

Jose Borges came from a corporate background. As a corporate man he had tried out an approach to HR talent management which worked with the most amazing results and he was soon asked to implement this systems approach across the Group. When he had looked around for software support he found none of the vendors met his need.

He approached a close friend of his, Atilo, a software engineer to write the programme and this they did, over two years. Jose provided the methodology and Atilo ploughed his time and effort into the software. A tall intense man, the computer came alive under his ministrations. Eventually Jose left his well paid corporate role (a loss to their talent pool) and with Atilo, took the software to market. They battled to sell and for eleven months, Jose and his new family had no income, borrowing from his mother to get through each week. Luckily the new company was debt free and they prided themselves on this and that they had started their own company.

Eventually the software started to sell – what a party with the first sale! Jose was possessed – he wrote articles, got onto the talking circuit, presentation followed presentation. The business grew steadily. Atilo left his own job and joined the company working full time. Jose found he was involved in consulting, as well as software sales and training. In 1993 they achieved their first \$1million sales mark. By 1995 it was \$6 million and they had new office premises and had opened a second office in Buenos Aires and this was staffed by a new partner, Klaus.

There were now three dedicated software programmers, a receptionist, a junior consultant, a finance section with two clerks and an accountant. Three new partners had come aboard, recruited for skills in consulting, administration and finance. Turnover was well into the seven figures and the business was becoming noticed. They had sales in three countries and were investing in a web based presence. Jose and Atilio liked to come into the office at night, sitting and drinking coffee and watch the glowing LEDs and just talk about things. It was an exciting time.

In 1995 Jose was offered the franchise of a very exciting product which he had been using in his previous corporate life. He had become friendly with the US “guru” and had maintained this relationship over the years. When the US guru’s chief franchiser and training agent lost the plot to greed and poor judgment, he turned to Jose who he regarded as an ethical person with a deep belief in his products. He was offered and accepted almost exclusive franchise rights for South America.

Within five months this revenue stream had exceeded software sales. When taking over the franchise, he inherited a licensing fee revenue stream from existing clients and an associate network of some 50 consulting practitioners and twenty five large corporate clients. There were now many more stakeholders involved, legal issues, brand and image protection, quality assurance and service needs.

It was at this stage that Jose began to have serious disagreements with Atilo and Klaus, the Buenos Aires partner. Atilo was battling over the move to becoming a web based company and also with the Windows operating environment in 1995. Their software had to be completely rewritten for Windows. The company who produced the software programming package in which the product was written had not yet produced a stable Windows based application and nothing was on the horizon.

A big capital injection was needed to refresh and re-jig the software. Jose was not supportive as the consulting business was rapidly growing and profitable, but profits were being eaten up by the software development side of the business. Jose thought it should be shut down unless they could make a decision about future technical direction.

Klaus did not like the franchised methodology of the US “guru”. He felt Jose was autocratic (no one was consulted over the franchise) and changed his mind frequently, often without telling those involved. Klaus felt Jose did not finish or execute things well, that he jumped to whatever interested him. He started

undermining Jose. Gaspar, the Business Manager, also a share holding partner, felt he was the meat in the sandwich and eventually confronted Jose; asking him who was managing the business; Klaus or Jose? Jose was a busy man and not particularly interested in these matters. Owning 52% of the company stock he did not feel threatened.

Atilo, floundering in a sea of software uncertainty, decided the stress was too much and phoned Jose to say he was leaving the company. It was rare for Jose even to talk with Atilo, as the relationship had deteriorated so much. Jose closed down the software and Atilo agreed to manage the existing client base. They parted with bad blood.

By 1998 the company was blossoming and Jose was bored. He thought he needed a new challenge and moved to the UK to set up a full time office. Klaus was made South American MD. The UK office was a great success but at what would prove to be a high cost. Jose had little support, doing all the work from marketing, training, finance, to consulting work. He trained 20 associates to help but because they were still novices, he was pushed into an increasing quality control role.

Things got more complex at this time as the US "guru" appointed a chairman without consultation. Jose quickly found he could not work with this person. He felt unsupported, isolated and in 2001, angry and exhausted; he resigned. Relationships had deteriorated with Klaus who liked the new chairman. Klaus changed the name of the company (with Jose agreement) to reflect the guru's product and brought in systems, procedures and processes to the business. A legal tussle arose about the UK office, with Jose charged with poor governance. Jose's relationship with the US "guru", the chairman and Klaus broke down completely. Jose sold his shares to the Argentinean operation and withdrew completely. Revenue fell drastically in the UK.

So what were the risk issues and how could they have been mitigated?

### **Not managing the growth of complexity in the organisation.**

Jose was an autocratic entrepreneur and while he had significant capability to handle its uncertainty, he had little interest in process, structure or even consensus. He operated by intuition and gut feel and liked to move quickly. He built a transnational business from nothing to over \$14m in 2001, with minimal debt. Jose and his partners did not work as a team and they certainly did not apply themselves to doing their work at the appropriate work level required.

I assist entrepreneurs with a model devised by Elliott Jaques which has three components, one of which is "Levels of Work". There are seven discrete levels of work, each adding a unique value, each with a different quantitative measure of time to see outcomes and each associated with a different set of risks. Jose carried *all the relevant levels of work in his head initially*.

As the business grew more successful Jose did separate out the different functions and put in place people and processes to look after them. This worked well operationally and until the company grew to a certain point where strategy and vision became critical. This article is not the time and place to launch into a detailed discussion on these work levels and their risk, but suffice to say the great failure for this small and highly entrepreneurial company is that they failed to put in place what we refer to as Work Level IV or that of Strategic Development.

This Work Level is the first to craft budgetary requirements to meet organisational strategic intent. Because the intent was woolly, the means to get there was also woolly. Resources in the broader sense must be planned and negotiated based on their group decision. Performance is measured from a strongly financial aspect, but increasingly across numerous relationship fronts, such as employees, stakeholders, customers and from an image and reputation perspective. Here, the team needed to decide what to resource to the meet "new" and what to terminate as well as what should continue to operate. The conflict between software, consulting, expansion and insufficient gearing was never resolved nor addressed in any logical systematic manner.

The risk of allocating large amounts of capital in new ways, products and services required the team to make decisions about the future of the software and where they wanted it to go. Reacting is what they did and it was insufficient. Mitigation of risk is ensuring good control information. There is no way success

could be guaranteed, but because of their failure to work as a team at the right level, Jose and his partners gave away their unique product – their software – and settled for a franchise with a significant loss of control over their future (as seen in the appointment by the US “guru” of a new chairman).

Klaus in his plodding way had an inclination of what needed to be done, but Jose gave up the software business in his wild rush for income and new markets. Jose had also given away control of the company to new partners without ensuring proper governance issues were in place or getting professional advice on how to manage growth. It may well be that Jose could not engage with the complexity required to drive the organisation at the required work level.

Both stories in this short article also highlight another side to Jaques work, that of human capability or potential. This has critical relevance to every entrepreneur and to those leading a business, large or small. Potential depends on the Cognitive Power of the individual, which Elliott Jaques defined thus:

*"Cognitive power is defined as the potential strength of cognitive processes in a person and is therefore the maximum level of task complexity that someone can handle at any given point in his or her development"*

*"Cognitive processes are the mental processes by means of which a person is able to organise information to make it available for doing work"*

Jaques greatest contribution lies possibly in work on understanding human capability and how people like to make decisions when they do not and cannot know what to do. In other words, how we like to deal with uncertainty and ambiguity? This dictates our preferred level of work. Some forty years of research has shown that our ability to do so **is measurable and predictive** and it grows or emerges at different rates for people. If done with sensitivity and care, such information can be hugely informative about our Working Journey and has helped many people around the world make sense of their journeys. For entrepreneurs it really is a must. Also of interest is that the capability of an individual may be a factor in high level crimes (such as economic crimes).

In brief; as our cognitive capability unfolds, we transition from one level of work capability to another and when we do, we make changes in our lives to cope with our need for greater challenge. For Jose, Atilio and Klaus it is also important to note how they grew the business, which closely corresponded to the level of work complexity with which they were comfortable **and how when the complexity of the business exceeded them, they lost control of what was a manageable situation.**

My second story is very different to the first.

Muhammad Yunus, founder of the Grameen Bank and micro credit is a Visionary. In 2006 he was awarded the Noble Prize for his work in empowering people through micro credit. Muhammad Yunus stood banking on its head by choosing a model that was in many ways the antithesis of globally accepted practices. Over time his experimentations reversed conventional banking practice by removing the need for collateral and bringing back human traits like mutual trust, accountability, participation and creativity. His remarkable journey built up an institution that empowered and liberated the poor and which has been replicated around the world. Traditional banking is based on mistrust and essentially focuses on those who already have access to wealth. The preference is for lending large amount to a few clients and contact is limited to annual reviews, debt servicing or marketing. Fighting poverty is not part of the mission.

The Grameen Bank in contrast is seen as a cost effective method to fight poverty and empowers people and society in the process. The impact of the Grameen Bank has been documented by many studies of the World Bank, the International Food Research Policy Institute (IFPRI) and the Bangladesh Institute of Development Studies (BIDS)

Yunus created a whole new industry. His growth in Cognitive Power (CP) gave him the ability to process ever increasing data and thus to form a view that allowed him to navigate the complexities which surrounded the growth of the Grameen experiment. I have shared this analysis of his Working Journey with him and he immediately wanted to know how it could be applied in developing countries. I highlighted

how his decision making process changed with each transition of his CP and how his vision grew and guided his work in dealing with increasing complexity on an ever expanding stage.

Jose never developed a clear long term vision.

Each of Yunus's transitions created the impetus for the next stage of growth and development of his creation, the Grameen Bank and with each transition, new complexities and challenges were created as he lifted the game plan and "levels of work" of the fledgling organisation. **Sustainable growth for a business is not possible without an increase in complexity of the work system.**

Yunus was born in 1940. He wrote his first complete book at the age of eleven and in his avid pursuit of reading, went to some extraordinary lengths to secure reading material. One example he gives is picking a comic book competition winner's name and sending the magazine a change of address to so that he would receive the winner's copies!! The young Muhammad finished school in 16<sup>th</sup> position out of 39,000 students. He completed a BA and a MA in economics and in 1961 joined the Bureau of Economics where he worked as a research assistant. At 21 he decided to try his hand at business, setting up a packing and printing plant. The company was quickly profitable, giving him confidence and discovering he could earn money.

In 1965, the 25 year old he received a Fulbright Scholarship and this, unknown to him coincided with his cognitive transition – what we refer to as "Call to Adventure". *It was a transition time for him as he was moving from one form of mental processing to another. This transition had already commenced a few years earlier and the latent need for change may have manifested itself in the urge to set up his business and expand his horizons.*

Yunus accepted the offer (and the Call to Adventure), departing for the US to do a PhD in economics. Here his teacher, a former Finance Minister of Romania taught him to appreciate concepts and not formulae's (that mental modeling associated with his transition) and that you needed to have precise plans. The young man also came to the conclusion that it is only arrogance that seeks complicated answers to simple problems. This is the essence of thinking at this level of work complexity (what we refer to as Work Level IV) – which is about distilling simplicity out of apparent complexity, noise, confusing signals and red herrings.

In 1971 the War of Liberation broke out as the new Bangladesh emerged. He returned to Bangladesh full of idealism and burning to work towards a new future. After resigning from a government post he took up the post as head of Economics at the university where not so long ago he studied and taught. Chittagong University and its neighborhood village, Jobra, would prove to be a fertile breeding ground for the thirty two year old.

In 1974 the Bangladesh famine became acute, later to claim over a million lives. Yunus was clear he wanted to help the poor, but how? He started questioning what he taught, the elegant theories and models; the vast sums of money, the whole knowledge base that supported it and the more he thought about this, the more it fell short of the mark and worse then that, it was failing humanity. Here people were starving. This national catastrophe was happening at a critical time for the young man.

*This thirty-four year old Yunus was again in transition - his cognitive processes involuntarily reshaping themselves as he moved into a new level of thinking power.* This emergent cognitive power is able to create new connections between bodies of knowledge and through the identification of the interconnections, which is a form of integration - new ideas, new concepts, new approaches are generated. This was a new Call to Adventure and this new cycle would last him some ten years, covering the approximate period of 32 to 42 years of age. A great deal was about to happen.

**He decided to redefine his role and how he might be able to help.** Where to start? He looked at the village of Jobra, next to Chittagong University and decided to make this his research laboratory, as it represented a microcosm of Bangladesh. Here he could try and understand what was going on and how he might be able to help.

As he explored the village he started to unlearn his economic theory about how things should work and began to learn from the real world and specifically how economics really worked. He saw the failure of

development projects that put money into the hands of the already wealthy, into government, into consultants and how these huge projects failed to impact or uplift the lives of the poor. Development projects of schools, highways, government buildings “prestige projects” failed to trickle down to where jobs, money, and real development could take place.

He soon realized with ever increasing horror how small amounts of money make differences between life and death, economic slavery and hope and empowerment. At one point early on he lent a group of people \$27 to help them break the vicious cycle of poverty and money lenders. **At 34 years of age he realized he needed an institutional solution.**

His experiments confirmed that a small amount of money provided a ticket to self discovery, growth and personal development and offered the key to solving poverty and turning lives around. Over a period of time he and his students devised a scheme whereby they targeted women as borrowers. In many traditional societies women have marginalized roles with little protection. It was difficult work getting access to them and winning their trust because the culture and society had erected so many barriers. However Yunus and his students formed them into borrower groups and offered support and process. Progress was slow.

When trying to access funding, he ran into a brick wall when he approached the traditional banks. The poor were regarded as un-bankable, an unacceptable risk and the leading national bank would not consider partnering him on such a risky venture and would only lend him a maximum of \$300 in his personal capacity. In 1976 he secured a loan with the Janata Bank, but his view of how loans should work clashed fundamentally with the traditional banker’s view of credit and collateral. He was outspoken in his condemnation of this. Traditional banking benefits those who already have wealth in some form or another and to loan money you need to put up collateral. The banking system is built on distrust, not trust.

**Yunus wanted a people worthy bank and one build on trust, with close contact between the borrowers and the lenders and small regular repayments. He said he looked at what other banks did and did the opposite.**

The Grameen project got its break in 1978 when he formed an alliance with the Central Bank and expanded operations, so that by 1979 he had a total of 19 branches. **Muhammad Yunus took leave of absence from the university and joined the project full time.** 1981 was a key time as it marked the end of the two year experiment. The MDs of the Central Bank said it had been a success, but said that it was based on Yunus himself, and there could not be a Yunus in every branch. Yunus became very angry at this because they had **not realised he had set up a new banking structure.** By 1982 they had grown to 28,000 borrowers from less than 500 in 1979.

At the age of 43, the Grameen Bank was born. Over the next few years structural adjustments to share holding and board appointments took place, giving the Grameen Bank its independence.

*It was during this period that another cognitive transition occurred with the resultant Call to Adventure heralding significant expansion, increasing external contacts and exposure. A new phase of his Journey was embarked upon and one which would last at least until 52 or so years of age.*

This period is best summarized by consolidation and institutional growth, diversification and replication of Grameen activities globally and increasing recognition of his vision. Yunus challenged institutions such as the World Bank, the role of international donor aid and consultants and how they failed to really change the lot of the poor. His ideas were also growing internationally with organisations replicating the Grameen formulae with slow but steady success.

In 1998 the Grameen Bank had 12,000 employees, 2.3 million customers and 1,112 branches. Replication was across more than 59 countries. By comparison, in January 2007, it has 6.95 million borrowers, 97 percent of whom are women, had 2,343 branches and offered services in 75,359 villages.

**In conclusion, risk and its mitigation boils down to having an understanding of the level of complexity in business you can comfortably operate within. Risk increases exponentially when exceeding that threshold. This risk threshold is unconscious for most people, although sensed with feelings of losing control and intuition.**

There are mitigation strategies when moving beyond that threshold but the trick lies in knowing when you (or others) are doing so and what work levels need to be in place, otherwise hindsight becomes a great teacher, as Jose found out. For corporations, this is a sadly neglected part of Enterprise Risk Management. For Yunus, he had the cognitive capability to keep growing and this capability gave him unique perspectives of risk that were not shared or understood by others at the time.

## References

Correspondence: Prof Muhammad Yunus & Andrew Olivier. Various. 2007

Olivier, A. (2007) *The Working Journey of Muhammad Yunus*. Unpublished.

Olivier A. (2003) *The Working Journey*. MacOlive Co. [www.theworkingjourney.com](http://www.theworkingjourney.com)

Yunus, M and Jolis, A. (1988). *Banker to the Poor - The Story of the Grameen Bank*. Arum Press. Reprint 2003.

Grameen Bank web site. Selected Speeches by Yunus, M. Downloaded from website of Grameen Bank. [www.grameenbank-info-org](http://www.grameenbank-info-org)

## *About the Author*

---

**Andrew Olivier** has a strong belief in educating people and society about their capability. Over the years Andrew has blended together a number of practical approaches to Organisational Development and Leadership or the management of your Working Journey. Based firmly on the models of Requisite Organisation he has created a very unique approach to organisational and individual development.

Andrew also has a strong need to ensure people who are entrusted in electing senior leaders understand capability and what this means for the future of the business and the broader context.

Andrew is currently busy with a project on identifying capability in micro-entrepreneurs. Website is [www.workcomplexity.com](http://www.workcomplexity.com)

---

## **Andrew Olivier, March 2008**

<sup>i</sup> Levels of Work is based on the pioneering work of Elliott Jaques which sees three domains of work with a number of work levels inherent within the domains. Like a complex adaptive system the first work level must work well before any complexity can be added. The Levels of Work model is based on increasing complexity of decision making and uses time as a measure of the role complexity.