

C E



**Center for
Effective
Organizations**

IDENTIFYING STRATEGIC LEADERS

**CEO Publication
G 99-2 (361)**

**KATHLEEN K. REARDON
ALAN ROWE**
University of Southern California

January 1999

IDENTIFYING STRATEGIC LEADERS

Kathleen K. Reardon and Alan Rowe
Department of Management and Organization
University of Southern California

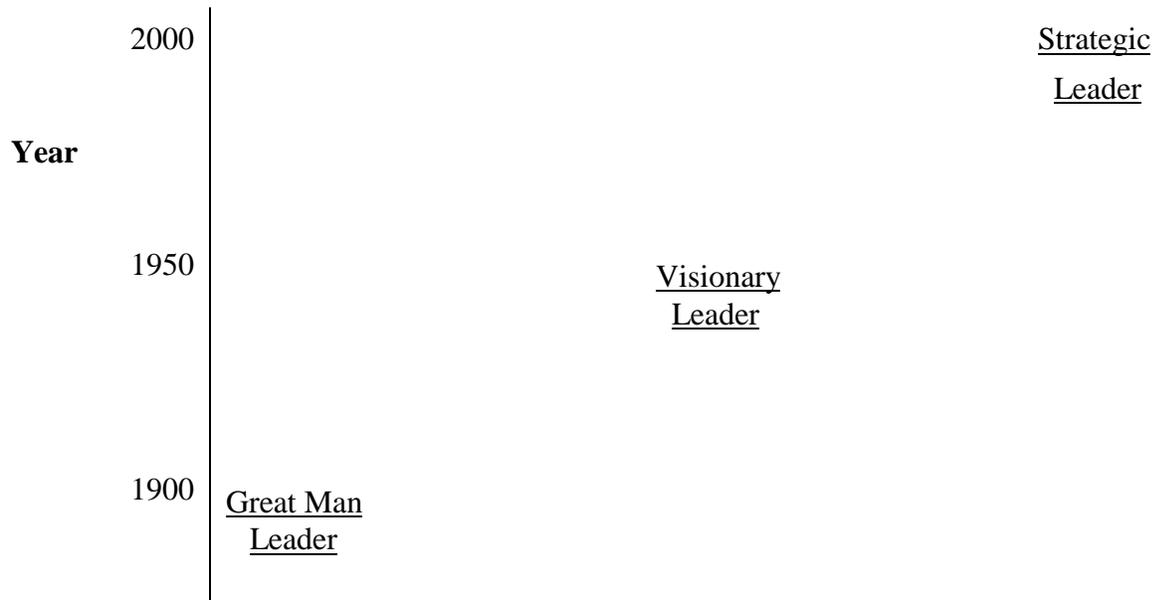
The key component of successful leadership now and in the next century is a responsiveness to continuous change. Such responsiveness requires suspending the illusion of control and denial of uncertainty psychologists tell us are characteristic of human thinking (Taylor, 1993). Instead, recognizing the demands of complexity and welcoming of novel ideas and solutions will best serve leaders in the future.

Leaders who can do these things, we refer to as Strategic Leaders. They know their own limitations and so turn to others for advice. They rely heavily on communication and persuasion with employees to advance cooperatively developed strategies. When compared to popular models of leaders of the past, these leaders are less information distributors than information seekers.

The chart below depicts the models of leadership from the early 1900s to today. In the 1900's, leadership was equated with those individuals who did "Great" things. These leaders had a "can do" attitude based on experience and determination. They used their authority to "command" others. By the 1950's attention shifted to trying to determine leader traits and how they would fit the situation in which they functioned. In the early 80's, another change took place. This time the emphasis was on the "visionary" leader who inspired others with their insights and with sharing of authority. Today's leaders, confronted with explosive change, will have to shift to the "Strategic Leader"- one who is sufficiently versatile to recognize the need for change, seek input for developing creative strategies for change, and inspire others to adopt those strategies.

FIGURE 1

MODELS OF LEADERSHIP



Virtual organizations, virtual offices, and global presence pose considerable challenges for leaders. The demands of today's chaotic environment are stressing even the most capable leaders making even the "great man" leaders increasingly vulnerable.

According to Max DePree, author of *The Art of Leadership*, leaders are vulnerable not only in their autobiography but on the day-to-day-job. Today leaders face technological advancements not dreamed of by their predecessors. They are confronted with too many choices as predicted by Alvin Toffler's 1969 forecast. He warned that this would inhibit action, result in greater anxiety and lead to a feeling of exhaustion. Today's leaders have many options open to them and they have extraordinary amounts of information available to them via the computer information highway. They are also work with employees who are more diverse and customers and subsidiaries that are spread worldwide. How can leaders possibly have all the answers in this chaotic environment? It is apparent that vulnerability is no longer a possibility, it's a prevalent condition. The next century will demand, even more than the last, that leaders possess a willingness to continue learning and to change.

WAYS LEADERS DEAL WITH PROBLEMS

Three ways of leading fit different levels in Figure 1.

1. CIRCUMVENT THE PROBLEM:

These leaders take the easy way out and are generally unable to convey their visions effectively. They have repeatedly turned to downsizing, outsourcing or restructuring as the ways to improve their bottom lines. Total reliance on such solutions occurs when leaders look for simple answers to exceedingly complex problems. They overlook the value of inspiring and supporting employees who are capable of achieving phenomenal results. Instead of utilizing this critical resource, employees are typically were fired.

When “great man” leaders find they don’t have all the answers, they look for quick-fixes to complex problems. They treat the very people who could guarantee their success as expendable. When they have downsized to the max, they’ve exhausted their strategies.

2. EMPOWER EMPLOYEES:

These leaders are candid with employees and can admit when things are not on the right track or that the organization might be in trouble. Executives who have derailed are often ones with interpersonal difficulties born of their exclusive task orientation. Whereas leaders who are candid and can create trust are able to deal with seemingly impossible situations because they are process or strategy oriented .

William Peace used this approach when he was the general manager of Westinghouse’s Synthetic Fuels Division. He was faced with a situation that would daunt many leaders. When Westinghouse decided to divest the division, trauma, frustration, anger and bitterness resulted. An attitude survey showed that employees were distrustful of management, openly hostile and

focused on “petty” complaints. One such complaint was a recurring problem where management rejected innovative ideas as too risky, too expensive or simply impractical. The employees resented what they saw as unreasonable discipline and showed this by slashing tires and relying on Mafia type cliques to assert control.

To overcome these conditions, Peace held bi-weekly meetings with a cross section of all employees. With no formal agendas, they discussed whatever issues the employees wanted. He called these meetings “peace” talks. He also used the results of psychological testing to better understand employees and to formulate strategies for resolving the conflicts that existed. At quarterly meetings with all his managers, Peace found that there was a lack of follow through and that managers who were concerned about their lack of control were causing some of the problems. Initially, Peace was furious when all his efforts did not correct the situation. But, eventually the approach that Peace used held the organization together. As a result, what was previously an unworkable situation was turned around and employees gave him two plaques for saving their jobs when he negotiated the buy-out of the Synthetic Fuels Division by Kellogg Rust Inc.

There are limitations, however, to the empowering approach to leadership. It usually relies on senior managers creating visions which they communicate to employees who adopt them. Once the vision has been disseminated or the problem that prompted it overcome, it’s back to business as usual. Little or no attention is given to updating visions, continued input and rewards for those who provide it.

3. BECOME A STRATEGIC LEADER

Strategic Leaders step beyond empowerment. They recognize the importance of people in the organization and concentrate on ways to challenge people and stretch their imaginations. For them, visions are the product of ongoing conversations between them and the people who carry them out. They focus on and reward creativity and readily accept innovative solutions to problems. They value proactive thinking, avoid “reacting” to situations and reject autocratic rigidity.

Bernard Denburg, when he was President of A.E. Plasti-Pac, epitomized the Strategic Leader. He fully recognized the advantage of empowering others and his byword was innovation rather than cost reduction as the basis for turning around sick companies. He successfully turned around 45 companies by utilizing the creative power of employees. He encouraged innovative approaches in order to achieve successful outcomes.

A&E Plasti-Pac was a key producer of plastic bags used by food chains for bagging produce. When the large plastic manufacturers recognized the advantage of using mass produced plastic bags, they almost drove A&E into bankruptcy. To counter this threat, Denburg challenged his staff to change the product so that it would be highly differentiated. With Denburg's help, they came up with the idea of adding the names of the food chains to the plastic bags. This helped A&E to turn around and recapture the market.

3M is another organization noted for its emphasis on encouraging innovation. Employees spend as much as 15% of their work time on projects of their own choosing. Up to \$50,000 in grants is given to encourage inventions. The bottom line - 30% of annual sales now come from products that were introduced in the first few years. William Molthight introduced the maxim at 3M that is still followed today: "Listen to anybody with an idea and encourage experimentation and doodling - if you put fences around people, you wind up with sheep".

Sidney Harman, CEO of Harman International, was confronted with mounting losses and the possible closure of his company. Unlike many other leaders, he took the steps necessary to retain talented people. He worked with the faculty and graduate students at the University of Southern California. He asked for their suggestions in dealing with a pressing problem -- finding an alternative to downsizing. Rather than fire people, they worked to create mini-industries. In one case, they took the packing material from their turn tables and used it to make modern clocks. Harman was able to create a number of mini-industries that could be spun off and stand on their own. The combination of creativity and trusting people saved a dire situation while at the same time increased profits. Harman demonstrated that getting rid

of people is not as productive as getting the best from them. In time, leaders will realize a new kind of leadership is needed.

CAN WE IDENTIFY STRATEGIC LEADERS?

Success, after the fact, is an obvious answer, but how can we identify ahead of time which leaders have the attributes needed to be strategic leaders. One approach that has proven highly reliable is the use of a test instrument, the Leadership Style Inventory, developed by Rowe, Reardon and Bennis to identify individuals who are most likely to fit the requirements (See Figure 1). The Inventory identifies differences in style used by leaders that are based on the following two questions:

1. How flexible and adaptive are leaders at present and in looking to the future?
2. How capable are leaders in communicating with, persuading and energizing their people in the process of change?

The Leadership Style Inventory (LSI) identifies four basic styles (see inventory attached and Figure 2). One of its major strengths is that it also describes combinations of the basic styles called, "patterns". These patterns help to describe the complexity behind leader behavior and competence for radical change.

The Leadership Style Inventory has the following basic styles: Commander, Logical, Inspirational and Supportive. The Commander style focuses on performance and has a short term goal orientation. They are highly productive and results oriented, but they can be overly authoritarian. Leaders who want to be sure they've covered all the alternatives lean toward a Logical style, have long term goals, use analysis and questioning, and learn by reasoning things through. The Inspirational style is characteristic of those who are able to develop meaningful visions of the future by focusing on radically new ideas; they learn by experimentation. They show a high level of concern for assuring cohesiveness of members of the organization and encouraging others to follow the vision. They are the most inquisitive, curious and achieve satisfaction in finding new solutions. Those leaders who are more concerned with consensus,

score high on the Supportive dimension and they emphasize openness as well as facilitating the work environment. They learn by observing outcomes and how others react to their decisions.

Using the four basic styles, one can look for combinations of styles (patterns) to identify the leader best suited to respond to particular challenges. A summary of how each style behaves in critical areas of leadership is shown below.

Figure 2

<u>LEADER</u> <u>STYLE</u>	<u>FOCUSES</u> <u>ON:</u>	<u>PERSUADES</u> <u>BY:</u>	<u>MAKES</u> <u>CHANGES:</u>	<u>LEARNS</u> <u>BY:</u>
<u>COMMANDER</u>	RESULTS	DIRECTING	RAPIDLY	DOING
<u>LOGICAL</u>	INNOVATION	EXPLAINING	CAREFULLY	STUDYING
<u>INSPIRATIONAL</u>	OPPORTUNITIES	CREATING TRUST	RADICALLY	QUESTIONING
<u>SUPPORTIVE</u>	FACILITATING WORK	INVOLVEMENT	SLOWLY	LISTENING

A. J. Rowe, K.K. Reardon and W. Bennis, 11/11/93, Rev. 7/17/95

THE STRATEGIC LEADER STYLE

Strategic leaders differ from most other leaders. They do the following:

1. Recognize the vast expanse of knowledge available and their limitations in acquiring it
2. Recognize the value, even necessity, of input from organization members
3. Know how to get that input not just talk about it
4. Adapt the organization to input by convincing, guiding and energizing its people

Researchers have discovered that most people are erroneously confident in their own knowledge. Messick and Bazerman (1996) believe that seeking feedback may not effectively offset this tendency toward overconfidence, since people usually seek and notice confirming information which forms an additional barrier to learning through experience (p. 20). The only effective way may be to completely open oneself up to information that would otherwise be ignored or rejected.

Mort Meyerson, Chairman and CEO of Perot Systems, says he learned about leadership by doing just that. "I told myself I was having the same experience as a caterpillar entering a cocoon. The caterpillar doesn't know that he'll come out as a butterfly. All he knows is that he's alone, it's dark, and it's a little scary." He realized while in that cocoon, "I don't *have* to have all the customer contacts. I don't *have* to make all the decisions. In fact, in the new world of business, it can't be me, it shouldn't be me, and my job is to prevent it from being me."

This view epitomizes the Strategic Leader. Research indicates that executives who spend long periods of time in the same jobs or industries develop limited perspectives. Their knowledge base is limited and so is their desire to expand upon it (Cyert & March, 1963; Tushman & Romanelli, 1985; Miller, 1991, Rajagopalan & Datta, 1995). They develop a rigidity in their thinking which in turn limits the strategies from which they might choose. The rule here: If you're going to stay in a job, keep the information flowing.

Where better to get this information than from the people doing the jobs? Stanley Gault, CEO of Goodyear, decided to refer to his people as “associates”. It opened up lines of communication. Jack Welch attributes some of his success to this same opening up to the employees. “To create change, direct, personal, two-way communication is what seems to make the difference: exposing people -- without protection -- to ideas from everywhere, judging ideas on their merits” (Fortune, 1993).

Part of being adaptable is having chats with people at all levels of the organization. This can't be what Mike Walsh, CEO of Tenneco, referred to as “happy talk.” It needs to be advice giving and getting, a willingness to listen not only for good news but bad as well. Mort Myerson makes it clear to people that there are a whole lot of things he can't do. When they come to him looking for “the plan,” he tells them he doesn't know the plan. “We're either going to figure out the company's future together or we're not going to do it at all” (Fast Co, p. 10).

Really getting input from people is difficult. Trusting that giving it will not jeopardize their careers is required. The strategic leader creates a trust-facilitating context for change. According to leadership experts Ronald Heifetz and Donald Laurie, this often involves protecting people. Managing the rate of change, orienting people toward new roles and responsibilities, clarifying business realities and key values, and defining conflict as part of the process encourages great comfort and openness. Along with establishing trust, leaders need to persuade people who work for them that they can tackle the task ahead of them (HBR, 1997).

Persuasion calls for an ability to listen well enough to know what matters to people. The ACE Model of Persuasion (Reardon, 1981;1991) indicates that people are more likely to change if they see what's expected of them as Appropriate given who they are and what they can do, Consistent with their own self-image and goals, and Effective in terms of bringing them the kinds of reward they value. So a Strategic Leader must read the cues (or have people help) that enable him or her to communicate in ways that are relevant to people. If people don't see themselves as capable of stretching when the bar is raised, if they don't think it's appropriate for them to do so or likely to lead to punishment rather than reward, they won't stretch. Leaders need to convince them that doing so is the appropriate, consistent and effective thing to do.

According to Jack Welch, this means finding a way “to engage the mind of every single employee.” If you don’t find a way to make every person feel more valuable then you end up with wasted minds, uninvolved people and a labor force that’s angry or bored. Persuasion is not something done to people but rather something done with them. So you have to know what matters to them and use that and a sense of ownership to encourage their best work.

Finally the Strategic Leader coaches. Linda Wachner, CEO of Warnaco, says, “The biggest obstacle to change we encounter is keeping peoples’ energy up.” She asks, “Once they’re dreaming the dream and they see it in return on their own equity, how do you continue keeping the energy up? Her answer is to reward small successes along the way. She brings employees together to feel good about what they’ve done. It builds energy and momentum in people (Fortune, 1992).

HOW A STRATEGIC LEADER SCORES ON THE LSI

To accomplish the above goals, the Strategic Leader must have access to a combination of styles. Most leaders use at least two or three of the basic styles. A small percentage rely predominantly on only one style. The LSI (see attached) identifies leadership pattern preferences. By adding down the columns of the LSI, these patterns can be derived. A high score in the far left column indicates a COMMANDING style. The subsequent three columns represent LOGICAL, INSPIRATIONAL, and SUPPORTIVE styles respectively.

General George Patton is one who epitomized the Commander style. Such individuals perform best in well-structured situations where concern for results is paramount. Using this style, General Patton was able to take the beach at Palermo, Italy and shorten the war in Europe. In contrast, General Eisenhower, an Inspirational and Logical leader, was able to coordinate several armies and by understanding the enemy’s logic he envisioned a plan that would deceive the German High Command where the Allies would land in Europe on D - day.

To be a Strategic Leader, a relatively high score on Inspirational is important (high 80s or above). It can usefully be conjoined with the desire for input characteristic of Logicals, the interest in people of the Supportive and/or the results orientation of the Commander. None of the styles is inherently superior or inferior. The extreme Inspirational is a dreamer, the extreme Logical tedious, the extreme Supportive incapable of individual action, and the extreme Commander a bully. Adaptive organizations need versatile leaders -- ones whose scores on the LSI allow them to move among styles to strategize according to the demands of the situation. They need leaders who seek answers and when they've found them inspire people to adapt and support them in the process.

There are situations where the Commander style is necessary. A military operation may be best served by a leader whose strongest style is one that demands results rather than one who wants everyone to feel fulfilled. Meeting deadlines may require someone in charge who insists on getting work done. But most organizations have far fewer of these types of situations than ones requiring employee commitment and enthusiasm. The popular view of organizations as characterized more by change than stability also points to the need for greater versatility than that afforded by a high commanding style.

SOME STRATEGIC LEADER EXAMPLES

Richard Lewis, founder and CEO of Accountants Overload, is an archetype of the Strategic Leader. His company supplies temporary and permanent placement for accountants. He balances his Inspirational side with a Supportive inclination. Very people oriented, he has been described by his employees as warmly enthusiastic, imaginative, and having a flair for problem solving. Seeking a way to encourage and reward people, Lewis decided to make every employee a manager. With his senior management team, he developed what he termed "Chairman's Projects". He placed employees in leadership roles as project managers even though they had no prior experience in that position. With his many ideas (Inspirational) and

a desire to encourage his employees (Supportive) Lewis created an environment where learning, his own included, was a day-to-day activity.

Another leader who fits the strategic style is Carl Albert, chairman and CEO of Fairchild Aircraft. Shortly after acquiring Fairchild in 1990, Albert recognized that by empowering his managers he could turn around a company that was floundering. The result of empowering his management team was a reduction in the time to assemble an aircraft from 194 hours to less than 86 without any new investment or tooling. They simply were able to reengineer the assembly process and thereby made the company more competitive in the world market. He not only restructured the company and built teams but he also empowered employees to make critical decisions. He went on to form Leadership Circles composed of groups of team leaders. The Council of Leaders communicated directly with one another without having to go through the CEO because they were able to “work out” major problems confronting the company. Carl Albert was able to take Fairchild from an old line company to a hard hitting, modern organization. He is a leader who was able to “transform” the organization by his enlightened strategic vision. Profits are up significantly as a result of the reduced time to assemble an aircraft. People made the difference. Strategic Leaders recognize and facilitate people involvement so that workers and managers feel a sense of “ownership” of their work.

Our research shows that some groups are predisposed to style types. First-year women MBA students at a major university had more of the Supportive style than their male counterparts. Yet, upon graduation, the women had shifted to a preference for the Logical style which afforded them greater flexibility to effectively analyze situations (dePillis, Reardon, Whiting, Rowe, 1997). They did not relinquish the Supportive style but rather relied more on the Logical style which is required for a typical MBA program. In another study, international MBA students scored higher on Supportive and lower on the Commander style than the typical Executive MBA student from the U.S. Asian and Irish MBA students score higher on Supportive than comparable U.S. MBAs. A group of presidential fellows at the University of Southern California, who were chosen by their respective schools for their potential as future leaders, had significantly higher scores in both Inspirational and Supportive styles than the population as a whole.

CONCLUSION:

The Leadership Style Inventory can facilitate an assessment of who is best able to motivate, inspire and support the people who work for them. The Strategic Leader does not resort to firing the very people who can contribute to a company's long term success. Although they need answers, they are quite willing to seek advice and look for help in finding creative solutions to what often seems like insurmountable problems.

Radical change without careful planning and appropriate support can be a disaster. Furthermore, not all visions are viable - the Edsel that was a total failure even after Ford spent 65 million dollars for market research. Gaining acceptance by the organization requires trust, sharing and empowerment to gain the knowledge of those involved in carrying out a strategy. The vision of landing on the moon required extensive backup and feasibility studies. The Apollo 13 disaster was one of the most dramatic illustrations of how teamwork and dedicated, inventive genius of the team can make possible the survival of a mission.

The LSI is a means of assessing whether leaders are predisposed to know their own limitations, seek input to compensate, involve their people in providing that input and coach them through any needed changes. It's one thing to think you're a leader and another thing to really know. It's also one thing to think you're hiring leaders and another to actually be doing so. With the LSI, companies can know what their getting and current leaders can learn what changes they might need to make in their own styles or the types of people they'll need to hire to compensate for their limitations and compliment their strengths.

REFERENCES

Cyert, R. M. & March, J.G. (1963). *A behavioral theory of the firm*. Englewood Cliffs, N.J.: Prentice-Hall.

dePillis, E., Reardon, K., Whiting, V., Rowe, A. (1996) Leadership styles inventory in the MBA pipeline: Are women really different? Paper presented at Western Academy of Management.

Fortune Magazine (1992). Leaders of corporate change, December 14.

Heifetz, R. A. & Laurie, D. L. (1997). The work of leadership. *Harvard Business Review*, 75 (1), 124-134.

Messick, D. M. & Bazerman, M. H. (1996). Ethical leadership and the psychology of decision making. *Sloan Management Review*, 37 (2), 9-22.

Miller, D. (1991). Stale in the saddle: CEO tenure and the match between organization and environment. *Management Science*, 37: 34-52.

Myerson, M. (1996). Everything I thought I knew about leadership is wrong, Collector's Edition.

Rajagopalan, N. & Deepak, D. K. (1995). CEO characteristics: Does industry matter? Unpublished Manuscript, Univ. of So. California.

Reardon, K. K. (1981). *Persuasion in context*. Beverly Hills: Sage Publications.

Reardon, K. K. (1991). *Persuasion in practice*. Newbury Park: Sage Publications.

Rowe, A. J., Mason, R. (1987) *Managing with style*. San Francisco: Jossey-Bass.

Taylor, S. E. (1989) *Positive Illusions*. New York: Basic Books.

Tichy, N. M. & Sherman, S. (1993). Control your destiny or someone else will. Excerpts from the book. *Fortune Magazine*, January, 25.

Tushman, M.L. & Romanelli, E. (1985). Organizational evolution: A metamorphic model of inertia and reorientation. In B. Staw & L.L. Cummings (Eds.) *Research in Organizational Behavior*. 7: 171-222. Greenwich: CA: JAI Press.