3

Leadership Skills Approach

I am amazed to see people running companies who do not have the creativity to respond in a dynamic environment. In an unforgiving, fast-paced business climate, you are infinitely better prepared if you are a creative person. Good communicators have an enormous advantage over poor communicators because so much of running a company is inspirational, external and internal, that is, inspiring your employees, shareholders, industry analysts, and customers.

—Craig Conway[1]

In a manner similar to the trait approach, the skills approach to leadership is a leader-centered perspective. But the two approaches are different in that in the trait approach, we focused on personality traits that are considered inherent and relatively stable from birth, whereas in this chapter, we focus on a person's "skills and abilities that can be learned and developed" (Northouse, 2010). Skills suggest what leaders can achieve, whereas traits suggest who they are based on their intrinsic characteristics. The skills approach implies that skills, knowledge, and abilities are required for a leader to be effective. In this chapter, we focus on two studies that defined the skills approach: Katz (1974) and Mumford, Zaccaro, Harding, Jacobs, and Fleishman (2000).

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[1]Craig Conway is the former President and Chief Executive Officer of PeopleSoft.

Katz's Three-Skills Approach

Katz's (1974) seminal article on the skills approach to leadership suggested that leadership (i.e., effective administration) is based on three skills: technical, human, and conceptual.

Technical Skills

Technical skill is proficiency, based on specific knowledge, in a particular area of work. To have technical skills means that a person is competent and knowledgeable with respect to the activities specific to an organization, the organization's rules and standard operating procedures, and the organization's products and services (Katz, 1974; Yukl, 2006). Technical skill is most important at supervisory levels of management, less important for middle managers, and least important for top managers such as CEOs and senior managers. Finally, technical skill is proficiency in working with *things.*

Human Skills

In contrast to technical skills, human (or interpersonal) skills are proficiency in working with *people* based on a person's knowledge about *people* and how they behave, how they operate in groups, how to communicate effectively with them, and their motives, attitudes, and feelings. They are the skills required to effectively influence superiors, peers, and subordinates in the achievement of organizational goals. These skills enable a leader to influence team or group members to work together to accomplish organizational goals and objectives. Human skill proficiency means that leaders know their thoughts on different issues and, simultaneously, become cognizant of the thoughts of others. Consequently, leaders with higher levels of interpersonal skills are better able to adapt their own ideas to other people's ideas, especially when this will aid in achieving organizational goals more quickly and efficiently. These leaders are more sensitive and empathetic to what motivates others, create an atmosphere of trust for their followers, and take others' needs and motivations into account when deciding what to do to achieve organizational goals. Interpersonal skills are required at all three levels of management: supervisory, middle management, and senior management (Katz, 1974; Yukl, 2006).

Conceptual Skills

Conceptual skills allow you to think through and work with ideas. Leaders with higher levels of conceptual skills are good at thinking through the ideas that form an organization and its vision for the future, expressing these ideas in verbal and written forms, and understanding and expressing the economic principles underlying their organization's effectiveness. These leaders are comfortable asking "what if" or hypothetical questions and working with abstract ideas. Conceptual skills allow leaders to give abstract ideas meaning and to make sense of abstract ideas for their superiors, peers, and subordinates. This skill is most important for top managers, less important for middle managers, and least important for supervisory managers (Northouse, 2010). We would offer one caveat. While conceptual skills are less important at lower levels of management, to be promoted to higher levels of management, it is important to develop and demonstrate this skill at all levels of management (Yukl, 2006). It is a skill that can be learned; consequently, I encourage you to take advantage of every opportunity to develop and the ability to learn conceptually.

Recent research used a four-skill model similar to Katz', which includes interpersonal, cognitive, business, and strategic skills. Results show that although interpersonal and cognitive skills were required more than business and strategic skills for those on the lower levels of management, as leaders climbed the career ladder, higher levels of all four of these leadership skills became necessary (Mumford, Campion & Morgeson, 2007).

Leadership Skills Model

This approach suggests that leadership is not just the purview of a few people born with traits that make them effective leaders. The skills approach implies that many people have leadership potential, and if they can learn from their experiences, they can become more effective leaders. This means involvement with activities and/or exposure to people and events leading to an increase in skills, knowledge, and abilities. This model is different from a "what leaders do" approach and focuses on capabilities that make leaders effective (Mumford, Zaccaro, Harding, et al., 2000; Northouse, 2010). The leadership skills approach by Mumford, Zaccaro, Harding, et al. (2000) has five elements: individual attributes, competencies, leadership outcomes, career experiences, and environmental influences.

Competencies are the most important element—the "kingpin"—in this model. Competencies lead to leadership outcomes but themselves are affected by a leader's individual attributes. In addition, the impact of leaders' attributes on leaders' competencies and leaders' competencies on outcomes is dependent on career experiences and environmental influences. In the next few paragraphs, we describe competencies, how attributes affect competencies, and how competencies affect leadership outcomes, and we briefly discuss the impact of career experiences on attributes and competencies and the impact of environmental influences on attributes, competencies, and outcomes.

Leader Competencies

Mumford, Zaccaro, Harding, et al. (2000) identified three competencies that result in effective leadership: problem solving, social judgment, and knowledge. These three work together and separately to affect outcomes.

Problem-Solving Skills. These are creative abilities that leaders bring to unique, vague, "hard to get a handle on" organizational problems. These skills include the following: defining problems and issues that are important, accumulating information related to the problem/issue, developing new ways to comprehend each problem/issue, and developing unique, first-of-its-kind alternatives for solving the problems/issues. Problem-solving skills operate in the context of an organization and its environment and require that leaders be aware of their own capacities and challenges relative to the problem/issue and the organizational context (Mumford, Zaccaro, Connelly, & Marks, 2000). The solutions or alternatives developed to solve problems and issues require that leaders be conscious of the time required to develop and execute solutions—whether the solutions are achieving short-term and/or long-term objectives, whether these objectives are organizational or personal, and the external context such as the industry, national, and international environments (Mumford, Zaccaro, Harding, et al., 2000).

Social Judgment Skills. These are skills that enable leaders to comprehend people and the social systems within which they work, play, and have a social life (e.g., friends and family) (Zaccaro, Mumford, Connelly, Marks, & Gilbert, 2000). Social judgment skills facilitate working with others to lead change, solve problems, and make sense of issues. Mumford and colleagues (Mumford, Zaccaro, Harding, et al., 2000) outlined four elements important to social judgment skills: perspective taking, social perceptiveness, behavioral flexibility, and social performance.

Perspective taking is sensitivity to others' objectives and perspective; it is an empathic perspective to solving problems, and it means that leaders actively seek out knowledge regarding people, their organization's social fabric, and how these two very important areas of knowledge intersect with each other.

Whereas perspective taking is associated with others' attitudes, *social perceptiveness* is about leaders knowing what people will do when confronted with proposed changes. *Behavioral flexibility* means being able to change what one does when confronted with others' attitudes and intended actions based on knowledge gained through perspective taking and social perceptiveness, respectively. Leaders with behavioral flexibility understand that there are many different paths to achieving change and the goals and objectives associated with change.

Social performance means being skilled in several leadership competencies. Some of these are abilities in persuading and communicating in order to convey one's own vision to others in the organization, abilities in mediation that enable the leader to mediate interpersonal conflict related to change and to lessen resistance to change, and abilities in coaching and mentoring by giving subordinates support and direction as they work to achieve organizational objectives and goals.

To summarize, Northouse (2010) stated that

> social judgment skills are about being sensitive to how your ideas fit in with others. Can you understand others and their unique needs and motivations? Are you flexible and can you adapt your own ideas to others? Last, can you work with others even when there are resistance and change? Social judgment skills are the people skills required to advance change in an organization.

Knowledge. Knowledge is the gathering of information and the development of mental structures to organize that information in a meaningful way. These mental structures are called schema, which means a diagrammatic representation or depiction. Knowledgeable leaders have more highly developed and complex schemata that they use to collect and organize data. Knowledge is linked to a leader's problem-solving skills. More knowledgeable leaders are able to consider complex organizational issues and to develop alternative and appropriate strategies for change. Knowledge allows leaders to use prior incidents to constructively plan for and change the future.

Individual Attributes

Mumford and his colleagues (e.g., Mumford, Zaccaro, Harding, et al., 2000) identified four attributes that affect the three leader competencies (problem-solving skills, social judgment skills, and knowledge) and, through these competencies, leader performance.

General Cognitive Ability. Think "perceptual processing, information processing, general reasoning skills, creative and divergent thinking capacities, and memory skills" (Northouse, 2010). This is a brief description of general cognitive ability. This type of intelligence grows as we age to early adulthood but declines as we grow older. General cognitive ability positively affects a leader's ability to acquire knowledge and complex problem-solving skills (Northouse, 2010).

Crystallized Cognitive Ability. Think "intelligence that develops because of experience." As we age and gain more experience, we acquire intelligence—this is crystallized cognitive ability. This type of intelligence remains relatively consistent and generally does not diminish as we age. As our crystallized cognitive ability increases, it positively affects our leadership potential by increasing our social judgment skills, conceptual ability, and problem-solving skills.

Motivation. Motivation affects leadership competencies in several ways. We discuss three ways in which motivation helps in the development of leadership competencies. First, a person must want to lead—there must be a willingness to engage in solving complex organizational issues and problems. Second, leaders must be willing to exert influence—to be willing to be dominant within a group of people. Finally, the leader must be willing to advance the "social good" of the organization (Northouse, 2010; Yukl, 2006).

Personality. This is the fourth attribute positively linked to leadership competencies. Northouse (2010) gives three examples of personality that affect how motivated leaders are able to resolve organizational issues and problems. They are tolerance for ambiguity, openness, and curiosity. Leaders with confidence and adaptability may be helpful in situations of conflict. The skills model suggests that personality traits that aid in developing leader competencies lead to better leader performance (Mumford, Zaccaro, Harding, et al., 2000).

Leadership Outcomes

Individual attributes lead to leader competencies, which lead to leadership outcomes. It is noteworthy that without the development of leader competencies, individual attributes may have little effect on leadership outcomes. This reminds us that the leadership competencies element is the "kingpin" component of the leadership skills model. We discuss two leadership outcomes: effective problem solving and leader performance.

Effective Problem Solving. Mumford and his colleagues (e.g., Mumford, Zaccaro, Harding, et al., 2000) developed the skills model to explain variation in the ability of leaders to solve problems—this makes it a capability model. An effective problem solver develops unique, original, and high-quality solutions to issues and problems. Leaders with higher levels of competencies will be more effective problem solvers.

Performance. This outcome refers to the individual leader's job performance—how well he or she has performed. This is usually evaluated by objective external measures. Better performance leads to better evaluations. Leaders whose performance is better will receive

better annual evaluations, larger merit pay increases, and recognition as better leaders. Effective problem solving and leader performance are linked, even though they are separate ways of measuring leadership outcomes.

Career Experiences

Career experiences affect both individual attributes and leadership competencies. We believe that some career assignments may develop a leader's motivation to be a better problem solver or be better at interacting with people. These career assignments may also help increase a leader's crystallized cognitive ability. Of course, this depends on being in assignments that have been progressively more difficult, with long-term problems and issues, and at increasingly higher levels in the organization's hierarchy. Arguing that leaders develop as a result of their career experiences suggests that leaders can learn leadership abilities and are not necessarily born with leadership abilities (Mumford, Zaccaro, Harding, et al., 2000; Northouse, 2010).

Environmental Influences

These are factors that are external to individual attributes, leader competencies, and career experiences and that affect leadership outcomes along with the effect of individual attributes through leadership competencies. We will not discuss particular external influences. However, we acknowledge that they exist and that they may affect a leader's ability to be an effective problem solver. They are factors that are considered beyond the control of the leader. Of course, leaders who use the environment as an excuse for their poor performance may not be allowed to continue in their leadership role/position if external factors are not the real cause of poor performance. Top-tier leaders use the environment with great caution and only when they are sure it is the real reason.

How Does the Leadership Skills Approach Work?

The leadership skills approach is mainly a descriptive model. This approach allows students of leadership to comprehend what it takes to be an effective leader rather than offering prescriptive ways to be an effective leader.

Katz's (1974) three-skills approach implies that where one is in an organization determines how important each skill is to a leader's effectiveness. The leadership skills approach (Mumford, Zaccaro, Harding, et al., 2000) is a much more complex model of leadership effectiveness that is based on rigorous research conducted on U.S. Army officers who ranged in rank from second lieutenant to colonel. This model suggests that leadership effectiveness as measured by outcomes is a direct result of leader competencies and the indirect result of individual attributes working through leader competencies. Finally, the model contends that career experiences work indirectly to affect leadership outcomes, while environmental influences work indirectly and directly to influence leadership outcomes.

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⊠ The Cases

Coaching for Exceptional Performance Workshop

Informal coaching opportunities occur in the course of daily activities. In this workshop, students are provided with ways to improve their responsiveness to these opportunities. The format is a series of sessions in which students and each member of their teams, in turn, play the role of the director of operations for a software products business. Two staff members drop in to see the director, on their initiative, to ask for ideas, help, guidance or a decision on an issue. The director knows key details about each staff member's background and development needs, but does not know in advance what the specific issues or concerns are. It is necessary to explore these issues or concerns before any decision can be made. The students' performances are videotaped and critiqued in terms of identifying each staff member's problem(s); the effectiveness of responses to the immediate problems; and contribution to that staff members' longer-term growth or awareness through coaching.

Consulting for George Lancia

A young recent graduate has just been hired as a consultant by the tired owner of a small syndicate. His task is to solve the many problems existing within the various businesses, including restaurants, real estate, and a retirement home. The financial situation is severe, and there are several personnel conflicts. He must resolve these problems while effectively managing the owner.

⊠ The Reading

Train Dogs Not Leaders

Leaders can be trained, but highly successful leaders, this author writes, can be developed. The burden is on the organization to develop leaders—to actively involve leaders in recruitment and selection, development, career-move decisions and other leadership activities. These executives also recruit the best prospects, challenge them constantly and manage them. Leadership, the author notes, may be the only sustainable advantage today, which is why it should never be left to chance.

Coaching for Exceptional Performance Workshop

Prepared by Jane Howell

⊠ Overview

The objective of the Coaching for Exceptional Performance Workshop is to improve your responsiveness to informal coaching opportunities that occur in the course of daily activities.

The format of the workshop is a series of sessions in which you (and each member of your team in turn) will play the role of Terry Hepburn, the director of operations for the software products business of the Multi-Product Manufacturing (MPM) Company. Two of your staff members will drop in to see you, on their initiative, to ask for your ideas, help, guidance or a decision on an issue. You have only six minutes to see each staff member in this informal coaching session since you have to leave for another important meeting at head office.

Terry Hepburn knows key details about each staff member's background and development needs but does *not* know in advance what the specific issues or concerns are. It will be necessary to explore these issues or concerns before any decision can be made. Depending on the situation, the staff member may be looking for your ideas, guidance or emotional support rather than for an actual decision.

The *quality* of your coaching performance as Terry Hepburn will be critiqued in terms of: your identification of each staff member's problem(s); the effectiveness of your responses to the immediate problems; and your contribution to that staff member's longer-term growth or awareness through coaching.

⊠ How the Role Play Works

Every member of your team will play the role of Terry Hepburn in turn. When each person does so, the other team members will play staff roles.

Each of the staff roles is typical of those you might meet in any organization:

- an over-conscientious manager who is very critical of staff and who can't delegate;
- an insecure supervisor who is very reluctant to make decisions and take responsibility;
- a frustrated supervisor whose ambitions have not been taken seriously and who has been passed over for promotion;
- an ambitious and talented analyst who pushes hard for recognition;
- a very competent manager who is eager for promotion;
- a brilliant engineer who lacks interpersonal and conflict resolution skills;
- a dedicated production supervisor who believes manufacturing should be the company's number one priority.

You will also take a turn playing the role of one of these staff members for the purposes of visits to other team members when they are acting as Terry Hepburn. You should play your staff role with conviction and sincerity.

Your facilitator will set up the sequence of coaching interviews, and give you further details of the staff character you are to play.

⊠ Summary

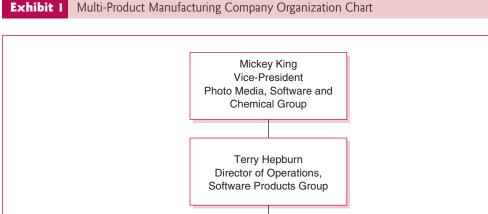There will be as many 12-minute rounds as there are members on your team.

In one round, you will be Terry Hepburn, director of operations; you will meet with two of your staff members and deal with the issues they bring to you.
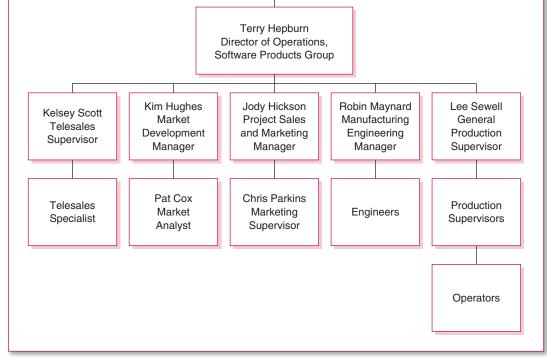
In two other rounds, you will be a staff member visiting Terry Hepburn to discuss an issue you have.

✉ Multi-Product Manufacturing (MPM) Company

An organization chart of the MPM Company can be found in Exhibit 1. A brief description of the job responsibilities and functions follows.

Exhibit 1   Multi-Product Manufacturing Company Organization Chart

Mickey King	Vice-President, Photo Media, Software and Chemical Group
Terry Hepburn	Director of Operations, Software Products Business

Terry's Staff

Kelsey Scott	Telesales Supervisor: supports all group products (four telesales coordinators and one specialist)

Kim Hughes — Market Development Manager: supports all group products under Mickey King's sector (three analysts, including Pat Cox)

Jody Hickson — Project Sales and Marketing Manager, Software Products Business: two regional sales managers, one marketing supervisor (Chris Parkins), one secretary/assistant

Robin Maynard — Manufacturing Engineering Manager, Software Discs: responsible for technical aspects of manufacturing the product, i.e., quality improvements, cost improvements (five engineers)

Lee Sewell — General Production Supervisor: responsible for all aspects of manufacturing software discs (three shift supervisors and 10 process workers)

Functions

Telesales

- expand sales revenue through selling to C and B accounts in Mickey's group;
- implement special project assignments that expand sales for various businesses

Market Development

- develop new markets and track competitive activity

- liaise with MPM Company's key distributors

Project Management

- responsible for all aspects of marketing and sales of current business and developing new business opportunities

Engineering

- support manufacturing in both day-to-day and long-term troubleshooting with respect to the technical aspects of manufacturing the product, i.e. quality improvements, cost improvements;
- to investigate, recommend and implement modifications to processing equipment

Manufacturing

- manufacture the product, meeting cost, quality and service goals

✉ What You Already Know About Your Staff Members

Kim Hughes—Market Development Manager, Photo Media, Software and Chemical Group

Kim, age 35, has been employed by MPM Company for 14 years, seven years in the current position. Kim leads a group of three analysts, including Pat.

Kim is meticulous and accurate at administrative tasks, completes assignments on time, and avoids risks at all costs. Kim tends to over-supervise staff members in order to guarantee that their work is perfect. Due to poor delegation skills, lack of rapport with staff members, and drive for perfection, Kim works overtime practically every

evening. In your opinion, Kim has peaked as far as promotion potential is concerned.

You assigned Kim to assist your boss, Mickey, on a feasibility study for a new information system to track sales leads.

Pat Cox—Market Analyst for Kim in Market Development

Pat, age 27, joined MPM Company as a market analyst 18 months ago. Pat shows intelligence and initiative, and tries to broaden his/her knowledge of departmental activities. Pat has made several creative procedural recommendations, which have been successfully implemented.

Pat is ambitious and easily bored with routine work. Kim has complained about Pat's careless attention to detail.

Terry believes Pat will be ready for promotion or transfer within six months.

Kelsey Scott—Telesales Supervisor, Photo Media, Software and Chemical Group

Kelsey Scott, age 31, has worked in the manufacturing industry for 10 years, the last six with MPM Company. Kelsey's tenure in the telesales supervisor role is three months. Kelsey's performance as an analyst was adequate and Kelsey was promoted to the current role as the best of a weak group of candidates.

Kelsey lacks self-confidence, is reluctant to make decisions, and avoids confronting staff with mistakes. Kelsey constantly brings simple problems to Terry to solve.

Jody Hickson—Project Sales and Marketing Manager, Software Products Business

Jody Hickson, age 31, joined MPM Company four years ago, and has been in his/her current role for two years. Jody has been designated as a high potential employee. Previously, Jody was an executive account manager at Xerox The Document Company, and has developed a rich network of contacts in the local business community over time. Recently, Jody has been hinting to you at every opportunity that the timing is right for a promotion to a higher-level sales management position.

Chris Parkins—Marketing Supervisor, Software Products Business

Chris Parkins, age 41, has 18 years of marketing experience, 12 years with MPM Company, eight years in the present position. Chris lacks a university education, but is totally familiar with marketing practices. Chris's current performance is satisfactory.

Your major concern about Chris is lack of ambition and creativity. Chris could be marginally effective as a manager although you have serious doubts about Chris's ability and motivation to advance.

Robin Maynard—Manufacturing Engineering Manager, All Products in Mickey's Group

Robin Maynard, age 42, has been with MPM Company for four years, working for Terry in Mickey's businesses. Robin is a brilliant engineer but needs to work on interpersonal skills. Robin has a tendency to be short with people and unable to empathize. Robin views engineering as the most important function in the company and therefore undervalues other colleagues' contributions.

Lee and Robin have difficulty resolving their own disputes and tend to look to higher management for solutions.

Lee Sewell—General Production Supervisor, Software Products Business

Lee, age 38, joined MPM Company 10 years ago and has been in his/her current position for three years. Lee has broad exposure to manufacturing across the company and takes great pride in achieving monthly production and revenue targets. Lee is fastidious about safety and ensures all precautions are taken in the manufacturing process. At times Lee can have too narrow a focus on "process" at the risk of losing sight of costs.

Lee has difficulty with the way engineering prioritizes its projects and feels manufacturing process issues must be first and foremost at all times.

Consulting for George Lancia

Prepared by Michelle Linton under the supervision of Elizabeth M.A. Grasby

Cam Matthews shook his head as he looked over the financial statements in front of him. It was June 1993, and he had been hired as a consultant to bring George Lancia's organization under control. George, who wanted a break from the management of his various businesses, was concerned about the successes of his investments. Cam, a 24-year-old recent business graduate, knew upon reading the statements that the financial position was worse than George realized. Cam's foremost concern was how to manage and to relate to George. Cam believed significant changes would have to be made. He wondered what problems he should anticipate.

⊠ George Lancia

George Lancia was the 45-year-old owner of the organization. He had worked on his own in order to support himself through high school. Upon graduation, he worked as a surveyor's assistant for two years, after which he sold securities for five years. At various times during these years he had owned a movie theatre, a drive-in theatre, and a restaurant. He had also begun to buy and sell real estate, including rental properties, and had created a substantial amount of wealth through these dealings.

In 1985, George was approached by Kevin Gibson with the idea of leading a syndicate to invest in several fast food restaurants in Eastern Ontario. George agreed to invest in this venture. By 1988, the restaurants' performances had failed to improve and George was forced to buy out the other investors.

Three years later, George was approached with another investment opportunity, a nursing home and retirement lodge in the small town of Sterling, Ontario. George responded with an offer that was accepted in principle; however, the actual agreement was still being completed by the lawyers.

George built a new house in 1991. By this time, all of his cash was tied up in six restaurants, the retirement home, the rental properties, and the new house.

⊠ Management Structure

George's investments were set up as individual, numbered corporations. In theory, this structure

was intended to protect him from personal liability and to save the structure from problems in a single unit. However, two sources of exposure could not be avoided. Both George's reputation and his borrowing ability within this very small town would be hindered if any of the individual corporations were to go bankrupt. The banks and creditors had recently begun to ask for personal guarantees on any new debt requested by George.

In general, George made all decisions and approved all spending. His primary source of control was monthly financial statements, which he often viewed several months late and did not trust the accuracy of. He seldom had direct contact with his front-line employees.

George's secretary, Sharon, was 23 years old and had received a college diploma in bookkeeping. Sharon had been named the controller of the company. She prepared financial statements, managed the payroll, and handled supplier relationships. Her assistant, Caroline, who was 24 years old with a commerce degree from Brock University, helped Sharon prepare the financial statements. Both women had a difficult time remaining productive during the day; statements were occasionally late or inaccurate. George was aware of this situation but wondered how the office computers would be run and the filing and banking handled without Sharon and Caroline. Because George wished to avoid any conflict, Sharon had an effective veto on the decisions in her area.

Restaurants

Kevin Gibson was the general manager of the restaurant operations. He was 22 years old when he started working for George. Kevin had no formal management education but had managed fast-food restaurants since the age of 18. George had given him full control over decisions at first, claiming that he "would totally step aside and let Kevin do his thing." When commenting on his own management approach, George said he "preferred to sell an idea rather than tell people what to do." George would review the monthly financial statements and then hold "grilling sessions" during which he would ask Kevin for explanations of any apparent poor results. Kevin would then be asked to project the next month's results. George would write down these projections and file them to be pulled out and pointed to during next month's "grilling session." George received other information informally from time to time, in the form of phone calls from banks, suppliers, employees, or the franchiser, whenever there were problems.

For various reasons, Kevin was unable to provide positive results over time, causing George to lose patience and to take back the formal authority. Currently, Kevin had no authority to make any decisions without George's approval; however, he did anyway. Most of the restaurant staff and suppliers had never heard of George and assumed Kevin was the owner. George wondered who would manage the restaurants if Kevin left and therefore did not want to create any friction between himself and Kevin. Additionally, George hoped Kevin would repay the money he had loaned him on a handshake to finance Kevin's house.

Jeff Cranney, a 35-year-old with no management education or former management experience, managed the restaurant in Cobourg. He had invested a substantial amount of cash to build the store in 1991 and currently held 49 per cent of the shares. However, this restaurant was not managed effectively and had significant operating problems. George was worried that he would be forced to buy Jeff out if these concerns were addressed.

John and Lucy Wilson approached George in September 1992 and asked him to sell them the restaurant in Peterborough. They provided two houses as a down payment and intended to pay the rest over time. From the perspectives of the bank, the employees, and the landlord, George remained responsible for the asset. John and Lucy were middle-aged with no management education or supervisory experience.

John worked as a linesman for a power company; Lucy was a health care aide. George wanted to avoid any conflict here as well to prevent "being left with a real mess."

The Sterling Manor

The Sterling Manor was a nursing home and retirement lodge that housed 62 residents and employed close to 50 employees. The negotiations between George and the retirement home's initial owners, the Vaughans, were intense. The Vaughans, the Ministry of Health, and the bank had expressed considerable doubt about George's ability to run the home successfully. It was expected that any additional conflicts or problems would further hinder their perception of him.

At the same time, major changes in the industry were pending. The government had developed stricter regulations to increase the level of quality and service in the industry. These regulations stipulated how the funding should be allocated among nursing, food services, and housekeeping. These changes would reduce net profit considerably, and management would face a much greater challenge than before, when financing was plentiful and regulations minimal.

Linda Baxter was the administrator of the Sterling Manor. She had been a nursing assistant for 25 years and had a diploma in long-term care management. Linda was very personable and concerned about doing a good job. However, she lacked several important technical skills regarding computers, time management, and supervising. She had been hired by the Vaughans and continued to report to them on a regular basis. Whenever she and George disagreed, Linda stated that she still worked for the Vaughans and threatened to seek their decisions. The administration of the home was very disorganized. Phones went unanswered, and Linda's desk was piled with paperwork and mail dating back to 1989. Linda lacked focus or direction and felt that she was accomplishing very little. With the pending regulations, Linda was worried that others would question her competence; therefore, she reacted defensively when anyone attempted to get involved in her work.

Heather Irvin was the director of nursing at the Manor. She was a registered nurse with 30 years' experience. Heather found it difficult to organize and run a staff while dealing with all the conflict and confusion among George, Linda, and the Vaughans. She recognized the importance of management control in a nursing organization, where health and lives are at stake. It was her opinion that Linda did not understand how to operate a health business. So, in order to protect her own position, Heather refused to listen to Linda. Instead, she complained constantly to George about Linda. Because George knew very little about nursing, he could not effectively evaluate Heather's work. He worried about what would happen if she quit. He had not heard any negative comments from anyone else about her work, so he basically gave her complete freedom.

Real Estate

Margaret Dennett managed the apartment building in Belleville. She had been given authority to make decisions about the tenants and daily operations but continually called George about problems she encountered. George did not have the time to find a replacement for her and therefore, to prevent upsetting Margaret, did not attempt to change the situation.

✉ Performance

Restaurants

The restaurant operation had performed poorly for the past three years. The stores had reached their overdraft limit several times, and George had been forced to inject $70,000 from his personal line of credit. Labor productivity

was low, quality and service were substandard, current marketing activities were expensive and ineffective, and relations with banks, suppliers, and the franchisers were very poor. In the spring of 1993, Kevin had diverted $70,000 cash from the restaurants to secure equipment and working capital for an ice cream store, a venture that had lost $3,000 per month since its inception.

The Sterling Manor

The Sterling Manor had been barely breaking even for the past several months and was near its overdraft limit. The new union was in the midst of contract arbitration that, when completed in late 1993, would likely expose the home to a retroactive wage settlement of between $200,000 and $500,000. Whenever George accumulated money in the business, the Vaughans withdrew it as advance payment on the Manor's purchase price. George did not want to jeopardize the sale and was therefore reluctant to approach the Vaughans about this.

George did not understand the Ministry of Health's new funding model and did not know whether the home would be a good purchase, or even if it would survive, under the new system. George did not seem aware of the severity of the Manor's financial position.

George had almost reached the limit of his personal credit line and could not count on significant cash flows from his businesses in the short term. He had pledged to limit his withdrawals from the Manor; there were minimal funds coming from the restaurant operations; and recent vacancies had eliminated any positive cash flow from his rental properties.

✉ George and Cam

George and Cam had met several times during the spring of 1993. By this time, George was tired and wanted nothing more than to hand over the reins of his business to someone else and step back for a while. He wanted to remove himself from day-to-day management of all assets and to remain merely as a hands-off investor. In June, George hired Cam as a consultant, asking him to prepare a plan to bring the organization under control, specifically, to "find a way to clean up all the junk on my plate."

Cam had graduated in 1992 with a degree in business administration from Wilfrid Laurier University and had started working as a consultant to medium-sized businesses. His experience consisted of co-op positions[2] with large companies, part-time restaurant management during school, and research and consulting since his final year of school.

During their initial meetings together, George repeatedly said to Cam:

> I've promoted myself to the level of my own incompetence. I know that now, and so from here on, I'm going to be like Henry Ford—I'm going to hire the expertise that I lack myself. That's where you come in—you have the education that I missed out on. I'll give you the benefit of my 25 years' experience in business, and you give me the benefit of your education.

Cam knew from the start that it would be a grave mistake to underestimate the value of George's "school of hard knocks" education, but felt that he, too, had several significant contributions to make. Cam wondered where to start. He wanted to make sure he had a good understanding of the organization and its problems before he made recommendations or attempted any changes. Cam also wondered if he should expect any problems in dealing with George.

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[2]The university offered a business program that combined regular course work with work terms at various companies.

Train Dogs, Develop Leaders

By Jeffrey Gandz

There is an old Chinese proverb: "Give a man a fish and he will eat for a day. Teach a man to fish and he will eat for the rest of his life." But what happens when there are no more fish to catch?

That is the limitation with training. Successful training ensures that a person will act predictably in response to a given stimulus. Pavlov trained dogs to respond to bells and the provision of food . . . so well, indeed, that they even salivated when the food was not presented. And B.F. Skinner was able to train chickens to behave predictably with a wide variety of different reward ratios.

I am not arguing against training. People need knowledge and skills to develop the competencies required to do their jobs. But what does this have to do with leadership? Organizations need leaders to be able to assess situations that are frequently complex and seldom identical to past situations. Leaders must recognize patterns without assuming that a situation is identical to one they have encountered before. They must be able to use analogies to make inferences, and figure out what to do when they encounter new situations. In short, they must use and develop their judgment to the point where it becomes wisdom.

In the pursuit of leadership talent, organizations tend to hire for knowledge, train for skills, develop for judgment—and hope for wisdom. When wisdom does not materialize, they are forced to hire it. Certainly, there is nothing wrong with selective hiring, but organizations should hire to enrich their gene pool, not because their internal reproductive system has failed.

When organizations look at their leadership pipelines, the demographic facts of life stare them in the face. Through the last two decades, the severe, short-lived recession and painful downsizings of the 1980s taught them how to stay lean. Out went multiple layers, "assistants-to" and the narrow spans of control that allowed leaders to spend time developing people. Senior executives could boast of personally "managing" 20-30 people by e-mail. But "lean" turned into anorexic as organizations starved their people of developmental experiences and the counselling of those who had gone before.

Now organizations have 50-somethings with judgment and wisdom, but their 30-somethings have only skills and knowledge. The question is, can organizations accelerate the development of this leadership talent?

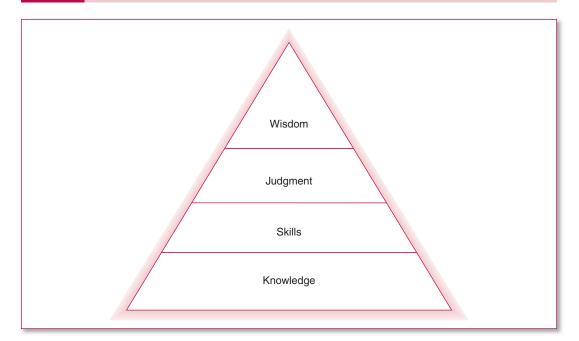## ⊠ Leadership Can Be Developed

In the unending nature-versus-nurture debate about leadership, I stand firmly in the middle Leaders are 'born', innate leadership talent can be accelerated But not everyone with skills and knowledge will develop judgment The challenge of human resource development is to

accelerate the development of high-quality leadership in organizations, increase the yield of mature leaders from the pool of high potentials, and create a *pipeline* of management talent that delivers leaders where and when they are needed (While the term 'leadership pipeline' has been used by many authors over many years, it is described in greatest detail in *The Leadership Pipeline*, by Ram Charan, Stephen J. Drotter and Jim Noel, Jossey-Bass Publishers, 2001; also see article, The Leadership Pipeline, by Charan and Drotter, *Ivey Business Journal*, May/June 2001).

Research in the field of leadership development is not conclusive, but my 25 years of teaching experience leads me to several conclusions:

- It pays to start with excellent talent. This requires the commitment of senior executives because recruiting the very best prospects is both expensive and challenging Top performers are the best recruiters of top talent.

- It pays to channel high potentials into the "right" experiences. Challenging job assignments and well-designed learning programs encourage individual development.
- Learning does not simply "happen." "Doing" without reflecting does not lead to learning. When learning is combined with "doing"—the concept of action-learning—the loop is effectively closed. This also happens when individuals receive excellent coaching from caring mentors. It does not happen when high potentials are assigned to supervisors who have no interest or skill in leadership development.
- Development must be integrated with personal career management and organizational development. It is pointless and expensive to pour money into developing people who have no leadership challenges.

| **Figure 1** | Hierarchy of Leadership Development |

- There must be "on-" and "off-ramps." Some high potentials are late bloomers. Others fail to live up to their original promise or decline to commit to their own development.
- High potentials must be managed differently. They are high-maintenance and their development must be accelerated. They require frequent, in-depth, project-based performance reviews and consistent reassurance that they are high-potentials.
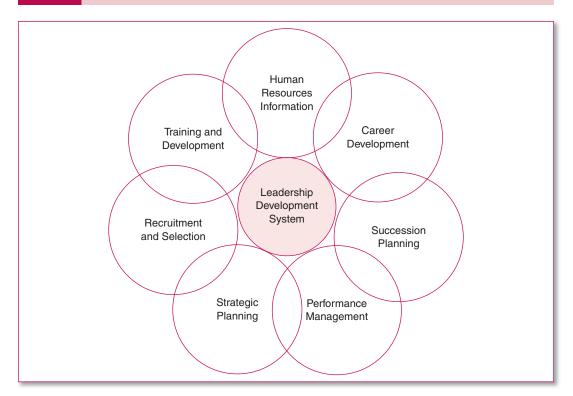
✉ The Role of HRD in Leadership Development

Human resource departments play an important role in leadership development, especially in multidimensional businesses or conglomerates. The best organizations view leadership development as a treasury function. They centralize ownership of high-potential leaders and their value to the organization, rather than downloading responsibility to the departments where the high potentials happen to be working.

The onus is on the HR Development function to:

Make the connection between corporate and business-unit strategies. When leadership development is disconnected from strategy, the leadership pipeline becomes clogged or sucks air. High potentials leave the organization for lack of opportunities, or the organization struggles to implement strategies without leadership resources.

Integrate critical HR systems around the leadership development challenge, as shown in Figure 2. Common flaws in HR

| **Figure 2** | Integrated Leadership Development Systems |

development are: development without succession planning, information systems that are inadequate for inventorying talent and experiences, and assessment and evaluation systems that make no allowance for talent spotting and deployment.

Manage the development and deployment of the infrastructure of leadership development activities, including assessments, evaluations, programs, courses and career tracking.

Advise and consult on individual career plans and developmental moves, working with candidates, supervisors, mentors and top management.

Brief management on developments in leadership thinking.

Seek and evaluate "outside" leadership development resources (e.g., consultants, academics, organizations).

Benchmark development leadership practices against high-performing organizations.

✉ A Commitment to Leadership Development

Some 30 or 40 years ago, everyone assumed that great grapes grew only in selected regions of certain countries, and that great wines developed from those grapes as a matter of chance. Vintages that showed promise were left to mature for many years. No longer. As a result of the careful selection, feeding and pruning of vines, yields have increased and maturation periods have decreased. Excellent wines are produced in shorter time frames and in regions of the world previously known only for their "plonk."

It is no accident that some companies have great leadership bench strength and others do not. That is because some companies work at developing leadership. Their senior executives are actively involved in recruitment and selection, development, career-move decisions, and other leadership activities. They recruit the best prospects, challenge them constantly, manage them centrally and locally, and utilize the "off ramp" when the candidate wants to abandon the fast track or his or her potential does not match the needs of the organization.

In an increasingly competitive and boundaryless world, leadership may be the only sustainable competitive advantage. That is why leadership should never be left to chance.