# Managing for Value-Creation: Role of Strategic Leadership

## 1.0. Emerging Competitive Environment

The current competitive environment, as emerging in the 21st century can be described as technology-driven, customer-centric, faster-obsolescent, more unpredictable, turbulent and increasingly complex[1,2,3]. Some salient features of the transformation into this era are summarized below:

- The process of globalization has accelerated. National barriers are being broken increasingly paving way for integration of markets. Corporations are becoming increasingly global and increasingly flexible.
- Events take place more rapidly than ever; most of them are bringing about irreversible changes. Old order of things, products, processes and systems are continuously being destroyed; they are being replaced by technologically superior, faster and smarter ones[4].
- Knowledge work and knowledge-workers are becoming increasingly the order of the day. Products and processes are becoming technology-driven and hence smarter; this is putting pressure on the people to become continuously smarter[5].
- Intellectual assets and their ownership have begun to replace physical assets and their ownership as the primary basis of economic wealth creation and competitive advantage[6].
- The new era is ushering in tremendous growth opportunities. It is driven by technology, innovation, enterprise etc. The era has marked the death of permanency: life-cycles are becoming shorter.
- Managing in such situations require a new competitive mindset – mental agility, organizational flexibility, speed, innovation, global view, strategic thinking etc.

How do we carry our organizations into this cataclysmic, turbulent era? How do we ensure their long-term sustainability? How do we sustain their strategic competitiveness over the coming years? This is the context of exploring the contours of strategic leadership, in clear contrast to the conventional leadership, as the critical resource to steer the organizations into a new era.

## 2.0. What is Strategic Leadership?

### 2.1. Basic Definition

Strategic Leadership can be distinguished from leadership on two basic aspects[7]: [1] Strategic leadership theory relates to the study of people at the top of the organization while leadership theory relates to the study of people at any level of the organization. [2] Leadership theory focuses on the behaviour and relationship between leaders and followers. Strategic Leadership theory covers a wider spectrum; it studies the executive

work as a relational activity; it examines the context of the interactions in terms of strategic and symbolic activities. Strategic leadership can be defined as the leader's ability to anticipate, envision, maintain flexibility, to think strategically and to work with the members of the team to initiate changes that will create a viable future for the organization[8]. It is the ability of the leader to influence others to voluntarily make day-to-day decisions that enhance the long-term viability of the organization while at the same time maintaining the short-term financial stability[9].

## 2.2. Two Perspectives on Strategic Leadership

There are different perspectives on strategic leadership. One of them perceives that organizations are reflections or extended shadows of their founding fathers; and later on their chief executives[10]. In this perspective top managers, are armed with substantial decision-making responsibilities and capabilities, they have the ability to significantly influence the direction of the firm and the firm's strategic management process. The top management has the sole influence on the people within the organization and their behaviour towards the organizational goals. This is the Great Leader view of Strategic Leadership described by Ireland and Hitt[11]. The CEO, under this perspective, would be a titan full of strategic wisdom, initiative, innovation etc. Given this role and responsibility, he could turn out to be a lone ranger out of touch, out of sync with the people under his leadership. There is an element of great risk when the organization lands up with a CEO who does not fit this perspective of the role; because the people below are ill-equipped and ill-trained to contribute to the noble task of leading and directing the organization. This perspective is fine when the strategic environment in which the organization has to function is reasonably predictable. In a situation that is dynamic and influenced by a multiplicity of forces that are fairly unpredictable it is too much to expect that the top management has all the decision-making capabilities, all the abilities to influence the direction of the firm and to lead the people towards the goals.

This leads us to the next major perspective: the Great Groups Perspective of Strategic Leadership. Under this perspective the organization is perceived not as a piece of property by its current set of shareholders but it is perceived as a community of people involved in the organization and this community remain together to pursue the common purpose[12]. In any community, each member has something to contribute towards the common purpose; each is inter-dependant on the other. This leads to leadership being "distributed among diverse individuals who have the responsibility to create a viable future for the organization"[13]. This would lead to the emergence of a variety of networks within the organization. Innovations are created with help from one another; knowledge creation takes place across the organization and it gets dispersed very easily. Strategic thinking and innovation also happens across the organization. There is higher sense of involvement and ownership and it is a lot easier to bring about any major change in the organization and its processes. These Great Groups have some interesting characteristics:

   a. The members of the groups have accepted their responsibilities and are highly committed to the organizational goals[14].
   b. The groups learn from a variety of functions and parties including those from outside the firm like suppliers, customers, etc.

c. The groups have a commitment to information and knowledge as well as their compilation; there is a definite urge to work smarter through collective insights and competencies[15,16].

One of the important Great Groups in any firm is the Top Management Team [TMT] created by the CEO. This is generally a small, but a core team comprising of senior executives from heterogeneous functions and competencies; this team has great potential in providing the strategic leadership to the firm. The Great Groups perspective does not rule out the need for highly competent top manager/s. The role of the top managers is to facilitate the development of great groups where strategic leadership gets distributed among a variety of people with different competencies. These groups with facilitation from the top managers develop adaptive solutions to the problems that emerge from time to time. The CEO is accountable to the board of directors for the firm's performance.

## 2.3. Strategic Leadership, Managerial Leadership and Visionary Leadership

A better appreciation of the concept of strategic leadership can be obtained by comparing it with managerial leadership and visionary leadership. Managerial leadership is the one that is exhibited by most of the executives in most of the organizations. In fact, most of the organizations including government have a system of training executives in managerial leadership. Managerial leadership is rule-bound, it is process-based; it relates people according to their roles in the decision making process. It is impersonal, passive with a focus on goals. Consequently, managerial leadership is mechanistic. Managerial leaders need orderliness; their need for structures and systems is very high; they find it difficult to cope with unstructured situations. They can manage an organization, sustain normal growth rates; but they are less equipped to propel supernormal growth; they are less suited to facilitate innovations and changes.

Many of the organizations are created by great visionaries. They are characterized by their dreams or visions of the future. They do not belong or exist in the present; they belong to the future. They are not constrained by the present structure or systems or process or people; they do not draw their sustenance from the present. Visionary leaders are more proactive, creative, innovative and idea generators; they influence the thinking process of the organization and its people; they create fresh approaches to long-standing problems; they generate lot of excitement in the organization. Since they are least rooted in the existing structures and systems, they are very often on a plane of high risk and seek out ventures characterized high-risk-high-returns. They are least systematic as they relate to ideas and people intuitively, emotionally and empathetically. Visionary leaders are good at creating new ideas and grandiose visions for the organization; but they are very weak when it comes to executing or realizing those dreams.

*Strategic Leader* is a synergistic combination of the *managerial leader* and the *visionary leader*. Strategic leadership presumes that the leader understands the emergent competitive environment and is able to create strategic directions for the organizational excellence on one side; on the other side it presumes that the leader is able to create,

nurture and sustain organizational competencies to translate and implement the strategic directions into tangible organizational outcomes. The strategic leader needs to be as maverick as the visionary leader and as stoic and matter-of-fact as the managerial leader. Visionary leadership focuses on the long-term perspective and long-term viability of the organization; managerial leadership focuses on the short-term viability of the organization. He needs to balance between the future and the present; this appears to be contradictory in nature as the expectations and competencies are quite different. This is the paradox of leading and managing. Successful leader would let managerial leaders to flourish in the organization to take care of day-to-day matters; at the same time, he would let visionary leaders flourish to create strategic options for the future.

## 2.4. Leading and Managing

A strategic leader would lead the organization into the future and change; simultaneously he would manage it for its short-term viability. This is a very challenging task. Some leaders achieve this by nurturing separate groups of people with responsibilities to manage long-term perspectives of the firm and to manage the day-to-day affairs of the company. The attitude and skills required for two tasks are different and hence it would be a lot easier to identify separate set of people for the two tasks.

What factors support the nurturance of strategic leadership? It is generally observed that a liberal organizational culture and flexible structure are more likely to support the emergence of strategic leadership than a rigid, hierarchical structure with too much emphasis on current performance. When there is too much focus on current operations and profits, there is hardly any scope for visioning. This leads to a situation of managerial leadership only. When the organization is too hierarchical and rigid, there is very little scope for innovation, creativity or change. This also prohibits the nurturance of strategic leadership. These are inhibiting factors to the emergence of strategic leadership in the organizational context. There can also be a situation where the CEO does not encourage creativity, innovation or change leading to a situation where emergence of strategic leadership is stifled or discouraged.

In widely diversified organizations, it is found, that executive development tends to focus on managerial leadership. The attempt is to develop managers who can manage the businesses of the firm, whether it is steel making or shipping, with equal comfort and ease. There is a strong possibility that in such situations the process of visioning gets de-emphasized leading to precluding the development of strategic leadership in the long run[17]. This is the situation of loss of strategic control.

Government is another type of organization where the long-term view is at a discount. This is for a variety of reasons. It could be that the focus is on performance for the immediate or current term of the government with little or no focus on the time horizon beyond the current term. In such a situation the leadership of the organization tend to be managerial only. There can be a situation where the objective of the organization is not adequately translated into operational parameters. In government the output is mostly of social nature; very often there is inadequate efforts in correctly valuing them in financial terms resulting in obfuscation of the focus and hence loss of strategic control.

Among small and medium firms the inability to grow, to a large extent bankruptcies too, can significantly be attributed to, the absence of strategic leadership. For a variety of reasons there is too much focus on the management of day-to-day affairs, which is managerial leadership. There is conspicuous lack of vision either due to ignorance or due to excessive pre-occupation with the present or due to lack of resources. These combine with imperfect capital structures, poor use of external resources and advisors, inadequate emphasis on succession planning and poor management skills. On careful analysis the prime cause, invariably, emerges out to be lack of vision and strategic leadership[18].

## 3.0. Key Practices of Strategic Leadership

In the emerging scenario what constitutes the key responsibilities of strategic leadership? Essentially the leadership position would emerge as a range of responsibilities to each of the stake-holders rather than as a position of rank or title or status. The leader needs to be a facilitator or a mentor vis-à-vis the members of the organizational community helping and empowering them to realize and unleash their creative energies and enable the group as a whole to reach pinnacles of excellence. It is a matter of relationships and sharing of knowledge, insights, experience and achieved outcomes. Some key practices in this context are discussed below[19].

### 3.1. Determining the Firm's Purpose or Vision
For the effective long-term growth and sustenance of a firm clear vision is an essential ingredient. In the organizational context who is better equipped to initiate and create a clear vision than the CEO? The CEO may be assisted in this by the Top Management Team[TMT]; together they have to elicit the involvement of the entire organizational community in postulating the vision of the firm. Creating a vision for the firm – visioning – is an elaborate process by itself; it would involve the participation of all members of the organizational community but the main contribution would invariably come from the CEO.

### 3.2. Exploiting and Maintaining Core Competencies
In an era of turbulent markets, the growth and success of a firm are intimately linked to its ability in creating and sustaining core competencies. Core competencies are the building blocks of competitive advantage of a firm. The resources, knowledge, skills and insights of a firm acquired and nurtured over time constitute its competitive advantage when they are exclusive to the firm and are rare among its competitors. Core competencies are the building blocks of competitive advantage of a firm. Core competencies are the building blocks of competitive advantage of a firm. In a fast changing world, in order to maintain the competitive advantage, the firm needs to enhance and upgrade its core competencies continuously. The challenge is more critical when we notice that the main ingredient of core competencies is the knowledge element. If the knowledge element is not renewed, it has a tendency to become obsolete; it grows with more and more usage. The focus of a strategic leader will be to seek ways to enhance the firm's knowledge base perpetually.

### 3.3. Developing Human Capital

Human capital refers to the knowledge and skills of the people of the firm. It is the people through which the firm acquires and enhances its knowledge-base and thus core competencies and competitive advantage.  Given this context, it becomes the key performance area for the strategic leader to invest in its people and their enhancement of knowledge and skills. Employees cherish the organization that is concerned about the development of its people; this enhances and ensures their involvement and commitment to the organization. Noel M Tichy writes, in his book *The Leadership Engine*[20], "Winning companies win because they have good leaders who nurture the development of other leaders at all levels of the organization."

### 3.4. Sustaining an Effective Organizational Culture

Organization culture represents a set of practices, symbols and core values preciously held together by the people of the organization. Culture is evolved over the life of the organization, nurtured by leaders and the community through trials and tribulations, it becomes a way of life within the organization. It provides the context in which competencies are nurtured, policies and strategies are formulated and implemented and organizational goals are accomplished. For the continuous growth and success of the firm, it is necessary to nurture a culture that is comprehensive, that is adaptable, that is continuously evolving, that is conducive to the accomplishment of the organizational goals on a continuous basis.

### 3.5. Emphasizing Ethical Practices

Long-run survival, growth, sustenance and brand image of a firm depends significantly on adherence to ethical standards and practices also. A CEO's emphasis on ethical values and practices sets the tone for establishment of healthy norms and practices among the people of the organization. In the context of the turbulent 21st century creating ethical norms and adhering to them across time and space is a major challenge. A strategic leader needs to understand the diversity inherent in the 21st century operations; he needs to understand the legitimate expectations of the stakeholders and on this basis establish ethical norms. All his dealings and decisions will have to imbibe this spirit of establishing ethical norms.

### 3.6. Establishing Balanced Organizational Controls

A leader needs to establish a system to monitor the execution of policies and decisions and redirect them towards the organizational objectives. In the context of the 21st century the traditional systems of control tends to be inadequate. The new environment is pregnant by opportunities that can be better handled by innovation and creativity. How do we monitor such situations?  Generally two types of controls are suggested[21]: financial controls and strategic controls. Financial controls are based on financial parameters that measure performance-induced outcomes. They measure accomplishment of short-term performance goals. Strategic controls require a thorough understanding of the competitive conditions and the dynamics of each of the SBUs and control mechanism is created to monitor the actions in the desired directions; not necessarily on the outcomes. This system allows fair amount of freedom to the managers in their action-plans. The focus in the case of strategic controls is long-term. The prescription to the strategic leader

is to employ financial control to focus on short-term results and to employ strategic controls to focus on long-term goals.


## 4.0. Strategic Intelligence

Managing and leading organizations to success and prosperity calls for a clear focus and understanding of the human side of the organization and its people. Emotional intelligence on the part of the leader will be a great asset in understanding the people, their sensitivities, culture and other related aspects. Not all leaders at all times are found to be sufficient on this dimension; but some of them have been successful due to the abundance of certain other attributes. Michael Maccoby[22] describes this as strategic intelligence. This has five elements: *Foresight, Systems Thinking, Visioning, Motivating* and *Partnering*.

*Foresight* is the ability to visualize what is not obvious; it is the ability to visualize, as if through a sixth sense, the trend or wave of events unfolding ahead of their happening. Many organizations have a system of using scenarios as part of their corporate planning exercise. When scenarios are coupled with foresight, one can bring in much deeper meaning and depth to the relevance of the exercise.

*Systems Thinking* is the ability to perceive the organization and its context in a holistic manner, in all its totality[23]. A system as a whole has different properties than the properties of its individual components. While looking at situations, systems, problems and their solutions it is necessary to have an understanding of the impact on the system as a whole. This principle has significant impact in the context of organizations. Systems can be mechanistic, like any mechanical system where the synergy effect is minimal; where the overall effect on the system is hardly or marginally different from the sum of the effects on the parts. There are organismic systems, like biological or natural systems, where parts are interdependent on each other in very complex ways and the synergy effects are far more significant. Then there are adaptive systems, which have the ability to assess the environment and adapt itself to the changing circumstances; like homeostasis in the human body. A clear understanding of the systems and the ability to analyze them in totality is a vital element of strategic intelligence.

*Visioning* is the process of combining *Foresight* and *Systems Thinking* towards designing a future for the organization. Visioning is an important ingredient in the sustenance and growth of an organization. Inadequate visioning capability in the organization is one of the prime reasons for the collapse of organizations[24].

*Motivating* is the process of getting people in the organization to embrace the common goals and inspiring them to struggle towards these goals. This calls for abilities in understanding the sensitivities of the people, combining the goals of the individuals vis-à-vis those of the organization, communicating effectively etc.

*Partnering* is all about creating strategic alliances within the organization as well as outside to leap-frog the organization towards its goals. Strategic Intelligence can be

inherent and it can also be developed. Books like *Only the Paranoid Survive* [Andy Grove][25] and *The Innovator's Dilemma* [Clay Christensen][26] show strategic intelligence in action. *The Fifth Discipline* [Peter Senge][27] has exercises on systems thinking.

## 5.0. Emerging Areas of Strategic Leadership

What are the emerging areas of strategic leadership? The "control" style of leadership was fine in the industrial era; the knowledge era would demand "democratic" style with lesser layers, less rigidity and more openness. The process of evolution is unstoppable and irreversible. For business, this would imply that there would always be incremental changes while the organizations need to be looking forward to and be prepared for radical changes. Some of the key dimensions of strategic leadership in the new era are discussed below[28].

### Leading the strategy process

The first task of a strategic leader is to define strategy. The strategy must address the re-inventing of the vision of the firm in the context of the changing environment. Planning is all about detailing for the present activities; strategy is about where you would like to be in future. Managing for profitability in the current context and managing for growth are two distinct and separate aspects. An effective leader needs to know the difference and plan for both simultaneously.

### Leading the innovation-stream.

In the emerging era, innovation is the key to success; an effective leader needs to stimulate innovation all around at all times: incremental innovation for current activities, major innovation for products and services and radical innovation for total change of the system. An effective leader needs to realize that what got the firm till there and then would not take the firm any farther. The firm needs to re-invent itself in a big way, continuously[29]. Innovation is about looking at things in a hitherto un-thought of manner; some times even to a ridiculous extent. It is about transplanting experience of one sector into another. A strategic leader needs to unlock the power of leadership at all levels of the organization and make every body think strategically.

### Leading in periods of Radical Change

The emerging era is one of radical change continuously at an ever increasing velocity. Hence to ensure success it is necessary to create a culture that lives on change. Very often changes are disruptive, like downsizing; this calls for tough decisions and tough leadership. Firms that are successful or are on the waves of success seldom realize the need to change. If the firm fails to realize this, there is bound to be crisis and trauma; and there is no guarantee it will be successful again. A strategic leader needs to monitor the changes in the environment and on this basis lead his firm to adapt to the changes. Finally, in change management, executing the changes is equally, if not more, important as ideating the change.

**Managing Global Leadership**
The emerging era is one global dimensions – be it technology, markets, consumers or supply chain. A strategic leader must orient every person of his firm to shed the restrictive or parochial mindset and think globally – be it recruitment, reward system, quality of services or any other.

**Brand Leadership**
A critical task of the strategic leader is to enhance the brand image of the firm and/or its products and services. Brand should become the anchor of advertising and promotional efforts. Brand name builds confidence and hence the values of stakeholders. It positions the firm vis-à-vis its competitors. Successful brand building enhances the stature of the products of the firm; the lifecycles get extended.

**Leading with people and culture**
People are the core of the organization; they constitute the brain cells and culture creates the ambience for their symbiotic functioning. The linkage between strategy and execution is established and strengthened by people and culture. This makes it important for the leader to nurture a system that brings in the right kind of people, to help people blossom to their full potential and to help them take proactive decisions in line with the organizational objectives.

**Technology Leadership**
The fast changing technology is the major driving force for all changes in the current context. It has been continuously changing the competitive environment. It has demolished structures, hierarchy, layers, distribution channels, manpower requirements, size of organization, number of intermediaries and value chain. A firm needs to be in the forefront of technology in all aspects of its operations – be it manufacturing, materials, distribution, communications, information or customer relations.

**6.0.Conclusion:**
Firms have to re-orient their cultures to emerge as leaders in the new economic system. Many firms have already achieved this transition – some very easily, some with lot of pain – from vertical, rigid, hierarchical organizations to horizontal, de-layered, liberal structures. Many firms are in temporary comfort zones in their old forms, styles and cultures. Change and competition are bound to catch up with them to unsettle their comforts into trauma and perhaps disaster. These firms need to think fast and bring about changes in their culture to accept the structural changes in the competitive environment. They need to find strategic leaders, they need to nurture strategic leadership at all levels and usher in the new era very fast; or else the new era will enter them like the *tsunami* waves with the obvious outcome.

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