



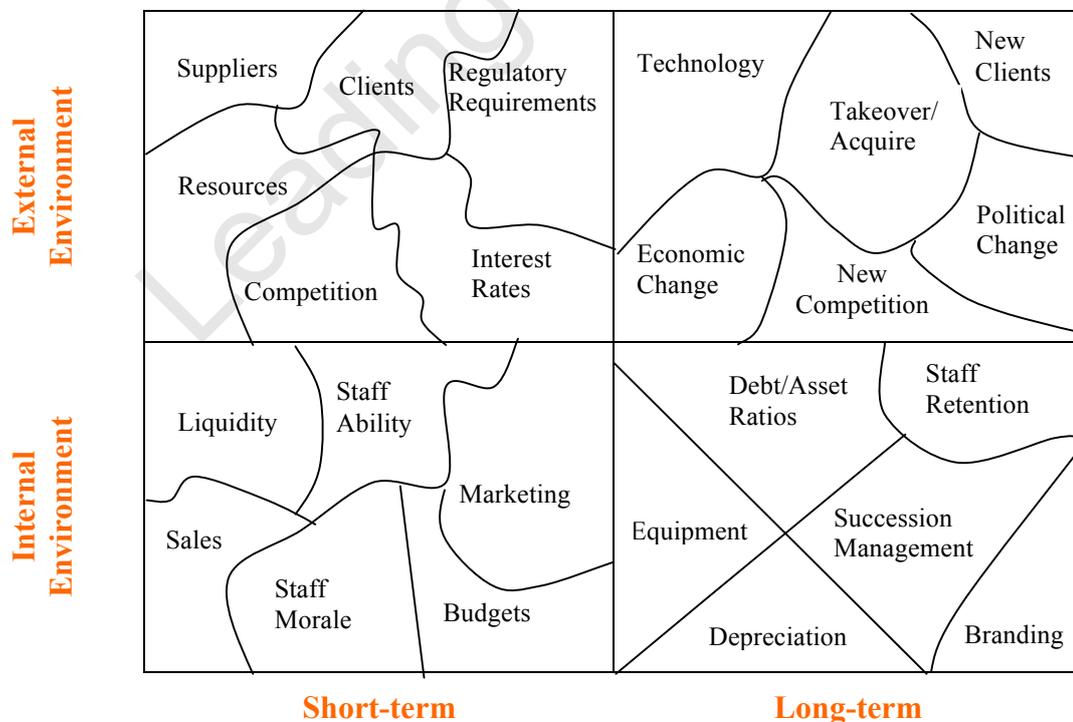
## BUSINESS LEADERSHIP TODAY

The 1995 Karpin Report found that Australian managers, when compared to their counterparts in other countries, lacked competitive leadership skills. While the 2001 AIM-Monash University Leadership Report noted some improvements it also made specific reference to the need to identify leadership potential at an early career stage and implement schemes to nurture this ability.

This series of articles will define five key elements of Business Leadership: Strategic, Collaborative, Inspirational/Influential, Achievement and Situational.

### PART 1 – STRATEGIC LEADERSHIP

The strategic role of our business leaders is to understand their internal and external environments and to use this knowledge to make decisions to align the operations of their internal environment with the needs and opportunities of their external environment. This is a simple concept but when the complexities of today's operating environment are considered it is easy to understand why our leaders are challenged like never before.





They face an increasingly dynamic, competitive and unpredictable environment. Globalisation, escalating technology, highly skilled and knowledgeable staff, instantaneous and low cost communications and a move from meeting customer expectations to anticipating their wants and needs are driving this increase in complexity. Competition is intense relating not only to products and services but to staff recruitment and retention as well.

The increased rate of change and new and increasingly demanding business environments have forced many organisations to rethink the way in which they produce and deliver their products and services. As a result organisations are focusing on how to add value and how to derive more output from fewer resources. In an attempt to achieve this and create more flexible organisations there has been a trend towards the flattening of staffing structures, downsizing and outsourcing. This environment presents a challenge and creates an opportunity for our leaders.

The potential for their leadership characteristics to influence organisational performance is highest when situations are complex, fluid and contain many options and choices. In this environment staff make decisions further down the organisation to facilitate the speed of change and evolution. Business leaders have to lead and have more opportunity to make a difference to organisational performance. Leadership is more important than ever and is the primary differentiating factor between sustainable success and mediocrity.

There are three key characteristics that enable business leaders to be more strategic in today's business environment. These characteristics will enable them to make the most appropriate short, mid and long term decisions to ensure consistent alignment between the internal and external environments.

The first characteristic is information. Information about the immediate issue or problem and information from the wider context. Many leaders who come from a professional background such as accounting, but also engineering or the law for example, have been trained to focus on detail and depth of information. This gives them a very sound understanding of the immediate issues and allows resolution of these on an individual basis. However, without knowing the broader context of these immediate issues, it can be difficult for them to develop holistic ideas and solutions. As a result there is a tendency to address the symptoms rather than the causes.

Information from the broader environment will help our business leaders put information into context. For example understanding the general market place outside their own industry area and identifying the issues driving the broader needs of clients, now and in the future, and understanding how market changes impact both clients and competitors will help leaders to make more strategic decisions.

The second characteristic is conceptual ability. This can be defined as the ability to decipher a myriad of new and existing information and make links to form an



understanding. This element of leadership is most closely aligned to IQ, i.e. raw intellectual horsepower. Does this mean leaders need to be off the scale intellectually to be successful? Certainly not. Leaders have to have the ability to consider and draw meaning from information and to do this they need to have above average intellectual ability. They need to be smarter than the average but they definitely do not need to have the highest IQ in the firm or industry to be successful. This fact is born out by research that indicates that IQ alone only contributes to approximately 25% of leaders' overall performance.

Strong conceptual ability will allow our leaders to better understand the internal and external environments and help them identify trends, potential issues and opportunities. Leaders with this ability can take input, feedback or data across a period of time or from different situations and develop a new idea, a new meaning or a new perspective. Given the complexity of modern organisations and their marketplaces this ability will help organisations see and grasp new possibilities before their competitors or new market entrants.

The third characteristic is the ability to think flexibly and consider alternatives against possible changes in the operating environment. In a continuously changing business environment this is an essential ability. What may be the right answer today could become completely redundant given changes in the operating environment tomorrow. Yet, in the author's experience this is an element of business leadership that is often absent. Leaders have a tendency to develop a single idea or solution and then take it forward. Often it is those leaders who are strong conceptually who are most guilty of adopting an inflexible approach. They can develop very broad and powerful concepts but once they develop that concept are often unable to evaluate others and will discount them.

Organisations that are led by people who are poor in this area will find themselves caught out by changes in the market place and as a result will be re-active rather than pro-active in their decision making. Leaders who are strong flexible thinkers will benefit from environmental changes that can then be leveraged ahead of their competitors. Some organisations are starting to value this ability and have set up specific scenario planning teams to evaluate potential strategies against a number of "what if" scenarios. Since the terrorist attacks on Sept 11 2001, intelligence agencies in particular have made significant efforts to scenario plan both possible methods of attack and their possible reactions to attack. Bill Gates is also known to pursue different, sometimes conflicting technologies to ensure he does not back the wrong horse.

While Strategic Leadership provides the why, when and how to take action it often goes unrecognised. Staff are often encouraged to focus more on immediate results. This can be exacerbated if the organisation's best strategic thinkers are more introverted than extraverted in nature. Therefore strategic ability needs to be sought and rewarded in employees rather than rated behind immediate results.



People who are good strategically are often perceived as being good at innovation. Innovation is about developing new ideas, strategies, products, uses or processes before others. Logic would suggest that to come up with innovations an individual would need to understand a range of information, for example relating to market trends, legislation and technology, see the links between the differing pieces of information and then develop a range of potential options to exploit or protect against changes in the future environment. If a person has strong strategic leadership abilities there is a greater likelihood of them being innovative consistently rather than as a one off.

Organisations' Strategic Leadership will determine their ability to anticipate the future and their role in that future. Strategic ability equips leaders to think flexibly about options and change tactics to better achieve strategic direction. Strategic Leadership is an essential factor in organisations achieving sustainable high performance.

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