



Leadership 21

Unleashing the full potential of leadership

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Executive Summary

- ___ The discourse on leadership and management that existed during the last few years has many merits and considerably contributed to a better understanding of management and leadership roles. However, it considered leadership and management as opposed to one another, and missed a crucial third element to successful leadership as a whole: entrepreneurship.
- ___ Together, leadership, management, and entrepreneurship form the crucial three elements of Leadership 21, the leadership for the 21st century. The St. Gallen Management Model functions as a blueprint for further illustration:
 - ___ Leadership thereby fulfils the normative or visionary and sense-making function, creating the greater vision and purpose for the organisation
 - ___ Management fulfils the operative or operational function, handling the daily work and business administration of the organisation
 - ___ Entrepreneurship fulfils the strategic or explorative function, preparing the organisation for continuous success and the fullest use of its potential
- ___ Leadership 21 calls for balancing these three functions, thus allowing for increased potential and efficacy in an organisation's executive management by:
 - ___ Balancing the individual leader's portfolio as a manager, a leader, and an entrepreneur
 - ___ Increasing leaders' overall capability for resilience
 - ___ Growing leaders' efficacy
- ___ Organisations as a whole benefit as well from Leadership 21's integrated approach to leadership:
 - ___ Retaining talented employees, a major challenge to companies in the near future, is made considerably easier
 - ___ Organisational efficacy is increased, boosting execution of tasks
 - ___ Transforming the organisation into a HPO (high performance organisation) can more easily be achieved by balancing and integrating the three functions

1 Entrepreneurship Needed: A Leadership Challenge

Tampering at the edge of the 21st century, we have lost many of our certainties of old. In the age of post-modernism, we are forced to realise that our securities, paradigms, and assumptions of old no longer seem to fully describe and apply to the world we now inhabit. Our world is growing more and more complex, diversification increases and spreads, and thus the challenges we face and the requirements we have to meet in order to achieve success in what we are doing. This assessment holds true for most areas of life; it certainly does for the area of leadership.

Today's challenge: No fixed recipes any more

As of now, no all-encompassing paradigm on management and leadership any longer exists (see further: SEgroup's body of knowledge-study "Leadership in the 21st century", 2008). There are no fixed recipes, no patent remedies, and no ready-made processes available for today's leaders. Demands and challenges have grown and changed significantly, due to the ever-greater complexity and acceleration of the world in general and the economic realm in particular. Of course, this is reflected in today's discourse on leadership and management, and it takes its toll.

In fact, the discourses on management and leadership, respectively, are posed against each other instead of being joined together in order to integrate the best of both (Yukl, 1989). Having started out as a discourse on the qualities of good management, then reluctantly opening up to the qualities of leadership, the discourse then got stuck in a fight for supremacy between the two, while a third important element still waits around the corner: entrepreneurship as a vital third quality completing leadership and management.

The approach of Leadership 21

In this paper, we will use the acclaimed and well-known St. Gallen Management Model (Bleicher, 1991) as a frame of reference to make our point. We have come to the conclusion that the three dimensions of leadership, i.e. leadership, management,

and entrepreneurship (or the entrepreneurial mindset) can be mapped along the lines of the model's three postulated management functions, specifically the normative, operative, and strategic function, respectively. Yet by exploring the topic in another way, namely along the lines of distinct areas of expertise like leadership, management, and entrepreneurship, we hope to raise awareness for the distinct qualities and value-added of each of the three functions. Especially the field of entrepreneurship and its included qualities have so far not gained the awareness they deserve, leaving the discourse on leadership and management, and leaders in particular in a state of uncertainty and abeyance.

First, we will take a short look on the aforementioned discourse on leadership and management, respectively, to see where we stand and start right now:

1.1 Leadership

In regard to leadership, it is said that a compelling vision and an overall provision of sense and sense-making are the crucial role of modern leadership (see further, for example, Blanchard (2007), and George (2003)).

Leadership contributes in giving orientation to the organisation as a whole, manifested in the organisation's values and a compelling vision, a reason why the organisation exists and for why it does what it does. Management, on the other hand, is often disqualified by leadership's proponents as a subordinate function of lesser importance than the big visionary picture and orientation provided by a leader.

Along the lines of the St. Gallen Management Model, leadership is the so-called normative function of management.

1.2 Management

Management is most often considered along the lines of the famous business administration approach. (A somewhat broader approach to management is taken by Malik (2000) who tries to incorporate leadership capabilities into the management approach.) As such, management provides the concrete framework for the way things and tasks are done within an organisation, i.e. the processes in the organisation's functioning.

In regard to management, its supporters state that by competent management the real values and value-added are created (see further, for example, Malik (2000)). Leadership on the other hand is considered a wishy-washy kind of soft topic, by which no real work gets done besides building so many castles in the sky.

Along the lines of the St. Gallen model of integrative management, this is the so-called operative function of management.

The following overview on the two discourses (table 1) summarises their main topics and boundaries.

Leadership	Management
Aspects deemed most relevant in the leadership discourse:	Aspects deemed most relevant in the management (business administration) discourse:
<i>providing orientation and sense-making; providing the bigger framework for the organisational reality:</i>	<i>methods of functional management; “getting the work done”:</i>
<ul style="list-style-type: none"> ___ vision ___ values ___ giving orientation ___ sense-making and organisational purpose 	<ul style="list-style-type: none"> ___ marketing ___ accounting ___ finance ___ project management ___ etc.
Leadership as a rather lofty and visionary interpretation of the whole of management & leadership; focusing on goals and values	Management as a rather functional interpretation of the whole of management & leadership; focusing on concrete tasks

Table 1: The discourse on leadership and management as opposed to each other

We allow both sides its merits. Yet we believe that a third role of leaders is as of now still completely missing in the current discourse, that is, the role of an entrepreneur. We have already highlighted part of our take on this issue in SEgroup’s body of knowledge study on Intrapreneurship (2008).

The paper at hand postulates that the demands on leadership in our times are manifested in the overlap of three distinct, yet closely related areas of expertise: leadership per se, management, and entrepreneurship (illustration 1). The functional areas falling under each of the respective categories we exemplify by use of the St. Gallen Management Model (illustration 2).

1.3 Entrepreneurship

Entrepreneurship or the entrepreneurial mindset, respectively, is the crucial third constituent part so often forgotten or ignored in the discourse. It embodies the entrepreneurial function within an organisation, meaning to think for the future and to anticipate future demands and potentials, and serving to outline corporate strategy

at large, boosted by the entrepreneurial sense for the new as well as for the achievable.

Along the lines of the St. Gallen Management Model, entrepreneurship is the strategic function of management.

We will take a closer look on the St. Gallen Management Model in the next chapter, and exemplify in the following what the three distinct roles and functions each bring to the table.

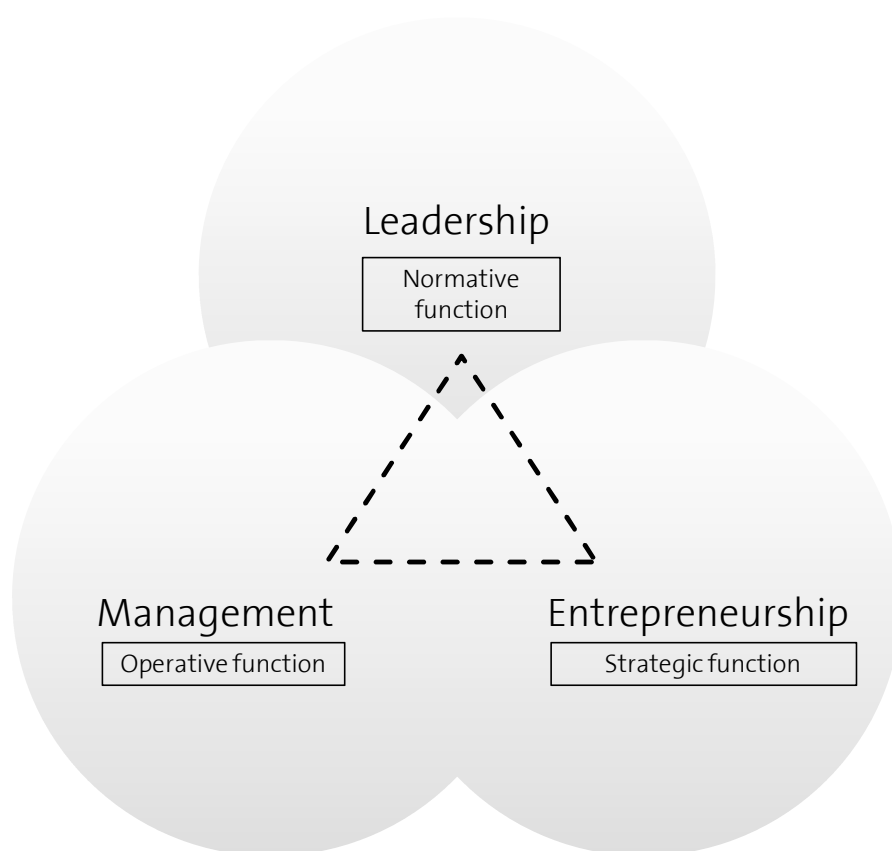


Illustration 1: The three aspects of leadership

2 Leadership in the 21st Century: An Exercise in Integration

2.1 The St. Gallen Management Model Reloaded

The St. Gallen Management Model was first coined by Ullrich and Walter in 1972 and expanded upon by Bleicher in 1991 (Bleicher, 1991). Throughout the model, the term “management” is used as leading term, and differentiations made along its different respective functions, specifically the normative, the operative, and the strategic function (see illustration 2).

The normative function

The normative function of management attends to the basic goals of a corporation, its principles, norms, and rules, eventually assuring the corporation’s viability and its ability to develop. According to the St. Gallen Management Model, a corporation’s culture and values reside on this level of management.

Grounded in the normative function are the organisation’s corporate constitution, corporate policies, and corporate structure, respectively.

The operative function

Operative management serves the implementation of both normative and strategic management.

Grounded in the operative function are an organisation’s processes and disposition systems, its tasks, and its performance and cooperative attitudes, respectively.

Operative management embodies what is understood as management in general in colloquial terms.

The strategic function

The strategic level of management aims at building the corporation's capacity and potential for success. In this regard, it is responsible for the allocation of resources.

Grounded in the strategic function are the organisation's structures, management systems, programmes, and problem-solving attitudes, respectively.

All three functions of management are integrated along three distinct dimensions of the corporation: the dimensions of organisational structures, organisational activities, and organisational behaviour, respectively.

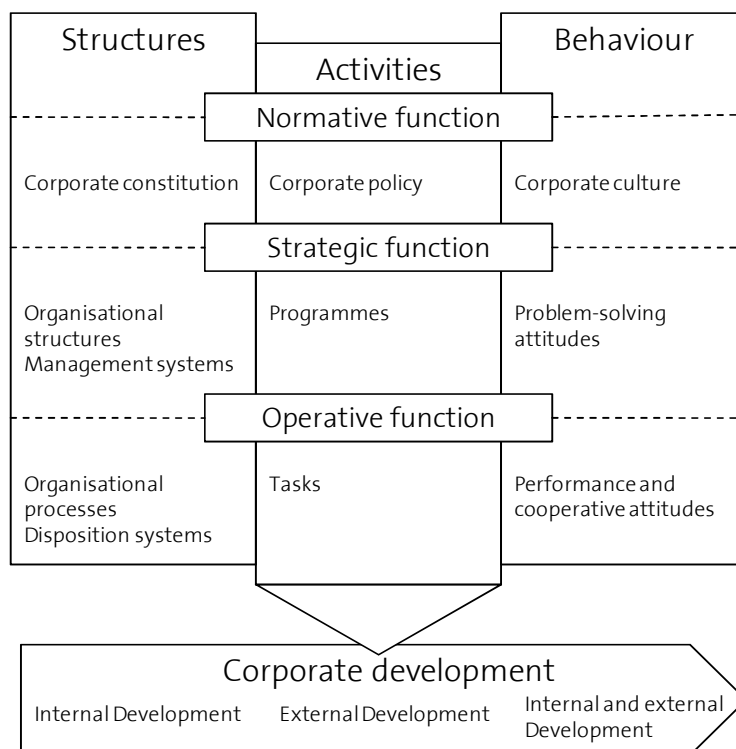


Illustration 2: The St. Gallen Management Model

2.2 Normative Leadership

In the following, the normative function of management within the St. Gallen Management Model will be further termed as **leadership**, because that is what it is.

Volumes have been written about good leadership, viable leadership styles, and all the things and aspects good leadership should entail – from values to vision to empowering employees. We thoroughly approve of all these important elements. Yet, today's most important function of leadership is still only faintly developed in organisations: the ability of sense-making.

Sense-making

Today's corporations often still retrieve their sense of purpose from a solely economic point of view. That is fine as long as only economics would be concerned by the company's existence. Yet this is no longer the case, if it has ever been. Profit and shareholder value just are not enough for thorough sense-making in today's economy. This has been true long before the current financial crisis of 2008, but has become even more apparent so. Organisations are systemically embedded into a variety of contexts transcending purely economic relations, like local structures or corporate social responsibility, for example.

Leadership defines the values of the organisation, and these values serve to define everything else the organisation does or sets out to do. By reference to economic values only, like shareholder value or the maximisation of profit, the organisation gives away an enormous potential, as in the post-modern world, the search for meaning has reached new peaks. As a direct consequence, employees can no longer be retained by money alone, but should be bonded to the organisation by a common cause and vision that both the organisation as a whole as well as the single employees can believe in and use as a foundation for their purpose and goals in their very own journey through the world.

Leadership provides the framework

The task and functions of leadership serve to provide the framework for everything an organisation does. If that framework does not exist, things will still get done, but in a senseless and arbitrary kind of way. Yet, leadership alone cannot do the whole trick. So let us turn to the operative function next: management.

2.3 Operative Management

In the following, the operative function of management within the St. Gallen Management Model will simply be addressed as **management**, consistent with the popular use of this term.

Management is often dismissed as being secondary to the role of the leader, or as being something everyone without much effort can do. We think that is not the case.

Management, although based on leadership's created organisational values, creates the actual processes and attitudes that define how the organisation deals with its actual business. It brings the rather abstract values generated and proposed by leadership into the world of the factual, ideally translating them into concrete, comprehensible options for action.

Management translates values into action

The best vision and most elaborated values do not guarantee for a successful organisation if the operational side of the business is neglected. As we will see later in this chapter at the example of start-up companies, this is where newly founded enterprises often tend to fail. They usually have a strong vision, possess a strong entrepreneurial mindset, and yet fail to implement these resources into sound operations.

Thus, the contemporary discourse on leadership and management misses the mark: It contrasts and opposes leadership and management to one another, while in fact both fulfil indispensable functions within an integrated model: Leadership provides the organisation's foundations, and management implements them in actual reality.

Yet, a third, just as important function is the strategic one neither leadership nor management can fully capture. The strategic function as the third crucial aspect to leadership and management cannot and should not be subsumed in one of the former two. In fact, we think it should be conceptualised as something else and discrete entirely, yet of course closely related to leadership and management: entrepreneurship, or the entrepreneurial spirit.

2.4 Strategic Entrepreneurship

The strategic dimension of management within the St. Gallen Management Model will in the following be considered as **entrepreneurship**, which is the ability to generate new potentials for an enterprise.

Entrepreneurship sets its sights on the future, especially on establishing new markets and new potentials for the corporation's growth. Yet, the entrepreneurial hunger for the new and the unknown is not very prominent in today's organisations. Instead, most organisations hang on to the old and hope to be able to pursue their habitual ways just a little longer, instead of squarely facing new opportunities and their accompanying challenges.

So, examples for entrepreneurship must be found somewhere else but in established organisations. Of course, we do not have to search for long: In regard to entrepreneurship, the best known examples on the topic are the young, flourishing start-ups that have aroused so much interest during the course of the last years (Faltin, Ripsas, and Zimmer, 1998).

Start-ups as entrepreneurial blueprints

Start-ups dare to venture where no established organisation cares and dares to follow. They generate the very new markets and opportunities that the established organisations long for, and the fate of probably failing is part of their promise. Yet when they succeed, and in turn are bought by one of the established organisations hoping to profit from the start-up's success, new markets, and vitality, the start-up's unique character tends to vanish before long, leaving the organisation behind in very much the same state as before, while the entrepreneurial spirit and mindset have moved on to other ventures.

On the other hand, despite their radiance, start-ups seldom see the light of maturity and grow into a full-fledged organisation on their own. First, this might be due to individual weaknesses in the start-up's business plan and chances to enter the market; second, many start-ups, despite the entrepreneurial quality of their founders, are weak on the management side, that is, the operative. They fall through because of managerial insufficiencies during their building phase or because of leadership shortcomings during their eventual transformation into a full-fledged organisation.

Thus, organisations aiming at establishing an entrepreneurial mindset for their own benefit should strive to incorporate it within their own very structure. SEgroup's body of knowledge study on Intrapreneurship (2008) provides valuable material on how this can be done.

The war for talent

A study on organisational success in the future conducted by Ed Michaels and colleagues at McKinsey in 1999 (Michaels, Handfield-Jones, and Axelrod, 2001) came to the conclusion that acquiring and retaining the most talented employees was a key success factor for the organisations of our time. Talent, in that respect, was defined in the most general sense as "the sum of a person's abilities – his or her intrinsic gifts, skills, knowledge, experience, intelligence, judgement, attitude, character, and drive. It also includes the ability to learn and grow" (ibid., page xii). For their findings, Michaels and colleagues coined the commanding term of the "war for talent".

Especially against the background of this currently occurring competition for talented employees, and the radiance of start-ups and other unconventional forms of organisations on their employees, entrepreneurship, entrepreneurial thinking, and the implementation of the two gain in importance for today's organisations as well as in regard to demands on modern leaders.

Providing orientation

Start-ups and their entrepreneurial leaders generally succeed in another vital function: that of sense-making and orientation-giving to their employees. Start-ups provide orientation by generating euphoria. Usually, a start-up's founder's vision is so strong and argued so authoritatively, that it enthral others confronted with that vision, be it

the start-up's employees or any other stakeholder. In fact, a commanding vision and overarching "sense" is regarded as one of the vital abilities of any entrepreneur (see further, SEgroup's body of knowledge study on Intrapreneurship, 2008). We think that this aspect rather demonstrates the successful marriage of the leadership and entrepreneurial function in person of gifted individuals, and is a case in point for the line of thinking we represent in this paper, Leadership 21.

All things considered, introducing and establishing the entrepreneurial mindset in the organisation as well as into leaders' and managers' minds is an essential building block for felicitous leadership as well as for organisational success in the 21st century.

3 Leadership 21: The Beneficial Balance

Balancing the above-named three aspects of leadership is the contemporary challenge we all face. Organisations that master this challenge will have a significant head start into the business of the 21st century.

Modern executive development should balance all three aspects of leadership – the leader, the manager, and the entrepreneur. Sure, depending on the executive's position, one aspect might be more stressed and of bigger functional importance than the others, yet balanced capabilities and an overall balanced curriculum for their development are vital in order to be able to live up to today's diversified demands on leaders. Deficits in individual leadership capabilities in turn may stem from each of the three respective areas, or from a failure in properly balancing the three.

Let us take a closer look on the benefits of the actual balancing of the three aspects of leadership to both the individual as well as the organisation.

3.1 Balance the Individual Portfolio: Being a Leader, a Manager, and an Entrepreneur

Balancing the three roles of leadership, i.e. the leader, the manager, and the entrepreneur, a leader is enabled to deal with a variety of demands and situations. In today's increasingly complex world, this is a useful as well as essential ability for any leader. A successful leader or executive should be able to fill out all three functions of leadership, according to the requirements of the particular moment.

Thus, a complete, balanced leader is someone who commands all three aspects of leadership and is able to balance them carefully, letting the appropriate aspect come to the fore as needed, but not dominate the others. Being guided by strong values, generating sense for one's employees and stakeholders, and focusing on practical and pragmatic gains while keeping in mind the bigger strategic picture: These are the signs of a complete and mature leadership personality.

3.2 Increasing Leaders' Resilience

Resilience is a topic of growing importance for organisations as well as individuals, as challenges for and demands on leaders grow (Boyatzkis and McKee, 2005). In general terms, resilience is the property of a material to absorb energy when it is deformed elastically and then, upon unloading, to have this energy recovered. In psychological terms, resilience is the positive capacity of people to cope with stressful situations and influences.

Combining and balancing the three functions of leadership and their corresponding abilities and qualities is an important contribution to individual resilience, as leaders are provided with the appropriate attitudes and behavioural options to deal with stressful situations productively, be it a demand from the functional, operational, or strategic realm of the organisation.

3.3 Growing Personal Efficacy

Efficacy is the capacity to produce an effect. An effective leader is able to realise his goals and objectives under a variety of circumstances and conditions, and to capitalise on the potential of the situation as much as possible (see further, SEgroup's body of knowledge study on Intrapreneurship). Balancing the three functions of Leadership 21 by the individual broadens his variety of cognitive and behavioural options, as well as his ability to more fully apprehend the potential of the situation.

Increasing personal efficacy is a challenge both to the individual leader as well as to executive management development, as most developmental programmes and portfolios up until now focus on one or, at most, two of the three aspects. Leadership 21 raises awareness for the totality of the leadership portfolio, illuminating hitherto existing blind spots and allowing for a more thorough appraisal of the organisation's leadership and executive management development.

3.4 Retaining the Talents

Also, integrating the three aspects of leadership into an organisation as a whole can help to retain and motivate executives as well as their subordinate employees. This is achieved as it offers both sides a motivation beyond the salary for those things "that money cannot buy" – like creativity.

Leadership provides sense and vision, motivating and bonding talented employees beyond mere fiscal reasons; management delivers clear-cut processes and goals, bundling demands on employees and providing clear paths to goal-attainment; and entrepreneurship creates a sense for further development and potentials the organisation as well as its employees can grow along.

3.5 Organisational Efficacy Increased

Balancing the three functions of leadership helps to increase not only the individual leader's efficacy, but the efficacy of the organisation as a whole as well.

This is due partly to the simple fact that increasing the individual efficacy of an organisation's executives likewise strengthens organisational efficacy as a whole. Furthermore, paying attention to efficacy helps to establish the concept both on an individual as well as on the organisational level, raising awareness in the organisation at large. Once the agenda is thus set and the blind spot on efficacy as a topic illuminated, awareness can trickle throughout the corporation.

All in all, a well-balanced workforce and executive pool make for a more mindful and more reflected organisation that acts more mindfully and is less prone to be surprised or overwhelmed by sudden adverse events (Weick and Sutcliffe, 2007)

3.6 HPO Reloaded

Promoting the three aspects of leadership with employees and executives will benefit the organisation as a whole, especially as the topic of the High Performance Organisation (HPO) is gaining in prominence in the current discourse of organisational development (see further, SEgroup's paper on High Performance Organisations, 2009). Leadership 21 offers insights for this topic, as well:

In fact, when allowing for all three vital aspects of leadership in the organisation's executive workforce, the goal of transforming the organisation into a high performance organisation can more easily be achieved, because operative excellence (management) and strategic focus (entrepreneurship) are established and present in the organisation. Furthermore, they are complemented by vision and dedication (leadership), thus making for a highly resounding approach amplifying an HPO impact. Organisational efficacy could thus be greatly improved.

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