



LEADING

WITH

STRATEGIC THINKING

FOUR WAYS EFFECTIVE LEADERS
GAIN INSIGHT, DRIVE CHANGE,
AND GET RESULTS

AARON K. OLSON · B. KEITH SIMERSON

WILEY

Praise for *Leading with Strategic Thinking*

“This is a very practical book, highlighting how the best leaders and organizations gain strategic insight and then make change happen. In the armed forces we take both strategy and leadership very seriously—this book does justice to both topics.”

—**General Richard Myers**,
Chairman of the Joint Chiefs of Staff, U.S. Military (Retired)

“*Leading with Strategic Thinking* is an important, new contribution to the practice of leadership. Defining the intersection between business strategy and strategic management reveals multiple paths to leadership development—at a point in time or over time. I applaud Aaron and BK for making leadership more accessible for all of us.”

—**Renetta McCann**,
Chief Talent Officer, Leo Burnett

“Through a powerful blend of diverse leadership examples and academic insights, Olson and Simerson provide a framework of leadership types that masterfully address the two competencies required of any successful leader: having strategic insight and driving strategic change.”

—**Marc Knez**,
*Clinical Professor of Strategic Management,
University of Chicago Booth School of Business*

“Across industries, many leaders are encouraged to improve their strategic skills. Often, the path to skill enhancement is not clear. What I appreciate about this book is the tangible behaviors, real-life case studies and specific actions to address the strategic needs of a leader and an organization. I strongly recommend this book to anyone looking to grow in their strategic leadership.”

—**Rose Hollister**,
*Senior Director, Jim Skinner Institute of Leadership,
McDonald’s Corporation*

“Kudos to Olson and Simerson for giving us clear, compelling, and relevant approaches to strategic leadership, change, and implementation. Whether you are in the C-Suite or aspiring to get there, this book illustrates how strategic leaders can find the right way to adapt their approach. The examples, from established enterprises like Google and 3M, to entrepreneurial start-ups and even vast public sector transformations, make this a ‘must-read,’ whether you desire to lead a public company, a venture backed start-up, or an emerging not-for-profit. A great book that everyone on the team should read.”

—**Michael C. Krauss,**

President, Market Strategy Group;

“@ C-Level” columnist for Marketing News

“Great leadership is all about adjusting to new context. Aaron and BK provide us with a framework and insights to not only manage the disorientation of shifting context but to leverage it for better business results.”

—**Steve King,**

Executive Director, Center for Executive and Professional Development,

Wisconsin School of Business

Leading with Strategic Thinking

Leading with Strategic Thinking

Four Ways Effective Leaders
Gain Insight, Drive Change,
and Get Results

Aaron K. Olson
B. Keith Simerson

WILEY

Cover design and illustration: Wiley

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Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

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Library of Congress Cataloging-in-Publication Data:

Olson, Aaron K., 1974–

Leading with strategic thinking : four ways effective leaders gain insight, drive change, and get results / Aaron K. Olson, B. Keith Simerson.

pages cm

Includes index.

ISBN 978-1-118-96815-4 (hardback); ISBN 978-1-118-96816-1 (ePDF);

ISBN 978-1-118-96817-8

1. Leadership. 2. Decision making. 3. Problem solving. I. Simerson, Byron K. II. Title.

HD57.7.O4327 2015

658.4'092–dc23

2015001987

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

To Darlie, Jarrett, Brent, and Andrew, thank you for your continued encouragement and support and for teaching me the importance of personal and situational awareness.

The boundless enthusiasm, passion, and zeal you bring to everything you do invigorate and energize me. To Kristin and Jessica, I find our conversations to be profoundly stimulating and exhilarating. To Alexander, I can already tell you are in for the time of your life!

To Jeanne, thank you for your wisdom, patience, and encouragement. You never cease to amaze me. To Grace and Habs, you help me see the world for the amazing thing that it is.

To Mark and Doreen, thank you for teaching me the value of solving problems that matter.

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Foreword

Disruptive change requires a new type of strategic leadership. While it is hard to define, we know what it looks like when we see it and when we don't. This book creates a new lexicon for this critical skill set and actionable ideas on how to develop a strategic perspective, apply adaptive thinking, and demonstrate courageous leadership.

A good example of the complex challenges we face is health care. It's clear that the traditional way of delivering health benefits—and health care—is broken. Costs continue to rise unabated, and the health of the population continues to decline. Nowhere is this more acute than in the United States. For the first time in decades, key stakeholders from employers, to insurance carriers, to health care providers, to government are all working on ways to fix a system that is ripe for fundamental change. In my recent discussions with literally hundreds of government leaders, CEOs in the health care industry, and senior executives at some of the world's largest employers, they are all trying to make sense of their role in an evolving health environment. They must rethink their definition of health and performance, reexamine the strength of the implied contract for health between employers and employees, and reconsider their role in transforming the health ecosystem in ways that align risk and consequences and drive healthy behaviors and outcomes.

This is just one example of a new breed of disruptive forces that are fueling upstarts and challenging incumbents in almost every industry

and economy around the world. Advances in technology are transforming every aspect of our lives—enabling new solutions, services, and products delivered in a highly personalized way. The rise of consumerism is giving new power to the individual and raising expectations for the information and access needed to make increasingly consequential choices that affect our security and well-being. Likewise, globalization is creating both opportunity and competition as people and countries become increasingly intertwined.

Navigating these kinds of systemic change requires strategy *and* leadership. Finding the right solutions will require strategic analysis, design, and planning. Driving the necessary change will require strong leadership that embraces diverse thought, builds trust, creates momentum, and removes barriers. Without both strategy and leadership, we risk making incremental progress that doesn't address the real underlying problems we face.

The urgent need for strategic leadership exists at every level. We need leaders who can see opportunities arising from complex, highly interdependent problems. We need frontline leaders who can lead the charge, influencing others to embrace new ways of working together—and working for one another to achieve a common mission. We need individuals who are motivated to reinvent their own work and equipped to make trade-offs between competing priorities without constant direction from above.

Strategic leadership is easy to recognize when it is present—or missing—but it is often hard to describe. I've worked with many leaders in my career who possess the ability to assess an environment and quickly adapt their approach to suit the situation. I've probably worked with more who were unable to deconstruct a challenge, consider alternatives and consequences, and work differently to get the desired results. I've realized that the best leaders see patterns that others don't and can turn these observations into unique actions. They enroll and empower those around them to actively participate in problem solving. Most importantly, they aren't afraid to seek feedback and make course corrections when needed along the way. This book

helps motivate, develop, and support individuals and organizations to bring together strategic thinking and strong leadership.

Aaron and BK offer fresh and pragmatic insights into what it means to approach a problem strategically and then lead through the required change. I've enjoyed spending time with them sharing some of my real-life examples of what strategic leaders actually do when addressing real-world problems and opportunities. As teachers, coaches, and leaders themselves, they've used their own experiences, along with insights from their deep networks, to capture crucial aspects of strategic leadership in practical terms that are easy to understand and apply. The result is a new and powerful language on how to lead through strategic change.

I look forward to seeing this book help organizations and individuals lead more strategically and with more sustainable impact.

—Kristi Savacool
CEO, Aon Hewitt

Preface

“You need to be more strategic.” When someone receives this kind of feedback, what does it mean?

We believe that too often strategic thinking is defined narrowly and is misunderstood. Strategic thinking is defined narrowly when its relevance is seen as being limited to senior executives responsible for defining strategic direction. This narrow definition overlooks the value that is created when everyone in an organization approaches work in a more strategic manner. This is particularly true in times of disruption, when forces of technology and social change challenge the status quo and create opportunities for massive improvements in collaboration, productivity, and value creation. Likewise, strategic thinking is misunderstood when it is thought of as synonymous with strategic planning. This limits the relevance and application of a key skill that can and should be applied in a wide range of contexts. Strategic thinking can and should improve the performance of CEOs, but it can and should also be applied by line managers, individual contributors, politicians, coaches, and parents. For these reasons, being competent in strategic thinking is critical for individuals and organizations. Practiced well, it drives performance and distinguishes high potentials. Practiced poorly, it destroys value and derails careers.

Strategic thinking comprises three key activities: assessing situations, recognizing patterns, and making decisions. Relevant concepts

and tools from the fields of cognitive psychology, systems thinking, and game theory can enhance any leader's ability to think strategically.

It is in the application of strategic thinking to the art of leadership where many experts and books on this topic neglect to address important insights. Broader than a set of best practices or a strategic plan, strategic leadership:

- Acknowledges both the planned and emergent nature of gaining strategic insight,
- Considers the nuances of effectively driving strategic change, and
- Varies widely as a reflection of both personal style and context.

These issues, often overlooked, are the primary focus of this book. In it we explore academic literature, popular opinion, real-world data, and case studies that inform our definition of strategic leadership.

We have written this book especially for those seeking answers to questions about the intersection of strategic thinking and leadership. The readers of this book will likely fall into one of several categories:

- Aspiring and seasoned leaders: We wrote this book specifically for you, and designed it to be focused and practical. It has value in its entirety, but any specific chapter can stand alone and provide actionable advice. Use our book as a practical guide when (1) embarking on a new venture in which you want to weigh and select the most appropriate approach, (2) taking on new or expanded responsibilities that require you to reconsider how you approach your work, (3) reflecting on your work and how you consider your role, or (4) receiving feedback suggesting that you become more effective and have greater impact.
- Consultants and advisors can use our book to coach leaders on the essentials of strategic thinking and leadership. From our experience, the concepts and tools in this book are well suited to help leaders at any level or with any amount of experience consider the challenges that sit at the intersection of strategy and leadership.

- Academicians and students can use this book to teach or learn what leaders must do when driving strategy within various contexts, under different circumstances, and with different purposes in mind. While this book is intended to serve as a practical guide rather than an academic text, we have based our writing on well-regarded principles validated by empirical research. We wrote this book because we identified specific relationships between strategy and leadership that we do not see being fully addressed in today's popular or academic literature.

With these readers in mind, we have written a book intended to be as enjoyable to read as it is practical. While some books focus on strategic thinking and others on leadership, this book focuses on the intersection of the two topics. In looking at these relationships, we will address:

- The major contexts and circumstances within which strategic thinking and leadership typically occur,
- Four types of strategic leadership that integrate strategy formulation and execution, and
- How a leader can adapt their approach to best suit a given situation.

This book is composed of real examples. Organized around a conceptual framework, it focuses on practical cases featuring real leaders. We draw these examples from our extensive experience working with senior executives, leadership teams, and graduate students who have applied these techniques to become more effective and achieve results.

This book's chapters are sequenced to introduce broader concepts and then provide tools likely to prove useful. The book contains six chapters:

1. **Fundamentals of Strategic Thinking and Leadership.** Presents the essential concepts of leadership and strategic thinking. Our definition of strategic leadership is introduced, and we review four examples that demonstrate strategic thinking and leadership in action.

2. **The Four Types of Strategic Leadership.** Introduces our methodology and overarching framework. We describe the key activities we see leaders typically apply when practicing one of four types of strategic leadership:
 - a. **Visionary Leadership:** Driving strategy through personal vision.
 - b. **Directive Leadership:** Driving strategy through structure and process.
 - c. **Incubating Leadership:** Driving strategy through empowering others.
 - d. **Collaborative Leadership:** Driving strategy through cocreation.
3. **Examples of Strategic Leadership.** Four case studies describe what real-world leaders do when applying the four types of strategic leadership.
4. **Applying Strategic Leadership.** Spotlights how leaders can apply the concepts of this book to make conscious decisions to lead strategically, with a focus on gaining insight and driving change. A case study highlights one leader's intentional approach to adapt his leadership style to get results.
5. **Garnering Buy-in, Commitment, and Advocacy.** Spotlights what individuals, depending on their strategic leadership type, must (1) consider as likely biases and blind spots, and the steps they must take to mitigate them; and (2) do to garner the buy-in, commitment, and advocacy of others. We provide examples to demonstrate how strategic leaders draw upon the hearts, minds, and hands of followers.
6. **Developing Strategic Leadership.** Showcases the skills that strategic leaders must demonstrate to be effective as strategic leaders, including how many of those skills vary depending on the type of strategic leadership being applied. We highlight practical examples of how we see strategic leadership developed at both the individual and organizational levels.

Case studies are included throughout this book, and discussions with leaders were an essential part of our work. The strategic thinkers and leaders willing to share their stories with us include Todd Connor; Brian Fitzpatrick; Liz Gerber, PhD; David Hammond; José Ignacio Sordo; Ronald Kirschner, MD; Erica Labovitz; Neil Nicoll; Danae Ringlemann;

and Slava Rubin. These selfless individuals have shared insights without which this book would not have been possible.

Conversations with a slate of friends, associates, and colleagues also helped make this book possible. For this, we thank Greg Besio, Rich Gravelin, Robert Hooper, Chris Kingseed, Ingo Schiller, Kevin Murnane, Dan Tepke, and the faculty, staff, and students of Northwestern University's Masters of Learning and Organizational Change program, where we have had the privilege to teach.

Many professional colleagues at Aon Hewitt graciously shared their expertise and research as input to our work. For this, we thank Seymour Adler, Shelli Greenslade, Jessie Leisten, Ken Oehler, and Lorraine Stomski. Special thanks are due to Aon Hewitt CEO Kristi Savacool, who sponsored our collaboration and who was generous with her own time and insights on this topic.

Our wonderful editor, Shannon Vargo, and the team at Wiley have provided invaluable advice and support to us throughout the writing process. Thank you to Matt Holt, Lauren Freestone, and Elizabeth Gildea.

A special thanks goes to Jeanne Olson, who helped us immensely while working on our manuscript. Her input on our writing and her illustrations, which you will find throughout the text, have greatly added to the quality and clarity of how our work is presented.

Introduction

Whether responsible for one or many, whether attempting to influence an individual or a nation, we consider strategic thinking and leadership to be of paramount importance.

Issues and Considerations

Strategic thinking and leadership are effective only if they occur within the proper context. Their relevance is only clear if you have first thought about several fundamental questions: What do you care about? What are your challenges? What do you aspire to become? How do you wish to contribute to your colleagues, team, organization, or community?

Answers to such fundamental questions open the door to a slate of additional questions. How do you interpret the present, past, and future? How do you identify and analyze the full range of available options? How do you influence others to support your chosen course of action? What actions will you take to achieve the impact you desire?

This book goes beyond the mechanics of strategic thinking and leadership. We will explore the motives and preferences that lead to an individual thinking and acting strategically. Regardless of your goal, information provided in this book will help you recognize and

leverage the positive aspects of your personal style and also avoid your personal blind spots.

In some ways, strategic thinking is like constructing a mental map that connects the current “here and now” to something, somewhere, or sometime in the future. Just like a road map that will take you from the countryside into the center of a large city, strategic thinking gives you a general feel for your route, gives you waypoints that help designate your path, and provides guidance if things turn sideways while you are en route.

The Importance of Holistic Perspective

Strategic thinking occurs during every phase of your overall effort. Such a holistic perspective helps you raise awareness of key considerations, build confidence regarding the appropriate path forward, and increase precision in executing planned actions.

A leader benefits from a holistic perspective just as a pilot benefits from considering all aspects of flying an aircraft. A close colleague who is a pilot recently told us about the roles, responsibilities, and considerations of piloting a twin-engine airplane. He pointed out that operating a high-performance airplane capable of cruising at 520 miles per hour at altitudes of more than 49,000 feet carries a lot of responsibility. At that speed, the plane is covering almost 8.7 miles each minute or the equivalent of two football fields each second. To function in a responsible manner, pilots adhere to certain principles that help them maintain a holistic perspective. It is critical that the pilot be aware of what is happening within their own mind and body, within the cockpit and aircraft, and within the surrounding 50 to 75 miles of airspace. Our colleague suggests these are some of the guiding principles pilots consider when handling an airplane:

- Your focus and attention must “stay ahead of the airplane.”
- You must be forward looking and forward thinking.

- You should direct your eyes outside of the cockpit approximately 90 percent of the time, directing your eyes inside the cockpit 10 percent of the time.
- You should use multiple cockpit instruments to verify or discount the data you receive from any one instrument, in order to alert you to a malfunctioning instrument.
- You must properly “manage the cockpit.” Awareness is only half of the equation, and cockpit resource management ensures that the pilot receives full benefit from all of the available resources, including data from cockpit instruments, recommendations from fellow crew members, observations from outside the cockpit, and guidance coming from air traffic controllers.
- You must ensure full understanding of who is in control—there can only be one pilot in command of the aircraft at any given time.

Clearly, piloting an aircraft requires a holistic perspective. We find that the same is true for effective strategic thinking. In the course of our work advising individuals and organizations, we have found that the most effective leaders take similar steps to achieve appropriate awareness, anticipate required actions, share responsibility, mitigate risk, and ensure intended outcomes.

The Importance of Context

Just as a holistic perspective improves strategic thinking by ensuring that all factors are considered, it is also important to consider context. One of us (Simerson) grew up in a rural area of North Carolina known for its cattle. There I learned that there are two primary techniques for managing livestock. In this context, the prevailing wisdom is that close-quarter range management is better than open-range management. The close proximity of the herd allows one to monitor and manage each head of livestock more closely. That said, the same technique is not better from a broader perspective—population density creates issues of disease control and environmental impact management.

For the more urban reader, consider this question: Does having a swimming pool increase the property value of your home? It turns out that it depends. Conversations with a local real estate professional suggest that if you have a swimming pool, it does not add to the value of your home. Most agents believe it actually lowers the value because many prospective buyers do not want the added cost of maintenance, are concerned about decreased yard space, or worry about their children. That said, if your neighbors have a swimming pool and you also have a swimming pool, your property value will be comparable to your neighbors'. And, in fact, if you are one of the few in your neighborhood who does not have a swimming pool, your property value will go down. The old mantra "location, location, location" holds true here. The influence or impact of having a swimming pool differs according to where the property is located.

The Importance of Applying Perspective and Context

We consider questions to be a critical element of strategic thinking. Both the number of questions asked and the nature and scope of those questions are both important. On this front, a conversation that one of us overheard while serving as a law enforcement executive comes to mind. A patrol commander and a crime analyst were discussing the ability to predict the likely time and location of armed robberies based on available data. This was an important issue, in that our local community had experienced a spate of armed robberies at several local convenience stores committed by what was presumed to be the same individual.

As they discussed the matter, it became increasingly clear that the commander's comments were focused mainly on the precision and accuracy of the forecast, while the crime analyst's comments centered on matters related to maintaining a holistic perspective and context. As the commander kept asking for more detail, the analyst kept focusing

on what patrol officers would do with the information. Experience suggests neither set of questions was right or better than the other. Although it is unrealistic to expect predictions to be 100 percent accurate, a certain level of precision is needed in order to ensure the utilization of resources. A forecast that is 99 percent accurate is much better than one that is only 60 percent accurate. That said, achieving 99 percent accuracy is only useful if it influences or impacts actions in some planned and purposeful way.

These situations showcase the underlying tenet of this book: Strategic thinking only matters if it leads to purposeful action. Furthermore, leadership only matters if it is informed by a clear understanding of context and perspective. It is strategic leadership—the result of leadership actions informed by strategic thinking—that drives meaningful results.

Fundamental Questions

With these issues in mind, we highlight a few of the questions that colleagues, clients, and students have raised with us when discussing strategic thinking and leadership. We believe you will be able to relate to many, if not all, of them.

- From the senior vice president of a private label canned vegetable company:
 - How do I gain and maintain an in-depth understanding of my business?
 - How do I articulate the vision of where we should go?
 - After I've gotten buy-in, how do I lead the effort—not micromanage—while still giving direction and having sufficient controls to make sure things are on track?
- From a physician's assistant in a leading teaching hospital:
 - How do I get people to “follow the leader”?
 - How can I define success?
 - What the heck is “strategic” thinking?

- From the executive vice president and practice leader of a private equity firm:
 - How can I make numerous quick, strategic decisions?
 - In terms of strategic thinking, how can I more quickly pick things up, assess matters, draw conclusions, and make decisions—and then more quickly attack?
 - How do strategic thinking and strategic leadership change when applied to different situations?
- From a director of a leading children’s hospital:
 - How can I help leaders redirect reactive habits toward more strategic thinking?
 - What are the measures of “sound” strategic thinking? What are the best practices?
 - How do I teach strategic thinking to my team to prepare them for the future?
- From a corporate board member:
 - How do you combine the art and the science of strategy formulation to create something exceptionally powerful?
 - How do you strengthen an individual’s strategic thinking capability?
 - Is there a particular strategic thinking style that is more conducive to a particular industry or profession, or more applicable to a profit or nonprofit organization?

These and other questions inform our focus in writing this book, as do hundreds of other conversations we’ve had with leaders in both professional and casual situations. We don’t address all of them directly, but we’re confident that you will gain insight into each of them and into your own questions as you work your way through this text.

Strategic thinking—with its emphasis on assessing situations, recognizing patterns, and making decisions—is a compelling imperative in today’s complex, changing, and risk-laden world. While the focus and process of strategic thinking may vary, it is always key to maintaining perspective and focus when the external environment changes. Leadership—with its emphasis on influencing others toward a chosen course of action—is equally compelling. While the manner

in which leadership is exercised may change, it is nonetheless key to having an impact on your team, organization, community, industry, or profession.

These are the considerations and questions we intend to address as we explore the key aspects of leading with strategic thinking. The next chapter presents fundamental concepts that define both strategic thinking and leadership, and provides real-world examples of strategic leadership in practice.

1

Fundamentals of Strategic Thinking and Leadership

To adequately address the issues and questions we raised in the Introduction, we must recognize and understand the nature of strategic thinking and leadership. To do so, we will begin by addressing each as an independent topic. We will also explore the important relationship between them. After reviewing their nature and elements, we will turn our attention to their application through several stories of strategic thinking and leadership in action.

The Nature of Strategic Thinking

Achieving a meaningful understanding of strategic thinking involves addressing several interrelated topics. From an academic perspective, we see strategic thinking at the intersection of three fields of study: cognitive psychology, systems thinking, and game theory.

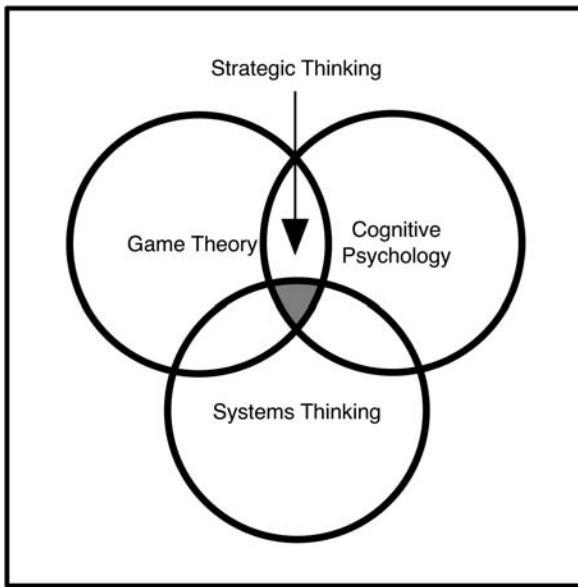


Figure 1.1 The Three Components of Strategic Thinking

Cognitive psychology is the study of perception, creativity, decision making, and thinking. Systems thinking is an approach to understanding how systems behave, interact with their environment, and influence each other. Game theory is the study of decision making when the decision involves two or more parties (the decision maker and the opponent or adversary). While these are all academic disciplines, they address highly practical real-world matters. Applying cognitive psychology helps you manage your biases and blind spots. Systems thinking helps you broaden the slate of factors you consider when evaluating options and prioritizing actions. Game theory helps you further recognize the ramifications of your decisions and actions and take steps to mitigate opposing forces. We will now explore each of these disciplines in terms of how they influence and impact strategic thinking and strategic leadership.

Before we begin, we should note that the purpose of this chapter is not to provide an exhaustive review of the research that has been conducted in each of these three fields. Rather, our intent is to lay the foundation for subsequent chapters and provide enough information to raise your level of awareness of considerations impacting your ability to think and lead strategically.

Cognitive Psychology

The term *cognitive psychology* was first used in 1967.¹ It is the branch of psychology that studies mental processes regarding how people perceive, solve problems, make decisions, and become motivated. Although cognitive psychology includes the study of memory and how individuals sense and interpret external stimuli, the most relevant elements for our purposes include how preconceived notions and beliefs influence and impact your analysis, the conclusions you draw, and the decisions you make. It also reveals the impact of mental models and processes on our focus, self-awareness, and awareness of the environment. Combined, these factors influence how we perceive our current reality, interpret existing and emerging opportunities, and imagine the future we desire.

In essence, cognitive psychology helps us explore and understand the way we interpret and interact with the environment. We consider this important because *interpretation* involves our grasping and analyzing information, and *interaction* involves our managing, altering, or manipulating our current or future environment.

Types of Discovery

The questions we ask are a key influence on how we interpret and interact with the environment. For example, what questions do we typically use when seeking to comprehend? When thinking about

the future? When attempting to identify viable alternatives? A series of studies conducted by noted psychologist Jerome Bruner in the 1960s revealed that individuals have a natural tendency to ask certain types of questions when attempting to understand situations, events, and circumstances. His research revealed two types of questions, rooted in concepts called “episodic empiricism” and “cumulative constructionism.” Episodic empiricism is manifest in questions unrelated to or unbound by existing rules, laws, and principles—they are the questions typically used when attempting to make sense of the world and decide on a path forward. In this case, the question becomes the new hypothesis. Cumulative constructionism, on the other hand, manifests as questions intended to add clarity to existing understanding, paradigms, and structure.² Put simply, some questions focus on “drilling down,” while others focus on “broadening.”

For example, consider the two types of questions that can be asked about a commercial-transport airplane crash. Cumulative constructionism—type questions, intended to drill down, might include:

- When did the crash occur?
- How far from the departure airport was the crash?
- How far from the arrival airport was the crash?
- Did the pilots declare an emergency prior to the crash?
- Were there any eyewitnesses to the crash?
- If there were eyewitnesses, what did they see?
- Was anyone on the ground injured or killed?
- Did the pilots deviate from the flight plan prior to the crash?
- Did the airplane strike a mountain or another airplane?
- Were there any survivors?

Episodic empiricism—type questions, asked to broaden one’s thinking, might include:

- What type of material was the transport airplane carrying?
- What is the safety record of the company owning the airplane?

- What was the safety record of the flight crew?
- Who manufactured the airplane?
- What is the safety record of airplanes built by this particular manufacturer?
- How do all of the above compare to other airplanes, flight crews, and airplane manufacturers?
- How do all of the above compare to equipment, operators, and manufacturers in other industries?

Both lines of questioning are important. The value lies in understanding the difference and appropriate use of each.

From our perspective, the former type of questions are valid but will likely lead you down the current path to a certain conclusion and decision, albeit one with a greater level of detail. In contrast, the latter type of questions will likely lead you to a broader understanding and ultimately to a new and potentially more creative insight through considering more options.

The Role of Cognitive Ability

Another branch of cognitive psychology focuses on the role of intelligence in decision making and problem solving. While these activities are undoubtedly a component of strategy, we deemphasize the role of intelligence in strategic thinking and strategic leadership. Our stance is consistent with the conclusion that Bruner came to in his analysis of creativity:

*Nothing has been said about ability, or abilities. What shall we say of energy, of combinatorial zest, of intelligence, of alertness, of perseverance? I shall say nothing about them. They are obviously important but, from a deeper point of view, they are also trivial. For at any level of energy or intelligence there can be more or less of creating in our sense. Stupid people create for each other as well as benefiting from what comes from afar. So too do slothful and torpid people. I have been speaking of creativity, not of genius.*³

Creativity is manifest in a wide range of circumstances, independent of basic intelligence. Given this, we do not consider intelligence to play a distinguishing role in strategic thinking or strategic leadership. Instead, we consider several other cognitive characteristics to be important, including the following:

- The ability to recognize and take advantage of personal strengths and mitigate personal weaknesses,
- Comfort with and ability to understand complexity,
- The ability to recognize related concepts and principles,
- Self-confidence and belief in oneself,
- Comfort with ambiguity and uncertainty,
- A willingness to take risks,
- The courage of conviction,
- The willingness to draw conclusions and make decisions, and
- Personal assertiveness.

These cognitive characteristics consistently have been proven to correlate with creativity.⁴

We believe that cognitive activities associated with the creative process⁵ enable strategic thinking. These activities—while perhaps not always discrete or linear—typically include the following:

- Preparation: Becoming familiar with existing works, what has been done, how challenges are typically addressed, and how opportunities are typically seized.
- Incubation: Allocating time to the creative process, such that ideas and thoughts combine and awareness and understanding materialize.
- Insight: Combining existing concepts, principles, frameworks, and models to form new relationships, combinations, associations, or structures.
- Verification: Assessing and elaborating on new ideas to determine whether they are likely to be brought to fruition and molded into a complete product.

Types of Thought Processes

Whether your approach to problem solving and decision making involves sequential steps or taking intuitive leaps may depend partly on what research psychologist Gary Klein describes as System 1 and System 2 thinking.⁶ System 1 thinking involves applying instinct and intuition, which are in essence experience-based and expertise-driven. System 2 thinking involves applying and following preestablished steps and procedures. System 1 is somewhat unstructured, emergent, and omnidirectional, while System 2 is linear, somewhat rigidly sequenced, and unidirectional. While System 2 will help ensure you do not make serious mistakes in your logic or thinking, it alone is not enough. Much like the list of drill-down, cumulative construction-type questions we cited earlier, System 2 thinking alone proves inadequate in terms of raising, considering, and addressing the myriad issues in our complex, ambiguous, and uncertain world. System 1 thinking is much more effective at raising these issues.

In his influential book *Thinking, Fast and Slow*, Nobel Prize winner Daniel Kahneman⁷ provides examples of activities attributed to System 1 thinking:

- Determining that one object in the distance is closer than another.
- Looking toward the direction of a loud and sudden sound.
- Completing the phrase “peanut butter and . . .”
- Making a “sad face” when shown a heartbreaking photo.
- Detecting anger in someone’s voice.
- Understanding two- to three-word sentences.
- Driving a vehicle on an empty road.

Kahneman also provides examples attributed to System 2 thinking:

- Looking for a person wearing a red hat.
- Walking faster than normal.
- Self-monitoring and self-regulating your behavior.

- Stating your telephone number.
- Comparing and contrasting the value of consumer goods.
- Completing and submitting the annual tax form.
- Evaluating a complex logical argument.

Just like the two types of questions highlighted earlier, System 1 and System 2 thinking both serve different purposes.

We believe that System 1 and System 2 exploration is not an either-or proposition. Rather, we consider both to be conducive to credible analysis and exploration. The issue therefore is not which System to apply but, rather, when to emphasize each and what risks to consider when placing too much emphasis on one or the other. More specifically, when should you apply a process-driven methodology and when should you broaden your thinking to include or emphasize intuition or instinct? What are the trade-offs or risks of placing too much emphasis on one type of thinking and too little on the other?

While the preceding exploration focuses heavily on the internal cognitive process, it is imperative that the internal process occurs with conscious awareness of context. Alva Noë, a professor of philosophy and expert in the theory of perception, emphasizes the importance of paying attention both to what one is doing and how one is doing it at any given moment:

*Suppose I am a hiker. I walk along and move my legs in all sorts of subtle ways to follow a path along a trail. But the steps I take and the way I move my legs are modulated by, controlled by, the textures and bumps and patterns of the trail itself. There is a kind of locking in. To study experience, to think about the nature of experience, is to look at this two-way dynamic exchange between the world and the active perceiver.*⁸

Context is as critical to the leaders' thinking as it is to the hiker's walk.

Conversations with Bobby Duby,⁹ a world-class hunter, showcase these tenets. Bobby is a hunter even hunting opponents like. He takes

steps to follow all state laws pertaining to wildlife conservation and hunting, only kills enough animals to provides an adequate amount of meat for his family, takes steps to leave only footprints behind when leaving a hunting area, works with local wildlife officers when he comes across illegal or questionable practices, and does all that he can to help ensure the animals he shoots do not suffer. He also takes steps to level the playing field. For example, he only hunts with a compound bow, hunts only on land in which game has escape routes, and does not bait his prey. Bobby realizes taking these steps comes with a price; in all likelihood, they decrease his success as a hunter. This is noteworthy given that some people pay professional guides up to \$15,000 to \$20,000 to hunt as he does and where he does.

While attempting to follow the hunting principles of his forefathers, what does Bobby do to increase the odds of his hunting trips being successful? In many ways, he applies the thought processes and discovery methods we have highlighted here—for example:

- Bobby believes that there is no substitute for hunting time. The more time you spend in the field, the more likely you are to succeed as a hunter.
- He relies heavily on his intuition, which he believes is strengthened each hunting season. In seeking to strengthen his intuition, he believes that his failures are as important as his accomplishments.
- Bobby studies maps of his hunting area, studies the flora and fauna therein, monitors weather patterns, and analyzes changes in elevation of the terrain. He applies both structured analysis and “a gut feeling” that he has developed over time to determine what this information implies.
- He periodically reassesses the situation during each hunting trip, evaluating presenting events and circumstances to recognize unanticipated and unexpected occurrences that might influence his thinking and behavior during the remainder of the trip.
- Bobby has conversations with as many individuals as he can who might be familiar with the area, the wildlife, and prevailing or emerging situations, events, and circumstances.

These examples reflect the integrated application of both types of discovery questions as well as both System 1 and System 2 thinking. Bobby integrates these methods to improve his performance as a hunter, just as we each have the opportunity to integrate practical concepts from cognitive psychology into our work and daily lives.

Systems Thinking

We consider systems thinking to be a key element of strategic thinking. Much has been written about systems thinking since noted systems scientist Barry Richmond began studying and writing about the topic in the late 1990s.¹⁰ Richmond considers most challenges we face to be multifaceted, interconnected, and constantly changing. He stresses the challenge of recognizing and understanding these interdependencies when dealing with such complexity. Given this challenge, he has been a champion for more effective methods of thinking.

Types of Thinking

Unfortunately, many people do not think in a way that is likely to recognize and understand the complexity that surrounds them. Richmond notes that many people are raised to be linear, sequential, and one-dimensional thinkers. For our purposes, we will focus our discussion on the tendency of some individuals to demonstrate a “checklist” mentality. While Richmond identifies other important implications of linear thinking, we emphasize the checklist mentality because it is particularly relevant to our exploration in this book.

One implication of having a checklist mentality is considering “cause” to be the one or two actions that occur immediately prior to a particular event. Such a cause-effect relationship can reveal an unconscious assumption that only directly linked factors can influence

an event in meaningful ways, underestimating the relevance and impact of indirect causes and influences.

Whenever an incident occurs, an individual using this mode of thinking would likely ask:

- Have we identified the one or two actions immediately preceding the state, event, or incident? If so, check.
- Have we created a solution to be applied to the one or two contributing factors? If so, check.

Having evaluated and confirmed these two questions, the matter would be considered closed. Unfortunately, this leaves several additional questions unexplored:

- What other factors directly or indirectly influence the event?
- Do each of these factors contribute equally, or do some have a greater impact than others?
- To what extent will a specific solution address the contributing factors?
- Which solutions should occur first, second, and third to ensure optimal results?
- Is this event a symptom of some larger problem?

Each of these questions combats the checklist mentality by opening up the possibility of discovering additional relevant data.

We frequently observe the checklist mentality at play when working with our clients, colleagues, and graduate students. We therefore recognize the strength of Richmond's recommendations for countering such a mind-set and helping us recognize and understand how things really work. His recommendations take the form of the following discrete types of thinking that contribute to his broader definition of systems thinking:

- **Dynamic Thinking:** Involves recognizing patterns and trends that materialize over time rather than focusing on isolated factors, events, or circumstances.

- **Closed-loop Thinking:** Involves recognizing that systems consist of connected and interdependent processes that do not flow one way but, rather, interact in dynamic and constantly changing ways. An important facet of closed-loop thinking is that it helps you recognize the role the individual plays in influencing the system.
- **Generic Thinking:** Involves recognizing the broad-based and multifaceted implications of people, processes, systems, mechanisms, and events. Using an example common in business school courses, what might have happened if the railroad companies had considered themselves to be part of the transportation industry rather than merely being railroad companies? Might Southern Railway now be responsible for transporting supplies to the International Space Station?
- **Operational Thinking:** Involves thinking in terms of how a system, process, or mechanism actually works rather than how it was intended to work. This helps one avoid falling into the trap of assuming that the system designed in the planning process will perform “in accordance to plan” simply because that was the original intent.
- **Continuum Thinking:** Involves recognizing that what seems like opposing forces typically are connected and have certain commonalities or interdependencies. Such recognition allows one to find common ground upon which to build rather than continuing to focus on the boundaries and disconnections.

Each of these examples provides concrete ways to apply systems thinking to avoid the checklist mentality and to understand more accurately the dynamics typically at play in a given situation.

Systems Thinking in Groups

Just as systems thinking can help individuals think more strategically, it can also help teams and organizations. In the 1980s, Peter Senge conducted research to discover how organizations build learning

capacity and why some organizations are better at learning than others. The practices that differentiate the effective learning organization are referred to as the Five Learning Disciplines, all of which we consider to contribute to strategic thinking:

- **Shared Vision:** Involves formulating a compelling vision to create commitment among a group to “pull” individuals toward the envisioned future state.
- **Mental Models:** Involves surfacing the values, assumptions, and expectations that determine the way people think and behave. We will describe tools later in this chapter that can help challenge existing assumptions and ensure that contributors working together to turn the vision into reality do so in a consistent and mutually supportive manner.
- **Personal Mastery:** Involves taking steps to strengthen self-awareness about how we think, draw conclusions, make decisions, and manage conflict, as well as how we apply these to establish, manage, and strengthen relationships.
- **Team Learning:** Involves teams working together to review situations and gain mutual understanding of what they had hoped to accomplish, how things progressed, and how they handled unexpected and unplanned events. Doing so can reveal underlying and contributing factors, and identify necessary steps to increase effectiveness and efficiency in the longer term. Again, we will describe tools later in this chapter that can help teams work together to identify lessons learned and establish new best practices.
- **Systems Thinking:** Helps teams and team members recognize interconnected factors and forces that influence or impact events, analyze events to understand related and contributing challenges and opportunities, and identify ways to leverage the opportunities and mitigate the challenges.¹¹

The Five Learning Disciplines contribute to strategic thinking and help organizations build learning capacity by emphasizing the importance of planned and purposeful thinking; the benefit of teamwork

and teams composed of self-confident, self-motivated, and capable team members; and the importance of individuals and teams thinking through issues, considerations, and related implications prior to drawing conclusions and making decisions.

Applying Systems Thinking

A case involving a multifacility medical center that provides “full life cycle” health care services showcases how the effective use of systems thinking might lead to better outcomes. In this scenario, the Emergency Services Department is a well-known and highly recognized trauma center, seeing scores of patients every day who are experiencing some type of physical distress.

The department operates in an environment of continuous improvement, measuring success through a variety of internal and regulatory-driven metrics. The director of the Emergency Services Department conducts quarterly patient satisfaction surveys to gain insight into the overall impact of its policies and procedures, and to measure the effectiveness and efficiency of its operation. A special recognition program includes cards that patients and their families can easily complete and submit to recognize exemplary performance.

The director of the Emergency Services Department, troubled by a decreasing Patient Satisfaction Index, or PSI, decides to take action. The director’s strategic intent is to take steps to address concerns raised by patients with the ultimate goal of increasing the department’s PSI. Upon analyzing the data revealed through the quarterly patient survey, she realizes that approximately 80 percent of the concerns raised relate to wait time. Patients are spending two to four hours in the waiting room per visit. The director’s examination of the data reveals that concerns are being raised by “single appointment” patients and recurring patients who receive extended care.

Further examination reveals that the concerns being raised mostly center on the fact that patients entering the department at certain hours miss meals. Those entering after 3:00 or 4:00 AM miss breakfast, those entering after 9:00 or 10:00 AM miss lunch, and those entering after 2:00 or 3:00 PM miss dinner. The director weighs the options and decides to begin offering breakfast, lunch, and dinner to patients in the waiting room during the appropriate hours.

Time passes, and new patient satisfaction surveys and comments suggest the director's solution is working. Single-appointment and returning patients are pleased with the meals they now receive. The department's PSI is climbing, primarily as a result of increased satisfaction relating to the catered meals. Happy to see this key performance indicator returning to historical levels, the director takes satisfaction in a job well done.

If the director had applied systems thinking concepts and principles, how might have her considerations, conclusions, decision(s), and subsequent actions been different? In terms of her general considerations, the director might have broadened her level of analysis to include local, regional, and national emergency services departments. She might have shifted her focus from attempting to increase patient satisfaction by providing catered meals to attempting to increase patient satisfaction by decreasing wait times. In terms of the questions she asked, the director might have explored how effectively and efficiently the Emergency Services Department operates within the context of other similar emergency services organizations. Perhaps she might have investigated how the department's structure, systems, processes, policies, or staff capabilities affect the department's efficiency and effectiveness. In terms of the conclusions she drew and decisions she made, the director and her colleagues might have attempted to tackle the issue of patients using the Emergency Services Department as their primary health care provider through patient education. Alternately, they might have taken steps to strengthen the integration of systems and processes to enhance efficiency and

effectiveness. Perhaps they might have taken steps to bolster controls and incentives to ensure employees at all levels are committed, engaged, and motivated to work together to achieve the Emergency Services Department's goals and objectives.

In seeking the ultimate solution, they might have taken a variety of additional steps likely to improve the department's operating performance in more fundamental ways and thus increase patient satisfaction and the department's PSI in ways that don't simply mask the deeper problems within the department, as providing catered meals does. Any of these ideas might more appropriately identify and address root cause issues that were contributing to the presenting issue of wait times. Exploring these ideas reflects the application of systems thinking.

Game Theory

In his best-selling novel *State of Fear*, Michael Crichton introduces a slate of fascinating, captivating, and at times scheming protagonists and antagonists.¹² In his typical engaging way, Crichton devotes more than 500 pages to the debate around humanity's influence on global warming. As predicted, the protagonists and antagonists battle—both figuratively and literally—throughout the course of the book. Moves are made, actions are taken . . . countermoves are made, counteractions are taken.

Crichton includes a bibliography in his work of fiction to showcase, from our perspective, the need for politicians, scientists, business leaders, and community leaders to apply clear thinking to the subject of global warming. His bibliography cites research and writing on topics such as why failures associated with managing complex systems typically result from bad habits and lazy procedures rather than a lack of human capability,¹³ and how early witch hunts reflect how the consensus of many is not always correct, regardless of how many people agree or how long the agreement is shared.¹⁴ We consider this an excellent lead-in to our review of game theory.

Most strategy invariably requires change. Research on change highlights that individuals being asked to contribute to a desired state or compelling future will typically do so if steps are taken to help them understand and commit to the purpose and intent of the change.¹⁵ By applying proven methodologies of change leadership, a leader is more likely to succeed. However, in some cases, the decisions you make and the actions you take occur in a risk-laden environment. These risks can include the possibility that those being influenced and impacted might resist or potentially take steps to sabotage a proposed change to the status quo.

Given the likelihood of resistance, a review of game theory is a useful contribution to our exploration of strategic thinking. Game theory assumes that, as in the case of Crichton's protagonists and antagonists, individuals you interact with may counter your moves. Rather than assuming a neutral or positive reaction from stakeholders, game theory expects and anticipates other parties' potential disagreement, conflict, and action that may hinder progress. Such adversarial or competitive situations require planned action, including contingencies and countermeasures. An understanding of the general principles of game theory will raise your likelihood of success when functioning under these circumstances.

A Brief Word about Game Theory

While the concepts from cognitive psychology and systems thinking that we have presented will help generate ideas and advance a particular position, game theory is about handling competition and resistance. In reviewing game theory, our goal is to introduce several practical tools toward that end. It is important to note that game theory frequently involves theoretical and mathematical arguments. For our purposes, we will focus on several of the more actionable concepts without going very far into the underlying conceptual theory. For those interested in the theory, we encourage readers to

refer to other sources for a more thorough review and analysis of the theoretical and mathematical arguments within the field, several of which we have identified in the Resources section at the end of this text.

While other branches of decision theory assume effective implementation of decisions and subsequent directives, game theory is based on the assumption that interests among multiple stakeholder groups may differ and that others involved typically have alternatives available to them.

From our perspective, game theory strengthens strategic thinking because it highlights the context within which decisions are being made and actions are being taken. A simple example involves the Hua Shan Plank Trail in China. It is one of the most dangerous hiking trails in the world; traversing it involves climbing vertical staircases, walking along a narrow wooden platform bolted onto the side of a mountain, and stepping into indentions carved into rock . . . all while perched thousands of feet above the surrounding terrain. Two hikers approaching each other while traversing the Plank Trail must anticipate the likelihood of an accident; the more steep, vertical, or narrow the trail when the two hikers meet, the more likely there will be an accident. The more dangerous the situation, the more important a signal to indicate, “I will be taking this part of the path and hopefully you will take the other route,” is needed. To negotiate the approaching challenge, at least one party must signal intent. The other party must see and properly interpret that signal. Much like a pilot communicating with air traffic control, both parties must acknowledge the signal, and then each respective party must act in accordance to the exchanged signals. Such cooperation is most likely to occur if both parties are familiar with their environment, are personally aware of their place within that environment, recognize approaching hazards and risks, and can respond properly to a signal of intent. Such cooperation and positive results are less likely to occur if either party is not paying attention or is preoccupied. A thrill-seeker may further complicate matters by handling the situation differently

than the other hiker might expect. A savvy hiker functioning in this type of situation anticipates these possibilities and plans accordingly. Game theory analyzes the mechanics of such situations, with specific attention to the implications of these matters of intent, signal, and response.

Cooperative and Noncooperative Games

Unlike the typical hiker or climber, we occasionally face situations in which it is not in our best interest to help another party. These situations, called “noncooperative” games in game theory, typically involve two or more players attempting to generate a personal gain in some area (market share, quality, efficiency, profitability, etc.) with success in that area resulting in a loss to the other players. Players involved in such a zero-sum game must recognize this fundamental tenet: other players are opposing players, and what is in one player’s best interest is likely to be harmful to others. Whereas the example of the two hikers emphasizes signaling and cooperation, this game emphasizes concealed intentions and countermoves.

It is important to recognize the complexity of the systems within which we interact. Rather than facing a situation in which self-interest or the interests of others are totally aligned or clash, in real life we often face situations in which the interests of players partially align and partially clash. This requires clarity regarding your goals and the other players’ goals. An analysis of your personal interests and those of the other party will reveal a slate of assumptions and expectations that may be addressed by one or more combinations of moves and countermoves. Combined, they have the potential of producing mutually acceptable results and outcomes. Experience suggests that individuals operating in such a “mixed-motive” situation should seek out a combination of solutions that leads to the most optimal result and outcome possible.¹⁶

Sequential versus Simultaneous Moves

In addition to understanding motivations, it is also important that you determine whether your interaction with colleagues is sequential or simultaneous. When sequential, one player acts and then a second player acts in response. When interacting in such a manner, you must anticipate how your action will influence and impact the second player, and how the second player will in turn interpret and then respond to your initial move. You can and should anticipate multiple moves in many situations, just as an effective chess player anticipates an opponent's next several moves. When acting sequentially, strive to anticipate the impact of your initial actions and how other parties are likely to respond. Then use this information to select your best course of action.

When your interaction is simultaneous, two players act concurrently. In this case, each player is unaware of the actions—if any—the other player is taking. When facing such a situation, it is important to recognize that you are not acting alone and that:

1. The actions you take will impact other players in some manner, either positively or negatively, and
2. The actions of others will simultaneously combine or collide with yours and will contribute to a new state.

In addition to recognizing the nature of the situation, you must also calculate the implications of each party's moves within the context of their intent. While sequential interaction involves linear thinking, simultaneous interaction involves your thinking in multiple directions, taking each party's intent and actions into consideration at the same time.¹⁷

While you are analyzing your personal interests and those of the opposing party, it is important to keep in mind the slate of external forces likely to influence your moves and countermoves. At no time

do you function in complete isolation. The following example serves as a powerful illustration of this point. It also reinforces the point that the term *players*, as used in game theory, may refer to individuals, teams, organizations, communities, or, as in this case, nature.

Conservationists since the 1960s have recognized the impact of introducing or reintroducing animals into an ecosystem. Since 1995, when wolves were reintroduced into Yellowstone National Park, the willow trees standing along streams in the park have grown taller. This has led many to conclude that the reintroduced wolves have improved the health of the trees, thus improving the health of the Yellowstone ecosystem. The rationale: the reintroduction of wolves has led to a decline in the elk population, which has reduced damage to the willow trees. In terms of game theory, the prevailing rationale goes something like this: to strengthen the Yellowstone ecosystem, we will reintroduce wolves into the park. The result of the reintroduction—in essence, nature’s reaction to it—will be a decline in the elk population, which in turn will reduce the amount of damage to the surrounding ecosystem.

This reasoning makes sense. Proponents of the reintroduction considered taller willow trees along streams in northern Yellowstone National Park as evidence of success. However, this case reflects decision making based on only one or two variables, with the assumption that subsequent results and outcomes are caused by the changes being made to those variables.

Research by ecologists at Colorado State University confirms that reductions in elk numbers following the reintroduction of wolves are proportionate to increases in willow height.¹⁸ However, additional research conducted by this group and others reveals that a multitude of additional factors also influence the Yellowstone ecosystem. A broader analysis reveals that geography, climate, and water supply also play a role. For example, the Colorado State University researchers cite a 2013 study that reveals the impact of beavers on vegetation health. Beaver dams lower and raise water levels, and in turn water levels affect vegetation health.¹⁹

Strategic Thinking Summarized

We consider these three subjects—cognitive psychology, systems thinking, and game theory—to be critical fields that inform strategic thinking. Application of cognitive psychology will help you manage your biases and blind spots. Systems thinking will help you broaden the slate of factors you consider when identifying options and prioritizing actions. Game theory will help you further recognize the ramifications of your actions and help you take steps to mitigate, reduce, or avoid opposing forces.

The Art of Leadership

The purpose of this section is not to present a comprehensive review of leadership theory. Rather, our aim is to highlight key ways that thinking on leadership has changed over time and to present some of the behaviors and actions we believe effective leaders typically exhibit.

In the context of human history, it wasn't that long ago that the definition of leadership was limited to either a charismatic hero, someone from a particular social or economic class, or an individual occupying a particular box on an organizational chart. Those whose names appeared at the top of the chart served as the leader, while all others—regardless of how high up or down on the pyramid—were considered to be employees, associates, or workers.

Thankfully, mainstream thinking has evolved considerably, and today our definition of leadership—and leaders—has become much more democratic. The sixth edition of *Leadership: Theory and Practice* defines leadership as a “process whereby an individual influences a group of individuals to achieve a common goal.”²⁰ This particular definition contains four components that we consider to be central to leadership:

- **Process:** Leadership is not a trait or characteristic; rather, it is a transactional event that occurs between the leader and follower.

- Influence: The leader influences the follower; without influence, leadership does not exist, and leading does not occur.
- Group: Leadership involves the leader influencing a group, organization, or community; others, the group, must be involved in the transaction in order for leadership to occur.
- Common goals: Leadership involves the leader directing their focus and energy toward individuals who are attempting to achieve a common goal.²¹

An Abbreviated History of Leadership Theory

Our understanding and expectations of leaders have evolved over time. Our views have changed through a combination of broad societal shifts and through the research and writings of key thought leaders. We consider this journey to be an interesting one, and we hope you find this condensed and abbreviated history of leadership interesting as well.

Trait Theory

The “hero” leader possesses and exhibits characteristics such as self-confidence, courage, intelligence, and charisma. These characteristics, combined with the right circumstance, are the basis upon which some find themselves in the spotlight. Although many of us have the potential to be a hero, relatively few of us will ever act in ways and under the right conditions in order to be considered a “hero” by these standards. Stogdill reflected on this prevalent and traditional thinking, noting several innate traits commonly seen as critical to leadership:

- Adaptability
- Ambitiousness
- Assertiveness
- Cooperativeness

- Dependability
- Persistence
- Self-confidence²²

According to trait theory, innate traits are inborn—you either have them or you don’t. Trait theory emphasizes the importance of identifying individuals possessing leadership traits. If an individual possesses the relevant traits, they are considered a natural-born leader and capable of thinking and acting like one. If an individual lacks these traits, they are likely destined to think and act like a follower.

Conditional Models

Fiedler’s contingency model of leadership reveals that your leadership style must “match” the situation if you are likely to produce the most favorable results.²³ In his model, an individual’s leadership style leans toward being either task-focused or relationship-focused. Fiedler developed a tool called the Least Preferred Coworker (LPC), an assessment that asks the leader to rate the person that they enjoys working with the least on a series of characteristics such as friendliness and trust. Leaders rated low on the LPC are considered to be task oriented, and those rated high are considered to be relationship oriented. Matching an individual’s leadership style to a situation yields the most favorable results. For example, if the situation is ambiguous and the task uncertain, consider calling upon a relationship-oriented leader. If the situation is clear-cut and followers are being asked to accomplish a well-defined task, consider a task-oriented leader. Achieving a proper leadership fit depends on three variables: the level of trust and confidence followers have in their leader, the extent to which everyone understands the activity to be undertaken, and the leader’s ability to recognize and reward the followers. While this contingency model introduces some understanding of the importance of achieving the proper “fit” between the leader and the situation, it

still reflects trait theory in the emphasis on an individual being categorized as either relationship or task oriented.

Hersey and Blanchard's Situational Leadership® suggests that leadership behavior is most effective when it matches the situation.²⁴ Instead of replacing the leader to match the situation, Situational Leadership suggests that the leader can and should adapt. From the Situational Leadership perspective, your leadership style should not remain static; rather, it should remain dynamic and adapt to a combination of situational requirements, follower needs, and intended outcomes. Hersey and Blanchard's Situational Leadership emphasizes two factors: the amount of direction and support the leader provides, and the degree of competency and commitment the follower exhibits.

Hersey and Blanchard suggest that these two follower variables—competence and commitment—typically result in one of four follower types:

1. The follower who lacks competency and is unwilling to perform the task.
2. The follower who lacks competency but is willing to do the task.
3. The follower who is competent to perform the task but lacks self-confidence (does not believe they can perform the task) and therefore has self-doubt and lacks commitment.
4. The follower who is self-confident, is willing, and is capable of performing the task.²⁵

The authors go on to suggest that the amount of support and direction the leader gives should adjust and thus reflect one of four leadership styles:

1. Telling: Involves one-way communication from the leader, consisting of direction and guidance.
2. Selling: Involves two-way communication between the leader and follower; direction and support are given as and when needed.
3. Participating: Involves two-way communication between the leader and follower. The follower is allowed to make decisions

and act independently to the extent that their competency and commitment allow; the leader monitors the follower's performance and provides needed support.

4. Delegating: Involves two-way communication between the leader and follower. The follower is allowed to make decisions and act independently; the follower alerts the leader when challenges that cannot be addressed surface and/or when they need direction or support.²⁶

In defining these four leadership styles, Hershey and Blanchard introduced an important advancement over the earlier trait-based and contingency models. It was the leaders' behavior, not the leader themselves, that needed to fit the situation. This distinction opened up the possibility that a leader can indeed adapt to fit the situation rather than simply being evaluated as a fit based on fixed and predetermined personal characteristics.

Another important element of Situational Leadership is the assumption that the situation is not set but, rather, is dynamic and constantly changes. Thus, the follower who is confident, capable, and willing to perform one task may be less confident, capable, or willing to face the next challenge. In the work of Hershey and Blanchard, we continue to see a greater acknowledgment that both the leader and the follower can and do adapt, reflecting further progression beyond early trait theories toward a rather dynamic understanding of the role and capability of the leader.

Competency and Activity Models

In the 1980s, the research of several thought leaders brought attention to the focus and activities of effective leaders. Bennis and Nanus surveyed 90 leaders and identified four key abilities of what they labeled as transformational leaders:

- **Management of Meaning:** The leader helps the follower assign meaning to situations, actions, and events. Like the baseball

umpire who calls the ball traveling across home plate as either a “strike” or a “ball,” the leader helps the follower interpret a particular behavior or action as being positive (e.g., being consistent with the organization’s mission) or negative (e.g., running counter to the organization’s values).

- **Management of Attention:** The leader emphasizes and helps the follower focus on what is important, significant, vital, and critical. One important mechanism that helps guide the follower’s attention is the vision and mission of the organization.
- **Management of Trust:** The leader establishes trust as the foundation of their ability to influence the follower. Trust involves acting in a purposeful manner and being consistent in one’s words and actions.
- **Management of Self:** The leader consciously maintains self-awareness, self-monitoring, and self-regulation. Such awareness allows the leader to lead and support followers in the most effective manner.²⁷

These four abilities explore powerful ways of leading, focusing less on the tactical relationships between leaders and followers and more on the influence that leaders could have through their chosen areas of focus and their personal conduct.

Kouzes and Posner introduced five sets of skills and abilities that help leaders function at their personal best. Based on a combination of survey results and individual interviews, their Five Practices of Exemplary Leadership[®] model emphasizes that highly effective leaders:

- **Model the Way:** They establish standards of excellence pertaining to how followers should be treated and goals should be achieved. They set interim goals to encourage small wins, and they modify the organization’s bureaucracy so that it does not impede progress, achievement, or success.
- **Inspire a Shared Vision:** They serve as a change agent, striving to make a difference. They work with their followers to establish a compelling vision for the future. They then do all that they can to capture the hearts and minds of their followers.

- **Challenge the Process:** They seek out opportunities to challenge and change the status quo. They work with others to identify ways to strengthen the organization. They themselves are—and encourage others to be—lifelong learners.
- **Enable Others to Act:** They recognize the power of positive relationships and encourage collaboration and teamwork. They take steps to include and involve their followers and give them the opportunity to provide input. They understand the importance of mutual respect and ensure others receive the respect they are due.
- **Encourage the Heart:** They recognize and reward the commitment and contribution of their followers. They recognize and celebrate progress and accomplishment, and in doing so they stimulate action, progress, and achievement.²⁸

Kouzes and Posner's model emphasizes a practical focus on actions and has been embraced widely since it was first published.

Contextual Leadership[®]

Contextual Leadership[®]—a model developed by one of the authors of this book (Simerson)—builds on earlier concepts, placing more emphasis on the importance of context and personal adaptation. The model emphasizes that regardless of one's title, position, or role, everyone must occasionally influence others in a way that causes them to perform at a level they otherwise might not attempt or consider possible. When functioning in such a manner, we consider an individual to be thinking and acting as a leader.

The importance of leadership is evident. Experience proves that unexpected and unanticipated challenges and opportunities surface almost daily. In these situations, a leader acts to seize the opportunity or to avoid the threat. To adapt to these situations, an effective leader takes on a specific role to suit and address those circumstances.

Research conducted while developing the Contextual Leadership Model revealed nine leadership roles that enable an individual to influence others by addressing the requirements of the situation and the expectations of stakeholders. Each of these roles is a configuration of specific focus areas, actions, and skills that an individual can adopt or emphasize at a given point in time. From our research and experience, an individual can take on each of these roles with intentional focus. Some come more naturally, given an individual's background, personality, and personal style. All of them can be learned. The nine leadership roles are described as follows:

- *The Custodial Leader: Leadership begins and ends with the Custodial Leader. You must begin with a deep desire to extend your leadership beyond your time—to make certain your actions contribute to current and future success. That is the beginning. The end is the sum total of all else that you do, the results of all your other actions—the reality of what you have left behind being either better or worse.*
- *The Trusted Leader: Having others trust you cannot be accomplished through words—it must be accomplished through actions. Be honest, including admitting when you have made mistakes. Keep your promises, be open about your dreams and your fears, and show consistency in your actions. Don't try to motivate others with fear and don't waste time and energy looking for someone to blame.*
- *The Trusting Leader: A key to others trusting you is to show that you trust them. Do you make the goals clear and allow others to determine how to reach them? Do you reinforce good performance? Do you treat mistakes and failures as an opportunity to learn? Do you share responsibility? Do you trust others?*
- *The Nurturing Leader: People do not maintain good health by accident and neither do organizations. As a leader, you need to know how your organization is doing emotionally, psychologically, and physically. You will at times have to calm fears or be honest with people about their limitations. You need to build a sense of family and make certain that people know that regardless of what happens, you will remain a "united family."*

- *The Strategic Leader:* This type of leader must maintain a global view of the world. Externally, you need to understand your industry, your competition, and the reality of doing business in today's tumultuous times. Internally, you must clearly communicate your strategic vision, perhaps involve others in crafting it, but always with a focus on moving forward to achieve it. Strategic leadership involves deciding on the desired position of an organization in the competitive environment as well as the actions that make that position a reality.
- *The Developmental Leader:* These leaders give—they give people a chance to learn, a chance to contribute, and an opportunity for broader experiences and use of their talents. The Developmental Leader finds out what others have to contribute, solicits input from others, and challenges others to think in creative and innovative ways. The Developmental Leader gives people the gift of personal growth and, in turn, receives the gift of improved performance.
- *The Supportive Leader:* To be a Supportive Leader, you must make certain that people are getting what they need, when they need it, in a way they can use it. Make certain you have given sufficient time and budget to effectively implement new ideas. Make certain you are consistently communicating key messages to all areas of the organization. Make certain you are doing everything possible to increase everyone's likelihood of achieving success.
- *The Inspiring Leader.* There are inspirational speakers and there are inspirational leaders. To inspire people through your leadership, you don't need to dazzle them with your words and the rhythms of your speech—you need to remind them. Remind them why they are part of the organization. Remind them how others have succeeded in similar situations where failure appeared imminent. Remind them what everyone working together can accomplish. That is inspiration through leadership.
- *The Working Leader:* There are times when you must work among your followers—aligning everyone to the common goal, helping people differentiate between crises and mere inconveniences, working among others to solve problems. Find out what others are having difficulty with and what

*they are finding easy. Measure and communicate progress. Spend time with the details.*²⁹

The nine leadership roles define the focus and activities required to address a particular circumstance, and anyone can adopt these roles through intentional effort and self-awareness. These principles are central to our view of effective leadership.

Strategic Leadership

We now arrive at the strategic leader. As the central focus of this book, strategic leadership means integrating strategic thinking and leadership. The rest of this book will establish and detail our observations regarding how leaders are most effective when seeking insight and driving strategic change. We will examine the key choices they face, the options they should consider, and the way in which they conduct themselves and work with others. We will also highlight where some leaders go wrong when they fail to integrate both strategic thinking and leadership effectively. Strategic thinking without leadership risks becoming an intellectual exercise, as demonstrated by the many strategic plans that gather dust on the shelves of executive offices. Leadership without strategic thinking risks not creating meaningful value, as is evident when otherwise effective leaders race down the wrong path or execute a good plan the wrong way. The strategic leader recognizes these risks and focuses on formulating strategy in a credible way and executing strategy in a planned and purposeful manner.

Strategic leaders have a multifaceted focus. They must establish and communicate a compelling mission (the “what”) and vision (the “where”), and then work with colleagues and allies to formulate a path to success (the “how”). These form the basis of what has

become widely recognized as the core components of strategic management:

- **Strategy Formation:** The determination of strategic intent, including such aspects as an organization's mission, vision, and goals.
- **Strategy Execution:** The application of actions, controls, incentives, and communication intended to achieve the strategy.³⁰

Each component is critical in its own right, and we should look at them both in greater detail.

Strategy Formation and Strategy Execution

The available literature on both strategy formation and strategy execution is extensive. We will touch on some of it in the context of this book, with a bias toward concepts and tools directly relevant to the intersection of strategic thinking and leadership. We will not provide an exhaustive inventory of the tools of strategic management. For those interested in delving deeper, you will find a list of recommended resources, including our own writing on the topic, in the Resources section at the end of this book.

Effective strategy formation involves solving problems in a way that adds value, is unique when compared to other options, and is sustainable over time. The solution to a given problem is often itself referred to as “the strategy.” Strategy is the topic of much discussion and debate. Strategies are seen as good or bad, clear or unclear. Some discussion focuses on what even constitutes a strategy. Well-known professor of strategic management, Richard Rumelt wrote an entire book on the subject, arguing that this confusion has resulted in a deluge of unclear thinking passed off as strategy. Rumelt proposes a basic structure of good strategy that he labels “the kernel.” A kernel has three components: (1) a diagnosis of the problem, (2) a guiding policy that helps set direction in solving the problem, and (3) a set of

cohesive actions that carry out the guiding policy.³¹ For example, one could describe the kernel of Apple's business as (1) helping higher-end consumers who aren't technology experts (2) access leading-edge technology through easy-to-use "all-in-one" products by (3) controlling all hardware, software, and services to deliver a seamless experience.

Strategy execution involves delivering on the proposed solution. While it is related to the third component of Rumelt's kernel, effective strategy execution raises a broad range of additional issues. A competitor who decided to mimic Apple's approach would face a number of challenges in copying all of their actions. It would need to acquire its own design talent, establish supply chain sources and manufacturing relationships, build appropriate retail locations, and establish a comparable brand reputation. Any one of these tasks would be a feat in its own right, but in combination it would be a very challenging task. As evidence of this, while many of Apple's competitors have produced hardware, software, or services of similar quality, none have been able to match its business results. In the third quarter of 2013, while Apple's iPhone made up only 12.9 percent of all smartphone devices shipped, it made more profit than all of its competitors combined.³²

This example raises the very real challenges involved in being effective at both strategy formation and strategy execution. This is what makes strategic leadership so challenging, and likewise what makes it so important. Strategic leaders create tremendous value and impact if they can effectively solve the riddles of strategy formation and strategy execution.

Strategic Thinking and Leadership in Action

After taking steps to recognize and understand strategic thinking and leadership, we turn our attention to the activities of the strategic leader. As previously stated, strategic leadership applies to both strategy

formation and strategy execution. We will be analyzing each of these components separately in Chapter 2, but to get started, we will first ground the conversation with a simpler approach—four stories of strategic leadership in action.

We have chosen these examples to illustrate the ways we see both strategic thinking and leadership applied. They feature organizations, leaders, and situations that are relatively well known, as we have found that their familiarity makes them easy to grasp and discuss. Each story builds on that popular understanding, but as is often the case, a closer look reveals lesser-known or misunderstood aspects of what made these organizations and leaders successful. It is in these details that we find some of the most interesting examples of the many ways that strategic leadership shows up in real life.

Disney

To many, Walt Disney serves as the very definition of a visionary. His work and the company he founded continue to influence entertainment, business, and society decades after his death. Unquestionably strategic, his life and legacy are an excellent example of both the impact and limitations of visionary leadership.

Disney was born in 1901, a year that marked a new century and the end of the Victorian era. In the next century, technology would revolutionize entertainment, both culturally and as an industry. In that regard, Disney fits one characteristic of the most recognized visionaries: being in the right place at the right time. Capitalizing on that opportunity, Disney demonstrated a second key characteristic of visionaries with impact: insight into an opportunity to harness change and define a future that had yet to unfold.

Disney's pioneering achievements in animation are well known due largely to the lasting impact of his most famous character, Mickey Mouse. *Steamboat Willie*, the first Mickey-animated short that featured sound, was a breakout success when it debuted in 1928. It was

followed by a string of successful shorts. A decade later, Disney's first animated feature film, *Snow White and the Seven Dwarfs*, became the most financially successful motion picture of 1938. That financial success ensured the viability of Walt Disney Productions and marked the beginning of what is commonly referred to as the Golden Age of Animation, from 1937 to 1942. That period saw the introduction of some of the most famous and innovative animated films of all time, including *Fantasia*, *Bambi*, and *Dumbo*. Each praised in its own right, in total these films pushed the boundaries of animation and motion picture storytelling.

Looking back at their success belies the creative risk and innovation they represented at the time, and overshadows the tenuous nature of Walt Disney Productions in those early days. *Steamboat Willie* was actually the third Mickey Mouse cartoon, after two silent-film versions failed to attract significant attention. *Snow White* was only partially complete when the studio ran out of money, and Disney had to screen it for creditors in order to secure loans to see it through to completion. It was Disney's passion and personal vision that fueled his continued experimentation. His emerging vision was informed by each failure and success. While this drive led to his ultimate triumph, it also strained relations between Disney and his artists—a tension that would persist even after financial success was beyond question.

Behind these creative victories lies an equally important vision that proved strategically vital to the lasting success of Disney's creations. Walt Disney pioneered a business model based on the ownership of entertainment properties, forging the earliest marketing synergies that now dominate mainstream entertainment. Today's entertainment merchandising and product tie-ins are so common that it's difficult to comprehend that this practice is barely a half-century old. Through investments in the Disneyland theme park, launched in 1955, Disney gained firsthand insights into and early experience with the myriad business opportunities that lay beyond the distribution of those early films and the characters they made famous. In a 2013 *Harvard Business Review* article, Washington University professor Todd Zenger

highlighted a map Disney drew in 1957 that depicted his emerging vision just two years after his experience with the theme park. In the map, a dense web of theme park rides, music, TV, and entertainment opportunities are depicted as flowing from the creative studio that drove the Disney machine. Zenger notes that Disney's drawing both predicted the evolution of the entertainment industry and served as a road map for him and his successors, guiding them to explore additional opportunities and create business value for decades to come.³³

While Disney's visionary leadership is evident in both his creative works and his business success, it also serves to illustrate a critical risk often associated with visionary leaders. In the years following Disney's death, the company and its executives often struggled to navigate the future without falling victim to its past. Much has been written about the rise of a question that often guided decisions within the company: "What would Walt do?" First coined to harness the creative vision that drove the company, it came to haunt decisions that were at times criticized as lacking creativity or holding back necessary change. Indeed, every CEO of the Walt Disney Company since its founder has had to frame their own agenda and leadership style in relation to Disney the founder.³⁴ In that context, it's not difficult to imagine the challenges that lie in defining strategy for the company in a world that has changed radically since Disney passed away in 1966. This risk has become so well recognized that Steve Jobs, Apple's equally visionary chief executive, famously advised his successor Tim Cook to never ask what Jobs would do. "Just do what's right," he implored.

Visionary leadership continues to maintain a particular hold on the public's imagination. Talk of the need for vision and the power of visionary leaders pervades both the popular and business press. Fueled by the rapid progress of technology and its disruptive influence in both industry and society, the opportunity to create change and define something truly new often seems within reach to today's entrepreneurs, entertainers, executives, and social activists. And yet, for all this popular attention, considerable mystery remains: where does vision actually come from? Indeed, in the best-selling book *Strategy Safari*,

the authors noted that the majority of writing on entrepreneurship and visionary leadership has been “in the spirit of the great leader view of management.”³⁵ This view of the heroic leader is well documented by the popular press or biographies. It often focuses on the individual’s personality, it and does much to eulogize that person’s accomplishments but does little to help others understand where the person’s insight came from or the real actions they took to drive change. The modern emphasis on a compelling “founder’s story” for startup companies illustrates this problem, showing preference for a compelling (and oftentimes false) story that conveys a sense of purpose at the expense of accurate and specific detail that can help individuals see how to craft a vision and use it to drive change strategically.

While the tendency is toward mythologizing visionary leaders, we shouldn’t be altogether dismissive. When we get past the superficial characterizations of visionaries, it’s still clear that leaders like Disney are no doubt strategic. As such, he provides an excellent example for us to consider as we analyze strategic leaders.

General Electric

General Electric (GE) is widely viewed as one of the most well-managed companies in the world. The nine executives who have held the titles of CEO or chairman include some of the most well-regarded business leaders in history, from GE’s first president, Charles Coffin—named the greatest CEO of all time in a *Fortune* magazine cover story³⁶—to Jack Welch, one of the most celebrated CEOs and leadership pundits alive today. The company’s current CEO, Jeff Immelt, was handpicked by Welch in 2001 and has been listed as one of the world’s best CEOs by *Barron’s* magazine three times.

Beyond the job at the top, GE is also widely recognized for developing future executives. In a 2006 article, *The Economist* deemed GE “America’s CEO Factory,” a label still widely used to describe the company’s ability to produce strong general managers who have gone

on to lead businesses within GE and other companies across a diverse range of industries.³⁷ This reputation is backed up by research, as GE consistently appears near the top of Aon Hewitt's semiannual "Top Companies for Leaders" research study, which assesses organizations' effectiveness at developing their leaders and evaluates the link between leadership practices and financial results.³⁸

GE is therefore a useful company to examine, serving as a standard-bearer for modern management and as a training ground for executive talent.

But, for all of its famed executive talent, the best way to learn strategy from GE is not by focusing on the iconic individuals who have led the corporate giant but, rather, by examining GE's most enduring management practices, each famous in its own right. For it has been these business processes—from the prescriptive "blue books" of the 1950s to Jack Welch's famous Work-Out sessions of the 1980s—that define the culture of this storied company.

In 1956, under the watch of CEO Ralph Cordiner, GE purchased land north of New York City that would later become Crotonville. Since then, Crotonville has arguably become the most famous corporate university in the world. It became the mechanism used to disseminate the core practices of the company and to develop its up-and-coming managers. In those early days, Crotonville taught a highly prescriptive set of management practices that typified the scientific management of the day. Over the next decade, they evolved into a formal set of strategic planning processes. At Crotonville's height, GE had over 200 staff in its strategic planning department.

Then, in the 1980s, Jack Welch famously dismantled that department, criticizing it as isolated and overly bureaucratic. In its place, Welch established more agile mechanisms. The Work-Out emphasized dialogue among employees close to core work activities, focused on eliminating work that didn't add value, and is still widely admired for the ability to speed up decision making. In a typical Work-Out session, a problem is identified as the central topic of the session.

Necessary research or data gathering is done in advance, and formal roles are established for a session's sponsor, facilitator, and participants. Emphasis is placed on ensuring the session includes both managers and those who do the work activities in question. Decisions are made within the session, and participants leave with clear guidance on how to proceed and implement the established plan.

More recently, Jeff Immelt has started to bring back some of the emphasis on strategy and long-range planning that distinguished GE's past, updated with a new focus on creativity and innovation. Inheriting an organization from Welch that emphasized execution and efficiency across the vast array of business units GE had amassed over decades, Immelt found himself in an era marked by rapid changes in technology, Internet-fueled disruption, and economic growth that had largely slowed following the boom of the 1990s.

Given this challenge, Immelt turned his focus to growth. He reintroduced—and renamed—the GE strategic planning process as GE's "Growth Playbook," and in 2005, he introduced a corresponding set of five "Growth Values" against which every GE employee would be evaluated.³⁹ Immelt increased R&D spending from 3 percent of revenue in the Welch era to 5 percent of revenue in 2011,⁴⁰ supporting a Global Research organization of over 2,800 employees and 1,000 PhDs.⁴¹ Crotonville also added courses around innovation and strategic thinking.

This focus on innovation is an overt component of GE's branding and marketing as well, stated as "GE Imagination at Work." GE reinforced this message through several high-profile advertising campaigns positioning it as an innovator. These included "ecomagination" and "healthymagination," which spotlighted the company's more innovative products, its increasing focus on the environment, and its culture of creativity.

During each of these periods, GE has adopted management practices that have systemically driven strategy in line with management's prevailing view of the status and needs of the organization. This disciplined approach—be it the prescriptive processes of the 1950s or

the collaborative approach today—distinguishes GE as a company focused on a rigorous and disciplined governance model aligned to the times and the priorities of the company.

3M

Minnesota Mining and Manufacturing—better known as 3M—is widely recognized as a benchmark for innovation among global companies, a reputation earned by its decades-long track record of introducing revolutionary products used in everything from household cleaning to NASA missions.

Founded in 1902 by two investors pursuing opportunities in local mineral deposits, the company quickly switched to a focus on manufacturing sandpaper—a shift that Silicon Valley would popularize as “pivoting” nearly a century later. The company faced similar challenges in this new market, but this time it chose to continue on. Through a combination of customer feedback, continuous improvement, and product innovation, 3M was profitable by its fifteenth year. Soon after, in 1921, the company took its first steps toward being a research-driven company when it acquired a patent and hired its creator, Francis Okie. That patent led to the introduction of Wetordry, a unique waterproof sandpaper quickly adopted by the automotive industry. It also laid the foundation for nearly a century of product innovation that continues today.

As the company grew, it institutionalized values and codified routines that helped it scale and sustain the innovation that defined its first success. Today the company offers over 60,000 commercialized products and spends over \$1.7 billion annually on R&D, an amount representing 5.6 percent of sales in 2013.⁴² It has also received widespread recognition for its achievements, ranking fifth on PWC’s 2013 list of the World’s Most Innovative companies⁴³ and repeatedly making *Fortune*’s annual list of the World’s 50 Most Admired Companies—it ranked twenty-first in 2013.⁴⁴ In 1995,

President Bill Clinton awarded 3M the National Medal of Technology and Innovation “for its many innovations over decades.”⁴⁵

Perhaps most famously, 3M’s management targets 30 percent of annual revenue to come from products introduced within the last five years. This metric provides a simple measure for both management and shareholders to evaluate the company’s execution on its innovation-based business model. While the company hasn’t always achieved the target—in 2008, that number had dropped to 25 percent—the number reached 35 percent in 2013, and a goal of 40 percent was set for 2017.⁴⁶

However, this metric alone can’t explain 3M’s sustained record of innovation. Plenty of CEOs set ambitious goals for revenue or operating performance. By themselves, these goals are no better than the claims of countless athletes and coaches that “this will be the year” to bring home the championship. Rather, it takes an integrated set of management routines and employee actions to achieve sustained results.

In the case of 3M, a key management principle gives us an indication of how 3M sustains its innovation-centered strategy: 15 percent time. This is a well-known but undocumented policy within the company that allows any technical employee to spend up to 15 percent of their week pursuing personal research interests. The result is a continuous exploration of new ideas and insights. Many of those insights have led to some of the company’s most successful products, including Scotch brand tapes and Post-it Notes.

A management practice critical to 3M’s innovation is their treatment of failure. Employees are rarely punished for failed projects. Rather, the projects are viewed as opportunities for continuous experimentation, and employees are regularly encouraged to focus on lessons learned and alternative benefits. Again, Post-it Notes offers an informative example. Started as research focused on creating new adhesives, the outcome of the project was considered a failure due to its weak bonding properties. Rather than being discarded, the adhesive was retained. Years later, another employee picked up the project and

started using the adhesive to temporarily attach paper to other surfaces. Today, Post-it Notes using that adhesive is one of the company's most widely recognized products and an excellent example of 3M's culture of experimentation and learning from failure. In fact, 3M now offers more than 400 Post-it Note products in over 100 countries.

These two principles—15 percent time and continuous experimentation—offer a view into the system of management practices that drive 3M's core strategy of product innovation. The company's goals, management practices, and employee activities are aligned around a singular focus on incubating and commercializing projects that come not from the most senior executives but from the insights of thousands of 3M employees. The practices also provide an example of strategic leadership for others to follow. Numerous companies have followed 3M's incubation model. Google's 20 percent time is a recent and equally famous example, and several of its core products, such as Gmail and AdSense, came out of a policy that Google's founders designed to allow engineers to pursue pet projects.

Nelson Mandela and South Africa's Truth and Reconciliation Commission

In 1995, South African President Nelson Mandela authorized the creation of a special body called the Truth and Reconciliation Commission. Its mission was to address the country's 40-year history of racial segregation called "apartheid," in which minority white Afrikaners ruled the country's majority black inhabitants. Over the ensuing 3 years, the commission played a central role in addressing that history. It is widely viewed by experts as setting the standard for addressing restorative justice and is commonly cited as a key element of South Africa's successful transition to democratic rule. It also presents a process that we have come to view as an archetype for a particular form of strategic leadership.

One of us (Olson) had the privilege of visiting South Africa in 1994 in the weeks following Mandela's election as the nation's first

black president. During that tour, a series of political briefings and personal interactions with each of the country's historically divided ethnic and political groups provided palpable insights. It revealed both the remarkable progress that had been made in the years leading up to the nation's first democratic elections and the daunting challenges that lay ahead in achieving closure for the millions of citizens whose lives had been affected by apartheid.

Mandela's leadership during this transition has received increasing global recognition in the decades that followed, culminating in the global outpouring of respect that followed his death in 2013. His personal journey served as a remarkable example of the country's transitions. Over the course of his life, he emerged as a leading figure in the antiapartheid movement, spent 27 years imprisoned by the government for treason, and then went on to share the 1993 Nobel Peace Prize. Yet, in the course of his growing stature, the role he played in establishing and supporting the Truth and Reconciliation Commission has received relatively less attention. That omission is remarkable in that the commission was a critical component of Mandela's approach to leading the country during his presidency, and it provides a window into his approach to leadership.

The commission was founded through legislation "to establish the truth in relation to past events as well as the motives for and circumstances in which gross violations of human rights have occurred, and to make the findings known in order to prevent a repetition of such acts in future."⁴⁷ It addressed these goals through three committees: an Amnesty Committee, a Reparation and Rehabilitation Committee, and a Human Rights Violations Committee. The committees provided a structured process to hear from any and all individuals and stakeholders, establish a record of facts and findings, and form policies and recommendations. Importantly, the Commission and its committees focused strongly on establishing the conditions for healing and a future of peaceful coexistence. This stands in contrast to historical situations in which a focus on punishment has been seen at times as perpetuating a cycle of retribution and ongoing social conflict.

As one example, the commission created a Register of Reconciliation, designed to allow any citizen to make public comments. The resulting record provides a fascinating and often emotional look into the lives of South Africans, many of whom express regret not just for actions taken but for a lack of action to oppose the apartheid system during that era.

Nelson Mandela played a visible role during this process, acting as the primary sponsor of the commission and a voice that articulated its vision. Speaking at the commissioning service, he said:

*All South Africans face the challenge of coming to terms with the past in ways which will enable us to face the future as a united nation at peace with itself. To you has been entrusted the particular task of dealing with gross violations of human rights in a manner that ensures that the painful truth is laid bare and that justice is done to the victims within the capacity of our society and within the framework of the constitution and the law. . . .The Truth and Reconciliation Commission affords all South Africans an opportunity to participate in reconciliation and nation building. There is a role for community based organizations and nongovernmental organizations to play their part. There is a role, too, for individuals to make a contribution.*⁴⁸

It is in this comment that Mandela's strategic leadership is revealed. His insight was the important role that participation of all South Africans would play in the commission's success. While there were many ways in which justice could be served both to victims and to perpetrators, it was only through direct participation that broader goals of closure, reconciliation, and future peaceful coexistence could be achieved. By providing a carefully constructed process, Mandela and the commission created the opportunity to establish trust. By creating avenues for participation in that process, they created the dialogue and interactions necessary to build trust.

The power of both process and participation are likewise evident in examples where trust is not established. In the decades following South Africa's transition, several nations have attempted to navigate

similar transitions in political rule or coexistence between ethnic groups. Some have even used truth commissions similar to the format used in South Africa. Those that have failed to reach their goal often demonstrate a failure of either process—marked by intervention of military or governmental entities that modify or invalidate prior established agreements—or participation—marked by the rejection of key aspects of the process by parties who do not feel their views were heard or respected. And, indeed, close examination reveals pointed objections and dissatisfaction in South Africa's process. Our point is not that Mandela and South Africa's Truth and Reconciliation Commission are beyond criticism but, rather, that it stands as one of the best examples of both the characteristics and challenges to the approach to which they aspired, which demonstrates an important approach to collaboration that we will continue to examine as we look more closely at the various manifestations of strategic leadership.

Implications

These four examples bring strategic thinking and leadership to life. In the key actors, you can see the building blocks of strategic thinking—cognitive psychology, systems thinking, and game theory—and the basic components of leadership—context, focus, activity, and role adaptation.

Yet, when the elements of strategic thinking and leadership are applied in these four situations, the results look very different. The structured management approach preferred in the early days at GM could not feel more different than the experimental culture formed at 3M. The domineering personal style of Walt Disney was nearly the exact opposite of the collaborative approach chosen by Nelson Mandela.

If we accept that each of these leaders was both successful and highly strategic, what should we make of their differences? If their

actions vary so widely, what does that tell us about “being strategic?” Would they be successful if placed in different situations? If not, why?

In these questions, we find interesting challenges. They are the issues our clients, colleagues, and students have wrestled the most with when encountered. Indeed, they are the questions we’ve wrestled with ourselves when trying to teach other people to be more strategic. And it is in that struggle that we have gained insights into the intersection of strategic thinking and leadership. As we turn to the exploration of that intersection, we’ll continue to draw on these four examples to help us find our way.

This chapter was designed to provide an overview of issues pertaining to strategic thinking and leadership, and to introduce strategic leadership as the intersection of those two concepts. In the next chapter, we will present the application of strategic leadership through four strategic leadership types.

2

The Four Types of Strategic Leadership

The information we present in Chapter 1 suggests that strategic leadership involves two key activities: strategy formation and strategy execution. In the former, you address issues pertaining to needs, expectations, requirements, choices, trade-offs, positioning, and competitive advantage. We call the output of this activity “strategic insight.” In the latter, you garner buy-in and commitment, and bolster contribution and advocacy through effective communication, incentives, and controls. We call the output of this activity “strategic change.”

Fundamental Questions for the Strategic Leader

When considering how one leads, you can frame many of the fundamental issues using two simple questions:

- How will you gain strategic insight?
- How will you drive strategic change?

Critically, the answer to both of these questions comes before the work of strategy formation and strategy execution begins. This occurs explicitly, through conscious choice, or implicitly, through the leader's actions. We believe strongly that the more effective leader is conscious of the questions and their implications, and we will use this chapter to explore each question and the choices that they present.

Strategy Formation: Planned versus Emergent

When deciding how to gain strategic insight that will inform a resulting strategy, a leader faces two options. In the extremes, the activity will be “planned,” well defined, and determined through a preset and well-structured process, or “emergent,” unfolding and evolving through a dynamic and less structured process guided largely by firsthand, day-to-day experience.

These distinct choices anchor a continuum along which real-life examples can be placed. Drawing from the examples we introduced in the prior chapter, at one end of the spectrum, GE reflects an organization with a heavy emphasis on process. The blue books from its early days provide an extreme example of this, but even the more recent management models that Welch and Immelt employed reflect a belief in the power of routines and processes to drive the company. In contrast, Disney's decisions and creative genius were guided by nothing more than his own views and beliefs. We can therefore use these two examples to form the extreme ends of our continuum on how strategy is determined.

Adding in our other two examples, 3M provides another example of emphasis being placed on emergent strategy. Many of their products come from a relatively unstructured process of exploration, albeit one informed by science. The engineers at 3M are free—and indeed encouraged—to pursue their interests in a way similar to Disney's creative trial and error. In the case of Nelson Mandela's South Africa Truth and Reconciliation Commission, we find an



Figure 2.1 Strategy Formation

example of an approach in which process is central to success and is highly structured. The commission encouraged citizen participation and saw it as critical to the reconciliation it sought to achieve, but it was the highly structured process that was critical to establishing and maintaining trust in its fragile new democracy.

Figure 2.1 places our four examples along the continuum we've created, illustrating the range of choices in regards to where a leader can focus to define strategy.

Strategy Execution: Directive versus Participative

When deciding how to execute strategy, the leader faces a similar choice. In the most general terms, will the leader choose to be “directive,” operating in a top-down and rather unidirectional manner, or “participative,” involving others in the process in a rather multidirectional manner?

Again we can use our four examples to bring these options to life. As shown in Figure 2.2, GE and Disney are paired together at one end of the spectrum. Disney was unquestionably the decision maker and catalyst for change within the company in its early days, and the lingering question, “What would Walt do?” remains today as a metaphor for his central role in most aspects of how the company

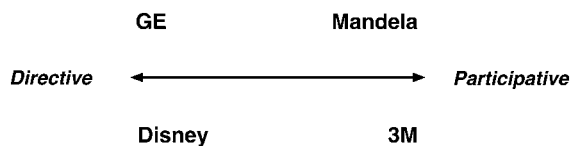


Figure 2.2 Strategy Execution

was run. GE perhaps provides a more nuanced example, given Jack Welch's emphasis on breaking down bureaucracy and empowering frontline employees to make decisions, but the earlier days of the company undoubtedly reflected a culture that was most comfortable with top-down decision making.

At the other end of the spectrum, 3M and the South Africa Truth and Reconciliation Commission provide two examples where successful execution of the strategy was highly dependent on a participative process. At 3M, the need for continuous innovation required the company to engage a large number of employees in the search for new product opportunities. Given that, the very nature of its decentralized approach put many of the execution decisions in the hands of individual engineers and small teams. Likewise, the South Africa Commission engaged all stakeholders as it went about its fact-finding and decision-making process. While a small group of decision makers did drive judgments regarding reparations, punishment, and amnesty, the broader reconciliation process that was the ultimate goal of the commission could only be achieved when individuals and groups engaged the process and each other to build trust.

In this second continuum, we have again marked our extremes and portrayed them through practical examples of how organizations can operate in very different ways when they execute on their chosen strategy.

Linking Strategy Formation and Strategy Execution

In addressing strategy formation and strategy execution independently, we see our four examples forming different pairs. While Disney and 3M have gone about the creative process of strategy formation in a similar fashion, they approach execution in very different ways. Disney's creative approach involved artists in constant dialogue and interaction, with Walt acting as the visionary and judge of the finished product. At 3M, engineers operate in an environment

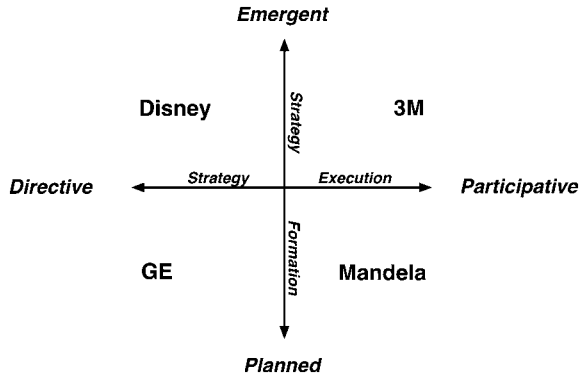


Figure 2.3 Four Sample Approaches to Strategy Formation and Strategy Execution

where they aren't beholden to a Disney-like arbiter and are thus more empowered to determine and pursue their creative path.

Likewise, while both GE and Mandela's commission were similar in their process-oriented approach to strategy formation, they differed in how they approached execution. GE (in its early days) was highly directive in all aspects of the company's day-to-day work, while Mandela's commission was highly participative in how it carried out its mission.

We can see these differences more easily if we combine our two continuums, placing strategy formation as the vertical axis and leaving strategy execution as the horizontal axis, as shown in Figure 2.3.

Presented this way, we find that each of the four examples represent a unique combination of activities:

- Walt Disney's visionary leadership reflects an approach in which he was central to both the discovery of his strategy and all aspects of how the Walt Disney Company pursued that strategy.
- In 3M, the discovery and execution of the company's product strategy involved the participation of hundreds of individuals, each encouraged to follow their own instincts. 3M management thus operated as an incubator, monitoring the many team-driven

experiments and then investing in the most promising opportunities that emerged.

- GE's CEO set the tone for both the direction and daily operations of the enterprise, directing hundreds of thousands of employees across multiple business lines using clearly defined operating models that were consistently applied through well-defined processes and measured outcomes.
- In South Africa, Mandela chartered the South Africa Truth and Reconciliation Commission as a collaborative exercise, marked by clearly defined processes designed to engage a diverse and divided range of stakeholders. In doing so, he established the basis to form and grow trust that ultimately ensured the nonviolent transition from apartheid to democratic rule.

In these examples, we now have come to four distinct types of leadership. Each is strategic in its own right, well tailored to a given purpose, and combines a unique set of choices and corresponding behaviors that helps that leader best solve the problem at hand. We will call these our four types of strategic leadership.

Four Types of Strategic Leadership

Building on the general description presented in Chapter 1, we define the strategic leader as the individual who—regardless of role, position, or title—intentionally takes advantage of opportunities to think strategically, influence others toward a chosen course of action, and garner needed buy-in, commitment, and advocacy.

The four types of strategic leadership combine the range of choices a leader faces in a simple, unified framework. As such, it presents four basic options that can be considered in a given situation, and for each option, it prescribes a particular set of behaviors, considerations, and relevant skills. We have found these four types easiest to consider when presented as a matrix, as shown in Figure 2.4.

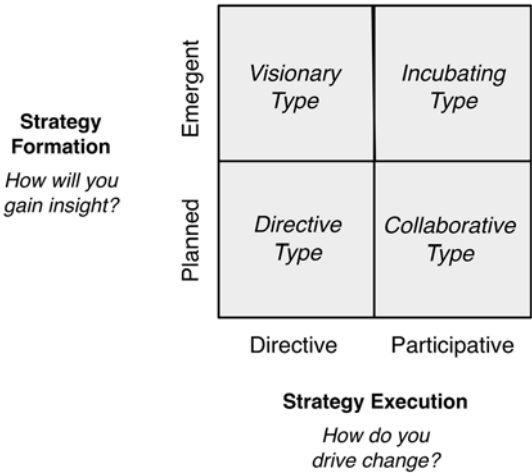


Figure 2.4 Four Types of Strategic Leadership

While the chart implies the four types are distinct, we have found that in practice they often blur together. In the case of GE, over time the evolution of the company’s management style can be seen as changing from the strict command-and-control style of the 1950s under the leadership of CEO Ralph Cordiner to the less bureaucratic style of famed CEO Jack Welch in the 1980s and 1990s. One could characterize this as a shift away from the directive type toward a more collaborative approach. Likewise, few would question describing Mandela as a visionary, and we would agree even as we highlight collaborative leadership as the best description of how he chose to address the challenges of healing a nation and encouraging peaceful coexistence during his presidency.

In drawing these distinctions, we don’t seek to split hairs or make false distinctions. We do believe that these four types represent unique and distinct styles of leadership, and we have found it useful to treat them as such for the sake of clarity and the lessons they can teach, even as we acknowledge that they often blend together in the complexity of real-life application. In that spirit, our next step will be to explore each type in more detail.

About Our Methods

As we begin to elaborate on our framework, we want to share a bit of background on the work that went into its creation. We developed our framework over the course of nearly five years. What started as informal discussions about the challenges of defining strategic thinking—a question we always start with in our graduate class—led us to a discussion of the many ways that strategic thinking can be applied. We came to the conclusion that the application of strategic thinking varied in ways similar to leadership, in that context has a major bearing on how strategic leaders behave.

A second major influence was the evolution of strategy as an academic discipline. As that body of work has evolved, clear distinctions have formed. In the area of strategy formation, the distinction between planned and emergent strategy has been an important insight. Likewise, in the field of strategic management, a distinction between directive and participative execution is now commonly observed, informed by the study of organizational change. For those interested, you'll find a list of relevant resources on these topics in the Resources and References sections.

With the conceptual boundaries now set, we engaged in several exercises to establish our framework. This began in the classroom, as we shared initial design concepts and asked our graduate students for examples of well-known leaders they identified with each type. You'll find some of those examples in Chapter 2. Having made some adjustments in those early days, we then conducted expert reviews, gathering feedback on the framework from academic colleagues and leading practitioners in the fields of strategic management, change management, and organizational behavior.

After defining our framework, we then proceeded to validate it through interviews and focus groups. In our focus groups,

we asked individual leaders to describe their approach to leading or the leadership they observed their colleagues practicing, defined in their own words. We captured these descriptions through audio recordings and worksheets. Our focus groups allowed us to understand the approach and mind-set of a large number of leaders and then compare that data to the considerations emphasized in our framework. We then used one-on-one interviews to focus on each of the strategic leadership types. In these interviews, we spoke with individuals who were in some of the roles that our previous focus groups had identified as most commonly associated with that type. In total, we conducted interviews and focus groups with over 300 leaders from more than 10 countries as input for this book. You will find much of that work reflected not only in this chapter but also in anecdotes and stories throughout the book.

As a final step, we used various well-accepted methods to test validity. We ran card-sort exercises with several groups of graduate students and professionals to validate competencies associated with our model. You will see the output of that work in Chapter 6. We also tested the framework against real-world case studies, which you will find in Chapters 3, 4, and 5.

The Visionary Type: Driving Strategy through Personal Insight

Visionary leaders are easy to identify. They are charismatic—often controversial—figures, and thus they draw attention and easily come to mind. When we ask students in our class to brainstorm examples for each of the four types of strategic leadership, the list for the visionary type is always the longest. The names they identify are well known and reflect a very wide range of professions, roles, and time periods.

Steve Jobs tops the list most frequently, which is not surprising, given that the development of our framework and this book spans

the apex of his acclaim: helping to launch the personal computer revolution in the 1970s, by all accounts, and reinventing three industries—music, phones, and mobile computing—in the last decade before his untimely death in 2011. Contemporaries such as Microsoft founder Bill Gates frequently join him on the list, along with Facebook founder Mark Zuckerberg and Starbucks CEO Howard Schultz. Titans of business such as automobile pioneer Henry Ford and noted IBM CEO Thomas Watson come up often as well.

While these business names are mentioned frequently, they by no means dominate the list. In fact, entertainers show up in greater numbers. They reflect a wider range of examples as well, including revolutionary artists like Pablo Picasso, world builders like George Lucas and J. K. Rowling, popular artists that pioneered new forms like the Beatles and Jay Z, and even subversive satirists like Matt Groening.

Politicians and scientists are also well represented. Interestingly, political visionaries are the one area where our students—typically, a rather international mix—finally bring more global representation to our lists. Globally, influential names like Mahatma Gandhi, Nelson Mandela, and Martin Luther King, Jr., frequently dominate discussion, but regional examples like Lee Kuan Yew, who served as Singapore's first prime minister and is widely recognized as its founding father, are cited frequently as well.

Typical Characteristics of the Visionary Leader

This diversity presents our first key point regarding the visionary leader: they appear across a wide range of situations. They can appear anywhere, regardless of their role, job title, experience level, social status, education, or background. Beyond the well-known names we listed, students frequently cite acquaintances, colleagues, and even family members they consider to be visionary in one way or another.

We find this aspect of the discussion about visionary leaders to be somewhat surprising and quite refreshing. Vision need not be limited to the select few who have the opportunity to create entire industries or invent new products, as it is equally at home in helping redefine how more accessible problems are solved. Students have volunteered teachers, athletic coaches, and coworkers with stories every bit as credible as the more famous names raised in the same discussions.

Beyond this theme of diversity, other characteristics are common. When we asked our graduate students and focus groups to describe the strengths of a visionary leader, the two words most commonly used are “insightful” and “inspirational.” Visionary leaders are described as having the ability to see the future and anticipate change. They inspire through both the compelling vision that they communicate and their personal passion. People often find them exciting to be around.

When we asked for descriptions of visionary leaders’ shortcomings, the two qualities we hear most often were “impatient” and “difficult to work with.” These impressions are often based on well-known stories about the strong personalities of many of the people on their lists. For all the accolades that Steve Jobs has received, there are just as many stories about his competitive nature, lack of empathy, and scathing judgment. For many, visionary leaders are seen as intimidating as often as they are seen as admirable.

Our interviews also reinforced these perceptions. Commenting on a leader he worked for and admired, one individual said, “She’s the reason I’ve stayed with the company for all these years. She’s not only motivated me, but she was really a role model for what it meant to be committed to what’s possible.” Another leader lamented the hands-off style of a visionary leader he worked for, noting that “the quality of the vision isn’t always determinative of success. His personal charisma and vision were significant, but his vision didn’t always flow through the company. At times he seemed more like a benefactor than a leader. He really needed to be more directive.”

The Focus of the Visionary Leader

We find that the primary focus of visionary leaders is their own worldview. By this we mean that their main (and sometimes only) priority is their vision, which serves as the centerpiece and the guiding principle for all of their energy, perceptions, priorities, and actions. Often that vision is intertwined or even synonymous with a view of the world and how it does—or should—operate.

As such, the scope and time horizon of the visionary leader is expansive. Steve Jobs famously shared that he learned his obsession with quality from his adoptive father, who taught him that painting the back of the fence was as important as painting the front. While Jobs took it as a lesson on the importance of quality, it also illustrates the lengths to which he went in applying his own views of the world.

Both Steve Jobs and Walt Disney are again useful illustrations of the unbounded nature of a visionary's worldview and its implications, particularly because, for both of them, their company often operated as the embodiment of their vision, written large. Under Jobs's leadership, Apple operated as a complete ecosystem of technologies—both hardware and software—designed to interoperate as a cohesive entity. Macintosh computers, iPods, iPhones, and iPads shared not just a nomenclature but also a set of design principles, operating processes, and user experiences. Even Apple as an organization has been described as an embodiment of Jobs's vision. Unlike other companies, teams at Apple were organized to tackle individual products or problems with the whole system in mind. Rather than establishing a traditional business structure, with autonomous performance units each responsible for one or more product categories, Jobs moved a single team from product to product to ensure the overarching vision was applied consistently.

Likewise, the application of Disney's worldview knew few boundaries as the Walt Disney Corporation expanded. Nothing illustrates this better than Celebration, Florida, the planned community developed by the company in the mid-1990s and situated adjacent to the Walt Disney

World Resort. Like Apple, the town is an entire community designed and operated through a master plan conceived in the spirit of the Disney worldview. Each element of the city was considered, including its architecture, education system, and community organizations. At the time, Disney CEO Michael Eisner encouraged the planning team to think of the town as an embodiment of the Disney brand and values. In doing so, he drew connections to an earlier Disney project—EPCOT, or Experimental Prototype Community of Tomorrow—which is housed at the Disney World Resort and which itself was first conceived as a utopian city of the future by Walt Disney himself.

In spite of the expansive nature of the visionary leaders' worldview, they can be equally fickle and narrow in their attention at any given moment. Disney was famously prone to having a short attention span, often abruptly losing interest in a given project or idea. In several instances, Jobs was vocally dismissive of many ideas, only to introduce them as revolutionary innovations at a later date. Shortly after the release of the Amazon Kindle in 2007, Jobs told the *New York Times* that it would inevitably fail because “people don’t read anymore.”¹ Apple went on to release its own iPad and iBooks in 2010.

What Visionary Leaders Do

Having established a profile of visionary leaders, both in terms of their commonly observed characteristics and their typical focus, we now turn to the mechanics of their approach. What do visionary leaders do? And what do successful visionary leaders do differently than unsuccessful ones?

To answer this question, we spoke with visionary leaders and the people who work with them. We identified them through their reputation and their track records, focusing on leaders who had earned reputations for achieving breakthrough results and disruptive change but in a wide-ranging variety of professions, industries, and

geographies. By talking to real people who inspired and drove change—often revolutionary change—we were able to assess the practical and specific things that visionary leaders do. We took note of the mechanics of visionary leadership, both internal (including mind-set, paradigms, mental models, and thought processes) and external (including methodologies, processes, tools, and techniques).

From this analysis, we identified five actions that uniquely distinguish successful visionary leaders:

1. They *monitor trends*, with an eye toward disruption and an orientation to opportunities to gain leverage and challenge the status quo.
2. They *develop insight*, forming and refining a worldview that anticipates future opportunities to address problems in new ways.
3. They *design solutions*, proposing ideas strategically aligned to address a changing environment in ways that differ from prevailing wisdom.
4. They *iterate*, moving rapidly through stages of evolution and adapting their vision to accommodate new information or environmental change.
5. They *enroll others*, using a variety of means and methods to advance their agenda and enlist others to share their view and lend needed support.

To make each of these actions clear and to more plainly reveal the way visionary leaders apply them successfully, we will explain each in more specific detail.

Action #1: Monitoring Trends

Effective visionaries distinguish themselves in that they are acutely aware of the environment—particularly trends and disruption. In plain terms, the difference between a visionary leader with influence and someone daydreaming is the alignment of the leader's worldview to circumstance and environmental factors that make their vision viable.

We once conducted career planning with an individual who was dissatisfied with his work and career direction. We conducted a series of exercises to assess his skills and interests and then discussed business trends he could capitalize on to apply himself in ways that he might find more interesting. To encourage him to explore where these possibilities might lead, we asked him to describe himself in 10 years. He quickly laid out a scenario that included relocating to the mountains of Colorado, becoming certified as an amateur pilot, and spending his weekend fly-fishing. When we then asked him about what opportunities he could focus on now that would help him jump-start this vision, his disposition shifted. Even after an awkward minute of silence, he still couldn't produce one specific opportunity in his current situation that he could focus on in order to start pursuing that dream. While we are no longer in touch with him, we fear that he is likely still doing the same type of work he was at the time and is as unhappy today as he was then.

Clearly, realizing one's vision begins with a first step. The visionaries we spoke with were effective in finding steps that were grounded in the current situation even as they imagined dramatic and sometimes revolutionary change. This applies to even the most dramatic of visionary leaders. In his study of extraordinarily successful individuals such as Bill Gates, author Malcolm Gladwell famously observed that some of the most influential individuals in history benefit from not just individual intelligence and ability but a combination of factors that include circumstance, timing, and even luck.²

This emphasis on time and place give an important clue to those interested in taking this first step. Being connected to sources of information and the cues to trends and disruption is a consistent theme among the leaders we analyzed.

Silicon Valley provides a helpful example. Much has been written of the extraordinary amount of innovation and economic value that has come out of the Bay Area surrounding San Francisco since the dawn of the computing revolution in the 1970s. Many of today's largest and most valuable companies emerged from this small area, including early innovators in computer hardware such as Hewlett-

Packard and Apple, as well as the revolutionary companies that enabled the information age, such as Google and Yahoo! Today Silicon Valley is the Mecca of entrepreneurs the world over and is a hotbed of innovation that has few, if any, peers. Other cities and nations have invested heavily to replicate the formula, but few have succeeded. Why? Many have focused on the raw talent concentrated in this small location, citing the draw of the best and the brightest to this single area. Nations focus on strategies to prevent the “brain drain” crisis that sees their most capable future leaders depart for opportunities elsewhere. While this may very well be a legitimate concern, their strategies to provide incentives to those individuals to stay face a fundamental challenge that is easy to overlook. It is not raw talent alone that makes Silicon Valley a better breeding ground for innovative visionaries. It is the concentrated activity of innovation itself.

Being situated in the community of entrepreneurial innovation provides heightened access to the signals of trends and disruptions that visionary leaders require. These signals are manifest in countless ways, some overt and some subtle. The flow of this information is accelerated by the very proximity of innovators solving seemingly disparate problems but all fueled from a common source—the rapid progress of technology currently changing many of the fundamental building blocks of society. This concentration of information sharing provides the fundamental “stew” that allows visionary leaders to encounter trend signals that are the first and prerequisite step distinguishing vision from daydreams.

Action #2: Developing Insight

While our observations suggest that access to information on relevant trends is often a prerequisite to visionary leadership, it doesn’t guarantee success. The visionary leaders we examined typically demonstrate an ability to combine relevant information in unique and revolutionary ways. We call this ability “developing insight.”

Management theorists often refer to strategy formation as a “black box,” citing the fact that for most of their existence, business schools and the corresponding academic literature have done little to explore or explain the relevant mechanics of human cognition.³ Behavioral studies have revealed actions frequently associated with insight, most being variations of the information-seeking actions that we highlighted in Step 1. Unfortunately, these do little to help the individual leaders who seek to improve their odds of seeing things that others with access to the same information do not.

To address this challenge, we will bypass some of these more academic considerations as well as the complex, if relevant, considerations of cognitive psychology and instead offer an approach that is perhaps relatively mundane: clearly defining the problem to be solved.

Well-defined problems are a logical and helpful precursor to designing the best solutions. An abundance of examples illustrates the self-evident nature of the benefits of this approach. All of the most successful visionary products, services, social changes, and revolutions have solved a clear and meaningful problem. Timothy Berners-Lee solved the problem of making the Internet more accessible to average people by dramatically simplifying the user experience through hypertext and the creation of the World Wide Web. Henry Ford solved the problem of scaling production of the automobile in a cost-effective manner through the assembly line. Galileo Galilei solved basic problems in the prevailing scientific thinking of his day by proposing that the sun, not the earth, was the center of the universe. Each of these individuals, now lauded as visionary leaders of their era and founders of the building blocks of modern society, developed insight while clearly addressing an important problem. In contrast, poorly defined problems are often the Achilles’ heel of ill-conceived or unfocused visionary ideas. Search the Web for “strange patents,” and you’ll get a sense of what we mean.

Importantly, these problems need not be ones that are commonly seen at the time. Many of the most revolutionary changes we now enjoy were not viewed as meaningful when first introduced. In 1858,

a *New York Times* columnist complained of the societal injury likely to be caused by the invention of the telegraph:

Superficial, sudden, unsifted, too fast for the truth, must be all telegraphic intelligence. Does it not render the popular mind too fast for the truth? Ten days brings us mail from Europe. What need is there for the scraps of news in ten minutes? How trivial and paltry is the telegraphic column? It snowed here, it rained there, one man killed, another hanged. Even the Washington letter had deteriorated since the innovation, and I can consciously recommend my own epistles prior to 1844, in preference for those of later years.”⁴

The following century would reveal the many problems solved by faster communication that were apparently not obvious to one journalist at the time. Clearly, not every insight is appreciated for its potential and eventual impact when first introduced.

Action #3: Designing Solutions

We now arrive at the most recognized activity of the visionary leader. Forming the solution itself—be it a product, service, concept, or perspective—crystalizes the visionary leader’s integration of all prior inputs, derived from observation and analysis to form a coherent view regarding future opportunity.

The solution can emerge in many ways. Many accounts of that moment resemble the story of how Newton discovered the theory of universal gravitation—an apple fell from a tree to strike him on the head, and he was struck by his insight at that same time. While some visions may take place in such a specific moment, it is equally common for the leader’s vision to form over time. The visionary impact of many famous innovations has only been evident in hindsight. In its own corporate history, home furnishing innovator IKEA acknowledges that its signature flat-pack method of selling partially assembled furniture was not conceived as a bold innovation but was instead

a simple observation that several coworkers made after removing the legs from a table to fit it into a car.⁵ “Why should we put the legs on the table in the first place?” they asked. That admittedly humble moment was the critical insight that paved the way for the much grander and far-reaching vision that would make IKEA a dominant worldwide retailer today.

Regardless of how the solution is formed, it inevitably reflects a form of creative thinking essential to successful visionary leadership. We emphasize this as a critical point, particularly in an era when technology makes the gap between innovators and fast followers ever more narrow. The visionary leader is by definition the first (or nearly first) mover in any situation. Those quick to copy may, in fact, be more successful than the visionary leader who initially conceives a solution, but in doing so they demonstrate proficiency in execution, not vision.

Ways to Stimulate Creative Thinking

- Engage in communities, conferences, or reading outside your typical area of expertise.
- Set aside time in your week that doesn’t involve completing routine tasks.
- Visit places where you will encounter unfamiliar people, cultures, or ideas.
- Spend time with coworkers in your organization with different roles.
- Debate commonly held ideas or question assumptions about your work or business.
- Imagine a situation in which you (or your organization) could no longer work the same way—what would you do?

This fact does not preclude the opportunity for visionary leaders to see alternatives that build on or modify existing solutions. Most new ideas are in one way or another evolutionary rather than revolutionary. Combinations are a particularly useful and actionable example of this. The e-book, first widely popularized by the Amazon Kindle, was

a vision inspired by logical combinations. What may be less clear is that while the Kindle was launched in 2007, the combinations first imagined came much earlier. In 1930, Bob Brown wrote of a concept that married the traditional printed book with the “talkie,” the movies with sound that had recently debuted in that era. In the third chapter of his book, *The Readies*, Brown describes this proposed invention as he envisioned it:

[A] moving type spectacle, reading at the speed-rate of the present day with the aid of a machine, a method of enjoying literature in a manner as up to date as the lively talkies. . . . Present day reading methods are as cumbersome as they were in the time of Caxton and Jimmy the Ink. Though we have advanced from Gutenberg's movable type through the linotype and monotype to photo-composing we still consult the book in its original archaic form as the only oracular means we know for carrying the word mystically to the eye. Writing has been bottled up in books since the start. It is time to pull out the stopper.

To continue reading at today's speed I must have a machine. A simple reading machine which I can carry or move around, attach to any old electric light plug and read hundred thousand word novels in ten minutes if I want to, and I want to. A machine as handy as a portable phonograph, typewriter or radio, compact, minute, operated by electricity, the printing done microscopically by the new photographic process on a transparent tough tissue roll which carries the entire content of a book and yet is no bigger than a typewriter ribbon, a roll like a miniature serpentine that can be put in a pill box.⁶

In his proposal, Brown demonstrates the creative power of combinations. Imagining the marriage of the traditional printed text with the emerging possibilities that narrated film represented, he embarks on a creative exercise to define this brave new world. In doing so, he lays the groundwork for ideas that would take nearly 80 years to take a form capable of achieving the scale and wide adoption that he envisioned.

With Brown's invention, we reach the key transition in our exploration of visionary leadership—that of the move from formation to execution—for Brown's “Readie” poses several important challenges

to our concept of the visionary leader. Does Brown's ability to imagine a talking book really make him a visionary leader? Does his concept make those who follow him with similar ideas any less visionary? What should we make of Jeff Bezos, the CEO of Amazon and the backer of a product like Brown's that actually exists and has succeeded in the marketplace?

In the context of our work on strategic leadership, we answer that the difference between Brown and Bezos cuts to the heart of what distinguishes the visionary from the visionary leader. While both Brown and Bezos can fairly be described as visionaries in regard to their contributions to the evolution of books and reading, only Bezos can accurately be described as a visionary leader. It is the execution of new ideas that is the hallmark—indeed the very definition—of a leader who drives strategy through vision.

In introducing the relevance of execution to visionary leadership, we now encounter our last two actions that distinguish the way effective visionary leaders drive change: iterating and enlisting others.

Action #4: Iterating

Brown's talking book clearly would not have succeeded as first conceived. It created novel methods of accomplishing a common task—reading—but it also introduced trade-offs, achieving that task in ways that weren't dramatically better than other easily available alternatives. What made the "Readie" dramatically better than a person reading a book aloud to others? When the e-book finally saw success in overtaking the printed page, it did so by solving other problems that ended up being far more meaningful to the average reader. E-books enhanced distribution, allowing the reader to acquire a book in seconds without a time-consuming trip to the store. E-books allowed infinite selection, offering a catalog of millions of books available that couldn't be matched by any existing retailer. Perhaps most important, e-books offered an equivalent solution at a lower price. After purchasing the initial device, the customer found that e-books were often notably less expensive than their print

counterparts. This advantage was key to Amazon's ultimate success, a fact they well understood, as demonstrated by their aggressive moves to reduce the Kindle's price in subsequent years.

Each enhancement was critical to the success of e-books. Each also reflected important iterative change that went beyond—and at times against—the vision first articulated by Brown. It is this ability and willingness to adapt that is the fourth distinguishing action of effective visionary leaders.

As illustrated by Brown's "Readie," the initial vision is far less important than the ability to adapt and change. While thousands of individuals developed similar ideas in the 80 years following his initial published concept, it was the combination of trial and error and continuous learning that allowed the Kindle to finally emerge as a success. This is a key insight from our investigation of visionary leaders, and it is a finding that is highly actionable by leaders who wish to employ a visionary leadership type.

This ethic has been widely adopted by two core principles that guide many entrepreneurs and startups: failing fast and the pivot. Failing fast is the intentional embrace of experimentation and a mindset that views failure as an opportunity to learn. Framed as such, it allows individuals to embrace and try new ideas while also encouraging them to control risk by limiting the investment in an idea until it has proven to have sufficient merit. The pivot is a related concept, emphasizing the continuous exploration of alternative applications to the current path. The concept is similar to the 3M principle of exploring alternative applications of failed technologies that we outlined in Chapter 1. Just as 3M found breakthrough success in Post-it Notes as an alternative application of an adhesive technology, many startups find their ultimate success in unexpected ways. The Wrigley Company, one of the world's most famous chewing gum makers, began as a manufacturer of soap and baking powder. As William Wrigley, Jr., sought out ways to expand sales, he came to realize that the two free packs of chewing gum offered with each sale were more popular than the products they were intended to promote.⁷

Action #5: Enrolling Others

The final action we find that consistently distinguishes visionary leaders is their ability to motivate other stakeholders to support and participate in their worldview. From our review of visionary leaders, this final action contributes greatly to the difference between extraordinary and even average performance. While many aspects of the other four actions are easy to replicate or copy, enrolling others is extremely difficult to mimic. The active support and participation of others in the realization of the founder's vision can greatly accelerate that vision, while the lack of such support can make even the best insights, design, and continuous adaption irrelevant.

Achieving this support can take many forms. It is often referred to as “developing followership”—the ability to motivate others to share a vision and contribute through a high degree of personal conviction in the value of the vision itself. This is commonly seen in organizations or movements with a social purpose. Many of the names our students provide when we ask them to identify visionary leaders jump to mind for this specific reason—Martin Luther King, Jr., Mahatma Gandhi, and Nelson Mandela all appealed to a moral imperative and rallied followers around a vision to achieve greater realization of basic human rights by correcting injustices to oppressed people. While the motivation of followers in these circumstances is easy to understand, many organizations and visionary leaders have been able to achieve similar devotion to decidedly less altruistic causes. Many founders of commercial enterprises have rallied teams by appealing to purpose, be it creating good, reinventing the status quo, or beating the competition.

Enrolling others need not always be done by gaining their enthusiastic support. The visionary leaders we spoke with and analyzed were a pragmatic bunch, and at times they achieved the necessary support of stakeholders through decidedly less noble means. By employing coercive influence, be it through the advantage of their reputation, economic leverage, or the fear of being excluded, visionary leaders often demonstrate the use of an intentional calculus that weighs the relative

value of any one individual's participation against the various options and costs of achieving their support. Steve Jobs embodied this calculating influence when he appealed to a skeptical John Sculley, then CEO of Pepsi, to leave his successful organization and help lead Apple, saying, "Do you want to sell sugared water for the rest of your life? Or do you want to come with me and change the world?"

Challenges in enrolling others can also extend to issues with the general public. Among the many failures that marked the end of the first dot-com bubble in the early 2000s, few were as spectacular as that of Webvan. Conceived as a just-in-time delivery service for major U.S. cities, the company dispatched trucks to deliver goods to customers who made purchases from its website. Buyers selected a 30-minute window for delivery, often the same day. In its rapid growth, the founders placed orders exceeding \$1 billion to establish its infrastructure of warehouses and delivery trucks, only to declare bankruptcy in 2001, less than two years after going public. In 2008, Web publisher CNET declared it the greatest dot-com flop of all time.⁸ And yet, a decade later, the concept of just-in-time delivery returned to popularity with the likes of Google, Amazon, and others delivering nearly identical services.

The Impact of Visionary Leaders

In summarizing our review of the five actions we have observed in successful visionary leaders, we return again to the matter of their primary focus. Visionary leaders are passionate and unrelenting in the pursuit of a particular view of the world. They form their worldview through an acute understanding of the environment and emerging trends, using that understanding to identify existing or emerging problems, and craft novel solutions to those problems that are demonstrably better than existing or possible alternatives. Having formed a coherent vision, they drive strategic change through rapid, iterative application of their vision, adapting their vision when

confronted with new or changing information, and enrolling others to share and participate in that vision in ways most critical to ensuring its realization. The difference between successful and unsuccessful visionary leaders is their influence, as manifest in their ability to both conceive and execute compelling ideas.

As a final illustration of this distinction, we find a particular scene from the film *The Social Network* to be telling. When faced with legal action by fellow Harvard students who claim to have conceived the idea behind the social networking website first, Facebook founder and CEO Mark Zuckerberg becomes increasingly frustrated during a pretrial discovery session. Struggling to withhold his frustration, he interrupts the lawyer's line of questions, stating, "You know, you really don't need a forensic team to get to the bottom of this. If you guys were the inventors of Facebook, you'd have invented Facebook."⁹

The Directive Type: Driving Strategy through Structure and Process

In some ways, the directive leader is the "classic" leadership type that many expect when they think of strategy in a business context. Indeed, many of the concepts, activities, and tools associated with this type that we will discuss are actively used today and taught regularly in the world's best business schools. It is appropriate to consider many of them to be the predominant and mainstream thinking about how organizations operate effectively to both define and execute strategy. In many ways, this is simply because they work. They reflect decades—sometimes centuries—of refinement as the basic tools of business, and even as research and cultural shifts have surfaced new ways of leading that have raised the profile of the other strategic leadership types we highlight, many of them are, in fact, defined in relation to the directive type.

As a result, when we poll our graduate students and focus groups, the list of directive leaders comes quickly and is dominated by well-known names to those who pay attention to the history of business or

read *The Wall Street Journal*. They commonly name contemporary CEOs synonymous with some of today's largest companies: GE's Jack Welch, JPMorgan Chase CEO Jamie Dimon, Ford's Alan Mulally, and IBM's Lou Gerstner come up often. Many of history's most effective military strategists come up almost as often, ranging from U.S. generals Dwight Eisenhower and George S. Patton to Napoleon and Genghis Khan. Famous American football coaches like the Dallas Cowboys' Tom Landry or the Green Bay Packers' Vince Lombardi are occasionally named, seemingly because of the chess-like nature of playmaking in that sport.

The chess master is an apt metaphor for the work of the directive leader, as many see them as strategists who stand back and away from the fray, allowing them the opportunity to see the battle take place on the board and to weigh options as they make each move. Indeed, the histories of chess and of strategy are intertwined in many ways. The earliest variants of the game in sixth-century India served as a tool for military strategy.¹⁰ In modern times, the logical structures and rules of chess inform the modern understanding of competitive dynamics through the study of game theory, as we referenced in Chapter 1.

Typical Characteristics of the Directive Leader

Our focus groups and students typically described directive leaders as "confident" and "decisive." They projected a certain sense of control to others, both through their personalities and because, in most cases, they occupied roles that did provide them with a high degree of power. Most often they were the decision makers, with formal responsibility to set strategy and allocate resources accordingly. It's worth noting that these characteristics were seen as strengths by those we spoke with, as they used them to describe leaders whom they saw as credible and accomplished. As such, their confidence was well earned and didn't tend toward the boasting that might occur among

some leaders. In fact, some colleagues we spoke with went out of their way to note that the leaders they work with demonstrated this strength as a “quiet confidence,” due more to the knowledge that comes from experience or expertise than from personal pride or arrogance.

Likewise, colleagues largely appreciated their decisive nature. They described them as clear and gifted, with the ability to boil down complicated situations or choices to the essential components that had to be weighed when making a decision. When coupled with the ability to look at situations objectively, these leaders were also seen as being very fair, even when they made decisions that resulted in clear winners and losers.

When asked for shortcomings of directive leaders, those we spoke with frequently said they were “controlling” or “removed.” Some described their tendency to be controlling as overuse of what was otherwise considered to be a strength—they often know what needs to be done, but at times they don’t bring others along. This highlights the fine line that all leaders have to walk in how they handle themselves and the particular nuances involved in providing clear direction. As a case in point, an interviewee told us about a boss she had who came in to address customer service issues within a department, saying that “they were viewed as a success outside the team because they did what they were supposed to do, but the staff was resentful. They felt the changes were just additional work. After a while, some people did see how it saved us time in managing complaints, but they never saw the leader as being very interested in hearing their input.”

Rather, these leaders were seen as removed, in that they risked being out of touch with the work of the teams or organizations they led, often because the focus and activities they focused on were largely separate from that of others. At worst, they suffered from the classic split in modern strategy work in which those who set the plan are entirely separate from those involved in executing the plan. While much has been written about this fatal flaw, those we spoke with still see it occasionally happen even with the best of directive leaders.

The Focus of the Directive Leader

The best directive leaders we spoke with saw themselves as building a system. They conceive the team or organization as a machine or organism, whose parts operate together to manage the dynamic activity of realizing the firm's strategy.

The typical directive leader is systematic in evaluating the core levers of success in their respective business or endeavor, and they prioritize the management of those value drivers accordingly. The way they do this is what distinguishes them as directive leaders: they take a structural approach in all cases. Whether the core value drivers of their business are financial engineering, human capital, real estate, supply chain management, technical innovation, intellectual property, or brand, the directive leader seeks to put structure around it and manage it in alignment with the broader purpose and objectives of the organization. Put simply, in building the system, they focus on what is most likely to drive results.

One might think that directive leaders aren't attuned to the human aspects of leadership. In most cases, we found that nothing could be further from the truth. These leaders consider the team and talent to be a critical part of that system. In fact, many directive leaders we heard about and spoke with put as much rigor into the systems to identify, develop, and manage their talent as they did in their technology investments or supply chain.

What Directive Leaders Do

Directive leaders are highly intentional in every aspect of how they perform their role. The best leaders we spoke to were very self-aware of how they spent their time and attention. They were also aware that others were equally attentive to the tone they set. The corporate legend of everyone reading what the CEO reads is indeed true. Knowing this, many executives we've observed are both wary that

their words might be taken too literally and keen to use this influence to send signals about what they consider important.

From our analysis of existing literature and our discussions with directive leaders and their colleagues, here are the five actions that we found most commonly distinguish successful directive leaders:

1. They *set direction*, using process to ensure a rigorous evaluation of the situation, alternatives, and the best available way forward.
2. They *establish governance*, defining roles, processes, and forums to manage strategy execution.
3. They *motivate others*, inspiring teams and aligning incentives to get the expected contribution of individuals and groups.
4. They *monitor performance*, using well-defined controls to maintain an understanding of progress and gain insight on potential risks.
5. They *intervene and adjust*, overriding standard procedures when they see a need to prevent issues or repair damage.

Having identified these key activities, we also see patterns in how these leaders apply them to suit the situation. To elaborate, we now look at each of these actions more closely.

Action #1: Setting Direction

The directive leader takes a highly structured approach to determining strategic direction. Whereas visionary leaders are most comfortable working on the basis of their vision for guidance, directive leaders commonly look to data and formal analysis. Leaders prone to taking this structured approach have benefited greatly from a great many tools that have formed and evolved over decades.

Strategic analysis took on a formal structure in the twentieth century, as the Industrial Revolution and social sciences led to the formal academic study of business, with strategy and strategic management first attracting academic attention in the 1960s. It was Michael Porter's work in the 1980s, and most notably his 1980

book *Competitive Strategy*, that defined the modern underpinnings of strategic analysis that are still prominent today.¹¹ Porter's work emphasized strategic positioning, in which a given product or service achieves a relative advantage in the marketplace over alternatives based on characteristics such as features or price. Concepts of market position gave new formal criteria by which markets, organizations, and products could be evaluated.

Today, these tools are used to structure and evaluate a rapidly expanding array of data. Indeed, big data has become a field of study in itself. The long-sought promise of data that can increasingly inform decision making has rapidly become a reality, both through access to real-time data on the daily flow of organizational finances and new insights on more difficult-to-assess qualitative issues such as customer sentiment. The directive leader's structured approach to decision making is well suited to capitalize on this trend, and the zealotry by which the directive leader has done so is evident in the dramatic levels of investment in management information systems among companies, large and small alike.

Balancing Planned and Emergent Strategy

For all the opportunity and benefits that big data provides to inform formal decision making and strategic analysis, we find that many directive leaders are equally concerned about considering issues of strategy and direction where formalized decision making and big data is of little use—or can even be a hindrance. In times of disruptive innovation, many traditional tools for strategic management have proven inadequate for identifying emerging market opportunities. While many of the directive leaders we looked at have demonstrated a preference for analytical methods like the ones we've described here, some have sought ways to balance this with management tactics more adept at identifying and capitalizing on emergent opportunity. At

times these included skunk-works projects led by small teams that are allowed to operate outside the regular structures the organization. For the purpose of our analysis, we consider this a hybrid approach that integrates elements of our visionary and directive leadership types. We will look at applying these kinds of combinations in more detail in Chapter 4.

Action #2: Establishing Governance

The directive leader typically combines these decision-making tools with process, which serves as a key component of their approach to establishing governance. The hallmark of this direction-setting aspect is strategic planning, or the formal method by which teams determine strategy. Typically, the directive leader defines this process in advance, often in the context of a broader strategic planning cycle that is anchored to an annual planning cycle. While the frequency of this cycle may vary, the presence of a regular cadence rarely does.

Governance can and does look very different in various settings. In many organizations, it takes the shape of a formal sequence of meetings aligned to the financial year. A management team may meet monthly or quarterly, conducting a formal operating review of key aspects of the business and then using certain meetings throughout the year to address longer-term topics, such as goal setting or competitive analysis. Other groups are then convened around this core cadence, including designed meetings of subgroups to address customers, products, or business operations. A governing group such as a board of directors may also exist and operate above the core cadence to attend to fiduciary responsibilities.

The character of the leader's management style or the organization's culture can also influence how this governance framework is defined. Leaders with a preference for operating detail may establish

elaborate sequences of meetings and forums to allow them access to operational status deep within the management team. Other leaders with a more external focus or with less interest in operating detail may establish accountabilities that leave such matters to one or more trusted lieutenants who operate on the leader's behalf.

Regardless of the chosen format, clearly defined accountability is critical to success when leaders apply this activity. We find the best directive leaders to be particularly adept at defining responsibilities and maintaining those distinctions even (or especially) when situations become contentious or challenging.

Action #3: Motivating Others

The directive leaders we spoke with were keen students of motivation. While the emphasis of the prior actions may seem to reflect a rather calculating approach to management, these leaders are, in fact, quite astute in assessing what makes people tick. Their approach to these issues is the third major action that we saw when analyzing directive leaders, as they took an intentional approach in both how to motivate others and how to use incentives to drive desired behavior.

In practice, this often appears as attending to the complex issue of how goals, responsibilities, structure, and personal motivations result in a set of incentives that drive the behavior of the leader's counterparts and team. These leaders watched for both the intended and unintended consequences of team dynamics, and many put considerable time into understanding the mind-set of key talent through regular discussions and checking with other colleagues to get an understanding of how things were going. Notably, this rarely resulted in attention to pay. While compensation tied to formal goals is a part of formalizing incentives, effective leaders often identify ways that such factors as reputation or a sense of purpose drive behavior.

The idea that effective leaders take intentional actions to motivate and engage their teams appears prominently in Aon Hewitt's 2014 study of global trends in employee engagement:

*Our work consistently points back to the impact of leaders on employees' engagement, and to the fact that companies that excel at engagement almost invariably have strong leaders who implicitly understand and value employee engagement. They typically have had early experiences that stretched them and allowed them to grow. These experiences support and shape unique belief structures about their own sense of purpose, the importance of followers, and a generally optimistic outlook. These experiences and belief systems ultimately manifest themselves in behaviors that exhibit the leader's own sense of purpose and focus to inspire others, demonstrate personal connection and authenticity, and help others grow and develop.*¹²

The best directive leaders we spoke with understood this and paid close attention to it, both through integrating these considerations into their direct interactions with their team and by monitoring the attitudes of their overall employees through things like regular employee surveys.

Interestingly, we observed that many of these leaders included a focus on purpose, as referenced in Aon Hewitt's research. Mission and purpose have gotten greater attention in recent years, particularly as the Millennial Generation now entering the workforce brings with it a heightened concern for matters of purpose and those having a positive impact on society or the environment, but in truth these issues are not new. Over 25 years earlier, leading leadership researchers James Kouzes and Barry Posner identified making a difference as one of the five core practices they saw driving effective leaders and helping them motivate others.¹³

Action #4: Monitoring Performance

Having set in motion a framework to set direction and drive organizational execution, the directive leader establishes a structured approach

to monitoring performance. This typically includes attention to matters both inside the organization or team and in the broader external environment.

The balanced scorecard is one of the most popular management frameworks today for monitoring organizational performance. Popularized by Robert S. Kaplan and David P. Norton in a 1990 *Harvard Business Review* article, it provides a structured approach to identifying and tracking key drivers of strategy execution across a diverse set of performance indicators. Kaplan and Norton recommended the use of four categories—financial metrics, customer metrics, internal business processes, and indicators of organizational learning and performance—as key indicators of long-term organizational performance.¹⁴ In practice, the structure of such scorecards doesn't always use these categories, but by definition they do always include a combination of financial and nonfinancial organizational metrics.

Importantly, the exercise of defining appropriate scorecard metrics is often as important as the metrics themselves. Scorecards serve as a simplified snapshot of the organization's performance at a given point in time. Identifying the right metrics is, in effect, an exercise in determining the key drivers of value for the organization. Indeed, in their later work, Kaplan and Norton highlighted this in their proposed approach to strategy maps—a framework used to identify causal relationships critical to achieving strategic objectives.¹⁵ The work of developing a strategy map reveals judgments regarding how a given strategy is achieved.

We've seen leaders effectively use balanced scorecards and strategy maps to understand the assumptions of their fellow leaders. By applying these tools, a leader can see how—or if—various aspects of an organization's operational performance are viewed as being relevant to achieving agreed-upon strategic goals. Identifying differences in these views between members of a leadership team can help surface issues that often drive organizational or team conflict.

We see the most effective directive leaders using these insights to simultaneously monitor performance in two ways: evaluating strategy execution through the use of scorecards and other similar tools while

also monitoring the tools themselves for potential gaps or blind spots. This attention to the system itself is fundamental to addressing major issues before they occur.

The shift in Microsoft's position in the technology industry between 2006 and 2014 provides one example to illustrate the role of incentives and motivation. In 2006, the company had enjoyed roughly 20 years of market dominance in the personal computer industry through the market-leading position of its Windows operating system. It had used this position of strength to expand its business into other product categories, such as its Office suite, Xbox entertainment console, business server software, and various Internet services. This included products targeting mobile phone users, where Microsoft had been an early entrant with its Windows Mobile platform. Despite its dominant position in the technology industry, the company struggled to maintain its position as customer preferences shifted to mobile computing and products from the likes of Google and Apple that were better suited for use in those environments.

How could a company with Microsoft's dominant market position and vast resources let this happen? While extensive analyses and case studies could—and will—be written to truly understand the events that transpired, we'd suggest that motivations and incentives played a substantial role. In many cases, it was Microsoft's dominance in existing markets that discouraged them from making the necessary adjustments to suit changing consumer tastes. Their decision to delay the release of Microsoft Office on these new platforms until well after other competitors had provided competing solutions is one example. Their reluctance to offer one of their more lucrative products on a competing platform and at a much lower price was understandable in the context of their historical business, but it was potentially catastrophic to their future.

The directive leaders we looked at understood these dilemmas. They find ways to measure performance both in terms of execution against current state objectives and with an eye toward future trends that may fundamentally challenge the current state. They consider

these factors when driving both the formal and informal incentives that influence the motivations of others.

Action #5: Intervening and Adjusting

As we have said, the primary focus of directive leaders is in building a system that effectively drives strategy formation and strategy execution. They take a structured approach, selecting tools and processes that create an environment of healthy team and organizational performance, and they monitor that system with an eye toward current and future requirements. However, like any system, at times that structure can break down. At those times, we see directive leaders insert themselves and intervene.

In May 2014, Minot Air Force Base conducted an installation-wide stand-down to raise awareness of the U.S. Air Force's push to eliminate sexual assault in the military.¹⁶ Such stand-downs are part of the military culture—they occur when commanders feel the need to adjust everyone's focus and performance through briefings, conversations, or—in the case of Minot—small-group exercises and workshops. Air Force stand-downs typically occur following incidents involving aircraft technology or pilot performance. Standing down for a few hours or a full day gives officers and aircrew the opportunity to review and discuss the causes of previous incidents, as well as to review changes in policies or procedures stemming from the incidents. When a military installation stands down, everything comes to a halt, serving as a visible reminder of the significance of the action being taken as well as the initiating incident or event.

Such interventions are not limited to the military. As part of its effort to bolster its brand and stimulate sales, Starbucks closed 7,100 stores across the United States for three hours on a late February day in 2008. The purpose of the closure was to introduce 135,000 managers and employees to new standards pertaining to how Starbucks drinks are made. The ultimate goal: helping ensure that managers and employees

provide the best customer experience possible.¹⁷ The decision was part of an internal effort to address client perceptions regarding product quality and the Starbucks experience. While there were certainly ways that the company could have conducted this training that wouldn't have required store closures, the decision by newly returned CEO Howard Schultz to conduct the training in such a dramatic fashion was also meant to send a clear message to the public that action was being taken.

From our experience, leaders don't take the decision to intervene lightly. They view the standard system of governance as critical to establishing a healthy organization, and they see decisions to overrule that system as having significant risks. Overriding the system can encourage others to request similar interventions. It also risks creating perceptions of inequity if it leads others to believe that the leader favors certain leaders over others.

Notably, failing to intervene can have a similar effect. As in life, some people find ways to work around the system and achieve results that aren't in line with the intent of a given rule or guiding principle. To avoid this risk, in these cases we have seen effective leaders act in an intentionally visible way. Making an example of one person for the sake of sending a clear message can be a difficult choice for a leader to make, but it can send a very strong message to others on what is and isn't considered acceptable.

The Impact of Directive Leaders

At their best, directive leaders are perhaps one of the most compelling examples of achieving results through others. Directive leaders typically have little direct responsibility for delivering the end product or desired strategic objective, but they have a broad impact on how others do so. In many ways, that makes them similar to the incubating leader, which we will focus on next. However, whereas a leader who applies the incubating type of leadership plays a somewhat limited role

in the work of others by intervening only where they can make a difference or add value, the directive leader plays a much more holistic role in empowering others to achieve results.

We'll also note that the directive leader doesn't simply tell people what to do. This would be a misunderstanding of our use of the word *directive*, and we actually debated the use of that term throughout the development of our framework. We embrace the term because these leaders certainly provide direction, but it is important to note that actions we've outlined here clearly demonstrate that the directive leaders spend as much time encouraging as they do telling.

By taking ownership for the overall system that drives and supports high performance, they take full and final responsibility for all aspects of strategy formation and strategy execution. They do this through a combination of setting direction, establishing clear responsibilities and governance, motivating others to achieve common goals, monitoring performance on an ongoing basis, and intervening when they see the need to change course or repair damage.

In doing so, their own character and style often have a significant influence on the organization that they create. In many cases, the famous directive leaders our students identified are synonymous with the organizations they lead. Given this, the best directive leaders we've worked with take that responsibility very seriously. They see themselves as the stewards of the organization, and they understand that their own ethics and attitudes are critical components of how they lead. While this certainly isn't true of all directive leaders, and this type of strategic leadership can certainly enable less idealistic or virtuous individuals to wield power in undesirable ways, we see in directive leadership enormous potential to create results that few others can accomplish.

The Incubating Type: Driving Strategy through Empowering Others

More than the other three leadership types we have defined, the incubating leader is most commonly linked to particular roles. In

several industries, particular jobs include responsibilities that require leaders to sponsor, nurture, and develop projects or other leaders. Entrepreneurs typically look to angel investors and venture capitalists, not just for funds, but also for the business insights and networking that are crucial to the early stages of success. In the arts, executive producers sometimes play this role. Likewise, at universities the best deans and department heads act not just as decision makers but as mentors and sounding boards for faculty members navigating both the terrain of their academic discipline and the challenges of the tenure track.

When we poll our graduate students to name incubating leaders, many of the names come from these ranks. Well-known artists like Ron Howard and Dr. Dre are cited, recognized for their expansive influence in their respective fields and their critical role in making the careers of fellow artists. Warren Buffett is also frequently mentioned, given that his investment style has demonstrated an uncanny ability to exploit opportunities that provide healthy returns by using capital to enable the companies in which he invests to make targeted strategic moves.

Lesser-known individuals are commonly cited as incubating leaders, too. Robin Williams's portrayal of an English teacher in *Dead Poets Society* is a well-recognized mentor, but most of the professors, coaches, and trusted confidants on our students' list aren't household names. Even so, the stories that students share demonstrate real impact and are deeply meaningful in their own right and context. Similarly, one student spoke of a particularly influential teacher, stating, "My basketball coach was one of the first people who really made it clear that they believed in me. I learned a lot, not just because of how she coached us on the court, but because of how she encouraged me that I could do anything if I was serious about it."

While these roles commonly feature—and at times require—incubating leaders, there is a unique place in our list for those who hold no particular role or title but who serve a unique purpose within their respective organization or community. Often they are endowed with special titles like "honorary" or "emeritus," or perhaps they are

the valued family patriarch or matriarch. In many ways, their unique place defies conventional categorization, but it is this very quality that stands out to us as defining them as a group and enables them to serve as an embodiment of many of the values and actions that we will explore here.

In addition to the examples these leaders set, organizations designed as business incubators or accelerators also inform our insights. Often sponsored by economic development organizations, government entities, academic institutions, or private investors, most incubators exist to provide a range of services to entrepreneurs and early stage enterprises to start new businesses, including physical real estate, access to technology, business support, and management advice.

The first business incubator was founded in 1959 by Joseph Mancuso in Batavia, New York.¹⁸ While the idea was slow to catch on at first, the model gained popularity in the 1990s in tandem with the emerging impact of computer and information technology. Later, business accelerators emerged with a more narrow focus on helping existing startups complete the transition process out of incubation and into the marketplace. Many large organizations have also formed in-house incubators to encourage innovation and new businesses—either on a centralized or decentralized basis—as illustrated by our profile of 3M in Chapter 1. A large network of business associations and academic publications has formed around these models, providing a rich source of research and insight that we have drawn upon to inform our analysis.

Typical Characteristics of the Incubating Leader

Our students and interview participants often describe incubating leaders as “perceptive” and “encouraging.” These leaders see potential and nurture it. Incubating leaders are very focused on the success of others, and they play an active role in helping other leaders succeed.

Their keen perception tends to show up as an ability to assess both situations and talent. They are students of the environment, with a good sense of trends and opportunities. In this regard, they are similar to the visionary leader. This keen judgment informs how they allocate resources. Venture capitalists provide financial backing where they see the right combinations of strategic opportunity and entrepreneurial talent. For other types of leaders who give out insight rather than funding, their time is the scarce resource they manage. Speaking to one colleague of an incubating leader, we were told, “If you got their time and their advice, they must have seen some real potential.”

In addition to these commonly cited characteristics, we’ve noticed that a certain amount of experience was often mentioned, more so than in the other leadership types. Most of the incubating leaders named in our focus groups and interviews were relatively experienced in their respective fields, and they were seen as having insight and credibility, in part because of their prior accomplishments.

Incubating leaders combine this experience with a high degree of intellectual curiosity. A 1999 survey of 145 venture capitalists cited “intellectual stimulation” as one of the main reasons for pursuing a career in the field.¹⁹ This combination of experience and curiosity seems to be central to the unique DNA that makes up the incubating leader’s mind-set.

Incubating leaders do have their weaknesses. While respected for their insight and appreciated for their encouragement, they aren’t always viewed as providing clear direction. This is logical when they are operating in a role of coach or mentor, but it becomes problematic when a leader with an incubating style is in a position of formal authority. “I didn’t always know what they wanted. Sometimes we’d have long discussions, and afterward I’d realized that we still hadn’t come to a decision,” said one person who had worked for an incubating leader. This is an important caution for some leaders to consider and a good example of the fact that each strategic leadership type we’ve identified has an appropriate place and time.

The Focus of the Incubating Leader

The incubating leader defines personal success on the basis of the success of others. In this regard, we see an immediate contrast between the incubating and the visionary leader. Both are focused largely on the opportunity to capitalize on new ideas and disruptive change, but whereas the visionary leader makes themselves and their own worldview the center of the creative process, the incubating leader operates as more of an outsider looking in. They focus less on developing their own vision and more on acting as a resource to others. “I’ve always found them to be a really useful sounding board,” a typical interviewee said.

This doesn’t mean that they act with a lack of self-interest. They have a clear expectation of a return on their investment, whether that investment is through their resources or their time. The benefits they seek are often multifaceted, and incubating leaders are savvy when it comes to assessing the value of intangible assets like their reputation, social network, and the currency of trading favors.

This focus on supporting others also doesn’t mean they aren’t discerning. While incubating leaders are often described as encouraging, many interviewees also saw them as tough judges—they don’t offer help where they don’t see real promise, and they don’t encourage false hope. In consulting with one organization on the criteria that would define high-potential leaders, this item received specific attention. We ended up defining it as “the courage to terminate unsuccessful projects,” and it became a favorite point of discussion when the executive team was evaluating the potential of specific leaders to take on executive accountability.

Given these considerations, the incubating leader is almost always juggling a diverse range of priorities and involvements. Whereas visionary and directive leaders operate as the center of the stage, with other actors revolving around them, incubating leaders participate in the strategy of others more like the actors’ coach, actively observing and inserting themselves when they see problems or

opportunities for improvement. They also differ from the director of a play, in that they focus more on monitoring than managing the overall production.

What Incubating Leaders Do

Given the focus of incubating leaders, we found examining their actions to be a fascinating exercise. These leaders act in decidedly different ways than the other strategic leadership types. Typically involved in a diverse range of relationships and activities, they juggle their time and attention with an unusually large number of counterparts. They spend less time with them than some other types of leaders, and they spend that time in different ways.

Following our conversations with incubating leaders, and after also talking with those who have worked with them, we have concluded that the most effective ones consistently demonstrate the following:

1. They *build networks*, forming relationships both within their area of specialization and beyond.
2. They *assess opportunities*, developing insights drawn from patterns across their network of relationships and their prior experience.
3. They *diversify their bets*, selecting each investment with an attention to both potential risk and return.
4. They *lend assets*, deploying resources and advice where they see the opportunity to create value and accelerate possibilities.
5. They *create support ecosystems*, forming mechanisms that enhance the performance of others and provide indicators of the performance and return on each individual investment.

Action #1: Building Networks

Incubating leaders take their networks very seriously, as those networks are fundamental to the value that incubating leaders can create for themselves and provide to others.

The value of networks has increasingly been the topic of academic research. The value of social capital is of particular relevance to our focus on incubating leaders. University of Chicago Professor Ronald Burt's influential research has highlighted the value created by a specific activity called "network brokerage" and by individuals whose relationships span what Burt calls "network holes."²⁰ Distinguishing open networks (connections between multiple groups made by a relatively small number of individuals, with relationships across otherwise separate social networks) from closed networks (connections made within a single group, in which many people share the same set of relationships), Burt's research proves that value is often created by "network brokers" making those boundary-spanning connections, as illustrated in Figure 2.5. While closed networks are particularly effective at creating value through a focus on execution, open networks are uniquely capable of creating value through the discovery of new opportunities.

One example of the importance of these boundary-spanning connections appears in research and strategy groups. Centralized groups developed to concentrate research or analytical expertise can generate critical insights on behalf of the wider organization. The creative insights generated by collaboration within these "closed network" teams, particularly when they bring together diverse expertise, can be extremely powerful. However, that insight risks being lost if the centralized group lacks connections to the wider organization in meaningful ways that allow their insight to be converted into products

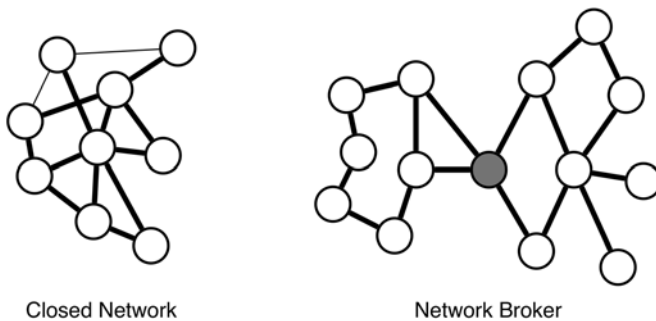


Figure 2.5 Network Brokers Link Closed Networks

that reach customers and solve real-world problems. At 3M, the initial research in adhesives would not have led to the Post-it Note without the connections made between the research team and the team responsible for relevant product lines in the commercial tape division.

These open and closed networks inform our observations on the various activities of incubating leaders as they build their own networks. Such leaders are particularly effective at participating in and spanning multiple networks. They consciously seek out relationships for multiple purposes and curate their relationships to maintain a diverse set of connections that help them both discover new opportunities to create value and then form teams to exploit those opportunities.

Analysis of how they allocate their time indicates that most incubating leaders focus on building open networks. Typical venture capitalists spend most of their time networking with entrepreneurs, both to discover new opportunities and to give them a wide set of comparisons by which to evaluate a given business opportunity. In contrast, they put a low value on time spent with their peers. Less than a third of venture capitalists in one study deemed that their network of fellow venture capitalists was “very important,” versus 56 percent citing networking with entrepreneurs to be critical.²¹

Creating Network Value

- Develop relationships with professionals in other specialty areas.
- Join and lurk in online communities to discover adjacent fields.
- Subscribe to one professional publication or attend one conference per year outside your area of expertise, rotating the topic annually.

Incubating leaders also cultivate their networks as a resource for others. They maintain these contacts less for the insights and value they provide to the leader and more as an asset that they can then draw upon as needed to aid and assist at a specific time of need, which can include forming or supplementing teams or making introductions.

In many cases, this activity becomes self-reinforcing. As incubating leaders develop a track record and reputation for being well networked, they attract additional connections from others who seek them out. When this happens, the leaders shift their attention to evaluating and acting on these solicitations. The most noteworthy leaders we spoke with didn't accept every relationship or maintain every contact, but they were conscious and intentional about how they handled them. This included deciding how to handle incoming requests, developing a strategy to prioritize their responses, and actively tracking their existing contacts so that important relationships didn't go too long and risk deteriorating due to neglect.

Action #2: Assessing Opportunities

After establishing a network, the second key action of incubating leaders is the development of insights. This activity draws heavily on pattern recognition, a fundamental component of strategic thinking that we introduced in Chapter 1.

The patterns we see these leaders focus on most frequently are the assessment of talent and situational opportunity, mentioned previously as the two primary areas of focus for incubating leaders. In each case, these patterns inform the creation of mental models. This can either be done consciously in the form of criteria or checklists, or unconsciously in the form of instincts. Here we will focus on detailing the conscious approach, as it provides the most actionable insights, although it is worth noting that there is merit to the unconscious "instinct-driven" approach that is often evident in our interviews and acknowledged in much of the academic literature on decision making. For our purposes, we will call these explicit mental models "archetypes."

Leaders codify these mental models in a set of attributes that define both success and risk. The profile of a successful protégé typically will include some combination of personality attributes, personal abilities, and prior experiences. These can be codified into a formal set of

competencies by which individuals are assessed—a common practice in larger organizations—or they may form a less formal profile of what “good” looks like. The more effective leaders constantly revisit this profile, refining it through an expanding accumulation of experiences and observations of both success and failure. As referenced earlier, this is a primary benefit of the leader’s network-curation activities. This is particularly true in situations where technology or changing social norms challenge and disrupt what “good” looks like.

The best incubating leaders also take a keen interest in any encounter that expands or challenges their perspective—either because it’s fundamentally new or because some aspect of an otherwise typical encounter has some attribute that doesn’t fit the mold. These anomalies are seen as promising curiosities, and they provide the opportunity to unearth additional opportunities. A leader of strategy and customer relationships for an online fund-raising platform cited certain product categories as mattering more than others. Given the opportunity to help an entrepreneur raise funds for a new and emerging wearable technology, the leader took a particular interest in the project: “We worked with them differently than we did with other customers in the past, because we recognized an opportunity to learn a lot.”

The criteria that incubating leaders develop are then applied to the assessment of opportunities to invest. Effective incubating leaders recognize opportunities that others don’t. They are also keenly aware of the biases that mental models can often produce. Following a career as one of the most talented basketball players in history, Magic Johnson has built a lucrative second career as an investor in businesses focused on underserved urban communities. What began with an equity stake in movie theaters located in the diverse communities of central Los Angeles has expanded, as Magic Johnson Enterprises, into a wide range of businesses, including fast food, health clubs, coffee shops, and insurance. By directing investment and attention to the opportunities in underserved communities, Johnson capitalized on the historical inattention and oversight of other investors regarding the profitable opportunities that these communities presented.

Action #3: Diversifying Bets

According to conventional wisdom and research analysis, a significant number of startups and new ventures fail. While the statistics may vary—based in part on the varying definition of failure—the fact remains that even the most successful incubating leader must assume some degree of failure and plan accordingly. The diversity of the incubating leader's interests is the hedge against this risk.

Leaders we interviewed gave several reasons for consciously making multiple bets. First, by definition, the incubating leaders' role limits their involvement in any one endeavor. As sponsors, mentors, or backers, these leaders stand apart from the projects and the leaders they engage with. Overstepping this was seen by many to violate the basic function of their role, and they were highly conscious of this boundary. "In the end, it's their company," said one leader we spoke with whose organization advises early stage entrepreneurs. "My consultants can give advice and an outsider's perspective, but we can't let ourselves get too close at a certain point or we lose our objectivity."

Furthermore, they recognize the risks that come with any one opportunity they choose to back. The potential for downside loss, be it financial loss or reputational risk, was another consideration that encourages leaders to spread out their time and attention.

In the end, participating in a diverse range of endeavors is a virtuous cycle. The more these leaders participate in a broad range of activities, the more they are able to see and discriminate insights across that activity set. This serves to mitigate the incubating leaders' risk associated with any one endeavor, while increasing the value they can add to each protégé, given the insights born from the breadth of their experience.

Some of the most opportunistic, incubating leaders we examined intentionally position themselves to maximize the potential benefits of the endeavors of others across a given category. Rather than throwing their lot in with one of many attempts, these leaders often recognize and seize the opportunity to establish positional power that allows

them to insert themselves through participation in an overall category or platform. Technology often acts as an enabler of these situations.

In 1877, a then-unknown Thomas Edison invented a technology to record and reproduce sound using tin cylinders. His invention—the first phonograph—was hailed as a miracle technology, gaining the attention of scientists, the public, and even the president of the United States. Over the following 20 years, Edison iterated on the technology over time through several short-lived businesses. As similar competing technologies expanded the emerging market, Edison eventually began producing both players and catalogs of molded cylinder recordings. The catalogs featured multiple music genres and artists, offering a minuscule range of options by today's standards but introducing the first opportunity for people to hear musical performances without attending live events in person. Before the process of mass production of cylinders was introduced in 1901, artists would perform for each recording individually. The artist and Edison's phonographic company then would split the proceeds. In this instance, we find one of the earliest examples of a business model that would gain prominence over the ensuing century, for which Edison provided a platform enabling others to build their own professional reputation and income. Edison's technology (and importantly, his patent for it) allowed him to benefit financially from all the artists who were distributed by his company. As technology improved, these business models flourished in a variety of industries, expanding the role and influence of those in the position to operate as a sponsor or producer of a wide range of individuals. While some would be more successful than others, the platform's owner benefited from the collective success of many, many small bets.

Action #4: Lending Assets

Having placed their bets, incubating leaders face a choice regarding how much (or little) they invest themselves and their resources in the

success of their chosen endeavors or protégés. The more thoughtful leaders described this as a careful balance, as they focused first on when to insert themselves and when not to act.

Such decisions are often informed by criteria or guiding principles that the incubating leader developed over time. Most of these are learned through experience, often through caution developed by the negative consequences of prior mistakes.

The decision to invest is also consistently viewed as an investment and not a gift. Like any investment, the leaders are lending their assets, not giving them away, and they expect a return. This may be monetary, or it may take less tangible forms. Many of these leaders viewed goodwill as a valuable asset. Research supports their insight, as social capital is proven to accrue to individuals who bridge networks and create value through those connections.²² Interestingly, others see this value as well. The people we spoke with valued the investment that an incubating leader made in them, and they typically presumed the need to return that value in some form. “Returning the favor” was one common form this took, and our conversations led us to speculate that many of these individuals were motivated in part by the insight that they, too, had an opportunity to build and leverage social capital by intentionally demonstrating that they take these investments seriously.

The time horizon can also vary, and these leaders often demonstrate a willingness to make very long-term bets. Indeed, social capital has proven to have lasting benefits, albeit of a relatively fragile nature and most likely to accrue to those most experienced in managing social capital.²³ We would propose that these relatively rare individuals are, in fact, the most successful incubating leaders.

Action #5: Creating Support Ecosystems

Finally, effective leaders we spoke to looked beyond assets as discrete interventions and instead focused on the environment. Whereas

asset allocation focuses on solving for the individual endeavor or protégé, an ecosystem view focuses on the total environment. Rather than, “What would help this team right now?” they ask, “What would create an environment that accelerated success?” Rather than, “How do I help the team solve this problem?” they ask, “What would reduce the chance that the team encounters barriers?” This is the application of systems thinking to an incubator’s role of creating supportive ecosystems.

Returning to Edison’s tin cylinders, the evolution of the music entertainment industry gives us one example of such an ecosystem. As subsequent technologies more effectively enabled the mass distribution of recorded entertainment, a collection of new roles emerged to support artists. As the initial patents related to the first recording machines expired, independent record companies quickly formed to capitalize on the growing marketplace. Expanding revenue opportunities led to greater investments in each step of the creative process, paving the way for the collection of producers, talent scouts, agents, and distributors that we see today. This collection of interdependent and overlapping entities forms an ever-evolving pipeline that accelerates the discovery, development, and commercialization of talent. While no one individual or organization oversees this ecosystem, a collective and shared intelligence still has taken shape with the aid of industry organizations, trade unions, and additional enabling technologies. From this collection of activities and subgroups, the networks form that then create the opportunities for network brokerage, which we described as the first activity of the incubating leader.

Today’s app marketplaces for the major mobile computing platforms provide another and perhaps better illustration of how a single organization or individual leader can, in fact, play an incubating role that guides and develops the entire support ecosystem. As Apple, Google, and Microsoft compete for customers of their respective smartphone platforms, developers play a crucial role in producing the high-quality apps that attract these consumers and enhance the value of the platforms. Simultaneously, as each platform provider has

developed increasingly tight vertical integration of the app distribution system, they take on more control and responsibility for each component of the ecosystem. Whereas the early days of the software industry mirrored many aspects of the relatively decentralized entertainment industry, these technology platforms have become increasingly closed and centralized. Google controls not only the Android software platform but also the corresponding hardware standards, acceptance into the Android app marketplace, and promotion of individual app developers through its Google Play storefront. As its role in supporting and controlling the platform becomes more all encompassing, Google provides an expanding range of support services to its developer community by way of software development tools, educational conferences, promotional assistance, and at times even financial backing or incentives. In doing so, it plays the role of an incubator, supporting thousands of individual app developers and millions of individual apps. Its success in providing a rich ecosystem of support enhances the abilities of all developers, and as they each find their relative success within the marketplace, Google benefits through its 30 percent commission on every individual app transaction.

This involvement in providing holistic assistance and support isn't limited to large companies or technology platforms. Many of the incubating leaders we spoke with demonstrated similar thinking in regards to their teams. The most effective leaders impact the performance of their teams through how they share information, define incentives that encourage or discourage specific behavior, and even shape the culture and working environment of the team.

The Impact of Incubating Leaders

Our research and interview findings validate that working for or with an incubating leader can be a unique and empowering experience. More than other types of leaders, incubating leaders put disproportionate emphasis on bolstering the success of others. They are keen students of

their environment; they demonstrate a disproportionate ability to see opportunity and to identify talent. This ability is important, as it informs where they invest themselves, making calculated bets that in any given period allocate their time and assets across multiple priorities and endeavors.

They also make judgments about the degree to which they intervene in each endeavor, balancing their attention and their involvement to provide an appropriate level of guidance or resources to improve the likelihood of success at a given point in time. The best incubating leaders do this both with an attention to timely intervention as well as an ability to create an overall, ongoing environment that promotes successful behavior and minimizes barriers.

In total, this collection of attributes, skills, and actions may seem a relatively tall order. From our experience, it is. We encountered true incubating leaders relatively less often in our exploration. Even among those in roles that included these kinds of responsibilities, those who fulfilled the full spirit that our profile of the incubating leader implied stood out among their peers. Like a favorite professor or a uniquely gifted mentor, their rare nature was part of what led others to speak so highly of them and to commonly express a true appreciation for the opportunity to work with them and benefit from their unique gifts.

The Collaborative Type: Driving Strategy through Cocreation

Collaboration is a topic that has gained increasing attention. In many fields, research has led to a more sophisticated view of the nature of complex problems and has highlighted the need for integrated solutions. Increasing interdependencies between societies, governments, enterprise, and individual teams have also risen, as technology has allowed for new ways of working that no longer face the limitations of time or physical proximity.

Collaboration began to gain new attention in academic circles in the 1990s. Researchers focused on both the requirement of collaborative leadership in particular settings and the attributes of successful

collaborative endeavors. Significant attention among researchers focused on private-public partnerships, in which collaboration was seen as an increasing requirement to solve multifaceted problems in communities and political environments where a purely government-driven solution would likely prove inadequate.

At the same time, MBA programs made a pronounced shift toward team-based learning in the classroom as well. Responding to pressure to prepare their students more effectively to enter a workforce requiring greater collaborative ways of working, schools responded through now-common techniques such as team-based case study assignments.²⁴ While these teaching methods have demonstrated staying power, their reception hasn't been universally positive. Objections from students include the relative deemphasis on individual performance, the common phenomenon of disproportionate work effort among team members (now commonly referred to as "social loafing"), and the potential biases inherent in team-based work activities that may put those in minority roles or with introverted personalities at a comparative disadvantage.

For any controversy associated with team-based teaching methods, there is little doubt that the ability to collaborate with others is a prerequisite skill for most work and work environments today. That said, the topic of collaborative leadership has received relatively less attention than the related topic of teamwork. While it has been heavily researched in relation to some government-related sectors and in certain professional fields, such as primary school education and administration, historically it hasn't been as prominent in the broader field of general leadership studies, where more attention has been paid to traditional theories of management control or to a more recent focus on visionary, transformation, and charismatic leadership theory.²⁵ One may attribute this to an ongoing and decidedly Western emphasis on individualism. In spite of the recent emphasis on teamwork in the modern classroom, social conventions and incentives in Western societies continue to emphasize the role of the individual in ways that are markedly more pronounced than in many Eastern

societies. Indeed, our strategic leadership students from Eastern countries note a decidedly individualistic bias in much of the literature and theory we teach.

When asked, our students frequently named athletic coaches as examples of collaborative leaders, including the likes of NBA coach Phil Jackson and Harry Parker, legendary and long-time coach of Harvard University's varsity rowing program. They would also cite certain politicians known for building consensus and reaching across party lines, such as Lyndon Johnson. (Sadly, these discussions of politicians often included an acknowledgment that this kind of nonpartisan collaboration is increasingly rare.)

In the field of business, our students found these individuals relatively harder to identify. For all the talk of collaboration and teamwork among executives, it's harder to find CEOs who have made their names in collaborative leadership than those who are well known as visionaries or even respected dictators. Many of the most well-known collaborative leaders our students named were known for building alliances or were noted iconoclasts—Tony Hsieh, the idiosyncratic CEO of Zappos, often topped the list. Beyond the job at the top, we did find more names. They are relatively less well known to the general public but often distinguish themselves for their reputation of driving results and serving as role models within their organizations.

Given these considerations and a handful of role models, we enter the study of the collaborative leader with a sense of legitimate interest in understanding and exploring what we might learn from individuals who demonstrate a more participative approach to strategy formation and strategy execution. What possibilities do collaborative leaders see that their counterparts might not?

Typical Characteristics of the Collaborative Leader

Collaborative leaders are particularly adept at finding opportunity that can only come from partnerships. They seek out and thrive in teams,

which seems to unleash a certain creative energy in themselves and in those with whom they work. “I always come away with new ideas after our discussions. They’re one of my favorite people to work with,” said one colleague of a collaborative leader.

Participants in our classes and focus groups often describe collaborative leaders as “engaging” and “trustworthy.” They are perceptive regarding team dynamics and are attuned to the social structures and political dynamics of the work environment that others might not see. They are seen as enhancing a team’s ability to get work done, at times playing the role of coach, advisor, mediator, devil’s advocate, or cheerleader. This includes not shying away from difficult or challenging situations. In our interviews, the most effective collaborative leaders were described as being able to promote discussion that is balanced and calming on difficult topics.

They also are seen as being unusually effective at building relationships. People see them as more self-aware than the average leader, conscious of their own abilities and motivations and rather transparent when working with others. This gives them a reputation of authenticity and trustworthiness that others view as appealing.

Contrary to popular opinion, collaborative leaders didn’t always appear to be extraverts. While they may exhibit some of the typical characteristics of being energized in group settings, they can also operate as the quiet but thoughtful observer. In fact, many noted that the tendency of collaborative leaders to be good listeners was actually in contrast to other leadership types, which tend to project themselves and their opinions on the group.

When asked to identify the shortcomings of collaborative leaders, their colleagues stated that at times they could appear indecisive. The tendency to seek out the opinion of others can at times undermine perceptions of their own authority or slow down decision making because they have a strong need to develop consensus. “Sometimes you just need to be the one to make the decision,” one person reported saying to their collaboration-prone manager.

The Focus of the Collaborative Leader

The best collaborative leaders focus on what are commonly called win-win situations. While they are achievement oriented, they don't view success through a strictly competitive lens. Faced with a dilemma, they are prone to seek out a "third way" that can avoid creating winners and losers in a situation. This is often for the longer-term benefit of the team or organization, as the collaborative leader pays attention to issues of organizational culture, seeking out ways to create an inclusive team environment where stakeholders feel that they have a say in decisions and ownership of collective outcomes.

In both strategy formation and strategy execution, these collaborative leaders distinguish themselves through a focus on participation. They are highly conscious of stakeholders and focus on understanding the roles, priorities, and motivations involved in decision making. They often monitor the involvement of these stakeholders, attentive to the individual engagement of their fellow leaders and teammates to both the endeavor and its intended outcomes.

This doesn't mean that they treat all opinions or stakeholders as equal. They maintain focus on intended outcomes by also paying conscious attention to objective criteria that inform their own point of view, even as they seek out the advice of others to test and refine their own thinking. They also pay attention to process, using structured forums and frameworks to bring both objectivity and fairness to matters of strategic direction.

What Collaborative Leaders Do

Collaborative leaders spend more time working with a smaller circle of counterparts than either directive or incubating leaders. They use this time to get work done, focusing on identifying and working through the matters that create shared value.

Having analyzed these collaborative leaders, we find that the best ones demonstrate the following:

1. They *build relationships*, moving beyond transactional work to establish deeper connections with colleagues.
2. They *listen*, focusing on establishing a real understanding of others that avoids interpreting data through their own lens or priorities.
3. They *find common interests*, seeking out areas of mutual benefit that can create value beyond what individuals can achieve independently.
4. They *share power*, often giving away their own power or control while still maintaining clear lines of accountability.
5. They *demonstrate trust*, seeking ways to extend trust before they ask it of others.

Action #1: Building Relationships

Collaborative leaders start with relationships, often leading with personal connections over business ones, as they are aware of the power that these connections have to accelerate work in collaborative settings.

PepsiCo CEO Indra Nooyi has made headlines for the simple act of getting to know her key leaders in meaningful ways that go beyond standard work-related discussions. She's known for setting aside time for agenda-free "fireside chats," reaching out to the spouses of top executives and sharing insights from her own experience raising her two daughters in internal memos to PepsiCo employees. She is a strong, vocal advocate for these practices and for developing relationships with coworkers, citing the need to engage both the heart and the mind to get the most out of people.

An Aon Hewitt study backs this up, as their research reveals that three of the five most critical drivers of creating highly engaged leaders and employees relate to establishing shared purpose, demonstrating character and integrity, and interacting regularly with others. These

higher levels of engagement are proven to be good for business; Aon Hewitt's list of Best Employers who achieve top quartile engagement levels are also proven to have better results.²⁶

All this should come as no surprise to those who have done business internationally. Building relationships is a hallmark of doing business in many cultures. Western business executives used to "getting down to business" are often befuddled or even oblivious to these cultural norms, and hamper their ability to achieve their goals by not attending to both the cultural etiquette and legitimate value associated with putting relationships before work.

Developing relationships doesn't mean that leaders have to share everything about their personal lives at work. Rather, the collaborative leaders we spoke with simply made conscious and intentional efforts to know their colleagues. Their actions are often as simple as taking the time out to thank colleagues for good work, being aware of and acknowledging life events or key milestones outside the office, scheduling time that didn't directly involve work tasks, or even just taking time on Monday mornings to talk about the weekend before diving in to the first agenda item of the day. While these items may sound obvious or perhaps trite to some, they came up regularly as the small but meaningful examples that our interview participants said they appreciated when they noted the relationships they had with collaborative leaders.

Action #2: Listening

Listening is a second key action that our collaborative leaders demonstrated. This listening had two distinct purposes: it was another way for the leader to establish and build relationships, and it provided them with more insight into the priorities and mind-set of their fellow leaders.

Research demonstrates that the act of listening has proven to have positive effects. Researchers at MIT's Human Dynamics Lab conducted

studies of teams in various work environments using special electronic badges that tracked various aspects of office collaboration. Their findings unearthed what they called “natural leaders,” revealed by patterns in the data that distinguished individuals who drove team energy and connections in productive ways. Among many characteristics of these informal leaders, they were prone to listen as much as or more often than they spoke and to listen with above average intensity.²⁷

The power of listening has been a well-known secret to consultants for years. John Bausch, a fellow faculty member in our graduate program, relays a favorite story in his course on establishing transformational client relationships. Working on a large project that involved multiple deliverables and consulting organizations, he had an opportunity to observe the lead partner of another firm interacting with the client. For nearly the entire conversation, the partner was able to drive the conversation by repeating a single question: “And then what happens?” Through this simple question, the partner was able to effectively stay out of the way as the client walked through their own reflections on the key milestones and issues related to the project. The partner walked away with both the relevant insights needed to assist the client as well as a clear demonstration to the client that they were listening and interested in understanding the situation.

Active listening is one technique used to confirm the mutual understanding between two parties. Commonly used in counseling, education, medical, and management contexts, it involves the listener restating or paraphrasing a speaker’s key points. Such restating provides the dual benefit of demonstrating the listener’s attention to the speaker while allowing the listener to confirm they accurately interpreted the speaker’s intended message. The more effective leaders we spoke with combine this with intentional demonstration of empathy to the speaker.

This simple but critical action—listening—stands in stark contrast to the other leadership types we analyzed. Visionary leaders were, in fact, cited by many as being exceptionally weak listeners, prone to

interpreting data in the context of the worldview and vision that dominates their attention. Some leaders were noted for listening, but for different purposes, as the directive leader listens to monitor and track while the incubating leader listens to discover opportunities to advise or invest. With these comparisons in mind, our collaborative leaders were most often credited with authentic listening, given their propensity to enter into discussions with the least amount of ulterior motives and having the most to gain in achieving a deeper understanding of what their colleagues had to say.

Action #3: Finding Common Interests

It is in our third action—finding common interests—where we see collaborative leaders most clearly approaching strategy in a unique way compared to other leaders. For it is in the exploration of mutual interest where the collaborative leader is best positioned to find areas of opportunity that traditional approaches to strategy overlook.

In stock car auto racing, gaining a competitive edge demands a combination of driver skill, vehicle performance, and aerodynamics. The most elite drivers can reach speeds well in excess of 200 miles per hour, and the margin of victory of the closest races has been recorded in as little as one one-thousandth of a second. While the intense, competitive nature of elite drivers wouldn't be surprising to anyone, it may be more surprising to know that cooperation plays a key role in the success of top drivers even as they compete against each other in major races. In many cases, these drivers coordinate to gain small efficiencies achieved by minimizing aerodynamic drag when cars align in a tight formation. These techniques serve to increase speed and reduce fuel consumption, giving the drivers who participate a small edge. Decorated NASCAR champion Darrell Waltrip deemed this and other mutually beneficial techniques "cooptition," and he has extolled the virtues of working with competitors for competitive advantage as well as for the betterment of the overall racing community.

Collaborative leaders are attuned to these types of unique opportunities. They appear in a variety of ways, from industry consortiums that pursue advocacy agendas representing common concerns, to patent consortiums that share intellectual property. These practices are often commonly seen in new or growing industries, where the sheer magnitude of the marketplace opportunity creates greater incentives for early entrants to focus on growing the market than on devoting resources to beating their competition.

Collaborative practices and mutual interests can be seen in mature industries as well. In 2005, automakers Toyota and PSA Peugeot Citroën launched three similar cars targeting urban youth in Europe. What made the three cars unique was that they were the product of a joint venture between the two competitors, which split development to reduce costs on shared components while competing on separate aspects that included exterior styling, interior options, and vehicle marketing. In this case, collaboration allowed each automaker to pursue mutual interests to reduce costs of business activities that didn't create value, while still leaving each to operate independently in areas where they were able to leverage unique organizational capabilities and pursue market differentiation.

Collaborative leaders often play an important role within organizations and teams to establish mutual interests as well. Too often, even in the same organization that supposedly serves to form the basis of teamwork, competing priorities or self-interest can create challenges. Collaborative leaders often serve to bring teams together in these circumstances, appealing to superordinate goals that highlight the necessary contribution of individual teams and the completion of related goals to achieve a broader purpose or expected outcome.

In a 1985 article published in *MIT Sloan Management Review*, David Maister coined the term “one-firm firm” to name a system of management practices he identified that distinguished highly effective professional service firms. Most of these practices were developed specifically to engender collaboration and minimize internal competition. These practices centered largely on policies related to hiring,

incentives, and organizational culture. They promoted values such as loyalty, teamwork, and a focus on client service. A key finding among the five firms analyzed was a preference for performance evaluation and compensation systems that avoided separate profit centers within the organization. By emphasizing overall organizational performance, they avoided creating incentives for internal competition and instead sent a strong message that the success of the individual was interdependent with the success of the whole.²⁸ In combination, these practices can all be seen as creating an environment that promotes and emphasizes common interests.

As one example of finding common interests, we had the opportunity to interview a leader named Henry about his experiences when he assumed responsibility for one of his firm's local markets. Upon entering his new position, he found his then recently merged organization sending mixed signals to individuals. Although needing to function as a "one-firm firm," executives and consultants were managed and rewarded in a way that encouraged siloed thinking. When working together, there was an express need to be candid and straightforward. Employees at all levels would agree to take needed actions to support their colleagues, but at times they would then fall short in doing so. While motivations weren't always clear, these shortfalls appeared to be intentional at times. Henry points out that "recognizing the importance of my team members working together as a cohesive team, I decided to establish a set of ground rules to guide how the members of the 'new' organization would think and behave differently. Importantly, these principles were accompanied by specific behavior that would no longer be considered acceptable."²⁹

Henry worked with his team to identify behaviors crucial to the team's success. To encourage candid communication and give team members permission to hold each other accountable, each member was given "nagging rights." He then worked with his team so they became more comfortable with conflict. Rather than considering conflict and disagreement as issues to be avoided, they recognized that properly managed disagreement and conflict typically led to more

powerful conclusions and decisions. This emphasis on guiding principles, appropriate behavior, and comfort with conflict paid off. When working with clients, each team member began to seek out opportunities to introduce clients to other members of the team. This created the opportunity to expand assistance and support to the client through the firm's increased slate of service offerings.

Action #4: Sharing Power

Collaborative leaders view power and control differently than other leaders. While they demonstrate ambition and drive in similar ways to all high-performing individuals, they also see ways to give power to others that further their own goals.

We once advised an executive in a large multinational financial services firm on the introduction of a new initiative. She had done an excellent job developing the strategy, having been given the time and support to assess the situation, speak with stakeholders, understand prior successes and challenges, get input and suggestions from key leaders, and test a variety of ideas and options before proposing a final solution. There was broad enthusiasm to move forward on the new program. However, as she began to introduce it, she started to experience resistance. Some of her coworkers asked questions about what was happening and why she was meeting with other leaders about the project. This change in tone and support was frustrating and confusing. Why did the broad support and enthusiasm she had been hearing change so quickly?

The answer lies in how she was implementing the strategy. While she had been highly collaborative in her approach to forming the strategy, when the time came to move forward, she started to do much more of the work on her own. She had taken logical actions to set up the program for success, creating a project plan, testing dates and milestones against other activities across the organization, and reviewing the support with the program's sponsors, including the CEO. What she hadn't done was involve her counterparts in the implementation in the

same way she had done while forming the initial strategy. She took much of the work on herself, drafting communications, scheduling meetings, and developing the program's tools and required resources. When we asked her why she'd taken on all these things herself, she said she wanted to make sure everything went well. "This is a big initiative for me and something really new for the company. I just want to make sure everything is done right," she explained. Furthermore, she knew that a lot of her counterparts were very busy, and she was hesitant to ask them for help, fearing that it would either inconvenience them or slow down the project.

After several conversations, she changed course. She brought together a team that could help manage the implementation and shared the time line. She asked for input on how to handle each phase. Who should be responsible for key tasks? Who should each communication come from? Were the milestones realistic? Through the course of this discussion, individuals divided up the work and took on accountability for influencing others across the organization on some of the more tricky aspects of the project. The leader of the program remained somewhat skeptical but was pleased to have the help and started to realize that her own time was, in fact, a bottleneck driving some of the project plan. As time passed, the broader team she'd assembled spread out to do their work. They made most of the deadlines without issues. When a few issues did creep up, she reconvened the group and they discussed these questions: Should we delay a milestone to allow for a few things to be tied up or proceed? Did the plan we set in the conversation still make sense? These conversations were very rich, bringing in additional information and insights that she wouldn't have had. The project launched on time and with a broad range of leaders involved and invested in its success.

In our experience, sharing power can have counterintuitive results. It takes more time up front and can add layers and complexity to some activities that otherwise would have been easier. That said, the cumulative effect can dramatically enhance results. Teams and organizations with experience sharing power can achieve things that

others working alone simply can't. Unsurprisingly, collaboration leads the list of organizational priorities for many CEOs today. Sharing power is a critical—and often underappreciated—component of making collaboration work.

Action #5: Demonstrating Trust

Trust is another fundamental aspect of collaborative leadership, and it is a critical element of the other four actions. Relationships, listening, common interests, and sharing power all contribute to—and depend on—mutual trust. Effective collaborative leaders we spoke with understood this, and many of them talked specifically about it. The employee of a pottery company we spoke with was clear about the impact of this trust, describing her experience working with the company's CEO: "She was candid, sincerely and personally involved, and very trusting of her team. She really developed a bond with her team, and her approach led to numerous examples of life-changing experiences that came from her style."

Research studies on trust have flourished in the field of leadership. A comparative review of qualitative and quantitative research on leadership cited trust and integrity as one of the two most prominent themes in the qualitative research analyzed (the other theme being good communication), with trust also appearing prominently in the quantitative studies reviewed.³⁰ Furthermore, the topic of trust has taken on newfound energy among leaders and researchers with the onset of virtual teams. Technology enables new forms of collaboration but simultaneously introduces challenges in forming trust in the absence of types of interactions that often build trust with colocated teams. Research verifies that trust remains important in virtual teams but faces additional challenges in regard to both heightened concern about whether effort among team members will be reciprocated and concerns over whether some types of work can actually be conducted effectively in a virtual environment.³¹

While it is true that the other four actions contribute to the development of trust (with research suggesting relationships are the most effective enabler among the four), we have chosen to call out developing trust as a separate item because we noted an interesting phenomenon among some of the most successful collaborative leaders we analyzed: they take specific, intentional actions to demonstrate trust in others. Often, in doing so they also intentionally made the first move.

On July 15, 1971, U.S. President Richard Nixon announced his intention to conduct a diplomatic visit to the People's Republic of China. The announcement followed several years of confidential and subtle public overtures to Chinese leadership, including a secret visit to Beijing by National Security Advisor Henry Kissinger. The opportunity to improve U.S.-China relations was of critical strategic importance to the United States, addressing the need to settle existing tensions regarding the political status of Taiwan and bring peaceful resolution to the Vietnam War. Even more critically, the United States faced mounting concerns regarding the growing influence of the Soviet Union, so it viewed an alliance with China as an important opportunity to strengthen its position in the Cold War balance.

When the visit finally took place in February 1972, it allowed both nations to demonstrate a new beginning in strengthened relations after a long estrangement. Nixon conducted a diplomatic meeting with Chairman Mao Zedong, followed by a week of sightseeing, meetings with other Chinese officials, and public appearances. The trip gave citizens of both countries a view into the leadership of each country and gave U.S. citizens their first detailed look at the Chinese culture and people in over 25 years. The resulting improvement in diplomatic relations between the two nations was dramatic and is widely viewed as a key turning point in the Cold War. It was also perhaps the greatest achievement of Nixon's presidency, notable both for its political importance and for its unexpected nature—few had expected such a gesture. Today “Nixon goes to China” is a frequently used metaphor referring to an unexpected gesture intended to build trust.

The Impact of Collaborative Leaders

In summary, our investigation of collaborative leaders reveals a type that emphasizes cocreation of strategy. In both strategy formation and strategy execution, they favor an inclusive approach that involves others and results in mutually beneficial solutions. As a result, both their actions and the leaders themselves are thought of highly as the approach they take to solving problems by enrolling others. From the conversations we held with their teammates, we found that often they wanted the collaborative leader to succeed because they saw direct benefit to themselves as well.

Collaborative leaders also make great partners and bridge builders between organizations. As such, they are well suited to roles that involve forging alliances, maintaining client relationships, and leading new ventures that involve navigating unfamiliar territory. These bridges can also be useful within organizations across traditional silos. Collaborative leaders can thus bring a lot of value to business functions, such as finance or other shared services, where the benefits of centralization are best realized when led by an individual who understands the unique challenges of working with others to get things done.

While we noted in the opening of this section that our graduate students often struggled to identify CEOs known as collaborative leaders, based on our analysis of both the skills specific to this leadership type and the trends of an increasingly interdependent global marketplace, we expect this might eventually look like an historical anomaly. There are many reasons to believe that the collaborative chief executive will be the leader of the future.

Similarities and Differences

Having reviewed each of the four types of strategic leadership in greater detail, we can now see many themes emerge. As we have noted in several instances, similarities and differences exist. Both directive and

visionary leaders demonstrate significant control, but whereas the visionary leader focuses on implementing a particular view of the future, the directive leader focuses more on the organization itself. Incubating and collaborative leaders engage others extensively in strategy formation and execution, but the way they choose to work with others plays out very differently. Both directive and incubating leaders empower others to drive strategic value, but they do it in very different ways. Each of these comparisons helps clarify the differences between each of the four types and highlights the unique contribution that each can make.

The key question this raises is one of choice: When and how are each of these four types best applied? That is the question we will now address.

3

Examples of Strategic Leadership

Having proposed a definition of strategic leadership and the four strategic leadership types, we will now review real-world case examples that address each one. The key actions we itemized in Chapter 2 came out of discussions with hundreds of individuals who helped us uncover and clarify our definitions. The examples we provide in this chapter stood out during that analysis, providing some of the most clear and compelling portraits of what strategic leadership looks like in action.

Four Examples

The following four stories feature leaders we know and with whom we have had the pleasure to work. As you'll see, they are each accomplished leaders in their own regard. They've made a real impact

in their chosen profession or organization, and at times they've even had a larger impact on our world and society. Our working relationship with these leaders gave us an inside view to both what they've accomplished and the important choices they made regarding how they approached their work. More importantly, they are excellent examples of what real people do to lead strategically. In this regard, they aren't abstract. We've spent extensive time observing and talking with each of them, allowing us to present a detailed account of the key things they've done to get results. These leaders are also practical role models, and their stories provide useful examples of leadership decisions that scale. In our view, the things they've done are within the reach of anyone with the desire to learn from the lessons they can teach.

Indiegogo: Driving Strategy through Vision

Visit the Indiegogo website and you'll find people sharing thousands of fascinating ideas: a household robot to track family schedules, an adhesive patch to fight mosquito-borne disease in Africa, or a documentary to honor the life of film critic Roger Ebert. Like all of the ideas posted on Indiegogo, these three were posted by someone passionate about bringing that particular idea to life. They are remarkable because of how compelling they are. They are also remarkable for another reason—all three of them have attracted hundreds of thousands of dollars in donations from around the world.

Indiegogo launched in 2008 as “the world’s funding engine.” It enables anyone to raise money for a specific project. Campaigners—individuals seeking funds for a project—begin by posting an overview of their idea on the Indiegogo website. Visitors can browse projects by category, learn about them through descriptions, photos, and short videos, and then contribute to projects that suit their interest. In return, contributors often receive gifts—which Indiegogo calls “perks”—based on their level of contribution.

The particular model of fund-raising—often called “crowdfunding”—has similarities to long-standing techniques practiced by organizations like National Public Radio, which for decades has run membership drives, offering gifts like mugs or tote bags in exchange for contributions. Indiegogo distinguishes itself from this and other fund-raising tools through their ability to deliver massive scale on a turnkey basis, bypassing the historical constraints of audience access and logistical challenges.

For campaigners, Indiegogo offers an alternative source for raising capital beyond traditional methods that might be limited by an individual’s personal network or the criteria of financial institutions. Anybody can raise funds for a project as long as they have an idea that will interest other people and the energy to be a champion for their project.

For contributors, Indiegogo offers a way for someone to become a part of creating something new. For some people, it’s the simple opportunity to contribute to something they care about. For others, it’s the chance to play a specific role. For example, artists often use Indiegogo to offer top contributors the chance to contribute an idea to a film’s script or even to be included in the finished product as a character.

Indiegogo was born of a really big idea—to disrupt the finance industry. As cofounder Danae Ringlemann states, “Our mission is to democratize access to capital. We want to clear the way for anybody to have a chance to raise money and have their success be based on how hard they are willing to work and how much their audience cares—and nothing else.”¹ Danae has always felt passionate about the topic, having watched her parents struggle with the day-to-day financial challenges of running a family business. As she started her own career, her early work in the banking industry gave her better insight into how decisions on access to financial capital were made. It also showed her that gatekeepers controlled most of these decisions. She came to realize the corresponding struggle that many people had navigating the challenges of accessing and influencing those gatekeepers.

As Danae went to graduate school to get her MBA, she explored these ideas with her fellow students and colleagues. Current Indiegogo CEO Slava Rubin, one of its three cofounders, recalled their conversation over a dinner:

Eric Schell, Danae, and I all had a mutual frustration with raising money. Eric was on the board of a theater company, Danae was working with different filmmakers and entrepreneurs as an investment banker, and I had raised funds for charity after my dad had died of bone marrow cancer 10 years earlier. We thought to ourselves, isn't it interesting that we're all tech savvy and there are some interesting marketplaces that are already being democratized by the Internet like YouTube for content or eBay for auctions, but access to capital is still all about the gatekeeper. We thought, "How can we create a platform where anybody can fund anything?"²

That dinner conversation framed their initial idea: an open marketplace for funding without any traditional gatekeepers.

Their idea set off an initial process of research and due diligence. They quickly found out that executing that simple idea was much more complicated. "As part of doing research, we found out about the Securities Act of 1933 as well as various different banking laws," Slava explained. "We realized that an investment instrument or a financial product would be really hard to implement because of regulatory issues. We were forced to make a decision—was that going to stop us?"

Needless to say, it did not. That research led them to explore alternative models, including donations. This simplified the regulatory issues but introduced other complications and questions. What would motivate someone to give if they were no longer gaining equity participation and the associated benefits of the mutual funds they'd originally focused on?

Outside of profit, we thought there were a few other reasons why a person would fund anything. It could be that they care about the person or the cause—we call that passion—maybe they want a product like a service or an

experience or they want reputation like their name in the credits—we call that perks—or maybe they want to participate in a movement bigger than themselves—we ended up calling that participation. Right away we had this massive vision of what could be accomplished. We were thinking about YouTube, we were thinking about eBay. Wouldn't it be cool if instead of having venture capitalists, banks, and people in the government getting to decide if someone could raise money or not . . . how cool would it be if people could directly decide whether or not you would get the money? The challenge was how to go from vision to reality.

Ironically, part of that challenge was getting others to see and believe in the opportunity that they envisioned. They needed stakeholders to buy in and provide them with the support, resources, and funding to get started. Slava compared this challenge to the popular film *Inception*, in which characters implant ideas into other people's subconscious:

Understanding Inception is critical to understanding what it's like to be a leader and what it's like to be an entrepreneur. In the movie there are two realities—the real physical world and the dream world, a layer below it. The only way characters in the film could tell the difference was whether or not a spinning top would be pulled down by gravity. In the real world, gravity would pull it down. In the dream world it would spin forever . . . As a leader, I already have the complete vision of what's going to happen in my head. The challenge is how I can bring it to the real world.

Navigating this involved making careful and sometimes difficult choices. Some of these choices involved constraints. The Indiegogo team faced an early decision regarding funding when they spoke with venture capitalists for the first time in 2008. Most wanted a larger share of the company than the founders were willing to give up:

Our plan was to raise funds in Q3 of 2008. But as we went out, we realized that if we could develop a case study and some traction, we'd be able to get money at better terms. I had this plan where in Q1 we were going to launch,

in Q2 we were going to have case studies, and in Q3 we were going to PR our case studies and then use that PR to raise money at better terms. It was a great plan . . . except for the fact that the market crashed in Q4 due to the U.S. mortgage crisis. This destroyed our entire plan. We had to stretch our bootstrapped funding, which was only supposed to go through 2008 but ended up lasting until the summer of 2010—two years later.

The team adapted and ended up using the new funding time line to their advantage. By the time they eventually did secure funding, they had a much more mature platform and position in the marketplace. The team ended up securing \$1.5 million in seed funding in March 2011 and a total of \$56.5 million over the course of three years.

Another challenge was where to focus. “Do we want to go after every market segment first, or do we want to start with one vertical?” said Slava. They started out in film only, feeling that they’d benefit from having a clear focus as a team and a clear target audience to which they could explain themselves. In this regard, they saw themselves as taking an approach similar to Amazon, which started out only selling books before becoming the expansive retailer it is today. “You need to get people focused on small ideas first and then keep making it bigger.”

Taking this approach allowed them to limit and focus their initial efforts into building their profile among artists and filmmakers, and they launched at the Sundance Film Festival in January 2008. Tying their launch to a well-known event gave them visibility—and, maybe just as importantly, it also limited the cost of acquiring their first users. “Part of it was market strategy, part of it was based on the limitations of our own resources,” Slava noted. From there they forged other partnerships, expanding to reach artists beyond film in 2010 through a collaboration with MTV. In 2012, they joined with President Barack Obama’s Startup America on a crowdfunding initiative aimed at a much wider audience of entrepreneurs. While this breadth was a key part of the cofounders’ original vision to disrupt the financial industry, they were intentional in taking practical steps to start small rather than trying to address the entirety of the opportunity from the start.

Just as they took an iterative approach to their target audience, the team also evolved Indiegogo as an organization over time. As they made progress, the roles of the cofounders changed, as Slava describes:

When we first got together, our roles were always the same—we were three equal cofounders. We were entrepreneurs, we needed to roll up our sleeves and just do what needed to be done. After a few years, we started to really clarify our roles. We separated the things we were focused on. We talked about it as three parts—the hands, the eyes, and the heart. Eric was the hands; he made everything. He did the design, the engineering, and the coding. If users played with something, he made it. Danae was the heart, all the operations: the finance, the people, the messaging, customer support. The glue was Danae. I was the eyes: marketing, strategy, PR, and fund-raising—things that had to do with outside the company, the environment, and how we could navigate it.

Several things drove this specialization. First, the three cofounders each had areas of interest and expertise, and while they shared most of the responsibility, they naturally gravitated to certain work. Second, they also needed to divide up that work as the scope and size of Indiegogo grew over time. Third, external pressures also encouraged them to specialize. “Our investors felt that we needed to have defined roles,” Slava described. “We needed to look inside ourselves and decide how we would structure our team. That was the first time we’d used any titles, and we decided to become the Chief Executive Officer, Chief Technology Officer, and Chief Operating Officer, aligning with the eyes, hands, and heart we’d talked about in the past.”

As the organization grew, their roles and the wider team continued to evolve. They made changes to the organization’s structure every six to nine months over the following three years. As CEO, this required Slava to adapt. “In the early days, it was much more about being involved in every single piece of action and going the last mile to make sure things got done. Now, what’s more common is that I’m

involved in bringing in the right people and focusing more on the vision.” Indeed, all three cofounders were dealing with the trade-offs and choices that had to be made. As the business and the team grew, they had to make choices. While this involved increased delegation, the cofounders decided that they had to continue to maintain ownership and direct control of two things: assembling the right team and maintaining the company’s vision.

They focused on building the right team by paying attention to hiring. “I’m still involved in every single hire,” Slava said. “I’ve been a stickler about that because I think that my main role is providing guidance and parameters, making sure we’re hiring people who are empowered with a scope of work to make big decisions.” In addition to bringing the right skills, the team also focused on hiring people with a passion for their vision. “I just keep focusing on ‘the why,’” Danae said. “If you talk about the why, people who also have the same why self-select in. We have amazing people who come to us because we’re proactive about making sure our mission is always very clear. We hire people who believe in that mission. If you want to be at Indiegogo just because you want to get some skills and put an Internet technology company on your resume, you just don’t make the cut. You have to fundamentally believe in the problem we’re solving.”

In addition to hiring, the cofounders held onto their role of maintaining the vision. To do this, they went through an exercise to formalize a set of values that could codify what they were trying to do. These values came out of their experience starting the company and helped them define an alignment between that initial vision and the decisions that needed to be made every day. Over the course of several conversations, Danae described how the values came about:

We didn’t really start out to do a values exercise, but once we had the money to start hiring people, we all got together to talk. What came out was that we all came to work for the same four reasons. We all wanted to change an industry that needed to be changed. We were excited to change something that needed to be changed, and fearlessness became a word that jumped out of

that. Second, we all wanted to bring our whole selves to work. Authenticity was the word that came out of that. We all came to work because we wanted to work with others. We preferred winning with others versus winning alone, and that was the nature of all of us. Collaboration became our word because of that. And finally, we all wanted to help people who wanted to be helped. We were all tired of being cogs in a larger wheel, and we wanted to know that how we were spending our time every day was helping people in this world. Empowerment was the word that came out of that.

These discussions and the resulting four values—fearlessness, authenticity, collaboration, and empowerment—became a new language that reinforced their vision. As the company grew, more people were making decisions, but the vision and values keep the overall goal at the center of everything the company does.

While their choices on what to keep and hand off made sense to them, these choices were often tricky to navigate. “Sometimes it’s funny now when people on the team ask me what we should do,” Slava remarked. “They want to get guidance and they really want the CEO’s perspective, but I tell them that I really don’t know the answer because I’m not involved in some decisions anymore.” Likewise, while the vision remained with the founding team, they all realized they had to let others participate. “You don’t want to be autocratic, and just say to people, ‘Hey, this is the way it goes, so follow me.’ But at the same time, you don’t want to get paralyzed by making everyone think that they are involved and just going around in circles. It’s been a tricky balance of taking in all the information and being able to convey leadership in a way that makes sense and is compelling.”

Last, Indiegogo has had to stay focused on what would drive future success. While their vision defines their success in the long term, interim milestones bring their own unique requirements. Having navigated growth, Indiegogo finds itself in an enviable market position as the world’s largest crowdfunding platform, with more than 300,000 campaigns launched as of late 2014. This means they can revisit and refine the way they create value for their customers. Their increasing

scale allows them to do things they couldn't execute as a smaller entity, like gain insights into what distinguishes successful campaigners from unsuccessful ones.

Erica Labovitz, Indiegogo's Head of Customer Happiness, joined the team as the first full-time employee of the company in 2010. We sat in on one of Erica's workshops for campaigners and listened as she translated Indiegogo's massive collection of campaign data into actionable insights. The participants in that session had straightforward questions. One campaigner was developing a solution to provide portable, rechargeable batteries in Third World countries. Having raised \$100,000, he needed an additional \$150,000 to begin producing prototypes. While his questions were largely practical ones—how to describe his goal on the Indiegogo website, what the best day was to launch his campaign—the implications of his questions for his overall success were very broad.

Erica shared both guiding principles and specific suggestions to address his concerns. "There are three things we've learned that create a good campaign: one, have a good pitch. Two, be proactive. Three, find an audience that cares," Erica explained. While the merit of these principles is probably timeless, she was able to make them even more practical given Indiegogo's data and platform. "If a campaigner includes a video in their pitch, you'll raise on average 115 percent more money than a campaign without a video. We know that campaigners who provide updates once every five days tend to raise 218 percent more than those who update less often. Campaigns that reach their targets usually raise about a third of their goals in the first week." In addition to simply providing the Indiegogo platform to reach potential donors, Erica's advice gave the workshop attendees practical, fact-driven guidance and a confidence they otherwise wouldn't have had.³

Looking ahead, the team knows they'll have to keep evolving how they execute their vision. They need to continue to think and act strategically, drawing fresh insight that will drive the company forward. For example, Slava noted the deeper issues that have surfaced

about human behavior. “We’ve seen that people tend to outsource their risk mitigation capacity. Once I see someone already involved in a campaign that I trust, now I’m more willing to follow. We also see people acting on social proof. As a campaigner, you always need to get your own audience on board first. Strangers do not want to be suckers. They do not want to fund your empty campaign. Given that, you need to get your friends, your family, and your fans to help you get the momentum first, and then Indiegogo will help you get more success than you could ever get on your own.” Indiegogo’s opportunity, and challenge, are to continue to improve on fulfilling that promise.

As these milestones come and go, the team expects to continue using their vision as a primary vehicle for leading Indiegogo. It will provide the focus, motivation, and criteria they need to lead in their industry. Danae told us:

The reason why we’ve been able to pivot and move was because we’ve cared more about the problem we were trying to solve and doing it the best way rather than clinging to how we were solving it. We’ve been so focused on fixing finance and making it more efficient, fair and egalitarian that we’ve been able to pivot and not be married to the solution. We’ve changed our product a ton. We’re still changing our product. What doesn’t change is that why: to democratize access to capital and empower everybody.

Understanding Indiegogo’s Success

As a case study, Indiegogo offers us several insights as to what visionary leadership looks like. They provide practical examples of all five of the key actions of visionary leaders that we highlighted in Chapter 2: the founders monitored trends, developed insights, designed a solution, iterated quickly, and took action to enroll others. Their story also brings to life many of the real challenges that visionary leaders face. Looking at Indiegogo’s story, there are three things that we found particularly interesting.

First, they show the importance of iteration to this type of leadership. All of our conversations with the team involved the importance of adapting and advancing the vision through small steps. The team's reaction to the constraints of financial regulation, their navigation of changes in the economy, and their careful selection of third-party partners all reflect this reality. These conversations were set against the backdrop of a similar theme in Silicon Valley. Members of the team talked about it as a guiding principle, called "test and go." In the past, starting a new business would begin with an elaborate and comprehensive business plan. Today, there's less up-front planning but, ironically, fewer untested assumptions. "Today you have data, and research, and feedback, and customer guidance in real time," Slava noted. "People really used to have to shoot in the dark. Now it's like we have our headlights turned on. Increasingly, technologies allow our team and our customers to iterate so quickly."

Second, this ability to quickly iterate heightens the importance of focus. The ability to do things quickly in many ways expands what is possible at any given moment. Unfortunately, it also results in an exponential increase in choice. Even with limited resources, the Indiegogo team had the opportunity to pursue a range of users, industries, international geographies, and feature enhancements at almost every point along the way. As one example, a key need that Indiegogo's users often face when running campaigns is how to offer perks and rewards to donors. Handling the distribution of perks can be a daunting task for many campaigns, and Indiegogo faced a decision on how much assistance they would provide. While services related to the administration of perks could have been a source of added revenue for the company, in the end it wasn't a key enabler to their primary objective of growth. Indeed, it could have been a distraction, given how resource intensive the activity can be. Instead, they concentrated on the less resource-intensive approach of providing their users with ideas and advice. They provide to all campaigners an online resource they call the *Indiegogo Campaign Playbook*.

Given the importance of focus, we asked the team how they thought about it. Slava reflected on the relationship using a metaphor:

Too often people like to use the octopus approach. If you put a piece of cellophane in front of it, an octopus will use its eight tentacles to try and break through. They'll have an equal distribution of weight across the cellophane, pushing it around but not actually breaking through it. There's not enough focused pressure anywhere, even though it's using 100 units of energy. Instead, if you put just 5 units of energy behind a small little knife, it can easily puncture right through the cellophane. It goes through really quickly. Like an octopus, many teams can't accomplish very much because they have too many things and they don't focus. Bringing a vision to reality is very hard to do if you have too many things that the team, investors, users, or the general public need to understand.

Third, and last, the Indiegogo story highlights the many practical benefits of a powerful vision. In the course of their story, the vision helped the team achieve a wide range of things:

- It established initial alignment among the three cofounders.
- It enabled them to work in a context of ambiguity without the need for clear role definition.
- It attracted and motivated the team, as others joined in with excitement about making an impact and changing the world.
- It attracted users, providing a clearly understandable message about what Indiegogo did and the possibilities it could enable.
- It helped make decisions, allowing them to decide which opportunities to act on and which to walk away from.
- It acted as a benchmark, encouraging the team to constantly think big, aim high, and refresh their plan based on new insights along the way.

In all of these ways, the Indiegogo case illustrates how a visionary approach functions as a specific type of strategic leadership. While there are elements of the other three leadership types in their

story—including attention to roles and governance matters that are critical to directive leadership, or partnerships with MTV and others common to collaborative leadership—the essence of their success is the success of their vision. The team found a powerful idea and used it to drive change. In doing so, they built a company, distributed millions of dollars to people around the world to fund their dreams, and changed the way people think about gaining access to capital.

P&G's Latin American Merger with Gillette: Driving Strategy through Structure and Process

In early 2005, Procter & Gamble (P&G) agreed to acquire Gillette in an effort to combine many of the world's top brands and broaden P&G's portfolio of consumer products. P&G set a goal of generating more than \$1 billion annually in combined revenue and savings within three years of merging with Gillette. P&G realized that much of this value would ultimately be attributed to a well-organized approach to integrating Gillette's worldwide organization. A major component of this required the integration and transformation of IT.

At the time of the acquisition, José Ignacio Sordo was the Latin American CIO for P&G, leading an IT organization composed of more than 2,200 associates.⁴ The team provided IT services across the entire region. To increase the likelihood of P&G optimizing the Gillette brand and realizing the synergy objective, José was asked to lead the Latin American P&G and Gillette business integration and to drive the integration, coordination, and execution of the new organization's business capability. Because P&G's leadership team planned to rely on the Latin American experience to more effectively and efficiently move into other markets, José was asked to achieve this within two years of the acquisition.

The geographic scope of José's undertaking was huge. Just in terms of Latin America alone, he was responsible for the Andean Cluster (Venezuela, Peru, Colombia, Ecuador, Bolivia), the South Cone

(Brazil, Argentina, Chile, Uruguay, Paraguay), Latin America North (Mexico, Guatemala, El Salvador, Nicaragua, Costa Rica, Panama, Honduras), Puerto Rico, and the Dominican Republic. The functional scope of José's undertaking was similarly broad. His organization was responsible for all ordering, shipping, and billing systems, P&G's physical distribution network, manufacturing control systems, integrated trade terms and agreements, accounting and financial reporting systems, P&G's Human Resource benefit harmonization and HR system, infrastructure standardization, facilities consolidation, and plan system optimization. Charged with establishing the approach, methodology, and process for integrating the two giants, José quickly realized that a stumble on his and his organization's part would jeopardize the business case behind the P&G-Gillette merger. The risks included shortfalls in profitability or underperformance in P&G's brand recognition, which was expected to result from their acquisition of Gillette.

From José's perspective, three factors would ultimately contribute to the successful integration of P&G and Gillette:

1. The "new" P&G had the right to succeed, ensured by its taking steps to not lose sight of or become distracted while delivering on its value proposition and acting in a manner consistent with and supportive of its underlying values and overarching mission and vision.
2. The merged P&G and Gillette organization would quickly provide added value to stakeholders and customers, remaining nimble by leveraging existing structures, systems, processes, and so on.
3. The "new" P&G would identify and address potential impediments, obstacles, and barriers to success by proactively taking steps to reduce, mitigate, or avoid the most likely threats and monitoring progress so unexpected challenges could be identified and addressed along the way.

José considered these three factors to be a given and was confident the new P&G would bolster its brand, increase profitability, and

optimize synergy savings if it focused on one goal: execution. Yet along with this goal, he considered leadership and team contribution to be of paramount importance:

My goal was not to create a team of doers . . . it was to create a team of leaders. A team of leaders was essential to P&G's success, a team of leaders willing to make the tough call, willing to do the right things for the right reasons. Our approach was designed to foster leadership, not a team of followers waiting for their next set of directives, guidance, or orders. Of equal importance was personal and team contribution. From my perspective, leaders help generate and implement ideas. They contribute to the organization's success in several ways: they come up with ideas; create an environment conducive to others coming up with ideas; they provide guidance and direction; they also step back or step aside and give others the freedom they need to do what is necessary to get the job done. Throughout the process, leaders along with all the other members of the team must remain fast, speedy, nimble.

From José's perspective, this speed and agility required focus, and focus was possible only through the absence of distraction or disruption. José therefore believed it was important for members of the combined organization to quickly establish new assumptions and expectations about what was and wasn't important. It was critical that everyone felt that they were on the same team. One way José helped Gillette employees feel they were part of P&G was to "connect the two company networks—enabling e-mail and other personal productivity systems within the P&G firewall—on the first day following the close of the deal."

This connectivity achieved both operational and symbolic outcomes—for example, everyone was immediately on the same communications platform, and welcome signage was set up at every site. Along with the focus on execution was the emphasis on the basics:

I realized that individuals would naturally prefer for things to remain the same . . . the P&G employees would prefer to retain and use P&G legacy

systems and processes while the 10,000 Gillette employees would prefer to keep and utilize Gillette legacy systems and processes. Although I am a strong believer in continuous improvement, the days, weeks, and months following a merger is not the time to be deciding how to improve systems and processes; rather, it is important to focus on the basics. We therefore encouraged individuals to accept whatever P&G or Gillette system or process was selected as the “new” P&G best practice with the understanding that refinements and improvements would occur later on. We encouraged business value via acceptance and compliance; in encouraging acceptance and compliance, we discouraged second-guessing, distractions, and disagreement. This—along with our emphasis on quickness, speed, and nimbleness—helped us avoid some of the hurdles typically encountered following an acquisition or merger.

José and his leadership team not only encouraged acceptance and compliance through words but also backed up their words with action. They adopted a slate of incentives to encourage P&G and Gillette legacy employees to accept change, focus on their personal and team contribution, and execute on the new organization’s value proposition. To treat everyone fairly, P&G provided bonus opportunities for P&G legacy employees, grant opportunities for Gillette legacy employees, and stock option opportunities for business leaders. The incentives were tied to these expectations:

- Leaders would not recommend substantial changes to corporate functions, systems, or processes during the first year.
- All employees would need to support the use of rather basic core capabilities during the first year, realizing that continuous improvement opportunities would be acted upon at a later point in time.
- Everyone was to contribute to three clear goals: (1) help make the P&G and Gillette integration happen, (2) not put up roadblocks during the first year, and (3) personally assist with or contribute to the P&G and Gillette integration.

To help set the stage for optimal execution, José’s leadership team participated in a strategic planning session. The planning

session was designed to allow the P&G leadership team to do the following:

- Decide what it would start doing, stop doing, or begin doing differently to help ensure that employees would not lose sight of delivering on its value proposition;
- Determine how the organization would optimize performance by leveraging existing structures, systems, and processes;
- Identify likely impediments, obstacles, and barriers to P&G's short-term success;
- Identify steps it would take to reduce, mitigate, or avoid the most likely threats; and
- Establish a process and time line for monitoring progress so that unexpected challenges could be identified and addressed throughout the first year.

To make it easier for the business leaders to accept and adapt to their new expectations, José allowed them to review, revise, and in most cases completely “offload” their previous portfolio of priorities. After careful assessment, it became clear that many of their priorities before the P&G and Gillette merger had ceased to exist—or at a minimum, their order of priority changed on the acquisition close date.

In our discussions with José, he noted that a critically important theme was introduced at the beginning and reinforced throughout the strategic planning session:

I highlighted that it was extremely important that this merger succeed . . . we had to rise up to the occasion and think and act in an exemplary manner . . . we were operating under an extreme amount of pressure coming from our stakeholders and customers . . . we had to focus on our survival . . . we had to trust each other . . . we couldn't second-guess each other . . . we had to execute . . . we had to remain quick, fast, and nimble.

The strategic planning session also served as a forum for emphasizing and reinforcing three important messages: “First, if we—regardless

of our position, title, or role—help P&G succeed, we will be rewarded. Second, as of day one, we are P&G’s ‘new’ leadership team . . . it is important that we think and act in an aligned and unified manner . . . our doing so begins here. Third, we must work together to address concerns our customers, suppliers, governments, and key stakeholders might have . . . we must each strongly believe that we can and will make this integration happen . . . by ‘believing’ it will happen and we will all end up being winners.”

José structured and facilitated the strategic planning session in such a way that each leadership team member could only reach one conclusion: we can and will make this happen. He solicited everyone’s views and, to the extent possible, committed to acting on their suggestions and recommendations. Suggestions likely to bolster or facilitate execution were recognized, emphasized, and/or adopted. Suggestions likely to undermine the organization’s speed, agility, and nimbleness were dropped, suspended, or postponed. For each recommendation he adopted, follow-up actions were identified, responsibilities were assigned, and critical dates were established. In doing so, José Ignacio Sordo facilitated a process by which interconnections were identified. This served to reinforce to the leadership team members that their success would not be through independent action but, rather, through teamwork and unified, aligned action.

To introduce and reinforce new expectations and requirements throughout the combined organization, José established a centralized command center. This served two important purposes. Operationally, it helped members of the leadership team focus on the most important priorities, monitor progress, and identify and address unexpected and unanticipated obstacles. It also served as a depository of lessons learned and best practices that needed to be shared throughout the organization. Symbolically, it showcased strategic goals, metrics, time lines, and responsible parties. Importantly, it functioned as a scorecard, spotlighting key milestones. José also used it to spotlight exemplary actions that had taken place, providing special recognition and

acknowledgment to team members who demonstrated the kind of actions that José wanted others to emulate.

José asked his leadership team to define or update Service Level Agreements that the IT organization had with each of the P&G business segments. The purpose of this was twofold: first and foremost, it would help solidify the trust that existed between the IT organization and the business sectors. Second, José also knew the process of confirming or establishing new Service Level Agreements and that the Service Level Agreements themselves would bolster the confidence that business leaders had regarding P&G's ability to maintain focus, speed, and agility. José believed the resulting "service-level descriptions and quality and cost specifications helped the IT leaders recognize what their organization had to focus on and also reinforced to the P&G business leaders that they would receive the assistance and support they required to accomplish their newly defined strategic goals."

To provide needed direction and support to the new workforce, José relied on focused and highly centralized communications. José's leadership team identified and agreed on underlying communication principles. These principles included immediate transparency to everyone responsible for contributing to P&G's success, while also ensuring that information shared was consistently accurate and communicated in a manner likely to resonate with individuals throughout the organization. Establishing P&G's integration communication strategy proved to be time consuming, but José Ignacio Sordo knew that actions that would increase trust and credibility would greatly outweigh the extra time and effort.

Because José considered integration-related communication to be so critical, he assigned the responsibility to just one person. The individual served as P&G's official voice and was responsible for ensuring that everyone in the new P&G organization received needed information on a timely basis, and that all communications helped maintain and reinforce an "open and supportive" environment in which flawless execution could occur. Realizing that the average P&G employee received dozens or even hundreds of messages each

day, this communication czar made sure integration-related messages stood apart from the countless other messages received throughout the day. Of equal importance was that messages be (1) shared by individuals most likely to be considered credible and trustworthy, and (2) customized so that they likely met the communication styles of those receiving the messages. The communication czar also played an equally important role in helping ensure that leaders' actions matched their words. Steps were taken to illustrate or reinforce key messages, and key messaging was followed by concrete action. When actions likely to distract occurred, the communication czar recommended they be curtailed, modified, or suspended until a later date. When team or individual interests were not being adequately addressed, the czar employed additional communication events, vehicles, or channels and/or recommended that other steps be taken to address the need.

José considered incoming information to be as important as the messaging being broadcast throughout the organization. He knew that feedback would verify or discount the strength of the plan initially developed and would help identify areas or aspects of the plan needing to be modified or reinforced. Feedback would also help senior leadership identify unexpected and unanticipated obstacles that could distract teams and individual contributors from doing their job.

In spite of all this preparation, challenges surfaced. Fortunately, José had established an infrastructure, process, and culture that allowed the challenges to be identified and addressed. For example, P&G recognized early on that for the new organization to succeed, it would have to keep the Gillette legacy employee voluntary annual turnover rate at a single-digit level. Realizing how difficult this would be under the circumstances, José worked with his leadership team to develop and execute a series of countermeasures. José reflected on his approach in one of our conversations:

We knew we had to keep voluntary turnover to an absolute minimum. We decided on a five-part strategy: first and foremost, we held our entire leadership team accountable for retention. They were responsible for

establishing the right environment; we monitored their effort and rewarded their results and outcomes. This did not come to them as a surprise: we communicated the need, described the expectation, and left it up to them to welcome everyone into the “new” P&G organization. Second, we helped everyone settle into their new role. We helped them recognize the importance of their contribution; we helped them see the “big picture” by providing career advice and guidance. We did not speak in generalities; we were direct, detailed, and specific. Third, we strengthened our on-boarding and assimilation program. We did not do this in a vacuum; we solicited input from P&G legacy employees, we took best practices into consideration, we obtained feedback from Gillette legacy employees . . . and we acted on all of it. It led to our taking steps to ensure our on-boarding and training programs were well balanced and properly paced. It also led to our bolstering the performance and transition management skills of our supervisors and managers. We knew our frontline managers would make or break us when it came to the “moments of truth” that a majority of our employees encountered. Fourth, we communicated, communicated, and communicated. In addition to outgoing messaging, we relied on “robust sensing mechanisms” to alert us to emerging issues so that we could quickly address them. For example, this helped us recognize the importance of Employee Benefits harmonization and reinforced the importance of highlighting and showcasing early wins occurring in the “new” organization. Finally, it spotlighted the importance of our acting in accordance with our core values, upholding our integration principles, and “walking the integration talk.”

José sequenced the P&G and Gillette integration in five geographic waves. This strategy was partly driven by the magnitude of change taking place throughout the organization. However, it also allowed lessons learned and best practices from an earlier phase to be identified and shared throughout the combined organization prior to the subsequent phase. Interestingly, lessons learned and best practices took two forms: “Gillette Best Practices” were lessons learned and best practices from Gillette in the past that were recognized, selected, and incorporated into P&G’s operating manual. “We considered the ‘Gillette Best Practices’ to be of utmost importance: they helped

strengthen our new organization's operations while giving us instant credibility and recognition from Gillette's legacy employees," José stated. "P&G Best Practices" were lessons learned and best practices from P&G in the past that had been tested and proven over time. The "P&G Best Practices" remained critical to the mission. José was clear that "they allowed us to 'keep our eye on the ball' in terms of operating the P&G business as always while helping us leverage all lessons learned and best practices to maximize the total revenue and profit on the Gillette brands."

The P&G and Gillette integration demanded discipline. In terms of governance, José introduced and managed a rigorous, centrally managed implementation process that contained a series of go/no-go gates. Prior to advancing between waves, criteria pertaining to systems and business readiness had to be met and all previously identified challenges had to be resolved. "To minimize disruption, each regional integration was timed to avoid critical financial windows, major product launches, and other key events. Issues, challenges, opportunities, lessons learned, and best practices were applied to the next wave. Repeating this process increased our efficiencies and resulted in accelerated business optimization. To reduce our risk, we started with the smallest markets (Peru and Chile represented 5 percent of our total sales volume) and then expanded into our larger markets. This allowed us to design, develop, test, refine, and adjust prior to regional expansion. This was key to our approach—it ensured smooth transition from one wave to the next."

Understanding José Ignacio Sordo's Success

The P&G and Gillette Latin American integration was implemented on April 1, 2005. Five countries went live on a shared SAP technology platform, generating invaluable lessons for the rest of the Latin American waves as well as for the "new" P&G enterprise. Under José's leadership, the P&G and Gillette integration exceeded all

expectations, in many cases delivering exceptional results six months earlier than expected.

Looking more closely at how José leads, it becomes evident that he applied many of the actions typical of a directive leadership approach. In exhibiting directive leadership, he did the following:

- Analyzed the context, situation, and circumstances; decided on actions to be taken; anticipated the likely results and outcomes of those actions; and took steps to address the negatives while taking advantage of the positives.
- Took the requirements, needs, and business expectations of a variety of stakeholders into consideration when setting the plan.
- Assessed the risk associated with his vision and plan, and took steps to reduce, mitigate, or avoid those risk.
- Took steps to help teams and individuals focus and contribute to the organization's success through the establishment of a clearly defined plan.
- Provided needed guidance by establishing governance, defining roles and responsibilities, managing performance in a consistent manner, and providing needed incentives and controls.

For José, directive leadership is about doing all that you can to set the stage for business success, making the strategy and process clear, and by doing so empowering others to contribute to that success through the context of their given role.

Much of José's personal style can be traced to his character. José places the needs of the organization above his own. He willingly becomes responsible and accountable for the results of his team as well as his organization. He relates the following: "My grandfather taught me that I was only permitted four answers while conducting business: 'yes,' 'no,' 'no excuse,' and 'I do not understand.'" That philosophy became the cornerstone of José's character. For him, there is no opportunity for equivocation or excuse. The leader should be clear, concise, and compelling in describing or defining the future and in establishing and reinforcing performance expectations. The leader

owes their team the knowledge, tools, and incentive for contributing as a member of the team.

For all the financial success and operational targets that he achieved, the lasting testament to José's strategic leadership is the fact that the incoming team embraced his work and the company they joined—even today, approximately 40 percent of the Latin American Leadership Team has a Gillette heritage.

Design for America: Driving Strategy through Empowering Others

Sitting in her office on the campus of Northwestern University, Professor Liz Gerber recounted to us how she first came up with the idea that became Design for America: “One of my very first jobs was working in toy design. I got to work with kids and elicit ideas from them that would inform the development process. I was struck by the amazing ideas they came up with even though nobody had taught them how to design. That was a very early influence—ten-year-olds intimately know this topic of play, and really we just have to give them a little instruction about how this happens and they can come up with ideas.”⁵ That insight eventually led to a program that now involves thousands of college students, expanded to 24 university campuses, led to the commercial release of several products, and was featured on the cover of *Fast Company* magazine in the fall of 2011.⁶

Design for America encourages students to bring innovative solutions to social issues. Students in the program have worked on problems like reducing the unintended transfer of illness within hospitals, improving water conservation in cafeterias, and helping improving the lives of diabetic children. Along the way, the organization has also developed techniques to improve the confidence and ability of students to solve problems and make a difference in the world. As Liz states, “We can use the design process to influence and change people's belief in themselves through their ability to innovate. How do we prepare future innovators? That's the challenge.”

“I’ve always admired Teach for America—that model of volunteerism,” Liz said. That program, which encourages college graduates in the United States to spend two years teaching in urban and underprivileged schools following graduation, gave her the inspiration to explore alternative ways to teach design. While the two programs differ in structure (Design for America engages with students while they are still in school, while Teach for America is a postgraduate program), they both tap into the growing wave of interest that Millennials have in social change.

The organization also reflects a deep belief that anyone can make a difference. Just like the children with whom Liz worked when she was designing toys, she’s consistently observed the fact that great ideas can come from anywhere. “When I was at Wild Planet Toys, we had a challenge where we posted a few ideas up on the Web so that people across the country could vote on them. That was another insight that there was a huge, untapped population out there of people—kids—and that if we could teach them a bit, they could really get involved in this process.” Liz described this as *innovation self-efficacy*—the confidence and ability to innovate.⁷ Her frustration was that many teaching methods seemed to undermine this confidence, encouraging students to focus on problems defined for them and discouraging risk taking in an environment of constant measurement and evaluation. In Design for America, she wanted to create a very different environment to teach and empower students to take risks and make a difference.

Her beliefs were validated by Design for America’s early success. After gaining support from the dean of Northwestern’s School of Engineering, she launched the organization in February 2009 with a small group of students she’d engaged in early stage conversations. They set out to find their first project, selecting an existing design competition focused on improving the lives of children with diabetes. Liz discovered the competition from an e-mail she received and passed it along to her students. They were interested, but a bit

anxious—the deadline was in one week. Liz encouraged them in spite of the timing:

It turns out that was kind of perfect. It didn't allow the students to sit and deliberate over this. I told them, "You guys have fire under you. You're ready to go, but you have no clue what you're going to work on. Here is a project that has been validated by an external group. This is legitimate; it's something big; we care about it; it changes the way people live. See what you can come up with for it."

The team came up with a concept—a stuffed bear with diabetes named Jerry. Jerry would be equipped with a combination of hardware and software, allowing children to act as its caretaker. They would role-play scenarios typical to an effective medical regimen: diagnosing symptoms, administering regular doses of insulin, and tending to Jerry's general health and comfort. This caretaking would develop the child's understanding of the importance and details of the routine through their own caretaking and the empathy they demonstrated themselves. They wrote up the idea and submitted it to the competition. And they won.

Emboldened by their success, the students threw themselves into the organization. They reinvested the prize money from that competition into additional projects, recruited additional students, added projects, and started publicizing Design for America beyond the Northwestern campus. Liz provided encouragement, guidance, and resources as needed:

I've always tried to get them to develop the organization's identity themselves and to really have ownership of it. I didn't always go along with everything they said, but there were definitely things I intentionally decided not to fight even if I would have done something else. Maybe I don't love that it's happening that way, but the majority seems to think it's the right way, so we'll keep going. That said, there are lines. There were things that I knew were incredibly important or I knew from experience weren't likely to

work, and in those cases, I had to have a say. I've also tried to mature the organization. I've said, "Let's be explicit about our goals and hypotheses. How are we going to measure them? Have we really succeeded?"

Liz was also networking and advocating on their behalf. "At this point, my dean advised me to get other people on board," Liz recounts. She had his support, and she sought out ways to broaden that support across a wider network. She would meet with other faculty and administrators, share the team's story, and help them see where things could go.

As momentum built, Liz started to consider a new challenge—how to scale. Several of the most dedicated students were advocating for expansion as word spread about the group. "We reached out to more faculty and students who knew things about organizational structure and the best ways to think about that. One person offered to help organize it, and so at that point, we had what would become our first studio."

Studios became a core component of the Design for America model. As the number of students and projects increased, an overarching structure was established to maintain adequate coordination. Liz and her fellow advisors identified the students with passion and a demonstrated track record to take on added responsibility. The Studio Lead role was created to empower those students. In the course of building the organization and working with the Studio Leads, Liz and her advisors developed a number of additional insights. They found that some techniques were more effective than others in challenging students and building their skills.⁸ This "what works" list became a set of design principles for the program:

1. Scope design projects for immediate local, social, and big impact.
2. Encourage a bias toward action.
3. Feed forward and feedback.
4. Engage with real clients.
5. Follow a strategy of small wins and failures (i.e., learning opportunities).

6. Create an interdependent community, including all stakeholders.
7. Follow a facilitative leadership strategy.
8. Broadcast successes through social networking sites.

Liz and her advisory team refined each of these guidelines as they learned from experience. For example, they put tremendous effort into the third principle around feedback, constantly looking for ways to provide immediate, direct, and authentic feedback and forced reflection in a safe environment. Following the role of Studio Lead, the second role of Project Coach was formalized. Experienced students were assigned as coaches following completion of their own projects. In doing this, continuous learning was built into the process.

The studio structure soon expanded beyond Northwestern. Students from other universities, including Stanford, Dartmouth, Cornell, and UCLA, began reaching out. Again, Liz was enthusiastic but very focused on finding an approach that would work. “We’ve had no problem attracting students. Every year we have lots of interest in creating more studios, but I don’t want to scale at a rate that gives students really bad experiences.” Even with this intent, Liz had to embrace the fact that she wouldn’t be able to stop the expansion. While they could exercise control over the use of the Design for America brand and certain assets, there was, in fact, very little to prevent enthusiastic students from joining or even setting up new studios. “Even today, one of my frustrations as the leader of this distributed organization is getting accurate numbers,” she lamented. “What are we saying the number of members is this month? Because I want to have it consistent. Every time I give a talk, I find it’s harder to pin down than I thought it would be.” This combination of opportunities and challenges led to two more critical components of the organization: the Design Loft and the Leadership Studio.

As the Northwestern team started to face the challenges of supporting other campuses, they realized they needed a way to consistently replicate the experience. They initially thought of it as “DFA in a Box.” After further conversations, the Digital Loft came

about through collaboration between Liz and a fellow faculty member from the School of Education and Social Policy. As she described it:

My colleague was doing a lot of work on intelligent tutoring in games, and so I showed him Design for America. He pointed out that what we were working on was scaling education. They wouldn't have grading, but students still need support with things like process and support and deadlines. The main thing we talked about in creating the Digital Loft is how to orchestrate the learning without the class, grades, and syllabus and all that other infrastructure. And so he came in and said, "I'd love to help you come up with a really social platform that would enable the information sharing but that would also promote the right social interactions."

They set out to build the Digital Loft platform with funding from the National Science Foundation. One of the most useful features has been "crowd critique." Based on concepts popularized as the "wisdom of crowds" in the mid-2000s, the team focused on getting student teams enough feedback from a large population to replicate the quality of insight normally drawn from individual experts. Using the platform, a person can present their work in person or virtually, and people observing can enter comments. Importantly, observers can also vote on the comments, pushing individual items higher or lower on the list. Liz explained, "The result is that all the students get better feedback, because they now have the system to get more feedback from more people than they would have otherwise. Interestingly, they also learn how to give better feedback from using this platform by watching which feedback others view as most effective and helpful. That was really powerful, and I'd never thought about it before, but when you're in a room and everyone is typing, you can see what comments are getting uploaded. It cues people to give similar, well-structured feedback." The platform allows for numerous other ways to enable networking and collaboration. Often teams will bring in additional expertise. "Teams can make suggested connections, pointing out other teams or experts working on related problems, and add insights to the conversation."

Leadership Studio—a summer gathering of studio leaders and experienced students—emerged as a solution to another scaling problem: how to build advanced skills and a stronger core network among the most active students in the program. Students come together and focus on more advanced problems, including gaining experience teaching the organization’s core participatory design methodologies to others. This reinforces the student’s understanding of the core mechanics of Design for America while also asking them to achieve enough personal mastery to convey what they know in a credible and articulate way. The gathering of students also reinforces the network and ties within the broader organization. “This summer we had 70 students come to learn,” Liz describes. “They’re all gathering to meet each other, too, so there is a strong and important social component.”

Today, Design for America can count an impressive range of accomplishments. Like Jerry the Bear, other ideas have found commercial success. The project that focused on hospital-borne illness resulted in SwipeSense, a device hospital staff carry with them that monitors and encourages hand hygiene as they travel from patient to patient. A project focused on quality of life issues for the elderly led to Luna Lights, a system of modular lighting that activates visual trails to the restroom or other important locations when sensors indicate the user has gotten out of bed. These products fulfill the mission of Design for America, helping students to make a difference in the world through the techniques of human-centered design—observing matters in context, generating ideas with an interdisciplinary team, and rapidly prototyping solutions to find out what works. The student’s experience also builds the innovation self-efficacy that Liz mentioned in our first discussion with her. The students leave with skills, but they also leave empowered. As one Design for America student recounted:

Getting involved in DFA you expect, well okay, I’m going to go do this! And whatever they tell me to do I’ll do! We’ll go and we’ll make this club and it will be cool. I didn’t realize until later that these other people didn’t always know how to do “it” either. I remember that being a really big deal, because

*then you realize that you can do things without being told what to do. And that's big; it's a big lesson . . . you don't have to be told how to do something in order to do it. You just do it.*⁹

Sustaining this momentum provides Liz with her own unique challenge as the organization continues to progress. She has to maintain a constant focus on how to empower and encourage her students while also determining the best use of her own accumulated experience with the organization.

These days I feel sometimes like I have a strange role in that I've been around longer than all the students, so I know what we've done before. Someone will bring up an idea, and I think in my head, "Oh yeah, we tried that then, and we tried that then, and it didn't work either time." But instead of discouraging them, I always try and say something like, "Great, let me give you some insight into other previous efforts, but I love that you're excited about this. Plan it out, show us what you'd like to do, and let's try it." In those cases, I don't shut them down, but I do ask them to gather a little more evidence about whether it's going to work or not. Given where we've evolved to, I think that's my new role.

By encouraging students while also challenging them when she sees the need, she's making the students better. Liz is also modeling the very essence of what has defined Design for America's success. She's highly focused on empowering her students, encouraging them to bring passion and a confidence that they can try things and do things that they haven't done before. But, at the same time, she adds value by equipping them with insights, connections, and resources that they wouldn't have otherwise in the spirit of making them as successful as they can be.

Understanding the Success of Design for America

Design for America fits the full definition of an incubator, helping students generate, formalize, test, and implement ideas. In doing so, it has generated tremendous energy among students who are interested

in addressing big, real-world problems they wouldn't otherwise be as empowered to tackle.

The approach that Liz took working with her students and building the organization also gives us practical examples of the things that incubating leaders do. For example, she encouraged them to focus on projects that address meaningful problems that people would care about. She thought very critically about this, demonstrating a bias for problems that would be easy for people outside the organization to understand and that the team was likely to be able to tackle in a meaningful way. This helped the students build credibility for their work by assuring in advance that their ideas would address issues people would care about. This reflects one of the key actions of incubating leaders that we described in Chapter 2—assessing opportunities.

Having prequalified the team's projects, she then went on to improve their odds of success through other key actions we've noted, including the development of relevant social networks that could help the students succeed, the lending of assets like her expertise and the visibility that Design for America could bring to good ideas, and finally the development of a robust support ecosystem through tools like the Digital Loft.

Through our discussions with Liz and our observation of the Design for America program, we came to realize the tremendous energy she and her team put into structuring the student experience. She spoke at length regarding the principles and tactics she considered. She knew what success looked like in her mind, and in all aspects this was about empowering her students. In Chapter 2, we described the focus of the incubating leader as defining personal success on the basis of the success of others—a good description of what Liz and Design for America have been able to accomplish.

Google Takeout: Driving Strategy through Cocreation

Brian Fitzpatrick joined Google in 2005 to found the Chicago engineering team. He arrived after earlier work at Apple and several other

startups. Brian had also spent time on various open-source projects, including key contributions he made to an application called “Subversion” that powers the work of thousands of engineers around the world.

At the time that Brian joined, Google was experiencing a period of explosive growth. In its core search business, it was evolving rapidly, creating enormous distance between itself and competitors like Yahoo! While Google was experimenting in numerous other product categories that would lead to Gmail (launched as an invitation-only beta in 2004), Google Docs (launched in 2006), and handsets using its Android mobile operating system (launched in 2008), none of its businesses outside of being a search engine were contributing meaningfully to Google’s business performance at the time. As a result, Google was extraordinarily dependent on its search-driven advertising revenue.

Brian was relatively free to choose his own areas of focus. He was encouraged to pursue projects that were in line with the general priorities of the organization without having to receive approval from senior executives. In Brian’s case, these projects were heavily influenced by his own specialization in open-source software development. Rooted in the earliest days of the personal computer revolution, open-source development involves making the computer program code freely and publically available. This is in sharp contrast to “closed-source” development, in which a programmer or company keeps its software code proprietary and confidential. Open-source software has demonstrated wide-ranging benefits and is now a mainstay of most modern computing platforms and the Internet as a whole. And it was these principles of open-source development—most notably ideas of openness and data portability—that guided Brian’s thinking:

When I started at Google, it was a much smaller company. It was just me and a product manager talking about things we could do in Chicago because we were doing open-source stuff here and it was just a few of us. We bandied about this idea about making it easier for people to leave Google—something our CEO was talking publically about. I thought to myself that this felt like the right thing to do for our users and for us long term—people don’t use

*Google Search because they're locked into it or because their data is stuck in it; they use it because it's the best thing for them. Since we were talking about how our users could leave, I thought, "Let's make sure that we really are making it easy for them to leave." So I talked to one vice president and said I wanted to do this, and he said sure, hire a half-dozen engineers and see what you can do.*¹⁰

From these initial conversations, Brian ended up exploring how Google's products could be modified to make it easier for users to take their data out of Google if they wanted to stop using the company's services. In doing so, he ended up creating an initiative and product that caught the interest of Google CEO Eric Schmidt and became a key strategic project for the entire company.

At the time, Google was facing growing attention due to its dominant position in Internet searching. Schmidt was keen to demonstrate to regulators around the world that Google wasn't using its position in searching as an unfair competitive advantage. The stakes were arguably quite high. Microsoft had come under similar scrutiny in the mid-1990s. Like Google's search engine, Microsoft's Windows operating system was extraordinarily dominant. Microsoft used that market dominance to extend their leadership into other product categories, such as Internet browser software. In November 2001, the company settled with the U.S. Department of Justice, agreeing to a five-year monitoring program that severely regulated the company's business practices. Having observed the impact that the ruling had on Microsoft's business, Schmidt wanted to avoid a similar fate. In short, how could Google demonstrate to users and to governments around the world that it was not a monopoly in spite of controlling over 65 percent of the global market for Web search?

At the same time, Brian's efforts around data portability were gaining traction. "We sort of quietly crept from project to project and spoke with managers around the company," Brian explained. "Have you ever thought about making it easy for users to export?" he would ask. Most had indeed considered the issue, but few had taken any

action. It wasn't the kind of feature that was considered a priority during the beginning phases of a project when building core features and assessing user reactions were critical to success. In these cases, the teams were rarely resistant to the idea and were very open to Brian's offer to help. They would share resources and assist in building out the necessary features that would let users remove their data. "We'd just go to each product, and the teams would let us do code reviews and work with them on user interfaces," Brian said.

The team took a mission-like zeal in its efforts, working within the organization and its formal decision-making structure while also operating as a populist band of coders sometimes working against the status quo. At one point in 2007, they decided to label themselves the Data Liberation Front—a reference to a sketch in the Monty Python film *Life of Brian*. The title reflected the balance of creativity and disruption that the team brought to fighting the corporate mindset and behavior that they didn't want Google to fall prey to. This helped fuel the team's sense of purpose but also helped team members attract like-minded colleagues. "I have people who want to come to work on my team all the time because they love this idea."

This isn't to say there wasn't resistance. At times Brian's peers or management would question the value of what they were doing. "Is this really important to do?" a group supervisor might ask. "I want to put your head count on something else." Brian was clever in navigating these challenges: "I would sort of sneak around, and we went from different org to different org for a while until we finally found a home within security, where we've been for years now with a very supportive manager who is the Vice President of Security." From this, Brian learned to be savvy about who to seek out for necessary permission, and when to ask—and not to ask—for that sponsorship.

For me, getting support is like being a lawyer in the courtroom. I don't want to ask somebody permission unless I know the answer they're going to give me. So I try to find the right person who will give me permission, make sure I know they're going to say yes, and then I launch it. I always look for getting

the minimum required permission. I don't try to cover all my bases, because the more people you ask, eventually you'll find someone who will say no. But if you do the right thing for the company, and if you are empowered and you know how far you can go, you can get just enough permission to get it done . . . and then stop asking.

Brian got the support he needed to get started, while also managing risks that could derail the team.

He also used annual off-site meetings to reflect on what the team had accomplished and what more they might do. These were free-flowing sessions where he challenged the team to think creatively. "Let's take 10 minutes to figure out the worst stuff we could do to our users," Brian would start off. Working to generate lists of all the ways that Google could intentionally or unintentionally harm users and lock them into products, Brian then had the team brainstorm all the ways they could help the company avoid those risks. From one of these sessions, the team suggested an integrated product that would let users get their data from every Google product with just one click. "That sounds insane," Brian reacted. "Let's do it."

From there, the team set out to make their idea a reality. Leading the team, Brian played the role of coach and supporter. He provided very little direction to the engineers, who had most of the technical expertise and product insight to do the "heavy lifting." Instead, he spent his time making connections within the organization on their behalf. "Mostly, it was just me keeping out of their way and then helping them figure out how to launch it. What's the best time? What's the best product to start with? What are the right places? Really, what's the easiest way to get something launched . . . that requires knowing the right people."

While the idea the team had come up with was big, they started working on it in modest ways. "I started out small and quietly because I didn't know how the company would react," Brian recalled. "I'm going to make it easier for people to leave, but I don't want to get fired." Brian was pleased to find that most people in the company

loved the idea, both at the very top as well as among rank-and-file engineers. Indeed, when CEO Eric Schmidt found out about the project, he was truly excited—why weren't they talking to more people about it? Having spoken publically about the importance of consumer choice, Schmidt finally had a concrete way to demonstrate the lengths to which Google would go to make good on that principle. Endorsed as a corporate priority, Brian and the team accelerated their efforts.

On June 28, 2011, the team launched Google Takeout. Takeout was a single Web page that allowed users of Google products to export personal information such as their contacts or photos from a variety of Google services. By using industry-standard file formats, Takeout enabled the user to switch services and take their data to a different online provider other than Google.

The product launched with support for five services. While the initial list was modest and didn't include some of Google's most popular products, it marked an important milestone for the company and the team. The team now had a formal product to call their own—a validation of relevance in both the hierarchy and vernacular of Google's culture—and with it they gained a way to more clearly designate what it meant for other product owners to align themselves with the team's efforts. In black-and-white terms, other products either included Google Takeout integration or they did not. This gave Brian more leverage, and he found that teams were eager to find out how they could be supportive. Additional products came rapidly, and the momentum they built culminated with the integration of two of Google's largest services—YouTube and Gmail—in 2012 and 2013, respectively.

As they made progress, Brian also began working more directly with Google's PR and policy teams. The ease with which Takeout allowed users to export their data, along with the simplicity of having a single point of access, helped colleagues in both areas describe how Google acted in ways that were consistent with its guiding philosophy. In effect, Brian made it easier for them to do their jobs. In doing so,

they became allies in the common causes they were all working toward. By highlighting Takeout in both internal and external messaging, the policy team and PR leadership further validated the work the team had done.

Understanding Brian's Success

Reflecting on the project, Brian articulates how the team operated within Google over the years to first define and later build momentum for their strategy. “Here we are seven years later, and now people come to me asking how they can do it. We have documentation, they integrate it into their product, and we conduct a review when they are done. Long term it’s been a cultural change in the company, which has been really exciting.”

Much of the change can be traced to Brian’s use of collaborative leadership. He demonstrated all five key actions we introduced in Chapter 2, including building relationships, listening, finding common interests, sharing power, and demonstrating trust. The changes that the team initially made to existing products, the creation of Google Takeout, and the support that Brian gained from senior executives all reflect a focus on collaboration. Indeed, it’s unlikely that many of these results would have been possible had he chosen a less collaborative approach.

Looking more closely at what enabled the team’s success, Brian was particularly savvy about gaining support. As he worked within the organization, Brian was thoughtful about whom he approached and how he worked with them. He used his network to understand the priorities and ideas of other Googlers, striking partnerships with those with whom he had common interests. The PR and policy teams were two excellent examples. They had strong motivation to support Brian’s goals, as they gave legitimacy to their priorities around how Google wanted to treat its users, and given Brian’s prior success in helping product owners, he offered them a proven recipe for success.

This was particularly important given Google's culture, where a focus on corporate compliance wasn't likely to create the kind of behavior they might want:

I don't know how it works at other companies, but Google is half engineers. Most engineers are brilliant creative types and rather antiauthoritarian. They do not respond well to someone hitting them with a stick. If someone comes in and says, "You're going to have to comply with this," they're going to say, "Yeah, whatever." That may work in the short term, but they will hate you for it; they're not going to respect you. But the real problem is it's expensive to hit people with a stick. You're spending someone's authority above you—a senior vice president or someone. Then when you've spent that authority, you have to go back and get more—a new initiative or more people with more sticks. You end up feeding this really cancerous growth of enforcers. Instead, the better way is to get people to buy in, show them why this is important, and then make it easy for them. I like to say, "speak softly and carry a large engineering team." If we really have to get this done, it's a lot easier if you're looking three-quarters out rather than this quarter because people are planned up for the hour already. So, if we need to get this done but we know everyone is busy, we can talk to them about reasonable time frames and then also provide an engineering team that has some infrastructure and some tools that will enable you to do very, very little work, or even none in some cases. We have all this documentation, we have some sample code, and if you have any questions, just ask our engineering team. And what we found is that with most teams, that just goes a long way.

In taking this approach, Brian shows the power of building on the intersection of common interests. In the end, Takeout was a solution that met the needs of multiple stakeholders, providing a showcase for Schmidt regarding Google's good-faith efforts to avoid consumer lock-in, providing a process for policy leaders to gain support from engineering teams without using the stick of compliance, and giving product owners an easy way to do right by their users with less effort than it would have taken for them to do so on their own. By treating user's data in an open way that emphasized portability, Google was

able to make it easy for customers to switch between the services of multiple companies; it embraced principles that maintained and enhanced the Internet's core elements of interoperability; and it demonstrated Google's desire to be a "good actor" competitively. "For me, a lot of it comes down to finding the intersection—what's right for Google as a company, what's right for the Internet, and what's right for our users. It's a consumer-friendly way of doing product," says Brian.

Wrap-Up

The cases of Indiegogo, P&G's merger with Gillette, Design for America, and Google Takeout provide real-world examples of leaders who demonstrate each of the four strategic leadership types. They bring those types to life, applying the relevant key actions of each type while also showing some of the challenges that go along with doing so effectively.

In our next chapter, we will turn our attention to how a leader makes choices regarding how to lead. Each of our four leadership types are options—available ways to lead. Effective leaders will choose the approach best suited to the requirements of the situation and to their own personal leadership style. We'll explore this by returning to the two fundamental leadership choices we introduced earlier: how to gain insight and how to drive change.

4

Applying Strategic Leadership

Up to this point, we have focused on establishing a clear understanding of what strategic leadership is. We looked at existing views regarding both leadership and strategic thinking, reviewing the most significant concepts and theories that exist today. We explored the intersection of those two topics, introducing our own definition of strategic leadership as the application of those concepts to find the most effective manner in a given situation to gain insight and drive change. We defined the four types of strategic leadership, and we described each of them based on our conversations with hundreds of leaders. We used four specific leaders to bring these best practices to life. With that as background, we now turn our attention to the matter of putting all of this to work. How can individuals apply these principles of strategic leadership to get results?

We will address this by returning to the two questions we introduced in Chapter 2, highlighting the primary decisions that every leader must make in how they choose to approach their work:

- How will you gain strategic insight?
- How will you drive strategic change?

The first question will inform where you focus in order to identify the best direction to go. The second question will determine the principles used when deciding how to proceed. We will now explore these questions, one at a time.

Gaining Strategic Insight

Too often, the decision regarding where one gains insight isn't a decision at all. Insight can function in ways that often obscure its origins. It might be masked in the trappings of conventional wisdom, thus codified and institutionalized in a way that prevents most people from seeing it for the novel idea that it once was. As the old management tale goes, the benefits of the buggy whip were a revolutionary insight right up until the automobile rendered it obsolete. Insight can also be shrouded in mystery, being portrayed as the lightning bolt that strikes without warning. Just as Benjamin Franklin was supposedly struck with his understanding of the power to harness electricity, some of the most impactful insights in history are too often presented as one-time occurrences that can't possibly be anticipated or repeated.

We advocate for the far more utilitarian view, which we introduced in Chapter 2. Insight can be gained through two simple ways: (1) through process, with an emphasis on a structured and rigorous review of inputs and factors, or (2) through mindful experience, emerging from relevant and meaningful knowledge that allows one to gain useful observations drawn out from firsthand experience. The four stories we reviewed in the prior chapter bring these options to

life. Two of our examples relied on clearly defined structure and process to surface the opportunity:

- At P&G, José relied heavily on process. He established and followed a series of management routines that provided him the data he needed to see patterns and choose the way forward.
- At Google, Brian drew from a structure of existing values, corporate priorities, and Google products to see his opportunity. While he brought his own experience and values that certainly informed his perspective, those gained meaning and specificity as Brian engaged in the formal organization and its well-structured environment of roles, tools, and processes.

Our other two examples highlight the value of experience and personal reflection as the root of insight:

- The Indiegogo founders each had direct experience with fundraising that informed their view of capital markets. It was this personal, shared experience that helped them see the opportunity that became their crowdfunding platform.
- In creating Design for America, Liz drew from her personal experience developing children's toys to form her views of the design process and design education. Furthermore, she empowered her students to gain similar insights by structuring the ecosystem that gave them a chance to form their own observation-driven discoveries.

These four stories demystify how strategic insight really happens. They illustrate the difference between process-driven and experience-driven insight, and they showcase actions that can be applied in other contexts and learned by other people. Indeed, just as each of our stories highlight a repeatable approach, numerous programs and best practices have emerged to effectively produce insight through either process or experience.

Process-based systems have gained increasing sophistication as technology has led to improvements in both data collection and

analysis. As one example, Walmart has developed sophisticated management information systems that allow them to gain real-time insights into both short-term and long-term trends. They can monitor the day-to-day performance of their retail shelves around the world while they harvest long-term patterns that inform everything from store openings to the mix of products they offer. This trend will undoubtedly accelerate, as organizations both large and small gain access to tools that allow them to do similar, sophisticated analysis of large amounts of data and identify patterns that only have been seen through the assistance of technology.

Experience-based insight has received similar attention. In the 1970s, as Hewlett-Packard led the earliest stages of the computer revolution, its managers were encouraged to learn not from reports or from time spent in management meetings but, rather, through “management by walking around.”¹ This time out in the field with engineers and customers gave them the real-world data they needed to see and seize opportunities in the rapidly evolving states of that emerging industry. Similarly, many organizations now use rigorous, systematic rotations of employees to move individuals between key roles that build up the working knowledge of multiple industries or product categories. This accumulated firsthand experience makes them better at making connections and uncovering new opportunities. These experiences become valuable once they are combined with activities that encourage a leader to draw out the patterns and meaning. Just like Brian used periodic retreats with his team at Google to prompt them to reflect, the commute home from work can become productive time for a leader who uses it to digest the activities of the day and decide what was the most interesting or important thing they discovered.

Identifying the Right Approach

The key to becoming more effective at gaining strategic insight is to first decide how to go about it. To apply any of these techniques, we

suggest starting with a set of simple questions that we have found to work with our clients, our students, and in our own experience developing strategies. The questions focus on the environmental factors that we find often provide cues to the most appropriate approach in a given situation:

1. What has historically been done? History can be both valuable and a constraint. Determine what the default or most common approach has been in the past, what was good about it, and what unintended consequences it might be producing.
2. What is the state of the industry, and what's normally done? We often find that industries come with *de facto* standards and practices that end up driving insight. This mainstream view is often self-reinforcing, as leaders and organizations benchmark with each other to find best practices. These best practices can be useful, but they can also create an industry-wide monoculture that locks in the current view and locks out other ideas.
3. What role is personal experience playing today, and what else could it provide? Identify ways to draw fresh insight from past experience. If your experience proves to be limiting, look for ways to gain new insights from a change to your routine. Spend more time with customers, engineers, or the stakeholders you find most challenging.
4. What is the most relevant data, and how do you manage it? Organizations and leaders don't need to have the resources and technologies of Walmart to get useful data. Finding and prioritizing meaningful data can be more important than gathering lots of it. Audit the current approach to take an objective look and to explore new opportunities.
5. What would other relevant stakeholders consider credible? The status quo shouldn't be a limitation, but any new approach has to be valid. Use trusted colleagues and the most challenging devil's advocate to evaluate what could be done differently.

By considering these questions and issues, you'll be better prepared to anticipate the conditions that might make either process-driven or

experience-driven techniques a more effective method for developing insights. You may also find creative ways to integrate the two.

Driving Strategic Change

Deciding how to most effectively drive change has received considerably more attention than the matter of how one gains insight. The business shelf of any bookstore will have at least a few books on the topic of change. This reflects heightened general awareness on the topic, as the complexities of both our society and organizations have made large-scale change both more feasible and more challenging. Most often, contemporary thought leaders make a compelling case for an increasingly inclusive approach to change. Indeed, our colleagues at Northwestern teach an excellent course on “Designing Sustainable Strategic Change,” in which students are taught how to involve stakeholders, not just in planning the change, but also in designing the very change itself.

For all the modern attention that stakeholder participation has gained, it’s important to remember that there remains a choice to be made by leaders seeking to drive strategic change. Leaders have the choice to (1) provide direction, engaging stakeholders in a largely one-way process that defines the strategy and change as determined by the individual leader, or (2) create participation, defining processes that involve the contributions of others in what a given change should look like and how it should be managed. To clarify this choice, we’ll again turn to our four stories to illustrate each option. We see leaders providing direction when driving change in two of our cases:

- At Indiegogo, the cofounders took specific action to own and protect their vision. They had a very clear sense of what success looked like, and they provided clear guidance on what the boundaries were as their organization grew. Their focus on organizational alignment was evident in their emphasis on hiring,

with a clear focus on values and organizational fit. While they took real actions to empower their team, they were quick to act if an individual or idea didn't fit their view of what success looked like.

- At P&G, José dictated both the expectations and the terms of engagement for most stakeholders. One can imagine there was little question of what change was expected and the role each person needed to play in making it happen. The benefits of adherence to this view, including the inherent confusion that can come from deviation and competing priorities during a complex merger, gave José the mandate and influence he needed to get the intended results.

In contrast, we see the leaders in our other two cases take a very different and decidedly more participative approach to their respective change agendas:

- At Design for America, Liz involved her students in every aspect of creating the organization. She drew specific attention to this in our discussions, highlighting the importance of student ownership for the mission and vision if the organization were to succeed. Indeed, an early attempt to “tell” students what would happen fell flat and left a lasting impression on her and how she decided to lead.
- At Google, Brian had little choice but to involve others in how he defined and approached change. Without direct authority, Brian had to win over his fellow product owners to the merits and importance of data portability. Likewise, the antiauthoritarian culture among engineers made it unlikely that Brian could have been as directive with his own team as José was able to be in a different context and organizational culture.

These four stories show different ways that leaders can drive change. They each focus on different things and take different actions. Importantly, they succeed because of a strong fit between the situation they were in and the approach they chose.

The directive approach to change has a long history—indeed, CEOs, politicians, and even parents have been telling other people what to do for centuries. What has always distinguished good techniques from bad ones is appreciating and understanding what it takes to direct change effectively. As evident in all our case studies, an effective approach involves much more than just telling people what to do. These principles aren't all new—indeed, both Niccolò Machiavelli and Dale Carnegie provided relevant insight into the language of their times—but today the fields of social and individual psychology provide increasingly rich insights into the nature of human and organizational behavior. Incentives can be used to drive change at both the individual and the organizational level, and tools like influence plans and gamification systems exist to direct and motivate stakeholder change at scale.

The participative approach to change can be seen as challenging some of the traditional ideas regarding strategy execution. Most of the popular literature on strategic management treats strategy formation and strategy execution sequentially. A strategic position is determined, and the organization is then mobilized to action. A truly participative approach to driving strategic change blurs this distinction. Simply opening up matters of implementation rarely achieves the level of stakeholder involvement that can qualify as true participation. This technique has become common practice in many projects associated with public spaces. In determining the best use or design for a neglected city park, architects and city planners will now typically create vehicles for community members to contribute ideas or reactions that inform the design process. These methods accelerate buy-in and increase stakeholder commitment, and can even contribute to a better solution.

Identifying the Right Approach

Our four stories in Chapter 3 legitimize both of the ways that one can drive change. While participative approaches may receive more

attention, they aren't always the best approach. Likewise, there isn't anything inherently good or bad about taking a directive approach. The key to becoming more effective at driving change is selecting an approach best suited to the situation. We suggest several questions when considering the choice at hand:

1. What needs to be accomplished? The nature of the change itself—the goal or solution in question—can often define opportunities and constraints. The degree to which the solution is flexible can define the opportunity to involve stakeholders. We often find it helpful to challenge the first answer we get to this question, as there are often more options than are initially perceived.
2. How influential are stakeholders, and how much are they needed? The ability of key stakeholders to enable or block a given strategy can provide a clear mandate to ensure they are involved and supportive. Likewise, sometimes an inclusive approach can end up wasting energy on constituents who have little influence.
3. What are the available means of motivating others? In some contexts, incentives and controls can be useful. In other cases, there may be practical limits on the available tools to reward or deter particular behavior.
4. To what degree does complexity play a role, and how? In a world with increasing connections enabled by communication and technology, complexity can't be ignored. Considering the role that dependencies (inter and intra) might play in a given change can surface issues earlier so that they can be managed accordingly.
5. What role does sustainability play in achieving the desired results? Some strategies are time bound, and thus the change to be managed can be time bound. At other times, it's important for a given change to be sustained. In those cases, determining the degree to which sustaining measures need to be self-sufficient can clarify the need for a participatory approach.

Driving change can be a critical and massive undertaking. These five questions can surface some of the issues that should be considered when embarking on the journey to execute strategy.

Integrating the Four Types

Throughout most of this book, we've emphasized the differences between the four types of strategic leadership. Indeed, they are distinct. Nobody would mistake Steve Jobs for an incubating leader—everyone he engaged with was helping him with his vision, whether they intended to or not. That said, in practice the four types of strategic leadership should be considered points of emphasis and not mutually exclusive. Many leaders integrate one or more types. They may use a different approach when working with a given stakeholder—taking a participative approach to stakeholders when they can have a meaningful impact on outcomes, while being more directive with stakeholders that have less influence. They may also use a different type of leadership over the course of many phases within a given project. We see GE taking a more participative approach to its workforce over the decades as the problems it focuses on come to require very different types of solutions.

To illustrate this in action, we'll use a final case to highlight the integrated application of strategic leadership that we often see. We've selected a case that highlights some of the earliest stages of strategic leadership in action. It's the story of an individual taking the first steps to form a new organization and how he navigated the initial phases of his work. It's also an excellent example that highlights the four strategic leadership types as he makes choices related to both the formation (i.e., gaining insight) and execution (i.e., driving change) of his strategy.

Todd Connor and The Bunker: A Conscious Approach to Strategic Leadership

Todd Connor had already had a wide-ranging career when he decided to start The Bunker. He joined the U.S. Navy immediately after finishing college, serving as a navigator on the guided missile cruiser

USS Bunker Hill. He worked in state government as an investigator for the Illinois inspector general, and in private industry, in a number of general management and consulting roles. He also spent two and a half years working in education, where he was executive director of the six military high schools operated by the City of Chicago. In March 2014, he decided to change direction and try his hand at building his own organization—a nonprofit designed to help military veterans start their own small businesses.

Todd saw the opportunity through a combination of his prior professional experience and his participation in the Chicago business community:

First it begins with my own identity. I'm a veteran who has done things in the public sector. I've done things in the private sector, and I was in the process of launching a startup business. I'm at the intersection of a number of constituencies. I also took a diagnostic view of the larger landscape. Right now, there are hundreds of thousands of troops coming off of active duty. There is a huge corporate push to address veterans' issues. There is a huge political desire to speak to solutions for veterans. And then I also saw that in the veteran landscape, there's some disorganization. A lot of traditional organizations are being pushed to do nontraditional things. So, I saw these three things: (1) a huge constituency that was wanting to help veterans, (2) a traditional veteran service landscape that was ripe for a new organization, and (3) myself at the unique intersection of these things, where either I or somebody like me could pull together a solution to specifically help veteran-owned companies.²

With this insight, Todd went about exploring how best to capitalize on the opportunity.

He had several assets due to his situation and experience, including extremely high credibility with many important stakeholders. His service in the military made him credible with veterans, his time in the public sector helped him understand the interests of politicians, and his private-sector experience made him trustworthy to businesses used to seeing many requests for support. So he began talking with these

diverse groups of stakeholders to better gauge the opportunity and their interest in collaborating. Todd quickly saw that raising thoughtful questions with the various stakeholders built his credibility even further. “The more conversations I had that were exploratory,” he found, “the more I was given the license to go and create something.”

He decided to go first to 1871, a nonprofit coworking space built to serve the Chicagoland entrepreneurial community. Located in Chicago’s Merchandise Mart—famous for being the largest building in the world when it opened in 1930—1871 had recently become a nerve center of entrepreneurial activity for the region after private-sector leaders and Chicago’s mayor, Rahm Emanuel, launched it in 2012. More recently, the leadership of 1871 had started talking publicly about making additional efforts to diversify the constituencies it served and created a program focused on women in technology that launched earlier that same year. They were evaluating additional ideas at the time that Todd started his own investigation.

Seeing the opportunity come into focus, Todd put serious thought into how to differentiate his idea and himself within a very crowded space. Veterans’ issues are high profile, and there are countless organizations already working to meet their needs. Todd saw the challenges, but he also saw the need to move quickly:

If we were going to create a veteran-owned business incubator in Chicago, there would be a first-mover advantage to doing that. 1871 is the one place where this kind of stuff happens at scale, and so if we were going to do something, it would have to be there. And there weren’t going to be two veteran incubators. I knew that. I also knew that 1871 wanted to do something for veterans, and what they needed was a packaged solution that they could just say “yes” to. So it was through conversations with them where I was able to say, “Look, I think I have your solution, and it’s called The Bunker, and here’s how it will work.”

Todd got the response he was hoping for. Leadership at 1871 saw the credibility and influence that Todd could bring, and they saw clear

alignment in their mutual interests. With one partner secured, Todd looked to further strengthen his position:

My instinct on this was that the first phase was to ask, “How can we get people on record saying that this was the thing they were going to support?” And so we looked for an opportunity. That opportunity I saw was a luncheon, which was being hosted with the Pat Tillman Foundation. They’re a great organization focused on veterans’ issues, and the mayor of Chicago was scheduled to come speak. The Pat Tillman Foundation luncheon was a perfect opportunity, with a strong organization where we could wrap into this as a press announcement that would seal the reality of what could be happening.

Todd approached representatives from each organization, and they were eager to support the announcement. On June 27, 2014, Mayor Emanuel and 1871 CEO Howard Tullman announced The Bunker at the luncheon. Several other influential Chicago leaders were in attendance, and Illinois governor Pat Quinn voiced his support in a statement issued for the event. The luncheon generated press coverage in major local news outlets, solidifying Todd’s role as an influential Chicago connection for those looking to engage with the veteran community.

With his credibility established, Todd began a new phase of the work. “The announcement was a critical moment, and it gave us license to proceed,” Todd reflected. “The plan actually really came together afterwards.” Todd began to focus on preparing the organization to start delivering on its promise. That started with forming the initial team that would work with him to create The Bunker. He approached two colleagues whom he knew and who had already spent some time with him on related efforts. The first was Brandon Bodor, executive director of the Illinois Commission on Volunteerism and Community Service and an appointee of the governor. The second was Thomas Day, a freelance journalist who had written on veteran affairs. Both were fellow veterans.

Their work together started out informally, with Todd focused mostly on getting them excited about being involved. “It was on the basis that we were going to work together and build something really cool—and very important—together,” Todd explained. “We’re lucky to be in this moment when we have the license to do this, but it’s up to us to prove that we can do it.” As the momentum and work increased, they did talk about the implications, but they didn’t start with roles. “It was early, so I was asking for their help without being able to pay them for their time. So I approached them, asking for help, but with the promise that if and when we were able to raise money, they would start getting paid.” Todd was also mindful of the interests and motivations of each of his prospective partners. Brandon was finishing up business school and was keen on making a transition outside of government. “I also saw in Brandon an asset, which is all these political relationships and a deep understanding of the veteran service community, which I didn’t have. He knows veteran politics in a way that I don’t.” Likewise, as a writer, Tom also fit a key need for the team. Tom had experience covering veterans’ affairs as a journalist. Given that, he had all the right skills needed to help the organization with a major task ahead—developing a communications campaign.

With the team established and initial tasks assigned, the three of them worked together to start building momentum for the organization. They saw what they wanted The Bunker to become, but they faced a challenge in navigating the interdependent nature of several key parts of the plan. While they could volunteer their own time, they also needed a combination of corporate funding and participating entrepreneurs to get off the ground. Todd took on the task of determining how to define the right sequence.

It was all these dominos that had to fall. The politicians and influential advocates saying this was going to happen was the first domino, giving us some credibility to go to the market and show that this was real. The second domino was getting companies announced as moving into The Bunker—that

could begin a string of early press and e-mail announcements so that our stakeholders would see the momentum. And third, we had to get our first big corporate sponsor. We needed that first gift, because the first gift created inevitability for the second gift, and for the third gift, and for the fourth gift.

Having defined the logical sequence, Todd and the team set to work identifying the first participating entrepreneurs. Todd had a clear idea of what he was looking for: early stage companies that were still getting started but were far enough along to have their own credibility. The Bunker needed these initial companies as much as they needed The Bunker. Todd approached them accordingly. “Behind the scenes, I was going to individual veterans and appealing to them on the basis of joining this platform and helping us build something great.”

One of those veteran-owned companies was RideScout, creators of a mobile app that helped users make transportation decisions. RideScout had already seen some initial success with positive public press and traction with a user base. Todd saw the opportunity to help RideScout by connecting them with the public exposure he had started to achieve, but he was also transparent with them. “Frankly, I needed them as much as they needed us. I made the appeal to them in part as fellow veterans based on the chance to help the overall veteran community.” After understanding what Todd and his team were trying to do, RideScout joined up. Todd announced RideScout as the first company to join The Bunker. Three weeks later, RideScout was acquired by automaker Daimler.

The success of RideScout gave additional attention and credibility to The Bunker, and shortly thereafter Todd secured their first corporate sponsor. Once Todd and the team were able to get traction with each of these three components—external validation, veteran participation, and corporate sponsorship—they became mutually reinforcing. In the next several weeks, 19 veteran-owned companies agreed to participate in the launch of The Bunker.

The Bunker's first entrepreneur cohort met together for a kickoff event on November 1, 2014. Todd, his team, and 38 founders from the 19 veteran-owned companies spent the day discussing their experiences navigating the challenges of starting a business. Todd also shared additional news that weekend: veteran entrepreneurs and government officials in several other cities had contacted him. They were eager to understand how The Bunker worked and how they might do something similar. Indeed, six cities were already making plans to start their own Bunker programs, which Todd planned to announce at another luncheon later that month.

During the retreat, spirits were high. The group was drawing on the energy of their potential, both from their individual business plans and the collective opportunity that lay ahead for the group. The Bunker's imminent national expansion added to the feeling of momentum. Underlying this, their quickly developing bonds were reinforced by a kinship born of their shared military service. The excitement was palpable. In fact, it was easy to forget that six months earlier, The Bunker had only been an idea.

For all of its initial success and its rapid rise to prominence, the ultimate success of The Bunker is by no means assured. As they move forward, Todd and the team he has assembled expect to face the full range of highs and lows. Challenges will no doubt slow them down and complicate their ambitious plans. Even so, the groundwork they have established is extremely promising. The infrastructure has come together, and, even more importantly, the level of commitment of the organization's members—both to The Bunker and to each other—is remarkable.

Deconstructing Todd's Approach

Todd's work on The Bunker is an excellent example of strategic leadership in action. It highlights many of the concepts we've introduced in this book and how they can be effectively applied at the very

earliest stages of a new initiative. It also provides insight into the very specific and practical things that a strategic leader must do to develop insight and drive strategic change.

Notably, Todd was very self-conscious about his strategies regarding leadership. He approached situations with a specific idea of what he wanted to accomplish and, importantly, how best to accomplish it. This was evident in his approach to syndicating his initial idea. Todd didn't directly advocate for himself as the best person to address veteran employment issues. Rather, he made himself the logical candidate by the way in which he created specific conversations and handled himself in those conversations. He collaborated with other relevant stakeholders, finding mutually beneficial opportunities for partnership that addressed the main issues he needed to navigate as he built up the credibility and momentum he needed to get *The Bunker* off the ground. In those moments, we see him exercising many of the actions common in collaborative leadership. In turn, as he gained legitimacy with stakeholders, he then made a conscious effort to change his approach. As the launch of *The Bunker* became more certain, he put more effort into defining the specifics of what it could become and used those specifics in a message to attract and motivate his partners, the 19 veteran-owned companies, and the interested parties he began speaking with in other cities. In these scenarios, he demonstrated many aspects of visionary leadership necessary to articulate the opportunity and motivate others to join him. In these and other situations, Todd provides an excellent example of how it is often possible and indeed necessary to intentionally use and integrate all four types of strategic leadership over time.

Last, it's worth calling out the role that tenacity and courage played in this story. At many points along the way, there was nothing easy or even clear about the work that needed to be done. Looking back, Todd recalls when, early in the spring, he selected November 1 for a targeted launch. At the time, it felt very arbitrary, and indeed it was. In spite of that, it's clear that the very act of setting a date helped drive focus and urgency. He created these milestones for his own sake,

but he also used them effectively to motivate and influence others. “I always think about forcing mechanisms. The launch deadline created a clear milestone and a forced decision—sponsors and entrepreneurs needed to decide if they were on board.” Todd was highly intentional about how and when to create these forced choices. “How do you create a sense of urgency? You create moments where you round people up into consensus,” he observed. By determining the right times to be definitive, he was able to create enough structure to make it easy and clear for others to see how they could participate and why they should. Todd strongly emphasized this in one of our discussions, noting, “I think a leader’s job is to lay down and create structure where one doesn’t exist.” We see this as an excellent guiding principle for much of what it takes to effectively apply our principles of strategic leadership.

Integration and Authenticity

In practice, strategy formation and strategy execution are highly interdependent. It’s rarely possible to define strategy in absence of considering what execution will require. Likewise, the four types of strategic leadership invariably overlap, intersect, and reinforce each other when applied to the messy nature of real life. It’s the leader’s challenge to reconcile and integrate them in a meaningful way. This involves reading the situation and context for cues, but it’s also a matter of personal discretion. The leaders we’ve observed who achieve the greatest impact and develop the widest followership demonstrate a type of personal integrity that reflects a strong and clear sense of themselves. They know who they are, and they show up that way consistently. They adapt in ways that make sense to the situation, but they don’t do things that undermine their own credibility. While sometimes the concepts and distinctions that authors make in books like this can feel artificial—and indeed they are—they call out meaningful differences. Good leaders understand those

differences for what they are, and then they integrate that understanding into their own beliefs, priorities, and behavior.

In this chapter, we've started to address the application of strategic leadership. We will continue that exploration in the next chapter. While we've raised some of the key choices and considerations involved in gaining insight and driving strategic change, we'll now continue on to identify additional techniques that strategic leaders use to effectively garner buy-in, commitment, and advocacy.

5

Garnering Buy-in, Commitment, and Advocacy

We have introduced four strategic leadership types, described the focus and emphasis of each, given examples of how they are best applied, and illustrated each type with representative cases. Regardless of the leadership type employed, it is important to recognize the slate of external forces and internal factors influencing both short-term and long-term success. This involves “connecting the dots” to determine how best to proceed.

Strategic leadership almost always involves continuous improvement and constant adaptation. It involves refining a strategy to take advantage of emerging opportunities and mitigate prevailing threats. Such refinement is a requirement and not an option. It ensures that the strategic intent remains valid and maximizes the positive impact of activities intended to turn a vision into reality.

Our experience and the conversations we’ve had with others suggest that the best strategy will still produce suboptimal results if individuals think and act in isolation. A leader’s success relies on

followers—followers willing and able to offer creative ideas and contribute to the execution of those ideas. A group of people who are each excellent individually will produce suboptimal results if steps are not also taken to build a capable and committed team aligned in their intent, effort, and contribution.

The support of individuals will not occur merely through happenstance. Stakeholders must understand and commit to the vision. Achieving this commitment is often referred to as *change management*, *change enablement*, or *change leadership*. An entire industry of consultants and literature has developed to address this challenge. Rather than reviewing the multitude of frameworks and models these experts espouse, we will offer a simple approach to attaining needed buy-in, commitment, and advocacy.

Attaining Needed Buy-in, Commitment, and Advocacy

Why are buy-in and commitment important? Imagine standing next to a bar extending between two chairs. The bar is hanging about 18 inches off the floor. You are asked to jump vertically while standing next to the bar. The higher you jump, the better. You will be rewarded if you jump as high as or higher than the bar. How high might you jump? We have posed this question to numerous colleagues, students, and clients. The answer is frequently “I would jump 18 inches.” The answer is seldom “I would jump as high as I possibly could.” We therefore reframe the question so it becomes, “When asked to jump, why might a person capable of jumping 20, 24, or 26 inches jump higher than the minimum requirement?” When asked, our colleagues, students, and clients typically answer in a somewhat similar way: “I would jump as high as I possibly could if I knew it would make a difference to the person asking me to jump and if I cared about the person asking.”

As is suggested in this analogy, individuals being asked to contribute to a cause are typically rewarded for doing so, sometimes

through personal recognition and sometimes monetarily. When given an incentive to contribute, they are usually very savvy at determining the amount of reward they will receive for the amount of effort they contribute. Most people understand and act in accordance to a social contract; most individuals think and act as required to the extent that they understand what is expected of them. To the extent that they think highly of the individual setting the expectation, they may exert extra effort. To the extent they believe in the mission or vision they are working toward, they are also likely to exert extra effort. We consider buy-in and commitment to be of utmost importance because they encourage individuals to put forth discretionary effort.

We consider advocacy to be equally important. Few leaders can be successful if they are alone in championing their goals. Ideas—particularly big ideas—need a broad coalition of support. They often need the validation of influencers to give them legitimacy in the face of skeptics. They often need resources from stakeholders who have to make trade-off decisions on where to direct limited budgets, time, or organizational attention. They often need assistance from gatekeepers or those in a position to clear barriers that arise. Addressing these enabling factors or potential barriers can only occur through the advocacy of others.

Our approach to attaining needed buy-in, commitment, and advocacy is simple and straightforward. In short, when it comes to attaining buy-in, commitment, and advocacy, we recommend that you take steps to win the hearts, engage the minds, and leverage the hands of your followers.

Winning the Hearts of Your Followers

It is important that followers put their “hearts” into what they are being asked to do and accomplish. It is through their hearts that they will have the internal desire to go above and beyond what will be

required of them. Without such desire, they may put forth less effort, settle for suboptimal performance, or worse yet, generate minimally required results when they are capable of generating much more. The absence of real desire might impact not only individual performance. Informal leaders can influence others to think and act in a similar dysfunctional manner. On the other hand, commitment helps generate internal drive that will help them embrace the uncertainty and ambiguity typically associated with change. It can help followers counter the pressures and stresses being exerted by others who are more resistant. Such commitment helps build the confidence they will need when being asked to take risks, such as making a decision based on limited or incomplete information. Recognizing that most people have full lives with responsibilities and obligations falling outside of their career, a clear sense of purpose and a personal commitment to a goal will help them prioritize multiple and frequently competing commitments.

Winning the hearts of others involves proving to them that an objective aligns with their own priorities. It involves seeking out and offering opportunities for them to contribute to a meaningful cause in a meaningful way. It includes thinking and acting in a manner that mirrors their own actions and resonates with them. It involves thinking and acting in a way that reflects shared values, principles, and intentions. It requires doing things for the right reasons during moments of truth, not from your perspective but, rather, from theirs. It involves providing ample opportunities for others to contribute and excel, allowing them to make attempts and learn from their mistakes, and encouraging them to share those experiences and lessons with others. It requires you to do all that you can to provide whatever support they need to succeed.

The best followers are savvy, and they will quickly know if their effort and contribution are likely to be rewarded or futile. This requires regular and consistent proof that reinforces mutual trust. It demands that you be “all in for the long haul” and as committed to the success of others as you are to your own. From our experience, most

people have a keen sense for self-serving behavior. Acting in self-centered ways can quickly undermine buy-in and lose the hearts of potential followers. Demonstrating a legitimately selfless approach will pay dividends, as colleagues gain confidence that your intent and purpose match theirs.

We live in a world that encourages personal responsibility. As a global community, we expect adults to self-monitor and self-regulate their behavior. When working with others in a business context, we expect our colleagues to contribute to the effort, add value to the process, act in a responsible manner, and be accountable for those actions. People rarely live or act in isolation. Most are rooted in a community. Likewise, members of organizations generally do not work in a vacuum or in isolation. Rather, they typically act as contributing members of a team. Even individual contributors are expected to act in accordance with organizational values, ensuring that the product they manufacture or service they provide meets team or organizational standards. With “teamwork” comes the shared assumption that to succeed, each team member must (1) contribute to the team’s purpose, strategic intent, or goal and (2) rely on the input and contribution of others to succeed.

Collaboration and contribution are therefore important, whether individuals are thinking and acting as a member of their community or as a member of your organization. To win the hearts of others, we encourage turning the spotlight on them. Individuals must be given the opportunity to contribute to a cause they consider to be important and essential. They should be encouraged to contribute in a way they consider to be right, just, and fair. They must be allowed to participate in a manner they consider to be significant and meaningful. This can be accomplished by looking for opportunities to:

- Involve followers when making decisions. Ask them about the what, how, when, and where of the plan. Ask them for input on what to focus on, the best way to move forward, or what support they will need to effectively contribute.

- Include followers throughout the entire process. Include them in conversations at the front end so they can help you firm up or refine an idea or concept. Include them at key stages so they can help strengthen or enhance your technology, systems, and processes. Include them at the back end so they can help you identify ways to improve subsequent iterations.
- Act on the input of your followers. Their questions or concerns might reveal an undiscovered bias or blind spot. They can help you identify previously unexplored issues, considerations, or implications. Their suggestions and recommendations might help you firm up your thoughts on your vision, concept, idea, approach, or mechanics.

These three actions provide concrete ways to win the hearts of your followers, by involving them in decisions, bringing them into the process, and taking visible actions based on what you hear.

While these actions are straightforward, applying them consistently takes meaningful effort. Often it can involve real change to the status quo. To illustrate this, we'll now turn to an example—the YMCA of the USA—to illustrate a strategic leader taking steps to win the hearts of his followers.

Case in Point: The YMCA of the USA

The YMCA was established in England in 1844. It has grown into an international organization that serves more than 45 million people in more than 120 countries and is one of the largest volunteer organizations in the world. The U.S.-based organization was established seven years after its English counterpart. The YMCA of the USA (Y-USA) is now composed of 900 local member associations, each led by a CEO and governed by a board of directors. It has 2,700 branches, serving more than 22 million children and adults at over 10,000 locations across the country. A large metropolitan area like Atlanta might have one local member association, 25 branches, and a number of YMCA

facilities, schools, churches, and athletic centers. The goal of the Y-USA is to create long-lasting personal and social change by strengthening communities through three areas of focus: youth development, healthy living, and social responsibility.

Unlike many organizations, the YMCA is not a monolithic, headquarters-led organization. Rather, it consists of a network of federated local member associations. Each local association is obligated to act in accordance with the Y-USA's mission, vision, values, and governing constitution, but the leadership team of each local Y can to a large extent accept, reject, or modify guidance from the parent organization. The organization acknowledges this in several ways—it often describes itself as a “movement” when referring to the parent organization and its member associations.

The member associations of the YMCA federation are responsible for identifying and addressing the unique needs of the communities within which they serve. Each “local Y” strives to address its community's needs through a network of volunteers, staff members, local donors, and community partners. National headquarters serves as the central resource for local Ys across the United States. In serving as a shared resource, the Y-USA headquarters in Chicago develops broad strategies that member Ys can address collectively. It provides information and support to local YMCAs attempting to nurture the potential of children, promote healthy living, and foster a sense of social responsibility.

The YMCA of the USA fosters youth development in several important ways. The Y recognizes the importance of instilling the values of honesty, respect, and responsibility in today's youth and in helping children gain needed knowledge, skills, and self-confidence. It provides a safe environment in which young children can meet to talk, exercise, learn, and grow. It does this through a broad range of programs, such as child care for young children and leadership development for teenagers, each of which introduce and reinforce important values while building skills and abilities key to becoming tomorrow's leaders. The YMCA considers spirit, mind, and body to

be equally important. It brings family members and community members together, encourages healthy living, and promotes lifelong learning through its programs, sporting events, and recreational activities. The Y also recognizes the importance of community members working together for the common good. YMCA volunteers, staff, and partners collaborate to create and deliver innovative, community-based solutions that address social challenges and problems unique to—and affecting members of—the local community.

Neil Nicoll was appointed president and CEO of the YMCA of the USA in June 2006. Prior to his appointment, Neil had served as the CEO of the YMCA of Greater Seattle since 1992. A social scientist by training and the person responsible for matching local resources and needs in the Greater Seattle area, Neil recognized the importance of local volunteers, staff, donors, and partners working together to address the needs of the Y's constituents. Neil's academic studies taught him that this type of collaboration does not occur by happenstance. Rather, it requires the buy-in, commitment, and advocacy of a critical mass of community members. Neil's experience as a staff member and as the leader of a local YMCA taught him that local stakeholders working together in a unified manner is vital for the local Y's impact. It also gave him a key insight—that the overarching success of the Y-USA relies on local member associations working together, leveraging resources, and sharing best practices. Neil strongly believes that “success relies on the performance of the local YMCA, strengthened—rather than encumbered—by support received from headquarters in Chicago.”¹

At the time of Neil's appointment, the Y-USA was accomplishing its mission. However, Neil and many of the local association CEOs he knew believed that community needs had evolved considerably over time, sometimes in ways that the federation struggled to support. He and many of his colleagues felt that the local YMCAs lacked the flexibility they needed to tackle local issues. At times they also lacked the unity, alignment, and connectivity the federation needed to address prevailing and emerging national issues. Neil felt deeply

that the key to the Y's future success was greater alignment among the 900 association CEOs and local boards of directors, moving forward together in one direction to accomplish the Y-USA's mission, cause, and the priorities as set by broader social issues.

Neil had the opportunity to address this need when he was named president and CEO. He began by taking advantage of an organization-wide strategic planning effort already under way, deciding to use the process as a mechanism for instilling trust throughout the federation and for building commitment among its network of volunteers, staff members, donors, and partners. In doing so, he made major changes to the process that the planning effort followed.

He started by reconfiguring the strategic planning process so that it would lead to the member associations working more closely together as a tight-knit federation rather than a loose web of isolated local entities. Within the first 12 months of taking office, he focused on several things:

- Soliciting the input, involvement, and contribution of the 900 local associations;
- Exploring the benefits of the associations working together rather than in isolation;
- Deciding as a movement which issues the YMCA of the USA would tackle;
- Determining jointly how local associations would work in concert to address those challenges; and
- Reinforcing the importance of identifying and addressing local issues while also contributing to the federation's broader mission, cause, and priorities.

To instill trust and to encourage involvement and inclusion, Neil changed the way the strategic plan was developed. Rather than creating it centrally and then sharing it with the 900 associations, Neil and a small team attempted to raise awareness and build trust by visiting 14 cities in 17 days. In each city, they met with all association CEOs and chief volunteer officers to discuss and decide how the

strategic planning process would move forward. During this period, Neil and his leadership team learned the importance of having conversations with stakeholders. The benefit of the conversations was twofold: (1) they served as an information-sharing forum and as a conduit for innovative ideas and recommendations from throughout the federation, and (2) the time devoted to conversations and discussions resulted in fewer questions and less resistance later on in the process.

In town hall–style sessions, Neil and his leadership team conducted a series of conversations with hundreds of colleagues at a time. To ensure that local associations would be fully invested in the plan, Neil asked for a voluntary increase in national dues to fund additional national services. For Neil, this was one of his earliest moments of truth. After hours of conversations, discussions, and debates spanning four weeks, the needed \$5 million dollars in funding was raised. Each local association agreed to add between 5 and 10 percent to their annual dues. Their commitment to do so led to a key outcome—all of the associations now had “skin in the game.”

The first strategic plan developed after Neil’s appointment led to significant changes. They saw more active involvement of each of the 900 local YMCA associations, with each member association contributing money and resources to priorities built around national social issues. Each of the local associations also became more aligned to the Y-USA’s broader mission, cause, and priorities.

The initial strategic planning effort marked the beginning of the YMCA headquarters’ engagement with local Ys in almost all important decisions pertaining to programs and resources. Task forces and committees were subsequently established to allow local leaders to explore issues from a national perspective. It also enabled them to contribute to the design, development, and implementation of innovative solutions.

Two years later, the next strategic planning cycle occurred following a comprehensive study of the YMCA’s mission, cause, priorities, and performance. As YMCA association CEOs and chief

volunteer officers started sharing perceptions about the Y's brand, Neil established a task force of 15 local YMCA association CEOs to address the matter. The members of the task force represented their peers, worked with Neil and his staff, and spoke with external consultants to assess the brand. They explored ways of strengthening it and discussed where the Y-USA should apply its effort and direct its resources over the short term.

The task force conducted the most comprehensive market research study in the YMCA's 160-year history. This market research revealed that 98 percent of Americans recognized the YMCA brand, with 92 percent having a favorable impression. However, the task force was astounded to learn that only 50 percent of those surveyed understood why the YMCA offers its current slate of programs. Rather than recognizing that YMCA programs were tied to its goal of building self-esteem and self-confidence, respondents believe the YMCA provides activities and programs for the simple sake of providing activities and programs. This lack of awareness and understanding revealed the need to clarify the Y's brand and align all of the local associations behind it.

Reinforcing this challenge, another important discovery that emerged was that the 900 associations across the country had adopted 502 different mission statements. This fragmentation was a major concern for the task force, but after discussion, they decided not to ask the associations to abandon them. Instead, the task force took a different path. They reached out to the local YMCAs, first emphasizing the local YMCA association's long and noteworthy history and their proven track record of success built on a common heritage. The task force then conducted a series of conversations, discussions, and debates to help the local associations recognize their common cause. From this work, they established a mutual understanding and self-identity that local Ys could rally around: "We strengthen the foundations of community."

The 15 YMCA CEOs on the task force, representing their peers across all 900 associations, decided to adopt this statement as the Y's

common cause or brand promise. Following further conversations, the task force went on to identify ways that member associations could strengthen the foundations of community. Importantly, in this process both the common cause and the means they'd pursue toward that end were identified by the task force rather than Neil or national headquarters. This was a direct reflection of Neil's philosophy regarding the organization, born of his experience working in a local chapter.

Once the YMCA's focus and boundaries had been crystallized, the association CEOs realized that the YMCA's constitution would need to be modified to extend and expand the requirements for an association remaining chartered as a member of the federation. Following the previously tested and proven approach, Neil appointed another task force of staff and volunteers to review and modify the Y's constitution. The task force—through a series of discussions conducted throughout the federation—established 12 requirements each association would be required to meet as a member. An association failing to adhere to the requirements would be subject to having its membership in the YMCA federation revoked.

Prior to taking the amendments to the 900 associations for a vote, Neil and his team went on a road trip to 14 cities over a three-week period. During this tour, the amendments were introduced, debates occurred, and recommendations were captured. Many of those recommendations were incorporated into a series of revisions. The revised amendments were shared on a second, similar road trip. Only then were the amendments put to a vote, with the association CEOs and chief volunteer officers being allowed to vote on each of the 12 constitutional requirements. All passed with 92 percent or more support, due in large part to the trust that the task force had built and the process that Neil and his leadership team had put in to place.

The amended constitution set the stage for the YMCA's third strategic planning cycle. This planning process was structured around the YMCA's three areas of focus—youth development, healthy living, and social responsibility. A Strategic Plan Advisory Committee was formed, which sought the guidance and input from more than

1,700 peers in creating a plan for delivering the YMCA cause through the adoption of defined goals, metrics, designated responsibilities, and accountabilities. They agreed to work together on signature programs such as diabetes, to close existing academic gaps, and to put the Y's 22 million members to work as volunteers addressing social change. These actions, through the commitment and contribution of the local associations, were concrete actions reflecting the Y's promise to strengthen communities.

The approach Neil has taken over the last eight years to bolster buy-in, commitment, and advocacy by involving every local association in strategic planning and decision making has led to numerous positive results. The YMCA's brand revitalization is well under way, and a national marketing campaign will launch in 2015. The national dues structure has been modified so that it is fairer to small and large associations alike. Member associations are working together to implement a full slate of signature programs to address national social issues. The YMCA is now striving to strengthen communities by putting its 22 million members to work as a community of volunteers. Most important, Neil has put the federation to work to strengthen the broader national community by helping each member association think and function as part of a community rather than as an isolated local entity.

Neil points out that "the YMCA member associations now realize that by thinking and functioning as a federation, they can be much stronger than they could ever be individually." The sharing of resources and knowledge is much more powerful than their individual components. The strides that the YMCA has made to foster inclusion and involvement has had two important benefits. First, the CEOs and boards of directors willingly contribute to the YMCA of the USA's mission, cause, and priorities. Second, YMCA staff are now much better at reaching consensus, managing disagreement, and resolving conflict. Enhanced skills in these areas have proven invaluable as conversations pertaining to internal and external issues continue. The 900 member associations now ask about what else they and the Y-USA might do to

meet the personal and social needs of their local community. They have an equal appreciation for these issues at the national level.

Neil emphasizes that the willingness to listen, discuss, debate, and compromise are all part of the YMCA's attempt to promote personal and social change. His eight-and-a-half-year journey also suggests that engaging others, allowing them to help crystallize a vision, demonstrating listening, setting high expectations, and taking steps to help others are key to instilling trust. Neil advocates actively for this philosophy, encouraging all leaders to "be passionate about what they do, take bold steps to leverage the collective power of their team, and actively learn about the needs, concerns, and motives of the people they serve." These actions, from Neil's perspective, all contribute to capturing the hearts of followers.

Engaging the Minds of Your Followers

It is important for followers to apply their "minds" to what they are being asked to do and accomplish. It is through intellectual engagement that they will apply the knowledge required to accomplish critical tasks. Such engagement will enable them to think about and reflect on what they are doing, encouraging them to investigate ways of doing it more effectively and efficiently. Such engagement will allow them to recognize the risks and costs of failing to do what is necessary and to understand the nature and importance of their contribution toward the greater good. Such engagement gives them the insights they need to continuously improve systems, processes, and technologies to support the broader plan. The proper and appropriate application of knowledge will contribute to the confidence they'll need to act autonomously or make decisions with limited guidance and direction. Recognizing that today's environment is often complex, intellectual engagement and the resulting knowledge is the mechanism by which followers—individually and as members of a team—will solve problems, manage conflict, and resolve crises.

It's important that your followers possess the right knowledge to contribute to your strategy and to properly strengthen the mechanisms necessary to drive outcomes. This involves helping them be confident that they have the capability and fortitude to do so. It includes emphasizing knowledge areas critical for individual, team, and organizational success. It also involves knowing when individuals and teams don't have the knowledge and expertise they need and taking steps to mitigate or reduce that risk. It includes recognizing, celebrating, and sharing lessons learned so they can be adopted and applied throughout the organization or community. It involves role modeling the correct application of knowledge and reacting properly when mistakes occur. It requires doing things for the right reasons, not from your perspective but, rather, from that of others.

To illustrate these actions, we will use a case study from the United States Coast Guard that demonstrates the unique role that knowledge can play and the way that one leader prompted intellectual engagement among his colleagues to effectively garner buy-in, commitment, and support.

Case in Point: The United States Coast Guard

The Coast Guard was established in 1790. It has a rich and storied history of safeguarding the nation's interests and saving countless lives during natural disasters and emergencies. Its active-duty members and reservists contribute to the Coast Guard's mission both individually and as members of the close-knit Coast Guard team. *Semper Paratus* (Always Ready) is the Coast Guard's well-known motto.

The Coast Guard is a large, complex organization. It is one of five armed forces of the United States. It patrols more than 95,000 miles of shoreline and navigable waterways and protects the security of the nation's 3.4-million-square-mile maritime economic zone. Its primary mission is to save lives, protect the nation's ports and natural resources, enforce its laws and treaties, and interdict drug smugglers

and illegal migrants. The Coast Guard's influence and impact are local, regional, national, and global. Although its presence since the late 1700s was primarily along the nation's rivers, in its seaports, and along the coastline, that presence—along with its mission—drastically expanded in the aftermath of the September 11, 2001 terrorist attacks on the United States. At that time, the Coast Guard had over 43,000 full-time employees, 9,000 reservists, and 8,000 civilian employees and operated over 230 cutters, 1,400 boats, and 240 aircraft.

In terms of shore facilities, the Coast Guard at that time owned and leased almost 35 million square feet of building and office space, operated and maintained more than 7,900 buildings at more than 600 locations, and managed approximately 70,000 acres of land. The Coast Guard's Office of Civil Engineering Shore Facilities Capital Asset Management Division, operating out of the U.S. Coast Guard Headquarters in Washington, DC, was responsible for maintaining the Coast Guard's shore facilities. This was an important endeavor because (1) the Coast Guard's mission readiness and capability relied on its shore facilities and (2) the replacement value of the shore facilities was huge, at the time estimated at over \$7 billion, or almost 45 percent of the Coast Guard's total capital assets.

Establishing a world-class shore facilities management strategy within the Coast Guard was the vision of David M. Hammond, who at the time served as the Coast Guard's base operations program manager. David considered strategic planning to be key to maximizing the Coast Guard's shore facilities and asset management, in turn helping support Coast Guard mission readiness and accomplishment. Bolstering these management capabilities, he believed, "would improve decision making within the Coast Guard and allow it to more effectively leverage resources, allow it to manage risk associated with having inadequate or insufficient shore facilities, and lower shore facilities' management costs."² David also recognized the magnitude of change that would be associated with adopting a "robust" shore facilities management strategy. A departure from the previous base-centered approach to a more strategic Coast Guard-wide asset-management

planning and decision-making process would require new ways of thinking.

We have had the honor and privilege of working closely with the Coast Guard as consultants and advisors. We consider “Coasties,” as members of the Coast Guard are sometimes called, to be well trained, properly prepared, and 100 percent committed to their mission. They not only follow policies and procedures but also adhere to more than 200 years of Coast Guard tradition. Within this context, David devoted much of his career to helping the Coast Guard adopt a more strategic asset management process. He knew from the beginning that such a profound change in their way of doing business would require the buy-in, contribution, and advocacy of the Coast Guard’s rank and file. Although David’s subsequent effort to win the hearts and leverage the hands of his colleagues was highly successful, we consider his approach to engaging the minds of his uniformed and civilian colleagues to be especially noteworthy.

David realized that in order to engage the minds of his colleagues around a particular vision or mission, he would have to first think through the implications of the change he was advocating. After reflecting on his personal level of capability and expertise, David recognized the need to bolster his own understanding of best practices. He enrolled in graduate-level courses in research, engineering, management, and planning at Syracuse University. He also attended an advanced management-development program conducted at the National Defense University, where he took graduate-level courses in strategy development, management, and planning. David describes the management development program as placing equal emphasis on policy formulation and execution, information technology, and important subjects such as change leadership and strategic management. This blend of courses led to an important insight: self-awareness and situational awareness are equally important to the person thinking and acting as a change agent. Self-awareness aids in recognizing strengths and mitigating limitations. David considers the resulting competency, self-confidence, and self-motivation to be key to his

success in that those three factors reinforced his ability to fully engage the minds of his colleagues. His situational awareness led David to conclude that given the Coast Guard's culture, the Coasties' deeply engrained values, and their commitment to doing things the "Coast Guard way," he would have to engage the minds of his colleagues in a variety of ways.

Once David felt he was personally prepared to help guide change within the Coast Guard, he began his decade-long journey by identifying and allying himself with several uniformed and civilian leaders within the Coast Guard who had progressive ideas similar to his own. He also realized that as a senior civilian program manager, he would have to gain the trust and respect of uniformed officers. He therefore formed a trusting relationship and a lasting informal partnership with Jack Dempsey, a young and progressive lieutenant commander who helped David refine his vision and garner the respect of the uniformed rank and file over time. In addition to introducing and reinforcing the vision through informal conversations with Coast Guard leaders and managers, David and Jack established a formal Guidance Team of shore facility and capital-asset management leaders. Members of this Guidance Team helped David and Jack further refine David's vision. In doing so, David and Jack realized that the members of the Guidance Team gained personal ownership of the vision. At times, this shared ownership resulted in changes to the vision. While David and Jack had very clear views on what success looked like, they made the conscious decision to embrace this input. For David and Jack, the overall success of the plan—rather than their personal ownership of that vision—was of the utmost importance.

The Guidance Team gave David and Jack a forum within which to share information with key stakeholders about the what, why, where, when, and how of proceeding. They provided briefings and presentations on what the approach would entail, how it represented the next step in the continuing evolution of facilities management, and how it would contribute to the Coast Guard's mission readiness and accomplishment. They invited thought leaders and luminaries in

engineering, architecture, and facilities management to share insights that could be applied to the Coast Guard. In some meetings, the Guidance Team members discussed case studies, illustrating how large, complex organizations similar to the Coast Guard had adopted and benefited from a more strategic approach.

This learning helped the Guidance Team embrace the idea that uniformed and civilian employees working within their areas of responsibility could succeed if given needed information (i.e., the what and the why), guidance and direction (i.e., the who and the how), and support and assistance (i.e., the when and the where). The Guidance Team helped David and Jack identify knowledge gaps that needed to be addressed through traditional training and development activities. Guidance Team members also recommended that David and Jack address knowledge gaps and garner needed buy-in through three key actions: (1) conducting stakeholder interview and information-sharing sessions, (2) holding a Coast Guard Facilities and Assets Management Summit, and (3) applying a proposed decision-making process during one of the Coast Guard's Regional Strategic Planning Sessions.

David and Jack worked with a small team to develop and conduct a series of stakeholder interview and information-sharing sessions. These were designed to serve two important purposes. First and foremost, they provided information on upcoming changes to the Coast Guard's Shore Facilities and Asset Management process and how those changes would positively affect their organization's mission readiness and accomplishment. Second, they were designed to solicit information from the key stakeholders and organize forums for addressing those needs. The list of stakeholders participating in the interview and information-sharing sessions included almost two dozen high-ranking, uniformed, and civilian employees representing a half-dozen geographic, operational, and functional areas. Information shared during the sessions centered on these four key messages:

- The role of the Office of Civil Engineering Shore Facilities Capital Asset Management (SFCAM) Division is changing as

the Coast Guard moves toward a more strategic facilities and assets acquisition and management environment.

- The stewardship of the shore facilities and assets remains essential in support of the Coast Guard's mission readiness and accomplishment.
- Strategic planning and decision making are essential as civil engineers seek to anticipate and meet the Coast Guard's operational needs.
- Knowledge gaps currently exist that would hinder the Coast Guard's ability to execute this strategy, and the Office of Civil Engineering will partner with thought leaders in the private sector to close those gaps.

In addition to providing a vehicle to share these messages, the sessions also allowed David and Jack to solicit information from key stakeholders, such as:

- Their understanding of the goals driving the changes being made.
- Their awareness of how these changes would allow shore facilities and assets to be acquired and managed at the right time, place, and cost.
- Perceived confidence in the Office of Civil Engineering's ability to more strategically manage shore facilities and assets.
- Trust in the Office of Civil Engineering's access to the resources, technology, systems, and HR capabilities needed for this new approach.
- Their commitment to providing necessary support, assistance, and advocacy.

The feedback and support that David and Jack received through these sessions informed their next steps. Based on a perceived need for greater communication, the Office of Civil Engineering launched a monthly electronic newsletter describing changes being made to bolster the Coast Guard's approach. Editions of the newsletter addressed topics such as critical dates and milestone events, what employees were being asked to do, and what they could do to help prepare for and support the new approach. Although the newsletter proved beneficial, the Guidance

Team members realized additional steps were needed to engage the minds of their colleagues and associates. Based on issues raised in the monthly newsletter's "Frequently Asked Questions" section, they decided to hold a summit.

The Facilities and Assets Management Summit was designed to supplement and reinforce previously shared information about the why, what, and how of the Coast Guard adopting the new approach. It also included lectures, working sessions, and a learning lab showcasing supporting technology, processes, and resources. In addition to providing relevant information, the Summit allowed David and Jack to solicit information from the rank and file on their:

- Understanding of the changes being made and how they would allow the Coast Guard to better acquire and manage its shore facilities and assets;
- Appreciation of the knowledge, skills, and abilities required of them to support the new approach;
- Confidence in using the resources, technology, and systems being put into place; and
- Commitment to supporting, assisting, and advocating for the Coast Guard's new approach.

Like the information sessions, the summit was widely viewed as a success. This bolstered David and Jack's credibility, allowing them to proceed with a crucial first application of the new approach.

To prove its merit, David and Jack then arranged for the new process to be utilized during one of the Coast Guard's Regional Strategic Planning Sessions. "We recognized the importance of proving to key stakeholders and the rank and file that the newly adopted resources, technology, processes, and knowledge could be applied in the field," David recalled. David and Jack considered the pilot application to serve two important purposes. First, it would bolster the previous planning process by emphasizing external forces affecting the Coast Guard's mission readiness and accomplishment. This included both positive forces and obstacles, barriers, and

impediments. Second, lessons learned and best practices captured during the pilot program would be incorporated into the next iteration of the process, to be leveraged by other Coast Guard regions as they conducted future planning sessions.

The Regional Strategic Planning Session involved uniformed officers and civilian managers. They were briefed on the new approach to strategic planning and decision making. In addition to receiving an overview of the process, they were given examples of how each step might be implemented, given the Region's unique situation and circumstance. When questions were raised, time was taken to address them. When problems surfaced, time was devoted to helping the participants understand the nature of the problem and explore various ways of resolving it. The participants were impressed with the focus and clarity of the process and pleased with how applicable the steps were. More specifically, the new process allowed the participants to:

- Examine internal and external trends influencing and impacting the Coast Guard's mission readiness and accomplishment;
- Compile a prioritized list of the strengths, weaknesses, opportunities, and threats most likely to impact the region 4 to 12 years into the future;
- Define the future missions of the region;
- Determine key factors necessary both to capitalize on the strengths and opportunities and to mitigate the weaknesses and threats;
- Formulate a status quo and alternate concepts of operational force allocations to support achievement of future missions of the region;
- Develop strategies for accomplishing the status quo and three alternative operational force allocations;
- Craft alternative concepts of logistics to support each alternative operational force allocation; and
- Select the operational force allocations and concept of logistics most likely to enable the Coast Guard to successfully accomplish its future missions by capitalizing on its strengths and opportunities, and by mitigating weaknesses and threats identified through the SWOT analysis.

From David's perspective, "the most important aspect of the new approach was that it focused on external strategic results and outcomes rather than on internal tactical output factors." Of critical importance, the results and outcomes of the process were tied directly to the Coast Guard's mission readiness and accomplishment.

These actions represent a small percentage of the steps David and Jack took to identify and seize opportunities to engage the minds of their colleagues and associates. As knowledge gaps surfaced, David, Jack, and members of the Guidance Team supplemented the preceding actions with additional information sharing and professional development activities. They also engaged the minds of the Coasties by ratcheting up the Coast Guard's performance management, feedback, reward, and recognition systems. These and other actions helped David and Jack garner needed buy-in, commitment, and advocacy. Together, they contributed to the successful introduction of a more strategic process. That process has contributed to more improved and timely decision making within the Coast Guard, more effective utilization of assets and resources, less risk associated with inadequate or insufficient shore facilities, and lower overall operational costs. Although reluctant to take credit for this accomplishment, David and Jack were awarded the Society of American Military Engineers' Oren Medal for their "outstanding contribution to military engineering through achievement in design, construction, administration, research, and development."

Leveraging the Hands of Your Followers

It is important for followers to "use both hands" when striving to do what they are being asked to do. It is through the skillful application of their full abilities that they will add value and the organization or community will achieve its potential. While buy-in and commitment are extremely important, the team must possess and apply the proper tools to accomplish the task at hand. We use "tools" broadly in this

context, as it includes necessary skills and abilities. We also broadly define the “job” as including helping to formulate and refine the vision in addition to helping determine the best path forward.

Leveraging the hands of others involves intentionally determining what is required of stakeholders and then taking concrete steps to ensure they have the means of doing what is required. This includes forming a deep understanding of the inputs (e.g., information, instructions, and guidance), mechanisms (e.g., resources and tools), and mechanics (e.g., the actions or activities) required for success. Leveraging the hands of followers also involves recognizing what will prove difficult and providing support to address those challenges. Often it involves working side by side with your followers to explore ways to enhance mechanics that are already in place.

Today, working alongside followers often differs from times past. Information and interaction flow in real time, aided by technology that has accelerated the pace of change. This has real implications for how you prepare and work with stakeholders:

- Consider job aids or electronic performance support rather than policy and procedure manuals.
- Consider just-in-time briefings rather than training classes.
- Consider daily text messages or social media postings rather than monthly newsletters.
- Consider the distribution of regular, up-to-date thinking rather than finalized, completed plans.

Enabling others to contribute requires more than a committed and knowledgeable team. Team members also need to be actively engaged. An approach built on a solid foundation of inputs and two-way collaboration will contribute to an environment that instills self-confidence, buy-in, commitment, and advocacy.

The Heartland Angels serves as an example of an organization taking multifaceted steps to attain the buy-in, commitment, and advocacy of others. We’ll use a profile of its founder and CEO as a case in

point to illustrate a strategic leader taking steps to leverage the hands of his many followers.

Case in Point: The Heartland Angels

Heartland Angels, Inc. might be described as a private equity network that helps investors identify companies in which to invest. However, the focus of the individuals who make up Heartland Angels extends well beyond investing. While the “core” of Heartland Angels is its network of investors, it is also a network of mentors, advisors, and consultants who work together to provide knowledge, share expertise, and introduce a slate of management assets to enthusiastic entrepreneurs and newly established management teams.

Ronald L. Kirschner, MD, is the president of Heartland Angels.³ In some ways, Dr. Kirschner’s career has been similar to those of typical physicians. He has practiced medicine for 23 years. He has served as the president of the Irving Park chapter of the Chicago Medical Society. He taught at the Illinois Masonic Medical Center and was previously an assistant professor at Southern Illinois University School of Medicine. He also completed residencies in emergency medicine at the University of Chicago and in anesthesia at West Virginia University.

That is where Dr. Kirschner’s career as a typical physician ends. Throughout his life, Ronald Kirschner has had an unquenchable thirst for knowledge and an equally demanding curiosity. He has always been interested in how different methods might improve the quality of life for individuals, families, and entire communities. His studies in medicine, science, and business have prompted his interest in how to best set the stage for individual, team, and organizational success. He has confidence in the potential of science and technology to improve life but realizes there are many situations in which the right resources aren’t available to innovators.

This realization led Dr. Kirschner to broaden his focus beyond the practice of medicine. He became actively involved in health care

innovation and development, startups, and private equity. While still practicing medicine, he established three companies dealing with nutrition, managed care, and health care resource utilization. He served as a subject matter expert on health care issues to the Illinois State government. He served as a VP of technology development for a biotechnology company and was involved with the board of directors of a company that develops FDA-approved cancer treatment drugs based on traditional Chinese medicine. He has also helped the owners and leaders of a slate of early stage companies make funding, planning, and development decisions. After spending time on these various activities, Dr. Kirchner recognized the need for a network of investors, mentors, advisors, and consultants to help stimulate local innovation in a more coordinated way. To do so, Dr. Kirchner established Heartland Angels.

The Heartland Angels business model is unique. It brings human, intellectual, and financial capital together to achieve two important objectives: to serve as a catalyst of innovation and to provide the means by which early stage organizations will not only survive but thrive. Heartland Angels targets companies that focus on three areas: science- and technology-based innovations; retail, manufacturing, and distribution; and telecommunications and information technology. Heartland Angels has established a track record of identifying promising startups and helping them succeed. Heartland Angels' approach consists of four components:

1. The team establishes a highly structured approach to funding viable innovations.
2. A comprehensive analysis is conducted with early stage management teams to identify the opportunities, blind spots, biases, and challenges needing action.
3. Experts and executives with deep expertise provide real-time guidance and assistance.
4. Protocols are established to ensure optimal communication and leveraging of resources and capabilities between the investor network and portfolio company.

These four components form the basis for accelerating the success of each new venture.

Dr. Kirschner realized early on that Heartland Angels' network of mentors, advisors, and consultants would have to set it apart from other private-equity firms. To succeed, they would have to work together to gain the trust, confidence, and commitment of entrepreneurs and newly established management teams. He recognized that to gain trust, his network would have to prove through its words and actions that it is on the side of the entrepreneur. They had to help each management team with both their short-term and long-term success.

To execute on this goal, Dr. Kirschner established several key priorities to help ensure that the Heartland Angel network would deliver value:

- All investment opportunities would need to fall within the three core priorities for the Heartland Angels: science- and technology-based innovations; retail, manufacturing, and distribution; and telecommunications and information technology.
- A structured evaluation for investors was necessary at the front end of the process. This front-end evaluation would assess risks associated with the opportunity.
- An analysis for entrepreneurs was also necessary. This would surface both the internal strengths and weaknesses as well as the external opportunities and threats that the management team would need to address.
- A deeper operational review would evaluate matters of technology, systems, processes, governance, and management practices. This evaluation would define a blueprint for management and also would reveal the founders' biases and blind spots.
- The completed analysis informed an evaluation of the management team itself, surfacing both strengths and competency gaps that would need to be addressed.

Addressing these priorities in a proactive manner allowed Dr. Kirschner and the network to identify the best ways to provide support

for each new venture. Achieving success as a startup is no small task. Each management team must address competitive challenges, prepare for short- and long-term growth, apply leadership and management capabilities, plan and coordinate resources, distribute products or deliver services, hit key milestones, and execute an agreed-upon exit strategy.

To raise the likelihood of success, Dr. Kirschner established a network of individuals to provide needed guidance and support. Although Heartland Angels' broad network of resources stands ready to provide needed assistance and support, new ventures typically receive initial guidance and direction primarily from Dr. Kirschner. He uses this time to sensitize the management team to deficiencies and capabilities that need to be addressed in the organization's business plan in order to give them initial credibility when presenting to prospective investors. For example, a management team might add a CFO before presenting its business plan so that the team is better equipped to firm up the financial forecast.

Dr. Kirschner helps each new venture prepare in order to present a compelling case for its founders' vision to prospective investors. From his perspective, a compelling case requires speaking from both conceptual and tactical perspectives. Conceptually, Dr. Kirschner helps ensure the entrepreneur can tell others about the vision for their product, service, or company. It is important for prospective investors to understand why it should exist, where it currently stands, and where it is headed into the future. It is important for the entrepreneur to demonstrate a thorough and well-considered understanding of the problem they are going to solve. Tactically, Dr. Kirschner helps ensure the founder can prove to others that the management team has thought through the full spectrum of business issues, considerations, and implications involved in successfully executing their strategy. Here, Dr. Kirschner tries to expose personal biases and blind spots likely to impede their success. This could include gaps in research and development, transfer of knowledge and technology, marketing, supply chain management, manufacturing, distribution, or scaling strategies.

The range of capabilities that Dr. Kirschner helps them consider extends well beyond the topics taught in a typical MBA program. To garner the interest of prospective investors, the entrepreneur must do the following:

- Share insights, realizations, and lessons that go beyond the technology, services, products, or financials. The entrepreneur must share something meaningful, something likely to resonate “with folks outside of the room.”
- Tell a credible and believable story about where the idea came from, how the product or service will meet a need, how many individuals are willing and able to purchase the product or service, and the challenges the company will face on the road ahead.
- Describe how the product or service will benefit society. Simply generating revenue or gaining wealth is not compelling for the type of investors Heartland Angels works with.
- Demonstrate through experience and commitment that the entrepreneur has the fortitude to take this idea from concept to reality. The catalyst for this falls outside of dollars and cents—it falls within the heart and mind of the leader.
- Address how any technology-related aspects of the plan are a viable solution to an everyday concern, challenge, or problem. Technology for its own sake is a trip to be avoided.
- Create excitement with the prospective investors. A good idea will compel them to ask questions. The best ideas will prompt follow-up questions. Dr. Kirschner watches for both.

Only after the founder and management team have demonstrated an ability to tell a conceptually and tactically compelling story are they allowed access to the Heartland Angels’ broad network of alliances, mentors, advisors, and consultants.

Heartland Angels has established relationships with professional services firms, service providers, and academic institutions that help a startup with execution and the necessary coordination of resources. These alliances are mutually beneficial in that they allow organizations to showcase discoveries and innovations, establish strategic relationships

in adjacent industries, source prospective employees, and share mutually beneficial information within the alliance. These alliances also provide information and data likely to prove useful to management teams preparing to present to prospective investors. Alliance members frequently work together to identify opportunities to join forces. To enable these connections, Heartland Angels will frequently sponsor social events that allow entrepreneurs from different industries and disciplines to network and share stories.

Heartland Angels established a formal mentoring program designed to provide concrete and timely guidance to entrepreneurs. Like most mentoring programs, the Heartland Angels' mentor establishes a lasting and trusting relationship with the entrepreneur. The mentor helps develop self-awareness and a better understanding of their context. This can include help to:

- Outline goals and objectives for moving forward,
- Clarify personal values that are key to short- and long-term success,
- Identify and capitalize on opportunities for personal and professional development,
- Surface and take steps to address personal weaknesses, or
- Recognize and take steps to mitigate personal biases and blind spots.

Heartland Angels has also established a network of voluntary advisors who are best suited to assist early stage companies operating within a particular industry or sector. These advisors help establish accountability within the management team and ensure that everyone delivers on their accountabilities, achieves their performance objectives, and performs in accordance with predefined outcomes. The advisors' focus differs from the role the mentor plays. The advisors help teams respond to nuanced situations and circumstances, and address challenges pertaining to specific matters of organizational structure, strategy, technology, systems, processes, and practices. The advisor serves as a trusted generalist and many times is the only person with whom the entrepreneur, small business owner, or management team member is

comfortable sharing initial thoughts and ideas. The advisor frequently helps the entrepreneur think through issues, considerations, and implications. They occasionally participate in crucial conversations and help facilitate critical meetings. Advisors typically provide introductions to thought leaders, professional services firms, and consultancies that are likely to prove useful and beneficial to the entrepreneur in the future or when certain situations or circumstance emerge. Heartland Angels advisors have practical experience. They help entrepreneurs translate a raw idea into a compelling vision and transform a group of new employees into a high-performing team. They also help managers think and act like leaders and provide guidance and direction on what the management team can do to help set the stage for short- and long-term success.

In addition to the advice and expertise, the Heartland Angels established a network of service providers who offer support in areas such as business planning, accounting, marketing, supply chain management, and manufacturing. Heartland Angels helps set the stage for a successful partnership with these providers, ensuring that they are more than just transactional relationships. Individual consultants and consulting firms are required to complete a comprehensive and detailed questionnaire when applying to the network, and once accepted they must provide references. The Heartland Angels network database provides a profile of each individual consultant and service provider, including details on capabilities relevant to early stage companies.

These are the key actions and steps Dr. Kirschner takes to leverage the hands of his fellow investors and partners. Collectively, they offer greater value to the early stage ventures they work with than Dr. Kirschner could alone. In making these connections, he is constantly expanding and leveraging a wide network for the benefit of these ventures. He gladly gives his own time where he sees the opportunity. By doing so, Dr. Kirschner leads by example. As others follow his lead, he bolsters trust and confidence within the overall Heartland Angels network.

Winning Hearts, Engaging Minds, and Leveraging Hands

Strategic leadership entails enlisting others who can help provide insight and drive change. To enlist others, it is essential to win the hearts, engage the minds, and leverage the hands of others. To win hearts, ask others to contribute to a cause that is meaningful and important to them, think and act as a selfless steward, and take steps to include and involve stakeholders in important decisions. To engage minds, strive to share information others will need and solicit input on how to proceed. To leverage hands, take steps to make connections between parties that can apply knowledge, skills, and abilities where they will have the greatest impact.

Taking actions like these can attract, engage, and retain individuals, which is crucial to success. Enlisting others can also free up capacity for matters of strategic importance. Committed partners can also enhance strategic thinking by bringing creative and innovative ideas. As a close colleague in a professional services firm points out, in some cases $1 + 1 = 4$.

We've now reviewed the actions that individuals can take to gain insight, drive change, and enlist others. Having examined what effective strategic leadership looks like, this prompts a question we are often asked but have yet to address in this book: How might an individual bolster his or her ability to think and lead more strategically? We address this important question in the next chapter.

6

Developing Strategic Leadership

The genesis of this book was our experience coaching and teaching leaders to be more strategic. Between the two of us, we have spent over 35 years working with organizations and individuals to help them be more effective. We have spent a combined 15 years in the classroom teaching graduate students to understand and apply the concepts of strategy. In 2008, we created a class at Northwestern University called “Leading with Strategic Thinking,” in response to alumni who wished there had been more content on the fundamentals of business strategy in their master’s programs. A few years into that class, we started discussing the ideas that became this book. The title of the class came to embody what we saw as a real need for many leaders and organizations: an appreciation of how to better apply a combination of strategic thinking and leadership. Leadership consistently differentiates the performance of individuals who stand out from their peers and achieve extraordinary results. Likewise, leadership has a

greater impact when it is applied strategically—focused on the right priorities and applied in suitable ways.

We have been in countless conversations in which the lack of strategic thinking is lamented. We've spoken with CEOs who have asked us to help executives who were struggling to meet changing expectations. We've advised teams who weren't productive in their time spent together. We've helped leaders who have started a new role with a mandate to drive change, only to realize that the team they inherited was unlikely to meet the challenges that lie ahead. Sometimes they are right, and the best course of action is for different leaders with different skills to take the reins. Sometimes the urgency of the situation leaves little choice but to take swift action and change course. But other times this hasn't been the case. Frequently, we've seen that leaders can become more strategic, and we've worked with many leaders and leadership teams to help them do so.

We once worked with a global petrochemical company whose HR department was spending millions of dollars a year on management consulting firms. The annual expenditure was increasing, and the senior VP of HR needed to stem the trend. We formed a small cross-functional team. An analysis of expenditures and targeted interviews revealed that the HR directors that comprised the core leadership team were not leading strategically when managing the company's supplemental workforce. From an enterprise perspective, the use of management consulting firms was too disconnected. The cross-functional team developed a policy and protocol that were supported and reinforced through executive coaching and team workshops. The objective was to change three things regarding the performance of the HR directors:

1. To change their perspective, to focus on the enterprise rather than on the business segment;
2. To widen factors they considered, expanding their level of analysis beyond strictly local considerations; and
3. To improve the questions they asked, making them savvier when sourcing/contracting management consulting firms, with an appreciation of these considerations.

This approach, in short, led the HR directors to lead more strategically. They broadened their perspective and learned to focus on the bigger picture, recognized connections and interdependencies, and acted in a manner that was more aligned and unified with fellow HR directors throughout the company. The change was dramatic, resulting in millions of dollars in savings.

In many situations like this, we have found that strategic leadership can be learned. We have seen leaders dramatically increase their impact after reflecting on their actions and mental models. We have seen the “aha!” moments when our graduate students realize how to effectively apply the tools of strategic management. We have talked with leaders who come to see things that they now appreciate after years of failing to recognize the nuances of leading organizations in a strategic manner.

After working with thousands of these leaders and students, we have identified a collection of skills that strategic leaders possess.

Competencies of the Strategic Leader

From our experience, the underlying competencies essential to strategic leadership fall into two categories:

- *Core competencies* are fundamental to all types of strategic leadership. They appear consistently in the successful individuals we have profiled in this book and in the hundreds of others we surveyed.
- *Applied competencies* are specific to one of the four types of strategic leadership. The relevance of these competencies varies based on the style of leadership chosen or on the requirements of a given situation, and they are demonstrated by the leaders we examined who exhibited each type.

In total, they represent 15 competencies—3 core and 12 applied. All 15 can be learned through a combination of intentional focus, training, and experience.

Applying the Competencies That Enable Strategic Leadership

The three core competences we identify—systems thinking, decision making, and managing risk—reflect the essential combination of leadership and strategic thinking. In our class, we teach our students to apply these concepts using several classic case studies. Each real-world case represents a very different organization and circumstance:

- A U.S. retail giant—Best Buy—executing a transition in their sales strategy,¹
- A nonprofit—the National Foundation for Teaching Entrepreneurship—facing challenges scaling their organization,²
- A global pharmaceutical company—Wyeth—attempting to deploy an integrated IT platform,³ and
- Two consumer goods marketers—Newell and Rubbermaid—attempting to grow their combined sales following a merger.⁴

In discussing these cases with our graduate students over the course of many years, we have found that they provide a basis for bringing each skill to life. They also provide a very practical basis for talking about the opportunities—and challenges—to applying general concepts to real-world circumstances. Often it is the comparison of how a single concept is applied in these four settings that illuminates them, drawing out the similarities and differences that emerge.

Systems Thinking

Recognizing patterns is perhaps the most essential ability we will discuss in this book. We introduced systems thinking in Chapter 1 as a body of research that informs our understanding of strategic thinking. Bobby DUBY, a hunter, illustrated systems thinking in action by recognizing the patterns of Mother Nature, the animals he tracked, and the art of hunting that he perfected. Bobby learned to hunt by

applying systems thinking to these patterns, but how did he learn systems thinking itself?

Mapping the systems and patterns around us is one way to be more effective at seeing and understanding them. By surfacing cause-and-effect relationships, even in everyday activities, we can reflect on the relationships that we observe. Kaplan and Norton⁵ noted the value of this exercise in developing their approach to strategy maps. A strategy map requires a leader to define key objectives for a given organization in each of four areas—financial measures, customer measures, business process measures, and organizational learning measures—and then link those objectives together in cause-and-effect relationships.

We ask our students to develop strategy maps for each of the four cases in our class. The exercise forces them to demonstrate their understanding of the case while exposing each student's mental model regarding that organization. As one example, a strategy map that our students create for the consumer electronics retailer Best Buy will typically include the following components:

- Financial: Growth through increased sales and margin improvement through better operating performance.
- Customer: Brand differentiation through advertising and loyalty through positive customer experiences.
- Business process: Operational efficiency through supply chain management and customer profile development through purchasing data analysis.
- Organizational learning: Store-by-store performance data provided to store managers and customer profile training for sales associates.

After identifying these key metrics, we then ask our students to map the relationships between them. This is where the systems and mental models they exhibit are most clearly revealed. We find that the opinions within a single team can be wide ranging. Some teams see business processes, such as supply chain management, as the primary

(or even only) driver of margin improvement. Others focus on the value of organizational learning, noting that a well-trained manager can dramatically increase in-store performance by gaining insights from customer trends and store performance data.

Core Competencies of Strategic Leadership

- **Systems Thinking:** Recognizes relationships and interdependencies in a complex system or situation, including the ability to anticipate the intended and unintended consequences of a given action.
- **Decision Making:** Applies a structured approach to making choices, including the ability to make a choice in a context having multiple stakeholders.
- **Managing Risk:** Assesses opportunities and calculates risks, taking steps to achieve the desired outcome in a manner that exceeds the potential or actual risk.

Decision Making

Making choices is fundamental to leadership (if not to life!). Too often, business texts and conventional wisdom make these choices look simplistic. The right choice can appear rather clear in hindsight. Few question the wisdom of famous decisions when reviewed after the fact. But honest accounts of important decisions reveal that the right answer was often not as clear at the time. In fact, sometimes the choices themselves aren't completely clear. Famous retailer Montgomery Ward operated as a pioneering leader of mail order and department store retail until its bankruptcy and eventual demise in 2000. While the competitive forces that overtook it are obvious in broad terms, it is rather more difficult to identify a single milestone in its 128-year history as the definitive mistake that led to its extinction.

In our class, the case of the National Foundation for Teaching Entrepreneurship (NFTE) provides a similar decision-making

challenge. Founded in 1987, the organization faces a fundamental choice in how to grow after its early success. Its options, prompted by an offer of funding contingent on refining its operating model, force a choice between the organization's freewheeling roots and a more disciplined approach to governing the growing operation. The organization's own entrepreneurial mission sets the choice in even more stark terms—does it stick to the creative ethos it teaches students or embrace more structure, as its increasing size seems to now require? How does it decide which ventures to pursue and which to halt? How does it preserve its organizational culture if it becomes less focused on empowering the ideas of its staff—a historically important value?

The case frames a true dilemma, and one that offers no clear indicators of which is right. In this, it provides a real test of strategic leadership. It is also particularly useful because, for the purposes of our class, there is no right answer. We are as interested in the rationale our students offer as the conclusion they come to. While there isn't a right or wrong answer, there is a better or worse approach to the decision. The best teams consistently include several components in their chosen path:

- **Assumptions:** What factors cannot be proven but are assumed to be true? The best teams in our class focus on things that will have a material impact on their ultimate choice and that, if not correct, will change their final decision. In the case of NFTE, key assumptions can include the preferred funding model or the legal status of the organization. If they elect to forgo the offer of their major benefactor in favor of diversifying their revenue streams, are less beholden to the requirements of a single stakeholder. If the organization were to become a for-profit enterprise, many of their options would undoubtedly change. Either of these could be stated as assumptions (i.e., “givens”) based on what is provided in the case, and calling them out as such makes the relevance and implications of each assumption more clear.
- **Options:** What are the potential paths forward? This is the time for creative thinking. The best teams get every idea out, no matter how likely or outlandish. In the case of NFTE, are the two

choices presented—to stay loosely structured or to adopt a more rigid organizational model—really the only ones? It's worth considering other business models or organization structures beyond the binary options provided by the case. We've had teams suggest spinning off parts of the organization or propose a small incubator group as creative ideas.

- **Decision Criteria:** What values, principles, or factors are most critical to making the best decision? Here our teams often make difficult choices. Weighing the importance of staff sentiment is a particularly tricky choice, as many joined NFTE due to its entrepreneurial roots and culture. Financial constraints can also provide very real requirements. The opinions of key stakeholders—the NFTE's primary benefactor in this case—should also be given appropriate weight. Effective teams itemize as many criteria as possible and then rank and weigh them to construct a decision-making rubric.
- **Statement of Decision:** What is the best path forward? In the end, all ideas aren't considered equal. After all of the criteria are weighed and applied, the best path forward frequently becomes very clear. That said, effective teams often take this as an opportunity to reassess both the assumptions and the criteria. After a structured review, the gut instinct of the team should still be considered to validate or challenge the ultimate choice.

By taking a case like NFTE through these steps, our students consistently report feeling more confident in their final choice. They realize that too often, real-world decisions don't get this kind of rigor. Practicing the steps of structured decision making provides a helpful reminder of the key elements of an effective decision and the nuances of applying them in a team environment.

Managing Risk

The ability to assess and manage risk ensures that the value of a chosen strategy isn't undermined by unexpected or undesired factors.

Prominent experts⁶ note that risk can surface in many forms, including risks assumed as part of a chosen strategy (e.g., humans' first landing on the moon in 1969), risks born of flawed execution (e.g., BP's Deepwater Horizon oil spill in 2010), and risks external to but nonetheless affecting the strategy (e.g., the impact of the 2011 earthquake and tsunami on Japan's nuclear reactors). The key to preventing or minimizing the harm done by such risks is to understand and manage them accordingly.

Every case in our class involves some degree of risk. Unfortunately, not every team of students identifies the risks. Many risks surface in connection with the assumptions that teams document in their decision-making process. "How confident are you in that assumption?" can effectively draw these risks out for discussion. The best assumptions reveal true strategy risks—the type of risks inherent in a chosen strategy (again, like a moon landing). For many years, we taught a case that focused on Research in Motion, the makers of BlackBerry mobile devices, and their strategy for developing a tight engineering culture by co-locating all their engineers in their corporate headquarters. After several years of debating the risks and merits associated with concentrating all of their engineering talent in Waterloo, Canada, the market intervened and gave its own verdict. As the company's product fell more and more behind the competition from companies located in Silicon Valley and elsewhere, the risks associated with having engineers disconnected from that California hotbed of innovation became increasingly hard to ignore. Needless to say, we stopped using the case as an example of strategic thinking.

We make it very clear to our students that risk can't be fully eliminated. Creating something distinct and of unique value inherently involves embracing a certain degree of risk that others avoid or can't successfully manage. Thus, the answer for each of the cases we teach—and for leaders who wrestle with the challenges of real-life risks—is to properly identify and categorize risks. Having done so, decisions can then be made to avoid, manage, or offset each.

In another case we teach, the global pharmaceutical maker Wyeth embarks on a strategy to develop a global technology infrastructure that can better aid the flow of information and resources across its geographies and product lines. The team charged with this mandate takes a decidedly “middle of the road” approach, introducing meaningful change but avoiding stakeholders who aren’t supportive of the investment. Our students are left to wrestle with the merits of this approach: is the management of Wyeth practicing effective change management by establishing early wins, or do they lack conviction? Again, the best approach lies less in a student’s chosen answer and more in the ability to apply sound thinking to identify the relevant risks and articulate a consistent rationale for how to best deal with each one.

As demonstrated by these two cases, our students gain valuable insights and learn to apply strategic leadership to real-world examples by wrestling with the application of key concepts and tools. We find the same in our work consulting with executives and leadership teams: helping leaders take a structured approach to their work can make them more effective at managing the challenges of strategy formation and strategy execution. They become more effective at recognizing patterns and cause-effect relationships that surface through systems thinking. They become better at making decisions by adopting a structured approach that formalizes the assumptions, options, criteria, and choices they make. And they become more skillful at managing risks when they identify and categorize them appropriately. In doing so, leaders can and do learn the fundamentals of strategic leadership.

Applying the Competencies That Enable the Four Types

Having covered the three core competencies that are fundamental to all strategic leadership, we now turn our attention to the competencies that distinguish the four types of applied strategic leadership we

introduced in Chapter 2. From our work, we have identified the skills and knowledge that consistently underlie what visionary, directive, collaborative, and incubating leaders do. Each leadership type has three unique competencies that surface regularly in our work, resulting in 12 of them. We will now walk through each of the four strategic leadership types, highlighting how the skills and knowledge unique to each are applied. In doing so, we'll illustrate how they are commonly learned.

Developing Visionary Leadership

The visionary leaders we have worked with demonstrate a unique combination of abilities. Other people they work with also see these leaders as uniquely talented. Our observations consistently surface three key skills that visionary leaders require: creative thinking, self-reliance, and the ability to inspire others.

Visionary Competencies

- **Creative Thinking:** Draws upon unique insight, often through alternate methods of observation, to generate ideas that lead to the creation of something new.
- **Self-reliance:** Draws on one's own resources to achieve a given objective, including being intentionally or unintentionally reluctant to solicit assistance from others.
- **Inspiring Others:** Creates an environment likely to motivate others by advocating a compelling vision or values.

Creative thinking is the spark that generates ideas. It is the insight to identify an opportunity or a solution, and is often described to us in discussions as “seeing what others don’t.” In some regard, it is similar to the systems thinking we highlighted earlier—visionary leaders have the ability to see and make connections in a unique way. Indeed, this

ability does draw on systems thinking as a key part of effective creativity, in that patterns and combinations are often the building blocks of developing vision. What distinguishes visionary leaders is the ability to use those connections to generate new ideas. As noted in Chapter 2, the earliest vision for what became the Kindle was the combination of books and the “talking pictures” that pioneered modern film. As such, creative thinking is divergent in nature and thus differs from convergent focus that uses patterns and connections to narrow one’s focus (a skill we’ll see other leadership types demonstrate later in our review).

As critical as creative thinking is, it alone isn’t enough. As we illustrated in Chapter 2, lots of people had ideas about social networks at the time that Mark Zuckerberg was working on Facebook. What distinguished him from others was his ability to execute on that idea. In doing so, we see Zuckerberg and other visionary leaders draw on the other two key skills to turn ideas into reality—self-reliance and the ability to inspire others. Importantly, they go together and emphasize separate but complementary things.

Self-reliance is the skill of drawing on one’s self to make things happen. It is the inner reserve of confidence, conviction, and energy to push the idea into reality. It is also the ability to decide when to take things on personally rather than relying on others. It comes up often in the discussions we have with people who have worked with visionary leaders, and it is commonly part of the narrative of great visionaries in literature and the popular press. Well-known individuals we’ve referenced in this book, such as Walt Disney, Steve Jobs, and Henry Ford, had the ability to keep going and advance their vision even when no one else believed in what they were trying to do. Each one of them encountered challenges that would cause self-doubt in most people, but each had the courage to press on.

Inspiring others, in contrast, is the skill of drawing on others to make things happen. We see visionary leaders do this primarily through their ability to motivate. They get people excited. They build conviction. In our discussions with the team at Indiegogo, Head

of Customer Happiness Erica Labovitz said of the CEO, “He always told this story about what fund-raising and economics would look like in 10, 20, 30 years and how Indiegogo was going to play a part in that. Every time he told that story, it was like the lightbulb went off with people in the room. And that, to me, was his biggest moment as a leader. It gave us the road map for the company.”⁷ This example illustrates a common approach that visionary leaders take in using their skill to inspire others—storytelling. Stories are a major way that visionary leaders inspire others, but there are several others. They can also draw on a sense of purpose, personal pride, and beating the competition. The most effective leaders demonstrate that this skill involves knowing which works best in a given situation and shows that the ability to inspire involves knowing what stakeholders care about.

Interestingly, the way visionary leaders and these three skills are often described to us reveals a deep assumption: that they can’t be learned. While this isn’t stated overtly, visionary leaders are often referred to as “gifted” or having been born with their unique abilities. This harks back to the early trait theories of leadership that we referred to in Chapter 1—the historical assumption that great leaders are born, not made. The comparison is useful here, because just as the research on leadership has debunked this belief, our own experience and teaching demonstrates that visionary leadership can, in fact, be learned. By focusing on developing the three core skills of visionary leadership—creative thinking, self-reliance, inspiring others—we’ve seen leaders become more effective at developing and executing their vision. Breaking down visionary leadership into these three skills demystifies it, revealing fundamental components that are easily learned.

We once worked with an executive who took responsibility for a struggling business facing industrywide decline. Historically a high-margin growth business, the sector had matured, and now several large competitors faced a war for market share and declining profits. This wasn’t the kind of environment where one would expect visionary leadership to be necessary, and indeed the leader was chosen for his

proven track record as an operator rather than his ability to inspire. Surprisingly, in working with him to assess options, it became clear that visionary leadership was, in fact, central to his success. The leadership team and staff he inherited had all the technical and operational ability they needed to succeed, having grown up within the business. They'd also proven their ability to adapt, having spent several years focusing on the streamlining and process efficiency typical to a competitive market. What they lacked was the motivation to press on. The constant discussion of the business's decline, its dim prospects, and the competitive threats weighed heavily on them. These factors also overshadowed the fact that this business remained a core holding of the parent company and an essential source for revenue and client relationships that other operating units depended on. What was needed was a new vision that would articulate that opportunity as a rallying point to inspire the troops.

This was a daunting task for the executive, who hadn't faced that task in the past and wasn't seen as particularly inspiring by his team. What he did have was a willingness to learn—the critical prerequisite and the entry point through which we began to work with him to take on this new challenge. This involved spending considerable time in one-on-one dialogue and coaching. It involved discussions of how best to expand and to articulate the seed of opportunity he had identified—the vision of his business as an asset to the company and an enabler of strong client relationships. These discussions guided and stretched his creative thinking. What were the patterns and relationships that could define success in this new context? How could it be articulated? It also involved discussions about his own ability to drive change. From which of his personal experiences could he draw courage in the face of this new challenge? How could he use those experiences to build confidence in what he needed to do? Last, we discussed how to inspire and rally the troops. What aspects of this new vision would they see as fresh and exciting? What clues did his knowledge of his team as colleagues give him about how to motivate them, both as individuals and as members of a team?

This coaching was the primary vehicle for his development as a visionary leader, and we find that coaching and dialogue is often the best vehicle for developing these types of skills. It also drew out the lessons from his prior experience, a second source of learning critical to improving as a visionary leader. These are skills developed in the field and from practice more than in the classroom.

Developing Directive Leadership

Effective directive leaders master a set of skills that help them drive strategy through process and structure. They take charge, whether through formal authority or through power given to them by others who recognize their ability to get results. The three skills we see consistently among directive leaders are critical thinking, planning and organizing, and motivation.

Director Competencies

- **Critical Thinking:** Uses relevant, credible, broad-based information to create hypotheses, evaluate options, and draw conclusions.
- **Planning and Organizing:** Structures somewhat or exceptionally complicated situations by defining roles, rules, and processes that increase the likelihood of short- and long-term success.
- **Motivation:** Uses a combination of incentives to create focus and draw out the discretionary efforts of others toward a specified goal.

Critical thinking is the ability to form judgments from relevant information. These judgments can come in the form of hypotheses, priorities, or conclusions. One might see this as very similar to the decision-making competency we highlighted earlier, but we make a distinction between critical thinking and other forms of decision making. While directive leaders obviously need to be skilled at making

decisions—as do all four types of leaders—they also need to be good at other types of judgment. Is a particular opportunity worth pursuing before we have enough data to be certain? Which of several available options are more important than others? Should someone be trusted with a decision or responsibility? Finding the best answer to these questions doesn't fit the logical process we introduced in this chapter, but it does involve applying critical thinking. Those we see practicing critical thinking effectively are good at finding and using the right evidence to answer a particular question and then determining the right framework to come to an appropriate judgment.

Planning and organizing is a skill that is easily observed in directive leaders. While it is sometimes difficult to identify effective critical thinking, organized leaders are relatively easy to distinguish from their less organized counterparts. The skill is manifest in a wide variety of activities critical to the role of the directive leader: defining roles on a leadership team, setting out objectives in a planned and purposeful manner, and ensuring that information is shared among relevant parties. Leaders who are effective at planning and organizing typically take a methodical, process-driven approach to their work. They also hold others accountable to do the same. This is apparent in many of the key actions of directive leaders that we identified in Chapter 2, such as establishing governance and monitoring performance. While skilled directive leaders aren't limited to linear thinking, they do demonstrate strength in applying a certain type of logic that often manifests in an attention to process and structure.

Motivation is the third skill we see as critical to the directive type of leader. It is similar to the visionary leader's skill at inspiring others but not identical. Inspiration is one form that motivation can take, but the directive leader applies a wider range of motivational techniques to drive performance and influence others. This is because directive leaders focus on different things. As we outlined in Chapter 2, the directive leader's focus is on building a system that serves as the structure for both strategy formation and strategy execution. That system can inspire the team at one point, but the team also needs to

exercise discretion at times. The motivation created through reward systems is a particularly useful example of the relevance of this skill. How do we reward desired behavior? How do we discourage undesirable behavior? How do we anticipate and avoid unintended consequences of incentives? Leaders who use a directive approach take ownership for finding the right answers to these kinds of questions and thus need to be skilled in doing so.

The good news is that these three skills are highly teachable, and much of that teaching can be handled in easy ways. You can see it taking place in MBA classes and corporate leadership development programs offered by countless schools and large companies. Books are another viable source for learning the basics of these three skills (and we hope this book is a relevant example of that!). This is particularly true because many of the skills of the directive leadership type are about applying systems and frameworks. For example, numerous tools like the SWOT (strengths, weaknesses, opportunities, and threats) analysis, Force Field Analysis, and the Growth-Share Matrix are available to aid in critical thinking. While the list of available tools is nearly endless and their relevance depends highly on the situation, you'll find several suggested options that we have found to be useful in the Resources section of this book.

To provide an example, one of the most popular exercises in our graduate class every term is one called "the hot dog exercise." We use it to teach students to apply Generic Strategies, one of the most well-known frameworks for defining competitive advantage.⁸ For the exercise, we break the class into four teams and assign each team one of Porter's generic strategies:

- **Cost Leadership:** The pursuit of a mass-market audience, attracting customers using the lowest cost available. Walmart is a common example.
- **Differentiation:** The pursuit of mass-market audiences, attracting customers using special features perceived as providing extra value. Target is a common example.

- **Cost Focus:** The pursuit of a narrowly defined consumer demographic, providing cost advantages of particular value to that demographic. IKEA is a common example.
- **Differentiation Focus:** The pursuit of a narrowly defined consumer demographic, providing features of unique value to that demographic. Tiffany & Co. is a common example.

Having reviewed the concept and assigned strategic positions to small teams of students, we make each team responsible for developing a business plan for a particular product: the Chicago-style hot dog. (Note: Given the international composition of our class, we sometimes spend as much time explaining the hot dog as we do Porter's framework. Put simply, it's a traditional hot dog served on a sesame seed bun and garnished with chopped onions, tomato slices, peppers, a large pickle, mustard, bright green pickle relish, and *no ketchup*.) Each team is asked to address several key questions in their business plan: What is their product? What is their price point? How will they market their product? What is their organization's structure? How will they motivate their staff? What are their critical business processes? What are their key performance indicators?

The creativity of our students is evident in the range of ideas they've produced over the years:

- Hot dog stands targeting patrons of late-night bars, a clever example of differentiation focus.
- A technology to order hot dogs from your phone at baseball games. Notably, this was a concept they identified well before the advent of smartphones and the apps that now do exactly that.
- Flash-frozen, all-in-one products offered in the freezer aisle in grocery stores. We've never been sure we'd try these ourselves, but we've acknowledged the team's ability to apply their chosen "low-cost" strategic positioning with conviction.
- Branded Chicago hot dogs, using the broad popularity of the Blues Brothers and other Chicago icons to expand product awareness beyond its traditional regional market.

As they then elaborate on their product strategies, we ask them to avoid detailed financial models, instead encouraging them to be very clear on how their business will operate. In their responses, we find that some teams focus on R&D or technology while others invest in capabilities around branding or supply chain management. This highlights a key principle of Generic Strategies: advantages in market position go to those who out-execute competitors with a similar strategic focus. Those with a cost focus need to out-execute all other players on cost, being very good at delivering a low-cost product and avoiding temptations to stray into activities like advertising that undermine their efficiency.

In making these decisions, our students learn something beyond Porter's framework—they're practicing the skills of being a directive leader. By making them accountable to develop and execute the strategy, they are assigned the responsibilities that many leaders find themselves in. They are applying critical thinking by making a series of judgment calls and solving various problems. By focusing them on how they will operationalize their ideas, we are making them practice the core skills of planning and organizing. By asking them how they'll build a team and incentivize their staff, we're making them address issues of motivation. This relatively simple simulation integrates many aspects of practicing directive leadership.

Developing Incubating Leadership

Incubating leaders draw on a set of skills that are rather different than those we just discussed for directive leaders. While the directive leader personally drives strategy formation and execution, the incubating leader lends support to the strategic work of others. In doing so, they draw on very different competencies. From our experience, the three most important skills to the incubating leadership type are evaluative thinking, valuing and leveraging diversity, and sponsoring.

Incubator Competencies

- **Evaluative Thinking:** Explores assumptions, expectations, and requirements of clients and customers; monitors existing and emerging technologies, products, and services; and applies those criteria to assess opportunities for meeting or exceeding current or emerging needs.
- **Valuing and Leveraging Diversity:** Draws unique insight from varied and dissimilar viewpoints and perspectives, and applies strong points and positive elements and features to ideas, contingencies, remedies, and solutions.
- **Sponsoring:** Takes actions to support the success of individuals or projects by providing needed resources, offering feedback or advice to improve success, and advocating to build support among other relevant stakeholders.

As we noted in Chapter 2, a key action of incubating leaders is that they are very good at assessing situations, opportunities, and people by drawing on evaluative thinking. Evaluative thinking is a concept that has received attention in recent years, given the rise of evaluation and testing in many academic settings. In a presentation to the American Evaluation Association, researchers from Cornell University defined evaluative thinking as “a cognitive process, in the context of evaluation, motivated by inquisitiveness and a belief in the value of evidence, which involves:

1. Identifying assumptions,
2. Posing thoughtful questions,
3. Pursuing deeper understanding through reflection and perspective taking, and
4. Making informed decisions in preparation for action.”⁹

Their description has notable similarities to our definition of decision making presented earlier in this chapter. What distinguishes evaluative thinking from the decision-making skill required of all

strategic leaders is their mention of thoughtful questions and perspective taking. Incubating leaders evaluate the ideas and actions of others. In doing so, they take an “outside in” perspective in their thinking. They are not a part of the team, as other leaders typically are, but rather are judging the merit as someone with an outside, objective perspective. In this context, asking good questions is a critical skill. Is this idea likely to succeed or fail? Does the individual or team have the ability to execute on their plan? Do other competing ideas or stakeholders risk undermining the likely success of this team? Targeted questions, relevant to a given context, help the incubating leader effectively evaluate a given situation or opportunity.

Valuing and leveraging diversity is the second critical skill for incubating leaders. While incubating leaders are effective at evaluation, they also appreciate and cultivate the unique ideas and abilities of others. Given the incubating leader’s role in supporting others, they are less effective if they discount or fail to understand views that do not match their own. In her book, *The Loudest Duck*, Laura Liswood describes a 2008 initiative at Goldman Sachs to identify, educate, and mentor women in developing countries. Empowering these women was an obvious case of incubating leadership—it focused on equipping the women to participate in business activities from which they had been historically excluded in their communities. Empowering these women involved learning enough to understand the needs they had and the challenges they faced due to their traditional social status. This required the skill of valuing and leveraging diversity, as the sponsors at Goldman needed to understand an experience and worldview that were very different from their own. Appreciating these challenges made the Goldman program leaders better able to target the assistance that would be most beneficial to these women.¹⁰

Our third competency, sponsoring, naturally complements the first two. Sponsorship is the skill of aiding in the success of an initiative or an individual. It is applied in a wide range of contexts. Executives sponsor projects in organizations; leaders sponsor other, less experienced leaders to accelerate career growth; and angel investors sponsor

startups through investment of capital and advice. After the incubating leader has used evaluative thinking to determine where to invest their attention and resources and then has applied the skill of understanding the value that can be created by those with diverse perspectives, they increase the success that value can be achieved by practicing effective sponsorship. This skill entails deciding both where and how to best provide support. It draws on the same skill set that effective coaches demonstrate—they identify gaps in performance and then take measures to close those gaps. A colleague of ours, Nichole Barnes-Marshall, has experience developing this skill in executives. As the global head of inclusion and diversity at Aon plc, Nichole has designed and managed sponsorship programs that help executives be more effective at growing the next generation of leaders to prepare them as viable successors for large jobs. In this work, she sees why they succeed as well as why they struggle. In observing these skills at work, Nichole says, “Sponsorship is a set of actions, but it’s important to also see it as a skill. Coaching others to succeed and knowing when to take action on their behalf doesn’t come naturally to some executives who might have achieved their own success without being self-aware of how they got there. Leaders don’t always recognize the way their actions create or undermine other leaders. Being effective at sponsoring means knowing when and how to take action on someone else’s behalf.”¹¹

Developing as an incubating leader is all about practice. Effective use of the three skills we’ve highlighted is difficult without a certain amount of accumulated experience. This is largely because each skill requires a particular type of pattern recognition that comes from seeing many situations and drawing out the relevant themes from that experience. In our conversations with venture capitalists, this was a consistent theme. By observing hundreds of businesses and entrepreneurs, they gained an improved sense of what constitutes a good opportunity. Our discussions with Liam Krehbiel, CEO of a nonprofit venture capital firm called A Better Chicago, reinforced this. Liam had made intentional moves early in his career to begin accumulating the experience and firsthand knowledge he knew he needed: “I had spent

time in nonprofits before going to business school. My trajectory was all about bouncing back and forth between for-profits and nonprofits. I started off as an investment banker, then went to New York and spent four years in the nonprofit sector, then went to business school, and then started this. I went to business school and then to Bain [Capital] as a way to accelerate my growth.”¹²

If experience is the critical element for developing these skills, what can be done to intentionally improve as an incubating leader? Accelerating the collection of experiences is a practical and common way we see this done. As we described in Chapter 2, networking is one of the top activities that incubating leaders practice. While there are many reasons why these leaders actively network, the ability to gain insight from a wide range of people and situations is a major benefit. With this in mind, learning from experience as an incubating leader is often more about “dipping into” a subject or group than it is about gaining deep experiences. In fact, we’ve observed that being too deep in a given field or team can actually hurt an incubating leader’s effectiveness. Developing the skills to be an incubating leader is about balancing a trade off between breadth and depth, with a bias toward the former.

Developing Collaborative Leadership

Collaborative leaders draw on a set of skills that are rooted in partnership. Collaborative leaders partner with others as advisors, colleagues, and allies. In doing so, we’ve observed them drawing on three skills unique to this strategic leadership type: synthetic thinking, active listening, and relationship management.

Collaborative Competencies

- **Synthetic Thinking:** Integrates separate, independent, and unrelated ideas, concepts, and/or frameworks to form a new and unique point of view or idea.

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- Active Listening: Establishing mutual understanding between two or more parties by identifying, articulating, and verifying the statements and beliefs of others.
- Relationship Management: Works with another individual or a group to jointly achieve a specified result.

Synthetic thinking emphasizes the development of ideas and insights from existing concepts. Effective collaborative leaders are particularly adept at building on the ideas of others. This may come in the form of translating one goal into another, related goal, as the leader of a business division does when working with their counterparts. It can come in the form of new insights into an existing goal, as in the advice provided by a trusted advisor. It can also come in the form of a mutual goal, as in the case of two companies that decide to partner in the marketplace. In each case, synthetic thinking aids in the identification and the development of the opportunity—and both activities are key. Opportunity identification is rather similar to the pattern recognition we identified in our earlier definition of systems thinking, but opportunity development is different in that it is about using the ideas of others as building blocks. This act of creating—indeed, co-creation—is at the heart of the skill. Using our example in Chapter 3 of Brian’s product, Google Takeout, the team developed the idea for Takeout from a combination of inputs: their observations regarding existing Google products, their understanding of Google’s broader business and values, and their own experience in helping individual product owners make data more portable for users. This is an excellent example of synthetic thinking in action.

We used active listening in Chapter 2 as the label for a specific technique to confirm the mutual understanding between two parties. Here we have chosen to use it again as a label for the more general skill. Indeed, in our interviews, people often used this term to describe

what they generally considered simply to be effective listening. We find this revealing, and we think it is a meaningful distinction beyond just being a point of emphasis. The term and technique gained popularity in the 1970s as a variety of practitioners brought concepts from psychotherapy to other settings, including the workplace.¹³ Practiced well, active listening commonly involves repeating a statement back to another person to confirm what was said. It demonstrates both understanding and empathy, conveying that “I heard what you had to say, and I acknowledge it is important.” We find this useful because it reinforces the importance of mutual understanding that underlies successful partnerships. Great collaborative leaders hear what others say, and, more importantly, they hear what they mean. They demonstrate this understanding in the ways that they talk and behave, and in doing so they build a mutual commitment. In the best circumstances, this can be a direct contributor to establishing trust. While trust isn’t easily codified as a skill, it is essential to effective partnerships, and it is often cited in our interviews and in relevant literature as being enabled by active listening.

Collaboration, our final skill, is perhaps obvious, given that it is also used as our label for this type of leadership. Even so, it deserves special attention. Collaboration is a unique skill and a challenge for some leaders who are more accustomed to acting autonomously. Indeed, some make the mistake of not really recognizing collaboration as leadership at all. It does have some overlap with “teamwork,” a skill commonly expected in most organizations and jobs today, but the skill we see demonstrated by collaborative leaders goes beyond mere teamwork. Having developed insight through synthetic thinking, and having established mutual trust through the practice of active listening, collaboration is the primary way that these leaders move things forward. They are highly proactive, inclined to ask broader questions and step up to lead in ambiguous situations. They are at times provocative, challenging colleagues and their team to consider or do new things. In doing so, they are constantly mindful of bringing

others along. Whereas a visionary leader is adept at articulating a bold vision that compels others to move along but rarely makes an effort to accommodate or understand those who disagree, a collaborative leader makes sure critical stakeholders have bought in and are pulling together. They pay attention to group dynamics and adjust their style to enable the kind of collaboration required in the moment. Collaboration is an inherently social skill.

From our experience, synthetic thinking, active listening, and collaboration are very much learned skills. They come naturally to some more than others, but we've repeatedly seen leaders adapt and grow as collaborative leaders. Like many learned skills, this is best accomplished by applying a specific skill in a controlled environment. Indeed, simulations are a powerful way to learn these core skills in a way that complements the traditional learning methods of teaching.

At Aon, we develop our leaders in exactly this way. As a professional services firm that advises and serves the world's most successful companies, Aon sees collaborative leadership as critical to our consultants' developing strong relationships with clients based on trust, insight, and a drive to achieve mutually beneficial results. We teach this to leaders through a program we call the Client Service Model, or CSM. The three-day experience is rooted in a realistic case study. CSM participants (referred to as "delegates") receive detailed briefing materials on the fictional company, which they are expected to review before the program. Once they arrive, delegates are quickly thrown into a challenging series of meetings with key client contacts and new stakeholders. They are expected to synthesize information they glean through prereading along with what they discover through discussion and questions. The third day culminates in a meeting with the fictional CEO, in which delegates are given a chance to propose a solution to help the organization integrate another company that they have recently acquired. Significant investment is made into the quality and impact of the program. The most senior executives of the firm spend time teaching in these sessions, coaching the delegates and also playing characters in the simulation. A centerpiece of this program is the

emphasis placed on feedback. Delegates are advised to expect more feedback in the program than they've ever received before. Facilitators moderate debriefings after each module of the simulation, and each delegate provides one-on-one feedback to peers in small-group settings after they meet with the mock client.

The elements of this program are typical of simulations used to teach these skills, but they are by no means the only way they can be learned. Elements of this particular program reflect the key aspects of learning through practice—intentional self-awareness, the opportunity to apply the specific skill in a range of situations, and the ability to receive feedback from an observer focused on providing targeted advice. Each of these can be integrated into the routines of daily work, and we often advise leaders to identify a mentor or coach with whom they can work to do so.

Organization and Individual Development

We've now reviewed all 15 competencies of strategic leadership—the three core competencies and the three applied competencies unique to each strategic leadership type. We also highlighted some of the most effective ways to develop each competency, drawn from our experience teaching and advising leaders to improve. For those interested in developing personally or in improving the effectiveness of your organization, we close with some thoughts on developing strategic leadership.

Many of the thoughts we'll share here are in the form of questions. Questions are a frequent topic among our graduate students, as they come to realize that a well-formed question is one of the most powerful tools they can have as a leader. A good question can do many things: raise unexplored issues, focus the discussion of an individual or a group, challenge the status quo, or ensure that current thinking is well formed and complete. We raise questions here with all of those possibilities in mind.

Developing Organizations

For some, developing strategic leadership is a matter of building organizational capability. Do we have the leaders we need? Do our leaders have the skills and a leadership style that is best suited to the strategy we will pursue? How widely do we need this skill in our workforce? These broad questions raise ways that the concepts in this book can be applied to make an organization more effective.

The complexity of developing organizations is a topic in and of itself. There are office shelves full of books on this issue, and we will not do justice to the broad topic here. Instead, we've suggested several texts that we find particularly insightful in the Resources section. With that in mind, we'll take the opportunity to highlight a few key considerations that we've often found to be both pivotal and useful as we've advised leaders and built organizations ourselves.

Defining What's Required

Throughout this book, we emphasize that the four types of strategic leadership are often integrated and overlap when applied. Likewise, individuals can and do easily move between them. That said, at times the organization's overarching strategy or its environmental circumstance does, in fact, mean there is a "right" approach. Identifying these requirements is fundamental to developing the right kind of strategic leadership in an organization.

From our experience, what makes a particular type of strategic leadership appropriate can be driven by several potential factors, including industry, market position, or organizational culture. In a 2012 article in *Harvard Business Review*, three consultants from Boston Consulting Group summarized an analysis of over 120 countries to identify the best way to manage strategic planning, given industry characteristics.¹⁴ They found that industry volatility was a major factor in selecting the right approach. In a similar vein, our colleagues at Aon Hewitt have published

research that identifies the unique cultural characteristics of high-performing companies with a particularly competitive strategy. Organizations with customer-centric strategies were most successful when they had an action-oriented culture, while cost-leadership strategies were most effective when they were enterprise focused and collaborative.¹⁵ Defining the right application of strategic leadership for a given organization is an important point of consideration.

Building Organizational Capability

Another decision point is how widely held the skill set of strategic thinking should be within the organization. While strategic planning or strategy development is often compartmentalized in an officer's position or a team, the skill of strategic leadership isn't so easily confined.

In one regard, we suggest that strategic leadership be as widely disseminated as possible. The type of leadership and strategic thinking we've outlined here is broadly applicable. The impact that can come from an individual demonstrating leadership is often meaningful wherever it is manifest in an organization. Likewise, strategic thinking makes the leader's impact more targeted and thus more likely to create value. On the other hand, the investment required to build strategic leadership means it is best viewed like any other potential investment. Developing leaders to be more strategic should generate easily measured benefits.

With that in mind, we advocate a two-part approach for those looking to identify how and where to develop strategic leadership:

1. Identify the specific areas where value is created in the organization. Where do strategy formation and strategy execution take place? Are leaders exercising a type of leadership best suited to their mandate? Will the next generation of leaders have the skills they need to face the future, or are they likely to just emulate what worked in the past?

2. Beyond those targeted teams or individuals, consider how the general capabilities of the organization can be enhanced through greater leadership and more strategic thinking. How would strategic leadership influence and improve the performance of key employee populations? How can it help better define what high performance looks like?

These questions will help frame how you think about an organization and how well it encourages individuals to be leaders who think and act strategically.

Building Individual Capability

The topic of leadership is an opportunity to discuss expectations. As we highlighted in Chapter 1, thinking on the subject of leadership has evolved considerably over time. Likewise, the discussion of leadership has become more comprehensive in organizations and teams. It's now rather common for management teams to talk about both "what" needs to be accomplished and "how" it can be done most effectively. These discussions can set expectations and define norms both among executives and for the organization that they lead. We think this is healthy.

Finding the right person for a new position, assignment, or project is the best time for these issues to be raised, as it's when the options are all open. In these cases, we like to start with the end in mind—what would success ideally look like in this role? Including both the "what" outcomes (e.g., customer satisfaction, financial performance) and the "how" outcomes (e.g., with a spirit of collaboration within the team) can ensure that expectations are clear and shared from the start.

Helping incumbents lead more strategically can come in many forms. It can involve coaching, formal training, increased exposure to new experiences, or taking on new responsibilities. A great way to develop many of the skills we've identified here is placing a proven

leader into a new and unfamiliar context. In larger organizations, one of the most powerful developmental experiences is a rotation from customer-facing roles to a corporate or shared services role. This change in responsibility typically requires a very different focus, organizational perspective, and action. It can often involve applying a different type of strategic leadership as well. Our review of the competencies earlier in this chapter can provide additional ideas for developing a specific skill.

Developing as a Leader

Anyone reading this book can apply the concepts and principles we have introduced to their own work as a leader. As we have reiterated many times, leadership—and the specific types of strategic leadership we’ve defined here—can be applied regardless of role. That said, one must decide how to properly apply strategic leadership. When considering your own approach, consider several questions:

- What is the best way to accomplish your intended outcomes?
- How can you best draw upon your experiences and strengths?
- How ready are your colleagues or your team to lead (or follow)?
- If applied, how might each strategic leadership type affect outcomes?

These questions can help determine the best way to influence results and outcomes. In addition to finding the most appropriate approach to leading in a given situation, looking for opportunities to apply a different leadership type is also a useful exercise. We’ve consistently observed that the most effective leaders are the ones who are versatile and can adapt, and this ability to adapt is itself a skill that can be practiced and learned.

If you choose to try a type of leadership that’s different from the one(s) you have applied in the past, we encourage you to enroll

someone else in your effort. Asking someone you regularly work with and trust to be an observer and provide candid feedback can give you added insight on your impact. We've watched a seasoned leader take this approach with a trusted protégé, using the opportunity to create a dialogue that made her more effective while also giving her likely successor added insight into the job and the challenges it entailed.

Case in Point: GE's Crotonville

GE was one of the four organizations that we highlighted in Chapter 1, noting their distinct and well-recognized approach to strategy and leadership. In addition to those strengths, GE is also notable for their approach to developing strategic leaders. In November 2014, GE was ranked first in Aon Hewitt's latest study examining the relationship between leadership practices and financial results.¹⁶ Given this distinction, it's worth looking more closely at what they do well.

About Aon Hewitt's Top Companies for Leaders Study

Since 2001, Aon Hewitt has conducted research on the link between leadership practices and financial results. Their research database contains information on over 2,300 companies spanning 40 countries. These findings have been published in a series of research reports, and each report has been accompanied by a ranking of companies demonstrating the most effective leadership practices. Rankings are presented both globally and by region.

In 2014, Aon Hewitt's latest study found that top companies shared five key characteristics in their leadership approach:

- **Assessment:** When it comes to building leaders, top companies assess the whole leader early in their careers. This

includes evaluating leaders' experiences, competencies, values, and organizational fit. This helps organizations understand the unique needs of their talent pipeline to fuel the right development solutions that move people forward faster.

- **Awareness:** Top companies have leaders who demonstrate tremendous self-awareness by understanding their personal strengths and weaknesses and using this information to become more effective leaders.
- **Resilience:** In today's unpredictable environment, top companies build resilience in their leaders by creating inclusive cultures where multiple perspectives and ideas are expected and fostered to help the organization meet continued business challenges.
- **Engaging Leadership:** Organizations leading the way focus on identifying and building engaging leaders who are stabilizers, demonstrate versatility, and stay connected to people and events inside and outside their organization.
- **Sustainability:** Aon Hewitt Top Companies for Leaders focus on building talent programs nimble enough to respond quickly to the market demands, yet sustainable to deliver superior business outcomes.¹⁷

We had the opportunity to interview several individuals at GE regarding their approach to developing leaders. These conversations reinforced the findings from Aon Hewitt's study. GE takes leadership and leadership development very seriously; in fact, they consider both to be deeply linked. As GE's vice chairman John Rice stated, "We've found that our best leaders are our best learners."¹⁸ For that reason, GE's Crotonville Leadership Institute continues to play a central role in the company, driving both how the company develops individuals and its overall organizational capability.

To understand this, we spent time with Kimberly Kleiman-Lee, a member of the team at Crotonville and the person responsible for GE's approach to senior executive and officer development. Kimberly's own

career with the company started in GE Healthcare, where she had worked as a Six Sigma Black Belt. Her current work gave us insight into both the rationale and methods behind GE's success.

When asked about how GE teaches strategy, Kimberly spoke in practical terms, describing it as "taking a thoughtful approach to accomplish the things that matter." She elaborated in describing both the process and the qualitative aspects of developing strategic leaders:

At GE, teaching strategy is really about addressing both the science and the art. The science behind our strategies is all the operating mechanisms that we are well known for. The way we look at our talent strategy, for example, has been known for decades as Session C. We have similar mechanisms that drive our financial strategy so that it's well managed, routine, and predictable. We have other operating rhythms to drive the future of our business, such as Blueprint Reviews. The science is reflected in the systems and structures we put in place that drive the things that matter to us, and we continue to reimagine our approaches to keep them contemporary. The art behind it all is really expressed in the way leaders apply their practical learning.¹⁹

In calling out both the science and the art, we see GE as taking a very holistic approach to teaching strategic leadership. In doing so, they overcome the barriers that some organizations encounter when looking at strategy as an analytical exercise divorced from the practical activities of leadership. Furthermore, we observe GE applying this holistic view in sophisticated ways that target both individual leaders and the overall capability of GE as an organization.

GE's holistic approach to developing individuals is evident in their Executive Development Course (EDC), one of Crotonville's longest-standing programs. EDC is a blended program involving both formal study in the classroom and targeted experiences outside the classroom, which complement those studies and allow participating executives to apply what they are learning. These experiences can be dramatic and impactful. In 2013, 22 executives in the program went to Africa for three weeks to study the challenge of maternal and

infant mortality. Sponsored by GE Healthcare and GE Africa, the team was asked to develop business strategies that effectively responded to health care needs in ways that were centered on local demands. Before going, the team developed hypotheses based on formal research and existing GE solutions. During the trip, the team then tested these hypotheses through firsthand experience and time spent with pregnant mothers and their newborn children. Some of the hypotheses were validated, while others were disproven. One idea to increase the use of portable ultrasound equipment was found to be impractical given the limited facilities available. The team found other, more practical solutions to meet related needs during pregnancies. Following the trip, the team made six formal recommendations as a result of their experience. One of those was to pilot a comprehensive health care initiative in five African countries. This was reinforced by a \$5 million investment of GE tools and methodologies to accelerate the design of product solutions. On a more personal level, the program's participants and several of their colleagues donated over \$250,000 to charities focused on access to fresh water. This was one sign of the very real and personal impact that the experience had on them as leaders. Kimberly Kleiman-Lee participated in the team's trip and described how "the conditions, the context, and the experience were the things that these leaders took back with them. Applying GE tools like Lean Six Sigma or FastWorks were then the way that they processed those experiences and communicated them back to other stakeholders within GE." In our view, this is an outstanding example of developing strategic insight, integrating both real-world experience and formal processes to identify, refine, and syndicate a specific strategy. It was also a powerful way to build those skills in the executives who participated.

In addition to developing individual leaders, GE is intentional about developing organizational capacity for strategic leadership. One way this is exemplified is through another Crotonville program called Leadership, Innovation, and Growth (LIG). LIG is a program that is used on an as-needed basis to address topics of strategic importance to

a particular business unit or to GE as a whole. “We typically apply LIG to explore a new direction driven by Chairman Jeff Immelt,” Kimberly describes. “We typically have an academic director from a leading university and a background in a relevant topic, strategy, or a cutting-edge approach.” Sessions have addressed topics such as growth in one of GE’s emerging markets and revitalizing product development in GE’s power generation business.

The program is notable for its focus on driving both strategic insight and strategy execution through the structure of program milestones. It is initiated by a problem statement, defined by Immelt or the CEO of one of GE’s business divisions. The entire management team of that business then gathers for three days to discuss the problem. This session is conducted using a combination of GE methodologies and insights from outside experts. Thought leaders and academics from leading universities are often invited to participate. After the session, the executives are tasked with follow-up actions to do additional research and generate recommendations.

This is in preparation for a second session, involving the original participants as well as a larger group of 100 or more leaders from that business. This second session is typically action oriented, bringing closure to strategic decisions and exploring issues related to execution. The format serves to reinforce commitment from the top management team while also bringing a wider group of leaders on board to understand and support the strategy. Education is again incorporated into the session’s design, with outside experts raising provocative questions to test both the quality of the strategy and the resolve of the management team to execute that strategy.

The LIG program is then closed through the development of a formal statement, typically framed in the structure of a letter addressed to Immelt or the sponsoring executive. This letter serves as the team’s statement of commitment. Often it is circulated more widely to demonstrate commitment to wider groups of leaders and employees. This closing statement, like the other milestones in the program, is used to reinforce organizational alignment, which in turn addresses a

combination of issues related to strategic insight and strategic execution, and as such provides another excellent example of addressing the issues we see as critical to strategic leadership in practice. Individual leaders complete the process with a greater understanding of the particular strategy and their role, informed by the dialogue and education embedded in the process. In taking this approach, the LIG program leaves the entire organization more effective and strategically aligned than before the process began.

These two programs—EDC and LIG—provide excellent examples of how strategic leadership is developed. EDC represents a holistic approach to developing individuals to be more strategic leaders. LIG takes a structured approach to improving GE's overall organizational capability to define and execute strategy. In combination, they reinforce our view that GE deserves the recognition it has earned as one of the world's top companies for leadership.

In Closing

We opened this book with questions that people have asked us about the nature of strategic leadership. Those questions informed our focus, and we hope we've answered them adequately. We raised our own questions in this final chapter—ones that can only be answered by those striving to apply the principles of strategic leadership.

We find these questions fascinating because of their enduring nature. Strategic thinking and leadership raise meaningful issues—matters of purpose, intent, priorities, and actions. These are things that matter. By striving to practice strategic leadership, we all have the opportunity to make a difference. We have the chance to be more effective in doing the things that matter, be that to ourselves, our team, our organization, our community, or our world. We hope to have that impact, and we hope that you do, too.

Resources

Firming Up and Rounding Out Your Skills and Abilities

The previous chapter presented ways to develop your ability to think and lead more strategically. As you give additional consideration to strategic thinking and leadership, it is important that you push boundaries and test new skills and abilities. It is only through testing and practice that you will expand your toolkit. As you learn and apply new skills, you may wish to explore additional tools, review other books and articles, or attend a conference or workshop on the subject of strategic thinking and leadership. If that is the case, the following resources may prove useful.

Tools

Regardless of your preferred strategic leadership type, we believe you will find the following tools useful. The first is the Strategic Thinking Self-Audit. It is designed to help you (1) determine the extent to which you are leveraging strategic thinking and (2) identify potential blind spots that need to be addressed through additional consideration.

✓	I have...
	Considered the role that formal processes can and should play in identifying and selecting the strategy.
	Evaluated how my own experiences and typical methods of thinking might impact the conclusions and insights I'm likely to draw.
	Identified and analyzed all relevant data and information, including the relationships within relevant data that might reveal meaningful patterns.
	Identified all potential opportunities and alternatives, given the inputs gathered.
	Identified trade-offs associated with each of the various choices.
	Defined the strategy, taking a personal stance and forming a compelling story.
	Identified stakeholders likely to be impacted by the chosen strategy.
	Determined the benefit or disadvantages to each of the stakeholders of the chosen strategy.
	Taken steps to confirm mutual interests with stakeholders who can be supportive.
	Identified ways to mitigate or counter the impact of stakeholders who are likely to oppose the strategy.
	Identified the activities and sequence of steps required to achieve the vision.
	Considered the degree to which the participation of others in defining the strategy or driving the resulting change will improve the intended solution or increase the buy-in of key stakeholders.

Figure 7.1 Strategic Thinking Personal Audit

Brainstorming

Regardless of your preferred strategic leadership type, both strategic insight and strategic execution involve generating and organizing ideas.

When generating ideas, we use the following process:

1. Review all of the relevant information and data you have on hand.
2. Brainstorm ideas.¹ For example, when considering how you will achieve your mission and attain your long-term vision,
 - a. Generate as many ideas as possible, without concern about whether the ideas are actions, tactics, or strategies.
 - b. Be as creative and innovative as possible.
 - c. Take advantage of existing products, services, markets, clients, customers, capabilities, technology, systems, processes, values, principles, and cultural elements.
 - d. Envision new technology, systems, and processes.
 - e. Generate as many ideas as possible; focus on quantity over quality.
3. Capture your ideas on sticky notes:
 - a. Write one idea per separate sticky note.
 - b. Each idea must be written as a phrase or statement.
 - c. Each phrase or statement must contain a verb.
4. Process your sticky notes using an Affinity Diagram.²
 - a. Lay your sticky notes on a table or place them on flip-chart paper affixed to a wall.
 - b. Identify natural themes by placing sticky notes with similar or connected ideas in a group.
 - c. Once all of your sticky notes are grouped into natural themes, review and refine the groups by separating an idea that does not fit into any of the existing groups into a freestanding idea. If an idea fits into more than one group, create duplicate sticky notes and place them into the proper themes.
 - d. Once you no longer need to move any of the sticky notes, you can assume your ideas are placed into proper groups and that each group has a unique theme or unifying concept.
 - e. Review each group to identify the natural theme or unifying concept. Summarize the concept in a concisely stated five- to seven-word description written on a new sticky note.
 - f. Place the sticky note containing the description (referred to as the “header card”) at the top of each group.

Prioritization

After generating your ideas and organizing them in a way that can be acted upon, you will in all likelihood need to prioritize them so that the most important ideas are selected or acted upon first. The bubble sort³ is a simple and easy-to-use prioritization tool. Do not mistake its ease of use with the quality of the results that it produces; we have successfully applied the bubble sort in a variety of contexts, ranging from personal application to group decision making in large, global organizations. In applying the bubble sort, you:

1. Decide on the criteria you will use to evaluate your ideas. Criteria might include:
 - a. The magnitude of impact that the idea will have on your mission and vision.
 - b. The likelihood that the idea will be realized or achieved, given existing strengths, capabilities, limitations, and impediments.
 - c. The extent to which the idea is realistic, sensible, and practical, given the resources it will require.
 - d. The degree to which your stakeholders are likely to consider the idea to be realistic, sensible, and practical.
2. Write the criteria on a flip chart so that they can easily and consistently be applied to each idea.
3. Write each idea on a separate sticky note and then randomly place the sticky notes one above another in a vertical column on a flip chart.
4. While keeping the criteria in mind, compare the top two sticky notes to determine which is the most important (i.e., more likely to succeed and yield the greatest result and outcome). If the lower sticky note is more important, exchange the position of the notes. This results in the more important sticky note being positioned above the less important one.
5. Repeat this paired comparison and exchange it for the second and third sticky note, then the third and fourth sticky note, and so on until you reach the bottom of the column.
6. Repeat the process for the entire column (starting again with the top two sticky notes) if any notes are moved during the analysis.

7. Apply the process to the entire column until no sticky notes are exchanged during a complete pass-through. At this point, the sticky notes (and the list of ideas) are in priority order from most to least important.

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Journals

Journal: *Harvard Business Review*

Organization: Harvard Business School

Frequency: Published monthly, except for a July/August issue that counts as two issues

ISSN: 0017-8012

Subscribe: Telephone (800) 274-3214 or e-mail hbursubs@neodata.com

Journal: *Journal of Strategic Leadership*

Organization: Regent University

Frequency: No longer being published; archives are available

ISSN: 1941-4668

Archives are available at: <http://www.regent.edu/acad/global/publications/jsl/archives.htm>

Journal: *Journal of Strategic Studies*

Organization: Taylor & Francis Group

Frequency: Published six times per year

ISSN: 0140–2390

Subscribe: Telephone +44 (0) 20 7017 5543 or e-mail societies@tandf.co.uk

Journals: *Management Science* and *Sloan Management Review*

Organization: MIT Sloan School of Management

Frequency: Published quarterly

ISSN: 0019–848X

Subscribe: Telephone (800) 875–5764 or e-mail SLON@neodata.com

Journal: *Strategic Management Journal*

Organization: Strategic Management Society

Frequency: Published 13 times per year

ISSN: 1097–0266

Subscribe: Telephone (800) 825 7550 or access www.interscience.wiley.com

Journal: *Strategy & Business*

Organization: Booz, Allen, & Hamilton, Inc.

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ISSN: 1083–706X

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Journal: *Strategy & Leadership*

Organization: Emerald Group Publishing

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Journal: *The Academy of Management Executive*

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Additional Resources

We are confident that many of these resources will prove useful as you strive to strengthen your ability to think and lead strategically. If you wish to expand your research, take a few minutes to research “strategic thinking” and “strategic leadership” at your learning resource center, public or college library, or online through one of the popular Internet search engines. Take advantage of the references and resources you come across, even the ones you initially feel will provide only marginal benefits. Our experience suggests that what you discover “at the margins” might prove the most useful as you learn new concepts, push new boundaries, and test new skills.

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