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IMPROVING THE PRACTICE OF MANAGEMENT

## The leadership role

By Jeffrey Gandz

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# The leadership role

*Demands and expectations of a business leader have never been higher. But just how does a leader develop winning strategies, execute them brilliantly and develop organizational capabilities and core competencies? This Ivey professor, who has written and consulted on leadership widely, discusses what every great leader needs to do, and how she or he can do it.*

By Jeffrey Gandz

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Leadership is about getting results for your followers. If you get results, people will support you, often without caring too much about how you got them; without results, all the style or charisma in the world won't retain the support of your followers for long. This is true for the leader of a Scout troop, a sports team, a political party, a government department...and a business.

A business leader must increase *shareholder value*, and the public-sector leader must increase *public value*. (Shareholder value increases through either increasing stock price and/or paying dividends on stock that is owned, results that are usually measured as total shareholder return over some period of time. In the public sector there is a different but analogous measure: *public value*, the return to taxpayers of public goods in an effective and efficient way.) There is a growing belief that the long-term generation of either shareholder or public value requires the

balancing or integration of the interests of multiple *stakeholders* in the enterprise; shareholders, employees, customers or clients, suppliers, and the various communities within which the enterprise operates and with which it interacts. Notwithstanding this view, failure to satisfy shareholders is more likely than any of the others to get business leaders into trouble.

To be an effective leader of either a private- or public-sector organization requires you to do five things:

1. Understand and interpret the environment in which you operate;
2. Develop winning strategies;
3. Execute them brilliantly;
4. Measure the impact of your strategies systematically, adjusting strategies as indicated; and,
5. Develop organizational, departmental, team and personal capabilities.

## 1. Understand and interpret the environment in which the enterprise operates.

A leader has to be able to sense what's coming up ahead, to see opportunities that should be the target of action and to see threats before they materialize. And the view has to be well into the future. As a colleague of mine once noted, "It's no good mistaking the edge of the rut for the horizon." (Professor Richard (Dick) Hodgson, a gifted teacher of Leadership at the Western Business School, often used this phrase).

Leaders who only see what they have seen before,

whose scope and vision is limited by their past experience, prove to be inadequate in a rapidly changing world. Since we expect leaders to have their eyes on the horizon and their feet on the ground, this means that leadership is a tall order!

Looking over the horizon does not suggest that experience is irrelevant. On the contrary, to the extent that people have been through experiences and learned from them, they will usually have

interpreted in the light of yesterday's experience -- but seldom with exactly the same mental map or template.

Business opportunities are often created or destroyed by both direct influences of economic, political, societal and technological forces as well as complex interactions between these forces. Whole industries were created by the development of the transistor; socialized medicine limits the

growth of medical services in many countries; periods of economic growth and slowdown, or realignment of currencies, affect businesses in many ways; and political movements to the right or the left may create opportunities for the private sector to grow or, sometimes, may result in the state taking over functions from private enterprise. Those who foresaw the fall of the Berlin Wall, the emergence of China as one of the world's great economies, the resistance of many countries to genetically modified foodstuffs, the dramatic realignment of the U.S. dollar against the euro and other currencies in the early part of this century, made -- or lost -- fortunes.



developed judgment and, perhaps, some wisdom. Effective leaders do learn from the mistakes of history so that they can avoid repeating them. (George Santayana). But the future seldom offers up exactly the same set of conditions that existed yesterday, and tomorrow's environment must be

This outward-and-forward-looking requirement cannot be delegated to a small set of specialized scenario-creators or confined to a few days or weeks of the year. The chief financial officer must scan the financial environment, the head of human resources must be alert to changes in labour markets and legislation that affects the workforce,

the chief information officer must recognize developments in information technology that could create or destroy competitive advantage.

Nor is looking at the developing environment just required of senior executives; the credit manger must look at rising consumer debt levels, the purchasing manager must think of commodity price movements and the things that influence them, the facilities manager must decide whether to go long or short on energy prices...and so on. Leadership at *all* levels must be focused on the future as well as the present.

## 2. Formulate winning strategies

If leadership is about getting results, then the role of the leader is to develop the right strategies to get those results -- *winning* strategies. Businesses make money by creating value for a customer and then capturing some of it for themselves from what the customer pays for that created value.

Strategies are much more than intentions; they describe what an organization is going to do to achieve a defined end as well as the ways and means that will be employed to do that. The what and the how are usually accompanied by strategic plans detailing who will do what, with which resources, by when...and all the other details that allow for effective and efficient capital and people allocation and coordination. Since people generally follow leaders better when they understand why they are being asked to move in a certain direction, strategies usually provide cogent reasons for action.

Strategies are needed at all levels of organizations, from the office of the CEO to the individual salesperson's strategy for their territory. And these strategies must be integrated and coordinated if they are to be well executed.

My emphasis is on developing *winning* strategies. People who lead their followers in the wrong directions may be effective leaders over the short-run. And the short-run may be quite a long-run!

But if the pathway chosen leads to eventual disaster, there will be no place for such leaders in the leadership hall of fame.

## 3. Execute those strategies -- brilliantly!

Strategies are only valuable if they can be executed well. And execution of any plan is only valuable if the strategy is right. Arguing which is more important is, therefore, pointless. Both are critical to success.

Unique strategies are rare. Some years ago I received a copy of the marketing strategies and plans of a large bank before I had signed a confidentiality agreement. A day later, I received a phone call from a very agitated executive asking me to return them immediately. I did so, but without adding that they were indistinguishable from the strategies of four other banks that I had reviewed in the previous three years. The competitive advantage is unlikely to come from the uniqueness of the strategies; far more likely, the company that executes the strategy with brilliance will win.

There are many elements that go into the execution of strategies. Key among them are:

- The alignment of the organization's various department and sub-unit strategies so each and every unit and person is striving to achieve goals and objectives that contribute to the overall mission, vision and objectives;
- Performance management, at the individual, team, departmental and organizational unit levels to ensure that the right people are recruited, trained, developed, motivated and directed in ways that support the organization's mission, vision and objectives consistent with organizational values.
- The leadership of strategic and operational change, not just in response to "burning platforms" but in anticipation of events and states that many people in the organization cannot comprehend or visualize at the

moment when change must be planned and initiated.

Many excellent strategic thinkers and planners fall short when it comes to execution. They may lack the attention span needed to concentrate on the details of large-scale organizational change; they may not be persistent enough to see those changes through to completion when faced with resistance to change; they may feel that to do these things is "micro-managing" and that their role is to focus on the "big picture." That is not my view. Truly effective leaders *derive* strategy in part from a detailed understanding of their business and how it works, and they *drive* strategy through each and every business decision and the people who make things happen in the organization. They are as tenacious in implementation as they are brilliant in strategic formulation.

#### 4. Monitor the results and make strategic adjustments.

The perfect strategy, flawlessly executed, is the exception rather than the rule. Leaders recognize the probable imperfections of any plan and take care to monitor the outcomes systematically and thoroughly, always being prepared to make adjustments or completely change the strategy.

The best strategies and plans incorporate measurements, but smart leaders are always alert to the unanticipated: the competitor who responds differently than the way you thought he would; the sales force that cannot recruit enough people of

sufficient quality to execute the sales plan, at least on the preconceived schedule; the key research scientist who leaves to join a competitor; an unanticipated change in legislation that makes it impractical or illegal to take a certain approach to the marketplace; a planned merger that ran into trouble in the integration phase; a market that turned sour; a product that did not live up to expectation.

**They don't retreat to their management bunkers and wait for the first official measures of success to come out. They get out there, personally, meet with early adopters, meet with people who have tried the product and did not repurchase, attend testing panels, see how trade channels respond to presentations, and so on.**

Really effective leaders understand the frailty of strategic plans. They also understand that if they act promptly they can often make mid-course corrections to plans that can put them back on track, or they may even find a superior solution. Furthermore, they are never blind to the idea that they may have made a mistake. In its early days, Dell experimented with retail outlets -- briefly! Then Michael Dell realized that he was

moving away from the direct sales channel that was the core competence of his company. He rapidly changed directions.

One of the best quotations I have ever come across is: "If you're going to eat crow, eat it while it's young and tender." It puts a premium on the early acknowledgement of leadership errors and rapid steps to correct situations; so what if it's a little embarrassing.

Highly effective leaders also *increase* their sensitivity to discordant information when they are deploying new strategies. Sam Stenberg, the founder of Miracle Food Mart, had a great saying: "When three people tell you that you're drunk...lie down! But that only works if you are listening to the people. Every great historical leader recognized that courtiers were not necessarily the best advisers of kings and

queens... there was the need for the presence of the "voice of the people." So, smart strategic leaders have monitoring systems that feed back what customers, first-line employees, suppliers, regulators, and other stakeholders and their representatives are thinking about strategic decisions and their implementation. They don't retreat to their management bunkers and wait for the first official measures of success to come out. They get out there, personally, meet with early adopters, meet with people who have tried the product and did not repurchase, attend testing panels, see how trade channels respond to presentations, and so on.

A story is told of Jack Welch arriving in a city one day to be met by a local senior general manager. As they were climbing into the car, Welch asked, "Where are we going?" and was told, "To see some of our best customers who would like to meet you." To which Welch responded, "Cancel it; I want to go see the people who aren't buying from us!" Leaders aren't looking for flattery -- they are looking for information that will inform and improve their strategic decisions. Does this personal involvement create some concerns among subordinates that they are not being trusted to do what they are supposed to do? Yes, sometimes. But real leaders don't get too upset about this. They would much rather risk this than to have anyone believe that they did *not* sweat the details, and most of those who are responsible for the details are delighted with the leadership attention they are getting.

## 5. Build organizational capabilities

Highly effective leaders act for both the short- *and* the long-terms, simultaneously. So, while they are

surveying their environments, developing winning strategies and executing them brilliantly, and monitoring them systematically, they are also investing time, effort and money in building their organization's core competencies, management and leadership talents.

**Outstanding leaders over the long haul recognize that they must continue to invest in core competencies at the same time that they produce results in the short-run. Whether it is renewing physical plant, equipment, machinery or the talent pool, it represents the future of the organization.**

The business manager often cuts costs to meet profit crunches. This is frequently done at the expense of anything that promises long-term returns. Many commodity - focused companies, such as those in basic steel production, respond to downturns in the price of steel or increases in input costs by laying off people in inverse order of seniority, enacting hiring freezes, stopping all recruitment of new

people, postponing or cancelling training and leadership development. Little wonder that after 50 years of doing this, they have aging workforces, reputations as places where you go to stagnate in a role forever rather than to be developed to the maximum of your potential.

The business leader also has a keen eye on costs and, certainly in commodity businesses, is sensitive to the price fluctuations in the marketplace. But unlike the manager, he or she balances the need to cut costs with the mandate to build for the longer term. Employment costs may be cut not by hiring freezes but by buying out two "C" employees and replacing them with an "A", by cutting some lower-value training programs but retaining core leadership, and by developing high-potential focused programs. I work with such a company, and the pressures on the leader to cut everything when market prices are low are intense -- and he resists.

The great British wartime leader and statesman Winston Churchill was famous for many things, but one incident is relevant here. In the middle of an air raid at the height of the blitz on London, he called a meeting of his war planners to discuss the invasion of Europe -- probably not to take place for another two or three years. He was worried that the lack of landing craft would not allow the allies (the U.S. was not even in the war at that time) to put enough troops on the beach. So he acted to ensure that the balance between producing Spitfires now and landing craft later was maintained.

Note that we are talking here about leading for the short-term *and* the long-term. Managers choose between the two, maximizing one or the other; leaders optimize over both.

But there is more than leadership strength that must be developed. Other core competencies, such as knowledge management skills, intellectual property, excellence in business-government relations, community acceptability, environmental reputation, all represent valuable assets that can be turned into income or other outcome measures at some time in the future. Leaders add to this store of assets rather than deplete them. Leaders that liquidate core competencies for short-term operating results may not be doing the leadership job that they appear to be doing on the surface. Liquidating an asset may have a temporary positive impact on income?but it may also have a negative effect on the balance sheet!

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### The challenges of leadership

I have described three primary challenges of leadership -- strategic (involving both environmental

surveillance and the formulation of winning strategies), executional (implementing those strategies, monitoring their impact and making adjustments as indicated), and developmental (building core competencies and cadres of leaders at all levels).

There is another, more personal challenge. Leadership can be challenging, frustrating, exciting, exhilarating, depressing, stimulating, dangerous, exhausting -- and many other things. Throughout, the leader must keep a sense of personal balance, humility and integrity. Leaders must keep on growing, learning and developing if they are to continue to be effective leaders. The leader often has responsibilities and obligations beyond the narrow business sphere -- to family, community and the broader society within which he or she operates. These must be balanced with the obligations the leader has toward the enterprise he or she leads and the people who put their trust in their leadership.

Leadership is not for everyone, and it is not something that even really good leaders necessarily want to do for all time. Above all else, leaders need to know when it is time to stop leading, to hand over the reigns to someone else. The leader that outstays his or her willingness or capacity to lead is one that will eventually do poor service to their followers, no matter how well they may have served them in the past. ■