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# Leading — Not Just Managing — in the Age of Radical Change

The past three years have posed extreme challenges for corporate management, especially for small and mid-market companies, with the technology-led recession, increasing overseas competition, threats of terrorism, sky-rocketing health care costs which erase paper-thin profit margins, costly new technologies, as well as expensive new regulations and security requirements in the post- 9/11 environment. In addition, business leaders are continuously confronted by ever changing competitive challenges from the marketplace. We have also witnessed a parade of corporate scandals that have shaken up mahogany row and board rooms across numerous industries for companies of all sizes. Throughout all of this, the demand for continuous financial performance continues to prey upon corporate leaders with a renewed demand for integrity in managing and leading businesses. As a result, much confusion exists in determining the true responsibilities and priorities of business leaders.

## Leaders vs. Managers

“In a sea of managers, the business world cries out for leaders,” noted the late John Gardner (*On Leadership*, Free Press, 1990). The business world has become fixated with managing and has produced many “technocrat managers” who maintain the of day-to-day functions of the business. Nevertheless, in an unpredictable marketplace subject to radically changing competitive forces, increasingly complex businesses of all sizes require true leaders—not just managers—if they are to succeed.

In smaller businesses, leading and managing overlap and it is easier to manage (solve immediate problems) than to lead. That

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outcome usually leaves the company without a viable strategy, missed market opportunities and overlooked competitive obstacles, while neglecting to recruit the necessary talent required to advance and grow the company.

## Setting Priorities for Leaders

Even in large companies, senior executives and CEOs find themselves managing more than they want to or should. *Time out!* Business leaders have the resources and authority to determine what their priorities should be and what the business really needs from them—*strategic leadership*. They already have armies of operations managers who are closer to day-to-day issues than more senior executives. Instead, they should consider taking on the following priorities:

- 1. Close the gap between business planning and organization planning.** Business leaders have to plan. If they don't, who will? I am not referring to traditional business plans that have monopolized too much time for top decision makers. Experience and business scholars, such as MIT's Henry Mintzberg have clearly demonstrated that traditional business planning pays few dividends as business plans become obsolete before the ink has dried on the paper. Business leaders need to plan, build and align organizations that can deliver on the goals set for the business while responding quickly and effectively to radically changing market conditions.
- 2. Create a corporate culture that embraces change.** Business culture is the grease that

lubricates a business organization and drives performance. In a post-retirement interview with Charlie Rose, IBM CEO Lou Gerstner noted that “*corporate culture is not one thing a CEO does, it is everything he does.*”

Failed corporate culture has forced the failure and near failure of such high-flying companies as:

Enron	Arthur Andersen
Adelphia	SmithKline Beecham
Rite Aid	Digital Equipment
Cray Computer	Polaroid
Scott Paper	HCA
Lucent	Kmart
Xerox	CSC Index
James River	Worldcom
E.F. Hutton	Compaq

not to mention most of the airline and steel industries, the entire thrift industry as well as most Wall Street firms. Failed corporate culture planning and management even impacts mergers as the inability of management to take into account different cultures and organizational capabilities has been the single greatest contributor to failed mergers according to Ernst & Young.

Several studies have shown a direct link between high performing business cultures and the bottom line. In an ongoing study by this firm, fourteen business units with high performing cultures had an average of 9.4 profitable quarters out of 12 consecutive quarters at the time of the study while twenty three companies with underperforming cultures (e.g. bureaucratic, political, frozen, predatory) had just 5.7 profitable quarters out of twelve.

*Corporate Culture Does Pay!*

I have found that there are three types of business leaders when it comes to understanding culture: *“I don’t know, I don’t know how, and I don’t care.”* Those who “don’t care” usually sit atop companies that fail or are always on the brink of failure.

3. **“The vision thing.”** Leaders have to promote a vision for everyone of what the company stands for, where it is going in the marketplace, and how it will achieve its goals. A good leader does not just dictate a vision or mission to the organization. Successful leaders involve all of the stakeholders in the visioning process so that they have a shared sense of ownership and common commitment—that drives performance.

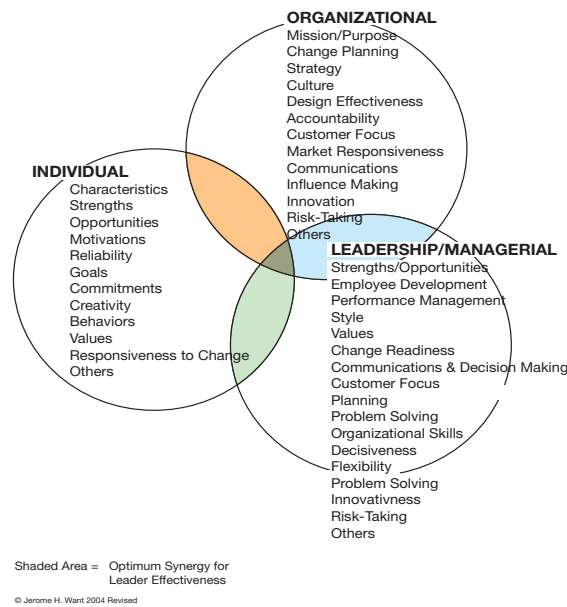
4. **Identify alternative critical success factors for managers.** Traditional styles of management have failed. Command and control styles have left many companies out in the cold in the face of radically changing business conditions and have needlessly bankrupted far too many companies. Effective leaders know how to empower and delegate with accountability, build performance-driven cultures, constantly work to create consensus, and lead with change in mind, not just through static business plans and the usual threats and opportunities or cost/benefits analysis. Of course, in today’s environment, the most essential success factor that a leader must demonstrate and require of her managers is ethical conduct that promotes best professional practice at all times.

5. **Avoiding the Usual Fads and Fix-its.** Too many business leaders have latched onto the latest fad or fix-it with the hope that it will turn their company around. Continuous down-sizing and rightsizing, financial manipulations, hollow go-for-growth strategies, and Business Process Reengineering (BPR) have failed while damaging too many companies. The overwhelming failure of BPR forced its originator CSC Index out of business and subsequently forced the major consulting firms to abandon BPR as a failed product. *There are no magic bullets*, especially for complex organizations within a radically changing business climate. Slowly, leaders are replacing the fads and fix-its with tailored, thoughtful strategies and processes.

### A Common Misbelief

A major barrier to effective leadership is the notion that by rising to a senior position in a company, senior executives automatically know how to lead. This is especially true of innovative founder leaders who started companies by matching a product to market needs. A few understand the dynamics of leadership but most of us still have to learn how to lead and one of the best ways is through a systematic leadership coaching process,

### **EXECUTIVE DEVELOPMENT FOCUS**



preferably for the entire leadership team of an organization, and not just for one individual.

### The Focus of Leadership Development

The focus of any leadership development process should encompass three spheres as seen in the graphic below. Too frequently, senior executives ignore major portions of all three preventing synergy and a full, rich perspective of the competitive landscape.

In a climate of radically changing business conditions, it is time for business leaders to replace outdated 20<sup>th</sup> century management practices with a new set of priorities that emphasize thoughtful and individualized strategies based on leadership processes that will turn also-ran companies into over-performing business enterprises. As Fritjof Capra noted to a

group of business leaders “What we need is a new paradigm—a new vision of reality; a fundamental change in our thoughts, perceptions, and values.”

### Ten Barriers to Effective Leadership

1. Short-term thinking vs. a long-term, futures orientation for the business
2. Failing to understand change as it impacts the business
3. Over-reliance on the usual fads and fix-its vs. tailored, thoughtful strategies
4. Failing to understand and actively manage the company’s culture
5. Failure to keep innovative people and their ideas at home
6. Losing track of the customer
7. Fixing vs. reinventing the business
8. Suppressing critical feedback and reasonable risk-taking throughout the company
9. Substituting operational management for holistic organizational leadership
10. Believing one’s own press clippings.

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