Reflective Paper First Page

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1. Introduction

The aim of this paper is to present my reflections on the Banco Nacional de Desenvolvimento Econômico e Social - BNDES from issues related to culture, leadership, ethics and organizational learning. I also shall present reflections on how I can improve my performance as an executive.

This paper contains five sections including this introduction. In the second section, I present the issues related to culture, leadership, ethics and organizational learning, based on the literature. In this section I try to show that the evolution of these concepts is the result of a deep reflecting on experience and the absorption of concepts from the new emerging paradigm. My premise is that this new paradigm brings hermeneutical and dialectical characteristics instead of the former paradigm which was characterized by determinism.

It is very important to emphasize that, as we are in a transitional period, both society and organizations, live with models that present tensions between old and new paradigms. I think it is possible to realize this tension when we analyzed the theories concerning the issues evaluated in this section (culture, leadership, ethics and organizational learning).

In the following section, I present the organization I work for, BNDES, describing its main financial and organizational characteristics. In this section, I also show the historical context of the company as well as the macroeconomic environment that influences its performance. I also provide a brief overview of the area in which I work as an executive (Social Infrastructure Area - AS).

In the fourth section, I present my reflections on BNDES relating to the company's reality perceived by me, the literature concerning the matters described in section 2, how the management of the company takes place and my role as an executive (anxieties and possibilities). The methodology of web culture will be the starting point of my observations.
I would like to make clear at this point that all my observations regarding BNDES are the result of my experience and always with a glance of questioning deep beliefs and assumptions of the company. Sometimes it may seem certain pessimism, but I believe that only shaking organizational structures, we identify the cultural traits that should be changed so that the bank could face a future where the market will be more competitive. I understand that some of these cultural traits, although they have been very important to bring BNDES so far, may be undermining important skills needed to confront new challenges.

Finally, I present my conclusions and some actions I have already started from the reflections and learning from Reflection Module course.

2. “Foods” for thoughts about Culture/Leadership/Ethics/Learning

Before reflecting on BNDES and the performance of BNDES managers, it is showed in this item some concepts about culture, leadership, learning and ethic presented in Reflection Module of the IMPM course. In addressing these issues, my understanding is that there is an evolution in these theories, moving from a deterministic approach to a dialectical approach.

2.1 Culture

In order to understand better what organizational culture is and how it can be managed by the executives, we can borrow the concepts from anthropology and sociology.

In the very beginning anthropology considered culture as a set of contents (kinship, structures of power, religion, technology, drugs, etc) “allowing” to compare different cultures. Europeans travelers in the 15th century said to find “American savages who live with no faith, no law and no king” (CLASTRES, 1982) assuming that these were characteristics which defined the evolution of civilization. In this perspective, the Europeans believed that there were cultures more developed than others and the measures were specifics set of contents (defined, of course, by them).

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\(^1\) Free translation
This perspective includes the idea that cultures could be compared and there would be hierarchy among different ones. It was also used for legitimating the domination of Western societies including slavery and genocide.

Since middle of the 20th century, the anthropology has developed other approach understanding culture “as shared assumptions, understandings and values exhibited in discourse in stable institutions” (Mary Douglas, apud Collin Brown, 2013).

Under this perspective, a better definition of culture was made by Geertz:

“The concept of culture I espouse is essentiality the semiotic one. Believing, with Max Weber, that man is an animal suspended in webs of significance he himself has spun, I take the cultures to be those webs, and the analysis of it to be therefore not an experimental science in search of law but an interpretative one in search of meaning (Geertz, 1973, p. 5).”

This definition is more suitable considering the organizational environment. The symbolic universe in the organizations is seen as webs of meanings. These webs favor the identification of each individual and the entire organization and provide stability to external and internal relationships. They also differentiate each organization as a specific/unique space.

The metaphor of the web gives us some thoughts. Imagining an empty room, a spider has freedom to build their webs in any direction (free choice). However, since it builds the web is trapped in its construction. Likewise a society can build up throughout time habits (historicity) sharing values and meanings, but once that's done, its members get absorbed by such construction (control) giving them safety and legitimacy of their actions. For this reason, members of society have a lot of difficulties in question these beliefs and values.

In a similar way sociology also considers the symbolic universe as a social product full of history and works as a control too. If we want to understand the culture, we must analyze the history:

“Institutionalization occurs whenever there is a reciprocal typification of habitualized actions by types of actors. Put differently, any such

\[2\] The symbolic universe can be represented by organizational myths, beliefs and values shared by people who work in the organizations.
Typification is an institution. What must be stressed is the reciprocity of institutional typifications and the typicality of not only the actions but also the actors in institutions. The typifications of habitualized actions that constitute institutions are always shared ones... Institutions further imply historicity and control. Reciprocal typifications of actions are built up in the course of a shared history. They cannot be created instantaneously. Institutions always have a history, of which they are the products. It is impossible to understand an institution adequately without an understanding of the historical process in which it was produced. (Berger and Luckman, 1991)

The symbolic universe is not an abstract entity but felt by people as an objective reality (legitimation). Considering this perspective, we can see that the objective reality is built daily. Of course people have different role in constructing social reality. Thus, in the organization, the founder and the main executives, as leaders, have more influence on the construction of the symbolic universe than the others employees.

Both sociology and anthropology have similar approach in terms of culture. The same concepts used for understanding society can be adapted for understanding organizations. These could be considered as a subset of the major culture and similarly we can observe subcultures inside the organizations (in branches, departments or divisions).

Finally, the premises that the economic performance depends on the commitment, the culture may be seen as an important issue in terms of alignment of interests and the management can change the culture highlighting the importance to study it deeply when we are dealing with organizational management.

2.2 Leadership

Assuming that:

. Culture is an interpretative science in which values and beliefs are shared in order to give security and comfort to people in their daily routine;
. It is possible to change the culture of an organization by implementing a process questioning assumptions that permeate a given culture; and
The differences in power give people different capacity to change certain culture. It is essential to study the issues of leadership and ethics associated with management.

Although all people can influence the construction of corporate culture, chief executives are more active in this construction because they have a better understanding of the context, more visibility in the organization and greater power in the definitions of reality. But what is usually true for the top executives, is not necessarily true for middle managers of the organization. However, most of times, people expect that they have those same skills already developed.

In this sense, there is often an exaggerated pressure on those executives so that they are supposed to have an innate ability to plan, decide and execute their actions rationally. Often this charge induces unseemly behavior to the new organizational environment. Due to insecurity and because of the needs to be seen as “in control of the situation” and as providing leadership, the executive stops listening, hiding their deficiencies and acts autocratically (Turnbull, 2001).

In the new and complex competitive environment, it seems that organizations need a new kind of leadership. As organizations become complex realities the old leadership theories have become obsolete. These theories moved from an individual perspective (leadership is inherent in the personality of an individual) for a leadership perspective as a complex adaptive systems.

For this new approach, leadership can be manifested by the executives or managers, but also by the subordinates who, in certain situations, can exercise leadership through the knowledge or experience. Complexity suggests a form of distributed leadership does not lie in a person but rather in an interactive dynamic among all people in the organization (Uhl-Bien, 2006).

Thus, leadership is no longer only an individual capacity, but a product of the interaction between people, the tension from this interaction and the different perceptions and understandings of this reality. According to Lichtenstein,

“Adaptive leadership is defined an interactive event in which knowledge, action preferences, and behaviors change, thereby provoking an
organization to become more adaptive. This definition focuses on change, as many definitions of leadership already do, but also distinguishes between leadership (as a product of interactive dynamics) and leaders (people who influence this process).” (Lichtenstein, 2006)

Within the perspective that organizations need a new kind of leadership where interaction is key in the processes of transformation and that the executive has an important role in this cultural change, the sensitive subject of ethics pops up as central to this new situation.

2.3 Ethics

In general, in the common sense, ethics is related to honesty. Accordingly, Western society gives much value to the rightness of personal actions. “In the modern developments of ethical theory in Western philosophy, the triad of intent-action-consequence dominates our treatment of moral investigations” (Santiago, 2008). A person is deemed ethical if their actions are evaluated as being ethical. People evaluate more the consequence and less how people are feeling in the action. Our society has great influence of the consequentialist ethics theory.

Another feature of our society is turning into standards, codes and laws, the ethical values shared by its members. In accordance with Bauman, rather than better communicate ethical values standards often provides people comfort to act within the established standards. This standardization works as Western society collectively define ethics resulting in a collectivization of individuals, pulling out part of their responsibilities. Thus, individuals would justify their actions as being within the rules. However, the pattern sometimes used for the specific case is not necessarily adhering to higher human being values (Ten Bos, 1997).

Following the collectivization of ethics, bureaucratic organizations frequently translate what they believe ethical behavior into codes of ethics. Also according to Bauman, that tendency would rationalize ethics, avoiding individual impulse.

Alternative approach on ethics comes from Eastern philosophy (by Confucian): virtue ethics. This approach emphasizes the individual moral acknowledging the tension between the moral code (defining ethics socially accepted) and the person (with its
deficiencies and virtues). In accordance with this approach “the moral worth of persons takes precedence over the rightness of actions” (Santiago, 2008) and it emphasizes the reflection of the individual to cope with specific situations.

Also according Santiago, “virtue ethics demands that we work to build a good person and inhabit our world in the right ways.” Virtue ethics expresses our character in the way we conduct our actions and it is outcome of practice. Ethics can only be resolved in practice and not in theory. Ethics means that the person must work it out and face the dilemmas involved. Practicing we become virtuous as an individual.

The challenge of the organization is to be able to create an environment where people can perform their duties in accordance with their individual ethical standards. An enabling environment where people are able manifest themselves according to their individual beliefs even if, in some cases, there is potential conflict of interest between the ethical codes collectively constructed and the individual ethical standards.

2.4 Reflection – Learning with practice

In Buddhism, it’s said that the Nirvana (the highest level of consciousness) is reached when we live in the present. There is no past and/or future: just here and now. This concept has been widely studied by the followers of the Buddhism. The present is the product of the reflection on all their experiences. Although the idea of reflection is widely spread in the Eastern culture, this is hardly ever seen in the Western society. Time is an important measure of productivity (“time is money”) and we feel losing time when we are not producing (in fact, we believe to be losing money).

Reflection for Western society, in this perspective, is much less important than analysis and action. In general, it is valuable for organizations to reduce time in all process (even decision making process). This value is expressed in many metrics once in general the less time you take in the organizational processes the better is the result.

As these metrics are incorporated in panels like Balanced Scored Card (BSC) defining goals to be chased, the culture of action without much reflection is forged in organizations. The problem of the lack of reflection is to build a culture organization which is quite efficient to respond the challenges and learn with the mistakes made, but
blind when it is necessary to dare the deep assumptions (single looping learn culture). In this sense, in the world where the competition requires more and more innovation, the deep reflection as a routine is quite relevant in order to build what Angyris called a double looping learning culture (Angyris, 1977).

As it’s already showed in this paper, the habit turns the day by day action automatic and unconscious in order to save energy from the organization. However, this automatism becomes quite dangerous when the same expedient was used in important decision making process. Challenging premises and beliefs in these moments would be much more appropriate.

In order to develop this routine it would be very useful to set up a process of reflection which the organization should challenge the premises in important decisions. This new approach would take the company to be more aware to really learn with experience. Reflection on action produces learning. Facing new times requires increasing the number of employees as a reflexive practitioner.

Indeed, daring premises means to be brave and touch deep shared beliefs and meanings making the environment uncomfortable for the people in organization. The real learning process comes with some pain because, most of time, force people to reinterpret the reality in order to re-build some aspects of it.

The real learning process is only possible if the organization decides to slow down the decision making process bringing out the system 2. While the system 1 is automatic, unconscious and intuitive (fast) the system 2 is conscious, rational, controlled (slow) and should be used in moments when reflection is primordial (Daniel Kahneman, 2011).

Considering the characteristics of both systems it is easy to understand that learning is only possible if the organization build a new culture (create a habit) and these efforts for learning involve leadership, trustful and authenticity. The role of the executives is imperative for creating an environment where learning becomes a process and there is no fear to shake deep premises.

But, how can we reflect on action and what is really good reflection? According to Raelin, “reflection is a practice of periodically stepping back to ponder the meaning to
self and to others…” and only with public reflections (through dialogues and conversations) the organization can enhance learning “beyond the team level to other levels of experience-individual, organization and society.” (Raelin, 2001)

Mezirow classifies three levels of reflection: content, process and premises. While the first two levels are important for learning, the third level of reflection demonstrates high maturity in decision making processes by which, according to developmental psychologists, only adults are able to identify paradigmatic premises of their thoughts and culture (Mezirow, apud Raelin, 2001). Thus, the organization which manages to establish a process of reflection on this third level, reaches a high level of maturity being able to better compete in the market (double looping learning organization, as Angirys defined).

We have to be brave to question ourselves using a hermeneutic-dialectical paradigm with much conversations and reflections instead of actions. We must move from questions “how to and when to” to “why/why not and why now”. We have to build trusted relationships being authentic. Authenticity, in this context, means “being my-self rather than they-self” as Lucas told in Reflection Module of the IMPM course. In this sense, authenticity is attempting to behave in ways congruent with my own moral ideals and my own ideal self (to the best of my abilities), and to reflect critically and honestly on these ideals and on my own behaviour in the context of my relations with others (Lucas Introna, 2013).

Under this perspective, learning is a living process where the organization should read the new contexts and develop process based on dialogues. When the reflection process becomes a habit (institutionalization of learning process) the organization could be able to think to move from reflection on action to reflection in action (Schon, 1991).

While reflection on action comes from the skill of looking backwards and learning with the mistakes in order to avoid them in the next time, reflection in action leads an organization to another level of execution because people develop the skill of reconfigure the work while are working on it.
3. Brazilian Development Bank (BNDES) – Complex Organization

3.1 Brief Summary

BNDES was founded on June 20th, 1952 and it is a fully stated owned bank under a private law. Since then, it has been a key instrument for implementation of Brazil’s Federal Government industrial and infrastructure policies and the main provider of long term financing in Brazil. In 90’s, BNDES was in charge of the Brazil’s Privatization Program.

In addition to finance investment projects, since 90’s BNDES has been providing support to micro, medium-sized companies, to export and internationalization of Brazilian companies. It has also had important role in innovation and social inclusion policies. Furthermore, BNDES has an Equity Company (100% subsidiary called BNDESpar) which invests in stock market with over 170 companies in its portfolio.

In order to accomplish so wide mission, BNDES has access a long term steady source of fund provided by Brazilian’s Constitution (Worker’s Assistance Fund – FAT) and, recently, the Government (acting through the National Treasury) has complemented it with significant grant of resources (over US$ 150 billion in the last four years). These funds represent over 75% of our capital structure (1st half of 2013). It is based on a subsidized interest rate which only BNDES, in the Brazilian financial market, can access. Because of this, BNDES is monopolistic in terms of financing long term projects in Brazil.

The following table shows some figures of BNDES in comparison with other development agencies.

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3 the reflections papers of cycle 17th Reflection Module course of Paulo Faveret and Luis Inacio give more details about BNDES.
There is no doubt that BNDES has been successful in its performance when you compare the results with other similar organizations. Despite the success, BNDES faces many challenges to legitimate itself in the society. The more the society places resources in the institution, the greater the demands for transparency and efficiency in the utilization of them. The following chart shows the dramatic increase of BNDES when considering its disbursements.
The growth over the past 6 years is 22.2% per year. This growth was homogeneous in all operating units of the bank requiring a lot of effort in terms of organizational change processes.

3.2 Strategic Planning Process

Until 2006, BNDES had some sporadic strategic planning processes. The most important one was the strategic plan of 2000 when it decided to change the organizational structure for a matrix structure (similar to investment banks). In 2003, with the change of government, and consequent change of President of BNDES, the structure returned for the current configuration (hierarchical).

From 2007, BNDES starts a new process of strategic planning and every year the organization has been reviewed it using the Balanced Scored Card as the driver of the strategic execution. For the first time in its history, the organization has been keeping an ongoing process of strategic planning for 7 years.

The current mission is “To foster sustainable and competitive development in Brazilian economy, generating employment, while reducing social and regional inequalities”. This mission reflects an important aspect of our culture which considers that there is no economic development without social benefits. This vision has strong impact in our operational and credit policies.

Yet from strategic planning it was emerged the values of BNDES: Ethics, Commitment of Development, Public Spirit and Excellence. Even though about 50% of the employees have only five years working in the organization, these values were easily understood by the employees since they are closely related to our history.

From this planning also set guidelines and targets were set up to build up the strategic map shown below. The methodology that has supported the implementation of the strategy is the Balanced Scorecard.
BNDES is so peculiar that the dimensions of the map were reversed. Instead of the financial dimension being the highest level, it was created a new dimension "Sustainable Development" as the most important dimension of the map. All other dimensions (including the financial dimension) are means to achieve the desirable aim (Sustainable Development at all levels - financial, environmental and social). Another fact is quite puzzling, the Customers dimension has been removed from the map.

Also emerging from the strategic planning appeared various topics related to several areas. There are the so called cross-cutting themes (the most important are innovation, regional development and sustainability) and they should have a significant impact on work processes. But the most interesting and paradoxical goal is the “Act as a comprehensive (broad) and precise focus on each area of the Bank”. This goal summarizes the decision process of the BNDES. In search of consensus, we created such a paradoxical goal.
3.3 Organizational Structure

Under the power perspective BNDES is a classical Weberian bureaucracy. Considering the design of the structure, the organization is a Machine Bureaucracy (Mintzberg, 1979) with silos and slabs which have many difficulties in interacting and working together. The following figure shows a typical area of BNDES.

There are 7 Directors and one Vice-President in BNDES and each of them is at least responsible for 3 areas managed by Superintendents. The team in general is multifunctional with the necessary expertise to carry out the work. However, sometimes it is necessary some specific skills (valuation of assets, socio environmental, territorial development, etc) and areas need to work together (cross-cutting themes).

Generally, the way BNDES deals with cross-cutting issues is by forming working groups since these issues not impact credit operations. The working groups are usually formed only for building knowledge. Only most recently these difficulties have come to light because the agenda of cross-cutting themes is gaining prominence and are demanding joint operations among areas.

With almost 3,000 employees BNDES has a hierarchical structure where each area has some kind of specializations. Thus, BNDES has areas in charge of financing specific sectors of the economy (energy, sanitation, urban mobility, agriculture, oil and gas,
petrochemical, etc) and areas specialized in some products (investment in equity, financing of micro and medium sized companies, financing of machinery, etc). Around 80% of these employees have at least undergraduate (most of them with post-graduation, Msc and/or Phd degree). The turnover rate has been very low and BNDES can think about its human resources policy in a long term basis.

Additionally, BNDES has increased its number of staff by 55% (from 1752 in 2003 to 2723 employees in 2012). During this period, the organization encouraged the retirement of longtime employees, remaining only about 500 employees from 2003. This drastic change has significantly impacted the culture of the organization.

Notwithstanding BNDES can be considered as a Machine Bureaucracy, the technicians\(^4\) still have much power to express their opinions with some autonomy. Indeed, this is one of the most important characteristic of BNDES which built its reputation based on the fact that all decisions must be taken considering technical reports. Thus, this power structure brings some struggling between the hierarchical levels obliging some negotiations among them.

All the financial transactions must be appreciated by two committees\(^5\) during the decision making process of the financing. Basically, this approval process was created in the 70’s when the bank had a dramatically smaller number of transactions. Nowadays, this process is already considered quite important in order to protect from some political influence. Nevertheless it’s not a written rule; almost all approvals in the collegiate are in a consensus basis. The decision making process based on consensus combined with an increase of the number of operations has brought consequently a more complexity in the process.

Nearly all loans are somehow approved by BNDES’s Board of Directors. There are few cases with lower levels of authority than the Board. Not to mention the countless decisions of lesser importance made by them. The agenda of the Board (and also the Credit Committee) is very crowded and usually their meetings take hours.

\(^4\) *Only the Board of Directors (President, Vice President and 7 Directors) is nominated by the President of Brazil. There are still some assessors (currently around 56 employees) who can work in BNDES without a public entrance exam but with no participation in the decision making process.*

\(^5\) *They are the Board of Directors and the Committee of Superintendents which I take part in.*
Furthermore, the increase of control structures has been another recent change in BNDES. As time goes by, the Brazilian society has been demanding more transparency and the public auditors\(^6\) have been increasing the requirements pushing BNDES to move into more formal procedures (90’s and 10’s). As a state owned company this movement is not a choice, but part of the Brazilian dynamic society.

The impact is evident when examining the organizational structure of BNDES in recent years. It has been growing dramatically the Techno structure (Mintzberg, 1979) by increasing up some areas and by creating others. There are even cases with overlapping responsibilities. Nowadays, the technostructure represents around 35% of the staff.

All these together consequently increased the processing time of loan operations. The Society has been complaining about our response time.

3.4 Looking Forward

Even though BNDES can be considered in an outstanding position when compared with the competitors (other Brazilian banks, Development banks and Multilateral Agencies), with respected and well-known brand and with a young and well educated labor force, there are, *inter alia*, some quite important challenges which could be faced in the near future:

- Strength of the economy possibly pushing BNDES into a new role (no more monopolist);
- Dramatic changing of the generation demanding more opportunities (job rotation policy, job challenging, 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 time, the public auditors are being more restricted.

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\(^6\) *Besides the Central Bank and the Brazilian Security Exchange Commission (CVM) there is the public auditor called TCU (Tribunal de Contas da União) which is equivalent of US GAO (United States Government Accountability Office). BNDES is also controlled by the General Executive Controller (CGU) and the Public Ministry (MPU).*
All these challenges bring together organizational paradoxes. Moreover, new times in the macroeconomic environment demand to BNDES additional skills. The Brazilian economy has been improving recently and, at the same time, one of the most interesting paradox emerged: seemingly, **the better the economy, less important could be the role of BNDES** (at least with this configuration) once the Brazilian interest rate (SELIC) converges to TJLP (lowest interest rate used only by BNDES). In this scenario, the financial market would be able to provide financing with interest rates as low as BNDES, increasing the competition.

It’s true that the world crisis in 2008 might have postponed this scenario, but there is no doubt that BNDES must address this issue insofar as the convergence of the interest rates is a matter of time.

Summarizing, BNDES has a long and successful history, but my guess is the skills which bring BNDES to a strong position so far are not the same that will lead BNDES into a better future. Indeed, I firm believe we are living a spot time (as Wordworth defined) and it is very important to choose which new competences we must add to face the new coming world.

**3.5 Social Infrastructure Area (AS)**

The Social Infrastructure Area (AS) has a typical structure showed in the previous item and it is one of 10 operational areas of BNDES (areas responsible for structuring operations and grant credit).

The area has 5 departments (four sectorial and a legal one) dealing with sanitation (water and sewage), urban mobility (subways, train, Bus Rapid Transit – BRT, Tram), public administration (state and county), health services and education. Moreover, it has a matrix structure where each sectorial department is also responsible for a portfolio of clients (states are the main customers).

Likewise BNDES has undergone a dramatic renovation of persons in a period of great growth in its operations, the AS has also renewed its staff with an even more significant growth, as shown in the following graph taking the annual disbursement as an example.
Since 1996 (when the AS was established) until 2007, the disbursement of the area was around US$ 500 million. Thereafter, its performance has changed sharply because the Federal Government started pushing the states and cities to invest in social infrastructure (mainly sanitation and urban mobility). In this tune, the Federal Government has allowed them to borrow money from BNDES.

I was superintendent of the Credit and, in April 2008, I became in charge of AS participating actively in this period of fast growth. In 2008, AS had approximately 135 employees and nowadays the area has nearly 110 employees (one of the department left in 2011). From these, about 75% has been working at BNDES for less than five years.

Also in this period, I had to command the structuring of a person evaluation process (the employee’s evaluation process at BNDES is still very informal) and change the way we meet the clients moving them from a sectorial to a matrix structure\(^7\) where each department handles a portfolio of clients and is also responsible for building the sectorial knowledge (sanitation, urban mobility, public administration, health and education).

\(^7\) Before the restructuring, the customer had to deal with various departments depending on the credit transaction that he requested (each department gave loans to a specific sector). By establishing the matrix structure, the same customer now has one officer who looks after the portfolio of loans (even though these operations are of different sectors).
The most important customers are the states and, recently, the AS has developed financial structures of Public-Private-Partnership (PPP) that can finance social infrastructure to private company without increasing the debt of governmental entities. For this, new skills are being added to employees of AS by on the job training.

In short, in the last 5 years, AS has undergone deeper changes than BNDES because, besides the growth of its credit operations, we also had to add new skills and expand its customer base. For this, we made a great effort towards the qualification of employees as well as the improvement of processes in order to achieve productivity gains.

4. BNDES as a Second-Order Observation

Of course, an organization that lasts for over 60 years has many qualities and, more than that, has developed the ability to adapt itself over time. BNDES is one such organization. Its history is intertwined with the industry’s and infrastructure’s development in Brazil. Created to be the major funder of long-term investments in Brazil, it seems that the BNDES has fulfilled its mission “cum laude”.

In this successful trajectory, the organization has forged a strong culture which developed beliefs and values which can withstand in an environment very hostile to investment. For years, BNDES was the sole funder of long-term and, even today, most economic agents who intend to enter into the Brazilian long-term finance market seek BNDES as a partner.

I’m going to use the cultural web methodology in order to help me in analyzing of BNDES. Starting from this methodology, I present my reflections on the BNDES relating to the company's reality perceived by me and the aspects of culture, ethics, organizational learning and leadership. I will also analyze how these aspects have been impacting the strategic planning process in BNDES.

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8 According to Niklas Luhmann second-order observations is a social or psychic system capable of observing themselves in their day-to-day operations. Second-order observations constitute a key concept in both Luhmann’s theory of social systems because they underline the systemic constitution of meaning and understanding; meaning and understanding are not necessarily and automatically produced in social systems but when opportunities for second-order observations emerge. (Styhre, 2007)
4.1 Cultural Web Analyze

Although it is not easy for a member of the organization to reflect on the organizational culture, I will use the methodology of cultural web (showed bellow) in a process which anthropologists call "stranging" to make this reflection. In addition to my observations from my own experience, I used the findings from interviews with BNDES's directors and employees of AS.

Some historical aspects forged major cultural characteristics of BNDES. Founded to be the major funder of long-term financing for industrial and infrastructure sectors in Brazil, excellence has always been recognized in the figure of its presidents. Since its

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9 When one member of the society examines it with eyes of a foreigner.

10 Running the risk of committing an injustice, I could mention, among others, Roberto Campos, Marcus Vianna, Marcio Fortes, Persio Arida, Antonio Barros de Castro, Edmar Bacha, Carlos Lessa and current President Luciano Coutinho.
foundation, they have been citizens recognized by the market as great thinkers of the country. Definitely, BNDES is a presidential organization, made tangible in a hall of presidents’ portraits and in the influence he has on decision-making processes. It must be said such an influence is very closely related to the figure of the position because, formally, the President of BNDES has very little room for autocratic decisions.

Except for the Board (which may be gazetted or not), almost all employees of BNDES made public admission examination (about 98%) and only them may occupy executive positions. The company encourages the improvement of these employees through specialized courses, masters and even Phd’s. Almost 90% are quite well educated (undergraduate or higher degree).

This concern has been explained as one of the bank's values (Excellence) and is perhaps one of the strongest features of our culture: the “benedenses” have always had proud to work at BNDES and considers themselves "above the average". Probably, throughout time this high qualification explains the Bank's ability to remodel itself and always has been able to offer to Brazilian society solutions to the problems submitted to it.

This excellence is cultivated through the stories told by the older employees. It is very common to hear successful stories of the country having BNDES as a central actor in the former decades. “The Program of Privatization of the Brazilian government in the 90s was born in BNDES", "Brazilian industry has grown and diversified because of BNDES", "the economic liberalization program since the 90s was designed by BNDES (Competitive Integration)" ,"Brazil has a good infrastructure because of BNDES performance" are some of the statements spoken by older employees. Interestingly, even the younger employees repeat these sentences. This phenomenon I called **BNDEScentric** characteristic.

A second-order observation of this characteristic is the difficulty in recognizing problems. We always tend to evaluate our performance on the positive outlook. In 20 years of working, I have seldom read a negative assessment of the performance of BNDES, even in an assessment for domestic consumption only.

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11 People who work at BNDES
Same when we try to learn from our mistakes (fixing our procedures on future actions,) we do not make an assessment pointing out our problems. This learning is implicit. I think that happens because we consider having high qualifications so we are a typical single looping learning organization (Angyris, 1977).

Going deeper into this analysis, this feature causes us even more problems: we think we can solve almost all conundrums submitted to us with financial solutions. Frequently, the Brazilian government demand solutions from BNDES by acknowledging our expertise. But the complexity of the issues presented indicates that the solution would require a set of actions that goes beyond our assignments.

However, when we are challenged, rather than recognize our limitations, we structure financial solutions that do not solve the problem. This happens because we have a lot of difficulties in accepting that we are not able to solve all the problems that appear (a kind of arrogance). As we have difficulties in making an authentic evaluation, these "solutions" have been multiplied and we do not recognize its inefficiencies. As a result, we allocate many resources (especially human resources) without obtaining good results.

Three questions still concern relating to the “dark side” of BNDEScentric characteristic (again, the second-order observation). The first is the perception that we are unique and special. This perception is strengthened because we are the single Brazilian Development Bank and we do not have a benchmark in Brazil. Because of this, it’s very common not to accept organizational market solutions, new processes or new products already tried and approved in other organizations saying “it does not work in BNDES because we are different”. Thus, this insistence on being single is also a source of huge operating costs and loss of time.

Another aspect of this same issue is our relationship with the society. We live in a paradoxical situation in which we are a bank subject to banking confidentiality and we are also a state-owned company and, therefore, we are charged to provide information to the society. However, we firmly believe that we are competent in the allocation of financial resources and, therefore, we may show all the information aggregated our
information without details\textsuperscript{12}. Thus, we have had a tense relationship with society in general (represented here by public auditors, press and organizations in general). I think we misunderstanding the concept of honesty and transparency.

The last point (and the most important one) is the difficulty of making a true reflection with authenticity. If we are the best, unique and special we lose what I call "cognitive modesty" (key feature for organizational learning) and easily move into the opposite side, the "cognitive arrogance" (the point where we do not learn longer). The environment in BNDES stimulates the behavior of "friendly disagreement" where any dissent is not clearly stated, but the behavior of dissidents hamper the flow of ideas. The "invisible resistances" disturb the development of the discussions taking too much time to realize the true opinions of those who disagree. We have lost time and developed an environment of rumors.

I will now evaluate the Strategic Planning Process that BNDES has been systematically carried out since 2007, taking into account the second-order observation related to organizational learning capacity.

4.2 Strategic Planning

As already mentioned, since 2007 BNDES has implemented a strategic planning process. For once this process has been institutionalized with 4 regular meetings per year whereas earlier planning used to be erratic (there was a plan in 1989, 2000 and 2003). An institutionalized process has the advantage of bringing together top executives regularly to evaluate the strategy and adjust it when necessary (pause for reflection) forging a culture to make explicit the identified challenges and proposed solutions.

In the early years (2007-2008) the process was able to mobilize the main executives and it was important to make some improvements in BNDES. One of the most important decision was the creation of the Human Resources Directorship which at that time was a department of the Administration Area.

\textsuperscript{12} BNDES is, indeed, an organization known for its good reputation. Meanwhile, the society has charged us for more transparency, not because they distrust the honesty of the organization, but because it wants to be able to discuss our choices (and maybe even influence them)
This process of institutionalization of strategic planning process was favoured by the advent of the U.S. subprime crisis that also affected the Brazilian economy. Between 2008 and 2009 the BNDES became more important due to its ability to provide credit at the time of a liquidity crisis observed in Brazil.

In this period BNDES’s mission, vision, strategic guidelines and objectives were defined. There was participation of directors, superintendents and heads of departments in this process. Also during this period “the Values of BNDES” were established (or made explicit). The need to improve the management of the bank has been detected and in order to highlight the problem it was established the “Year of Management”. Also from strategic planning the importance of cross-cutting themes emerged and areas needed to work together on these issues.

However, rather than taking advantage of the planning process to develop the ability of organizational reflection, we just got used to meet and fulfill power points, making it lifeless. In this way, as time went by it seems to me that the strategic planning process has become routine and we have not been able to improve it. The quarterly meetings are limited to superficial discussions and few decisions without major organizational impacts. Actually, there is very little reflection in this process and only operational issues are discussed.

I believe a few organizational aspects (first suggested in web culture above) and macroeconomics issues might contribute to this fact:

. To be a monopolist - there is no reason to find that BNDES will lose in the short term (next ten years) the ability to provide credit for investments to longer terms and lower rates;
. “BNDEScentrism” - the vision that we have formed an above average professional team gives us a sense that, even if the monopoly is threatened (which we consider unlikely), we will be able to remodel ourselves at that moment (again “arrogance cognitive”) and overcome the obstacles;
. We have an organizational structure with silos and slabs in which each area (silos) handles specific issues having many difficulties in working
together with other areas. This is evident when, even after six cycles of planning, BNDES remained with the same organizational structure (only increasing number of areas) being unable to reallocate human resources in the light of the agreed objectives; and

We have a board that has the perspective of changing every four years (because of the change of the government) generating a tension between thinking about the next four years and build an organization able to meet the challenges of long-term (a bank which will be important independently to the government elected).

The experience of recent years made clear the difficulty of BNDES to be able to make reflections about its beliefs and values. Actually, we do not seem to believe that the rate convergence (TJLP and SELIC) will happen and that our monopoly may be challenged. As a state-owned bank possibly BNDES will not go bankrupt in this scenario, but can loose importance to society. It is interesting to realize that we believe that the main reason for our good performance is our competence and not the fact of being monopolistic.

I also believe that our “cognitive arrogance” prevents us from establishing a public reflection process in which we could discuss our weaknesses with true authenticity, which means to talk about what is considered appropriate without incurring social sanctions. In our culture, the individual who exposes its weaknesses or points out a bad result generates a huge discomfort. When this occurs, there is usually a reaction of other members by relativizing the observations attributing the blame for any failures to external factors such as the macroeconomic environment, the government or clients. In this sense, our “cognitive arrogance” creates a difficult environment for organizational learning\(^{13}\).

Generally the organizational structure must serve strategy. In the case of BNDES, we have had difficulties in reforming the existing structure in order to reallocate the resources needed to implement the plan. Indeed, during the strategic planning seemed

\(^{13}\) Learning is being able to hold a reflective conversation with the situation in which we construct a problem from a problematic situation by reflecting on our practice (in retrospect) or in our practice (in the moment) (Cunliffe and Easterby-Smith, 2004).
that the effect was exactly the opposite: the silos (areas) defended their interests and strategic objectives defined were the reflection of these forces action. The paradoxical goal that summarizes this dynamic is “Act as a comprehensive (broad) and precise focus on each area of the Bank”.

The fact that the Board of Directors could change every four years introduces an additional difficulty in the power structure of BNDES. There is a natural tendency of strategic planning, in fact, be restricted to the short-term. To make this situation more critical, BNDES has not been able to build an environment where leadership is seen as a product of interaction between people. Our leadership style is still very connected to the people we admire (very common the creation of friends groups). Culturally we also connect leadership to formal authority. In this type of organization (where the formal power can change every four years), it seems to me that an adaptive leadership would be essential to keep the system stable and able to periodically make deeper reflections. It would be quite important to build a leadership system which is a product of dynamic interaction.

In short, although the strategic planning process has been consolidated in the last 7 years, we have not been able to make it an effective process of organizational learning (double loop learning). We reinforce the belief in our competencies and we do not reflect on our weaknesses. We have not been able to develop an organizational environment where people feel comfortable in genuinely talk openly about issues that are dogmatic to the organization. We still have lack courage and authenticity in our planning processes. Therefore, it has become so superficial.

This environment should be favorable to discuss and should stimulate for people to develop critical thought capable of recognizing their doubts and insecurities. The best solutions are derived from good reflections and thought-provoking discussions. Anyway, I firmly believe that we haven’t had courage to ask the critical questions yet.

4.3 Management Style – how can we change the organization?

To be effective, an executive must find a balance between action and reflection. Action without reflection is activism without purpose and reflection without action is being
passive. Not to mention the other three mindsets (collaboration, analyze and worldly), "every manager has to find a way to combine these two mindsets - to function at the point where reflective thinking meets practical doing" (Mintzberg, 2003). In BNDES, the action mindset is much more developed than the reflection. Together with the collaborative mindset, BNDES’s management style is characterized by decisions (and act) with little deep reflection, little analysis based on data and very self-centered (worldly mindset barely developed).

Another feature of the management style is the overestimation the complexity of the daily work. Executives from BNDES (and technicians) believe that the daily work is more complex than it really is. As mentioned earlier in this paper, BNDES in 1952 was created from the need to finance infrastructure in Brazil. Earlier some well known economists with a small and competent technical team established the company standards. We can say that, at that time, the organizational structure was a "professional bureaucracy" (Mintzberg, 1979) and that technicians were craftsmen (Mintzberg, 2012). BNDES had a few, but relevant infrastructure operations with low support of technology in their processes.

It is important to understand the context in which the BNDES was established to understand some of the problems experienced today. The country had weak institutions with low levels of governance (lack of control agencies, the Central Bank and Securities Commission still very incipient) and therefore it was necessary to forge a strong culture of shielding the Bank from any political intervention which could divert the organization of their goals.

The inner sense of the “bureaucracy elite” was born and reared decision-making based on collegiate bodies (no one could make decisions in an isolated manner). The need to shield the bank from political interference increased because of the military dictatorship period (1964-1985). Since 1985, Brazil began its democratic trajectory having a significant impact on society in terms of demands for transparency and controls. These impacts are rapidly being incorporated in society, especially from the beginning of this century, due to the development of Information and Communication Technology (ICT).
BNDES has been moving from *Professional to Machine Bureaucracy* (Mintzberg, 1979). In the past (70's and 80's), the operational system of BNDES worked based on trust among people and the tacit knowledge of the employees. The workflow used to be more flexible with few rules and norms that drive BNDES’s performance. The power of the technicians was related to their knowledge.

Starting from the 90s, the new demands of society forced the BNDES to create or reinforce various control structures: Credit Area, Risk Management Area, Ombudsperson, Methodology and Validation Secretary, Legal and Audit Area. The techno structure (Mintzberg, 1979) now represents about 35% of the workforce.

However, many of the values derived from the time of the foundation of the Bank still remained. This change of paradigm (for Vocational Machine) has not been fully digested by BNDES. Beyond the vision of excellence and technical competence (already exhaustively discussed in this paper), it remains in BNDES the employees’ perception that their work is similar to craftsmen (sometimes we think it is similar to an artist). In my opinion this perception (based on deep values) has hampered simple management decisions as process improvements and efficiency gains.

My hypothesis is that part of our difficulty in obtaining significant process gains is our romantic view of BNDES’s technician job (shared by all of us, executives and technicians). There is a clear cognitive dissonance. We wish we were a *Professional bureaucracy* but, in fact, we are in a *Machine bureaucracy*.

Another important feature is the centralization of the decisions. The credit operations have little technology support, our processes are essentially the same than 40 years ago and there are very low standardization at various stages of granting credit so far. Furthermore, **ALL** credit operations of BNDES should be examined by two boards: the Credit Committee (formed by superintendents) and the Board (seven directors, a vice-president and president). There are no delegation or approval levels for these operations.

Additionally, we develop a decision-making by consensus. The consensus increases the average processing time of operations. In the past this form of decision was important and possible, in a bank with few relevant operations where there were no
needs of standardization, computer systems support and appropriate control mechanisms. However, it becomes inefficient when applied to a bank of hundreds of operations per year (in addition to all other not operational matters). Another deleterious effect has been the increase in the number of subjects submitted to the credit committee and to the Board making it difficult to identify those that are relevant to a deeper reflection.

At last, we increase the control mechanisms with few efficiency gains in the definition of authority decision making. The culture of consensus (heightened by increased activity of the organs of control) has also introduced some distortions.

It seems that the search for consensus becomes an end in itself. So sometimes we can make a worst decision in the name of consensus when it would be best to establish a procedure where majority decision could induce greater organizational maturity in the discussion. Paradoxically, although action mindset is the most developed, we have a culture of consensus that slows down the implementation of changes (perhaps we found a way to reflect before acting minimally)

I would like to advance the hypothesis that if we establish authority levels for decision-making issues less relevant we could facilitate the consensus. That’s because we would increase the responsibilities of all (because some will take responsibility for the decision and not only by the proposition) and would confine the collegiate decisions only to the relevant issues (those strategic and operating with a potential impact on BNDES). Within this new vision, perhaps even reaching consensus would be easier because people would have more time for proper reflection.

The management style is very impacted by this culture of consensus and also reinforced by the fact that people work a long time for BNDES (about 30 years). We have worked in the same company for years and we know that in the future, new subjects will require the approval of the same people. Thus, we have developed a culture of little direct dialogue about we understand that needs to change. There are many informal conversations and a tendency to accept a decision that leads the result below the optimal.
There is a tremendous challenge to change from the culture of consensus to a culture of open and honest dialogue about our dilemmas and problems, capable of creating an atmosphere of trust. We have to disassemble the defensive atmosphere created when we have a difficult problem to solve. There is a tendency to stay on the surface of the problem as it is easier to build consensus.

And lastly, I think that besides the importance of developing an ability to think more deeply about our problems, we need to create a sense of urgency that would allow us to quickly implement the decisions taken (after reflection). Our low sense of urgency, in my opinion, has two causes: the monopoly (which gives us the feeling that we can always wait a little more) and our perception that we have low propensity to be reflective. In the absence of profound reflection, we implemented slowly our actions so as to correct any failures during implementation because of the low reflection.

4.4 What I learn and what I can change (IMPACT)

As a member of BNDES’s executives, my management style in the Social Infrastructure Area has some common features with the characteristics of BNDES shown in this paper. However, many of my anxieties were better understood after these reflections.

I have been trying to establish in the AS a trusting relationship with other executives through frank dialogue, charging them the same posture. However, as AS is part of BNDES (being impacted by the same cultural traits), I realize that sometimes people have a cognitive dissonance between what occurs in the area and the BNDES’s environment. This dissonance was very evident when, in 2011, I modified the organizational structure, implementing a matrix structure across sectors and client.

Earlier this year, because of the change of the structure in 2011, I organized an interdepartmental group to review and standardize processes besides improve communication between the various units of the AS. This group’s mission has been to discuss the technical and behavioral patterns of the area.

I also, unlikely BNDES, rotate executives and technicians among the departments with the intention of improving communication between the units. I established a semiannual
evaluation as well, so that everyone in AS periodically talks about the work to be done and also about the expected behavior.

Although I have established some routines differ from BNDES, I still consider that AS does not have an environment that allows people to exercise their critical thinking freely. We haven’t had a dialectical process based on ongoing dialogue to increase the learning capacity of the area (beyond the operational learning) yet.

Another important management issue in the area is the relationship between the legal department and the operational departments. I have tried to balance the power among these departments since it is very common to the legal department to be more rigorous in its analysis. On one hand, the legal department is responsible for the legal security of loans; on the other hand it is necessary the area is efficient in its processes and releases resources for the clients. Usually, I have to manage conflict among these departments. I understand it is necessary to develop a better dialogue among them in order to prevent conflicts from occurring. Through dialogue, I believe we can align the interests between departments in the area.

I realize that I haven’t been able to develop a sense of belonging to people who work in the AS yet which means to build a purpose that consolidates our goals. I think if we could develop this feeling, daily conflicts would be lower and our performance more efficient.

From the Reflection Module, I also understood better the importance of listening. I guess listening has been my major problem as an executive. Then I have been set a goal to talk to all executives in order to establish a more fruitful environment for new ideas to improve the operational performance of the area or to implement new behavioral patterns.

At the corporate level, I also decided to participate more actively in strategic planning process, developing better the issues that bother me. I am writing a text (writing facilitates reflection) organizing many of the issues detailed in this paper trying to influence the 2014 cycle. After writing, I am going to send my reflections to the Planning Director.
5. Conclusions

I decided to do the IMPM course due to my anxieties about BNDES. I work in an organization which has a good working atmosphere, an attractive package of salary and benefits and a recognized market performance. Yet I feel uneasy because I think we could be much better than we are, especially in building a company more capable to answer the challenges ahead. I firmly believe that we are not efficient, but I feel a little bit isolated in this belief.

I had no idea that writing this paper would be a journey that began in pre and post readings to Reflection Module course, continuing through its own classes in Lancaster, and finally, the elaboration of this paper. I began by reviewing the literature and, when I started relating literature to my reality at BNDES a set of ideas was unfolded. I chose to reflect on BNDES environment and strategic planning process relating to all subjects studied (culture, organizational learning, ethics and leadership). So, the paper was left with a larger number of pages than expected. It was a long journey but essential for me to organize my thoughts. I noticed in practice that writing is a really excellent method of reflection. I definitely understood that experience does not necessarily mean learning. It is necessary to reflect on the experience to learn. I did it writing this paper.

I firmly believe that BNDES is experiencing a “spot time” and we will have to rethink ourselves in the light of the great challenges ahead. I have been concerned about issues more objective like convergence of interest rates in Brazil, BNDES dramatic generational change and implementation of new processes supported by information systems, but I understood better the biggest challenge we have: we must introduce in BNDES reflective practice in the discussions and improve our learning capacity. The executives should become reflective practitioners.

The current monopoly could be “heaven” and “hell” at the same time. It is primarily responsible for our good position in the Brazilian financial market, but also allows executives to postpone facing the challenge of changing the culture of the bank. Change in direction of a relationship more professional, more accurate and less superficial. Change in direction of developing a double looping learning organization.
Finally, I point out two dilemmas to be faced. It is necessary to build an environment capable to cope with future changes at the same time we are still the monopoly. We have to be aware all the time that the monopoly will be finished sometime in the future and we must start remodel ourselves while we have a comfortable situation. We have time to change but, because of this, we might not change (no short term pressure).

The second dilemma stirs deeper values: the Excellence. We must understand that excellence and humbling have to walk shoulder to shoulder in order to be more effective. We should not allow our main competitive advantage (people with high qualification) is the source of our difficulties ("cognitive arrogance" do not let us develop reflective practitioners).

According to Cunliffe\textsuperscript{14}, "for reflexive learning to work, managers and leaders must be prepared to challenge and to be challenged with regard to mental both models they have and the historical basis of their competence". Instead of “cognitive arrogance” we have to change our attitude as executives. We must change our mindset developing management based on genuine dialogues. This change of attitude bothers and is appointed by Cunliffe\textsuperscript{15} as the great difficulty to be overcome, "in practice it is disorienting and deeply humbling, because our old mental models were the keys to our confidence and our competence. To be a real learner is to be ignorant and incompetent. Not many top executives may be up for that."

\textsuperscript{14} (Cunliffe, A and Easterby-Smith, Mark, 2004)
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