
THE
GOOD WORK COMMISSION

Provocation Paper 5

After the collapse: Post recession leaders and leadership

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Executive summary

- The financial crisis and recession have brought additional focus on the question of leadership. Leadership is closely connected to current debates about corporate failure, regulation, governance and the restoration of business purpose (and indeed to good work).
- Few obvious points of principle separate leaders who have fared well from those who have not. Some notable deal-makers have survived, others have not; some firms with long-term share ownership schemes have gone bankrupt or been rescued, as have firms with strong independent voices on their boards.
- The events of the past couple of years also reflect internal debates within the study of leadership. The risks of identifying great leadership with individual leaders are well-demonstrated. 'Collective' or 'dispersed' leadership models that play down the role of individuals are increasingly prominent. Such models have served to complicate what leadership is really about – relationships and processes become central.
- The history of leadership indicates substantial disagreement about what the central subject of leadership is. For example, leadership can be identified with character traits, with behaviour, with activity, or with interactions.
- Leadership is unlikely to owe its popularity to the efforts of researchers. Research has helped validate a number of key points: the value of individual leaders, some aspects of leadership education and the value of management practice and management skills. Others remain in need of clarification, for example *how* leaders make a difference to their organisations.
- Newer research in leadership is now attempting to identify what it is that separates 'outstanding' from merely 'good' leaders. Some points of distinction stand out: outstanding leaders prioritise the development of people, have a more systemic view of their organisation and are willing to 'give power away'.
- The restoration of corporate leadership is likely to begin from a renewed sense of business purpose as a foundation of the ability to engage with staff – a convergence of good work issues and approaches with leadership.

1. Crisis lessons

Does the crisis of 2008-9 have anything to say about leadership?

Lesson one is the most obvious: it failed. Leadership is always the answer to the world's agonies and setbacks – and simultaneously at the heart of them. There are some individual examples of great leadership in response, but more glaring is that the crash in the financial system exposed profound weaknesses in its business model, governance, regulation and, yes, leadership. The same weaknesses were not exclusive to banking. The over-arching goal of business as a whole had become the pursuit of shareholder value, both as a method of motivating management and of generating maximum returns, while other objectives, such as ensuring that the business model was sustainable and operated with integrity, were apparently de-prioritised. The period from Enron's collapse in 2001 to Lehman's bankruptcy in September 2008 was the high water mark for what can now be seen as an era of misguided corporate leadership and the gradual sacrifice of important business values. In the ascendant were a series of inter-linked ideologies that became internalised as 'just the way things are' – mergers and acquisitions as the path to growth, the logic and long-run efficiency of markets, the greed of restless 'talent', the need for submission to a dominant, ideally cost-slashing, willpower, the maximisation of short-term profits in whatever way possible. Meanwhile, there was a general downgrading of the pursuit of an identified business purpose as companies' core business mission. Company boards in many sectors were part bullied, part thrilled to join the party created by the glamour and rewards offered by Big Finance. The 'moral moorings' underpinning capitalism may have been slipped, claim some.¹

The crisis has been accompanied by some striking apostasies. In October 2008 Alan Greenspan declared that the 'whole intellectual edifice' on which financial regulation rested had collapsed.² Arguably more significant was the statement from Jack Welch, former chief executive of General Electric and the embodiment of the shareholder value movement in March 2009: 'Shareholder value is the dumbest idea in the world.'³ Expressed another way, we have been led up the garden path.

Considerable soul-searching is now under way to infuse leadership with the spirit of post-recessionary times. Jim Collins, a management academic who rose to fame on the back of his book *Good to Great*, has recently turned his attention to why companies fail (though his research began before the recession).⁴ He claims to have uncovered a five-stage trajectory of downfall. First comes hubris born of success, then undisciplined pursuit of more, and then denial of risk and peril.

¹ See K Costa, *Financial Times*, 3 November 2009

² Committee on Oversight and Government Reform, 'Testimony of Dr Alan Greenspan', 23 October 2008, <http://oversight.house.gov/documents/20081023100438.pdf>

³ *Financial Times*, 12 Mar 2009

⁴ J Collins, *How the Mighty Fall*, Random House, 2009

Stage four sees the first signs of visible decline as leaders grasp at saviours – a visionary new chief executive, a bold but untested strategy, a radical transformation or a game-changing acquisition. Finally, there is capitulation to irrelevance as accumulated setbacks and false starts erode financial strength and individual spirit to such an extent that leaders abandon hope and the enterprise atrophies into insignificance.

The best leaders, he argues, come from inside their companies and demonstrate a rare mixture of personal humility and ferocious will. 'Stage one is the hardest to identify. The critical sign I would look for is when people inside the organisation as well as those at the top can't explain why they do what they do,' he told an interviewer recently. 'When the rhetoric of success replaces understanding decline will very likely follow. A truly great company realises that growth and making money aren't the fundamental purposes of the enterprise. The enterprise exists to achieve some purpose in the world and with enough discipline will grow and get enough return on invested capital to fulfil that purpose.'⁵ A forgotten factor also helps, he adds: luck.

Lesson two is that those looking for neat points of principle from the events of the past couple of years to distinguish wise leaders from foolish ones could be left scratching their heads. Only three chief executives of America's ten biggest banks before the crisis remain in position today, while Europe has shed the bosses behind the disasters at Fortis, UBS, and the Royal Bank of Scotland (RBS). Being acquisitive and expansionary has driven some to disaster – Bank of America, RBS and Fortis – but not others, such as Barclays and J P Morgan. Good alignment between the long-term interests of firms and executives through share ownership and long-term incentive plans, as with Lehman and Bear Sterns, did little to avert ruinous, short-term gambling. Dominant, combative chief executives broke many firms – and also prospered at Santander and J P Morgan. Leaders who insisted on some measure of countervailing power on their boards through the appointment of independent-minded outsiders (even from former CIA directors and rear admirals) can count among their number those previously at Citigroup, propped up by the US government with £25 billion, and Lehman Brothers. If there are many different types of leader, there are few obvious archetypes for a successful one.⁶

Lesson three is internal to the study of leadership itself. The crisis in the real world reflects and feeds many of the introspective intricacies in the world of leadership academia.

On the one hand, the study of leadership is unwilling to let go of faith in a universal 'character ethic' – that leadership revolves around the qualities and attributes of individuals able to exert influence

⁵ People Management, 8 October 2009

⁶ See The Economist, 8 October, 2009

on others in the accomplishment of tasks. After all, the idea of leadership separate from the figure of the leader may be intellectually incoherent. Intuitively, it seems difficult to quarrel with Sun Tzu's description of leadership as a judicious, flexible mix of intelligence, trustworthiness, humaneness, courage and discipline.⁷ Lists of the characteristics that animate great leaders remain a staple of influential leadership books – from Stephen Covey's *The Seven Habits of Highly Effective People* in the late 1980s through to more recent bestsellers such as *Good to Great*. 'Private victories precede public victories,' remains a favourite Covey *bon mot*.

But on the other hand it is hard to deny – pace lesson one – that to locate leadership in the characteristics of individuals is fraught with peril. Leadership exists in a social and political context. The crisis has demonstrated yet again how 'model' firms and 'model' leaders can be lionised one minute, bankrupt and vilified the next; Sir Fred Goodwin at RBS was also admired for his commitment to innovative people management techniques. A third of the 'excellent' firms studied in Tom Peter's *In Search of Excellence* were in trouble within five years of publication.⁸ If it now looks existentially absurd to follow charismatic leaders animated by 'dumb' creeds, on a more serious level, the same subversion of character ethics was implicated in the totalitarian movements of the twentieth century.

And so the trend in the literature is turning away from investigating charismatic individuals towards placing leadership in the dynamic space between people – in other words, in relationships, interactions and social processes. Changes in the nature of work, this view argues, point to a dispersal of authority. Hard power has made way for soft power, based on persuasion and influence. The all-knowing leader at the apex of the bureaucratic pyramid who plans, controls, commands, co-ordinates and disciplines helped release immense gains in productivity, efficiency and wage levels in the course of the twentieth century – but was happier amongst things than people. Popular today is the more frightening figure of the 'authentic leader', emoting sincerity, honesty and integrity and perceiving their role as encouraging growth in others.⁹

Yet once the point is accepted that leadership norms change through time, more radical thoughts beckon. If notions of 'servant leadership' and 'collective leadership' are attempts to make leadership more inclusive, empowering and compatible with modern social democracy, why stop there? Isn't the very notion of leadership fundamentally anti-democratic in character – implying, however delicately it is worded, a special class of individuals? Noam Chomsky, the social theorist, has complained leadership necessarily involves people diluting their responsibility to think and

⁷ Sun Tzu, *The Art of War*, Penguin Classics, 2008

⁸ See *Business Week*, 5 November 1984

⁹ G Jones, R Goffee, *Why Should Anyone be Led by You? What It Takes to Be An Authentic Leader*, Harvard Business School Press, 2006

will actions for themselves (except in the case of subject matter experts¹⁰). Too often we follow poor leaders, says Barbara Keller, a Harvard University academic, because the cost of resisting is 'demanding in a way that going along is not.'¹¹

The third lesson is this: the crisis gives further credence to attempts to take the study of leadership beyond the figure of the leader. But in doing so, the potential exists to de-base and render content-free the entire discourse of leadership. Leadership without leaders, like heroism without heroes and heroines – does it mean anything at all?

¹⁰ N Chomsky, D Barsamian, *Chronicles of Dissent*, Common Courage Press, 1992

¹¹ B Kellerman, *Bad Leadership: What It is, How It Happens, Why it Matters*, Harvard Business School press, 2004

2. Defining and valuing leadership

Two questions appear to be in need of clarification in order to get to grips with contemporary leadership. First, in calling for more leadership, what are we calling for? Second, why are we so certain that it can have such a transformative effect (even use of the term anticipates faith in its value).

Definitions of leadership typically expose the tension between whether the focus is the individual and/or the interaction of individuals with social and political contexts (and indeed followers). If we tend towards the traditional view we might subscribe to a definition of leadership as ‘the process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task.’¹² If we want a more inclusive definition that honours contemporary nervousness about dominant individuals in leadership models, we might prefer: ‘Leadership is ultimately about creating a way for people to contribute.’¹³ Yet it is not clear that either definition throws much light on what leadership actually is.

In fact, a brief (and grossly curtailed) history of leadership reveals its nature not as a coherent body of thought about a central set of problems, but rather as a kind of cultural hopper into which can be tipped a wide array of different concerns. People, relationships, performance, skills, interactions, motivation, morality, systems, personality, behaviour, group dynamics, power: all can be, and are, poured in and re-packaged as leadership. The subject has arguably thrived on ambiguity.

Contemporary leadership theory begins not from great kings, queens and generals down the ages, but is closely bound up with the evolution of a central institution of industrial societies: the capitalist enterprise. Leadership was characterised fundamentally by the exercise of authority within hierarchical relationships for the purpose of control.¹⁴ Yet in exercising this authority the field has long nurtured doubts about whether leaders made a difference to their organisations as a matter of ‘trait’ (or personality) or behaviour. In the strongest versions of trait theory, leadership characteristics were viewed as innate; as ‘born leaders’ existed, leadership development was a matter of identifying and measuring their qualities, screening out non-leaders and training those with potential. It has, however, always been immensely difficult to prove that specified traits led to desirable results. How leaders behaved – especially towards followers – above what they were, came to dominate approaches towards leadership in the 1950s and 1960s. Thinkers such as Kurt Lewin, one of the pioneers of organisational psychology, argued there were four ‘leadership styles’ that mattered most: dictator, autocratic, participative and laissez faire.¹⁵ According to the

¹² M.M Chemers, Cognitive, Social and Emotional Intelligence in Transformational Leadership: Efficacy and Effectiveness, In RE Riggio, SE Murphy and FJ Pirozzolo (eds), *Multiple Intelligences and Leadership*, Lawrence Earlbaum Associates, 2002

¹³ Attributed to Alan Keith, CEO of Genentech, See J Kouzes, B Posner, *the Leadership Challenge*, Jossey bass, 2007

¹⁴ R Coase, *The Nature of The Firm*, *Economica* 4, 1937

¹⁵ K Lewin, R Lippitt, RK White, *Patterns of Aggressive Behaviour in Experimentally Created Social Climates*, *Journal of Social Psychology*, 10: 271-301

psychologist David McClelland leadership was not a set of traits, but a pattern of motives. Successful leaders had a high need for power, a low need for belonging, and a high level of self-control.¹⁶

During the 1960s and 1970s leadership research tended to blend with the dominant intellectual currents of the age, drawing on humanistic psychology which presented people as having limitless potential for growth: the role of the leader was seen by some as being to understand and unlock human possibility.¹⁷ But theories also tried to make up for an obvious limitation of trait and style theory in that they failed to allow for context ('contingency theory'). Leaders needed to pick the right approach to subordinate, task and group variables – like golf pros selecting a club – according to the needs of a situation.¹⁸ In turn, an evolution of this approach was to describe the different 'roles' leaders had. According to John Adair's action-centred leadership model, leaders must direct the task, support the people, and co-ordinate and nurture a work team as a whole.¹⁹

All these often subtle amendments to previous theories tended to reinforce how poorly defined leadership was. One angle on this problem was to insist on a strict separation between leadership and mere management. In one *Harvard Business Review* article the image of the leader as an artist who uses creativity and intuition to navigate chaos was contrasted with that of managers, who solved problems through rationality and control.²⁰ 'Managers are people who do things right and leaders are people who do the right thing', as Warren Bennis and Burt Nanus put it, somewhat confusingly.²¹ Great leadership was cognate with a spirit of collective and moral endeavour and the performance of leaders should be judged by their ability to make social change, claimed James MacGregor Burns, as he distinguished 'transactional' and 'transformational' leadership. Transformational leadership set out to alter the motives, values and goals of followers; transactional leaders appealed to selfish, rational interests and set out to exchange something for something else.²²

This emphasis on the moral responsibility of leadership remains today. Yet it is supplemented by the trend referred to above of focusing attention on the collective impact leaders have. Economic imperatives mean grudging compliance among workers is no longer sufficient. Leaders need the ability to get the best out of people, to be conduits for 'engagement', to disperse power and

¹⁶ D McClelland, *The Achievement Motive*, Appleton, Century, Crofts, 1953

¹⁷ See, for example, A Maslow, *Eupsychian Management*, Richard O Irwin, Inc and The Dorsey Press, 1965; and also F Herzberg, *The Motivation to Work*, John Wiley and sons, 1959

¹⁸ FE Fiedler, *A Theory of Leadership Effectiveness*, McGraw-Hill, 1967

¹⁹ J Adair, *Action Centred Leadership*, McGraw Hill, 1973

²⁰ A Zalesnik, *Managers and Leaders: Are They Different*, *Harvard Business Review*, May-June, 1977

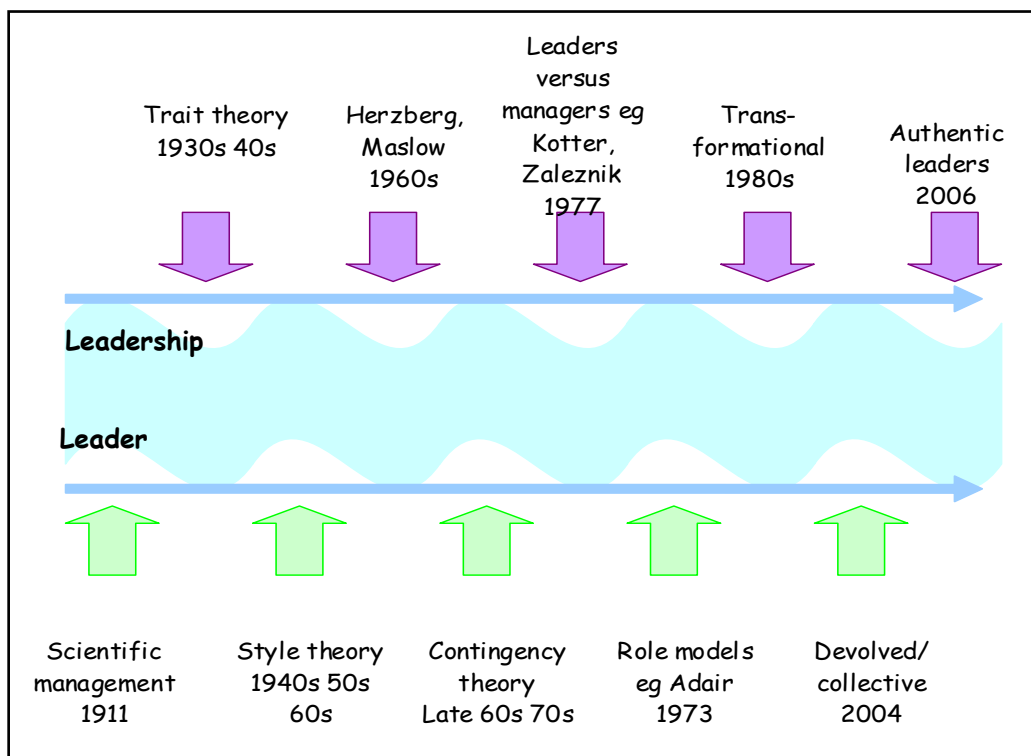
²¹ W Bennis, B Nanus, *Leaders: The Strategies for Taking Charge*, Harper and Row, 1985

²² J M Burns, *Leadership*, Harper and Row, 1978

responsibility – all, of course, central issues in the concept of good work. The traditional hierarchical leadership model has made way for ‘one based on teamwork and community, one that seeks to involve others in decision making, one strongly based in ethical and caring behaviour.’²³ The role of the leader is as catalyst of behaviour in others while leadership is shared according to the needs of tasks and teams. In this slippery, interpersonal workplace leaders need not so much brains, discipline and the conviction to make decisions, as ‘emotional intelligence’ (EI). Leaders possessing high EI are said to be especially charismatic, adept at injecting positive feelings into often inhospitable environments as well as engendering trust.²⁴

In effect, contemporary leadership theory has answered Machiavelli’s question about whether it is better for leaders to be loved or feared decisively in favour of the former. Do we now tend to underrate ‘hard power’ as a result? Joseph Nye, former chairman of America’s National Intelligence Council, and author of *The Powers to Lead* thinks we may. What he calls ‘smart power’, a synthesis of hard and soft power that Sun Tzu may well have approved of, lies behind his notion of effective leadership.²⁵

A history of leadership theory



²³ L Spears, *Practicing Servant Leadership, Leader to Leader*, 2004

²⁴ See C Cherniss and D Goleman (eds), *The Emotionally Intelligent Workplace*, Jossey Bass, 2001

²⁵ J Nye, *The Powers to Lead*, Oxford University Press, 2008

3. A leader's worth

The difficulty of defining leadership is closely connected with answering the second question – that of leadership's value. The idea that there is a substantial evidence base in support of the application of 'leadership' is not the explanation of its popularity. Rather, the vast outpouring of research in leadership has concentrated on answering narrower, more complex questions.

Studies have indeed found that senior leadership matters because it influences corporate behaviour and performance. One study which tracked American managers for a 30 year period enabled researchers to price the 'boss effect': a leader in the top quartile increases the rate of return on assets by about 3 per cent whilst a leader in the bottom quartile reduces the rate of return by about the same amount.²⁶ If this seems quite modest, others suggest that, in some circumstances, the leader accounts for up to 40 per cent of the difference in organisational performance.²⁷ A further study in the fund management industry found that higher performance was associated with those fund managers with MBAs, who are younger, and those who attended better performing colleges.²⁸

Such discoveries can help validate the obvious point that great leaders are valuable, but they do not necessarily help companies planning to develop their leaders. It might be hoped, then, that leadership education and development is linked with better individual and organisational performance by a consensus of research evidence.

Unfortunately, the evidence base is slight and prone to give mixed messages. On the one hand there has been much made of the relative under-education of UK managers in comparison with other competitor nations and that this connects with lower levels of UK management capability. According to the Leitch review of skills, for example, the UK spends less per manager than any other European country on management development.²⁹ Some studies have found a link that the more highly qualified the leaders and managers in an organisation (especially if they have degrees in science and engineering³⁰) the better the performance – and particularly where leadership development is tailored to strategic circumstances.

But on the other hand the gold standard in leadership education – the MBA – has been criticised over recent years as being ineffective in developing senior managers. According to one study,

²⁶ M Bertrand and A Schoar, *Managing with Style: The Effect of Managers on Firm Policies*, Quarterly Journal of Economics, MIT Press, 2003

²⁷ N Wasserman, N Nohria, BN Anand, *When Does Leadership Matter? The Contingent Opportunities View of CEO Leadership*, Strategy Unit Working Paper No 02-04, Harvard Business School Working Paper No 01-063, 2001

²⁸ J Chevalier and G Ellison, *Are some Mutual Fund Managers Better Than Others/ Cross Sectional Patterns in Behaviour and Performance*, The Journal of Finance, Vol LIV, no 3, 1999

²⁹ Acas and CIPD, *meeting the UK's People Management Skills Deficit*, 2009

³⁰ D Bosworth, *Empirical Evidence of Management Skills in the UK*, Skills Task Force Research Paper, 18, Department for Education and Employment; see also E Keep and A Westwood, *Can the UK Learn to Manage*, The Work Foundation, 2003

there is limited evidence that MBA graduates perform better than their non-MBA peers³¹, possibly explained by the almost zero failure rate and a lack of emphasis on leadership capability.

Recent high profile company failures such as Enron and financial institutions have also served to focus attention on the value of MBAs given the high proportion of MBA graduates in affected organisations.³² One academic has even claimed the way MBAs are taught fosters 'lopsided brains, icy hearts and shrunken souls'.³³ And then there are long-standing doubts about the whole business of 'teaching leadership'. As Frances Cairncross, management editor of *The Economist*, puts it. 'I think that leadership can be learnt, but I'm not sure that it can be taught. You can teach leaders skills that they need. You can teach them to read numbers properly. You can teach them something about corporate history. But I'm not sure that the knack of leading a large number of people is something you can learn in business school.'³⁴

However, it may not be an overall leadership quality deficit, nor a lack of education and development, that best explains variations in economic performance. A more sophisticated approach begins from examining how leadership meshes with management practice. In other words, there is little merit in examining leadership itself without examining how it connects with work systems and practices, organisational structure and strategies, the degree of innovation and research and development, the organisation and management of the workforce, and the mix of skills demanded.

This was an important argument of the 2003 report led by the US strategy guru Michael Porter which sought to investigate UK competitiveness.³⁵ He questioned whether the quality of UK management was the most important determinant of economic performance but also went on to note that UK firms are often slow to adopt modern management practices, and even once they had been implemented, they then achieve lower returns than other countries.

A series of recent studies has surveyed management practices in over 700 medium sized manufacturing firms in the US, France, Germany and the UK, looking to explore productivity differences and the role of 'managerial quality'. By matching information on management practice with firms' accounts, the researchers found that measures of managerial practice were strongly associated with productivity, profitability, sales growth and survival rates. There were also

³¹ J Pfeffer and CT Fong, *The Success of Business Schools: Less Success Than Meets the Eye*, *Academy of Management Learning and Education*, Vol 1, no 1, 2002

³² S Caulkin, *Enron: A Master Class in Hubris and Raging Greed*, *The Observer* Sunday 7 May 2006; K Starkey, *Lessons to be Learned from Financial Markets Chaos*, *The Guardian*, Saturday 18 October, 2008

³³ H Mintzberg and R Gosling, *Reality Programming for MBAs*, *Strategy and Business*, 26 (1), 2002

³⁴ Interview on FT.com, 23 October 2003

³⁵ ME Porter, CHM Ketels, *UK Competitiveness: Moving to the Next Stage*, DTI economics paper No. 3, 2003

significant differences by country, with US firms tending to demonstrate better management practices than European firms.³⁶ More recent work³⁷ has expanded the sample to around 4,000 organisations in the US, Asia and Europe. Improving management practice in areas such as operations, performance management and people management was associated with large increases in productivity and output. Controlling for country, sector and skill level, across all the firms in the research, a single point improvement in management practice score was associated with the same increase in output as a 25 per cent increase in the labour force or a 65 per cent increase in invested capital.

Given the emphasis above on the role of leaders as motivators of staff, research has also demonstrated convincingly that part of the value of leaders is through the engagement and effort of staff. There is a famous study which analysed data from 800 stores in the Sears retail group in the US³⁸ looking at business information, customer information and employee attitudes. Employee attitudes towards the job and towards the employer both emerged as key factors associated with customer attitudes, which in turn were strongly predictive of business results; the line manager was the key link in the 'value chain'. A similar study was conducted in the UK involving 100 stores of a major UK retailer.³⁹ The main correlations were between employee commitment and satisfaction and sales increases, and there were indirect links between staff attendance and increased customer loyalty. The quality of line management as perceived by staff was again the most important link in the chain because of its impact on employee commitment.

It is from such findings that the relationship between leadership and good work becomes clear. Leadership's value is most likely to be realised through a coherent set of people management practices, consistently applied, an employee relations climate that favours autonomy and which recognises contribution, and which also generates trust. These are all factors which are strongly related to organisational performance, while simultaneously (especially on autonomy, fairness and trust) enhancing the quality of working life.⁴⁰

It is worth taking stock of where we are in leadership before proceeding to examine what implications exist for companies hoping to develop their leaders. First, we know leaders (and indeed managers) matter and that individually and collectively they affect performance. The scale of that impact is harder to gauge (between three and 40 per cent is unhelpfully large) and our

³⁶ N Bloom, J Van Reenen, Measuring and Explaining Management Practices Across Firms and Countries, CEP Discussion Paper No 716, March, 2006

³⁷ N Bloom, S Dorgan, J Dowdy, J Van Reenen, Management Practice & Productivity: Why They Matter, November 2007, Stanford, 2007

³⁸ A J Rucci, S P Kim, R T Quinn, The Employee-Customer Profit Chain at Sears, Harvard Business Review, 1998

³⁹ L Barber, S Hayday, S Bevan, From People to Profits, Institute for Employment Studies, No 355, 1999

⁴⁰ See F Green, Demanding Work, Princeton University Press, 2005

empirical understanding of *how* managers and leaders exert impact within organisations is also unclear. Second, there is good evidence that behaviour does make a profound difference to performance. But there is less consensus about how identifying the behaviours behind performance affects leadership development and leadership skills; for example, knowing the pro-forma of 'being authentic' could be inimical to authenticity itself. Finally, it might also be said that attempts to explore what management and leadership *is* have consistently shown both concepts to be heavily susceptible to blending seamlessly with the cultural currents of the age.

4. The make-up of outstanding leaders

Where should companies turn next as they go about the essential practical task of developing leaders? When the question is phrased like this some of the issues that have preoccupied leadership scholars can seem faintly abstract. Perhaps it does not matter that much whether we can successfully define leadership or prove from evidence that 'leadership' is successful. But it matters very much that individual organisations can distinguish the kinds of leadership behaviours appropriate to an organisation's structure, operations and strategy. Research is therefore shifting the departure points of inquiries. For example, it may be unnecessary to tell organisations who their best leaders are – they already know from performance ratings and financial measures (or sometimes just from word-on-the-street methods). So there may be greater value in attempting to isolate with some precision what marks out the outstanding leaders in an organisation from those who are viewed as merely good or competent. Arming companies with such information gives a more evidence-based means of examining emergent talent and discovering what kinds of leadership behaviours have the biggest impact on performance.

In a study⁴¹ that pursued exactly this objective researchers studied 64 leaders (10 female, 54 male), all with more than two years service in five organisations (Tesco, BAE Systems, EDF Energy, Guardian Media Group and Serco), probing them to pick out their leadership philosophy and what actions they took on the back of it. They also interviewed line managers and direct reports to understand more of the context within which the companies were operating. The study did not separate good from bad leaders – all leaders in the sample were considered good – but wanted to get behind the factors differentiating the individuals perceived as outstanding leaders by their organisations from those that were merely seen as good.

Their responses were broken down into what came out of the interviews as the key aspects of leadership. Researchers identified eight key categories of leadership: vision, environment, relationships, power/control, performance, self, communication and contextual factors (such as organisational cultures, systems and processes). Differences between how the outstanding leaders and the good talked about their jobs were often subtle. Nevertheless they were sufficiently different to be significant. For example, while both categories converged on the need for leaders to provide direction, clarity, focus and to bring people together around common ambitions, good leaders spoke of aligning people to a vision through objectives and targets while outstanding leaders were more interested in alignment of now and the future, and of a sense of emotional engagement between people and work. They spoke of teams moving forward and articulated the process with great clarity and complexity. Again, on the question of trust, good and outstanding agreed on its importance, but the outstanding group spoke of their personal role in generating loyalty, supporting

⁴¹ S Constable, G Pearson, P Tamkin, *Leading for Sustainable High Performance*, The Work Foundation, 2009

people and protecting teams from higher level managers. Also key was never placing people in a situation where they felt they were bound to fail.

The boundary between good and outstanding was delineated by a more systemic view of the workplace and clear-sightedness about how their actions contributed to larger goals. The dominant trait of the outstanding group was that they were fundamentally people-centred and willing to hand the locus of control to their team, while encouraging energy, personal development and optimism, especially during change (see Appendix).

5. Conclusion: In search of purpose

The toughest downturn in several decades has tested the qualities of the world's leaders, both corporate and political, while all sectors have been rocked by profound uncertainties. Costs have had to be cut back, while growth prepared for and people encouraged. How can the study of leadership help understand the new landscape?

It appears to be a legitimate speculation, both from the point of view of theory and of commonsense observation, that there are two necessary but insufficient conditions for success over the next decade. The first is to possess (or rebuild) clarity of business purpose, which creates clear values in turn. This is the route to high-trust relationships between directors and staff, the company and its customers and supply chain. If companies have a clear idea of who and what they are everything becomes easier: who to recruit, investment priorities, which markets to target. It allows companies to align their brand, business model and purpose. The de-prioritisation of business purpose is an element of the story of the financial crisis and recession; its re-assertion is the basis for credible leadership narratives of the future. Examples might be for companies in the banking sector to commit to building strong communities by creating opportunities for customers, shareholders and associates; or firms in the communications sector to help customers connect to people and things that matter to them; or firms in the aviation sector to commit to building great aeroplanes. A leader's ability to clarify and pass on excitement around the 'why are we here' question is emerging as fundamental. Leaders and leadership shapes the moral culture of business.

The second condition is that leadership comes fully to terms with its people management capability. The evolution of capitalism has decreed that the central role of the leader is not to wield power so much as to make connections between people – hence the contemporary stress on authenticity and fairness as a means to unlocking willing contributions. It remains a fact of life that employees in hard-pressed firms and sectors may have to accept wage freezes, reductions in benefits, changes in role and pay holidays over the difficult years ahead. They will be the survivors as others lose their jobs. Yet it is only through workforce engagement and commitment that successful innovation can be achieved and deeper responsiveness to consumers developed. Managements and leaders have to earn trust – which can only be done by committing to fairness in both outcomes and process. This is where good work and leadership become inextricably linked. Procedures and processes that embody fairness – in performance management, in promotion, in setting bonus targets, and in resolving disputes – create a culture which upholds the authenticity and integrity of management actions. As *Engaging for Success*, the report to the British government on employee engagement, says: 'Engaged organisations have strong and authentic values, with clear evidence of trust and fairness based on mutual respect, where two-way promises and commitments – between employers and staff – are understood, and fulfilled'.⁴²

⁴² D McLeod, N Clarke, *Engaging for Success: Enhancing Performance Through Employee Engagement*, BIS, July 2009, p9

Outstanding Leaders...

See the big picture

- Create conditions where capability and engagement thrive. They seek to create opportunities for growth and conditions of trust because they see it as driving excellence.
- Focus on cause rather than effect. They understand that mistakes happen and that how they receive them will have far reaching impact.
- Inspire others with vision of what to aim for and use this to bring clarity and sense of purpose – they raise the temperature and energise people.
- Have greater clarity of how to do things, of how to translate what is on the inside to create impact on the outside. They also understand that building team and individual capability takes time.

Are people focused

- Look for the right raw material and focus on values and approach.
- Love to grow people. They often speak in deeply emotional terms about the pleasure they received from helping others.
- They fully appreciate the role of confidence in their own success and seek to grow it in others.
- Support, challenge and provide a safety net. If they do let someone fall, lessons are learnt.
- Think individual/team/collective. Their appreciation of capability and engagement operates at these different levels.

Are self-aware and self-accepting

- Are both passionate and dispassionate. They care about people but see clearly. They make decisions based on what is best for the organisation and the individual. And they throw themselves into work but are self disciplined.
- Understand that the conditions for trust and transparency depend on their personal behaviour.
- They are self confident without being arrogant. They understand their weaknesses and work with them to generate success.

Give power away

- Are empowering. They see power as belonging with the team and will do all they can to pass it on.
- They appreciate that sometimes individuals and teams are not in the right place (a question of capability or confidence) to be as autonomous as they would wish and they adjust their behaviour accordingly. But they never lose sight of the the need to free those they work with to grow and mature.
- Ultimately they seek mutual gains in all that they do. They believe that if individuals gain from work, then work gains from them.

Cont.

Cont.

Use systems lightly

- Work with relationships rather than systems and processes. Systems act to support them in this but are a means to an end not an end in themselves.
- Use a few core processes to support what they do and pay real attention and effort to them.
- Are sensitive to the cultures of their organisations, but are not afraid to seek to change it if they believe they need to.

Source: Tamkin et al, Leading for Sustainable High Performance, 2009

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