

The complexities of leadership

Too many 'talented' people are in roles that don't utilise their leadership strengths, says Sandy McDowell, Chairman of HR consultancy Amadeus 15

The time has now come to move the debate on leadership forward. For too long, so-called experts have been bandying around clichés about the subject, offering one-dimensional and facile thinking that ultimately culminates in entirely inappropriate selections for leadership positions and in struggling performance. Companies require a much more precise understanding of the various guises of excellent leadership at different stages of the corporate hierarchy.

Research by Amadeus15 confirms that many senior executives are concerned about the quality of leadership within their own organisation. They see an increasingly competitive external environment, and worry that there are too few within the organisation with the ability to counter and overcome the challenges that the future will inevitably hold.

This senior executive anxiety is most apparent in organisations that have experienced significant success and have grown to be major players at a national and global level. The expectation for similar growth in the coming years is, naturally, extremely high. But previous success for the now mature organisation has come at a price, in the form of large and cumbersome internal bureaucracies, convoluted decision-making processes, confusing product portfolios and me-too competition from younger, more nimble operators. It takes a very specific human talent to negotiate that level of complexity and generate the innovative and effective strategies that the organisation needs to maintain its level of progress.

So how do we recognise the people with the potential

within such organisations to thrive on this complexity and shape the realities of the future? And why do so many companies currently get it so wrong in their selection procedures?

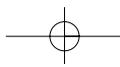
Our experience and research have led us to conclude that there are three underlying traits in people who can excel in circumstances that we call 'strategic complexity'. These are intellectual agility, emotional flexibility and wisdom or insight. Such individuals have the ability to see the wood for the trees, to remain sufficiently unfazed by a high level of complexity and ambiguity to be able to identify opportunities for future competitive advantage. They are comfortable with change, always looking forward, not harking back

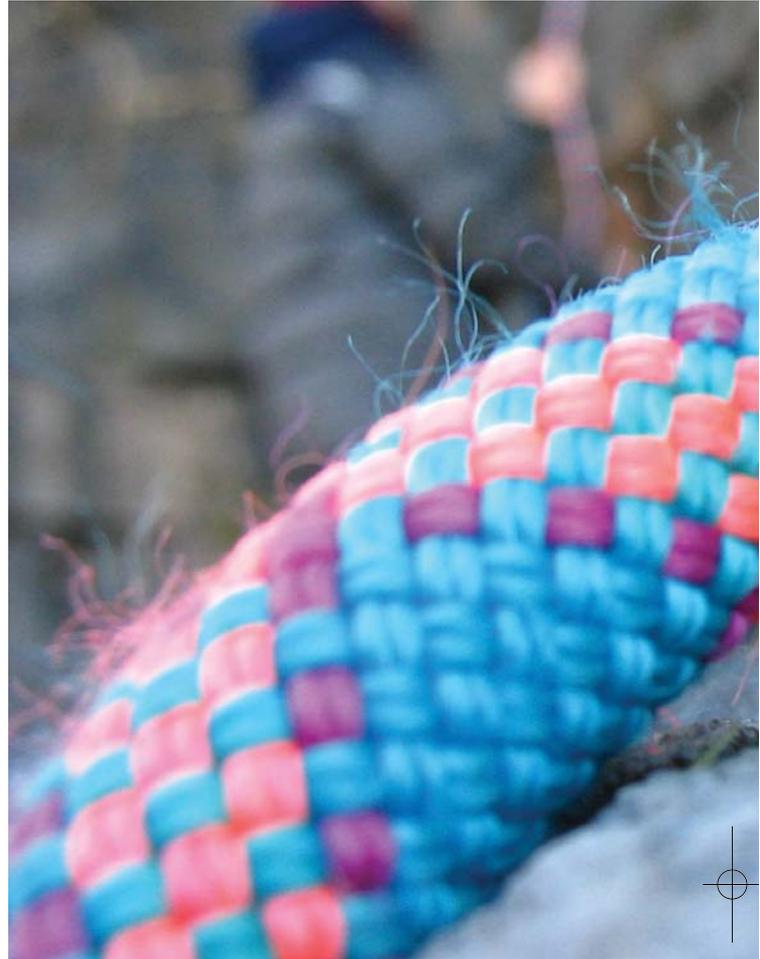
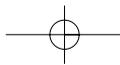
to previous successes that were achieved in a wholly different context. They possess high levels of curiosity and a willingness to embrace new rules relating to business and society.

A major obstacle facing companies seeking these attributes is that they are, taken as a package, relatively rare. There is little that can be done quickly about that. It is difficult to teach people intellectual agility, for instance. But what is entirely preventable is the fact that such a disturbingly low proportion of this rare breed is currently positioned in roles where their talents would be most effectively utilised, as agents and catalysts for strategic innovation.

Our studies consistently show that up to 40% of those with the ability to make a substantial difference to the fortunes of large, complex organisations are being lost, their precious talents often squandered in roles to which they are entirely unsuited, their potential to effect significant change

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lamentably unseen and untapped. This damaging neglect results from a continuing blindness regarding the diversity of talent. In other words, companies still tend to fall into the trap of believing that just because a person is good at doing one thing, they will be necessarily good at doing another. The concept of talent is too often used generically – “he/she is talented”, “we are always looking to recruit new talent”, “we must look after our most talented people”. But such comments are rendered meaningless by the absence of any description of the distinct talent being discussed. What is he/she talented at? What type of talent are you looking to recruit? Which group of talented people do you think you must look after? Pretty much everyone has a talent for something. To make sense of this subject, specifics are necessary.

Lumping all talent together into one category is not only unsatisfactory but also harmful. One persistent manifestation of this proneness to generalisation is the inability to distinguish between the respective talents demonstrated by leaders in dealing with two very different types of complexity – ‘strategic complexity’ and ‘operational complexity’.

Strategic complexity is the type already discussed, namely the circumstances surrounding the senior executives of a large, mature organisation. Operational complexity confronts the functional specialist lower down the organisation on a daily basis. How do I go about a particular task? In what way can my team improve the way it handles a particular client? How do we handle this pitch? How do we reduce costs? How do I implement a particular corporate directive within my department? The goals are clear. Any innovation required relates to the method used to achieve these defined goals, not in devising the goals

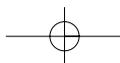
themselves. Operational complexity presents challenges in responding to everyday realities. Strategic complexity presents challenges in creating them in the first place.

Those who perform well amid operational complexity are often promoted to positions where the emphasis is on strategic direction, and are subsequently found wanting. The focus of excellent performers in the former category is business efficiency, specialist knowledge and experience, and expertise in forming and maintaining client relationships. While these are all extremely valuable to an organisation, they are to a large extent reactive. Imagining what could be in the future, rather than dealing with what is and what clearly needs to be done now, requires a wholly different approach and separate skills.

While we have certainly seen some excellent operational leaders go on to become ground-breaking strategic innovators, it is often the case that their formative experiences in an operational role actually diminish their performance once awarded strategic responsibility. In their past, success has come through steady, efficient performance, learning through experience by delving into the lessons of previous challenges. Once the specialist expertise has been built up beyond a certain level, these challenges become increasingly predictable. It is very uncommon for an experienced operational leader to come across something with which he or she is entirely unfamiliar.

Such a leader will naturally correlate their individual success with stable, reliable solutions to a recurring range of issues. Once this success has led to promotion, their rational reaction will be to continue with these thought processes and behaviours. This is especially true while they are under pressure, when the allure of their own comfort

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zone is at its strongest. Unfortunately, this approach is wholly inappropriate when the imperative is to devise strategy for the future. The future is by definition unpredictable, so strategic leaders must feel comfortable with this level of uncertainty. And if their strategic initiatives are themselves predictable, more original and imaginative competitors will steal a march.

By way of illustration, let's take a couple of examples of the relevant experiences of different industries. Large systems organisations depend on a very small group of talented people who can put together major deals, often in the range of billions of dollars. One particular company was finding it difficult to identify such talent, and asked Amadeus15 to use its research techniques to analyse why the company was not managing to find the right people, and to assist in improving this costly situation.

What we found was entirely typical. Excellent sales people were being rewarded by being placed in roles where they were expected to construct these major deals. But the demands of the two roles were utterly different. High performance in sales involved a repeated, consistent, formulaic method of working. Dealmakers, on the other hand, are faced with strategic complexity, as they seek to understand the multiple intricacies of their clients' business and then have to come up with new ways of making a real difference to it. Top sales people, in dealmaking roles, continued to attempt to sell formulaic solutions based on previous experience, leaving the company exposed to dynamic competitors. A similar mismatching of talent and role affects our clients in the banking and investment industries, where high-margin dealmaking amid strategic complexity is the company's lifeblood.

Our experience of working with major pharmaceutical

clients provides more evidence for our assertion that too many companies have been getting the 'talent' question wrong. The industry is currently at a crossroads. In order to retain precious intellectual property rights for products, individual companies have taken on all the relevant research and development themselves. The resulting costs have spiralled, and there is now much concern that this traditional business model is unsustainable. But how do companies go about such a fundamental change, without losing their market position in the short-term?

The need for leaders with vision, who feel at ease with strategic complexity, is manifest. But these crucial leadership positions are being routinely filled by those who have previously excelled amid operational complexity, in scientific,

financial, legal or logistical roles. Their career success has again related to a specific expertise. Their appropriateness for a position that requires a high degree of imagination and an ability to get to grips with labyrinthine interests is at best unproven. They often struggle, contributing to stagnation, rather than progress.

In the 1980s, companies were commonly investing less than 1% of their turnover in developing their people. Despite all the rhetoric since, this scandalous situation has not changed. One of the consequences of this inadequate attention is that many companies still fundamentally misunderstand the concept of talent, labouring under the misapprehension that a persistent demonstration of functional expertise is ideal preparation for positions of major strategic responsibility. They are misguided, and they are paying the price.

Sandy McDowell is Chairman of Amadeus 15 (www.amadeus15.com) © Amadeus15

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