

**Incorporating Collaborative Mindset in my reflections:  
some Economic, Political and Management thoughts**

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## 1. Introduction

In the first two Reflections Papers I wove some harsh criticism about the characteristics observed in BNDES. As the basis of my observations I recognized the difficulty to establish an enabling environment for authentic learning and reflection. This difficulty is based on a cultural value called “Excellency” that, in a second order observation, coined the term "*cognitive arrogance*."

In the first Reflection Paper I made a broad reflection on the BNDES culture through analyzing the strategic planning process, the existing power structure and values of BNDES. I also revisited these issues through the lens of Analyze Mindset in the second Reflection Paper. Though it is not essential, reading both papers will facilitate the understanding of the present work.

Metaphorically, it's like a trip made by an upward spiral where I pass the same point a level above and therefore having a different view approached I had in the first Reflection Paper.

I also identified BNDES in a peculiar moment (spot time) where there is a confluence of factors that requires a change in the organizational management pattern. In my remarks, I raised the hypothesis that BNDES was in a Rigidity Trap requiring Creative Destruction (Westley, Zimmerman and Patton, 2007) to move forward and face its challenges.

In this third module I had the opportunity to re-evaluate my beliefs about the appropriateness of the management model chosen by BNDES. From the study of the Chinese experience I could better understand the interrelationship between the economic systems, management models and cultural values<sup>1</sup>. Watching what happens in China, I could relativize some of my criticisms about the way BNDES faces some of its challenges. I think I also disregarded in my prior analyzes the importance of our

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<sup>1</sup> In this context "*cultural values*" means a set of values that BNDES has built throughout its history. BNDES is a complex organization because at the same time is a public development bank under the legal regime of private law (is a bank regulated by the Central Bank and under the bank confidentiality) and has a broad spectrum of activity. In this meaning, "*cultural values*" might be understood from a wider perspective (space and time issues).

cultural values in the adaptation of the management model adopted. It was clarified in my mind the importance of adapting our actions to our cultural specificities.

This paper has eight sections including this introduction. In section 2, I describe the YIN-YANG concepts, background of Chinese thoughts that influence society and its economic model. Its main feature is not deterministic and is quite adherent to Confucianism.

In section 3, I describe some aspects of Western philosophy and its differences from Eastern philosophy. In the following section I make a parallel between the Chinese and Western capitalism based on the philosophies outlined in the previous sections.

There is no ambition to evaluate which capitalism model is better but, fundamentally, I recognize that different models could achieve good economic results. I also realize that the cultural values are a key issue when we implement a specific model. This is valid either economic model or management pattern.

Continuing the analysis, in the fifth section I make some connections between institutionality existing in a country, the management capacity in companies and also the investors' decisions to allocate resources in a given economy (Jackson and Deeg, 2008).

In the next two sections I analyze the role of BNDES in Brazil's economic model (and the associated critical) highlighting the importance of Collaborative Mindset in BNDES and what is my IMPACT from the newly acquired knowledge in the module.

In the eighth and final section, I present my conclusions.

## **2. Yin-Yang Concept**

According to Chinese philosophy, reality has a dual nature, being represented by opposing forces that complement each other. While Yin is female, night, passivity, Yang is linked to male, day and activity. One may not understand Yin-Yang as opposing forces, but as energies that dynamically interrelate, interconnect and complement each other.

The manifested reality always contains these opposing energies and the perception of something is possible only because the other exists (even if subtly). This thought can be summarized (Tse, 1996),

*“The Tao that can be expressed is not the  
Absolute Tao  
The name that can be revealed is not the  
Absolute Name  
Nameless is the beginning of Heaven and  
Earth  
Named is the mother of all things  
So  
Who remains desireless contemplates  
Mysterious Principle  
Who saves desires contemplates the  
limits of appearances  
Both are identical in their Origin  
And distinct become their names become  
manifested  
This mystery is called Infinite Depth  
Depth not yet unveiled by man  
And that is the Door of all Wonders of the  
Universe”*

Moreover, from the interconnection of these aspects of reality (Yin-Yang), we can see that the whole is greater than the sum of the individual parts because it is not easy to measure the beneficial effect of interrelation.

Carrying the Yin-Yang model to social reality, the distinction between the aspects of the reality depends on the individual judgment based on the very values of who is judging. In other words, it is not real, but closely bound to the filter whose judges. Yet accordingly to the same book (TSE, 1996),

*“When the men recognize that kindness  
is good  
Then they know that evil exists  
When men recognize that beauty is  
beautiful  
So they know that ugliness exists  
so  
Being and not to be engender one  
another  
Difficult and easy complement each other*

*Long and short are relative to one another  
High and low are attached to one another  
Before and after succeeding one another”*

The following figure represents the way these two aspects of reality are related to each other. The two spheres inside the symbol give the idea that every time each force reaches its extreme, it manifests itself in an opposite sense.



In addition to the concept Yin-Yang, Chinese society has Confucianism as the basis of human relations. The Analects (Confucius, 1979) compiles a philosophy that emphasizes personal and governmental morality, personal relationships and justice. Confucius's thoughts received official sanction and were further developed into a system known as Confucianism.

While Buddhism tries to explain the relationship between the human and supernatural, the Taoism explains the relationship between human and nature and Confucianism provides the foundation of social relationships in China. These three systems together forge the foundation of Chinese philosophical thought which greatly differs from Western philosophical thought.

### **3. Western Philosophical Thought**

With the end of the Roman Empire in the fourth century, Western society plunged in the Middle Age, a period where humanity enjoyed the mystic contemplation of nature, with clear dominance of spirit over matter. During this period, it was not surprisingly that the

Catholic Church was the strongest institution. The relationship with God and nature was too respectful where intuition and meditation had overshadowed rationality.

The Western philosophic thought had been consolidated from the fifteenth century with the Renaissance<sup>2</sup>. The Cartesian thought (Decartes 2011) introduces the analytical method would influence Western society in different areas of knowledge (art, science and philosophy). "**I think, I exist**" sums up their thinking. In his famous book, he proves the existence of God through rationality. Also important for the development of Western philosophical thought, Francis Bacon consolidated scientific methodology and relevance given to empiricism and, because of this, is often called the founder of modern science (Bacon, 1998). From this period, the man started believing be possible "**dominate and control the nature.**"

The scientific thought was responsible for deep changes in the medieval structures and the transition from Feudalism to Capitalism. If the period of the Middle Age period was characterized by overvaluation of meditation and intuition (Yin), from the renaissance Western society began to value rationality (Yang). Religion and imaginary became less noble knowledge because the science study object became the substance, not the spirit.

As Western thought was being consolidated, the man moved away from God and nature. Mankind lost contact with its origins establishing utilitarian and mercantile relations among nations. The predominance of rationality provided a fantastic technological development (and it is undeniable that there has been great progress in this area) and consequent economic growth.

However, the mankind has become less symbolic believing that its contradictions could be resolved easily without much reflection, from the belief that happiness could be achieved by satisfying the senses.

Of course, the overvaluation of rationality has been challenged by various thinkers from different areas such as Kant, Jung, Guerreiro Ramos and Pirsig among others. While the Kant's thought (Kant, 1965) was the basis of modern philosophy influencing the

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<sup>2</sup> *The period was featured by transformations in many areas of human life, signaling the end of the Middle Age and much of the Modern Age*

German philosophic school, Jung believed that Western society by repressing their “ghosts” became ill. According to Jung, depression was the disease of the twentieth century and had its origin in the mankind’s dissociation from its symbols. According to him (Jung, 2011), the first and second World Wars were the result of Western society daydreams that overvalued rationality repressing the symbols that gave mankind the mental balance necessary for life. From this viewpoint, the wars were equivalent to opening Pandora's Box where mental energies expressed in a disorganized way materialized two of the greatest atrocities that mankind has witnessed so far.

Already Guerreiro Ramos criticizes the overvaluation of the market action in our lives. The market has invaded all areas, including previously unthinkable areas like education and health (Guerreiro Ramos, 1989). In his opinion the pricing of human values clearly demonstrates the dangers of Rationality predominance over Intuition.

And finally, Pirsig points out that rationality has been exaggeratedly valued in over intuition and, within this critical perspective, he argues that the man’s trip to the moon was a mere consequence of Columbus' voyage to America (Pirsig, 2004). From his point of view, the great paradigm shift will occur when Western society recognizes Intuition in its knowledge construction processes. He considers rationality and intuition sides of the same coin called the structure of thought.

It is worth noting that Eastern society perceives reality as a dynamic balance between forces of nature (Yin and Yang) and apply this same concept to human relations. The society better understands the apparent contradictions of the world because it believes that these contradictions are resolved when considering not only the dual aspects of reality but also their interconnections. These concepts are deeply rooted in Eastern society for centuries and remain even today. Yin and Yang have always been the way to face reality.

In contrast, Western society has always emphasized the values of one aspect of reality in relation to each other, in a pendulum motion. We can say that the period of the Roman Empire exacerbated Yang values, creating the onset of Yin values which, in turn, was exaggeratedly valued during the Middle Age. As a result, the renaissance of

Yang values occurred in the late 15th century, having as a starting point in the Portuguese and Spanish Great Navigations.

Since then, Yang values have impacted art, religion, philosophy, politics and science, being and the latter has been considered a superior knowledge in comparison to the others. The analytical method and the scientific empiricism have obtained the status of absolute truth. The impact on social sciences and bureaucratic organizations were also significant.

In this process, capitalism emerged as an hegemonic model. The notion of linear time and the need for efficiency have favored the growth of capitalism. Additionally, the system has been able to reinvent itself in every moment of crisis because of its technological innovation capability. The capitalist system has shown a natural vocation to grow since its intrinsic logic is wealth concentration (capital accumulation). Thus, to have more people included in economic life economic growth is needed.

While we can point out several advances brought by the consolidation of the philosophical-political-economic system of Western society, the need for economic growth and capital accumulation brought numerous challenges that must be addressed in the near future: swelling of the cities, massive social inequality, disease-specific as depression and depletion of the environment. As stated in Chinese philosophy, every time each force reaches its extreme, it expresses itself in an opposite sense.

I firmly believe that we have to restore Yin values and harmonize them with the achievements of Western society.

#### **4. Western Capitalism x Chinese Capitalism**

The Western and Eastern philosophies explored in the previous sections reflect on various aspects of the daily life of these societies.

One of the most striking features of Western society is the belief that there is one concept of development and only one way of how society should achieve it. The development of a country is measured by the quantity and quality of certain indicators and values determined by "consensus." Among these values, we could mention the

political and economic freedom as the most important. There seems to be consensus that capitalism is based on these values. Interestingly, the "Cold War" seemed to be just a fight between two systems: socialism that recommend greater state interference in the economy and politics and capitalism which advocated economic liberalization.

The drop of the Soviet Union and the perception that countries which opted for capitalism were more developed reinforced a view of the importance of democracy and free market as an engine for development. At one extreme we would have the U.S. (exponents of liberalism) and another Soviet Union (representative of state interventionism). As Dantas says, in the background it seems that we were just talking about labels (Dantas, 2013)<sup>3</sup>.

Everything seemed to make sense until China phenomenon showed up. After the Cultural Revolution in the late 70s, China has decided to keep the communist political system by introducing a slow and gradual economic opening. The motto used by Deng Xiao Ping was, "no matter the color of the cat (if it's white or black), the one who catches the mouse is the best". The communist model had reached a point of exhaustion and Deng Xiao Ping was the agent who led Creative Destruction (Westley, Zimmerman and Patton, 2007) creating an environment capable of changing the country's role in the global scenario.

At first, it seemed that China would be the world's factory, offering products with low prices. However, in a very short time it has become a strategic player, applicant raw and a huge consumer market. The biggest surprise was how quickly the country went through the stages of development. From the first phase of industrial revolution (textiles and shoes) to produce automobiles and electronic products, they took less than three decades. By all the analyzed indicators China has become a major world player under political, economic and financial perspective (Weiping, 2013).

China surprised the West because its style is very different from the regulatory capitalism, where the state should only act as regulator and allows the market freely act (Shi, Marköczy and Stan, 2014). The surprise is because the West believes that there is

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<sup>3</sup> In his 2<sup>nd</sup> Reflection Paper Dantas discusses the concepts of development, the labels that receive the many systems and the importance of development banks for the various models.

a "right way" to implement capitalism. According to Shi, *"the neoliberal orthodoxy takes the one-model-fits-all view and proposes that countries achieve capitalism through deregulation and increasing reliance on markets."*

Western society has always believed that as China decreased direct state intervention in the economy, entrepreneurs could have more freedom to invest and the country would benefit from the productivity gains arising from economic liberalization. Shi indicates that there are four major sectors in the Chinese economy: the State (government-controlled companies), Privatized (originally sold to the state and private sector companies), Transactional (dependent private companies of State resources such as land and finance) and Entrepreneurial (private companies).

Shi also identifies the main feature of the Chinese capitalist model is the inherent relationships between the state and the companies, which he calls the political ties. According to the paper, in spite of the advances in the market process, the political ties still remain very important, although its nature has been changing.

Although China has decided to move to a market economy, the country hasn't left behind their roots and the collectivism culture. Rather, the political system has absorbed the society's demands for greater freedom accommodating tensions and settling conflicts. Also according to Shi, *"one type of Counteracting Force comes from the groups of elites from the transactional and entrepreneurial sectors, due to the emerging mutual-dependence relationship (State and Private Companies)"*.

The following table shows some cultural differences between China and Western societies that seem to explain why the Chinese capitalism is being successful, despite its many peculiarities when compared to the Western capitalist model.

Chinese	Western
Holistic	Linear Way of thinking
Collaboration	Competition
Relationship ( <i>Guanxi</i> ) <sup>4</sup>	Contracts (hard facts)
State as investor	State as regulator
Collectivistic	Individualistic
Social aspects (employment)	Maximum efficiency
Long Term	Short term
Yin-Yang	Yang

When we analyzed the previous table we have an insight of why China has surprised the West. This country has counteracted some of the pillars of Western capitalism and still managed to insert itself in the global economic and financial market becoming one of the leading global players. Probably, this surprise is linked to the fact that some researchers feel that globalization and internationalization induce convergence between the paths of emerging countries and the path already trodden by developed countries.

From this perspective, some observers believe that the Chinese system is bizarre. However, China's performance (and why not say Korea performance) proved to be possible to develop a slightly different capitalism. Finally, it is important to recognize that different institutionalities should induce different behaviors of investors, the companies and their management.

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<sup>4</sup> Guanxi can be understood as “a social and business relationship network, as the key to conducting successful business and can be translated as relationships and connection.” For Chinese perspective, the relationship must built before doing the deal. To them, a signed contract merely marks the end of the first stage in business dealings(Ai, 2006)

## 5. Institutionalities, Management and Investors

Generally speaking, the institutions can be considered the rules of the game or, more broadly, legal and regulatory environment that influences an organization in its various aspects (Deeg and Jackson, 2008).

Just as economic theory seems to prescribe a way to implement capitalism, there is a certain "consensus" about the best management theories. Of course, the prevalence of these theories comes from the North Atlantic, and often do not incorporate important cultural traits of the "peripheral" societies (Cooke and Faria, 2013). Clearly the management theories are more appropriate to "pure capitalism" (free market, state acting as a regulator and the search for maximum efficiency).

In the same way, there are theories in international business that defend the same actions of managers regardless of existing institutions. According to these theories, it would be appropriate to managers to adopt the same attitudes in different institutional environments.

According to this theory, managers should always evaluate what is the "distance" between the institutional environment to the organization compared with the institutional environment of "pure capitalism" (as if there was an ideal institutional environment).

However, this view is quite "americancentric"<sup>5</sup> because all the management theories are gestated from Western multinational organizations. This view is closely linked to the YANG concept.

There is another approach which states that *"institutional change as being a path-dependence process. Contrary to notions of convergence on a single model of best practice , the Comparative Capitalism literature stresses how common competitive pressures are refracted through different sets of institutions"* (Deeg and Jackson, 2008). From this perspective, management needs to understand the institutions at the national

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<sup>5</sup> Although capitalism is the economic system of the Northern Atlantic countries, its purest form is found in the USA. Even in other capitalist countries like Germany, France and the Nordic countries, the action of the state as an economic agent is much larger than the U.S. economy. Boyer (1997:75) argues that the process of institutionalization reflects the social and political conflict particular to each country and thereby identifies four major variants of capitalism: market oriented (Anglo-Saxon countries), Rhineland (Germany, Japan), statist (France, Italy) and social democratic (Sweden, Austria).

and sub-national contexts because they form an interdependent whole. So, it would be necessary to adapt the theories of management to different institutional frameworks.

Evaluating different institutional environments they can be classified into at least two basic types of capitalism: the Liberal Market Economies (LMEs) and Coordinated Market Economy (CME). The first type could be considered "pure capitalism". These two types can be considered as extreme poles (maximum free market and government intervention).

A case that exemplifies the difference between management styles can be seen in the paper "Trouble in Paradise" distributed as pre-reading in Collaborative Mindset module. In this paper, a U.S. executive of a joint venture between an American and Chinese companies (located in China), deals with a situation that shows the impacts on the executives behavior considering cultural management differences.

The U.S. executive was being pressured by the parent company to make adjustments in fixed costs (reducing the number of employees) in order to increase the margin. According to the mother company, they had been investing during ten years and the return on capital was pathetic. However, the Chinese executives believed important to invest in growth because they understood that it was important to create new jobs even if the new investments were postponing the margin increase. In the American view, it was important to increase profitability, but in the Chinese view maintaining and creating jobs were a priority goal. One believes that the efficiency increases profit, the other realizes the long-term relationship is the most important asset (*Guanxi*)<sup>6</sup>.

Besides influencing the way it should apply the management theories, institutions also influence the allocation of resources from investors and multinationals companies. From this perspective, the approach of comparative capitalism believes that institutionalities shaping capabilities for different strategies and forms of coordination (Deeg and Jackson, 2008):

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<sup>6</sup> Regarding the cultural influence issues in the performance of the companies there is a lot of work produced (Trompenaars, 2003)

*“This theory suggests many pathways to high performance based on alternative constellations of institutions, given that different market and non market forms of coordination will lead firms to have different competitive strengths and weaknesses in pursuing different sorts of production strategy or patterns of innovations.”*

In short, the management theories have been produced to deal with a specific institutional environment (Anglo-Saxon) and must be placed in context when applied in other institutional environments. These adjustments should take into consideration the culture of the particular country. The most important mindsets (Gosling, Jonathan and Mintzberg, 2003) about management theories are related to the concept YANG (Analytical and Action mindset). In my opinion we will have a more complete theory if we add the other three mindsets related to the concept YIN (Reflection, Collaboration and Worldly mindset).

## **6. BNDES role in Brazilian Capitalism**

Brazil has always had a strong state presence in the economy. Since the 50s, the Brazilian government had two lines of action: (i) incentives for multinational investment in sectors such as automotive and (ii) presence of state-owned enterprises in the production of primary goods (mining, petroleum, petrochemical, steel) and infrastructure (energy, telecommunications, sanitation and logistics). Even in sectors where the national private companies invested (pulp and paper, cement, capital goods) the government has always given support to investments through BNDES funding (sometimes also through equity participation)<sup>7</sup>.

In the 80s the development model based on state enterprises had serious problems in Brazil. With the increase of U.S. interest rates in the late 70s and the consequent debt crisis in emerging countries, the Brazilian government decided to increase the debt of its state enterprises to face the currency crisis in the country. However, this excessive indebtedness policy withdrew the company's ability to invest and their performance fell sharply.

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<sup>7</sup> *The Reflections Papers of module 1 of Dantas and Faveret (cycle 17, 2012) and Ramos (Cycle 18, 2013) detailing the role of BNDES over the years since its foundation.*

Thus, Brazil arrived in the early 90s with the feeling that it was necessary to reduce the size of the state as an investor in the economy and with the idea that privatization would be a panacea. Indeed there were great progress in telecommunications, aerospace, steel, mining and energy, but also some failures such as railways and petrochemical but, in the first switching political power, the statist ideas regained strength.

Government interference in state-owned companies has grown dramatically recently. The change in the regulatory framework in the oil sector with great capitalization of Petrobras, the anticipation of ending of the power generation concessions and resources injections by the National Treasury in BNDES (around U\$ 180 billion) are examples of this interference.

In the recent past (from 1994 to 2002) even in a more liberal government there was no political environment for privatization of Petrobras and Eletrobras. The state presence culture is so strong that recently with the failure of the Brazil team at World Cup 2014 (Brazil lost 7-1 to Germany in) the government proposed to interfere in the Football Confederation.

In Brazil today there are clearly two political forces struggling to be dominant. One defends the state as an investor and other just as a regulator. Even during the current government, with a more interventionist view, the most liberal forces were able to impose the granting of highways and airports with a speech for more efficient operation.

In my opinion, this tension between these two political forces in Brazil emerges from a a struggling between two cultural traits. Brazil has a state intervention culture but, at the same time, strong influence from U.S. model (free market). On the one hand the first trait prevents economic liberalism but, on the other hand, sometimes induces a large inefficiency in some industries, raising the need for greater private sector presence. To solve this paradox, I believe it is more relevant to the conceptual YIN-YANG approach where these contradictory aspects must be understood less Manichean way.

BNDES, over the years, has been the Brazilian government instrument capable to implement economic policies (interventionist and liberal). Financing infrastructure in the 50s and 60s, the industry in the 70s and 80s, with the privatization program in the 90s

or by supporting “national champions”<sup>8</sup> in the last decade, BNDES has always suffered criticism from the political opposition.

Interestingly, during the 90’s BNDES lived a big paradox: a state owned bank was responsible for Privatization Program. The privatization moto was “State Owned Companies are not so efficient when compared to Private ones”. The state-owned companies were represented by an elephant with no mobility showing the importance of privatization in order to give dinamism to the economy.

This paradox was reflected internally in BNDES, where some people were in favor of the idea of privatization and others were totally against. Some staff refused to work on privatization activities. This division among employees became a crack with the return of a government in favor of greater state intervention in the economy. There was great instability in the organizational structure for two years.

After this period, BNDES was chosen as the main financing of the Program for Growth Acceleration (investments in infrastructure with acronym PAC) and the “National Champion”. Again, there are several people who disagree with BNDES support to those policies with the potential disruption in a possible government change.

At present the role of BNDES to support PAC is being the funder of projects prioritized by the Government and hence nobody criticizes BNDES performance. However, the same is not true when analyzing the results of the “National champions” policy because the choice of the companies would have been bank’s decision (Lazzarini, Musacchio, Bandeira de Melo and Marcon). They conclude their work by the following:

*“BNDES also apparently induces a form of credit misallocation different from what is usually discussed in the literature of state-owned banks (e.g. as when such banks lend to poor firms). Most of BNDES's credit still goes to large corporation that could apparently fund their projects with other sources of capital. For this particular subset firms, unless their projects generate clear social externalities, the benefits of allocating subsidized credit should not outweigh the opportunity cost of state capital.”*

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<sup>8</sup>Policy in which BNDES would have chosen leading companies in certain sectors to be the consolidators. For this policy, BNDES used not only fixed income instruments but mostly equity.

Lazzarini also completes his review *"the recent Brazilian experience of creating national champions can hardly be considered a success and has even strained the results of BNDES's equity arm, which has traditionally been an important source of earnings."*

The authors use a statistic methodology and although these criticisms are rejected by other authors who support BNDES role (Marques, 2014), this defense is not rich in data to prove the effectiveness of the BNDES operations but it focuses much more in the weakness of the criticism (disqualifying the work) than to show the importance of the Bank in the Brazilian economy.

It is important to mention that Lazzarini challenged the criteria for choosing the supported enterprises stating that companies that made donations to the Workers Party's (PT) campaign were receiving more benefits from BNDES. Although the text did not establish a causal relationship between BNDES support and donations to campaigns (the other possibility is that the supported companies had higher returns and therefore decided to donate to the campaign) despite of all that it is important that BNDES best communicates its criteria support.

It is interesting to make a comparison among the different forms of relationship between the government and businessmen in Chinese, American and Brazilian capitalisms. One of the most important aspects of Chinese capitalism is *Guanxi*, which can be understood as the establishment of a long-term relationship that many times sacrifices economic efficiency in the short term. American society has many difficulties to understand this aspect (often misunderstanding with illegal favors). However, American society has established the lobby. According to Shi (Shi, 2014), *"lobbyist ties in the West are usually business oriented and transient in nature, while political ties in China are often long-term, reciprocal, trust-based relationships that are built on personal connections (including family or friendship relationships) or based on shared work history."*

The Brazilian society is influenced by the American model (the free market) and has also a culture of state interference in the economy. There is a tension in the coexistence of this hybrid model. As the government has a strong presence in the economy, there is a natural approach between the private sector and the state. This close relationship is

not seen as desirable in Brazilian society and suffers many criticisms (Lazzarini, 2011). BNDES (state bank) ends up suffering from these criticisms.

Therefore, I would like to point out that, in my opinion, it is crucial that BNDES should be better prepared for the debate with society and not just be considered "obvious" its importance. With the development of Brazilian democracy the civil society and the regulatory authorities will require more information to evaluate the effectiveness of the Bank's operations. This became clearer with the recent approval of the Law on Access to Information (LAI) which requires public institutions to be accountable to society.

In this sense, BNDES should add to the conventional indicators of efficiency methodologies for monitoring and evaluation of effectiveness intending to legitimize itself with civil society. These methodologies should measuring results over time and incorporate subjective aspects of development. They should also be able to provide feedback to managers in order to improve the operational performance of BNDES. This type of evaluation is called developmental evaluation. In its essence, "*developmental evaluation is about learning what works, acknowledging what doesn't work and learning to tell the difference – with none of the blaming of cold heaven attached*" (Westley, Zimmerman and Patton, 2007).

## **7. Incorporating Collaborative Mindset in Management**

The third module about Collaboration Mindset (Gosling and Mintzberg, 2003) has broadened my ability to perceive the issues raised in the first two Reflection Papers. I have better understood the relationship between economic and management models and their interaction with the organizations' culture. In this section some of these insights will be developed.

### **7.1 A Quick BNDES Summary**

In my first two Reflection Papers I pointed out that BNDES is living a spot time (as Wordsworth defined) and that was very important to choose which new competences we must add to face the new coming world. I listed bellow some of the most important challenges:

- . Strength of possibly pushing the economy into a new role BNDES (the monopolist more);
- . Dramatic changing of the generation demanding more opportunities (job rotation policy, challenging job, better Remuneration) apparently inconsistent with our inflexible structure;
- . Increasing of the complexity and the size of BNDES operation withal the system and process management modernization;
- . Pressure to Improve the operations in term of efficiency and, at the same team, the public auditors are being more restricted.

I also evaluated that the culture of the Bank had its highest value in the “Excellence” that in a second order observation (Argyris, 1977), I called “BNDEScentrism”. In other words, we are BNDEScentrics, we believe that we are the Brazilian bureaucracy elite. Because of this feature, I understand that BNDES needs to improve its capacity for reflection and learning. Additionally, the large turnover of employees has resulted in the presence of many "Evangelists" superintendents in the Credit Committee and few "Critical Thinkers" (Turnbull, 2001). The organizational structure is characterized by silos and slabs hindering collaboration among the units.

In those first two papers, I also pointed out that these features led us to a paradoxical situation: BNDES has a too much flexible operating system with many inefficiencies and operational risks and a bureaucratic and rigid strategic planning system hindering the reflective capacity of the organization.

## **7.2 Management Model x Organizational Culture**

It is quite interesting to realize China's ability to adapt the Western capitalism concepts (free market) to a capitalism model that accept state interference in the economy and still manages to transform China and its companies in global competitors.

I might also note that there was need to adapt the models for managing Chinese companies, once the cultural values of the country are very different from Western values. In order to solve the paradoxes existing between mental models (listed in section 4) China has developed a peculiar economic system with outstanding results in recent years.

This adjustment in the economic model has countered in the management model where competition is less important than collaboration and long-term vision overlaps the short-term results. Consequently, the measure of performance had also to be developed and it was not possible to simply import Western management models.

From these observations I have made some reflections on the moment experienced by BNDES, its management model and some of the routing possibilities.

From 2007, a set of management tools has been introduced in BNDES to improve controls and increase the efficiency of the organization. These tools were introduced and designed without a reflection on the real organization needs and its adaptability to the culture of the bank.

Because of this lack of cooperative and authentic reflection I believe that there is clearly a mismatch among the management model (centered on the Balanced Score Card and the search for efficiency), the culture, values of BNDES (stated-owned bank) and the nature of the organization (Development Bank). There is a great challenge: how to reconcile the diversity and specificity of BNDES with the management model chosen? Is it possible to coexist different management models to address different challenges?

During the discussions on the Strategic Planning and the day to day management often these differences in perceptions hinder an open reflection. It is quite common to hear expressions that characterize this lack of balance between the chosen management concepts and the culture of BNDES. The resistance not explicit prevents advances in areas such as process improvements (what looks better?), individual evaluation performance (or collective is more appropriate?) and monitoring and evaluation of effectiveness (is needed or the benefits of our performance are obvious to society?).

There are these and many other questions of how to deal with the particularities of a major bank in the economy, but that also has social and economic development commitment.

As there is great difficulty in matching perceptions in an organizational structure characterized by silos and slabs, the development of collaborative mindset seems important to improve BNDES' performance. I would like to highlight in this paper the

need for the bank to communicate better with society (with all stakeholders, indistinctly). I consider being very important to develop management models that take into account not only the measure of the efficiency but rather the effectiveness of our performance.

Recently there has been an increasingly strong demand from society (through external public auditors, newspaper reports, academic researchers and civil society) to BNDES be more transparent in the application of resources. Some of the demands cannot be met (eg, some NGOs want to take part in the approval process for some projects), but others seem to be quite pertinent. The society demands better understand of the operational policy criteria and the benefits they bring to the country.

This society pressure has two origins: maturity of Brazilian democracy and the contribution of US\$ 180 billion by National Treasury in BNDES. Part of the Brazilian society believes that this massive contribution in recent years is characterized as a parallel implementation of the government budget. There are several studies (Lazzarini, 2001) and reports (Ribeiro, 2014) questioning the performance of BNDES in terms of effectiveness of its choices. So far, there is no question about the importance of the existence of BNDES<sup>9</sup>.

I understand that BNDES has had very timid reaction when faced with these questions. In most cases we try to disqualify the participant showing any methodological inconsistencies in the assessments. Sometimes we try to show that the criticisms are coordinated (the aforementioned article mentions the work of Lazzarini, for example). However, I think we're missing an opportunity to develop a more consistent dialogue with society. Instead of trying to disbelieve the work presented, it would be more productive and efficient to develop models for monitoring and effectiveness. These models should be different because BNDES has a very diversified set of operations and therefore they require different approaches in measuring the effectiveness of its operations.

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<sup>9</sup> *The work of Lazzarini is good example of interest to academic researchers, but the author is not the one to weave such criticism. The recent article in Valor Economico newspaper has a suggestive title "Is BNDES money being well spent?" and ends with the statement that "the debate is not whether or not BNDES finance companies. It is clear that should finance. Debate should be about who BNDES will finance." In other words, He is talking about BNDES' policy of investing funds.*

Thus, developing the Effectiveness and Monitoring Model could be the first major adaptation of existing models of management. In general, Western companies are concerned with the bottom line of their balance sheets. There are major concerns about the effectiveness of their operations beyond the benefit to shareholders. We must introduce models that communicate unambiguously the externalities arising from our activities without neglecting our capital structure.

But before developing this type of model, we will have to make a deep reflection about BNDES transparently. We should be less BNDEScentric. I also firmly believe that the process of creating a developmental evaluation model will help BNDES facing one of its greatest challenges: to reduce the existence of silos and slabs in the organizational structure. Only with spirit of teamwork and authenticity reflections BNDES will be able to move forward.

### **7.3 Developing Collaboration Mindset – What is my IMPACT?**

The balance of the five mindsets is desirable to improve the management model. However, the development of Collaborative Mindset is perhaps one of the most important in an organization such as BNDES due to its divided structure power. As mentioned in the conclusion of my last Reflection Paper, I understand that BNDES needs to change in many aspects and that the unfulfilled executives must collaborate to develop a new management model. For this, the "Critical Thinkers" should try to co-opt the "Evangelists" and encourage them to interfere more in the day to day management of BNDES.

To develop this mindset there is a need to stimulate work in teams facing the silos and slabs issues. Some key aspects of team management<sup>10</sup> are to:

- . define an efficient team;
- . upgrade the process of decision-making;
- . improve conflict management and
- . develop leadership.

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<sup>10</sup> *These aspects were mentioned in a model management teams in Module 3, PhD Professor Pan Yuejie*

A simple analysis of these aspects already demonstrates the enormous challenge that BNDES has to improve the team performance. BNDES has a bureaucratic and centralized decision-making process, their conflicts are disguised in decision-making by consensus and their leaders are scarce.

A recent survey made by the Human Resources Area with 50 BNDES' employees confirmed the difficulty of the organization in meeting these challenges. This research confirms the perception that there is lack of leadership and a fear atmosphere. According to this research, BNDES promotes to the executive position people who do not take clear and strong positions (Evangelists), creating an environment of fear when it is necessary to discuss some important matters. This result further supports my observations about the difficulty of the Bank to establish a genuine process of reflection and learning.

I am taking part in a sub-committee (of the Management Committee) for human resources which is being discussed **rotation executive policy, impacts on BNDES culture of recent employees renewal and the process of the organizational structure review**. This survey was requested by this subcommittee in order to better understand the staff. This sub-committee has advanced the understanding of these issues, forcing a more authentic and profound reflection on the human resources aspects.

By participating in the Human Resources sub-committee I am involved in discussions about a process of organizational structure optimization and the impact of the dramatic Bank staff renewal lately. I have tried to influence the authenticity of reflections always looking to address proposals to help the Human Resources Area to advance the human resource policy.

We have expanded the idea to set sub-committees composed of cross-cutting themes Superintendents (operational and non-operating). After deeper reflections in these sub-committees, issues are being brought to the Management Committee in order to try and address some solutions. Besides the sub-committee on Human Resources, it has also been set a sub-committee of Information Technology.

I also think that the settlement of these sub-committees has been encouraging greater collaboration among Superintendents. I and other Superintendents are stimulating this sub-committees to address the issue of executive rotation. I firmly believe that the implementation executive rotation policy would encourage increased collaboration among them.

In addition to my participation in this sub-committee, I guess I am improving my contribution in the Management Committee and the Credit Committee. I have tried my best to develop listening skills and articulate with my peers more feasible solutions for the organization. I have also tried to encourage, wherever possible, an authentic debate in committees stimulating the emergence of differences and addressing the possible alternatives.

From the China module, I have reflected better on the need of adapting some concepts to a Development Bank. I was harder on my reviews, rejecting divergent opinions regarding the use of the management model. My reflections led me to understand that some adjustments are needed and even necessary because they build understandings and bring new leadership to the debate. The way I have found to help in this process is trying to listen to my colleagues with more willingness to build agreements.

There are also significant challenges in managing the Social Infrastructure Area. Although operating performance has been very good, it is still necessary to build a more cooperative environment. The heads of departments often have difficulties to interact and build technical and management solutions most appropriate to the performance of the Area.

Thus, I have encouraged greater dialogue among the executives of the Area and also intensified training in the processes of granting credit. This training was designed in order to involve all departments of the area stimulating the exchange of experiences.

I realize that there are advances in the understanding of executives about the importance of collaboration and coordination in the actions. The paralysis of the Bank in addressing various issues is raising the perception that it is necessary to change the Bank's management model. However, the change process is slow because, as already pointed out, there is an atmosphere of fear to stand themselves (besides the presence

of many Evangelists). The pace of the change process can be increased from the actions of the most experienced Superintendents in which I include myself.

Finally, I think it is critical that BNDES prepares itself for a possible change in management next year. In October, there will be presidential elections in Brazil and there is a great chance to change the president of BNDES, from the definition of the new president of Brazil (regardless the re-election of the current President Dilma).

The better way to be prepared to the new environment is to intensify the reflections on the critical matters and build proposals which can face the challenges.

## **8. Conclusions**

I had some insights from conversations with my colleagues and also from the experience in China and Korea (I did my management exchange there). Although they are very different countries among themselves and also from Brazil, I could see a huge capacity to import models (macroeconomic and business management) and adapt them to their respective cultures.

The free market and participative democracy are values considered essential to the success of the Western model, and despite this, China has had huge success in economic terms (growing at rates of 9% per year for 30 years) and has thwarted any pessimistic forecast. Thus, China was able to develop a growth model that, in some way, is the antithesis of the Western capitalist pattern.

It was very interesting to see the huge distress of my Americans and Canadians fellows in the module. It is as if something "was" out of place. By the model, the success of China could not be so extended. In fact, China has been demonstrating a tremendous ability to adapt the model to its culture. Here is important to mention that I do not share the Chinese values (I'm actually much closer to American values) but I learnt it is possible to obtain good results doing different from the prescribed by the Western model. A simple absorption of model, far from our reality (this is exactly what usually happens in Brazil) may cause problems in the implementation.

Observing the China case, I could see that Brazil should adapt the imported models and "tropicalized" them. Brazilian society accepts and encourages the interference of the government (see the BNDES, the second largest development bank in the world, behind only the Bank of China). Brazilian society has a model which struggles between this interference and the free market. Various dissonances appear in our reality when we simply do not consider cultural aspects in imported model.

The same could apply to management models in BNDES. In recent years, the dramatic growth of the bank (in terms of disbursements and assets), the renewal of its staff, receiving about \$ 180 billion from the Treasury and the increasing pressure for transparency from civil society and auditors public, the management of the BNDES has become more complex.

To meet these challenges, we have been using a lot of models and indicators developed for private multinational companies and therefore often unable to establish an environment of authentic reflection. Thus, there are huge disagreements among executives as well as poor communication between the bank and society. There is need to develop a collaborative model between areas and a monitoring and effectiveness model and incorporating non-economic aspects in order to establish a more direct dialogue with stakeholders. This model should incorporate learning from reality (developmental evaluation model).

Finally, in my first two papers I discussed the need to change the BNDES to face all these challenges already mentioned. However, I also observed that I felt isolated on the understanding that this change is necessary. From this module, I reviewed my position slightly. In part, my isolation was caused by my more extreme positions in favor of changes hindering alliances with my peers. I'm implementing a new strategy of internal alliances trying to develop my collaborative mindset.

Personally I have always been very critical in trying to adapt the management model, but from my reflections, I changed my position. Perhaps here I am finding a way to co-opt my colleagues to the changing process that I understand to be necessary. Maybe a change process less radical than I thought, but more consistent. After all, change and continuity are two sides of the same coin as a YIN-YANG concept.

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