Leadership

in

Tomorrow's Company

by Philip Sadler

Contents

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Executive summary

This paper is about the kind of leadership that will inspire and enable tomorrow's companies to compete successfully in tomorrow's world.

It begins with defining the inclusive approach to the achievement of sustained business success which was set out in the RSA Inquiry *Tomorrow's Company*. This approach has five aspects:

- A strong sense of shared purpose or mission, together with a vision of the company's future, couched in other than purely financial terms.
- A set of shared values which form the basis for actions and decisions of the company and its agents.
- A success model which identifies the real drivers of business success, together with a related, balanced set of performance measures.
- The building of relationships of mutual trust with the key stakeholders - investors, employees, customers, suppliers and the community.
- The acceptance of the need to win and maintain a 'licence to operate', in the context of a society increasingly demanding in terms of corporate social responsibility.

The nature of leadership

Leadership as an element in social interaction in organisations is a complex activity, involving:

- A process of influence.
- Actors who are both leaders and followers.
- A range of possible outcomes - most obviously the achievement of goals, but also the commitment of individuals to such goals, the enhancement of group cohesion and the reinforcement or change of organisational culture.

The leadership processes involved in creating the conditions for long-term business success entail defining the organisation's purpose or mission, creating a vision of the organisation's future, building the kind of social structure and corporate culture which will enable that vision to become reality, and developing and maintaining the values which guide decision making.

Management and leadership – the difference

Management is concerned with the achievement of plans through such processes as designing the organisation structure and staffing. Leadership is about aligning people - obtaining their commitment to the realisation of the vision. Management is about controlling and problem-solving, while leadership is about motivating and inspiring.

Transformational leadership

Stimulated by growing global competition and rapid technological change, attention since the 1980s has focused on the role of leadership in enabling organisations to undergo radical change - to transform themselves. This has led to the concept of transformational leadership, defined as the process of engaging the commitment of employees to radical change in the context of shared values and a shared vision.

Transformational leadership has several components:

- Clarity of vision and sense of purpose, coupled with the ability to win the trust and respect of followers.
- Concern for people's needs and for their development.
- Actively soliciting ideas and new ways of doing things.
- Inspiring and motivating people, generating enthusiasm, setting an example.

As interpreted by a number of students of leadership, transformational leadership is a function of certain qualities possessed by the leader and which are summed up in a single word - charisma. Charismatic leaders are people with a strong conviction in the essential rightness of their own convictions. They are radical, unconventional, risk taking, visionary, entrepreneurial and exemplary. There is an intense emotional attachment to them on the part of their followers which goes beyond such things as trust, respect or admiration to embrace awe, devotion and unswerving loyalty.

The myth of charisma

Charisma has been described by others as a myth which rests on our wish for leaders to be higher, stronger and better than ourselves. This places huge burdens on the leaders. The myth also implies a passive followership role for the rest of us. It causes us to underestimate the importance of the interactive aspects of leader-follower relations.

The assumption that the leader is in control and knows the answers is frequently construed as a particularly masculine notion. Research findings indicate that women not only encourage participation and share power and information

to a greater extent than men, they go further still, practising a style of leadership which involves enhancing the feelings of self worth of others, believing that high levels of performance result from people feeling excited about their work and feeling good.

Leadership in the future

The key issue facing future leaders is "unlocking the enormous human potential by winning people's emotional support….our leaders of the future will have to be more competent, more articulate, more creative, more inspirational and more credible if they are going to win the hearts and minds of their followers."

Recent studies of leadership place less emphasis on individual leaders and charismatic personal qualities. The concept of the charismatic transformational leader is giving way to new views on the nature of successful leadership, particularly leadership in the context of tomorrow's world.

These new concepts include the following:

- The learning leader.
- Stewardship.
- Servant leadership.

The learning leader

Although its title says nothing about Leadership, Senge's work - *The Fifth Discipline - The Art and Practice of the Learning Organisation (1992)*, is a pertinent guide for the leaders of tomorrow.

It is about leadership as the process of nurturing people's commitment to and capacity for learning at all levels of the organisation.

The role of the learning leader in the learning organisation has five aspects;

- A willingness not only to keep learning but also to be open about this, encouraging others to follow this example and making it clear that there is no use sitting around and waiting for 'the leader' to come up with the answers.
- The encouragement of learning by asking challenging, awkward questions and by stimulating intellectual curiosity.
- The ability to facilitate the learning of others, by acting as coach or mentor and by putting in place appropriate incentives, commissioning training and development programmes and establishing facilities such as learning resource centres.
- The fostering of a culture which is supportive of learning.
- The development of mechanisms for the transfer of learning from individuals and teams into the organisation's store of knowledge and experience.

Stewardship

Block argues the case for replacing our traditional concepts of leadership with a new concept *stewardship*.

Most of our theories about making changes, he asserts, are clustered around the idea of leadership and the role of the leader in achieving the transformation of organisational performance. In his view, this pervasive and almost religious belief in leaders actually slows the process of genuine transformation.

Stewardship is about "the willingness to be accountable for some larger body than ourselves - an organisation, a community". It is to do with "our choice for service over self-interest", with being "willing to be deeply accountable without choosing to control the world around us".

Servant leadership

The term *servant leader* was first used by Greenleaf in an essay entitled *The Servant as Leader* (1977), the first of a dozen essays or books on leadership which have sold more than half a million copies world-wide.

Greanleaf was greatly influenced in his thinking by the novel *Journey to the East* by Hermane. This is an account of a journey undertaken by members of a religious order, on a spiritual quest. The central figure of the story is Leo, the party's servant who accompanies the group and, through his sustaining influence, helps them overcome difficulties. One day, however, Leo disappears. The group rapidly disintegrates and the quest is abandoned. The narrator decides to try to find Leo and after many years' searching, finds him, and discovers that he was, in fact, the head and guiding spirit of the Order, recognized as a wise and great leader.

Greenleaf saw this parable as conveying the central idea of his own approach to leadership - that great leaders are those who serve others.

Leading Tomorrow's Company - an inclusive approach

A picture is beginning to emerge of the kind of leadership style and approach which, in the years ahead, will make a good fit with the inclusive approach to corporate governance. It is an approach which combines the following elements:

- The inspirational and visionary qualities of transformational leadership.

- The willingness to learn, and to facilitate the learning of others.

- The concept of stewardship - of acting as custodian of the organisation's reputation and resources.

- The perception of leadership as service.

The foundation of an inclusive approach to leadership is *the adoption of a set of values which places human relationships centre stage* and which defines the purpose of the enterprise in other than purely financial or commercial terms. Inclusive leaders understand the links between the organisation and the wider socio-economic environment and in particular see organisational change in the context of social and technological change.

This deep understanding of the nature of the interdependence which exists between an organisation and its dynamic environment provides the basis for a critically important function of leadership, which is to contribute to the development of an inspiring yet achievable vision of the organisation's future. Such a vision should be one that meets the needs of the key stakeholders and at the same time provides the basis for a strategy to develop and maintain a competitive advantage.

If the vision is to be realised the co-operation of all the stakeholders must be won. Here the key leadership task is *to build strong relationships of mutual trust and respect with all the stakeholders and to strengthen the bonds which link them*.

Five plus one

In the work of Tomorrow's Company this task is encapsulated in the phrase 'Five plus one'. 'Five' refers to the five key relationships- with employees, customers, investors, suppliers and the community; 'one' refers to the central role of leadership in providing a vision and a style of leadership which empowers people in the various stakeholder groups and enables them to focus on how to achieve, and share in, sustainable success. This leadership will need to be found not only in the organisation's management but also among employees, customers, investors, suppliers and the community.

Leadership development

Leadership development programmes have some serious flaws. Many of them are more about management skills than they are about leadership, focusing on things like planning or understanding financial information. It is too easily assumed that lessons learned while performing exercises on training courses are transferable to the work situation. Also employers make the mistake of believing that training programmes will, by themselves, develop leaders. Leadership development must start at the point of recruitment.

Job experiences, rewards and organisation cultures must be combined with training to foster leadership potential and encourage the acquisition of the requisite skills and values. The whole culture of business needs to change to become more nourishing in respect of creativity and vision. The business schools, too, need to place more emphasis on the social sciences and the humanities.

On-the-job experience, particularly when it involves the early assumption of real responsibility, is seen as providing the most useful learning opportunities.

Mentoring and coaching are being increasingly used as developmental processes, but the effectiveness of mentoring depends critically upon the suitability of the mentor as a role model for a future senior manager and on his or her competence in the mentoring role.

A leadership development programme based on inclusive principles

1. The directors of a company first need to reach a consensus as to the style of leadership and related values that they wish to see developed and which they believe will be appropriate to the future needs of the organisation.

2. The next step is to identify those with the potential to develop the ability to provide leadership in the context of tomorrow's organisation. This search should be cast much wider than the traditional elite group of 'high flyers'. An important factor to be taken into account is the individual's motivation to lead and the values upon which it is based.

3. Those selected to participate in the programme should then be given assignments which will constitute the principal means of developing them. These assignments should include, wherever possible, opportunities to meet and interact with the organisation's stakeholders.

4. Throughout the period of time during which successive developmental assignments are carried out, the participants in the programme should be supported in the following ways:

   - By being assigned to action learning groups of 4 to 6 persons, meeting perhaps quarterly, to share learning and experience.

   - Each participant should be allocated a mentor.

   - They should receive regular feedback on their progress. Feedback should be sought from stakeholder groups as well as from peers and line management.

5. External programmes should be used for developing such skills as public speaking, facilitating meetings and coaching and mentoring.
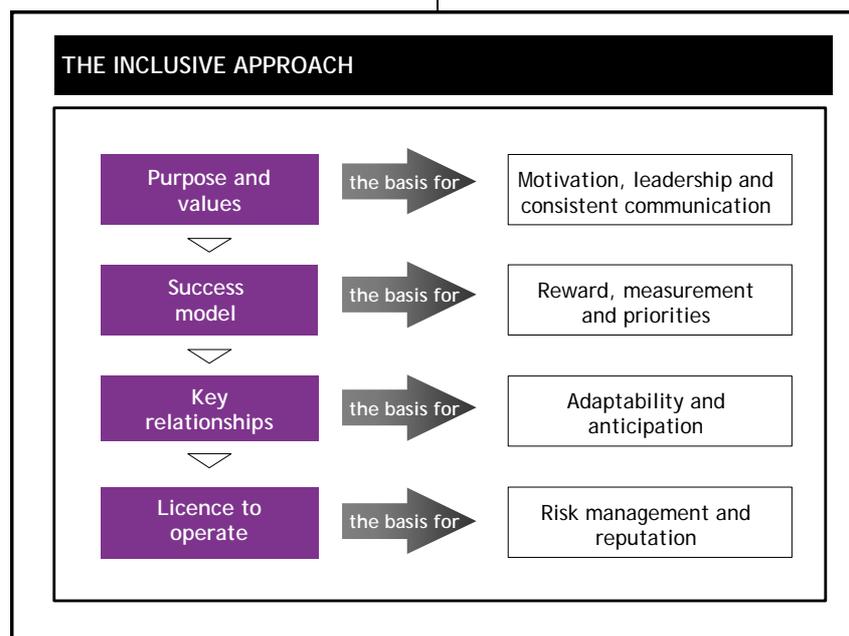
Introduction

This paper is about the kind of leadership that will inspire and enable tomorrow's companies to compete successfully in tomorrow's world. Its purpose is to stimulate the thinking of those responsible for developing leadership in today's organisations in preparation for tomorrow's social, technological and economic conditions.

There are clear early warning signals that the organisations of the early years of the twenty first century are likely to depart quite radically from the traditional hierarchical and bureaucratic structures with which we are familiar. One such early warning is the growth of the importance of teams, particularly in the type of organisation employing large numbers of highly qualified people - the so-called knowledge organisation. Increasingly teams of workers define their own objectives or missions within the broad framework of an organisation's strategy. Greatly aided by sophisticated technology they have direct access to information and the organisation's stakeholders. Traditional, top-down leadership provided by people in positions of formal authority is irrelevant to the effectiveness of such groups.

Despite these evident trends, much of the writing about leadership in recent years, both on the part of academics and practitioners, still reflects the underlying assumptions that leadership is essentially something to do with innate qualities of individuals, and that leaders are Moses-like figures who, from the tops of organisations, lead everyone else to the promised land of world-class performance.

This viewpoint is strongly challenged here and the ideas of some of the more progressive thinkers in this field are briefly summarised. The paper concludes with some recommendations concerning the processes by which tomorrow's leaders can best be developed.

THE INCLUSIVE APPROACH

Purpose and values	the basis for	Motivation, leadership and consistent communication
Success model	the basis for	Reward, measurement and priorities
Key relationships	the basis for	Adaptability and anticipation
Licence to operate	the basis for	Risk management and reputation

The inclusive approach to business success

Inclusiveness, as an approach to the achievement of sustainable business success, embraces the following elements:

- A clearly stated, widely communicated and shared purpose or mission, together with a vision of the company's future, couched in other than purely financial or commercial terms. In particular, creating shareholder value is not seen as the sole *raison d'être* of the enterprise.
- A set of shared values which form the basis for actions and decisions of the company and its agents.
- A success model which is based on a deep understanding of the drivers of long-term business success and a balanced process for measuring performance based on this, which is forward-looking, not merely historical.
- The building of mutually trusting relationships with the company's stakeholders - investors, employees, customers suppliers and the community.
- Acceptance of the need to earn 'a licence to operate' in the context of a society increasingly demanding in terms of corporate social responsibility.

Max De Pree, chairman of Herman Miller Inc. (1989) has argued that the capitalist system can be improved with the influence of an inclusive perspective. "The aim is not primarily to improve the results, although that is a significant possibility. The aim is to embody the concept of persons ... A belief that every person brings an offering to a group requires us to include as many people as possible ... It may be that the capitalist system cannot survive as an exclusive arrangement."

The nature of leadership

Leadership defined

Leadership as an element in social interaction in organisations is a complex activity, involving:

- A process of influence.
- Actors who are both leaders and followers.
- A range of possible outcomes - most obviously the achievement of goals, but also the commitment of individuals to such goals, the enhancement of group cohesion and the reinforcement or change of organisational culture.

From this it follows that the study of leadership cannot be validly carried on from a purely psychological perspective. It must include the study of decision-making processes and the functioning of organisations.

In tomorrow's companies, operating in the context of tomorrow's society, we can expect important changes that will affect the ways in which organisations function, with related changes in the decision making processes. Among the forces which will influence such changes, the following are already discernible:

- Organisation structures becoming less hierarchical.
- The growth in importance of knowledge management and the increasing recognition of the importance of human capital.
- The development of strategic alliances or 'co-opetition' and supply-chain partnerships, calling for leadership in situations where position-power is irrelevant.
- The growth of team-working and autonomous work groups.
- Changing societal values, leading to traditional forms of position power increasingly being challenged.

These and other changes still over the horizon will result in the need to re-examine our conventional models of leadership in hierarchical organisations; to focus less and less on the qualities possessed by a few people at, or near, the tops of companies and to direct our attention to the complex real-life processes which take place as leadership is exercised throughout the organisation.

Bennis (1997) gives some examples of visionary leadership at team level in such instances as the Manhattan Project and the development of the personal computer.

Management and leadership

The 'profession' of management is very much a twentieth century invention - as ownership of the means of production became separated from control and a new professional managerial class emerged. Managerial authority is legitimised - at least in theory - by the role of the manager as agent of the owners of the business.

As a source of influence, however, leadership does not derive legitimacy from holding any particular office. It is inseparable from the perceived personal qualities and actions of leaders. In other organisational roles legitimacy derives from the properties of the office held - we accept the authority of the political office holder, the public official, the works manager, the doctor or the safety officer because of the position held. No pharmacist when making up a prescription wants to know more about the doctor who signed it. A directive from head office is enacted if the managing director has signed it even if the people at the receiving end have never met him or her.

Leadership, on the other hand, is personal. We accept leadership or not on the basis of judgements we make about the people offering leadership and these judgements are based upon such factors as their integrity, their possession of relevant knowledge and the extent to which their behaviour sets an example we are willing to follow.
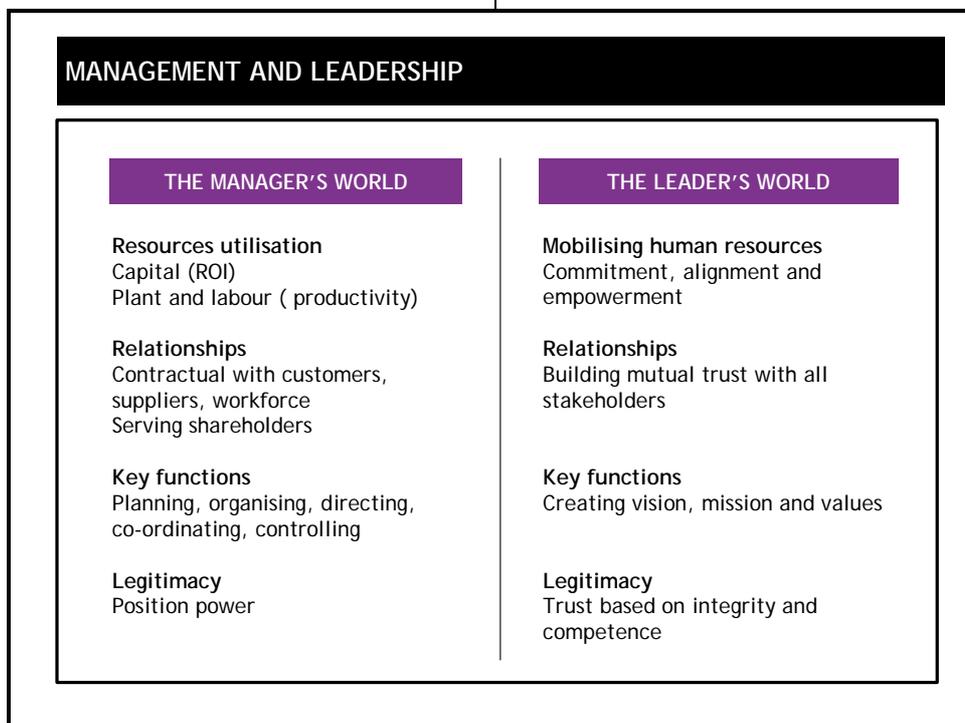
These qualities and behaviours, it must be emphasised, are the ones we perceive; our perception of them is based on a range of observations filtered by our own preferences and values. Being human, however, we also have stereotypes and we can be influenced by superficial characteristics such as gender, ethnic origin, age, accent or even form of dress. Our stereotypes may be more like Jack Hawkins in the film The Cruel Sea than like a real life leader such as Nelson Mandela. The qualities we look for will be strongly influenced not only by our values but also by the culture of the organisation. Workers on a building site will expect and will look for a different style and approach from those sought by

senior civil servants, scientists in a research laboratory or the members of an artists' commune.

Handy (1992) attributes the growing interest in leadership in recent years to an underlying change in the way we think about organisations. He suggests that in the past we thought of organisations as pieces of engineering, "flawed pieces maybe but capable in theory of perfectibility." Organisations, thus, were things to be designed, planned and managed. Their effectiveness was to do with control systems and feedback loops.

Today, however, we use a different kind of language when talking about organisations - a language which uses such terms as networks, alliances, culture and shared values. This, Handy argues, is the language of leadership, not of management.

Kotter (1990) puts forward the thesis that management is about dealing with complexity whereas leadership is about coping with change.

MANAGEMENT AND LEADERSHIP

THE MANAGER'S WORLD	THE LEADER'S WORLD
Resources utilisation Capital (ROI) Plant and labour (productivity)	**Mobilising human resources** Commitment, alignment and empowerment
Relationships Contractual with customers, suppliers, workforce Serving shareholders	**Relationships** Building mutual trust with all stakeholders
Key functions Planning, organising, directing, co-ordinating, controlling	**Key functions** Creating vision, mission and values
Legitimacy Position power	**Legitimacy** Trust based on integrity and competence

Management brings order and consistency to complex organisations. It involves planning and budgeting. Leadership is about setting a direction, developing a vision of the future and strategies for achieving the vision. Management is concerned with the achievement of plans through such processes as designing the organisation structure and staffing. Leadership is about aligning people - obtaining their commitment to the realisation of the vision. Management is about controlling and problem-solving, while leadership is about motivating and inspiring.

Stages in the development of leadership theory

The study of leadership has been dominated by four main schools of thought up to the late 1980's:

◻ The trait approach involving a search for a set of traits which effective leaders share in common - dominant until the late 1940's.

◻ The style approach, focusing on leader behaviour and assessing the effectiveness of different styles of leadership - typified by the work of Stogdill (1974) and dominant until the 1960's.

◻ The contingency school, focusing on the context in which leadership is exercised, exemplified by the research of Fiedler (1969) and Hersey and Blanchard (1988) and constituting the mainstream in the 1970's.

◻ The focus on the role of leadership in organisational change represented by such writers as Bass (1992), Tichy and Devanna (1986) and Bennis (1985) and clustered around the idea of transformational leadership, dominant since the early 1980's.

Transformational leadership

The distinction between management and leadership is very close to the well-known distinction between transactional and transformational leadership, first made by Burns (1978). Although he was writing about political leadership the distinction has since been applied in the sphere of business leadership where it is seen as equally relevant.

Transactional leadership occurs when managers take the initiative to offer some form of need satisfaction in return for something valued by employees, such as pay, promotion, improved job satisfaction or recognition. The manager/leader sets clear goals, is adept at understanding the needs of employees and selects appropriate, motivating rewards.

Transformational leadership, however, is the process of engaging the commitment of employees in the context of shared values and a shared vision. It is particularly relevant in the context of managing change. It involves relationships of mutual trust between leaders and those they lead.

The key role of vision

Handy (1992) associates effective leader behaviour with the ability to develop a vision. He sets out five conditions which, in his view, need to be met if visionary leadership is to be effective:

1. The vision has to be different. "A vision has to 'reframe' the known scene, to reconceptualise the obvious, connect the previously unconnected, dream a dream".

2. The vision must make sense to others. It should be seen as challenging, but capable of achievement.

3. It must be understandable and capable of sticking in people's minds.

4. The leader must exemplify the vision by his or her own behaviour and evident commitment.

5. The leader must remember that if the vision is to be implemented it must be one that is shared.

Kotter (1988) asserts that what matters about a vision is not its originality but rather how well it meets the needs of key stakeholders - customers, employees and shareholders - and how easily it can be turned into a strategy which improves the organisation's competitiveness.

Characteristics of transformational leadership

Bass and Avolio (1990) suggest that transformational leadership has four components:

- Idealised influence. Having a clear vision and sense of purpose, such leaders are able to win the trust and respect of followers. By showing them that they can accomplish more than they believed possible they build a base for future missions which enables them to obtain extra efforts from them.

- Individual consideration. Paying attention to the needs and potential development of their individual followers. Delegating, coaching and giving constructive feedback.

- Intellectual stimulation. Actively soliciting new ideas and new ways of working.

- Inspiration. Motivating people, generating enthusiasm, setting an example, being seen to share the load.

Tichy and Devanna (1986), having observed a number of leaders in action, drew the conclusion that transformational leaders shared a number of common characteristics that differentiated them from transactional leaders.

These were as follows:

- They clearly see themselves as change agents. They set out to make a difference and to transform the organisation for which they are responsible.
- They are courageous. They can deal with resistance, take a stand, take risks, confront reality.
- They believe in people. They have well developed beliefs about motivation, trust, and empowerment.
- They are driven by a strong set of values.
- They are life-long learners. They view mistakes - their own as well as other people's - as learning opportunities.
- They can cope with complexity, uncertainty and ambiguity.
- They are visionaries.

Fourteen business leaders were studied before reaching their conclusions. In almost every case several hours were spent interviewing each individual in depth. They selected people on the grounds that they had exhibited successful leadership at different levels of the organisation and throughout most of their careers. The work was carried out in the early 1980s and the authors rightly pointed out that it would be the next decade before the extent of their success in transforming their companies could be judged. Among the most well-known leaders studied was Lee Iacocca, who is often cited as the epitome of the transformational leader. He was fired from his job as president of the Ford Motor Company and joined Chrysler in 1979. At the time he did not know the full extent of the difficulties he was going to face. The company was, in fact, on the verge of bankruptcy. He built up a new top management team and led the organisation through one of the most remarkable turnarounds in the history of US industry.

He was able to create a motivating vision of Chrysler's future and was as effective in communicating this vision externally to government investors and the banking community as internally to the managers and workers. He also communicated effectively with the unions and with suppliers. *He understood that he needed the co-operation of all stakeholders if Chrysler was to survive.* Iacocca is often cited as a clear-cut example of a charismatic leader.

Charismatic leadership

Bass (1992) quotes Weber's view of charisma has five elements:

1. A person with extraordinary gifts.
2. A crisis.
3. A radical solution to the crisis.
4. Followers attracted to the exceptional person believing that they are linked through him (sic) to transcendental powers.
5. Validation of the person's gifts and transcendence in repeated experiences of success.

Bass argues that charisma comes from a combination of emotional expressiveness, self confidence, self-determination and freedom from internal conflict. Charismatic leaders are people with a strong conviction in the essential rightness of their own belief. They are radical, unconventional, risk-taking, visionary, entrepreneurial and exemplary. There is an intense emotional attachment to them on the part of their followers which goes beyond such things as trust, respect or admiration to embrace awe, devotion and unswerving loyalty.

Bass has studied charismatic leadership, using the Multi-factor Leadership Questionnaire (MLQ). He reported that charisma emerged as the most important element in quantitative studies carried out by himself and his colleagues since 1985 in educational institutions, the armed forces, business, industry, hospitals and other non-profit organisations.

In the MLQ survey the following findings emerged:

- Charismatic leadership was found at all levels in organisations but most often at the top.
- Many followers described their leaders in terms which indicated charismatic characteristics. Some of these followers had complete faith in their leaders and were proud to be associated with them.
- Subordinates who described their immediate superiors as charismatic also rated their working groups as more productive.
- Charismatic leaders were seen to be more dynamic. Those working under them had higher levels of self-assurance and saw more meaning in their work.
- Those working under charismatic leaders worked longer hours.
- There were higher levels of trust in the leader.
- High correlations were found between ratings of the charisma of leaders and measures of group effectiveness.

Although he does not use the term 'charisma', Bennis (1997), writing about the role of leadership in highly creative groups, points to the paradox that whereas such groups are made up of particularly gifted people working as equals, "in virtually every one there is one person who acts as maestro, organizing the genius of others. He or she is a pragmatic dreamer, a person with an original but attainable vision." Among the examples he cites are Walt Disney, Steve Jobs and J. Robert Oppenheimer.

A successful business leader who is generally regarded as exemplifying the charismatic, visionary, transformational leader is GE's Jack Welch. Pascale (1991) gives a detailed account of Welch's style. On his way to the top in GE, Jack Welch built a highly successful two billion dollar business in plastics and subsequently turned around the company's ailing medical diagnostics business. Later, as vice-chairman, he began transforming GE Capital into a major financial services company.

On taking charge of GE as a whole, Welch initially focused on improving earnings. He moved aggressively to prune out weak businesses and cut costs. Between 1981 and 1986, he eliminated 130,000 jobs, or 25 per cent of the workforce. Not surprisingly these actions created an atmosphere of insecurity and mistrust. In Welch's words, "I didn't start with a morale problem, I created it!"

In the absence of any sense of crisis, Welch believed that he had to act in such a way that the company would be shocked out of its complacency. He became known as "Neutron Jack" (a reference to the neutron bomb which destroys people but leaves buildings standing). Fortune Magazine listed him as one of America's ten toughest bosses.

There is no doubt that, however ruthless Welch's actions appeared, they called for great courage and the willingness to attract and absorb immense hostility and criticism.

From 1986 onwards Welch concentrated on building the business, having developed a strategy based on focusing on those business areas in which GE already had a number one or strong number two position. He grouped GE's portfolio into three areas - core, services and high technology - and designated businesses outside these as candidates for divestment.

He made some major acquisitions to strengthen GE in its chosen markets, including RCA and the Employee Reinsurance Company. He regarded his task up to this point as fixing the "hardware". From 1987 he turned his attention to the "software" - achieving productivity growth through the bottom-up initiatives of employees.

He began spending a considerable part of his time in meetings with employees at all levels, delivering four messages consistently:

1. Be number one or a strong number two in your business or get out.
2. Don't finesse the numbers - tell it as it is and face the harsh realities of your situation.
3. Go for excellence in everything you do.
4. Take risks - a well-reasoned failure will not be punished.

Welch believed that the role of the leader was to create a vision, articulate it, own it passionately and drive its implementation. He believed too in openness - "tell people the truth, because they know the truth anyway". Like many charismatic leaders, he ignored the formal channels of communication.

Despite his efforts at exhortation, progress initially, was slow. The gap between Welch's vision and the reality of organisational life in the divisions remained large.

During the next phase of his work, Welch set about simplifying GE's complex organisation structure and streamlining its processes.

Layers of management were removed. Business review reports were reduced from pages of figures and detail to one page of prose. Corporate staff were cut back sharply.

He initiated a process known as 'work-out' which was aimed at winkling out and removing thousands of bad working habits that had accumulated at GE over the years.

Reaction to Welch's leadership style, according to Pascale, varied depending on how close people were to him. For those who got to know him personally, his aggressive, 'steamroller' style was more than balanced by qualities such as courage, sincerity and his dedication to GE's success. From a greater distance, he seemed overbearing and instrumental in the way he dealt with people.

Welch, of course, was well aware of the extent of criticism of his approach. One of his responses was to commission a project which would involve thousands of people in developing a GE statement of values. The result was a set of five "business characteristics" and six "industrial" ones. The business was to be lean, agile and creative. Employees were to feel ownership of it and rewards were to be commensurate with risk and performance. Individuals were to face reality, to exercise leadership, to be open with each other, to keep things simple, to have integrity and to show respect for individuals. The Welch stamp on these is unmistakable.

In order to drive them home the values were incorporated into the performance evaluation system. Pascale observes, "we catch the paradox of his iron-willed, top-down approach grappling with a phenomenon that has to be internalised voluntarily. He does talk about and believe in GE's values - such as empowerment - but his propensity to muscle implementation through is also evident".

Critics of the charismatic transformational leader concept

Nicoll (1986) argued that the 'hero' or 'saviour' leader is largely mythical. The myth rests on our wish for leaders to be "higher, stronger and better than we ourselves are: our saviours". This desire, he points out, places huge burdens on the leaders. The myth also implies a passive followership role for the rest of us. It causes us to underestimate the importance of the interactive aspects of leader-follower relations. Nicoll suggests that direction and goals are "not dreamed up and delivered to us by a leader". These messages are "created within and through our interaction with a leader".

In Nicoll's view, leaders need to begin thinking about their responsibilities and roles "in startlingly new ways" if they are to be effective in the emerging business environment. They need to see themselves as part of an "action dialogue" or "shared trusteeship" - as part of a mutual, interactive process. They need to remove some implicit prejudices from their thinking - the polarisation of leader and follower roles, the hierarchic bias, the concept of the follower as passive.

Nicoll's views are echoed by Bennis (1997), who argues that "our contemporary views of leadership are entwined with notions of heroism, so much so that the distinction between 'leader' and 'hero' often becomes blurred. In our society leadership is too often seen as an inherently individual phenonemon."

Collins and Porras (1996), in their major research project which looked at the factors associated with long-term sustained business success, concluded that "a high profile, charismatic style is absolutely not required to successfully shape a visionary company". They cite William McKnight who served 3M successively as general manager (15 years), CEO (20 years) and chairman (17 years) - a soft spoken, gentle, man; humble, modest and unobtrusive. Others lacking obvious charismatic qualities included Bill Hewlett of Hewlett Packard, Bill Allen of Boeing and George W. Merck of Merck.

The 'darker side' of leadership

Kets de Vries (1994) claims that by gaining insight into the way early relationships and experiences influenced the behaviour of outstanding leaders of the past, such as Henry Ford, today's business leaders begin to see similar behavioural patterns and personal characteristics in themselves. In this way they gain insight into their own motives and enhance their ability to cope with the exercise of power and authority.

He also uses films such as Arthur Miller's *Death of a Salesman,* Orson Welles' *Citizen Kane* and Ingmar Bergman's *Wild Strawberries* to provide his executives with further insights. Kets de Vries describes what he does as "neutralising the darker side of leadership" and acknowledges how difficult it can be. Many leaders are not willing to accept the challenge and prefer to remain oblivious to the unconscious forces in their lives. He points out that through the process known as transference, followers sometimes respond to their leaders as if they were significant figures from the past such as a parent. This results in their displacing their hopes, fears and fantasies onto the leader who then becomes idealised.

Leaders with "a narcissistic disposition" enjoy the consequent admiration and applause but are in danger of becoming unable to function without it. Such leaders can then easily fly into a rage if they meet with resistance or non-compliance. Given the power they have, the effects of these "tantrums" on the life of the organisation can be devastating.

He believes that narcissism and leadership are closely related and that it is an excess of narcissism in leaders which gives rise to egotism and self-centred behaviour.

He concludes from his extensive studies of leaders that a considerable percentage have attained leadership roles for what he calls "negative reasons". Due to hardships endured in childhood, they are driven by the need to prove themselves and to strengthen their self-esteem and to show the world that they are not to be taken lightly.

Gender issues

The assumption that the leader is in control and knows the answers is frequently construed as a particularly masculine notion. Morrison, White and Van Velsor (1987) studied the careers of 78 of the most senior women in corporate America. The popular literature and some earlier social science research had prepared them to expect to find a distinctive feminine style of leadership, characterised by greater willingness to listen, being more empathetic and people oriented and less aggressive in the pursuit of goals compared with males. However, they did not find any significant differences between men's and women's styles.

Hooijberg and DiTomaso (1996) have summarised the main research findings on differences in leadership style between men and women. A number of studies found little difference. Some other studies did, however, find differences. In these, women were seen to use a more democratic, participative approach, compared with a more autocratic, directive style used by men. Rosener (1990), for example, found women not only encouraged participation and shared power and information to a greater extent than men, they went further still.

Practising what she called *interactive leadership*, which involved enhancing the feelings of self worth of others, believing that high levels of performance result from people feeling excited about their work and feeling good about themselves.

The leader as catalyst

Pascale (1991) describes the highly effective, but clearly not charismatic, leadership style of Donald Petersen of the Ford Motor Company. At the beginning of the 1980s Ford was in serious trouble having first made the huge loss of $2.2 billion. Petersen brought two key qualities to bear on this disastrous situation. First, he was a 'product man', in that most of his career had been spent in the design and manufacturing functions. Secondly, he had a vision of how Ford could begin to mobilise the talents and energy of its workforce.

An engineering graduate, Petersen served in the US Marines during the Second World War and obtained his MBA at Stanford. He started at Ford as a product planner, working on the development of the Thunderbird model in the 1950s and on the Mustang in the 1960s. In the late 1970s he was appointed to lead Ford's International Automotive Operations Division.

In his early years at Ford he had seen at first hand the dysfunctional effects of 'turf wars' between functions and how quality had been accorded lower priority than cost accounting and financial controls. Along with a lot of fellow Ford employees, he wanted to see the company restored to pride of place in the automobile industry.

Under Petersen's leadership, Ford achieved a remarkable turn-around. From a total loss of $3 billion over the period 1980-1982, it recovered to achieve, by 1986, greater profits than GM for the first time since 1924 and, by 1987, to break all previous industry records for profitability, as well as ranking number three in quality among US companies.
The Taurus model won the 'Triple Crown' in 1987 - being selected Car of the Year, Best Domestic Car and Top Car. Pascale poses the question, "How, then, does an individual such as Don Petersen - reticent and unassuming - execute such a daring turn around of such magnitude?"

Petersen explains the fact that Henry Ford II chose him to be president of the company simply because he was the only member of top management with strong product development experience at a time when the company desperately needed successful new products.

"My dreams about how this company could be different organisationally played no role in my getting the president's job."

Described by one observer as, "the opposite of Henry Ford II, Lee Iacocca and a host of other egotistical and dominating managers who have played significant leadership roles at Ford", Petersen was a leader who lived and breathed participative management and subordinated his ego to the needs of the business.

Pascale's answer to his own question is that Petersen succeeded because, through persistence and personal example, he opened up the Ford hierarchy to the ideas and initiative of those at lower levels. In a word, he succeeded through his ability to make involvement not just a word, but a living reality.

One of his first actions was to call an off-site meeting for his six direct reports. On the agenda was, "How are we going to work together as a group to help address the problems facing Ford?" Pascale records that on this occasion, and others, Petersen exercised superb skill as a group facilitator, having considerable intuition and empathy, and the ability to ask penetrating questions. He transferred the strongly bureaucratic Policy and Strategy Committee into an effective informal breakfast get-together where "we can talk to one another in shirt sleeves."

In Pascale's view, Ford is the only large business to have truly transformed itself. Petersen, undoubtedly the main agent of this change, is the supreme example of the leader as "catalyst". Self-effacing, quiet, definitely not charismatic, his example challenges the validity of the idea of the leader as hero. Pascale recalls an occasion in 1989 when Petersen addressed the MBA class at the Harvard Business School. Petersen, he says, was ill at ease on the platform, quiet and self-effacing, and the students were left wondering how he could have carried out such a remarkable transformation. The answer is that he did not *personally* 'carry it out'.

Through his involving style he enabled large numbers of employees at all levels to bring about change.

Peter Drucker (1992) argues forcibly that effective leadership has little to do with charisma. It is "mundane, unromantic and boring" in his opinion. He quotes Dwight Eisenhower, George Marshall, Harry Truman, Konrad Adenauer and Abraham Lincoln as examples of leaders who, while highly effective, possessed "no more charisma than a dead mackerel". Moreover, while John F. Kennedy was possibly the most charismatic president in US history, "few presidents got as little done".

In Drucker's view, leadership is about work and about performance, beginning with thinking through the organisation's mission and articulating it, setting goals and standards. "The leader's first task is to be the trumpet that sounds a clear sound". The effective leader, he asserts, is also one who sees leadership as responsibility rather than as rank or privilege. The third requirement according to Drucker is the ability to earn people's trust, which is a function of the leader's integrity and consistency.

More support for the anti-charisma school comes from Binney and Williams (1995). "Many of the organisations we know do not have charismatic leaders … they are usually modest, sometimes even self-effacing, losing no opportunity to stress that real achievement has come from teamwork, not the inspiration of just one individual. Not pretending to be the source of all wisdom, demonstrating some fallibility, is a powerful way of developing commitment to and ownership of issues by others."

The future of leadership

Hooper and Potter (1997) point out that the key issue facing future leaders is "unlocking the enormous human potential by winning people's emotional support ... our leaders of the future will have to be more competent, more articulate, more creative, more inspirational and more credible if they are going to win the hearts and minds of their followers". In the following part of this paper some relatively recent concepts of leadership which have in common a focus on releasing human potential will be examined.

The Learning leader concept

The five disciplines

Although the title says nothing about leadership Senge's work - *The Fifth Discipline - The Art and Practice of the Learning Organisation* **(1992) is a very pertinent guide for the leaders of tomorrow. It is about leadership as the process of nurturing people's commitment to, and capacity for, learning at all levels of the organisation.**

The first of Senge's five disciplines is *Personal Mastery,* which involves a commitment to life-long learning and is about "clarifying the things that really matter to us ... living our lives in the service of our highest aspirations."

Next comes *Mental Models.* This discipline is about learning to become conscious of our own mental models and subjecting them to rigorous scrutiny in order to get closer to reality.

The third discipline is *Building a Shared Vision.* Senge stresses the value of a genuine vision, as distinct from a vision statement.

The leader's role is "to unearth a picture of an attainable future" that is capable of fostering real commitment. To try to dictate a vision is usually counterproductive, but to offer one for consideration and debate can start a very powerful process.

Team Learning is discipline number four. It is vital since teams rather than individuals are the "fundamental learning unit in modern organisations ... unless teams learn the organisation cannot learn."

S*ystems Thinking* is the fifth discipline. It is essential if we are to see the interactions between things which make up the whole and if we are to be able to manage change effectively.

In the learning organisation, Senge sees the leader as having three functions. He or she is *designer, steward* and *teacher.*

The design work of leaders is about creating an organisation's policies, strategies and systems and making them work. It is about integrating parts into a cohesive whole. The leaders first task lies in the field of vision, mission and values.

Stewardship is to do with the long-term survival of the organisation and with its contribution to the wider society. It provides an ethical foundation to the leader's role.

The leader as teacher is continually helping people to see 'the big picture' - how the different parts of the organisation interact, how apparently different situations have things in common, and the wider implications of today's decisions.

Other views of the learning leader

Binney and Williams (1995) describe effective leaders as ones who both lead and learn - leading from a confident 'knowing' position and being willing at the same time to be open to challenge and new ideas. These leaders, they assert, have four characteristics:

- Operational credibility: this is a function of having a deep understanding of the business, its products and the issues to do with it.
- Being 'connected' to their organisations - being in close touch with employees and customers.
- Leading by example: if leaders practise 'Do as I say' rather than 'Do as I do', they will fail to be effective.
- Consistency under pressure: for example, in being willing to communicate bad news as well as good news.

Binney and Williams use the term 'forthright leadership' to describe a type of leader who is frank, direct and prepared to go out on a limb for the things he or she believes in. They are not held back by convention, tradition or bureaucracy, and are willing to risk their personal reputation and career.

It is this combination of forthright leadership with the willingness to listen and learn which is powerful and effective. Leaders should ensure that there is clarity about the direction and objectives but, in the context set by that direction, should give space, time and knowledge so that people can exercise initiative.

White, Hodgson and Crainer (1996) stress the need for future leaders to be able to cope with uncertainty and turbulence: "Leadership used to be about certainty. Throughout history, great leaders always appeared to know what to do …

In the 1990s and beyond, instead of slow moving flows, leaders find themselves hurtling down rapids. White water leadership is the new corporate necessity… Now, the most strategically important aspects of an organisation's future lie in the area of uncertainty. So, the first component which a leader has to learn to do differently is to learn to move towards uncertainty rather than away from it."

"Learning is the key tool in this process, especially the ability to identify and learn the things that the individual or the organisation find hard to learn."

White, Hodgson and Crainer (1996)

Among the five key skills essential to white water leadership is 'difficult learning'.

"… the most intriguing leadership role in culture management is one in which the leader attempts to develop a learning organization … the learning leader must portray confidence that active problem solving leads to learning and, thereby set an appropriate example for other members of the organization … the toughest problem here for learning leaders is to come to terms with their own lack of expertise and wisdom … the only way to build a learning culture that continues to learn is for leaders themselves to realise that they do not know and must teach others to accept that they do not know. The learning task is then a shared responsibility."

Schein (1992)

The things that are most difficult to learn are also the things that competitors will also find difficult to learn; hence they are the sources of competitive advantage. Pfeffer (1994) argues that the supreme example of such a difficulty is learning how to create and sustain an internally consistent human resource strategy. Kay (1993) refers to the difficulty of learning how to create what he describes as the

organisation's "architecture" - the network of relationships within and external to the organisation.

Leaders need to be aware of the 'cultural underpinnings' of their actions - they must look inside themselves to find their own mental models and assumptions.

Bartlett and Goshal (1995) stress the need, in the future, for leaders to act more and more as coaches and developers. They cite Goran Lindahl, one of ABB's executive vice-presidents, who saw acting as coach and developer as his most important role. Lindahl estimates that he spent 50-60 per cent of his time in this way.

Learning leadership in action

John Neill is CEO of Unipart. The company was created in 1987 by a management buyout of the parts division of the former state-owned British Leyland (now Rover, a BMW subsidary).

In an interview published in *Strategy* (the newsletter of the Strategic Planning Society) (1997), Neill tells how he turned round a company with a third-rate manufacturing operation struggling to meet quality and delivery requirements. "We knew that if we were to succeed in manufacturing, we needed to learn from the best in the world." The turning point came when the company won a contract with Honda because of the learning which Honda was willing to share with its new supplier. Neill sent a team of six people to study with Honda's fuel tank supplier in Japan, and the result of this learning was a complete change in both management and production methods at the company's main factory. Engineers' and supervisors' roles were changed and incorporated within autonomous teams, each with its own leaders and team bonuses supplementing monthly salaries. All

the operatives wore spotless white overalls as a visible symbol of quality.

In 1993 Unipart U - the company university - was established. Today it offers 180 different courses which have been developed and taught by Unipart staff. The courses are designed to be practical, so that attendees "train for work" and can apply "this morning's learning to this afternoon's job". Within the 'U' is the Leading Edge - a state-of-the-art technology showroom and training centre where all employees can drop in at any time of the day to work out new ways in which technology can help them unlock their creative potential. There is also the Learning Curve, a learning resource centre which acts as a lending library for books, periodicals, on-line information and even laptop computers which employees can use at home.

Unipart is a company which is led and managed on inclusive principles and was one of the original Founding Members of the Centre for Tomorrow's Company. Its 1996 annual review stated "We see the future of our company to be linked inextricably with the futures of our five stakeholder groups – our customers, our employees, our investors, our suppliers and the communities in which we do business."

Creating a learning organisation

The role of the learning leader in the learning organisation has four aspects:

- A willingness not only to keep learning but also to be open about this, encouraging others to follow the leader's example and making it clear that there is no point in sitting around and waiting for the leader to come up with the answers.
- The encouragement of learning by asking challenging, awkward questions and by stimulating intellectual curiosity.

- The ability to facilitate the learning of others, by acting as coach or mentor and by putting in place appropriate incentives, commissioning training and development programmes and establishing facilities such as learning resource centres.
- The fostering of a culture which is supportive of learning.

The principal characteristics of such a culture include:
- tolerance of mistakes and avoidance of blame
- absence of 'not invented here' attitudes
- a high level of cross-functional and interdisciplinary integration
- encouragement of active membership of professional bodies
- strong emphasis on authority based on competence and expertise rather than rank or position power.
- The development of mechanisms for the transfer of learning from individuals and teams into the organisation's store of knowledge and experience.

The Stewardship Concept

Block (1993) argues the case for replacing our traditional concepts of leadership with a new concept - "stewardship".

Most of our theories about making changes, he asserts, are clustered around the idea of leadership and the role of the leader in achieving the transformation of organisational performance. In his view, this pervasive and almost religious belief in leaders actually slows the process of genuine transformation.

Stewardship is about "the willingness to be accountable for some larger body than ourselves - an organisation, a community". It is to do with "our choice for service over self-interest", with being "willing to be deeply accountable without choosing to control the world around us".

Block draws a basic distinction between "good parenting" as an approach to the governance of organisations and "partnership". The former is based on the belief that those at the top are responsible for the success of the organisation and the well-being of its members. Partnership is based on the principle of placing control close to where the work is done.

Another distinction is between dependency and empowerment. The former rests on the belief that the people in power know what is best and that it is their job to create a safe and predictable environment for the rest of us. Empowerment reflects the belief that the ability to get things right lies within each person and is our willingness to commit ourselves to making the organisation work well, with or without the sponsorship of those above.

The most fundamental distinction and choice, however, is between service and self-interest. Today our doubts about our leaders are not so much about their talents as about their integrity and trustworthiness. For Block, the "antidote" to the seductive, but ultimately destructive, force of self-interest is to commit and adopt as a cause – the future of the place where we work.

He sees strong leadership as incapable of creating the fundamental changes which are needed in organisations if they are to survive and prosper into the next century. "It is not the fault of the people in these positions, it is the fault of the way we have framed the role." The search for strong leadership reflects the desire we have that others should assume the ownership and responsibility for our organisation.

The result is to concentrate "power, purpose and privilege" in the one we call leader.

In Block's view, we pay a price for our tendency to attribute to leaders the ability to transform organisations. He makes the subtle point that "the leaders we are looking for have more effect in the news than in our lives". The illusion of the great leader reinforces the idea that things are only achieved as a result of the actions of individuals so that we give credit to individuals for results that have in fact been produced by teams. We become over-dependent on sponsorship from the top as a means of winning support for our initiatives. The danger for top people, of course, is that they begin to believe their own press cuttings. Block's concept of partnership is a radical one. It poses four requirements:

1. "Exchange of purpose". Paternal leadership sees the organisation's purpose and vision as set by the top, whereas partnership means "each of us at every level is responsible for defining vision and values". "Purpose gets defined through dialogue."

2. "The right to say no". Block concedes that, "when all is said and done, others will have the right to tell us what to do". But, he goes on, "This has no effect on our right to say no. The notion that if you stand up you will get shot undermines partnership."

3. The requirement for "joint accountability". "Bosses are no longer responsible for the morale, learning or career of their subordinates." Accountability becomes widely distributed and linked to the rewards system.

4. The requirement for "absolute honesty".

Block's recipe does, however, fall short of anarchy. "Partnership does not do away with hierarchy, and we still need bosses." Those at the higher levels, however, are responsible for "clarity" rather than "control".

To act as "steward" rather than "leader" would involve operating on the following nine principles:

1. Maximise choice for those closest to the work.

2. Reintegrate the managing and the doing of the work. Everybody manages. Management becomes a set of tasks and activities, not a full-time job title. Everyone should do some of the core work of the organisation. The higher the level in the organisation, the more critical this becomes.

3. Measurements and controls should serve the core workers.

4. Support local solutions - don't press too hard for consistency across groups.

5. People are accountable to those they serve - their subordinates as well as their customers. Bosses are treated as suppliers, not as customers.

6. Staff groups (e.g. Human Resources) should have to sell their services and justify the value they add to teams of core workers.

7. End secrecy.

8. Exact an undertaking to commit to act in the best interests of the organisation as a whole.

9. Redistribute wealth.

The servant leader concept

The term *servant leader* was first used by Greenleaf in an essay entitled *The Servant as Leader* (1977), the first of a dozen essays and books on leadership which have sold more than half a million copies world wide. Greenleaf spent the major part of his career with AT&T in the management education role, and went on to work as a consultant to several major educational institutions. In 1964 he founded the Center for Applied Ethics, now known as the Robert K. Greenleaf Center.

Greanleaf was greatly influenced in his thinking by the novel *Journey to the East* by Hermane.

This is an account of a journey undertaken by a group of people, members of a religious order, on a spiritual quest. The central figure of the story is Leo, the party's servant, who accompanies the group and through his sustaining influence helps them overcome their difficulties. One day, however, Leo disappears. The group rapidly disintegrates and the quest is abandoned. The narrator decides to try to find Leo and after searching for many years finds him, and discovers that he was, in fact, the head and guiding spirit of the order, by all recognised by all as a wise and great leader.

Greenleaf saw this parable as conveying the central idea of his own approach to leadership - that great leaders are those who serve others.
Spears (1985) identifies the following ten characteristics of the servant-leader from his study of Greenleaf's work:

1. *Listening.* Servant leaders make a deep commitment to listening intently to the views of others. They also listen to their own "inner voice", seeking to understand the messages that their own bodies, minds and spirits are telling them. They spend time reflecting.

2. *Empathy.* Striving to understand others; not rejecting them as people while not accepting their behaviour or performance.

3. *Healing.* In the sense of helping people cope with emotional pain and suffering.

4. *Awareness.* Sensitivity to what is going on, including self-awareness.

5. *Persuasion.* Seeking to convince others of the rightness of a course of action rather than achieve compliance through coercion.

6. *Conceptualisation.* The ability to think in conceptual terms, to stretch the mind beyond day-to-day considerations.

7. *Foresight.* The ability to understand the lessons from the past, the realities of the present and the likely future consequences of decisions.

8. *Stewardship.* Seeing one's role in terms of holding in trust the wealth and resources of the organisation for the benefit of society.

9. *Commitment to the growth of people.* Valuing people beyond their contributions as employees and showing concern for their personal, professional and spiritual growth.

10. *Building Community.* Creating a true sense of community among those who work in an organisation.

Spears points to a number of ways in which the servant leadership model has been influential in institutional life such as its adoption by leadership education programmes in both the profit and non-profit sectors.

One company CEO who is a strong advocate of servant leadership is C. William Pollard, chairman of the Service Master company, which employs some 200,000 people world wide, has doubled its revenues every three and a half years for the past twenty years and is now turning over in excess of $4 billion. Servicemaster Inc. has been nominated the best service company in the Fortune 500 by Fortune Magazine for the past ten years.

Leading Tomorrow's Company - an inclusive approach

From the various studies which have been reviewed thus far a picture begins to emerge of the kind of leadership style and approach which, in the years ahead, will make a good fit with the inclusive approach to business success. It is an approach which combines the following elements:

□ The inspirational and visionary qualities of transformational leadership.

□ The willingness to learn, and to facilitate the learning of others.

□ The concept of stewardship - of acting as custodian of the organisation's reputation and resources.

□ The perception of leadership as service.

An outstanding account of the concept of inclusive leadership can be found in the work of Ronald A. Heifetz, Director of the Leadership Education project at the John F. Kennedy School of Government, Harvard University. In one of the most challenging books on leadership of recent times (1994) he offers five principles to guide leaders:

1. Identify the problem and the need for change; make clear to all the stakeholders the issues and values involved.

2. Recognise that change results in stress and that without stress it is unlikely that real change can take place. The leader's task is to contain the stress and keep it within tolerable limits.

3. Leaders should concentrate on the key issues and not be distracted by such things as personal attacks. They should not accept attempts to deny the problem exists.

4. They should give people responsibility at the rate they can stand and should put pressure on the people with the problem to contribute to its solution.

5. Protect those who contribute leadership even though they have no formal authority. People who raise tough questions and by so doing create stress should not be silenced - they can often provoke the re-thinking of issues in ways which leaders with formal authority cannot.

For Heifetz, strategy begins with asking which stakeholders have to adjust their ways in order to make progress in solving this problem? How can the leader strengthen the bonds that link the stakeholders, focusing on their community of interests, so that they can stand the stress of problem solving?

Facing up to conflict and to the realities of the situation are critical to leadership. Heifetz's ideas tie in with the concept of the learning organisation and the need to expose underlying problems rather than treating immediate symptoms. Exercising leadership from a position of authority in change situations involves "going against the grain" in that instead of meeting people's expectations that the leader will supply answers, the leader asks pertinent questions. Rather than shielding people from external threats the leader lets people feel the threat in order to stimulate a thirst for change. Rather than suppressing conflict, the leader generates it. Instead of maintaining and defending the status quo, the leader challenges it.

The foundation of an inclusive approach to leadership is the adoption of a set of values which places human relationships centre stage and which defines the purpose of the enterprise in other than purely financial or commercial terms. Such a set of values includes respect for the individual, the elevation of service above self-interest, and restraint in the use of power. It goes without saying that leaders, if they are to be credible, must exemplify such values in their own behaviour.

The *mental models* which fit closely with such values are such that leaders perceive the organisation as a complex network of mutually interdependent relationships, understand the links between the organisation and the wider socio-economic environment, and in particular see organisational change in the context of social and technological change. Senge's 'fifth discipline' of systems thinking, described earlier, sums up the required mode of thought perfectly. Leaders need to be aware of their mental models or mindsets and of what Schein calls their 'cultural underpinnings'.

It is this deep understanding of the nature of the interdependence that exists between an organisation and its dynamic environment which provides the basis for the next critically important function of leadership - to contribute to the development of an inspiring yet achievable vision of the organisation's future. Such a vision needs to be one that meets the needs of the key stakeholders and at the same time provides the basis for a strategy to develop and maintain a competitive advantage.

If the vision is to be realised, the co-operation of all the stakeholders must be won. Here the key leadership task is to build strong relationships of mutual trust and respect with all stakeholders and to strengthen the bonds which link them.

'Five plus one'

In the work of Tomorrow's Company this task is encapsulated in the phrase 'Five plus one'. 'Five' refers to the five key relationships with employees, customers, investors, suppliers and the community.

'FIVE PLUS ONE'
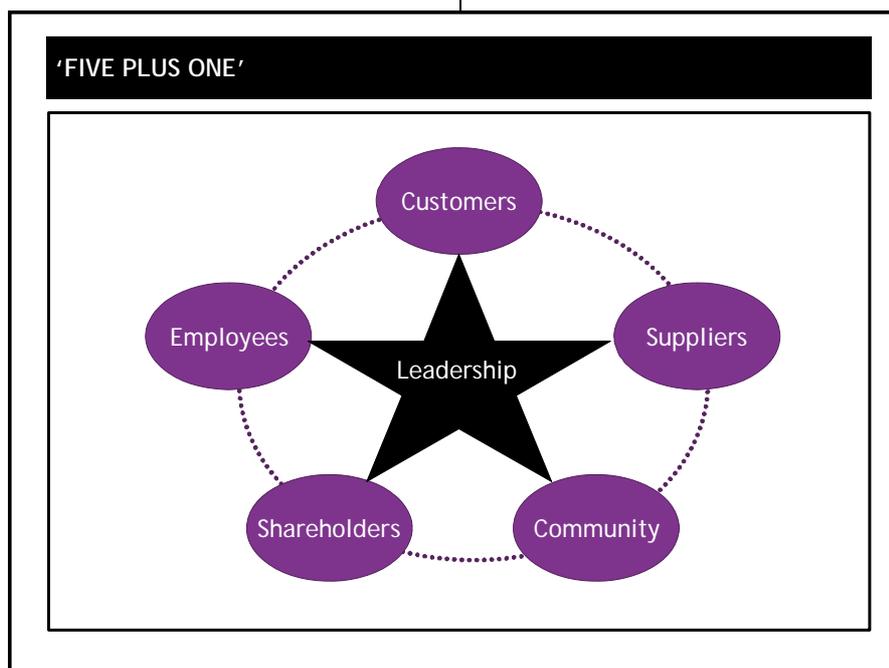
The 'one' refers to the central role of leadership in providing a vision and a style of leadership which empowers people in the various stakeholder groups and enables them to focus on how to achieve, and share in, sustainable success.

This type of leadership will need to be found not only in the organisation's management but also among employees, customers, investors, suppliers and the community.

Leaders who adopt this approach will, of course need to develop an appropriate set of skills. These will not only include such obvious ones as listening, teambuilding, coaching, mentoring and facilitating group decision-taking, but also more complex and subtle skills in organisation design and the influencing of corporate culture.

Leadership development

"To which occupations and professions then, shall we send our sons and daughters if they, too, wish to become great pathfinders? We might wish to send them to places that appear distant from the contemporary management scene. We could send them to live among artists and architects, or among philosophers and religionists, or among theoretical physicists; but whatever we do we should not send them to business schools."

Professor Harold Leavitt (1983)

Current practice

Research in this area shows that in the majority of cases leadership development programmes are confined to so-called 'high flyers' - young men and women identified as having the potential to attain senior management positions.

In only a minority of cases is this kind of development opportunity open to others such as knowledge workers or front-line employees in production or customer service.

Kotter (1988) identifies the following developmental practices:

- Assessment/development centres.
- Career planning discussions with bosses.
- Developmental job opportunities.
- Availability of information on job opportunities.
- Special programmes for those with leadership potential.
- External development programmes.
- Strategic management processes designed to clarify what the business will be like five to ten years ahead and how many/what kind of leadership roles will be needed.
- The rewarding of managers for developing the leadership skills of their own subordinates.
- Helping people develop the capacity to manage their own development.
- Mentoring and/or coaching.
- The use of feedback.
- Adding responsibilities to current jobs.

Research findings on this subject have been summarised by McCauley of the US Center for Creative Leadership (1986). Despite the fact that she writes from the perspective of an institution devoted to research and education in leadership, she fails to clarify the distinction between the development of managerial ability and the development of leadership. She has grouped the material under the headings of Job Assignments; Other People and Relationships, Hardships and Training.

Job assignments

On-the-job experience, particularly when it involves the early assumption of real responsibility, is seen as providing the most useful learning opportunities.

Kotter (1988) selects the following career experiences as being of crucial importance in the development of leadership skills.

- Significant challenge early on. People who are given opportunities to lead and to accept responsibility at a relatively early age learn from their failures and setbacks as well as from their successes.
- Opportunities at a later career stage to broaden out through such experiences as a lateral move to a different function, attendance on a lengthy general management course, secondment to a voluntary organisation, or assignment to a special project team.
- A decentralised organisation structure which pushes responsibility outwards from the centre. Johnson and Johnson, 3M, Hewlett Packard and General Electric are quoted by Kotter as prime examples. In Europe ABB has a similar structure.
- Processes which ensure that young employees are visible to senior management.
- Recognition and rewards for those senior people who successfully develop leaders.

Evans (1992) argues that the basic tool for developing leaders is cross-functional mobility - moving people into jobs where they have to get results through people who have more expertise than themselves. He sounds a note of caution, however, pointing out that in many companies

assignments are of too short duration, with the result that managers start things but don't get to see them through. They then fail to develop good implementation skills.

Other people and relationships

The research evidence here did not point to such clear conclusions. Nevertheless mentoring and coaching are being increasingly used as developmental processes. Obviously the effectiveness of mentoring depends critically upon the suitability of the mentor as a role model for a future senior manager and on his or her competence in the mentoring role.

There is evidence that those who get to the top have wider networks of relationships than others.

McCauley reports on a study in which managers in one corporation were asked to identify those aspects of their relationships with their peers which they had found to be most developmental. The things most often mentioned were:

- Sharing information - both technical knowledge and organisational matters.
- Comparing career strategies and helping each other learn about career options.
- Feedback - helping each other gain insight into strengths and weaknesses.

Hardships

The experience of such problems as business failures, expensive mistakes, loss of one's job and other setbacks at work appear in many cases to have had a positive result - stiffening the individual's resolve and releasing hitherto untapped sources of energy.

McCall and his colleagues (1988), also of the Center for Creative Leadership point out, however, that the lessons from hardships are mixed and that some people are scarred by them, retreating into denial and cynicism.

Training programmes

Over the years there has been a rapid growth in executive development programmes - both those offered by external agencies such as business schools and ones offered in-house by large companies. The danger, however, is that attendance on such a programme is seen primarily as a rite of passage rather than as a real learning opportunity.

Typical external courses

Templeton College has developed a course for very senior managers, known as the Oxford Strategic Leadership Programme. The programme includes presentations on different aspects, types and theories of leadership; descriptive case studies of the process of bringing about strategic growth and change in organisations; syndicate discussions and team projects; and feedback, both from peers and tutors about individual leadership styles and teamwork. This is a prestigious course, involving top level practitioners as speakers.

Between 1982 and 1998 Ashridge Management College offered a seven day course known as the Leadership Development Programme, carried out as a franchise operation licensed by the Center for Creative Leadership, Greensboro, N. Carolina. Distinctive factors of this programme included:

□ Considerable emphasis on psychometric measurement. Participants are required to complete a battery of tests (taking up some eight hours) before attending the course. These tests cover intelligence, personality, leadership style preferences, vocational interest and aptitude for innovation.

□ Very strong emphasis on personal feedback by highly trained personnel and by peers. The franchise has now lapsed and in 1999 Ashridge has launched its own Leadership Programme, designed in house.

The Centre for Leadership Studies at the University of Exeter has offered a Postgraduate Diploma/MA in Leadership since 1993. This is a part-time course which embraces a Diploma, consisting of seven one-week modules spread over two years, (Diploma) followed by an optional one-year MA Dissertation. It is designed to help the leadership development of selected individuals, with an age range from late 20s to mid-40s. It includes many of the ingredients of the Templeton College programme, with the focus on the next generation of strategic leaders. Its philosophy is in line with the Tomorrow's Company inclusive approach.

Outdoor training

There has been considerable growth in the use of 'expedition' training along the lines pioneered by the Outward Bound Trust. Several UK organisations now offer a similar type of training for junior and middle levels of management - including the Leadership Trust, Endeavour Training and Brathay Hall. The courses offer a variety of physically challenging and adventurous activities such as abseiling, canoeing, rock climbing, orienteering, sailing etc. The underlying assumption is that the lessons learned in the process of sharing hardships and overcoming stress and fear as a member of a team make participants more effective as leaders. This type of programme, as distinct from those at business schools or company management centres, is more often used for the development of front line employees.

Weaknesses of training programmes

Leadership programmes have some serious flaws. Many of them are more about management skills than they are about leadership, focusing on things like planning or understanding financial information. It is too easily assumed that lessons learned while performing exercises on training courses are transferable to the work situation. Also, employers make the mistake of believing that such programmes will, by themselves, develop leaders.

Leadership development must start at the point of recruitment. Job experiences, rewards and organisation cultures must be combined with training to foster leadership potential and encourage the acquisition of the requisite skills and values. The whole culture of business needs to change to become more nourishing in respect of creativity and vision. The business schools, too, need to place more emphasis on the social sciences and the humanities.

Self-development

Increasingly, employees are taking charge of their own careers and assuming responsibility for their own development. Now that few organisations can offer a 'cradle to the grave' career, people expect their lives to involve working for several organisations rather than one. Given this prospect they cannot just sit around waiting to be developed. Access to open learning methods has greatly increased the opportunities for self development.

A leadership development programme based on inclusive principles

A process for developing tomorrow's leaders is set out below:

1 Choosing leadership style and values

The directors of the company (or their equivalents in the public and voluntary sectors) first need to reach consensus as to the style of leadership and related values that they wish to see developed and which they believe will be appropriate to the future needs of the organisation at the most senior levels. There are many models to choose from and, of course, elements from different models can be combined. Some of the most commonly cited models have been reviewed earlier in this paper, for example:

- ☐ The learning leader.

- ☐ Stewardship.

- ☐ Servant leadership.

- ☐ Leader as designer, steward and teacher.

- ☐ The leader as educator.

2 Identification of potential

The next step is to identify those with the potential to develop the ability to provide leadership. The search for these should be cast much wider than the traditional selection of high flyers from an elite group such as graduate management trainees. Tomorrow's organisations will need effective leadership of teams of all kinds - in the research laboratory, on the shop floor, in the sales force - indeed in every situation in which people need to be aligned behind a clear vision and sense of purpose.

A FIVE POINT PLAN FOR LEADERSHIP DEVELOPMENT

1　Agree the style of leadership and related values which fit the organisation's tasks and culture; differentiate leadership from management development

2　Identify those with potential
　(Motivation, 360 degree profile, Myers Briggs)

3　Assign to leadership roles on real, challenging projects and support by: creating action learning sets of four to six participants providing feedback

4　Provide coaching and mentoring

5　Provide more formal training in: listening and communications skills public speaking, visioning and creativity

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This is, of course, a challenging task and one which inevitably involves a degree of subjective judgement. The degree of subjectivity can, however, be reduced by the deployment of a range of assessment methods including bio-data, employment track record, psychometric tests and various group exercises which provide an opportunity to display leadership qualities.

Recent practice has increasingly involved the use of 360 degree assessment of potential by superiors, peers and subordinates - a process which has a high degree of face validity.

BP is one company which uses this approach. Its senior management has defined nine Leadership Competencies required for leadership success. Following some careful professional/technical work in 1993, a 45-item questionnaire based on these competencies was designed and piloted. This is now used to provide 360 degree assessments for the top 2000 managers. There is no reason, however, why similar techniques could not be applied on a much wider basis.

An important factor to be taken into account is the individual's motivation to lead and the values upon which it is based. This should be explored in the context of providing young people with as deep an understanding as possible of what the leadership role entails in terms of acceptance of responsibility, the restrained use of power, service above privilege and the importance of integrity.

3 Selection of assignments

Those selected to participate in the programme should then be given assignments which will constitute the principal means of developing them. These assignments, according to a research group at the Center for Creative Leadership (Mcall et al. 1988) should involve five or more of the following challenges:

- Success and failure should be both possible and evident to others.
- The situation should involve the leader being left alone to cope without access to higher authority.
- It should involve working with new people or unusually large numbers of people or people known to be difficult.
- Working under unusually severe pressure, e.g. very tight deadlines or with very substantial cost at risk.
- Having to influence people over whom the leader has no authority.
- Coping with change, uncertainty or ambiguity.
- Performing while being closely watched by people who have the power to influence future career prospects.
- Exercising team leadership in stretching circumstances.
- Handling a task with major strategic implications or which is intellectually stretching.
- Working with a particularly effective or ineffective boss.
- Dealing with a situation in which some key factor is missing e.g. adequate resources or vital information.

The researchers suggest no fewer than 88 specific developmental assignments. These are divided into five groups as follows:

1. Small projects and start-ups which mainly emphasise persuasion, learning new things quickly, working under time pressure and dealing with new people.

2. Small scope "jumps" in responsibility which emphasise team-building, individual responsibility, dealing with the boss and time pressures.

3. Small strategic assignments which emphasise intellectual demands and influencing skills.

4. Course work and coaching assignments which reveal gaps in one's own knowledge or skill.

5. Activities away from work - for example in community service.

These activities should include, wherever possible, opportunities to meet and interact with the organisation's stakeholders.

4 Offering Support

Throughout the period of time during which successive developmental assignments are carried out, the participants in the programme should be supported in the following ways:

□ By being assigned to action learning groups of four to six persons, meeting perhaps quarterly, to share learning and experience. Each group should have its own learning budget, enabling it to call on outside help if required. If the organisation is an international one, these groups should ideally be cross cultural in composition.

□ Each participant should be allocated a mentor. Mentors can be drawn from successful leaders within the organisation, in which case they should be trained for the role and should be appropriate role models in terms of their own leadership style and behaviour. Alternatively, they can be drawn from specialists in mentoring from outside the organisation.

□ They should receive regular feedback on their progress. This feedback should review not only what the individual has achieved but also the manner of its achievement and its consistency with the organisation's values. Feedback should be sought from stakeholder groups as well as from peers and line management

5 Use of external courses for skills development

External programmes should be used for developing such skills as public speaking, conducting interviews, chairing meetings alongside strangers, so that taking risks, experimenting with different approaches and being prepared to make a fool of oneself can occur without the inhibition of performing in front of one's colleagues.

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