

ISSUE 84 AUTUMN 2016

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Most companies have leaders with the strong operational skills needed to maintain the status quo. But these organizations face a critical deficit: They lack people in positions of power with the know-how, experience, and confidence required to tackle what management scientists call “wicked problems.” Such problems can’t be solved by a single command, they have causes that seem incomprehensible and solutions that seem uncertain, and they often require companies to transform the way they do business. Every enterprise faces these kinds of challenges.

A 2015 PwC study of 6,000 senior executives, conducted using a

research methodology developed by David Rooke of Harthill Consulting and William Torbert of Boston University, revealed just how pervasive this shortfall is. Respondents were asked a series of open-ended questions; their answers revealed their leadership preferences, which were then analyzed to determine which types of leaders were most prominent. Only 8 percent of the respondents turned out to be strategic leaders, or those effective at leading transformations (Rooke and Torbert refer to them as “strategist” leaders).

The study suggests that strategic leaders are more likely to be women (10 percent of the female respondents were categorized this way, versus 7 percent of the men), and the number of strategic leaders increases with age (the highest proportion of

strategic leaders was among respondents age 45 and above). These leaders tend to have several common personality traits: They can challenge the prevailing view without provoking outrage or cynicism; they can act on the big and small pictures at the same time, and change course if their chosen path turns out to be incorrect; and they lead with inquiry as well as advocacy, and with engagement as well as command, operating all the while from a deeply held humility and respect for others.

It may seem disheartening that such a small percentage of senior leaders can operate this way. The trend over time is almost as bad. When the same survey was conducted in 2005, only 7 percent of respondents were identified as strategic leaders. In other words, in the course of a transformative decade marked by the collision of technological breakthroughs, financial crises, demographic shifts, and other major global forces, the leadership needle barely moved.

Given the small percentage of senior leadership equipped to manage large-scale transformation, companies are often forced to bring in leaders from outside. But as we’ve observed in countless organizations over the years, significant change in a company is more likely to succeed if it is led from within. Perhaps most alarming, the leadership gap is typically hidden from view. No one recognizes that the company’s top executives aren’t acting strategically. Or people do realize it, but no one is willing to call attention to the problem. The gap thus comes to light only when a company faces a major challenge to its traditional way of doing business. It’s in the do-or-die moments, when companies need a strategic leader most, that they dis-

cover the current leadership isn't up to the task.

Fortunately, companies can build the capacity for strategic leadership. It starts with recognizing that your organization undoubtedly already has emerging strategic leaders whose skills are being overlooked or even stifled. The problem can be traced back to how organizations traditionally develop and promote their leaders. In many companies, the individuals who make their way to the top of the hierarchy do so by demonstrating superlative performance, persistent ambition, and the ability to solve the problems of the moment. These are valuable traits, but they are not the skills of a strategic leader.

The following 10 principles can help unlock the potential strategic leadership in your enterprise. These principles represent a combination of organizational systems and individual capabilities — the hardware and software of transformation. You may have already adopted some of these tenets, and think that's enough. But only when you implement all of them together, as a single system, will they enable you to attract, develop, and retain the strategic leaders who've eluded you thus far.

Systems and Structures

The first three principles of strategic leadership involve nontraditional but highly effective approaches to decision making, transparency, and innovation.

1.

Distribute responsibility. Strategic leaders gain their skill through practice, and practice requires a fair amount of autonomy. Top leaders

should push power downward, across the organization, empowering people at all levels to make decisions. Distribution of responsibility gives potential strategic leaders the opportunity to see what happens when they take risks. It also increases the collective intelligence, adaptability, and resilience of the organization over time, by harnessing the wisdom of those outside the traditional decision-making hierarchy.

At an oil refinery on the U.S. West Coast, a machine malfunction in a treatment plant was going to cause a three-week shutdown. Ordinarily, no one would have questioned the decision to close, but the company had recently instituted a policy of distributed responsibility. One plant operator spoke up with a possible solution. She had known for years that there was a better way to manage the refinery's technology, but hadn't said anything because she had felt no ownership. The engineers disputed her idea at first, but

the operator stood her ground. The foreman was convinced, and in the end, the refinery did not lose a single hour of production.

When individuals like the plant operator are given responsibility and authority, they gain more confidence and skill. And when opportunities to make a difference are common throughout an organization, a "can-do" proficiency becomes part of its identity. At Buurtzorg, a

Dutch neighborhood nursing organization, most decisions are made by autonomous, leaderless teams of up to a dozen nurses. A small central management team supports and coaches the frontline nurses; there is no other middle management. The company achieves the highest client satisfaction levels of all community nursing delivery in the Netherlands, at only 70 percent of the usual cost. Patients stay in care half as long, heal faster, and become more autonomous themselves. And the nurses gain skills not just for leading their part of the enterprise, but in community leadership as well.

2.

Be honest and open about information. The management structure traditionally adopted by large organizations evolved from the military, and was specifically designed to limit the flow of information. In this model, information truly equals power. The

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trouble is, when information is released to specific individuals only on a need-to-know basis, people have to make decisions in the dark. They do not know what factors are significant to the strategy of the enterprise; they have to guess. And it can be hard to guess right when you are not encouraged to understand the bigger picture or to question information that comes your way. Moreover, when people lack information, it un-

dermines their confidence in challenging a leader or proposing an idea that differs from that of their leader.

Some competitive secrets (for example, about products under development) may need to remain hidden, but employees need a broad base of information if they are to become strategic leaders. That is one of the principles behind “open-book management,” the systematic sharing of information about the nature of the enterprise. Among the companies that use this practice are Southwest Airlines, Harley-Davidson, and Whole Foods Market, which all enjoyed sustained growth after adopting explicit practices of transparency.

Transparency fosters conversation about the meaning of information and the improvement of everyday practices. If productivity figures

not from hoarding it, but from using it to find and create new opportunities for growth.

3.

Create multiple paths for raising and testing ideas. Developing and presenting ideas is a key skill for strategic leaders. Even more important is the ability to connect ideas to the way the enterprise creates value. By setting up ways for people to bring their innovative thinking to the surface, you can help them learn to make the most of their own creativity.

This approach clearly differs from that of traditional cultures, in which the common channel for new ideas is limited to an individual’s direct manager. The manager may not appreciate the value in the idea,

sent ideas to a group of like-minded peers and test them against one another’s reasoning. There could also be apprenticeships, in which promising thinkers, early in their careers, sign on for mentorship with leaders who are well equipped to help them build their skills. Some organizations might set up in-house courses or sponsor attendance at university programs. Reverse mentoring — in which younger staff members share their knowledge of new technology as part of a collaboration with a more established staff member — can also be effective.

Google has made use of a number of channels to promote innovation. A few examples: Employees can directly email any of the leaders across the organization; the company established “Google cafés” to spark conversation by encouraging interaction among employees and across teams; and executives hold weekly all-hands meetings (known as TGIFs) to give employees at every level in-person access to senior leaders. People at Google learn to make the most of these opportunities — they know the conversations will be tough, but that genuinely worthwhile innovative thinking will be recognized and rewarded.

People, Policies, and Practices

The next four principles involve unconventional ways of thinking about assessment, hiring, and training.

4.

Make it safe to fail. A company’s espoused statement of values may encourage employees to “fail fast” and learn from their errors. That works well until there is an actual failure, leading to a genuine loss. The most dreaded phone call in the corpo-

Strategic leaders know that the real power in information comes not from hoarding it, but from using it to create new opportunities for growth.

suddenly go down, for example, that could be an opportunity to implement change. Coming to a better understanding of the problem might be a team effort; it requires people to talk openly and honestly about the data. If information is concealed, temptation grows to manipulate the data to make it look better. The opportunity for strategic leadership is lost. Worse still, people are implicitly told that there is more value in expediency than in leading the enterprise to a higher level of performance. Strategic leaders know that the real power in information comes

and may block it from going forward and stifle the innovator’s enthusiasm. Of course, it can also be counterproductive to allow people to raise ideas indiscriminately without paying much attention to their development. So many ideas, in so many repetitive forms, might then come to the surface that it would be nearly impossible to sort through them. The best opportunities could be lost in the clutter.

Instead, create a variety of channels for innovative thinking. Some might be cross-functional forums, in which people can pre-

rate world soon follows; it's the one that begins: "Who authorized this decision?" Big failures are simply unacceptable within most organizations. Those who fail often suffer in terms of promotion and reward, if not worse.

You must enshrine acceptance of failure — and willingness to admit failure early — in the practices and processes of the company, including the appraisal and promotion processes. For example, return-on-investment calculations need to assess results in a way that reflects the agreed-upon objectives, which may have been deliberately designed to include risk. Strategic leaders cannot learn only from efforts that succeed; they need to recognize the types of failures that turn into successes. They also need to learn how to manage the tensions associated with uncertainty, and how to recover from failure to try new ventures again.

Honda is one enterprise that has taken this approach to heart. Like several other industrial companies, the automaker has had a dramatic, visible failure in recent years. The installation of faulty equipment from its favored airbag supplier, Takata, has led Honda to recall about 8.5 million vehicles to date. Although the accountable executives were fired, the company's leaders also explicitly stated that the airbag failure, in itself, was not the problem that led to dismissal. The problem was the lack of attention to the failure at an early stage, when it could have been much more easily corrected. As one Honda executive told Jeffrey Rothfeder, author of *Driving Honda: Inside the World's Most Innovative Car Company* (Portfolio, 2014) and an *s+b* contributing editor, "We forgot that failure is never an acceptable

outcome; instead, it is the means to acceptable outcomes."

Some organizations have begun to embrace failure as an important part of their employees' development. The Bill & Melinda Gates Foundation and the U.K.-based innovation charity Nesta have held "failure fests," at which employees discuss decisions that went wrong

with thinking and operating in silos" to describe them. A good way to learn about candidates is to ask, "Who are the people who really seem to understand what the organization needs, and how to help it get there?" These may be people who aren't traditionally popular; their predisposition to question, challenge, and disrupt the status

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and derive lessons from them. In addition to establishing such forums, you can provide managers with opportunities to oversee smaller change initiatives, some of which may not work out, to develop the skills they'll need to lead larger-scale transformations.

5.

Provide access to other strategists.

Give potential strategic leaders the opportunity to meet and work with their peers across the organization. Otherwise, they remain hidden from one another, and may feel isolated or alone. Once they know there are others in the company with a similar predisposition, they can be more open, and adept in raising the strategic value of what they do.

The first step is to find them. Strategic leaders may not be fully aware themselves that they are distinctive. But others on their team, and their bosses, tend to recognize their unique talents. They may use phrases like "she just gets it," "he always knows the right question to ask," or "she never lets us get away

quo can unsettle people, particularly people at the same level.

Of course, you don't want to create the impression that some people deserve special treatment. Instead, cultivate the idea that many managers, perhaps even most, have the potential to become strategic leaders. Then bring the first group together. Invite them to learn from one another, and to explore ways of fostering a more strategic environment in the rest of the enterprise.

6.

Develop opportunities for experience-based learning.

The vast majority of professional leadership development is informative as opposed to experiential. Classroom-based training is, after all, typically easier and less expensive to implement; it's evidence of short-term thinking, rather than long-term investment in the leadership pipeline. Although traditional leadership training can develop good managerial skills, strategists need experience to live up to their potential.

One vehicle for creating leader-

ship experiences is the cross-functional “practice field,” as organizational learning theorist Peter Senge calls it. Bring together a team of potential strategic leaders with a collective assignment: to create a fully developed solution to a problem or to design a new critical capability and the way to generate it. Give them a small budget and a preliminary deadline. Have them draft plans and financial estimates of their solutions. Then run the estimates through an in-depth analysis. This project might include a simulation exercise, constructed with the kind of systems simulation software that has

and to use that understanding as the basis for future efforts.

7.

Hire for transformation. Hiring decisions should be based on careful considerations of capabilities and experiences, and should aim for diversity to overcome the natural tendency of managers to select people much like themselves.

Test how applicants react to specific, real-life situations; do substantive research into how they performed in previous organizations; and conduct interviews that delve

that the culture is open to change and to diverse views.

Focus on the Self

The final three principles are aimed at the potential strategic leaders themselves. Following these tactics can help them prepare for their personal evolution.

8.

Bring your whole self to work. Strategic leaders understand that to tackle the most demanding situations and problems, they need to draw on everything they have learned in their lives. They want to tap into their full set of capabilities, interests, experiences, and passions to come up with innovative solutions. And they don’t want to waste their time in situations (or with organizations) that don’t align with their values.

Significantly, they encourage the people who report to them to do the same. In so doing, strategic leaders create a lower-stress environment, because no one is pretending to be someone else; people take responsibility for who they truly are. This creates an honest and authentic environment in which people can share their motivations and capabilities, as well as the enablers and constraints in their life.

9.

Find time to reflect. Strategic leaders are skilled in what organizational theorists Chris Argyris and Donald Schön call “double-loop learning.” Single-loop learning involves thinking in depth about a situation and the problems inherent in it. Double-loop learning involves studying your own thinking about the situation — the biases and assumptions you

Reflection helps you learn from your mistakes, but it also gives you time to figure out the value of your aspirations.

been used to model and participate in wargames since the 1980s. You can also let reality be their practice field. Have them create the new capability or initiative on a small scale, and put it into effect. Then track the results assiduously. Assign mentors with experience to help them make the most of their effort — without sidetracking it.

Whether you set up the project in reality or as a simulation, the next step should be the same. Schedule a series of intensive discussions about the results. Explore why these results appeared, what the team might have done differently, and how things could be different in the future if the group changed some of the variables. The goal is to cultivate a better understanding than would be possible without this type of reflection,

deeper than usual into their psyche and abilities, to test their empathy, their skill in reframing problems, and their agility in considering big-picture questions as well as analytical data. In all these cases, you’re looking for their ability to see the forest and the trees: their ability to manage the minutiae of specific skills and practices, while also being visionary about strategic goals. The better they are at keeping near and far points of view simultaneously available, the better their potential to be strategic leaders.

For those hired, the on-boarding processes should send explicit signals that they can experiment, take on more responsibility, and do more to help transform the organization than they could in their previous position. They need to feel

have, and the “undiscussables” that are too difficult to raise.

Your goal in reflection is to raise your game in double-loop learning. Question the way in which you question things. Solve the problems inherent in the way you problem-solve. Start with single-loop learning, and then move to double-loop learning by taking the time to think: Why did I make that decision? What are the implications? What would I do differently next time? How will I apply this learning going forward?

Reflection helps you learn from your mistakes, but it also gives you time to figure out the value of your aspirations, and whether you can elevate them. It allows you the chance to spot great ideas using what you are already doing or things that are going on in your life. Managers are often caught up in the pressures of the moment. A mistake or a high-pressure project can feel overwhelming. But if you take a minute to step

Human capital teams can help by training individuals in these practices and ensuring that all managers support their team members who take the time to reflect.

10.

Recognize leadership development as an ongoing practice.

Strategists have the humility and intelligence to realize that their learning and development is never done, however experienced they may be. They admit that they are vulnerable and don't have all the answers. This characteristic has the added benefit of allowing other people to be the expert in some circumstances. In that way, strategic leaders make it easy for others to share ideas by encouraging new ways of thinking and explicitly asking for advice.

Their thirst for learning also gives potential strategic leaders the space to be open to less obvious

learn that the people with the potential to demonstrate leadership feel constrained by current organizational practices, and they are taking their talents elsewhere.

But if you can come to terms with reality, as uncomfortable as it may be, then you're in a position to help change it. By following the 10 principles we've outlined here, you will give yourself the skill and influence to pave the way for others who follow. That's fortunate, because the ability to transform amid societal and business challenges and disruptions is essential to your company's success — and perhaps even to its survival. +

Reprint No. 16308

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Strategists have the humility and intelligence to realize that their learning is never done.

back and reflect on these problems, it can provide the space to see what you did right.

Some reflection is more productive than others. Psychologists warn about “rumination,” or dwelling on deceptive messages about your own inadequacies or the intractability of problems in a way that reinforces your feeling of being stuck. To avoid this pattern, deliberately give yourself a constructive question on which to reflect. For example, what are the capabilities we need to build next? How can I best contribute?

career opportunities — new industries, different types of roles, lateral moves, stretch assignments, secondments, or project roles — that may help them fulfill their potential.

At some point, you may advance to the stage where you are not concerned solely with your own role as a strategic leader, but also with cultivating opportunities for others. This will require a clear-eyed, reflective view of the talent pool around you. It isn't easy for any leader to accept that others in the company may not have what it takes. Or, worse, to

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