# Where do leaders lead us?

*Showing why leadership is good, no leadership is bad, and leadership without innovation can be disastrous*

So-called ''disruptive strategies'' have found currency among several organizations in the early part of the new millennium as the desire for change and a new model of business development has taken hold. The idea is that a company with a significant presence in a market acts to remove the status quo, to take away the comfort zone of all actors and change the ''rules of the game'' to the advantage of the instigator. Nice idea, but the risks can be huge and there is no guarantee other actors are enacting such a strategy anyway.

The example often held up for such behavior is Apple's introduction of the iMac and iPod in the 1990s and early 2000s respectively. While Apple's innovation – particularly in Jonathan Ive's revolutionary designs – undoubtedly changed the game, there is an irony in that it is assumed that with a disruptive strategy comes an innovative, thoughtful and energized CEO, however in the late 1980s it was the same CEO at apple who was seen as disruptive and leveraged off the Apple board. Step forward Steve Jobs – disruptive influence, or disruptive influencer?

## It is the innovation, stupid

Several years of hindsight show that it is obviously the latter, and what is interesting is that second time around when Jobs returned to the Apple helm, he reinvigorated the organization with the innovative zeal he had started with. Often new CEOs come in and change things, but it is the innovation that takes a back seat rather than other areas that suddenly rise to prominence.

In his recent paper on leadership and innovation, Oster pulls together some dos and don'ts for new CEOs who come in and want to make the kind of changes that could harm medium-to-long-term innovation. The changes made often characterize the CEO's need for exerting control over his or her new charges and fall into four main categories of ''don'ts'':

1. changing personnel;
2. changing performance measurement targets;
3. changing organizational policies and/or procedures; and
4. changing sales targets (usually upwards).

The reasons for such changes are understandable and well-meaning, but Oster argues they fail to put innovation at the heart of the firm, and in so doing strangle what should be the ''lifeblood'' of the company.

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## A new broom

One could perhaps use the analogy of a new soccer club manager in Europe, where the average tenure is only a year or so in the top leagues of England, Italy and Spain, and where ‘‘a change’’ is at the heart of many a decision to sack an incumbent coach and employ a new one. For example, in England in 2007-2008, there were 12 managerial changes in the 20 club top division, with supposedly successful clubs such as Chelsea sacking a manager that enabled it to finish in second place in both the domestic league and in the European Champions’ League. With this backdrop, it is not hard to see why new bosses would want to make short, sharp changes that exert their control and engender quick results, but where the long-term prospects such as investment in youth training programs, or innovations, fall by the wayside.

In such a way, Oster recommends an alternative four types of change to transform an organization in the right way, with the innovative spirit at their core:

1. Focus on customers and their needs, and how to deliver sustained satisfaction through innovation.
2. Enhance the diversity of personnel so new ideas come through the organization consistently.
3. Enhance learning programs and develop positive embracing of innovation and change, while routing negative attitudes.
4. Introduce new shared values and energize employees so that they can adopt new shared values.

## Power to transform

This last point is redolent of transformational leadership theory, which can be viewed as motivating people through their identification with a leader and the leader’s vision for the organization, so that they are pulled along through their development rather than pushed and incentivized all the time. This shows the benefits of long-term sustainable innovative strategies as opposed to the short-term changes we saw for the purposes of exerting control by a new CEO. But what about regular CEOs who lead companies in a constant state of flux – what do they do?

Evidence of the success of the transformational leadership theory is presented by Jung *et al.*, which seeks to prove the positive link between the theory and innovation. They do this through the analysis of 50 Taiwanese electronics and telecommunications companies from all aspects and angles of the organizations, both inside and out. The positive relationship they explore can be seen in the example of a company that is in a fast-moving technology market where there is constant uncertainty, but where the CEO challenges employees to take advantage of this uncertainty by promoting change, thus developing innovative thinking constantly.

In Taiwan, they found that it was vitally important for leaders to fit their style and behavior around the organizational context they operated in, and as such realize they as CEOs have the power to do this. Framing strategy and being seen to carry it through was regarded as a key element in the success of welding the relationship of innovation and leadership for the good of the firm.

Again, we are reminded of Jobs' second tenure at Apple where he has constantly challenged his workforce to design thinner, faster, braver and even ''cooler'' products than before. And, more importantly, succeeded.

## The next step

We can also invoke the example of the sports coach again such as the much-studied basketball coach Phil Jackson, who has had phenomenal success not just with the Chicago Bulls, but also the LA Lakers, willing to use psychological development and non-sports thinking to give his side the edge over other teams. The advantage of the sports analogy is that it is naked, laid out for all to see, and is repeated every year for sports fans' delectation. And while such analogies are simplistic, they do show some interesting aspects of leadership development such as how when success is reached by winning two championships, a team can go on to ''threepeat'' as Jackson and Michael Jordan's Bulls did in the 1990s – twice.

This ''next step'' is explored by Bingham and Galagan in their interview with the enthusiastic CEO of Ingersoll Rand, Herb Henkel. Citing Jack Welch's ''four Es of leadership'' – energy, energizing, edge and execution – he points to not just sustainable innovation, but sustainable and accelerated innovation. Symbolically, his office sits at the heart of the organization's corporate university campus, and espouses ideas such as ''dual citizenship'', where the best practice of one leader is shared by another. He is the very embodiment of transformational leadership.

However, what is most interesting about his ideas are the grounded nature of his management of innovation, where he identifies the challenges of managing innovation not as the creation of ideas, but of killing them. He estimates that ideas can be valued at a ''$10 billion pipeline'', but this needs to be brought down to a manageable $1.5 billion per year, and deciding which ideas have legs and which are a waste of time is the key, or the real next step up in leadership.

## Innovation and leadership

A good way to summarize this discussion is to look at the recent writings of leadership guru Ram Charan, who sees the key to leadership and innovation in the credibility of the leader, which is grounded in their style but also in the ''realistic'' way they tackle major issues. Using the examples of such firms as DuPont, where innovation has led to global success, Charan (2008) points to key aspects of leadership on the psychological side. Not giving employees any false hopes, engaging in tasks across the organization and ensuring everyone can see the warning signals of things going awry are crucial for effective leadership, especially in economically uncertain times. Leaders who get this right will not go far wrong, Charan contends, but all the while innovation should be ''fed'' with resources redeployed accordingly. Helpfully, he draws on five key points that show how innovation should help leaders do their job, and also include the main points from the three articles reviewed here:

1. Invest in psychological reserves and allocate time to building on innovations in the future.
2. Focus on fewer projects.
3. Distinguish between inventors and innovators, and lead the latter.

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4. Collect and develop ideas from outside the organization.
5. Manage risks and reframe ideas, including cross-industry disruption and ''killing'' projects.

What is certain is that while innovation and leadership go hand in hand, the way an organization is led is just as important. As we have seen, the style of leadership is often key in terms of how a CEO leads through example and dedication to innovation, rather than dedication to control and leadership itself.

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## Comment

The exploration of the relationship between leadership and innovation is a key one, and the articles reviewed here each take that relationship a step further in order to deepen our understanding of the dynamics between them. In particular, the exposition provided by Oster serves to force new regimes, whether at CEO level or below, to re-evaluate the nature of their strategy when they first come into a position of authority.

## References

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