



Leaders of organisations must be able to create the right environment for employees and articulate the direction of the business, writes **Andy Boddice**

A fair point

In August, we published the results of the initial research conducted last May looking at attitudes held by senior executives in Scotland's private sector on factors related to leadership, building and maintaining successful sustainable organisations and on creating competitive advantage.

The results from the random selection of 198 of Scotland's top 500 organisations and Scotland's top 250 SMEs threw up questions that we wished to explore further. Our partners Robinson Boddice conducted a second piece of research over the period covering late July, August and September 2009 exploring the results in more detail with the interviewees.

This second phase was conducted through a series of one-hour, non-attributable face-to-face interviews with CEOs, MDs and senior partners in Scotland's private sector. Some had volunteered to be interviewed during the first round, the remainder were new to the results.

The organisations were from the five key sectors used in the original research: finance and professional services; civil construction; food and drink; manufacturing and engineering; and oil, gas and energy. The businesses were geographically spread across

Scotland. They were a mix of privately-owned, family-owned, employee-owned, and plcs, employing between 5 and 1,000 staff.

When asked whether they thought their businesses, overall, were high, moderate, or low in terms of their current success, nearly two-thirds thought their businesses were highly successful. However, all expressed the belief that there was room for improvement.

We asked the interviewees to reflect on the reasons for their success. Four key top-level factors emerged (in order): leadership, people, strategy and differentiation. A range of exclusively operational matters was also identified, covering aspects from internal structures and processes, through breadth of services and diversity of product ranges.

In response to the results of the first-round data, over two-thirds of interviewees broadly agreed with rankings of the original tables. Four notable expressions about culture were made:

- "Leadership is critical to success"
- "Leadership's ability to create the right environment for people to follow is key to long-term success"
- "Leadership, senior management and their behaviours are critical to the engagement of staff"

- “The missing link [in creating successful sustainable organisations] is the difference between management and leadership – particularly at the lower levels in an organisation”

We discovered that organisation culture, particularly leadership’s ability to articulate with clarity the direction of the business, was perceived as being crucial to high performance.

Closely linked was the ability and capacity of the leaders to drive the organisation forward. The level and quality of the business’s reputation was also believed to be important. Commitment to people, dealing honestly, support for staff, and staff know-how came closely behind.

A raft of operational activities were directly highlighted: better organisation structures brought about through recent and on-going change programmes; effective process management; skillsets; customer relationship management; speed of decision making; good external marketing; and open internal communications were all noted as necessary contributors to maintaining or improving performance levels.

We were not expecting to learn that only one in seven of the interviewees was surprised by how high culture scored – interestingly, the majority of these organisations were from the manufacturing and engineering sector.

Nearly three quarters of the CEOs, MDs and senior partners interviewed thought their senior management would share their viewpoint that culture was an imperative to success and sustainability. Nearly all believed their staff would also agree with them.

Interviewees were asked if they had taken any steps to align – that is ensure continuity between their espoused cultures and actual day-to-day behaviours in their organisations. Nearly half said they had. The answers from the others bore out our original doubts.

Cultural alignment appeared not to be a high priority in top-level strategic thinking and activities. Mindsets appeared to be mainly focused at operational and process levels within the businesses. This implies that values in organisations remain mostly espoused. Any differences between espoused – that is declared – culture and the actual situation again represent a potentially limiting factor, with direct and negative consequences for performance levels in the business. We believe that values held and desired by

people are a major component of an organisation’s culture. Asked if the organisation had recognised their common core values and if so could they say what they were, two-thirds said they indeed had core values and could articulate them clearly.

It would appear that values are more likely to remain at the intellectual and conceptual level rather than being consciously guiding day-to-day activities.

We asked how many leaders believed that their organisation had a common shared purpose and or common shared vision. Only half agreed they had. Of the remainder, nearly two-thirds indicated that their common shared purpose was entirely driven by objectives, goals, operations and processes. To make the distinction: vision is about motivation and inspiration in the organisation.

Most of the people seemed to be constrained by a predominantly management mindset. We identify that there is a weak connectivity between the strategic level and the tactical level of execution. We could see in these organisations that common purpose sat mainly at team level and in some cases with a specific individual.

Based on the data we have established that most of our respondents:

- See a connection between aligned organisation culture and higher levels of business performance
- However, for many, this connection would appear to be weakened by a relatively strong focus on the tactical and operational
- Perceive leadership’s importance in creating, developing and maintaining sustainable organisations and the development of competitive advantage
- And finally that there is confusion for some over the critical distinction between the respective roles of leadership and management. ■

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In our final article in this series, we will explore:

- The critical distinction between leadership and management
- The importance of clarity of common purpose in an organisation;
- The importance of aligning cultures and sub-cultures to release operating potential
- The impact misalignments have on the bottom line
- Explore some methodologies to address these critical strategic issues.