

Strategic Change
Strat. Change 7, 149-162 (1998)



Hans H. Hinterhuber

*Director, Department of Management,
University of Innsbruck, A-6020 Innsbruck,
Rennweg 25, Austria*

Eric Krauthammer

Leadership consultant, Nyon, Switzerland

The leadership wheel: the tasks entrepreneurs and senior executives cannot delegate

- *In turbulent times, the leadership task of entrepreneurs and senior executives is to inspire and to enable managers and employees to discover new opportunities and to capitalize on them in the interest of all stakeholders of the firm.*
- *By using the metaphor of a wheel, the authors show the tasks leaders cannot delegate if they are to meet their leadership responsibilities.*
- *The message of the paper is that in turbulent times, when new markets have to be invented and radical improvements in stakeholder satisfaction are needed, leadership is more important than creative problem solving, i.e. management.*

© 1998 John Wiley & Sons, Ltd.

Leadership and management

The source of *leadership* is alertness to opportunity (Kirzner, 1980), and the imagination and vision to exploit or capitalize on it, thereby creating values for all stakeholders—i.e., the customers, employees, shareholders, the financial community, society as a whole, suppliers and partners in strategic networks. Leadership creates new paradigms and works on the system (Covey and Merrill, 1994).

Management is creative problem solving. Management works within the paradigm or within the system. Management uses a great number of instruments, methods and attitudes in order to gain a competitive edge over competitors. Management is easier to learn than leadership; however, in a time of uncertainty leadership is more important if radical changes are to be implemented to achieve a dramatic improvement in performance (Taylor, 1995). Leadership can be compared to the profession

of an orchestra conductor, an architect or a soccer team trainer whereas management would compare to the job of a bandmaster, a building contractor, or of the team captain. Figure 1 shows the complementarity of leadership and management. Our definitions, however, are not without problems: for example, some of the attributes of leadership would not be recognizable in a highly paternalistic firm.

Leadership is a natural, loose and unforced ability to inspire people giving their best for achieving shared goals. It cannot be effective without the following combined qualities being present: natural drive, a thirst for adventure, ambition, imagination, restive temperament and a fundamental respect as well as a genuine interest in people (de Woot, 1994). Leadership means inventing new markets or changing the rules of the game in existing markets in order to create value for all stakeholders.

Leadership has its true roots in ideals and values as well as in unselfish service and commitment that goes beyond personal interests (Donnithorne, 1994; Greenleaf, 1991). Leadership is winning the hearts and minds of the followers, or, as Warren Bennis (1966) puts it: 'Leadership is character and judgement'.

Creating values for all stakeholders

The stakeholder model of the corporation views the firm as an open, socioeconomic system composed of various constituencies: customers, employees, shareholders, the financial community, the public and its government representatives, suppliers, and partners in strategic networks. The stakeholders have obligations as well as rights to the corporation (Figure 2). Since the success of the corporation depends on gaining the support of all stakeholders, the leadership task of entrepreneurs and senior executives is to integrate the stakeholders into a cohesive community. This leadership is well defined by William E. Halal in his book *The New Management*:

Corporate managers are dependent on stakeholders because the economic role of the



Figure 1. The complementarity of management and leadership.

firm is to combine as effectively as possible the unique resources each stakeholder contributes: the risk capital of investors; the talents, training, and efforts of employees; the continued patronage of customers; the capabilities of business partners; and the economic infrastructure provided by government. The need for capital is essential, of course, but the contributions of other stakeholders are no less essential. Because companies are socioeconomic systems, these functions are all as essential as the diverse organs of a body. Thus, managers should act as stewards engaged in a 'social contract' to draw together this mix of resources and transform it into financial and social wealth, which they can then distribute among stakeholders to reward their contributions. The closer the integration into a cohesive community, the greater the wealth. (Halal, 1996, p. 67)

Entrepreneurs, chief executive officers and senior executives need a power base to be legitimate. In the United States the main source of the legitimacy of a top team is the shareholders' assembly. In Europe, the top team has to be accepted not only by the shareholders, but also by the workers and their unions, by the politicians, by the parties, by the central

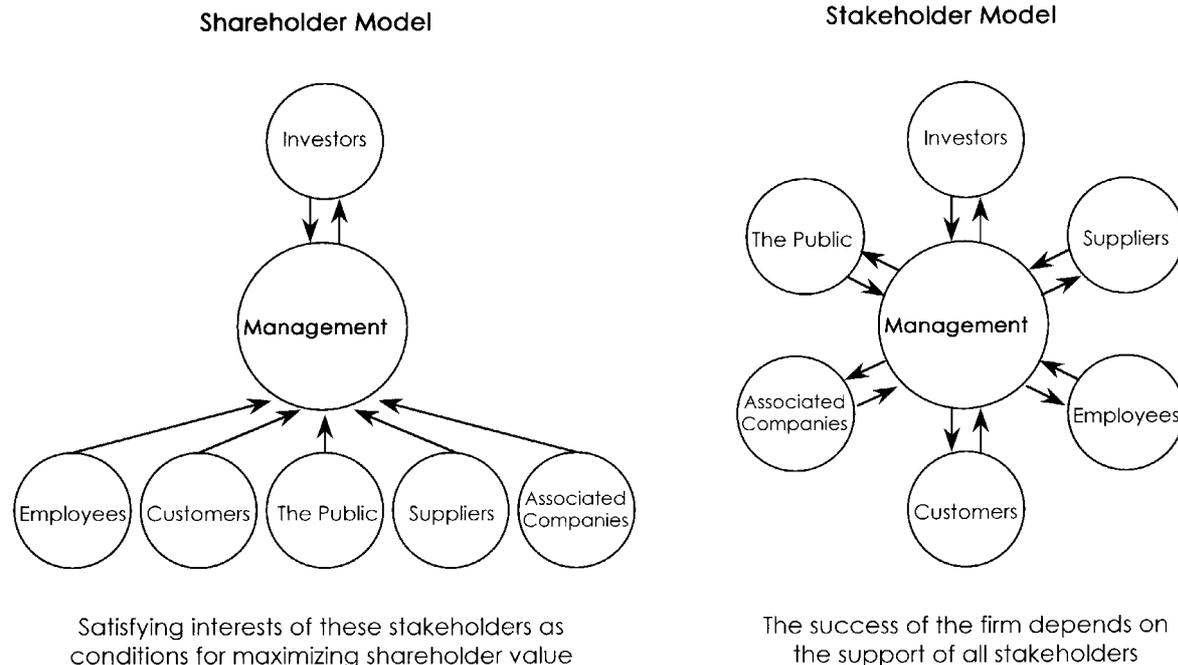


Figure 2. Shareholder versus stakeholder model (adapted from W. E. Halal, 1996).

and/or regional government, by the public opinion, and so on. (Calori and de Woot, 1994). Entrepreneurs and/or senior executives have to negotiate with all these stakeholders.

The power base in Europe is larger, more complex and more political than the power base in the United States. Therefore, priorities in satisfying key stakeholders must be established. The more transparent the process is and the better an 'argumentative discourse' can be established between leaders and key stakeholders, the more effective the company will be able to increase its value.

Leadership, however, is not limited to creating short-term value for the shareholders, but takes into consideration the logic and the feelings of all stakeholders in a long-term perspective; in this way the long-term economic value of the firm for the shareholders can be maximized. (Hinterhuber, 1996).

The tasks leaders cannot delegate

There are many metaphors which can be used to characterize leadership: the house (Hinterhuber and Krauthammer, 1997), the ship, the wheel. We have chosen the wheel, because it

is dynamic, turns to satisfy all key stakeholders, and is driven by the anticipation of the future and the administrative heritage (Bartlett and Goshal, 1995) of the company.

The past still exists in the present; the core competencies, the culture, the mission, the strategies link the company to the present. The future is also firmly linked to the present; the

The future is also firmly linked to the present

expectations of the customers and other stakeholders, the moves of competitors, innovations originating in different industries, new strategies, shape today's decisions of a company (Hayashi, 1990, p. 8). 'In philosophical terms, we might say the past and the future simultaneously exist in the present . . . Both the past and the future are headed towards the present where they rendezvous, like two streams converging from opposite directions' (Hayashi, 1990, p. 10).

The symbolic significance of these patterns of time perceptions is expressed in Figure 3, which according to our experience as leader-

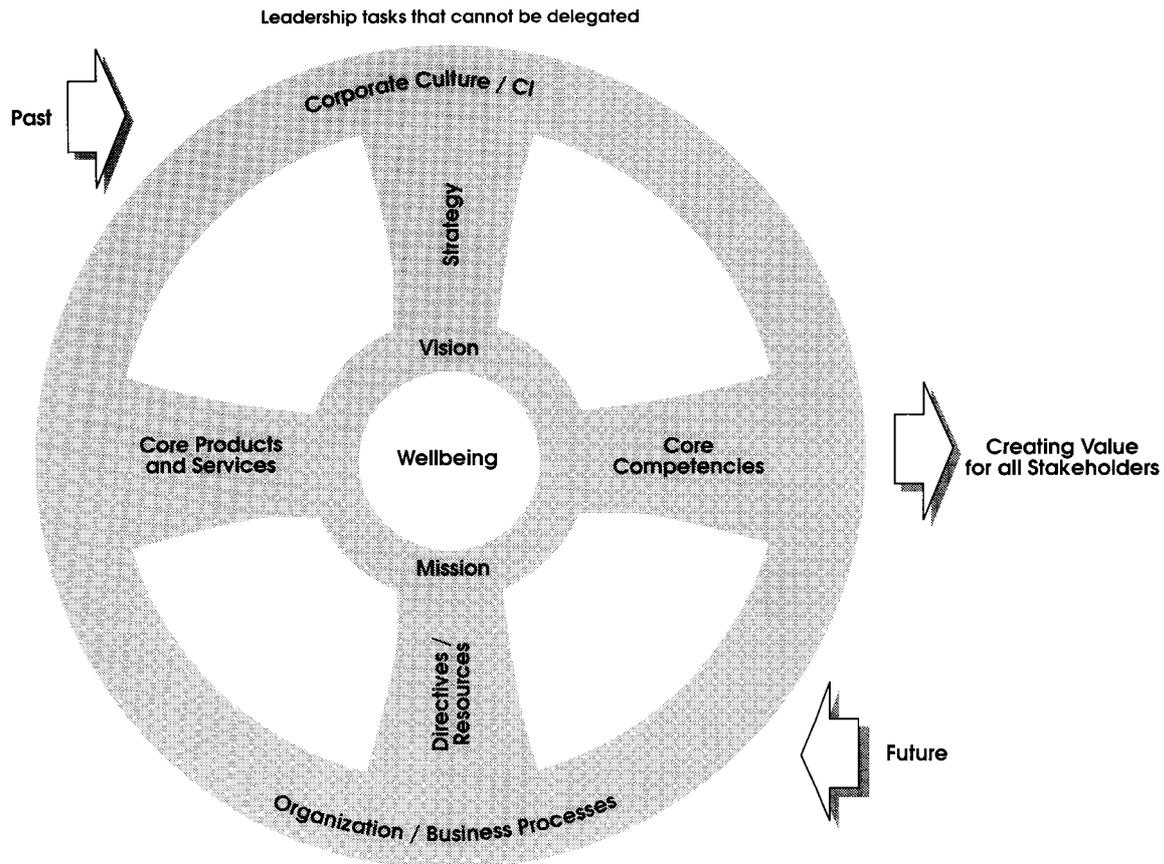


Figure 3. The leadership wheel.

ship coaches in well over 300 European firms illustrates the 10 tasks entrepreneurs and/or senior executives cannot delegate:

1. well-being;
2. the vision;
3. the mission;
4. the strategies;
5. the core competencies;
6. the core products/services;
7. the directives and the use of resources for competitive advantages;
8. the organization and the business processes;
9. the corporate culture; and
10. the corporate identity.

In our experience, identifying these tasks translates into adding value to the firm: 99% of all entrepreneurs and senior executives attending our leadership seminars reported that the leadership wheel was of great help in inventing

new markets and/or changing the rules in existing ones.

Wellbeing

Wellbeing is the inner dimension of leadership from which inner strength and power emanate.¹ The quality of a leader's wellbeing determines the quality of his or her life and actions. In our leadership seminars we have found that entrepreneurs and senior executives define wellbeing along six dimensions:

- health;
- financial security (the material dimension);
- coping with a fulfilling and satisfying task which fosters personal development and learning (the intellectual dimension);

¹William E. Halal defines well-being as 'inner leadership'; see his book *The New Management*, loc. cit., p. 204. Leadership, according to William E. Halal, is 'from the inside out' (p. 258).

- love, affection, good family relationships, friends (the emotional dimension);
- contributing to the progress of society (the social dimension); and
- the meaning of life (the spiritual dimension).

Entrepreneurs and senior executives in our leadership seminars recognized the existence of a balance between all six dimensions of wellbeing; in other words, they seemed able to harmonize, each one according to his individuality, the intellectual, emotional, material, social, and spiritual dimension with the care for their health. Each person must find the balance he or she needs (Bloom *et al.*, 1994; Parikh, 1992).

Says Esa-Pekka Salonen, Conductor of the Los Angeles Philharmonic Orchestra: 'The main source of energy, the thing that makes me tick, is essentially hedonistic. I need to enjoy what I am doing. I can't enjoy it if I am not doing it on a high level. If I am doing it on a high level, I like it and I have fun. That keeps me going.' (The Performance Group, 1995, p.161). Inner strength is the key to effective leadership. Only those who possess inner strength and are willing to work on their personal development will be able to cope with changes and conflicts in their environment.

The vision

The second task leaders cannot delegate regards the entrepreneurial vision.

The vision is the image of a desirable future, pointing the way like the North Star; it is the answer to the needs of the market and gives a meaning to the endeavour of all employees, explaining 'why' the firm exists and for what it stands.

*Vision is the image of a
desirable future*

The objective of the vision is to achieve proactive thinking and acting of all employees in the direction of the vision. A shared vision is

the basis for creating and defending competitive advantages.

Communicating and explaining the vision is very important because it gives each employee the possibility to define his or her position in the organization and determine his or her individual role in the satisfaction of internal and external customers. A clear understanding of the vision will enable them to better play their part in the 'game'. The vision gives them security and self-confidence, and creates an atmosphere of creativity, initiative and proactive conduct (Calori and de Woot, 1994).

The essential question in creating a vision is: 'Which society needs does the organization want to fulfil?' Bill Gates' vision is 'information at your fingertips'; the vision of Stanford University is to be 'an Athens on the Pacific shore'. Heinrich von Pierer, CEO of Siemens, puts it as follows: 'I envisage a flexible organization, supported by openminded employees, who set the required standards for themselves and for the company and actively help in making the necessary changes'. One large German organization has a vision of 'adding value to our customers through satisfied employees'.

As for the Department of Management, University of Innsbruck, its vision is to make students, entrepreneurs, and senior executives more successful and, in addition, help them progress in the inner world.

The mission

The mission is the visualization of the basic rules of behaviour of a firm in accordance with its vision. It is based on the values, orientations and norms as lived in the corporate culture. The objective is to orient, to legitimize and to motivate all employees to deploy their energies for the satisfaction of all key stakeholders of the firm.

Frank Stronach, CEO of Magna International, declares in its mission statement: '7% of profits before taxes will be handed out to employees as incentives'. The mission statement of BMW contains the following sentence: 'Everyone in the company can make mistakes; however, it shouldn't be too many, and they have to be

discussed with one's superiors'; the formula is aimed at fostering innovation and experimentation, and to make a learning organization out of BMW. The mission statement of Siemens says, among others: 'We wish our employees to be "entrepreneurs" on their own account, who know exactly their own strengths and the competitive advantages of their business, are self confident, believe in success, and are conscious of the entrepreneurial risk'.

The involvement of executives and employees in defining the mission, i.e. the goals the firm wishes to achieve in relation to each stakeholder, is the third entrepreneurial task which cannot be delegated. The total of these annual goals is the mission statement of the company.

The strategies

'Strategy is the evolvement of the originally guiding idea according to continuously changing circumstances' (see Hinterhuber, 1990). This is the famous definition of strategy, given by Helmuth von Moltke (1800-1891), the Prussian general, who added that 'its value lies nearly exclusively in its application' (see Figure 4). According to Jack F. Welch, CEO of General Electric, Moltke's definition is the best definition of strategy.

Based on a slight variation of this famous definition, strategy could be described as the evolvement of one or more core competences according to ever-changing customer demands and competitive situations. The general accepted objective is to be number one or number two in every market segment in which an SBU of the firm operates. In order to achieve this goal, the firm must add value to its customers and the other stakeholders and

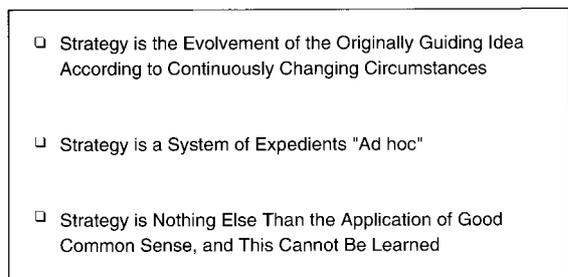


Figure 4. Moltke's definitions of strategy.

satisfy them better and/or more quickly than the competitors can. There are two conflicting requirements which leaders must combine with the strategy: firstly, a great number of decisions taken at different times in different places by different people must be brought into line with adding value to the firm; and, secondly, the decision-making centres must be given as much flexibility as possible in order to consider ever new elements. The latter can be done with directives. In a rapidly changing world formulating directives will help the leaders of an organization ensure the necessary amount of entrepreneurial flexibility and at the same time bring decisions in line with the stakeholders' demands and thus with the increase in value of the firm as a whole. Strategy means taking actions under great perspectives *and* at the same time achieving results in the short term.

Shaping the future direction of an organization is the fourth task which cannot be delegated.

There are three types of strategies:

1. *Offensive strategies* aimed (a) at 'inventing' new markets where the firm can take advantage of its core competencies and increase its value, or (b) changing the market rules in order to improve its competitive position. By sharing its core competencies with Mercedes Benz, SWATCH creates a new market in the low price segment of the automobile industry, where the profit perspectives seem to be attractive. Both Mercedes Benz and SWATCH, by sharing their core competencies, are trying to achieve a co-evolution which opens more and better options than exist today (Bentivogli *et al.*, 1994). On the other hand, Doppelmayr, an Austrian multinational firm, outperforms its competitors in the ski industry through technological innovations and a customer-friendly service (Hinterhuber and Fink, 1997).
2. *Defensive strategies* are aimed at holding leading competitive positions.
3. *Disinvestment strategies* refer to SBUs or elements of the value chain which do not

contribute to the present or future economic value of the firm, have no synergies with other parts of the company and do not benefit from core competencies. The disinvestment can be strategic or tactical in nature; it is strategic, when the available free resources are used to create new markets or to change the rules of the game in existing ones. Philips, for example, sold Grundig in order to strengthen its core businesses. The disinvestment is tactical in nature, if it does not create anything new and is aimed only at gaining time. IRI, the Italian state-owned corporation, employing over 400 000 people, over the last 10 years has been liquidating unprofitable businesses, without using the resources for offensive strategies. If the time gained is not used for discovering opportunities and capitalizing on them, the tactical retreat will eventually lead to the disappearing of the company.

In strategy, the roundabout way often leads to the goal in the shortest time; the indirect strategy—joint venture, outsourcing of non-competitive elements of the value chain, sharing of core competencies with other companies for co-evolution—generally is more effective than the direct one.

*Roundabout way often leads
to the goal in the
shortest time*

Generalizations of successful cases of strategies in the form of recipes or prescriptions are not possible. In strategy there are no schemes. What counts, is to keep open as many options as possible, and to pursue the own goal in a clear and determined manner, considering the strategy as a 'system of expedients' ad hoc, as Moltke puts it.

'Strategy', continues Moltke, 'is nothing else than the application of good common sense, and this cannot be learned'.

The core competencies

The fifth entrepreneurial task that cannot be delegated is to identify the core competencies, which keeps the process of creating values for the stakeholders moving, and allows it to further develop in the direction of the vision and mission of the company. Core competence is the integrated total of know-how, organization capabilities, business processes, technologies and attitudes, co-ordinated through organizational learning processes which

- can be recognized by customers and are important to them;
- add value to all key stakeholders;
- are unique when compared to actual or potential competitors;
- are hard to imitate; and
- have the potential to open a number of new markets (Hinterhuber, *et al.*, 1996).

The core competence of SWATCH is a combination of a number of automatization technologies, marketing know-how, design, and information technologies. It is on these competencies that SWATCH has established its leading position in the global market of emotional goods (watches, clocks, pagers etc.). Whether it will also be possible to beat competitors in the low-price automobile industry by using these core competencies in co-operation with Mercedes Benz remains to be seen. A very different example for the successful transfer of a core competence from one area to a completely different area can be found in musical history where Ludwig Ritter von Köchel, professor of botany and mineralogy at the Technical University of Vienna in the nineteenth century, used scientific methods to classify Mozart's compositions in the famous Köchel catalogue.

Leaders must pay undivided attention to core competencies: the full size of value-added activities, outsourcing decisions and strategic withdrawal from markets or operations in which the organization is not a world player, depends on them. Core competencies enable an organization to open up new markets if it

succeeds in anticipating customers' needs not yet articulated. Good examples of this are products like the minivan or the Walkman.

The core products and services

Apart from wellbeing, entrepreneurial vision and mission, strategy and core competencies the sixth leadership task, which cannot be delegated, consists of taking care of core products and services. The core products and/or services of a company are:

1. the products and services which in the short or medium term will contribute to an increase in economic value of the organization, requiring defensive strategies;
2. the products and services which determine the medium- or long-term increase in economic value of the organization, thus requiring offensive and/or investment and growth strategies.

The products and services which belong neither to (1) nor to (2), which would not result in synergy effects if combined with either and which make no use of any of the core competencies of the organization, should be dropped or sold.

The leadership task is to establish a portfolio of products and services and implement it in a way that exploits the core competencies of the organization, makes use of synergies, balances cash-flows and reduces intolerable risks. Selecting senior executives suited for the implementation of offensive, defensive or disinvestment strategies is among the most important entrepreneurial decisions.

However, if the firm is seen as a portfolio of strategic business units, resource allocation will concentrate on the related products and/or services. The strategic logic of business units or core products/services will result in an underinvestment in core competencies: the development of any business unit is normally based on the sole development of core competencies which are of importance to it. This results in a too focused use of resources.

The strategic logic of core competencies is transversal and makes use of hybrid

innovations from which will benefit a variety of strategic business units and which increase the competitive strength of many kinds of products and/or services. Examples of hybrid innovations based on core competencies are laptops, miniature TV sets, medical ultrasound scanners and many products in the field of laser optics. The more complex a product the greater the need for different core competencies.

Thinking in business units as well as in core competencies must become part of the corporate culture; creating this shared mindset is an entrepreneurial task that cannot be delegated.

Identifying and developing core competencies is a dynamic process which must be steered by the entrepreneur and senior executives according to vision, strategy and core products and services. The art of leadership consists of choosing one of various possible competence deployments open to the firm for outperforming its competitors in attractive markets. However, the leader also needs to have the modesty and knowledge to immediately exclude company development paths based on core competencies which the organization would not be able to implement.

Directives and use of resources for competitive advantages

Leadership requires combining a shared mindset concerning the vision, mission and strategies with freedom of implementation for subordinate units. The bigger an organization and the more global its markets, the less possible it will be for the leaders to personally get involved in the implementation and the less direct influence they will have. Independent thinking and initiative with regard to the resources depends on *directives*. In the words of Moltke, directives are 'information which flows from superordinated to subordinated departments and which contains no orders for actual conduct of the subordinated departments but rather establishes guiding points of view. These can be used as guidelines for decisions to be taken independently'. In other

words, senior executives and those responsible for strategic business units agree on the goals to be achieved, and it is up to the SBU managers to decide how to achieve these goals. The more clearly directives indicate a goal and the direction to be taken, thus enabling employees to take the initiative and responsibility, the more effectively the strategies will be implemented. Formulating clear directives which permit managers and employees to deploy creativity and entrepreneurship is the seventh task which cannot be delegated. Directives provide for the basis of the empowerment of employees and teams.

Leading through directives is a method which leaders use to involve managers and employees in their own strategic views and thoughts. Directives require managers and employees to *mentally participate* in the formulation and implementation of the strategies. This method requires a great level of strategic and operational competence from all concerned. It is not so much a science as an art which can be trained; it requires understanding of different personalities and situations as well as rejection of any schematization. Only then will it result in *intellectual co-operation* and *shared responsibility* among leaders, managers and employees. The famous German *Auftragstaktik* in World War II was nothing else but the application of Moltke's directives.

This method must not prevent the leader from giving orders to his managers if the situation requires it, if the organization is about to lose direction, if time is running out, or if the employees' conduct seriously threatens stakeholder satisfaction or core competencies. The leader has the right and duty to intervene if there is any danger of the strategies taking the wrong direction. However, they should exercise this right as seldom as possible.

Enabling managers and employees to *act independently but within the boundaries of directives coherent with the vision and strategy* is a task leaders cannot delegate. The less precise the information on which the leader bases his strategies, the more generally the directives must be worded and the more freedom of action managers and employees must be given.

It will sometimes be necessary for the leader to let things run for a while before he can tell whether or not management, employees or suppliers are abusing their independence. However, he must ultimately educate managers and partners in strategic networks to have enough heuristic competence, professionalism and moral to cope with any situation which may arise (Musgrave and Aniss, 1996; Fukuyama, 1996).

Leadership with directives requires:

- consulting with one's managers and employees; *not too often but often enough* in order to *proactively* keep informed about all *important issues*;
- listening to one's employees, as they tend to feel very clearly *where* inspiring and enabling come from; they will automatically elevate this person on a higher level;
- a good sense of humour;
- the ability to get people interested in rewarding tasks and objectives.

The organization and business processes

The organization is the totality of structures, business processes and limiting conditions which allow an optimal unfolding of the energies and initiatives of the employees in the interest of the firm. The goal of the organization is to enable the employees to increase customer satisfaction and loyalty, thereby making employees out of active customers.

This leads to the eighth task which cannot be delegated: creating an effective and porous *organization*, so that where the leader has no direct influence, he will have a body of managers and employees whom he can count on to understand the strategies and achieve the agreed-upon objectives. Leaders must 'lead by example, counselling those who ask for help without judging them, and being tolerant of new ways of getting work done. There is never just one right way to do things' (Munroe Faure and Munroe Faure, 1996). The leader must adhere to this rule of independence for managers and employees despite any adverse effects this independence may have created in the past. In our experience, instances of

managers and employees taking independent decisions in accordance with the vision and the mission as well as with an understanding of the strategies outnumber those characterized by a lack of understanding or undue stubbornness.

If the firm wants to satisfy customers faster and better than its competitors, barriers between individuals, functional areas, regional units, and hierarchical levels must be removed and the structures reorganized so that they become more porous. The business processes have to be co-ordinated according to a flow chart by the process owner. They cut across and optimize the organization as a whole and concentrate on the satisfaction of internal and external customers and other stakeholders.

The *leadership tasks* which cannot be delegated are:

- selecting managers and employees;
- removing barriers between individuals, teams, functional areas and SBUs;
- changing existing planning, budgeting and information systems in order to satisfy customers and other stakeholders better and faster than competitors can do;
- changing decision-making processes by involving those concerned;
- reorganizing human resource management by introducing performance standards as well as financial and other incentives for individuals and teams.
- promoting personal interconnections between inside and outside know-how contributors

The corporate culture

The corporate culture is the integral of all lived and shared values, principles, objectives, and experiences. It determines the behaviour of all employees in their day-to-day activities.

The attitudes and the behaviour of managers and employees have to bring about the image as the firm wishes to be seen and judged by the public. The corporate culture has to foster the involvement of managers and employees as a condition for customer satisfaction, customer loyalty and active customers.

Trust will keep teams and the organization as a whole together, even in difficult times. The

leader must use calmness, credibility, persuasiveness and example to overcome cultural barriers to corporate changes and to process-oriented activities aimed at satisfying internal and external customers. This ninth leadership task requires putting work before one's self.

A corporate culture which demands that decisions be implemented according to customer needs rather than just according to schedule or budget is a prerequisite for increasing the value of the firm. Managers and employees have not just the right but also the duty to change the implementation of decisions to the extent to which the current situation deviates from the one assumed at the time the strategic plan was first conceived.

GE uses corporate culture for management selection. Consider how Jack Welch defines management 'types' at GE (General Electric Company, 1995) (see Figure 5):

Type I not only delivers on performance commitments, but believes in and furthers GE's values. The trajectory of this group is 'onward and upward', and men and women who comprise it will represent the core of GE's senior leadership into the next century.

Type II does not meet commitments, nor share GE's values—nor last long at GE.

Type III believes in GE's values but sometimes misses commitments. Type III is typically given another chance.

Type IV delivers short-term results without regard to GE's values. Type IV's often diminish them by grinding people down, squeezing them, stifling them. Type IV's will be removed.

The leadership tasks concern the gradual 'reduction of Type IV management and the development of a fresh, open, anti-parochial environment, friendly towards the seeking and sharing of new ideas, regardless of their source' (Jack Welch, in General Electric Company, 1995).

GE describes this new emerging culture as 'boundaryless'.

In conclusion, corporate culture must get managers and employees used to behave like entrepreneurs and to *think through their*

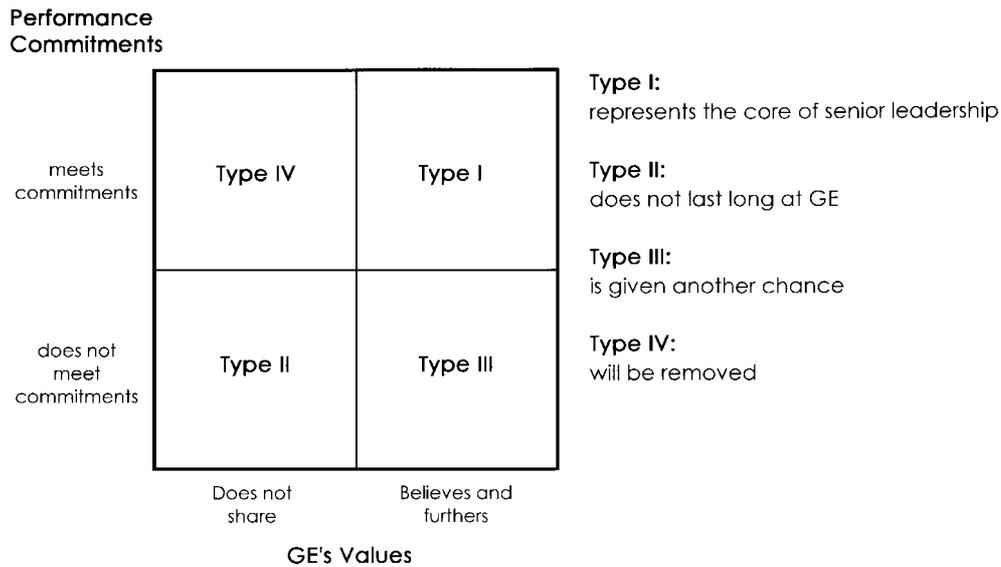


Figure 5. Management selection at General Electric Company. Source: General Electric Company Annual Report (1995).

actions with regard to the organization's vision and strategies.

The corporate image

The *corporate image* is the image which other people get of or attribute to the company in a way, as the firm wishes to be seen by the outside world. The goal is to be a company which is attractive inwards and outwards. The more strategic business units interact with an ever more dynamic and complex environment, the more important it becomes for the leaders to make sure that the company doesn't lose its awareness of itself and its identity. An organization's image is extremely complex: it is the result of a long and difficult personification of values, principles and experiences which:

1. reflect the personality and the character of those that founded and/or are currently leading the organization;
2. reflect the attitudes, traditions and standards of the employees which contribute to the success of the organization or have done so in the past;
3. result from the socioeconomic and institutional environment in which the organization works; and
4. manifest themselves in the image and credibility the organization has with its stakeholders.

Shaping this image according to the vision and mission, the strategies, the business processes and core competences, the directives required for an optimum use of resources and the corporate culture is the final leadership task that cannot be delegated.

Conclusion

In this article we have argued that:

- Leadership stands on three pillars: envisioning, being an example and increasing the economic value of the firm (see Figure 6).
- Leadership is more important than management. Leadership is a natural unforced ability to inspire people, to discover opportunities and to capitalize on them. Management is creative problem solving. Entrepreneurs and senior executives need both: leadership and management. In our experience, about 80% of the CEO's tasks are leadership tasks, i.e. the tasks illustrated in the leadership wheel (see Figure 7).
- The leadership tasks entrepreneurs and/or senior executives cannot delegate are illustrated with the help of a wheel. The

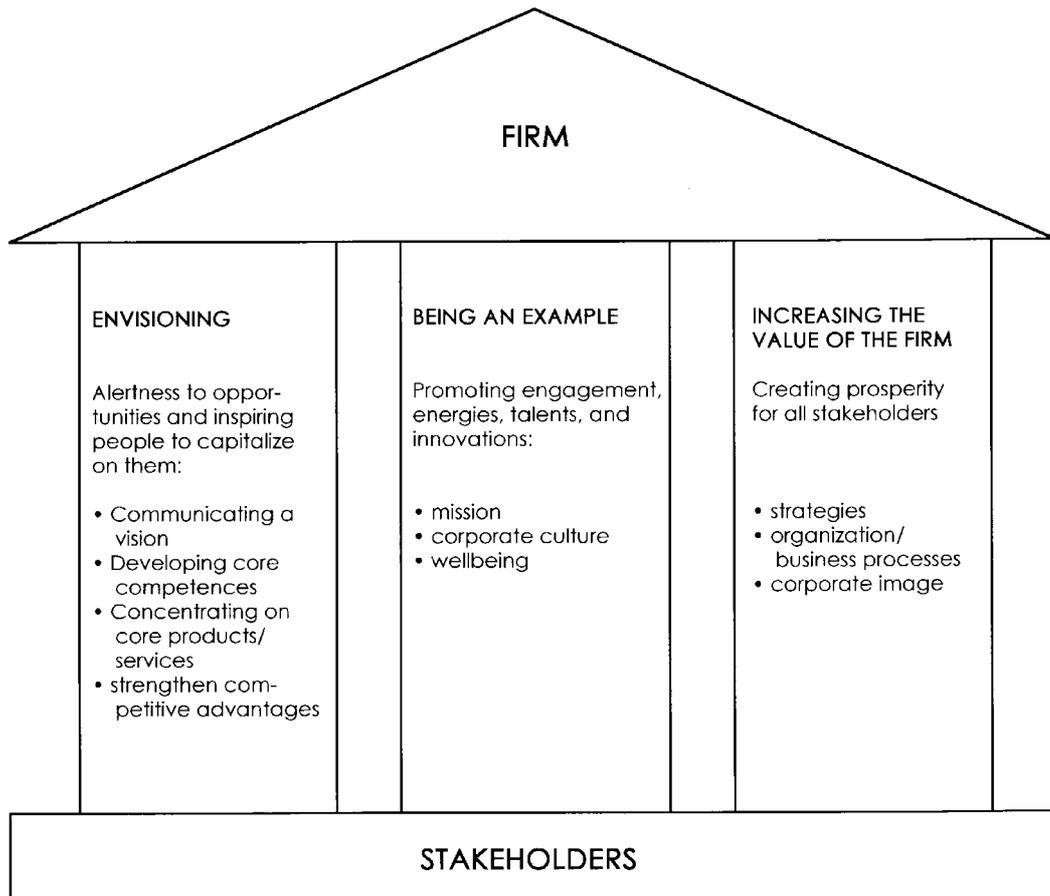


Figure 6. The three pillars of leadership.

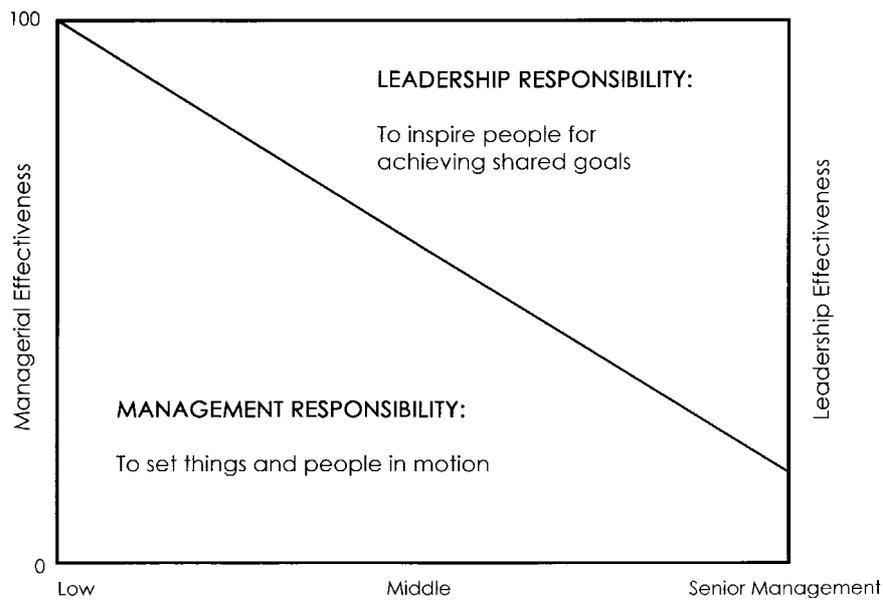


Figure 7. Management versus leadership responsibility.

wheel turns to satisfy all key stakeholders of the firm; it symbolizes (a) the cohesion between all leadership tasks and (b) a concept of time which emphasizes the present as anticipation of the future and as a result of past decisions and attitudes.

- The hub of the leadership wheel is the wellbeing of the leader. Leadership needs inner strength, visibility, credibility, dedication to a shared purpose, personification of values and principles, courage, ability to communicate, respect for people, humility or, as Warren Bennis puts it, 'character and judgement'. Helmut Maucher, CEO of Nestlé, summarizes his leadership credo this way: 'In order to lead a company, one needs the ability to remain true to oneself, to stand for what one is'.
- The tasks which leaders cannot delegate refer to:
 - the entrepreneurial vision;
 - the mission;
 - the strategies;
 - the core competencies;
 - the core products and services;
 - the directives and resources for competitive advantage;
 - the corporate culture;
 - the corporate identity.
- High-performance leadership can be traced back to the golden rule: 'Lead others as you would like to be led' (Donnithorne, 1994). When a person's development as a leader is finished, the leader is finished.

Leaders are not unlike seafarers. They, too, use instruments and methods (cognitive domain); however, they also need to have the energy and courage to break with the past and explore new shores. They need to have good common sense, a feeling for perspectives and proportions as well as commitment to a common objective, power of persuasion and sensitivity, credibility and integrity; in other words, attitudes which belong to the affective domain (de Woot, 1988).

The contrast of decentralized leadership and centralized control can only be overcome by

letting the managers' and employees' creativity and initiative develop freely within a shared mindset and by assigning them their role in the organizational network according to their ability, commitment, and willingness to take responsibility and to set high objectives. Moltke on this subject:

The advantage which a leader hopes to gain by personal intervention is normally just an imaginary one anyway. In the course of the intervention he takes on functions which have been assigned to other people thus doing without the contribution of others; he increases his own amount of work to an extent where he will no longer be able to cope.

The driving force in any organization is the managers' and employees' ability to think and act in accordance with the future direction the firm has decided to take. The leader must trust in this driving force. The employees' entrepreneurial independence acts as a multiplier which increases the leader's ability to lead.

Leading is more a question of being and understanding than of knowledge. Differences between leaders result from their nature and character, i.e. their main personality traits, rather than their knowledge. When developing leadership, practice is far more effective than theory: it reveals human nature and allows the person to test and develop his/her character. Only practice will show the true skills which are based on understanding (cognitive domain) and feelings (affective domain). Leadership means addressing the employees' intelligence and heart.

There is nothing more dangerous than one-sidedness, and nothing more supportive of leadership than openness for new ideas and the recognition that there are thousands of things apart from one's job which also have a right to exist. If the leader possesses inner security and strength and is sure of his/her own value, he/she will have a competitive edge over competitors due to a higher level of being, understanding, and knowledge. Leading means constant work on oneself. Only by constantly working on oneself can an individual learn the art of leadership—an ability to think freely and creatively, to make the right decisions and set

the right actions at the right time; to be, despite all the planning, able to act unconventionally in a variety of situations

The importance of leadership, the role of good common sense, of character and judgement, all its inherent qualitative aspects, must make us modest, with respect to our capacity to explain the performance of successful firms or to help educate the executives who will lead them in the future.

Biographical note

Hans H. Hinterhuber is Professor of Strategic Management and head of the Department of Management, University of Innsbruck, Austria; he serves also as professor of International Management at Bocconi University, Milan, Italy. He has authored or co-authored over 20 books and 200 articles in the field of strategic management and leadership. He is a consultant to many European firms.

Eric Krauthammer is the founder of Krauthammer International SA, a management and leadership training company in Geneva, Switzerland. At the end of 1993 he sold his firm, employing 170 consultants, training 17 000 participants worldwide in seven languages, to a Dutch group. Today, he is consulting entrepreneurs with the objective to help them practise successful leadership.

References

- Bartlett, C. A. and Goshal, S. (1995). *Transnational Management*, 2nd edn. Irwin, Chicago, pp. 472-477.
- Bennis, W. (1996). *Beyond Bureaucracy*. McGraw Hill, New York, p. 72.
- Bentivogli, C., Hinterhuber, H. H. and Trento, S. (1994). The watch industry: a strategic analysis. In D. E. Hussey (ed.), *International Review of Strategic Management*, vol. 5. Wiley, Chichester, pp. 133-170.
- Bloom, H., Calori, R. and de Woot, P. (1994). *Euro-Management: A New Style for the Global Market*. Kogan Page, London, p. 29.
- Calori, R. and de Woot, P. (1994). *A European Management Model*. Prentice Hall, New York.
- Covey, S. R. and Merrill, A. R. (1994). *First Things First*. Simon & Schuster, New York, p. 27.
- de Woot, P. (1988). *Les entreprises de haute technologie et l'Europe*. Economica, Paris.
- de Woot, P. (1994). Towards a European model of management. In R. Calori and P. de Woot (eds), *A European Management Model: Beyond Diversity*. Prentice Hall, New York, pp. 261-277.
- Donnithorne, L. R. (1994). *The Westpoint Way of Leadership*. Doubleday, New York.
- Fukuyama, F. (1996). *Trust: The Social Virtues and the Creation of Wealth*. Free Press, New York, p. 43.
- General Electric Company (1995). *Annual Report*.
- Greenleaf, R. K. (1991). *Servant Leadership*. Paulist Press, New York, pp. 13-14.
- Halal, W. E. (1996). *The New Management*. Berrett-Koehler, San Francisco, p. 67.
- Hayashi, S. (1990). *Cultural and Time in Japan*, University Tokyo Press, Tokyo.
- Hinterhuber, H. H. (1990). *Wettbewerbsstrategie*, 2nd edn. Walter De Gruyter, Berlin.
- Hinterhuber, H. H. (1996). *Strategische Unternehmensführung*, 6th edn., Vol. 1: *Strategisches Denken*. Walter De Gruyter, Berlin, pp. 18-54.
- Hinterhuber, H. H. and Fink, A. (1997). Doppelmayr: a representative Austrian multinational firm. *The International Executive*, 39, pp. 201-223.
- Hinterhuber, H. H. and Krauthammer, E. (1997). *Leadership-mehr als Management*. Gabler-Verlag, Wiesbaden.
- Hinterhuber, H. H., Friedrich, S. A., Handlbauer, G. and Stuhec, U. (1996). The company as cognitive system of core competencies and strategic business units. *Strategic Change*, 5, pp. 223-238.
- Kirzner, I. M. (1980). The primacy of entrepreneurial discovery. In A. Seldon (ed.), *The Prime Mover of Progress*. IEA, London, pp. 3-30.
- Munroe Faure, M. and Munroe Faure, L. (1996). *The Success Culture: How to Build an Organization with Vision and Purpose*. Pitman, London, p. 168.
- Musgrave, J. and Annis, M. (1996). *Relationship Dynamics*. Free Press, New York, p. 72.
- Parikh, J. (1992). *Managing your Self*. Blackwell, Oxford, p. 13.
- Taylor, B. (1995). The new strategic leadership: driving change, getting results. *Long Range Planning*, 28(5), pp. 71-81.
- The Performance Group (ed.) (1995). *The Keys to Breakthrough Performance*. Oslo, p. 161.