

Facing up to leadership

In their third and final article on findings from their research into corporate values, [Andy Boddice](#) and [Peter Robinson](#) conclude that leadership and culture are critical factors for an organisation's success or failure

At the end of our previous article (*A fair point*, December 2009) we looked at the interpretation of the second round research results exploring Scotland's private sector executive management attitudes towards leadership, economically sustainable organisations, and competitive advantage.

We concluded that most of the 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.

In this final article, we explore a series of five areas that we've identified as being critical strate-

gic-level components in moving leadership in Scotland's businesses forward to create greater competitive advantage at home and abroad.

The critical distinction between leadership and management

We recognise that both functions are absolutely necessary. Our experience to date, reinforced by the results of our recent research activity, suggests that there is confusion in the minds of a number of executives. Our view, along with many other commentators, is that both functions are necessarily involved at all levels of an organisation. However, our evidence suggests many CEOs engage themselves in management tasks as opposed to facilitative leadership. Many of them appear to spend (what we regard as) an inappropriate proportion of their time and energy on the day-to-day. In order to make this point very clear, we present below a generic model of that draws out useful distinctions between management and leadership.

We can see from the "Management v Leadership" table

overleaf, that important differences are:

- management is largely concerned with degrees of predictability and order, and has the potential to consistently produce results;
- leadership, on the other hand, is more about the creation of vision/strategic direction, alignment and motivation.

While both functions are absolutely essential, it is important to recognise a profound difference between the two: management is predominantly about engaging the mind, in other words, it is a rational process; leadership, on the other hand, engages with the emotional, deeper levels of meaning in people and seeks to generate energy.

A possible explanation as to why rational processes predominate, maybe relates to the delivery of management training – whether internal or external. It would appear that the delivery of "soft" issues is not leading to what is, in our opinion, an appropriate understanding of the non-rational (i.e. the emotional). At an intellectual level, many of our respondents appreciate the distinction: the

issue would appear to be whether or not that appreciation is translated into systemic actions, especially in times of crisis

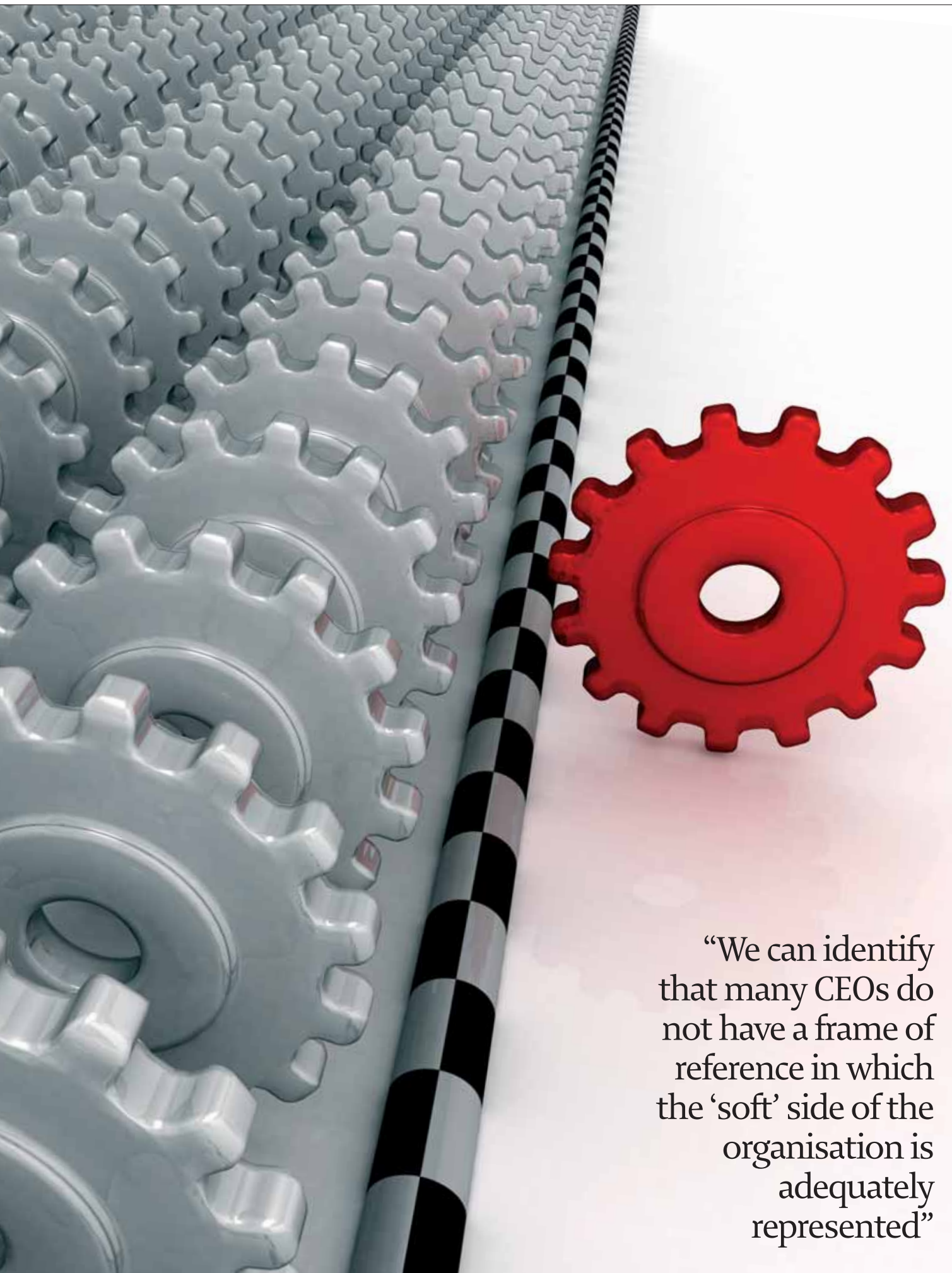
In general, we can identify that many CEOs do not have a frame of reference in which the "soft" side of the organisation is adequately represented. Rather, we found many preferred to leave that to the "specialists" such as human resources (HR). Indeed many HR teams – particularly in small to medium-sized organisations – do not have the prerequisite frame of reference either. The issue, therefore, often falls between two stools.

As we noted above, one consequence of having a clearly defined common purpose is that those organisations tend to experience fewer problems with, for example, staff retention, the recruitment of the best talent, superior client relationships, stronger supply chains and, by and large, better returns on most measures of importance.

The importance of clarity of common purpose in an organisation

Common purpose is a





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➤ statement of an organisation's reason for being. **Common purpose** reflects the deeply held core values that identify the unique signature of an organisation and which influence, overtly or covertly, the day-to-day decisions, policies and activities of that organisation. As a significant element in stewardship, a clearly defined and mutually generated common purpose acts as an ever-present principle – inspiring standards that provide the framework from which the organisation can confidently – and ethically – make decisions about any part of business activity

Economically sustainable organisations preserve and embrace their common purpose to stimulate progress and innovation. Core values and common purpose are seen as those parts of the organisation that are always protected and preserved. Change is nor-

mally restricted to operating practice and process levels, and at specific goal, strategy and objective levels in response to changing external environments.

Our evidence identifies that espoused values are not central to the way many organisations operate. They are rarely embedded and most likely only apply at operational or process levels, if at all. Common purpose was usually unclear, even if defined. This situation has serious implications for the robustness of the leadership's sense of direction (vision) and subsequent development.

Furthermore, leaders and managers do not appear to create sufficient clarity of message in the organisation. As a consequence, there would appear to be, at best, a weak connection between the strategic level on the one hand, and organisational and personal effectiveness and efficiency on the other.

“Leaders and managers do not appear to create sufficient clarity of message”

The evidence for organisations that do use their values effectively is positive and expressed by the quality of their business, their trading partners, their capability and ability to adapt quickly, and the level of their competitive advantage. There is compelling evidence that it is these organisations that are doing considerably better than the average, irrespective of prevailing trading conditions.

The importance of aligning cultures and sub-cultures to release operating potential

People carry an internal system of values and beliefs, sometimes overt and sometimes covert. As these systems are the precursors of behaviour, that is performance, it is essential that there are at least two levels of congruence between individual preferences and the real culture that's experienced at work.

Where these two aspects are misaligned, performance will reduce from its full potential, to some degree.

Misalignments between the individual and the organisation manifest themselves in areas such as higher rates of staff turnover, reduced ability to recruit and retain good people and absenteeism. More perniciously however, are the less easily identifiable causes of reduced individual and team performances. The resolution of many issues within organisations, as well as between organisations, can often be found in misalignments between the values that individuals bring to the workplace, find in reality at the workplace and those they would really like to experience at the workplace. To borrow from the experience of our

medical colleagues who are expert at distinguishing between presented symptoms on the one hand rather than the underlying problems on the other, it is apparent that values are often in the same position. This leads to situations in which repetitive organisation issues are never effectively resolved.

In most organisations it is possible to detect sub-cultures, for example, where “operations” and “maintenance”, “head office” or “regional headquarters” see, and are perceived as seeing the world through, sometimes dysfunctionally, different lenses. Unless steps are taken to allow the uniqueness of each sub-culture to flourish within the context of the overall culture, then energy is fruitlessly expended in “patching relationships”. Clear data about the form and content of the value-systems of sub-culture is a powerful leadership tool for those responsible for making the whole system work as well as it can. We know, from our investigations, that these misalignments have a direct and measurable impact on the ability of an organisation to create, develop and maintain competitive advantage.

The impact culture misalignments have on the bottom line.

Our membership of an international “Values in Business” network operating in more than 53 countries has enabled us to access the collective experience generated by the network over the last ten years. This has enabled us to help organisations place the outcomes of their “soft” culture issues on their management dashboards directly alongside the “hard” issues of profit, loss, production quotas and the like. One of the instruments we utilise can be used, for example, directly with EFQM modelling to great effect.

In each business there will always be a mix of positive and negative values, and helpful and unhelpful formal and informal norms (“rules of the game”, the “way things are done” – the formal and informal rules, values, attitudes and behaviours that are extant in a group or community such as an organisation or neighbourhood). We prefer to call

MANAGEMENT VS LEADERSHIP

Management Leadership

Planning and budgeting: establishing the detailed steps and timetables needed to achieve results, then allocating the resources needed to make the results happen

Organising and staffing: establishing structure(s) to accomplish the plan, delegate authority, providing policies and procedures, establishing systems to monitor implementation

Controlling and problem Solving: monitoring results, identifying deviations from the plan, and solving problems accordingly

Management creates plans: the specific steps to implement the strategies

Budgets: The conversion of the plans into financial projections, goals and objectives

Establishing direction and purpose: developing a vision of the future, a purpose for being, and the strategies required to produce the changes to achieve that vision and purpose

Aligning people: communicating direction, in words and actions, to all whose co-operation is needed; creating teams and coalitions that understand the vision, purpose, strategies and accept their validity

Motivating and inspiring: energising people to overcome major political, bureaucratic, and resource barriers to change by satisfying basic but often unfulfilled human needs and aspirations

Leadership creates vision: a sensible and appealing picture of the future

Strategy: a logic for how the vision can be achieved

negative values. Potentially Limiting Values (PLVs), as what may be negative for one organisation may not be for another.

The qualitative and quantitative work carried out over recent years by the network, and ongoing now, identifies that for each potentially limiting value an organisation is losing approximately five per cent of bottom line turnover per limiting value. Obviously this varies from organisation to organisation but as an average, the percentage may well equate to significant amounts of money and profit leaking out of the business because it can't readily be identified or measured. In most cases there is more than one PLV, and very often several, found in any organisation.

Very few organisations are measuring the impact of soft issues on their effectiveness, even though not doing so is potentially damaging. The challenge is not only for leaders and managers to understand how culture affects

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their organisations operationally, but for them to adopt a suite of methodologies, such as key performance indicators (KPIs) and appraisals, that directly and deliberately reflect a suite of shared and desired values, attitudes and behaviours.

The evidence shows that those leaders who actively manage their culture issues, particularly those who constantly work to ensure alignment of cultures, behaviours and attitudes across divisions, teams, departments, and geographic locations have less wasteful activity than their competitors.

Some ways to address these critical strategic issues include:

- Build economic sustainability and resilience frameworks for personal, communal and organisational capacity to withstand shocks, anticipate risks, and remain fully operational under conditions of prolonged duress.
- Recognise that the management of culture is the underpinning and critical factor in achieving sustainability. Values and the way that they are expressed, understood and utilised in the organisation really do matter.
- Increase levels of organisational and personal adaptability. This way, a reduction and reliance on hierarchy, silos, and linear data management can be achieved, as well as increasing transparency and communication throughout the organisation. By identifying where wasteful activity lies in the organisation, and by the management out of those activities through values-driven processes, quick and long-term wins can be achieved.
- Build long-term economic sustainability using instruments that qualitatively and quantitatively measure culture including whole system change techniques. What can be measured gets managed! In other words, engage in the positive emotion of values-management, performance management, leadership development programmes and stronger decision making/support architectures in order to develop a “road map” to the desired future.

Culture is the common theme in all of the above. Powerful, tried-and-tested instruments are readily available to assess the real values and culture extant in an organisation. In this sense, the hitherto unsolved problem of matching the measurable with the immeasurable has been resolved.

It's clear, from talking to clients and their professional advisors, that organisations are asking their accountants and lawyers for advice to help drive the development of their businesses. For professional advisers, helping clients to develop “pre-emptive screening” to recognise the symptoms that highlight the level of culture alignment or misalignment can only add value to their relationship and to their competitive advantage. ■

MANAGEMENT VS LEADERSHIP: OUR CONCLUSION

- It is important to distinguish between leadership and management because both are essential to the effectiveness of organisations, and because our findings indicate that our respondents do not place sufficient emphasis, in their day-to-day business affairs, between the two. As a consequence, we suggest that there is room for business leaders to place more effective strategic focus on their organisations
- Furthermore, it would appear to us that facilitation (as opposed, for example, to a more “command and control” style) of strategic direction based on clarity of common purpose is a function that does require more leadership attention. It was noticeable that none of our interviewees raised this issue themselves
- It has been our contention throughout, that “values-driven” organisations are the most likely to succeed over the long term. Given that “culture” generally scores so highly, we feel it is reasonable to conclude that values are perceived as being most powerful when shared – preferably with as many as possible. Organisations that take the trouble to ensure that their values are shared widely are those most likely to achieve long-term commercial and social sustainability
- Social sustainability seems to us to be an important component of the “contract” between the organisation and the environment in which it operates. In other words, those organisations that have a shared sense of purpose beyond the simple economic are those that create an internal powerful dynamic, in the sense that those organisations help give their staff deeper meaning to their workplace activities. Profitability follows
- Profitability – both in the economic and the wider social senses – interact to create wealth. Wealth enables people to enrich their lives. The circle is complete
- As a consequence of our recent work, we would encourage all organisations to invest time and effort in the creation of vision-guided, values-driven enterprises and leaders to accelerate growth and performance in order to deliver enhanced levels of competitive advantage

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