Organizations can best gain an advantage over their competitors by practicing strategic leadership. But how is strategic leadership accomplished, and who in an organization should be responsible for it? Strategic leadership is a complex process of thinking, acting, and influencing, and it can be exercised not just by individuals but also by teams.

If you were to ask a group of executives to define strategic leadership, you’d likely get as many different answers as there were people in the room. One executive might describe it as creating a shared vision of the future. Another might view it as linking the efforts of everyone in the organization to the organization’s goals, and still another might interpret it as not just accomplishing objectives but also steadily improving the organization.

The difficulty of arriving at a simple, cut-and-dried definition of strategic leadership is underscored in the literature on the subject. In their 1995 book Strategic Management: Competitiveness and Globalization, Michael A. Hitt, R. Duane Ireland, and Robert E. Hoskisson developed a model of strategic leadership that has six critical components. In a study based on that model and reported in a 1998 article in SAM Advanced Management Journal, Abdalla F. Hagen, Morsheda T. Hassan, and Sammy G. Amin found that U.S. CEOs ranked these six components in the following order of importance: determining strategic direction, developing human capital, exploiting and maintaining core competencies, sustaining an effective corporate culture, emphasizing ethical practices, and establishing strategic control.

What these various definitions and concepts make clear is that strategic
leadership is extremely complex and multifaceted. Yet it is for that very reason that strategic leadership is critical to achieving individual and organizational effectiveness and success in a rapidly changing, increasingly globalized business environment that grows more complicated by the day.

Leaders who want to develop strategic abilities need to gain an understanding of the three parts of strategic leadership: what strategic leadership achieves, how strategic leadership is accomplished, and who in an organization has the main responsibility for leading strategically.

CCL’s program Developing the Strategic Leader, designed to help senior managers gain a better understanding of the complexity of strategic leadership as it relates to themselves, their teams, and their organizations, examines all three elements of strategic leadership. To this end the program uses as a starting point this model: individuals and teams (the who) exert strategic leadership when they think, act, and influence (the how) in ways that enhance the organization’s sustainable competitive advantage (the what).

**GOING LONG**

If strategy is defined as the patterns of choices made to achieve a sustainable competitive advantage, then strategic leadership involves focusing on the choices that enhance the health and well-being of an organization over the long term. Those last two words are key. Nearly half a millennium ago, the Japanese military leader Miyamoto Musashi said, “In strategy it is important to see distant things as if they were close and to take a distanced view of close things.” That may be easier to fathom in theory than it is to achieve in practice, because operating from a perspective that emphasizes the long term does not always come naturally or easily to leaders. This is especially true in today’s business environment, in which short-term results are increasingly exalted, frequently with little consideration and to the detriment of the big picture.

As a result, leading strategically often demands courage and a willingness to swim against the tide of conventional wisdom. A case in point is Darwin Smith, who was CEO of Kimberly-Clark from 1971 to 1991. As related in Jim Collins’s book *Good to Great: Why Some Companies Make the Leap . . . and Others Don’t*, Smith, soon after becoming CEO, concluded that the potential of the company’s core papermaking business paled in comparison to what could be achieved by branching out into a wider range of consumer products. His strategy included selling the pulp and paper mills that were an integral part of the company’s tradition. Business analysts were shocked and predicted that Smith was making a huge mistake. But Smith stuck to his guns and his strategy, and today Kimberly-Clark is a global manufacturer with annual revenues of $14.5 billion. *Fortune* magazine this year pronounced it the most admired company in the forest and paper products industry.

**COMING UP SHORT**

The lack of attention that some leaders pay to thinking and acting strategically for long-term organizational success was perhaps never so evident as during the late 1990s—the now faded glory days of the dot-coms. For the leaders of many of these companies, the overriding interest was building to the point of an initial public offering of stock. There was little concern about or planning for what would happen after the IPO. The focus was on short-term objectives rather than strategic goals such as establishing and maintaining profitability, and the decisions made reflected this limited focus.

This is not to say that strategic leaders shouldn’t be concerned with the short-term health of their companies. The important thing is that actions they take to address those short-term concerns also support and enhance the long-term viability of their organizations.

Strategic leadership requires leaders to focus on the far-reaching implications of their ideas, decisions, and actions for the entire enterprise, not just one or two business units or functions. Strategic leaders need to understand how the various parts of the organization’s system work together, and they must integrate perspectives from across the organization. If they don’t, they’re likely to be frustrated in their attempts to create and accomplish organizational goals, because individuals in the organization won’t have a clear perception or understanding of their roles in supporting and achieving those goals.

In addition to having a firm grasp of what’s happening in their own companies, strategic leaders need to stay on top of and react to the rapid
and constant changes occurring in the marketplace environment. Failing to do so can seriously hinder an organization’s ability to arrive at the what of strategic leadership—a sustainable competitive advantage.

GATHERING INFORMATION

The how of strategic leadership is a complicated combination of thinking, acting, and influencing—and each of these three processes is complex in and of itself.

Today’s organizations and leaders often operate under ambiguous or even contradictory circumstances. Anticipating and effectively reacting to these circumstances is a key to success.

To do this, strategic leaders must not only develop the organization’s vision and mission but also continually think about and review the organization’s direction to ensure the organization is staying on the right course as the competitive environment changes. Strategic thinking, then, involves gathering information, making connections among the various pieces of information, and filtering the information to form ideas and strategies that are focused, relevant, and sound.

Effective strategic thinkers constantly scan the internal and external environments for factors, trends, and patterns that may have an effect on the organization’s business.

In the internal environment, strategic leaders pay attention to whether the organization is fulfilling its mission, the ways in which the organizational culture and values do or don’t support the organization’s work, employees’ capabilities and talents, budgetary issues, and how the organization’s various units and systems function and interrelate.

Information must be gathered from every corner of the organization. The best way to ensure this is to build networks, which in turn requires the ability to foster trusting relationships with people in all areas and at all levels of the organization and to encourage and accept their input and feedback.

Establishing such relationships can’t be done in a day; it also requires thinking and acting strategically—planting seeds and nurturing them over the long term.

Perhaps the best example of how leaders can form and stay plugged into networks that yield rich and relevant information is management by wandering around. Spending time among and genuinely communicating with employees throughout the organization enables strategic leaders to win those workers’ trust and see the business through their eyes. And as Yogi Berra said, “You can observe a lot by watching.”

As strategic leaders scan the external environment, they should pay attention to market conditions, global economies, changing technology, industry innovations, and shifting supplies of resources. But perhaps most important, they must keep a keen eye on their customers and what drives those customers’ purchases.

An example of a leader who tuned in to customers and took a cue from them to set a successful organizational strategy is Louis Gerstner, who was CEO of IBM from 1993 until this past March and remains the company’s chairman. When Gerstner took over as CEO, Big Blue was singing the blues: profit margins were down in its core businesses as other technology companies successfully applied competitive pressures. Gerstner decided that IBM couldn’t continue on the same course and maintain its competitive edge. As he gauged the needs of customers, he concluded that their number one problem was their burgeoning information technology systems. Few companies had people with a thorough understanding of how their various IT products combined into a system, let alone an ability to solve system problems. Gerstner shifted IBM’s strategic focus from providing products to providing services that most of IBM’s competitors were incapable of—helping companies troubleshoot and get the most out of their IT systems. In doing so he created a business model that other technology companies are still trying to emulate.

LINKING UP

It’s not enough for strategic leaders to capture information from a wide range of networks inside and outside the organization. Once they have gathered the information, they need to examine it to discover interdependencies and see how various pieces of information are linked to different parts of the organization. Doing so is a monumental information-processing challenge.

A crucial part of meeting this challenge is comprehending the systemic nature of organizations—a dynamic involving individuals, teams, groups, the industry, and the marketplace.

Strategic leaders also need to take into account the relationship between the organization’s history and its vision for the future. If there are conflicts between the two, they may be a hindrance to achieving long-term goals—a hindrance that needs to be addressed and resolved. For example, if a company’s top management
decides that the strategic focus should be on enhancing the use of new technology but the organization’s culture has traditionally been averse to risk, the likelihood is high that there will be problems in keeping the strategy on track.

Strategic leaders should focus on linking all the information they gather so they can give their organizations the best chance of gaining or maintaining a competitive advantage.

DATA OVERLOAD
One of the biggest problems strategic leaders encounter after they become proficient at gathering information is dealing with the sheer volume of information collected. They need to differentiate the information, filter and distill it down to what is essential for setting the organization’s strategic direction.

However, deciding which information—out of an often overwhelming amount—deserves attention and which should be passed over is easier said than done. Sometimes strategic leaders simply don’t have the resources to sift through it all. Sometimes they feel an urgency to act and just don’t have the time. Whatever the case, strategic leaders who are unable or unwilling to separate out the crucial information and establish a sense of order can find themselves paralyzed.

There is no simple prescription for filtering the information that is most relevant and crucial to setting an effective strategic direction. But to make sound choices, strategic leaders should be aware of their own career connections and biases and not let them sway decisions. For example, a strategic leader with a background in customer service may look at the available information and conclude—and convince others—that the organization should invest heavily in customer service, when in fact the organization’s strategic goals depend more heavily on other needs.

CARRYING IT OUT
The second part of the how of strategic leadership is acting. All the good strategic thinking in the world isn’t worth much if leaders don’t act on it (or, as is sometimes the more prudent course, if they don’t withhold action, based on their strategic thinking). When a leader fails, it’s usually not because of a flaw in his or her vision for the organization. Rather, the fatal error generally lies in an inability to take action on and effectively implement that vision.

Although strategic leadership is focused on an organization’s long-term well-being, it should be balanced with attention to tactical, day-to-day operations. The two perspectives need to be integrated. Leaders often struggle with this balancing act. They’re often inclined to concentrate on the problems that arise during the day’s work—issues and details that seem immediately urgent. In other words their instinct is to go around putting out fires. But in every decision that leaders make, it’s critical that they ask themselves how that decision will affect the organization in the long term. Tactical efforts need to be aligned with and supportive of the long-term strategy.

It’s also critical for strategic leaders to lead by example. Their own consistent behavior in carrying out their strategic vision has a trickle-down effect on others in the organization; it sets a standard by which others can establish priorities that are in consonance with the strategy.

A large part of the acting of strategic leadership is making decisions about whether and when to act. If opportunities arise in day-to-day operations that bolster the long-term vision, effective strategic leaders recognize and run with them. Conversely, opportunities that promise short-term benefits but may be detrimental to overall strategy are shunned. Two of the most important qualities for strategic leaders are confidence and patience—they need to steadily take actions toward the strategic goal, even in the midst of an ever-changing and often chaotic business environment. Yet strategic leaders also need to be flexible, to view strategy as emergent and all their decisions as temporary ones that can be modified as new information from strategic thinking becomes available.

MAKING YOUR MARK
Although strategic leaders must take action based on their strategic thinking to enable the organization to achieve its long-term objectives, it is not enough for them to act alone. They also need to influence others in the organization to work toward the strategic goals.

The first step of the process of influencing is to help people in all areas and at all levels of the organization gain a clear sense of the strategy and how it applies to their specific jobs and roles. But strategic leaders can’t stop there—they then need to connect the needs and aspirations of the employees to the possibilities presented by the strategic vision, creating a commitment to, passion for, and excitement about the cause. Exercising this level of influence on everyone in the organization might seem to be a daunting task, especially when the inevitable difficulties and
setbacks in advancing the strategy occur, and disenchantment and frustration loom. But leaders can instill a dedication to and zeal for the strategic vision by communicating effectively, telling powerful stories, and sharing their own sense of enthusiasm for and allegiance to the organization and its goals.

Strategic leaders can further influence the organization by aligning their systems, culture, and organizational structure to ensure consistency with the strategy. For example, CCL is working with a small company in the tool industry that has the strategic imperatives of innovation, speed, and quality. The company has made a structural change—people now report to process directors rather than functional vice presidents. The company is changing from a command-and-control culture to one that emphasizes collaboration and focusing on individual initiative. The reward system encourages both individual and company performance. The resulting synergy is powerful: people receive consistent messages about the importance of innovation, speed, and quality and are influenced to behave in ways that support the strategy.

WHO’S RESPONSIBLE

Now that the what and the how of strategic leadership have been established, the final question is who in an organization should have responsibility for the tasks of strategic leadership? The obvious answer is the people at the top—presidents, CEOs, and other senior officers. Certainly, when an organization fails, it is the people at the top who are held accountable—witness Enron.

But it would be a mistake to think that only senior officers can be strategic leaders. Individuals whose decisions have effects beyond their own functional areas often have opportunities to think, act, and influence as strategic leaders. For instance, a purchasing manager who is considering switching suppliers can anticipate the impact the move will have on the engineering and manufacturing divisions, or a human resource director in charge of crafting reward systems can do so in a way that encourages cooperation across key business units.

But because strategic leadership inherently involves multiple perspectives and a gathering of information from many sources, some organizations are beginning to see the responsibility for strategic leadership as lying not with one or a few individuals but with teams. The diversity of perspectives and opinions that naturally arises from a group can provide a clear advantage in what should be a collaborative process of strategic leadership.

But there are challenges in the team approach as well. Everyone has seen a team that is made up of talented, resourceful, and committed individuals but performs way below expectations and is less than the sum of its parts. Strategic leadership teams can avert this outcome by ensuring the presence of a number of factors and being aware of potential problems as they go through the strategic processes of thinking, acting, and influencing.

First, a team must have access to and stay attuned to all the information it needs to do its work—information from each individual on the team, from within the organization, and from the external environment, such as technological, cultural, and market trends. It is critical that all this information be shared with each member of the team and brought to bear on the task of strategic thinking.

Second, a team must be empowered to act strategically. Each member needs to have a clear idea of what the team can and can’t do, and the team needs to take timely actions within those boundaries. Two of the biggest problems that strategic leadership teams run into are not having a strategic vision that is shared by each member and failing to balance near-term tactics with long-term strategy, so the team must establish and focus on these critical prerequisites for effective strategic action.

Finally, team members must trust and respect one another so they can engage in the final part of the how of strategic leadership—influencing. The team needs to be careful to send out a uniform message about its mission and strategy so that others in the organization become energized by and committed to—rather than confused about—the long-term goals and understand how their roles and their work are related to and support those goals.

WORKING TOGETHER

It’s important to remember that the three processes of strategic leadership—thinking, acting, and influencing—are not independent but interdependent. No part of the process occurs in a vacuum, and each relies on the others. Nor is strategic leadership a linear process—strategic leaders should be thinking, acting, and influencing each day. And perhaps most important, strategic leaders must be proficient at each part of the process to be effective, for leaders who come up with brilliant strategic ideas but are unable to champion them and see them through will not find much success.