure and common resources. But this is not enough for the long-term competitiveness and sustainability of RMC. In the last ten years, three Committees (Initiatives) were established: A Strategic Seminar (held annually), Implementation of Strategic Programs (held quarterly) and the Future Leader Development Program (held ones every two month). The most visible results are reflective of the Future Leader Development Program. One of the pivotal aspects of this Program is tutorship, which today is highly developed in RMC. While the majority reaps the benefits from these processes, there are obvious obstacles in knowledge transfer and trust between "experienced" leaders and "desires" or future leaders. In the interview, the members of the "high innovation potential group" emphasized these issues:

"...It depends upon the emotional status of the tutor and of course upon his (her) coaching ability. Not everybody can do this. And another problem - they are really afraid to lose the power and money. But I am lucky – my tutor is a good leader and he is not afraid that I will be a leader too...."

It is clear that it takes a long time to reach the stage of "experienced" leaders. In RMC, the average age of this group of people is about sixty years old. The key issue here is not, as in biology, to have leader life ending in a destructive and finally lethal phase of leadership, but to stimulate a creative renewal as soon as the zenith is achieved. So, even if the individual leader may at times lack energy and feel tired, adequate roles for very advanced leaders have to be found, in order to make the most use of their experience and seniority, without their losing self-respect or appreciation. In that sense, the

Future Leader Development Program in RMC has unique possibilities for both knowledge retention and knowledge attraction. As a result, the organization has a renewable process of leadership development.

DISCUSSION AND CONCLUSION

This paper presents the dynamic of leadership development using the principals of self-organization. The findings revealed the successful implementation of an organizational design that expects:

- "To attract" all potential leaders to the internal and external RMC environment and to infuse them with creative tension;
- To align the individual and corporate goals;
- To create new knowledge and to retire tacit knowledge;
- To make these processes self renewable.

This organizational design includes the specific product oriented structure, the unique entrepreneurial culture using ownership motivation by virtual property right, self-involvement and long-term as well as transparent rules.

There are, of course, issues associated with such self-organizing processes. Among them should be mentioned the high internal rivalry between the leaders of business units, because they work in one educational market. It is necessary to point out that the change of human mindset takes time and this aspect needs to be considered in every transition during the life cycle of a leader. The next risk is the probability of losing common goals and reducing the intrinsic motivation for self development and performance target achievement. An entrepreneurial environment increases the risks of highly qualified personal outflow, because successful business unit leaders can try themselves in other places. RMC's successful innovative practice shows that these issues can and need to be solved.

The ideas and practices discussed in this paper reflect the current situation in leadership development, particularly in the sphere of educational business. The generalized findings are restricted by the single case study. Nevertheless, the principles established in the Russian business school, to some extent, may be implemented in any product oriented organization. That is why future investigation of leadership development should be based on a comprehensive analysis of best practices in this field.

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