

LEADERSHIP Excellence

Warren Bennis



THE MAGAZINE OF LEADERSHIP DEVELOPMENT, MANAGERIAL EFFECTIVENESS, AND ORGANIZATIONAL PRODUCTIVITY

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Leadership,
Top to Bottom

by William C. Schulz III

William C. Schulz III
Walden University

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USC PROFESSOR OF MANAGEMENT

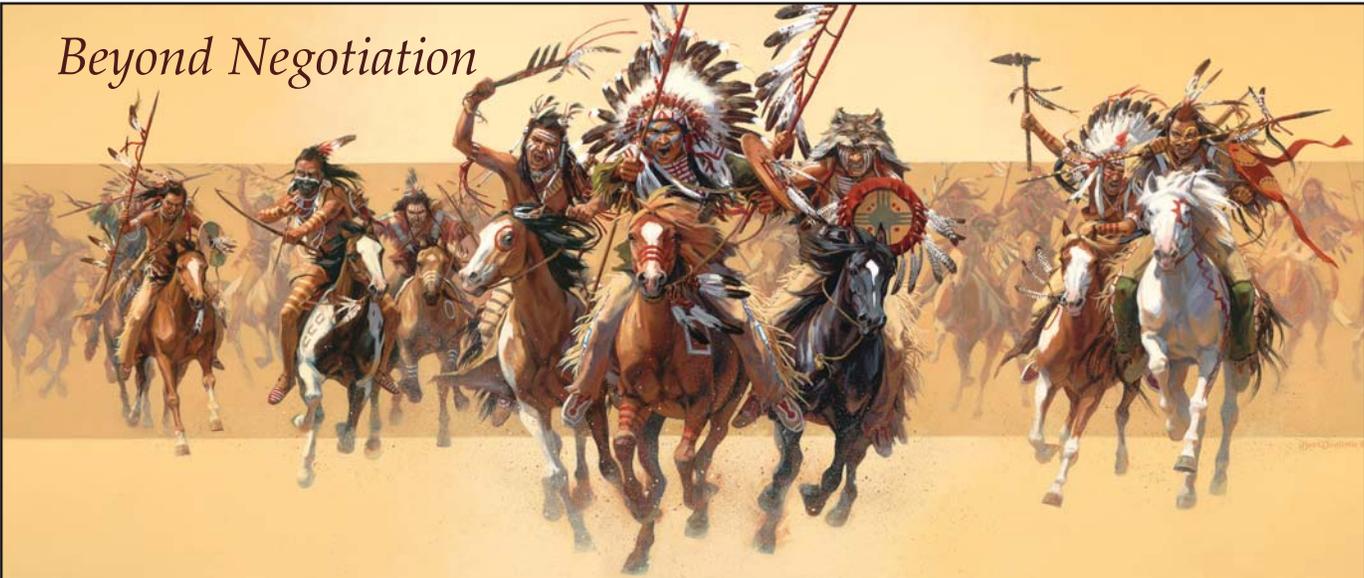
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VOL. 28 NO. 6 THE GLOBAL LEADERSHIP DEVELOPMENT RESOURCE JUNE 2011

Beyond Negotiation



The time for talking is over. It's now time for immediate, innovative and incisive action, as evident in the gestures and facial expressions—the warriors' clear response to the last proposal.

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Leadership, Top to Bottom

The key to successful skill-based strategies.



by William C. Schulz III

IN OUR COMPETITIVE AND uncertain economy, leaders that are leveraging their human-capital base and exercising skill-based strategies are winning, while those who treat their human capital as expense items to cut in order to preserve profits are losing.

To thrive in good times—and survive and prosper in lean times—an organization must have a smart, responsive, and capable human-capital base. As Jim Collins notes, *great organizations continually develop their people and provide a setting where people are largely self-managed and self-motivated and where they ask for, and thrive on, responsibility.*

What is *skill-based strategizing*, and the leader's role in implementing it?

Inside-Out Thinking

Skill-based strategizing is a way of looking at the classic strategic notion of fit between *internal resources* and *external opportunities*. It starts with the idea that *inside-out* thinking is more effective than *outside-in* thinking. Strategic leaders must know as much—or more—about their people's skills and capabilities as they know about market opportunities or the structure of financial assets. It's not enough to know how many managers work in a department or what the cost of payroll is. Leaders must know what types of knowledge and other resources their people offer in order to effectively bring these assets together. An organization that creates a composite that is valuable in the marketplace can generate returns over time *in any economy*.

To succeed at implementing effective skill-based strategies, leaders need a strong entrepreneurial orientation and a strong, *hands-on* commitment toward building a diffuse, systemic leadership culture (reminiscent of Jim Collins' Level 5 leadership). The key is to build specific leadership competences in the ranks of senior leaders and to create the capacity for systemic leadership. To achieve this, senior leaders must be devoted to active culture-building and strategic HR management. The top leadership team must set key metrics

and behavioral expectations and apply them to recruiting and developing collaborative leaders. They must seek to develop *distinctive institutional competence*.

In *Leadership in Administration*, Selznick proposed a theory of how and why organizations transform from expendable tools into social organisms infused with value and character. For Selznick, *distinctive competence* reflects a firm's ability to adequately build a unique, viable, healthy *personality* that is not easily imitated nor destroyed. It also enables an institution to establish credibility that can add value to both its internal and external constituents in the face of continuous pressures.

For Collins, if senior leaders are too focused on externals, such as financial outcomes, rather than on the internal, such as developing *institutional competence*, they can't maintain adequate



skills (human capital) or organizational slack (willingness of employees to adapt to change) to compete over time.

A *sustainable leadership-development system* is key to enhancing long-term productive opportunities. It's better to focus on the development of a *systemic leadership culture* within a firm than it is to focus on individual leaders.

In a *skill-based strategy interpretation* of Collins' research, using terms he introduced in *Good to Great*, the acquisition, development, and evolution of *leadership talent* (integrated with *content talent*) is the baseline for developing a flexible, responsive, disciplined organization. Ensuring that the "right people are on the bus" and working within a culture of self-responsibility and self-discipline drives a firm's ability to compete and thrive. There must be complete commitment to *leadership development* and to *dispersed leadership*.

With systemic leadership processes and development in place, leaders can

continually evaluate the efficacy of the "hedgehog" concept or core-alignment orientation and adjust their strategies and tactics as needed. The ability to *evaluate and adjust* drives performance, allows *reinvestment*, and positively reinforces *institutional competence*. What an organization *does* is not the central driver of its future, but *who the organization has aboard* and whether it maintains a culture that can leverage human skills for future applications.

Senior leaders need to focus: 1) first on *skills and resources*, second on *opportunities*; 2) first on *customers*, then on *competitors*; 3) first on *customer benefits*, then on *price*; and 4) first on *dynamic capabilities*, then on *static assets*. Each is a key aspect of the skill-based strategy.

Of these four related elements, the first two refer to the core institutional commitments of effective skill-based strategies: an entrepreneurial leadership orientation paired with a culture of leadership that is widely dispersed.

Endure and Thrive

An *entrepreneurial orientation* requires that leaders focus on solving current, future, and potential customers' problems by leveraging the organization's skills and dynamic capabilities. A true test of whether an organization is *skill-based* is to see if the language of its people and publications revolves around *problem-solving* and *capability-enhancing*—or around products, market share, and financial standing. Leaders with the discipline to ask "what are we good at, and who else can benefit from our capabilities?" are far more likely to see opportunities than those who focus on past success and are locked into "this is what we build/offer" mindset.

We need strategic leaders who are dedicated to building skill-based organizations and defending them by developing strong *institutional character and competences*. It is not enough for owners, leaders, and managers to count assets and amass wealth, which can then be traded and redistributed in efficient financial markets. *Genuine commitment by leaders and managers to developing firm-specific skills and distinctive competences is required*. Leaders must understand the nature of their firm's knowledge, skills and capabilities, and learn how to nurture, invest in, change, and strategically utilize these unique resources. Leaders must care for and develop their people—the base for all future success. LE

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ACTION: Create a sustainable leadership system.