Tapping Your Organization’s Leadership Reserve

When organizations experience a failure of leadership, it’s not always the fault of the individual leaders or development strategies. The heart of the problem may be systems that inhibit the organization from achieving its full leadership potential.

On the surface the practice of leadership appears to be pretty simple. There are people who need to be led, and someone needs to lead them. That doesn’t sound so difficult, right? Yet most professionals who have been in leadership roles will say that leadership is one of the toughest challenges they have ever faced. What is it that makes leadership so demanding?

A couple of lines from Kurt Vonnegut Jr.’s Player Piano get to the root of why leadership is no easy task: “If only it weren’t for the people . . . always getting tangled up in the machinery. If it weren’t for them, earth would be an engineer’s paradise.”

If it weren’t for the people, leadership would be an engineer’s paradise as well. Leadership occurs in a social context, so there are always people getting tangled up in the machinery of the organization. Leadership’s difficulty stems from the fact that it is inherently about people and the social context, so it is anything but a linear, input-output process.

Although some organizations create environments that encourage and enable individuals and teams to bring their full leadership potential to bear on critical tasks, most organizations fail to consider the characteristics of the environment and its

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importance in maximizing leadership resources. In this article we look at how organizational systems can be either a barrier to or a source of greater leadership capacity.

LOOKING WITHIN

No competent executive would develop a business strategy without having a detailed sense of the external, competitive environment. Similarly, before formulating a development strategy to enhance leadership capacity, an organization should have a comprehensive understanding of its internal leadership environment. This might seem to be a given, but many an organization has implemented leadership development practices without first making a realistic—as opposed to idealistic—determination of what the organization is willing and able to support, not only in word but in deed.

In any organization, two broad aspects of the leadership environment determine the organization’s aggregate leadership capacity. The first is leadership reality. This refers to what typically happens and how much advancement and learning occur when the organization tackles complex situations. The second is leadership reserve. This can be thought of as the full potential leadership resources capable of contributing to a best-case leadership process—for instance, one that is well informed, innovative, integrative, and energizing.

Unfortunately, organizations usually have a significant gap between their leadership reserve and their leadership reality. In such situations, the leadership reserve is not fully tapped, and the organization ends up with a leadership reality that falls far short of its potential for effectiveness and success.

BEHIND THE CURVE

Throughout this article we use examples drawn from two organizations to illustrate how the disparity between leadership reserve and leadership reality plays out.

Pinnacle (a fictional name) is a U.S.-based, multinational company. Driven by a need to increase distribution capabilities, Horizon is in the process of acquiring a South American company. Reasoning that the acquisition and the subsequent joint operations might go more smoothly if Horizon’s leaders learned the value of multiple perspectives, the company invests a good deal of time and money in a process of 360-degree feedback—receiving assessments from people at all levels of the organization. Horizon’s executives report that the 360-degree experience has had a significant beneficial effect on their leadership. Despite this, in matters of day-to-day decision making Horizon’s leaders continue to elicit input only from people at their own organizational level. The lesson of the value of multiple perspectives fails to filter into the daily practice of leadership.

THE SYSTEMS BLOCK

What is responsible for the gap between leadership reserve and leadership reality in these exam-
Subsystems of the work system do the challenges of leadership, referring to when they speak about the company. Managing or changing the fundamental component of any company can get ahead of the game. In essence this system determines what leadership reserve will be effectively tapped.

In essence this system determines how leadership effectiveness is defined in an organization. In the case of Pinnacle, the social system of those with the greatest skills in data analysis plays a critical role in how complexity is addressed. Regardless of the practice, basing behavior on the prevailing social system norms results in the involvement of just the usual participants, which reinforces a relatively constrained leadership repertoire. We will later illustrate how broadening the who perspective can enhance the likelihood that the leadership reserve will be effectively tapped.

The third is the belief system. This shapes why certain leadership tasks are prioritized over others; why certain individuals, groups, roles, expertise, or perspectives are included or excluded from the task; and why the tasks are pursued in a prescribed manner. The belief system strongly influences whether learning and development are seen as key strategies.

In essence this system determines how leadership effectiveness is defined in an organization. In the case of Horizon, formal leadership authority is valued and respected. Because of a belief that the conse-
to develop additional distribution capabilities in response to increasing customer demand. This change represented a true acquisition, because Horizon stipulated it would maintain primary control and planned to integrate the new company into its strategy, structure, and operations. Horizon’s analysis had revealed that the internal development of these capabilities would be both time-consuming and cost-prohibitive. Horizon’s leadership challenge, given the high failure rate of mergers and acquisitions, was to beat the odds. That is, it wanted to determine how to best integrate the companies and align their capabilities in a manner that would quickly recoup the acquisition costs, enhance the customer base, and retain key talent.

**Response 1: Leadership Reality**

Horizon’s CEO called an executive leadership team meeting to address the issues pertaining to the final phases of due diligence. The evaluation of the distribution capabilities of the South American company was even more positive than originally expected, the deal’s financials looked strong, and Horizon had just gained regulatory approval for the acquisition. With all the critical bases covered, the team sent a unanimous vote of support for the acquisition to the company’s board.

**Missed Opportunities: Leadership Reserve**

Although retention of key talent was stated as a desired outcome of the integration, and the executive team had resident expertise on large systems change, Horizon failed to incorporate a careful study of the soft assets into its decision. Although it had information on some of the key leaders in the target company, it had no sense of the leadership environment beyond that company’s reputation for attracting some of the best talent in the industry.

For example, it had not asked, What type of leadership is characteristically exhibited and rewarded in that company? How much emphasis is put on development? How strongly do its leaders identify with certain leadership practices? Most important, how does all this compare to Horizon’s environment? Although there is rarely a perfect match between the leadership environments of merging companies, Horizon overlooked the opportunity to leverage the leadership capacity of its entire team, a move that would have equipped it to advance the acquisition in a more informed fashion.

**Response 2: Leadership Reality**

After securing the board’s approval, Horizon’s executive team met to outline the process for the integration. It was decided that each functional vice president would develop recommendations on integration process priorities, reflecting the viewpoint of his or her department. The recommendations would then be presented to the CEO and chief operating officer at the next executive team meeting, with the accepted recommendations forming the transition document that would be sent to the target company for review.

**Missed Opportunities: Leadership Reserve**

There are at least two missed opportunities in this response. First, although it was clear from the start that Horizon would steer the integration process, the executive team overlooked an opportunity to integrate up front the target company’s knowledge of its own leadership environment. Including key representatives from the South American company in this preliminary discus-
sion would have provided an opportunity to better understand the organizational system integration challenges to come. If the approach from the start had been to check assumptions about common leadership practices and how those practices might drive or hinder the integration processes, Horizon could have minimized the problems of combining different organizational systems.

A second missed opportunity arose out of the team’s practice of relying on senior-level technical (functional) expertise as the foundation for resolving a complex issue. Although this expertise is key, non-technical expertise is also critical to fully tapping the leadership reserve. For example, who possessed the greatest skill in integrating the complex ideas represented in the various recommendations? Were these people assumed to be the CEO and COO? Who had the most experience in acquisitions, and what lessons could that individual have shared with the team? Who had the greatest knowledge of the South American culture, and how might this diversity factor have been incorporated into the integration design? As for technical expertise, did it actually reside in a leader in a department? And if so, why not give that individual the developmental opportunity to present his or her recommendations directly to the executive team rather than filter the information through the functional head?

**BLOCKING THE VIEW**

Although there may be sound reasons for not taking one or more of these opportunities, too often organizations lack the intentionality to recognize them in the first place. Remember that Horizon had invested heavily in developmental 360-degree-feedback processes for its leaders. Given the influence on these missed opportunities of Horizon’s compliance-focused control systems, its exclusive executive social network, and its value of formal leadership authority, it was no wonder that Horizon’s leaders did not transfer their lessons from the 360-degree process into the daily practices of leadership. As a result, prevailing work, social, and belief systems determined capacity, and the leadership reserve was untapped.

**GETTING BETTER**

How can you take the lessons about leadership reserve from Horizon and begin addressing the system influences in your organization? Here are some ideas:

- Evaluate two recent, significant leadership choices—one that was perceived as successful and one that was not. When you look at the what, who, and why, how do these two leadership scenarios differ? What might these differences tell you about your work, social, and belief systems?
- Ask a few of the most functionally and hierarchically diverse, yet successful, leaders in your organization to give an example of a complex situation in which additional capacity was sorely needed but did not materialize. Specifically, what were these leaders hoping for, and what are their perspectives on what got in the way?
- Examine the system practices that are considered business as usual in your organization. Specifically, how does your organization’s most developed work system play out in leadership situations? What tendencies determine participation in leadership processes? Which social networks most significantly influence leadership tasks? What model of leadership is most respected? How might changes in any one of these practices influence your leadership reserve?

This type of assessment is not meant to complicate the already complex process of leadership development. Nor is it meant to find fault with individual or team choices in your organization. Rather, it serves first to sharpen your focus on the role of organizational systems in creating the leadership environments that are influential in shaping success. Further, it can lead to the identification and removal of the obstacles to accessing your leadership reserve.