

Leadership *in* Action

formerly *Issues & Observations*

A Publication of the
Center for Creative Leadership
and Jossey-Bass Publishers

Volume 18, Number 4 • 1998

Strategic Leadership

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One of a leader's essential concerns is the long-term viability, quality, and competitiveness of the organization. As part of my work in the Center for Creative Leadership's program Developing the Strategic Leader (DSL), I have had the opportunity to take a close look at what organizations and individuals do when confronted with thinking about and planning for the long term. Using the information provided by DSL participants, plus the observations of leadership researchers, my colleagues and I have developed a framework that can help leaders better understand long-term, strategic challenges.

I'll begin with a description of this framework and then provide some specific advice for the leader who is in the position of heading up a strategic process.

Thinking About Strategic Leadership

We have identified three ways to look at strategic leadership: the perspectives of the individual leader, the competitive environment, and the organization.

The first perspective views the qualities or characteristics of the individual leader. Sometimes, for example, strategic leadership is framed in terms of how a single leader profoundly affects his or her organization or even the world. James MacGregor Burns's classic work on transformational leadership comes to mind here, and there are also other works that focus on the importance of the visionary leader to strategic change. It is difficult, for example, to think of the civil rights movement in the United States without noting the inspirational leadership of Martin Luther King Jr. In business, such leaders

as Lee Iacocca, Mary Kay Ash, Michael Eisner, and Konosuke Matsushita are often given a great deal of credit for the success of their organizations.

The competitive environment perspective views the external conditions that affect both individuals and organizations. In the context of strategic leadership, these conditions can arise from such things as technology, culture, government, and economic competition. Also, the rate of change experienced in each of the segments of the environment needs to be considered. Changing technologies, the globalization of work, the constraints of different nations'

There are three basic ways of looking at strategic leadership.

laws and regulatory requirements, the new products of competitors, the deregulation of industries, mergers and acquisitions, and the changing lines of product distribution or consumers' purchasing habits are

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An Integrative Framework for Strategic Leadership

just a sampling of the tumultuous and complex issues with which leaders concerned with strategic issues must contend.

Such factors are important considerations in the formulation of organizational strategy. Michael Porter, for example, argues that strategy involves distinctly positioning a company in the marketplace based on an **assessment of its internal strengths and weaknesses and external opportunities and threats**. A company's internal strengths might include **proprietary rights** to critical technologies, a respected **brand name**, and the ability to take advantage of **economies of scale**. External opportunities might include the potential to **expand into new markets** (say, consumer products in China) or growth potential in the industry as a whole. An external threat might be legislation that would potentially encumber the process of securing FDA approval for a new drug.

The organization perspective looks at the characteristics *within* organizations associated with long-term (and thus strategic) success. For example, Jim Collins and Jerry Porras have described visionary companies as those recognized as "best in class" in their industries, those that have enjoyed industry preeminence through multiple generations of chief executives and product or service life cycles, and those that have had significant impact on our world. In studying visionary companies, Collins and Porras found they shared several characteristics and practices that distinguished them from the corporate field. For

example, the visionary companies used "Big Hairy Audacious Goals" to stimulate progress. Such commonalities underscore the usefulness and generalizability of the organizational perspective.

As you can tell from the illustration, this framework emphasizes the interactions among these perspectives rather than focusing on any one of them exclusively or even primarily. It is the interfaces that are important: between the individual leader and

This framework emphasizes the interactions among perspectives.

environmental perspectives, between the individual leader and organization perspectives, and between the organizational and the environmental perspectives. Let us look at each interface in turn.

Individual Leader-Competitive Environment Interface

The individual leader-competitive environment interface helps us understand how the leader interacts with the forces and changes occurring in the broader environment. There are four important aspects here: uncertainty, the complexity of the current environment, systems thinking, and diversity.

Uncertainty

Although increasing **uncertainty** probably characterizes almost every leader's world, it poses a particular challenge for senior executives. That is because truly **strategic decisions are rarely black and white**. As Stephen Rhinesmith has pointed out, the evidence for any particular decision is often 51 percent in favor and 49 percent against. He believes that strategic leadership depends upon the **ability to be decisive even in the midst of ambiguity**, and this requires **"clarity of vision, principle, and purpose, not an abundance of information and detailed analysis."**

Of course, not all leaders respond in the same way to this challenge. Certain personality traits and preferences often dispose individual leaders to be relatively more or less comfortable dealing in this world of ambiguity and uncertainty. Dwight Eisenhower made one of the fateful decisions of World War II when he decided to launch the largest amphibious invasion in history on D day, despite cautions from meteorologists that adverse and potentially disastrous weather conditions might seriously disrupt the operations. Corporate examples abound too. At The **Walt Disney Company**, for example, we

can go back to its founder's confidence in bucking conventional wisdom when he **extended operations from only filmmaking to a new kind of amusement park** that would become Disneyland. Or we can see more recently how **Michael Eisner led the company from films and theme parks into the hotel business** to capture a **greater share of tourist money**. Eisner has anything but a reputation for recklessness, so he obviously felt certain enough of the success of this strategic move. But not all executives move so boldly.

Complexity

Because of the increasing complexity of our environments, even such a seemingly unambiguous word as *competitor* now has nuances and qualifications. It is fair, for example, to describe the competitive environment as more complex when two companies are simultaneously competing in the marketplace yet partnering in the basic research upon which their similar products are based, or are sharing process technology so that the industry as a whole might improve.

Systems Thinking

Strategic leadership is about **thinking in terms of wholes, not separate parts**. As noted above, it is about orchestrating the coherent interplay among different functions so that the whole truly does become more than the sum of its parts. For example, the competitive strategic positioning of a corporation

Strategic leadership is about thinking in terms of wholes.

in the marketplace involves understanding the **coherent pattern of interdependencies** among the organization's diverse functions. The corporation is then seen **organically**, not as a mere collection of independent silos.

Diversity

Confronting different ways of thinking and valuing is crucial in the current environment. Strategic leadership **involves managing across cultures** and dealing with the ways different value systems and ideals influence behavior in business settings. In cultures where **individual accountability** is emphasized, for example, **timely decision making** is often a priority; decision making tends to be delegated to

individual managers. In other cultures, however, the decision-making process may be quite time consuming to ensure that everyone who will be affected by a decision has input beforehand.

Individual Leader–Organization Interface

The individual leader–organization interface helps us think about **how a leader's behavior affects others**—either directly, through face-to-face contact with, for instance, teams and staffs, or indirectly, through establishment or reinforcement of organizational systems, norms, climate, and more. In the most general sense, there are two questions of primary importance for leaders here. First, as a leader, **what is my impact on the organization?** That is,

The impact of a top leader's behaviors may cascade through the entire organization.

how clearly do I communicate my ideas to others? What impact does the climate I create have on others? How effective am I in influencing others? How can I be more effective in this organization? Second, **what is the organization's impact on me?** That is, in **what ways do other individuals, my team, or the overall organizational climate affect my behavior?**

Such questions are especially relevant to strategic leadership because the **impact of a top leader's behaviors may cascade through the entire organization**—sometimes dramatically, sometimes subtly.

Nevertheless, strategic leadership is a group process, not just one individual's behavior. In fact, the team at the top, or what my colleagues and I call *the strategic leadership team*, has been the focus of much of our attention. In a survey of DSL participants, we found, among other things, that certain behaviors are challenging to most strategic leadership teams. Participants tend to consistently identify **team shortfalls** in responding effectively to **opportunities and threats in the environment**; they believe they could do a better job of **having a shared vision of their future, sharing best practices across individuals and departments, thinking globally, and striking an appropriate balance** between dealing with **near-term and long-term needs**. Long-term, strategic leadership involves more than just how a single leader acts. It includes a senior *team's* effectiveness in working together to build healthy

A Survey on Strategic Leadership

My colleagues and I asked DSL participants two questions that are particularly relevant to helping us better understand and define strategic leadership:

- (1) What is the major challenge your organization faces in the area of strategic thinking and planning?
- (2) In your judgment, what is the major challenge you face personally in becoming a better strategic leader? (DSL participants, by the way, come from a range of diverse companies and industries, and about half of them hold vice president-level positions in their organizations.)

All those attending the program during an eight-month time frame spanning 1996 and 1997 were surveyed and their responses analyzed. Their responses for each of the two questions fell into a handful of general categories. Strategic challenges facing their organizations included (1) dealing with change; (2) strategic thinking; (3) achieving focus, consensus, and vision; and (4) dealing with business issues. Strategic challenges facing the executives personally included (1) improving their ability in strategic thinking and acting; (2) better integrating strategy and tactics; (3) improving general leadership and management skills; (4) improving effectiveness in communicating with and influencing others; (5) achieving enhanced self-awareness, self-presentation, or self-confidence; and (6) gaining business-specific individual development. First, let's look at examples of participants' responses to the question about organizational challenges, then at examples of their responses to the question about personal challenges.

Challenges to Organizational Strategic Thinking and Planning

The organizational challenges most frequently mentioned involve dealing with change and, its close cousin, uncertainty. In fact, more than half of the participants mentioned the challenge of change in their responses. Specific change issues noted by these leaders related to growth; adaptability; alignment of resources; identification of trends; organizational culture; and environmental pressures like changing markets, changing industries, resource availability, and sociopolitical issues.

Other challenges facing these leaders involved the direction of the organization, what we have labeled focus, consensus, and vision. This category refers to the organization's task of developing, aligning, and communicating its vision, values, and objectives. Challenges mentioned in the next category, strategic

thinking, showed that these leaders have a concern for getting their organizations to, as they said, think outside the box, that is, to proactively nurture and reward creative thinking throughout the organization, with an emphasis on long-term and strategic goals. In the final category, business issues, responses focused on a financial or business dimension of challenge. After the responses to change, the participants' other responses were divided approximately equally among the other three categories.

Change

Internal Change

- Reversing a strong culture within the organization.*
- Improving our technology standards.*
- Implementation of high-performance work systems.*
- Dealing with growth.*
- High growth, high velocity, constant change.*
- Pragmatic implementation of global structure.*

External Change

- Predicting the economy and demand for new homes twelve to eighteen months from now.*
- Sociopolitical issues in the countries where we operate.*
- The industry is facing deregulation as well as mergers and acquisitions.*
- Regulatory changes, market forces.*
- Our markets change quickly.*
- Industry changes too fast.*
- Internal and External Change**
- To shorten drug-development cycle times while meeting new registration requirements.*
- How to maintain market share when losing a patent.*
- Completion of merger, global expansion.*
- Having time to think strategically because we are transitioning into a deregulated industry.*

Strategic Thinking

- Getting above "this quarter" business.*
- Thinking outside the U.S. environment.*
- Thinking outside the box; doing things differently even though what we have been doing has been successful. Since we own a major share of the snack food market, we are challenged at "reinventing" the category and developing new products to increase consumption.*

Focus, Consensus, and Vision

- Stakeholders are diverse, and priorities do not always agree.*
- Lack of clear, actionable strategy from senior management.*

Alignment, and breaking internal cultural barriers.
Buy-in of employees.

Focus.

Strengthen the understanding and ownership of strategy and vision in the company.

Often our marketing organization develops a sales plan without getting input from sales. Therefore our biggest challenge in planning is cross-functional communication.

Business Issues

Implementation of asset restructuring strategy.

Low-growth, marginal-profit industry; being a leader in market share and low-cost, highest-quality producer.

Diversification of business into other product/service lines during next ten years.

How to grow and maintain market share.

Balancing strong service results with cost.

Personal Challenges to Being a Better Strategic Leader

The following comments are also actual participant responses to our question about personal challenges. More than half of the participants expressed a concern with either strategic thinking or strategy and tactics. The responses included in the remaining four categories were shared approximately equally, with each category receiving 10 percent to 15 percent of the total comments.

Strategic Thinking and Acting

Develop a vision for where we need to be in five years.

Broaden perspective on competitive picture.

Anticipate changes/challenges.

Engage in more comfortable thinking out of the box and taking risk.

Steering organization to anticipate fast changes in the marketplace.

Strategy Versus Tactics

Thinking strategically (too caught up with today, not seeing future potential).

Caught in day-to-day process.

Trying to do too many things, involved in too many details, so don't step back and see big picture.

Obtaining today's numbers while remaining focused on our future.

More visionary, less reactionary.

General Leadership and Management Skills

Developing others fast enough.

Quality staffing.

Time management.

Team building.

Interpersonal Effectiveness, Communication, and Influence

Becoming more receptive to input from staff.

Negotiation and influence.

Building broad-based support for ideas.

Providing detail needed to make and sell sound business decisions and direction.

Personal ability to influence and motivate others/team to achieve.

Self-Awareness, Self-Presentation, and Self-Confidence

Changing perceptions [of me] from implementer to developer of strategy.

Overcoming my own insecurities.

Working with upper management, showing [them] skills in areas other than engineering.

Terminal shyness; willingness to take lead.

More sensitivity to personal impact on team.

Understanding my strengths and weaknesses better.

Business-Specific Individual Development

Understanding the business better.

Financial acumen.

Capital, cash flow, and EBIT [earnings before interest and taxes] constraints.

What do these participants' comments say about strategic leadership? In the first place, remember that we did not actually ask them to define or describe strategic leadership; rather we asked them to identify where there were organizational or individual shortfalls in it. They were describing the piece that was missing, not the full pie.

Nonetheless, some patterns in the responses stand out and are worth mentioning here. For one thing, there was a degree of parallelism between challenges to strategic leadership at the organizational and individual levels. For example, deficits in strategic thinking were often noted as a challenge for the entire organization in situations concerning lack of focus or alignment around a common vision. At the same time, deficits in the individual participant's strategic thinking were often noted as well, such as the need to think outside the box more. To most managers, strategic thinking usually connotes planning with longer rather than shorter time horizons and also orchestrating how different functions in an organization will interact coherently together (getting out of their silos). Some organizations do this better than others, and some individuals do this better than others.

and constructive norms, systems, climate, and an agenda for the whole organization.

Competitive Environment—Organization Interface

Thinking about how well the organization as a whole adapts to environmental challenges is essential. The challenge here is for organizations to guarantee their continuing vitality, which can be thought of as analogous to maintaining personal or individual

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vitality. At the individual level, vitality refers to things like a person's general health, energy level, stamina, resilience, and adaptability. At the organizational level, vitality includes how clear and compelling the organizational vision is; how core values are articulated and embraced; how responsive, flexible, and innovative the

organization is to threats and opportunities; how strategic alliances and partnerships may enhance the organization's future vitality; how well various stakeholders' interests are represented; and more.

Ultimately, the goal is to achieve and maintain organizational sustainability and survival. For example, what kind of organizational antennae exist to monitor developments in the operating environment (like competitor moves)? For that matter, how well does the organization attend to developments in areas outside the present operating environment that yet may be significant in the future (consider, for example, the impact of digital technology on the wristwatch industry)? How quickly could the entire organization respond creatively and with sufficiently marshaled energy to an unexpected threat or opportunity in the environment? What is the ratio of organizational strengths to organizational weaknesses? How well aligned are different parts of the organization to support long-term strategic aims?

A fundamental premise of our view of the competitive environment—organization interface is that there is no single best organizational form, structure, or process. We believe that the future environments of most organizations will be characterized by increasing rates of change and uncertainty, and that is precisely why we use the term vitality to connote an organization's potential to marshal, focus, and sustain a constructive, coordinated effort in a dynamic environment. A key challenge of strategic leadership will be to evolve innovative organizational

forms, structures, and processes capable of prospering (and not just economically) in environments quite different from the relatively stable ones within which traditional forms of organizational structure and process evolved. Inevitably, this also means that the interplay between the experiences, talents, and interactional styles of the individual leader, the kind of organization he or she builds in concert with others, and the organization's effectiveness in competing in a complex and changing arena will be more dynamic than ever before.

Keys to Effectiveness

This framework provides a conceptual map of the territory of strategic leadership. Anyone in a strategic leadership role can use it to conduct an analysis of his or her own strengths, weaknesses, opportunities, and threats. A leader, for example, might discern that a key factor in his or her organization's becoming more responsive to the external environment is for the leader to work differently with the whole senior team. The framework itself does not say much about specific behaviors incumbent on strategic leaders. However, although we resist any simplistic set of rules for effective strategic leadership, we do believe several maxims should be considered.

Do More Than Conceive and Then Carry Out a Plan

Leaders must do more than merely develop and implement a strategic plan. I doubt that planning and implementation typically occur in a discrete linear sequence like this: the complete plan is developed, and then it is implemented and implemented just as written. In a seminal article, Henry Mintzberg likened strategy making to craftsmanship—more specifically, to the endeavors of the potter at the wheel. Mintzberg's metaphor is richer

Planning and implementation seldom occur in a discrete linear sequence.

than I can do justice to here, but one aspect of it seems particularly appropriate. In likening strategy making to craftsmanship, Mintzberg notes the dynamic interaction between the potter's intentions and the work of the potter's hands with the clay. As the wheel turns and the clay changes shape, the potter's initial intentions may be displaced by new possibilities that take shape on their own as the mind, hands, and clay interact.

So it is with strategy making and strategic leadership. It may be most accurate and helpful to think of strategy as continually evolving as it is continually implemented. It reflects the joint work of head and hands, not just of the head. For too long we have viewed strategy making (and thus strategic leadership) as a purely rational, top-down, formal process.

Understand That Strategic Leadership Is an Interpersonal Process, Not an Administrative Procedure

To some extent, understanding leadership as an interpersonal process is a corollary of the first point. Strategic leadership is not an administrative procedure designed to produce, and then ensure everyone in the organization religiously follows, prescribed parts of a formal plan. Leaders need to attend to people's hearts as well as their heads; and when leadership attends to their heads, it should call forth a creative intelligence, not just a rule-following mentality. Leaders need to build commitment rather than merely ensure compliance. Furthermore, to say strategic leadership is an interpersonal process is to emphasize that leaders need to be *influenceable* as well as influential. Strategic leaders need to be open to ideas and opinions from others around them, not just conceivers and disseminators—even inspiring ones—of their own strategic ideas.

Ensure That Strategic Leadership Is Everyone's Responsibility

Strategic leaders are not just CEOs and top managers, and strategic leadership does not reside only in a particular department or even in the whole headquarters. Strategically significant ideas—those about a new product, a new process, a new market, for instance—may emerge from anywhere in an organization. Although not everyone shares equally in shaping or executing strategy, there is no telling where an idea of strategic significance will come from, and perhaps the most vital organizations will be those that have leaders who develop the best ways of stimulating, valuing, and disseminating new ideas. As Gary Hamel points out, there is no telling where the next revolutionary idea will come from; certainly no one should assume it can emerge only from the boardroom.

Orchestrate the Commitment of Diverse Resources for Sustained Competitive Advantage

In our discussions with DSL participants about what the word strategy means to them, several themes consistently emerged. Two of the most common associations with the word strategy were (1) main-

taining a long-term focus, preferably including a vision of a desired future, and (2) coordinating the interplay of the diverse functions and actions of a complex organization. Leaders should look beyond immediate tasks and realities to a future that organizational

Leaders should look beyond immediate realities to a future that organizational members feel compelled to create.

members feel compelled to create. And leaders need to coherently allocate scarce and diverse resources in order to achieve an overall distinctive and competitive or advantageous position, all within a framework of rapid change and environmental uncertainty.

Move People Toward Valued Ends, Not Just Numbers

As a final point, let me suggest that leaders do more than just guide an organization to make bottom-line numbers, especially short-term financial results. (I add this point fully aware that this is precisely the focus in many organizations.) I believe that leaders must have a longer-term focus than the next quarter,

You probably wouldn't want to fly in a plane where the pilot was operating on a single instrument.

and that they must give their attention to broader objectives than financial ones. Perspectives on stakeholders or customers, internal business processes, organizational learning, and sustainability must also be considered. In other words, leaders need some type of balanced scorecard. As Robert Kaplan and David Norton point out, just as you probably wouldn't want to fly in a plane where the pilot was operating on a single instrument, you wouldn't want to work in an organization where the leaders were operating on just one measure.

Conclusion

Sidney Finkelstein and Donald Hambrick say there is ample evidence that organizational outcomes are

"eminently traceable to the individuals at the top of the firm." And our participants in DSL have affirmed that effective strategic leadership is more vital to organizations than ever before. Top executives, who confront the challenge of strategic leadership daily, can enhance their effectiveness by more deliberately attending to the individual, organizational, and environmental dimensions of strategic leadership and to the complex interactions among them.

Acknowledgments

The author gratefully acknowledges the invaluable assistance of a number of colleagues in the development of this strategic leadership framework and in related research. Thanks are particularly due Chuck Hinkle, Steve DelCastillo, Pam Shipp, Dennis Lindoferfer, Kevin Asbjornson, and Kate Beatty, who have been training partners in the DSL program, and Laura Quinn, who has been a key collaborator in strategic leadership research.

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CCL Publication Note

NEW RELEASE

Leslie, J. B., and Fleenor, J. W. *Feedback to Managers: A Review and Comparison of Multi-rater Instruments for Management Development* (3rd ed.), 1-882197-35-6, 358 pages, \$60.00.

An increasingly popular means for managers to get information on their performance is the multiple-perspective, or 360-degree, feedback instrument. Used independently or as part of a management-development program, 360-degree feedback can enhance self-awareness by highlighting what bosses, peers, subordinates, and customers see as an individual's strengths and development needs. Selecting the right instrument from among the dozens that are available today can be difficult, however. This new edition of *Feedback to Managers*, which updates and expands the popular 1991 edition, aims to facilitate selection by providing an in-depth analysis of twenty-four of today's most frequently used and representative instruments.

After a discussion of key selection issues, each instrument is described in detail, providing the following types of information:

Descriptive: author, copyright date, statement of purpose, target audience, cost, scoring process, certification process, instrument length, item-response format, and type of raters.

Research: item origins, feedback scales, scale definitions and sample items, and a bibliography of reports or papers from studies of the instrument's reliability or validity.

Training: a sample feedback report and descriptions of support materials provided for trainers or participants.

This volume is a companion to *Choosing 360: A Guide to Evaluating Multi-rater Feedback Instruments for Management Development* (1997, CCL), which provides a step-by-step process for evaluating any 360-degree questionnaire.

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