

Leadership as a Capability: Buy or Build ?

Leadership gurus may differ in their approaches to building leadership, but all of them agree on one thing: leadership matters! Of all organisational capabilities, leadership seems to top the list, as when this is present, speed, execution, learning, customer focus, sustainability, employee engagement, and other capabilities get the right attention and resources. Unfortunately, leadership talent is in short supply. Incidentally, leadership continues to be one of the most researched and written about subjects to date, but is not very well understood. Famous author Jim Collins made an interesting observation: “At this moment, leadership has replaced God in filling a gap in our understanding.” Given thousands of books on leadership and an even larger number of articles, leadership has come to occupy a lot of interest and attention, and for good reasons! Leadership research and literature has taken us through a whole continuum that perhaps has no end in sight as yet. From leadership traits to styles to competencies to leadership brands, it has been an exciting journey of learning for the students of leadership.

Leadership is what it does!

Over the last several years, there have also been debates and discussions regarding return on investment in leadership development. Organisations worldwide are investing billions of dollars every year, and there is therefore a whole industry in delivering consulting

support for leadership development. While leadership as a capability is intangible, what it can do for organisations is very tangible. It is reported that when 3 senior executives of GE left the company to join three global corporations as CEOs, the market cap of these three companies reportedly shot up by over USD 25 billion! This was even before any of them made any statement about what they planned to do at the new place. Such is the premium placed on the leaders that GE produces year after year. This is true of several other companies as well, like IBM, Proctor & Gamble, Unilever, and a few others. Leaders, and leadership as an organisational capability, deliver the following results:

They bring enormous speed in decision making, and speed has become a critical competitive advantage in an ever-changing marketplace.

They usher in significant focus on execution at all levels. The malady with most organisations is not lack of strategy, but absence of execution.

They focus on balanced results in all 4 areas: customer results, investor results, organisational results, and employee results.

They sow the seeds for other strategic capabilities that will provide lasting competitive advantage.

They turn around and make organisations healthy and profitable.

They inspire and engage people into becoming incredibly customer-focused.



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They inspire confidence in the future performance of the company – something that all the stake-holders value.

They lead from the front when difficult changes are required and mobilise people to rally behind them to accomplish transformation.

Therefore, leadership clearly matters – for both small and big organisations – and it matters big time.

Leaders and Managers

There are still some debates on whether an organisation needs more leaders or managers. While this continues to remain a subject of academic interest, and some authors have even given as many as 20 differences between them, what remains fairly settled is the fact that the two terms are used interchangeably today. Leadership qualities, attributes and competencies are what constitute most of manager development interventions today. John Gardner had this interesting observation to make: “many writers on leadership ... distinguish between leaders and managers. In the process, leaders generally look like a cross between Napoleon and the Pied Piper ... and managers like unimaginative clods! I am beginning to believe this is not true.” Most of us tend to agree with these words of wisdom. It perhaps serves little purpose to even debate this.

Building Leadership Capability

The impact of developing leaders across organisational levels and making leadership an organisational capability is well understood, where do organisations go to find leaders in required (read large) numbers? There is substantial consensus among leadership experts and CEOs across the globe that leaders are in short

supply. As is the case with anything that is scarce, the normal tendency is to grab from wherever there is some availability. Hiring away leaders from other companies and institutions has again spawned a search industry that rakes in billions of dollars. But then a closer look will reveal that this has proved to be a zero-sum game. The fact is that there are just not enough leaders anywhere, as everyone is looking to build this capability as a means to achieving competitiveness. While the search industry is thriving on this scarcity, it does not leave the companies in any comfortable position. After all, leaders are not microwaved overnight. It is an agricultural process; as Douglas McGregor aptly described it: you sow the seed, ensure enough water and sunlight, take the weeds out and fertilise right and enough so this capability germinates, grows and blossoms! In the last 25 years, I have had the privilege of leading HR for some of the best companies like IBM, Hewlett-Packard and Royal Philips Electronics and I can say with confidence based on first-hand experience that the only way to beat the shortage is not to look elsewhere to poach from, but to pay attention to growing leaders from within.

Leadership Factories

Great companies that have beaten the leadership shortage have all focused on creating an internal leadership factory. Be it Crotonville for GE or Groenendaal for Philips (where I underwent my advanced general management program), enormous investments by these companies have gone into building the right infrastructure that helps groom future leaders to fuel the growth of the company. It is needless to emphasise that these leadership factories often become academies for leaders and also provide leaders for other organisations.



Noel Tichy puts it across well when he says: “winning companies are net exporters of talent.” There are more reasons than sheer shortage for investing in leadership development within the organisation.

Leadership is very Context-Specific

The leaders that Walmart needs are not the same as the leaders that Nokia needs. The leaders that IBM needs are not the same as the leaders that Best Buy needs. Leadership is strategy-driven. Business strategies, models, and value disciplines determine the kind of leaders that each organisation needs. Authors Dave Ulrich and Norm Smallwood make the case that roughly 60 to 70% of what effective leaders are made up of is a common set of competencies. They call this set of competencies a “leadership code.” They also make a strong case that the remaining 30 to 40% of the competencies are very differentiating in nature given the unique nature of the business that is looking for leadership. It is this unique set of leadership competencies and the results these behaviours produce that they call a “leadership brand.” Since leadership is not simply an art, as some may like to oversimplify this phenomenon, but in reality is a performing art, leaders will do well to acquire and hone business-specific competencies in order to produce distinct results. Noel Tichy makes a powerful case for internal development of leaders when he says: “leadership development is too important to be outsourced!” In an age of outsourcing everything (rent-your-shoe-if-you-can!), it is not uncommon to come across companies with myopic visions as they go about underestimating leadership development as taking a “two-week long management program at a good B-School”, or in another version that

is fast catching up: “send your top talent over to Company-paid Executive MBA” and they will return as consummate leaders! Management education programs do add value in terms of imparting new knowledge, some skills and a lot of learning that happens through interaction, but they are never good enough to produce leaders of substance. They can supplement, but rarely substitute for, developmental interventions that should happen within the organisations.

What Constitutes a Leadership Factory ?

Well, this is an important question to answer, and in detail. Many of us are familiar with situations where there is a marked misunderstanding of what is meant by “leadership building.”

At a very simple level, leadership building is not the same as ‘building for leadership,’ which many companies have heavily invested in. Executive interviews boast of these physical structures as evidence of cultivating leaders. While a well-furnished leadership centre is a clear plus as a source of ambience for learning, the real leadership factories are much more. Let us look at the various elements of this ‘factory’ below:

Leaders as teachers: Leaders spend considerable time teaching and coaching future leaders. They have a teachable point of view about how to run business and share this with the rookies. Noel Tichy regards the leaders’ ability to teach as their core competence.

Distinct competencies are determined for development: Leader behaviours must help execute strategies. As such, these competencies must have a tight linkage with the strategy and strategic priorities of the company. Assessment of leadership potential should be against these specific set of



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competencies, and development interventions should help bridge the gap.

Leadership Development is focused on maximising strengths and minimising weaknesses. 360 degree feedback assessments play a very important role in getting to understand the towering strengths of potential leaders, and often also throw light on weaknesses that may derail them if not corrected in time.

Executive coaching support is provided to help leaders to exploit their strengths, and – even more importantly – to guide them towards using their strengths to strengthen others in the organisation.

Diverse learning initiatives are designed to serve the specific needs of potential leaders. These initiatives will fall broadly under three categories: education-based (learning programs, higher studies, etc), experience-based (job rotation, new role, new geography, and the like) and relationship-based (coaching and mentoring).

Continuous feedback becomes a way of life. World-renowned Coaching guru Marshall Goldsmith co-authored a powerful article based on his research titled “Leadership is a Contact Sport,” where he makes a

strong case for a “follow-up factor” in which the whole organisation must support the leaders in their development. This is done through constant feedback on how the leader is shaping up.

Conclusion

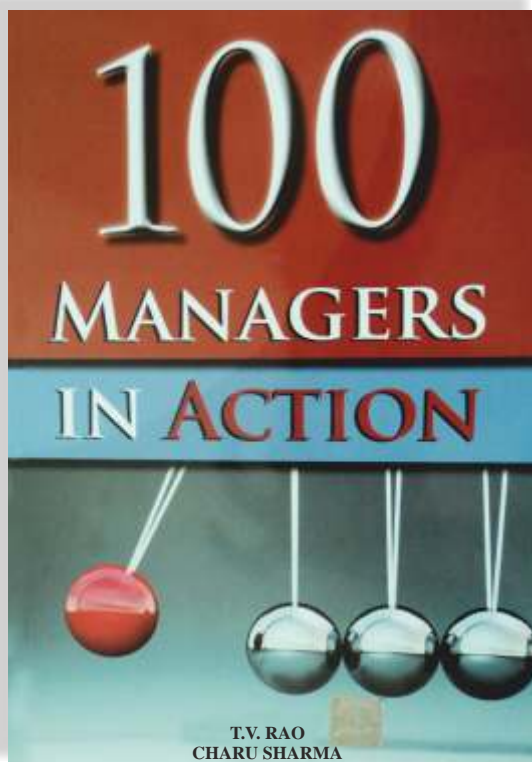
In summary, it may be stated that leadership as an organisational capability to create and sustain competitiveness does not need any overemphasis. Unfortunately, leadership talent is currently in short supply, and we are very unlikely to overcome this shortage in the foreseeable future. The solution therefore lies in augmenting leadership across organizational levels. A myopic perspective to solving this problem involves hiring away leadership talent from other companies – and mostly competition. But this becomes a zero-sum game, since there is just not enough of a leadership bench anywhere in the corporate world, so everyone indulges in this “hire-away” trick. Smart companies seldom waste their time and energy in playing this catch-up game. They invest in turning their organisations into leadership factories that produce a continuous supply of leaders. When done well, not only do leaders with the right brand develop, they also become known for helping the eco system with their leadership talent. My vote is therefore for a build strategy, not buy! Is there an option, really?

References

1. Goldsmith, M. “Leadership is a Contact Sport.” Strategy+ Business, August 25, 2004, Issue 36.



Specially for Managers



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