



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 has contributed considerably to a better understanding of management and leadership roles. However, it considered leadership and management as oppositional to one another and failed to consider a third element which is crucial to overall successful leadership: 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 serves as a blueprint for further illustration:
 - ___ Leadership thereby fulfils the normative or visionary and sense-making function, creating the greater vision and purpose for an organisation
 - ___ Management fulfils the operative or operational function, handling the daily work and business administration of an organisation
 - ___ Entrepreneurship fulfils the strategic or explorative function, preparing an organisation for continuous success and the optimum use of its potential
- ___ Leadership 21 calls for the balancing of 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, leader and entrepreneur
 - ___ Enhancing leaders' overall resilience capability
 - ___ Increasing leaders' efficacy
- ___ Organisations as a whole also benefit from Leadership 21's integrated approach to leadership:
 - ___ Retaining talented employees is made considerably easier
 - ___ Organisational efficacy is increased, resulting in a more effective execution of tasks
 - ___ Transforming an 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 now forced to realise that these old certainties, paradigms and assumptions no longer seem to fully describe or apply to the world in which we now live. Our world is becoming more and more complex as diversification increases and spreads. Correspondingly, so too do 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 with regard to leadership.

Today's challenge: Ready-made solutions are a thing of the past

As things stand, no all-encompassing paradigm on management and leadership exists (please also refer to 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-growing complexity and acceleration of the world in general and, in particular, within the economic realm. Needless to say, this is reflected in today's discourse on leadership and management where this has certainly taken its toll.

In fact, the respective discourses on management and leadership 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 before reluctantly opening up to the qualities of leadership, the discourse then became stuck in a fight for supremacy between the two. All the while, a crucial third element has been waiting around the corner – and still is, the vital third quality which completes leadership and management: entrepreneurship.

The approach of Leadership 21

In this paper, we will use the acclaimed St. Gallen Management Model (Bleicher,

1991) as a frame of reference to assist in making 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, namely the normative, operative and strategic function, respectively. By exploring the topic in another way, namely along the lines of distinct areas of expertise such as leadership, management and entrepreneurship, we hope to raise awareness of the distinct qualities and added value of each of the three functions. In particular, entrepreneurship and its intrinsic qualities have thus 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 at the aforementioned discourse on leadership and management to see where we currently stand.

1.1 Leadership

With regard to leadership, it is said that a compelling vision and an overall provision of meaning are the crucial roles of modern leadership (please also refer, for example, to Blanchard (2007), and George (2003)).

Leadership gives orientation to an organisation as a whole, manifested in the organisation's values and a compelling vision, a reason why the organisation exists and 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 great 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 relating to the functioning of an organisation.

With regard to management, its supporters state that the real values and added value are created through competent management (please also refer, for example, to Malik (2000)). Leadership, on the other hand, is considered a wishy-washy, soft topic through which – apart from endlessly discussing hyper-visionary ideas – no real work actually gets done.

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

The following overview of 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 in contrast

Both sides certainly have their merits. However, we believe that a third vital role of a leader has – to date – been completely missing from the current discourse; 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 current times are manifested in the overlapping of three distinct, yet closely related areas of expertise: leadership per se, management and entrepreneurship (see illustration 1). We shall exemplify the functional areas which fall under each of the respective categories by the use of the St. Gallen Management Model (see illustration 2).

1.3 Entrepreneurship

Entrepreneurship (or the entrepreneurial mindset) is the crucial third constituent part which is all too often forgotten or ignored in the discourse. It embodies the entrepreneurial function within an organisation – the future-oriented thinking and the anticipation of future demands and potentials – and serves to outline the overall

corporate strategy, 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.

In the following chapter, we will take a closer look at the St. Gallen Management Model and exemplify the three distinct roles and functions each aspect of leadership brings to the table.

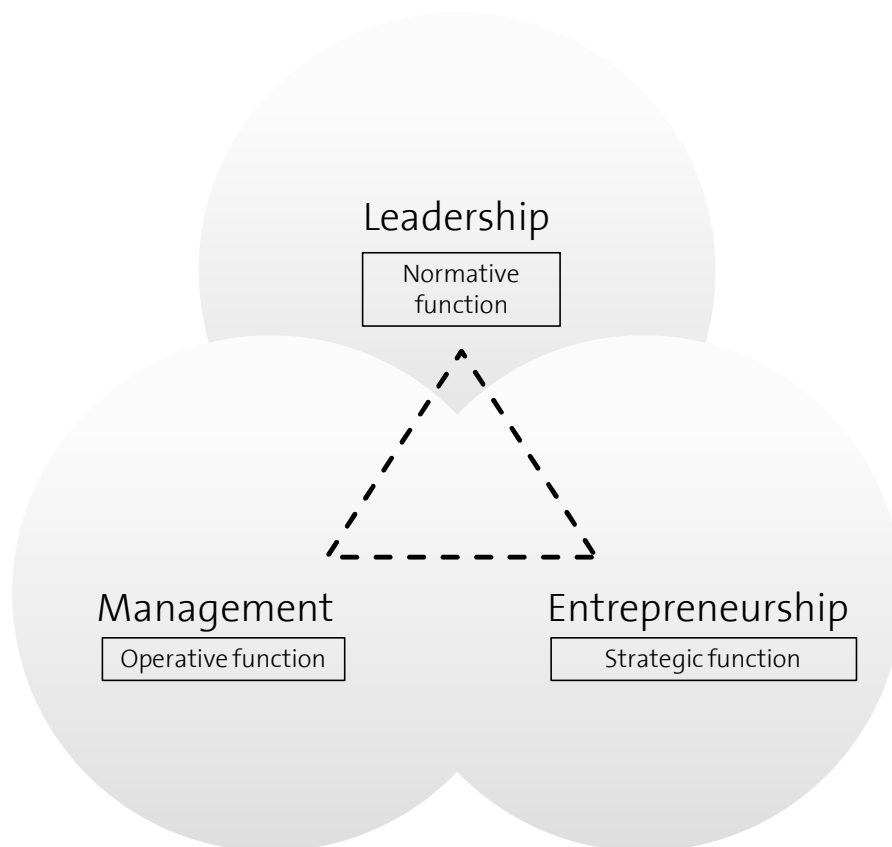


Illustration 1: The three aspects of leadership

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 developed by Ullrich and Walter in 1972 and expanded upon by Bleicher in 1991 (Bleicher, 1991). Throughout the model, the term “management” is used as a leading term, and differentiations are made along its different respective functions, namely the normative, operative and 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, thus ensuring 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 an organisation’s corporate constitution, corporate policies and corporate structure.

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 as well as its performance and cooperative attitudes.

Operative management embodies what is colloquially understood as management in general.

The strategic function

The goals of the strategic level of management are to expand 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 an organisation's structures, management systems, programmes and problem-solving attitudes.

All three functions of management are integrated along three distinct dimensions of a corporation, namely organisational structures, organisational activities and organisational behaviour.

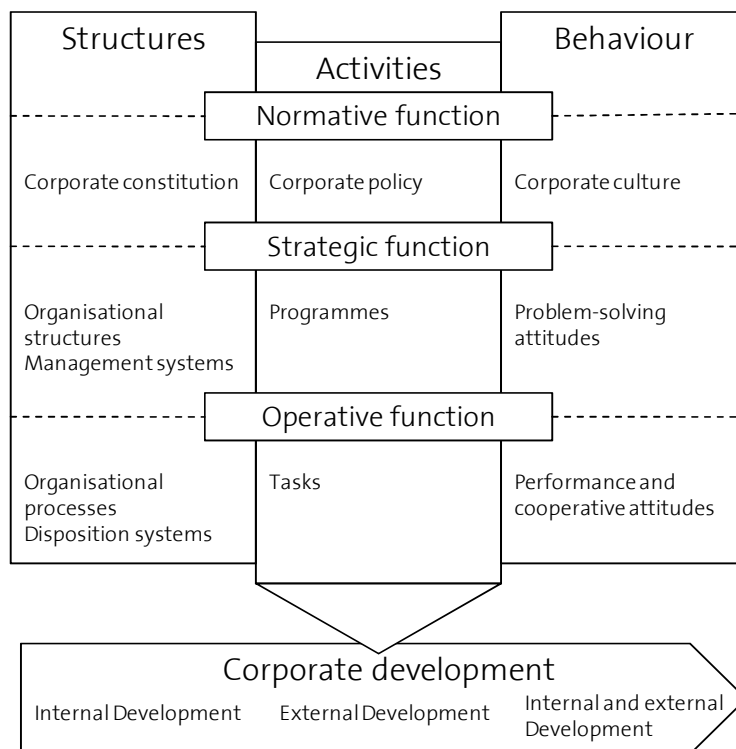


Illustration 2: The St. Gallen Management Model

2.2 Normative Leadership

In the following, the normative function of management within the St. Gallen Management Model will be termed **leadership** as that, indeed, 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 the empowering of employees. We thoroughly approve of all of these important elements. However, the most important function of leadership today is still only faintly developed in organisations: the ability to bestow meaning.

Sense-making: a sense of purpose

Corporations today still often obtain their sense of purpose from a solely economic point of view. That would be fine, of course, if economics was the only aspect affected by the company's existence. However, this is no longer the case, if indeed it ever had been. Profit and shareholder value alone are insufficient in giving an organisation a sense of purpose in today's economy. This was true long before the current financial crisis of 2008, but has become even more apparent in light of these events. Organisations are systemically embedded into a variety of contexts – such as local structures or corporate social responsibility – which transcend economic relations.

Leadership defines the values of an organisation, and these values serve to define everything else an organisation does or sets out to do. By referring solely to economic values such as shareholder value or the maximisation of profit, an organisation throws away an enormous potential, because 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 an organisation by a common cause and vision that both the organisation as a whole as well as the individual employees can believe in and use as a foundation for their purpose and goals in their very own journey through life.

Leadership provides the framework

The tasks and functions of leadership provide the framework for everything an organisation does. If such a framework does not exist, things will still get done, but in a senseless and arbitrary way. Yet, leadership alone cannot do it all. So let us now turn to the operative function: management.

2.3 Operative Management

In the following, the operative function of management within the St. Gallen Management Model will – in line with the popular use of this term – be simply termed **management**.

Management is often dismissed as being secondary to the role of a leader or as

something anyone can do without much effort. We believe that this is not the case. Management, although based on leadership's created organisational values, creates the actual processes and attitudes that define how an organisation conducts 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 the most elaborate 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 using 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 an organisation's foundations, and management implements them in 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 of leadership and management cannot and should not be subsumed in one of the former two. In fact, we believe it should be conceptualised as something else 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** – 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 a corporation's growth. However, entrepreneurial hunger for the new and the unknown is not very prominent in today's organisations. Instead of facing new opportunities and the accompanying challenges head-on, most organisations hang on to the old and hope to be able to pursue their habitual ways for just a little longer.

As a result, examples of entrepreneurship must be found somewhere other than in established organisations. Of course, we do not have to search for long: With regard to entrepreneurship, the best known examples are the young, flourishing start-ups that have been arousing 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 go. They generate the very new markets and opportunities that established organisations long for, and the fate of probable failure is part of their promise. Yet when they succeed and are, in turn, 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 in very much the same state as beforehand, while the entrepreneurial spirit and mindset move on to ventures anew.

On the other hand, despite their radiance, start-ups seldom see the light of maturity and grow into a fully-fledged organisation in their own right. First, this may be due to individual weaknesses in the start-up's business plan and chances of entering the market. Second, many start-ups, despite the entrepreneurial quality of their founders, are weak on the management (operative) side. They fail due to managerial shortcomings during their initial period of growth or because of leadership shortcomings during their eventual transformation into a fully-fledged organisation.

Therefore, organisations that aim to establish an entrepreneurial mindset for their own benefit should strive to incorporate it within their own structures. SEgroup's body of knowledge study on Intrapreneurship (2008) provides valuable material on how this can be achieved.

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 organisations of our time. Talent, in this regard, 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, the "war for talent".

Against the background of this ongoing competition for talented employees and the attraction of start-ups and other unconventional forms of organisation to employees, entrepreneurship, entrepreneurial thinking and the implementation of the two have increased in importance within today's organisations as well as with regard to the demands on modern leaders.

Providing orientation

Start-ups and their entrepreneurial leaders generally succeed in another vital function: namely bestowing meaning and giving orientation 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 who are confronted with

it, be it the start-up's employees or other stakeholders. In fact, a commanding vision and overarching "sense of meaning" is regarded as one of the vital abilities of any entrepreneur (please also refer to SEgroup's body of knowledge study on Intrapreneurship, 2008). We believe that this aspect demonstrates the successful marriage of the leadership and entrepreneurial function in 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 an entrepreneurial mindset into an 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 three above-mentioned 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. Depending on the executive’s position, one aspect might be more stressed and of greater functional importance than the others. Nevertheless, 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 to properly balance them.

Let us now take a closer look at the individual and organisational benefits of balancing the three aspects of leadership.

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

By balancing the three roles of leadership, i.e. the leader, the manager and the entrepreneur, a leader is able to deal with a variety of demands and situations. In today’s increasingly complex world, this is a useful and essential ability for any leader. A successful leader or executive should be able to fulfil all three functions of leadership, according to the respective current requirements.

Thus, a complete, balanced leader is someone who commands all three aspects of leadership and is able to balance them carefully, allowing the appropriate aspect to come to the fore when required while at the same time ensuring that it does not dominate the other aspects. Being guided by strong values, generating a purpose for one’s employees and stakeholders and focusing on practical and pragmatic benefits while keeping the bigger strategic picture in mind: These are the qualities of a complete and mature leadership personality.

3.2 Increasing Leaders' Resilience

As challenges for and demands on leaders grow, resilience is a topic of ever-growing importance for organisations as well as individuals (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 contribute greatly to individual resilience as leaders are provided with the appropriate attitudes and behavioural options to help them deal with stressful situations in a productive manner, be it a demand from the functional, operational or strategic realm of the organisation.

3.3 Increasing 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 any given situation to the greatest possible extent (please also refer to SEgroup's body of knowledge study on Intrapreneurship). When an individual balances the three functions of Leadership 21, it broadens his variety of cognitive and behavioural options as well as his ability to more fully comprehend the potential of a situation.

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

3.4 Retaining Talent

Integrating the three aspects of leadership into an organisation as a whole can help with regard to the retention and motivation of executives and their subordinate employees. This is achieved by offering both sides a motivation beyond the salary for those things – such as creativity – “that money simply cannot buy”.

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

3.5 Organisational Efficacy Increased

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

By increasing the individual efficacy of an organisation's executives, one similarly strengthens organisational efficacy as a whole. Furthermore, paying attention to efficacy helps to establish the concept both on an individual and organisational level, thereby raising awareness throughout the organisation at large. Once the agenda has been set and the blind spot of 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 reflected organisation that is less likely 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 given that the topic of High Performance Organisations (HPO) is gaining in prominence in the current discourse on organisational development (please also refer to SEgroup's paper on High Performance Organisations, 2009). Leadership 21 also offers insights on this topic:

In fact, when room is made for all three vital aspects of leadership in an organisation's executive workforce, the goal of transforming an organisation into a High Performance Organisation can be more easily achieved, because operative excellence (management) and strategic focus (entrepreneurship) are already established and present in the organisation. Furthermore, they are complemented by vision and dedication (leadership), thus making for a highly resounding approach which bolsters the expected positive effects of the HPO. Organisational efficacy could thus be greatly improved.

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