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## Creating shareholder wealth through strategic leadership

*While Boards and CEO's focus aggressively on returning value to shareholders, it is the very actions that they take to ensure sound financial management and a focus on 'the bottom line', which may be limiting their returns. Different Leadership styles produce varying outcomes, and the extremes of a Managerial Orientation or a Visionary Orientation are not the only options available. Strategic Leadership produces sustainable long-term Market Value Add and growth in both revenue and profitability. Strategic Leadership results in an 'action orientation' that is reflected strongly in the popular autobiographical management literature on leadership. This paper provides a foundation for the observed qualities of strategic leadership, and has implications for the relationship between Board's and CEO's, for executive recruitment practices, and for strategy planning.*

*Key words:* Leadership styles, Australian business, Managerial Leadership, Visionary (entrepreneurial) Leadership, Strategic Leadership, MailCo case, Creation of wealth.

### **Создание акционерной собственности в рамках стратегического лидерства. ДЭРРИЛ КАРЛТОН.**

*В то время как советы директоров и исполнительные директора настойчиво фокусируются на доходности акционеров, это и есть те самые действия, которые они предпринимают, чтобы гарантировать эффективное финансовое управление и сделать акцент на «нижней линии», которая может ограничивать их доходы. Различные стили лидерства приводят к различным результатам, и крайняя приверженность только управленческой ориентации или предпринимательской ориентации не единственные возможные варианты. Стратегическое лидерство производит устойчивую долгосрочную рыночную добавочную стоимость и рост как в доходах, так и в рентабельности. Стратегическое лидерство приводит к «ориентации на действия», что очень сильно отражено в популярной автобиографической менеджерской литературе по лидерству. Данная статья представляет основу для наблюдаемых качеств стратегического лидерства и имеет применения для отношений между советами директоров и исполнительными директорами, для практики рекрутинга на руководящие должности и для стратегического планирования.*

*Ключевые слова:* стили лидерства, бизнес Австралии, управленческое лидерство, предпринимательское лидерство, стратегическое лидерство, кейс MailCo, создание богатства.

While most board members and senior executives are very clear on the need to grow their corporations, many are rightly concerned about the potential disasters that could be wrought by bringing in an entrepreneurial CEO. The notion of a wild-eyed visionary, unconcerned with the mechanics of running the day-to-day business driving the enterprise into waters previously uncharted is enough to frighten even the boldest of chairpersons. The approach of many Australian CEO's over recent years, however, has been just the opposite of the wide-eyed visionary scenario; considerable emphasis has been placed on cost cutting, price hikes and controlling the business environment. As a consequence, profits have risen and corporations are more cashed-up than in the recent past, but this has not generally translated into improved returns for shareholders. However, in some business sectors there has been minimal growth in the enterprise, generally unexciting business outcomes, and in some spectacular cases considerable reduction in shareholder wealth through overly ambitious or inappropriately supervised activities within strategic business units in corporations. One might, therefore, conclude that Australian business is facing a 'crisis of leadership' where profitable business growth opportunities have been missed, where companies have failed to capitalise upon opportunities and a focus on the bottom line at the expense of other sectors has led mainstream corporate Australia into stagnation and finally terminal decline.

Is leadership the responsibility of our Corporate Leaders?

What sort of leadership is required to build corporations, create growth, and generate wealth for all stakeholders – customers, employees, shareholders and the community at large?

What are the characteristics of successful and enduring leadership, and how does this translate into performance of the firm?

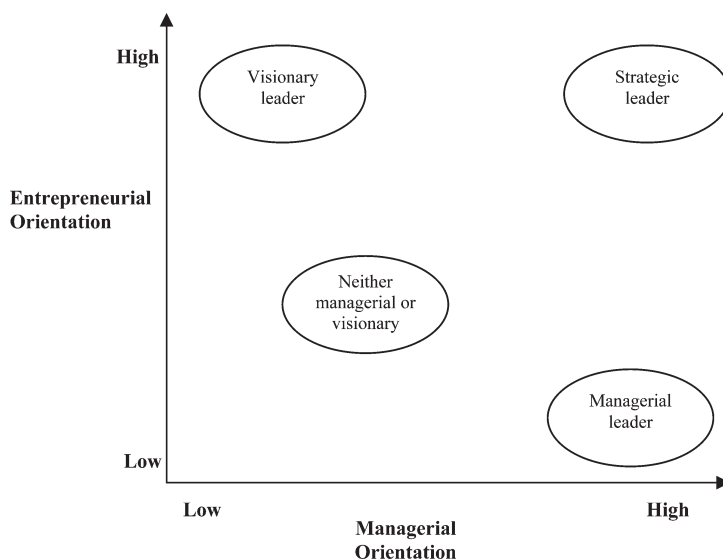


Fig. 1. Managerial – Entrepreneurial orientation (Rowe, 2001)

## LEADERSHIP STYLES

Three main leadership types have been proposed (Rowe, 2001; Mintzberg, 1994): those that display a dominant managerial or administrative orientation, those that display a visionary or leadership orientation and those that display a strategic or action orientation, as represented in Fig. 1. Strategic leadership, the third style of leadership on which this paper focuses, is about the ability to blend both the visionary and managerial orientations that provide the greatest opportunity for corporate entities or strategic business units to achieve sustainable above average returns.

## MANAGERIAL LEADERSHIP

The popular stereotype of managerial leadership is how a bureaucratic organisation operates with an overly stringent focus on controls, procedures, rules and disciplines. In the extreme this would produce a managerial orientation where leaders are very reactive, task oriented and process driven. The managerial leadership orientation may well encompass what Flanagan & Thompson (1993) refer to as 'transactional management' and what Mintzberg (1994) calls 'administration'.

Managerial leaders are sensitive to, if not embedded in, the past: they need order, not the chaos potentially inherent in matters relating to human relations (Rowe, 2001). These leaders will be the ones to suffer most during times of great upheaval and change. They will not know how to respond to events that cause dramatic shifts in the market or in their organisations and will typically respond by resisting change and implementing ever more stringent cost containment programs.

Of all leadership types, managerial leaders dominate in terms of the sheer numbers in business and government. Companies need managerial leaders because these types of leaders bring order and control to an organisation, and will typically focus on compliance to standard operating procedures (Kotter, 1990). Their decision making process is dominated by financial considerations rather than 'values based' criteria.

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Managerial leaders bring with them an overt measurement and control focus, which stifles creativity, flexibility, responsiveness and sensitivity to 'soft issues' such as values, tacit knowledge and organisational learning. Organisations that are pursuing a strategy of cost containment, a common focus of managerial leadership, need to implement a system of activity based controls and monitoring, compared with entrepreneurial leadership which will focus on behaviours and outcomes (Goldman & Valencia, 1997). Managerial leadership can be seen then to exhibit tendencies towards micro-management, and a focus on what Herzberg (1979) refers to as the 'hygiene issues' in business..

While a company may do well in the short-term under the direction of a managerial leader, in the long-term that organisation will find itself with a paucity of ideas, products, and market innovations. Unable to respond to change and having driven all flexibility out of the organisation these businesses will ultimately be faced with major upheaval.

A recent report by consulting firm Booz-Allen Hamilton has suggested, "good governance principles undermine corporate performance" (Bartholomeusz, 2004). This report also stated that CEO's who focus on cost control and demonstrate a managerial leadership style are less likely to grow the market value of their companies, than a CEO who is afforded more flexibility and autonomy in running the company according to his or her vision. The reason being is that the combined role had more freedom to operate, and was more empowered to executive strategies. Furthermore, in this study it was reported that the CEO was risk averse and cost containment focussed, yet the composition and effectiveness of the Board was found to be a result of a successful company, and not the cause of such (Joyce *et al*, 2003).

The focus of attention for managerial leadership is to manage by information (Mintzberg, 1994). In this environment a manager's own activities focus neither on people or actions, but rather the focus of attention is on managing information as an indirect way of making things happen. To manage by information" is to sit two steps removed from the purpose of managerial work. The manager processes information to drive other people, who in turn, are supposed to ensure that necessary actions are taken". Managerial leaders exhibit a relatively different set of characteristics from the other two types of leadership described here. Table 1 presents a set of characteristics likely to be found in the managerial leader orientation.

Table 1

***Characteristics of the Managerial Leader***

- Managers own activities focus neither on people or actions, but rather on information as an indirect way to make things happen
- This is epitomized by the "bottom-line" approach to management
- Managers develop systems, design structures, and impose directives

- Managers will take charge of running systems like planning and performance and budgeting
- Managers gain control through designing the structures of their units, by establishing responsibilities and by defining hierarchical authority
- Staff are informed of their duties and this is expected to ensure that appropriate action is followed, managers impose directives
- Managers make specific choices and give specific orders
- Managers delegate responsibility and authority for carrying out the task
- Agrees objectives
- Communicates information
- Motivates, Bargains, Promotes security through standard operating procedures and achievement of task specific objectives
- Concerned with, and more comfortable in, functional areas of responsibility
- Engage in and support short-term least cost behaviour to enhance financial performance figures
- Focus on managing the exchange and combination of explicit knowledge and ensuring compliance to standard operating procedures

### **VISIONARY (ENTREPRENEURIAL) LEADERSHIP**

Visionary leadership exhibits management traits which are far more goals oriented than their managerial colleagues: they demonstrate a highly proactive management and leadership style through the shaping of ideas, formation of opinions and motivation and enthusing of those around them with images of success and wealth: activities not unlike entrepreneur behaviour. They change the way people think through influence via an espoused vision of what is possible, desirable, and necessary (Rowe, 2001). Entrepreneurs create 'new worlds' (Schumpeter, 1934) achieving things which "have not been done before and (which) do not fit established social patterns" (Malach-Pines et al, 2002). Mintzberg, et al (1998) places the entrepreneur within this mode of leadership where vision is a 360-degree framework of strategic thinking (Refer Fig. 2). The entrepreneur, typically as the prime leader of the enterprise, exhibits a vision for the enterprise: that vision is framed by the innate mental states of the entrepreneur and the related mental processes that incorporate intuition, judgement, wisdom, experience and insight within which the entrepreneurial opportunity is seen to fit. The entrepreneurial framework is, however, not constrained to the small to medium enterprise context. It is just as relevant to the corporate context as to the start-up enterprise.

Entrepreneurial-like visionary leaders create a compelling vision of the future and will be far more effective at building an organisational culture of innovation and achievement (Malach-Pines, et al, 1993) than managerial leaders. Entrepreneurial or visionary leaders demonstrate qualities one would associate with transformational leadership influenced by 'situational sensitivity' (Flanagan & Thompson, 1993: 10). The entrepreneurial

leadership orientation is also expressed in view of strategy (Mintzberg, Ahlstrand & Lampel, 1998: 143):

- Strategy exists in the mind of the leader as perspective, specifically a sense of long-term direction, a vision of the organisation's future;
- The process of strategy formation is semiconscious at best, rooted in the experience and intuition of the leader, whether he or she actually conceives the strategy or adopts it from others and then internalises it in his or her own behaviour;
- The leader promotes the vision single-mindedly, even obsessively, maintaining close personal control of the implementation in order to be able to reinforce specific aspects as necessary.

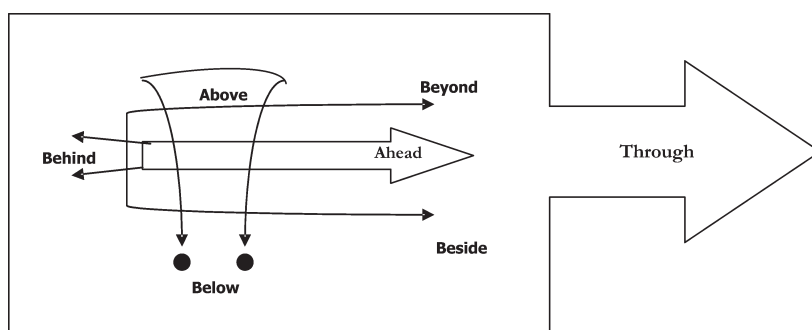


Fig. 2. Entrepreneurial vision

Unfortunately so-called 'pure' entrepreneurs do not have a great history of actually creating last-ing value and those few entrepreneurs that do manage to be successful often do not have a man-agement style that can be copied (Joyce, *et al*, 2003). While they may be inspirational and provide others mortals with motivation, it is often hard to draw lessons from their experience, which oth-ers build upon in their own endeavours.

The visionary (entrepreneurial) leader manages through people, providing leadership on an individual level, group level and unit level. At an individual level the entrepreneurial leader moti-vates, inspires, coaches, nurtures, pushes and mentors (Mintzberg, 1994). The entrepreneurial leader engages in informal chats with staff to encourage them in their work. Peters & Waterman (1982) identified this as management by walking around – MBWA.

At one extreme we see the unbridled, uncontrolled entrepreneurial organisation that has no boundaries, no controls, and no constraints. This type of organisation, while rare at the extreme ends of the scale, does exist. The most recent example of a corporation that could be seen as highly entrepreneurial in its orientation is Enron in the United States. Senior management appear to have been blissfully unaware, possibly even uninterested in the detail of what its managers were doing, what products

and services they were selling, so long as they continued to drive the share price up.

Communication is a critical role that the entrepreneurial leader adopts. Up to 40% of an entrepreneurial leader's time is spent on communication, and this communication is very broad encompassing a wide circle of contacts outside the manager's business unit, and even outside the organisation (Mintzberg, 1994). The entrepreneurial 'circle of conversation' shifts after the launch of their enterprise and the circle closes in on their colleagues and direct support network, indicating a shift in focus from idea validation to idea execution (Klyver, 2004). This notion supports the anecdotal evidence that companies, in fact, move through varying leadership styles as they mature, and as circumstances change, and perhaps as CEO's change. Companies that start out entrepreneurial can go through cycles of managerial focus, and companies that have traditionally been managerial in their orientation, under inspired leadership can create an entrepreneurial vision that lifts their enterprise into the realm of strategic leadership. In Table 2, we present a reflection of the characteristics that a visionary leader exhibits.

Table 2

### *Characteristics of the visionary leader*

- Focus of managerial attention is affect not effect
- Managers lead on the individual level to motivate, inspire, coach, nurture, push, mentor
- Engage in informal chats with their staff to encourage them in their work (MBWA)
- Managers lead on a group level, especially by building and managing teams
- Managers lead on a unit level, especially with regard to the creation and maintenance of culture
- Managers conceive of strategy as 'grand vision'
- Information flows up to this level, and is filtered, bland and unreliable
- The manager is both a communicator and a leader, and is the nerve center of the organisation
- Creates vision
- Communicates Meaning, Inspires, Empowers, Takes Risks

## **STRATEGIC LEADERSHIP**

Strategic leadership is an often-overlooked management style. While the focus of attention has been on how to introduce visionary skills and abilities into large corporates, strategic leaders have often been treated as anomalies. US firms have consistently reported a dearth of talent in this area (Kotter, 1990). In the strategic leader orientation it is proposed that one is capable of "influencing others to voluntarily make day-to-day decisions that enhance the long term viability of the organisation, while maintaining its short term financial stability" (Rowe, 2001: 82). Yet the skills

and capabilities exhibited by strategic leadership have been responsible for consistent above average returns and the creation of sustainable wealth for many companies (Rowe, 2001; Joyce *et al*, 2003).

Strategic leaders are those people who are able to create a compelling vision of the future, and, to be responsible for managing the day-to-day activities of the business necessary to move the organisation successfully towards that goal.

The fundamental nature of strategic leadership is the ability to create and set a direction for the organisation: a direction that is clearly defined and very well communicated to all stake-holders – customers, partners, employees and shareholders (Joyce *et al*, 2003).

Direction setting within the strategic leader context, however, should not be confused with budgeting or planning – which are clearly and unambiguously management tasks (Kotter, 1990). The budget process will often state objectives for a company along the lines of 'grow the business by 10% and reduce costs'. This is not strategy and it is certainly not leadership.

Strategic leadership approach sets goals and objectives which appear to be extreme – stretch goals, ambitious and far reaching, what Collins (1995) refers to as BHAG (Big Hairy Audacious Goals). Companies that exhibit the traits of strategic leadership consistently and routinely achieve growth rates which would see them double their core business every five years, and grow a related new business to half the size of the existing business over that same period, leading to significant total return to shareholders (Joyce, *et al*, 2003) and dramatic 'Market Value Added' (Rowe, 2001). Far from being extraordinary achievements, performance of this nature is, in fact, the hallmark of strategic leadership.

The strategic leader is a 'doer'; one who gets things done through action and personal involvement "if managers manage passively by information and affectively through people, then they also manage actively and instrumentally by their own direct involvement in action. Indeed this has been a long-established view of managerial work, although the excess attention in this century, first to controlling and then to leading, and more recently to conceiving (of planned strategy) has obscured its importance" (Mintzberg, 1994: 20).

Kaplan & Norton (2004) propose five management principles which, if followed, would embed with organisations, a 'strategy focus':

- Translate strategy to operational terms
- Align the organisation to the strategy
- Make strategy everyone's everyday job
- Make strategy a continual process
- Mobilize change through effective leadership

Strategic leadership, thus, returns a significant market value added over and above both the entrepreneur and managerial leader (Rowe, 2001). This view is further reinforced by the Evergreen Project (Nohria *et al.*, 2003) that identified strategy and execution as critical elements for sus-



tain-ing profitability and business success. Table 3 presents a set of characteristics associated with strategic leader.

Table 3

*Characteristics of the Strategic Leader*

- Manages actively and instrumentally by their own direct involvement in action
- Strategic Leaders operate both inside and outside their business units
- Strategic Leaders spend approximately 40% of their time communicating
- Strategic Leaders engage a wide range of people in other units, and outside the organisation to inform their actions
- Strategic Leaders manage projects and solve problems, putting out fires inside their business units
- Strategic Leaders do deals and negotiate agreements with outsiders
- Strategic leaders are both proactive and reactive to exploit opportunities for their business units
- Strategic leaders juggle many tasks and are constantly balancing the long term vision with immediate survival and problem solving

**VALUE-AMERICA:  
A STUDY IN VISION AND NOT MUCH ELSE**

It could be considered a soap opera, or at least the script may have been written as such, but it wasn't. This is the real-life story where Craig Winn a man of immense vision, a consummate communicator had the ability to convince others to follow his dream. If only he had paid attention to the detail.

The idea was simple – a single website where customers could order from a store that carried 6,000 products ranging from toothbrush's, to toys, to cars, and have the items delivered to their home. The prices online were more than competitive with the prices available in-store: sales quickly rose, and so too did the problems.

Winn could sell the vision – he mesmerized his staff and investors with the rhetoric about the success and riches that were to come. He spoke eloquently and emotionally about fast cars, mansions and well... business world domination.

Winn was able to sell his dream, and convince anyone to follow him: recruiting experienced executives, seasoned investors, from old-economy companies – Winn was not a new world 'techie'. As a visionary leader, over the short-term he created considerable wealth as the founder of a lighting wholesaler and manufacturer's representative. He was, by all accounts, an amazing sales-man.

The problems were not with the vision, this was universally accepted and very well supported, the problems were with the execution – as they say 'the devil is in the detail'.

The website was slow, difficult to use, and technically outdated. Executives of the firm that routinely endeavoured to buy stuff online, to

test out the system found that they could rarely place orders, and when they did they rarely received the goods in the quantity or style that they had ordered. More than half the orders processed by the company did not come via the Internet, but were instead placed by telephone orders to a growing call-centre. The company was unable to use the internet to place orders on its suppliers as had been planned, and instead resorted to fax and phone to communicate with suppliers (BusinessWeek, 2001; Kuo, 2003).

The Chief Executive Officer brought in by the Board to try and save what was left of the company in May 2001, said "It's like icing a cake that hasn't been baked. We had someone here who was just icing an unbaked cake."

In August 2001, Value America closed its doors for good: six hundred staff laid-off. Investors lost hundreds of millions of dollars. But it had a grand vision! Fred Smith of FedEx, Andy Grove of Intel, Paul Allen of Microsoft all initially supported and some even invested in the vision. No one doubted the vision.

### **MAILCO: STRATEGIC LEADERSHIP IN ACTION**

David Smith (name changed to ensure confidentiality) started working with the precursor organisation to MailCo in 1971 as a Management Trainee. In his more than thirty years at MailCo he has been, in his words, "privileged to have been offered some really exciting projects to work on". No other project exemplifies the impact of strategic leadership more than the project that David was asked to run in 1988. The impact of this project has continued until today: once a hotbed of industrial action, MailCo had not suffered a national strike between 1988 and May 2004.

The notorious parcel/mail sorting centre was opened in 1964. This was to be the showcase sorting facility for Australia. In fact, the industrial design and equipment engineering was world beating, so good that several parcel/mail equipment manufacturing companies set-up business to build equipment in Australia and sell that equipment into international markets.

The problems at the inner city began on day one: unable to get the machines to work properly, in an environment where industrial engineering had completely 'dumbed-down' the jobs of the workers. Add to this a volatile mixture of anti-Vietnam war sentiment, close proximity to the university campuses in Sydney, a staff mix where almost half the staff had university degrees, including one mail sorter with a PhD in economics, three hundred union representatives for 3,500 people, and a management structure that had little real authority. Engineers and advisors were literally walking around the building in white coats – reminiscent of Frederick Winslow Taylor's approach, and not only did management not know how to communicate with the staff, they were not allowed to communicate directly with their workers.

All communication with staff had to go through the union. But even saying that, things were not even that simple or straight forward. If management wanted to communicate with the union, it had to first be sent to the HR Department, who would re-write the letter and ensure that it complied with company policy and then it would be sent onto the union, who would then relay it to the workers on the floor of the sorting facility.

In a management game reminiscent of the kids' party game 'Chinese whispers', the eventual communication had very little resemblance to what management had intended in the first instance.

In 1982 David conducted a survey of MailCo managers. The questionnaires asked management to record how they spent their time, in detail, for a two-week period. This information was then correlated against observation and subjected to further scrutiny by senior management. MailCo found that in centres where there was significant industrial disputation, managers were spending up to 50% of their time talking with union representatives.

More than 80% of industrial action was being taken after six o'clock in the evening, when senior management had gone home. However, on weekends, when staff were being paid double or triple pay for overtime worked there were virtually no industrial disputes. On the Monday following that weekend shooting they went on strike!

All of this was about to be brought to a head. The parcel/mail sorting facility had been broken up by this time, and returned to a largely manual sorting system. Management had decided to buy new equipment from a manufacturer in Europe, and wanted the unions to rubber stamp the decision so a study trip was organised. By the time the group of management and union officials arrived at their first stop in North America it had become obvious to the unions that management had already made a decision and the study tour was in fact a farce. The union officials had no sooner cleared North America customs than they joined a picket line to support their brethren in the North American Workers Union: the new equipment stayed locked up on Australian wharves for six years.

One month later in April the newly elected Australian Prime Minister held the now historic 'economic summit' in Parliament House Canberra proposing amongst other things, a new management-worker relationship. However, it still took until 1988 before MailCo management and the unions were able to get together to develop the framework to create a new way of working.

In 1988 David Smith was asked to launch a new initiative, that is, to find a way for management and unions to work together for the benefit of MailCo and all its stakeholders. Smith commenced this exercise by taking the unusual step of calling the Union shop steward directly. What he found was that the union was just as embarrassed as management about the events that had transpired over the past several years. But things were still far from easy. Smith had been invited to attend a conference and he asked his

union counterpart to join him, only to be told that as much as he would love to, he "wasn't supposed to be talking to you guys".

A management-union conference was organised where all MailCo management were in-volved, and three union representatives from each union in each of the states within the nation. All up a large crew of management and union officials gathered to discuss one critical issue: "... what would you like the workplace to be like using this new technology".

Groups were broken up into teams to ensure that everybody, management and union alike were not working with anyone that they had ever had any previous working relationship with. This ensured that history was irrelevant, and everybody could get on with discussing and creating a way of working together for the future. By and large everyone, individually and as groups, had the same things to say, all using different language, but it became clearly apparent that both man-agement and unions wanted the same things.

Teams were re-assembled back into their natural workgroups and asked to take the agreed vision, and determine what actions needed to be done to put that vision into practice. They used participative practices to involve all parties in designing their new workplaces. Not all MailCo management agreed with this radical notion of sharing the vision with the workers and asking them to become directly involved in determining how their own workplaces would operate. One senior executive even went so far as to write to the Chief Executive and demand that "the most dangerous bloke in MailCo (David Smith)" be removed from his job.

The outcome was that MailCo was able to communicate directly with its workers. It took a long time, but eventually Smith was able to pick up the phone and talk to the union senior shop steward without getting the permission of the HR/ER Department. Unions and Management, thus, had a shared vision of a future working environment. They had a tangible project to work on and this was absolutely critical, both parties had something that needed to be done, they had hit a brick wall and absolute survival was at stake. They were able to create a vision and the put the principles of that vision in place while they were creating a new working environment:" in David's own words 'it was all about vision and execution'.

## **LEADERSHIP STYLES AND THE CREATION OF WEALTH**

There are many examples of amazing teams - individuals who band together: one with mana-gerial skills, the other with visionary skills. Anita Roddick of Body Shop fame was a visionary leader, while her husband Gordon, some would say, provided the solid management framework that allowed Anita's vision to succeed. Larry Ellison and Ray Lane at Oracle; Scott McNeally and Ed Zander at Sun Microsystems are all examples of excellent teams combining the skills and at-tributes of managerial with vi-sionary leadership in a complementary fashion.

However, such teams are hard to maintain, and many have not lasted beyond the initial gathering. The choice in leadership orientation is not just between the two extremes of managerial versus strategic leadership, no matter how popularised these perspectives seem to be. Strategic leadership provides an integration of entrepreneurial, managerial and strategic orientation to deliver superior results, sustained growth, and a motivated and empowered workforce.

There are a great many leaders who exhibit the necessary skills to combine both entrepreneurial and managerial leadership styles. Strategic leaders like Sam Walton at Wal-Mart, Bill Gates at Microsoft, Robert Goizueta at Coke, Jack Welch at GE; all impatient are/were visionaries, with an eye for today's profits, able to inspire their organisations with a consistent and shared vision for the morrow.

## **CONCLUSIONS**

The focus then, of successful companies, needs to be on a broad base of leadership skills and management traits. The ability to create a vision of the future, that is, empowering, and to hold that vision consistently over time and communicate it effectively to customers, shareholders, and employees (i.e., all stakeholders), whilst at the same time focussing on delivery and execution of the day-to-day business is paramount. At first blush, this multi-focus approach appears to be the 'impossible dream'. However, as shown in the MailCo case, it is possible when the stakeholders understand and embrace the vision is a common. contradictory, that is, . When recruiting leaders, Boards tend to tip the balance in either one direction or the other – seeking to appoint a visionary/entrepreneurial leader who will create and communicate an empowering vision, or else to engage a 'professional manager' who will bring a sense of order and control to the enterprise.

Creating balance in a company's leadership requires just that – balance. "To be successful, organisations not only must consistently meet their current commitments to customers, stock-holders, employees, and others, they must also identify and adapt to the changing needs of these key constituencies over time" (Kotter, 1990: 6). An excessive managerial focus on 'hygiene factors' – company policies and administration, supervision, working conditions, salary, and financial measures orients the company to serving the interests of only one of the stakeholder groups – the shareholders.

Whilst most Boards and senior managers hold the view that the prime measurement of success should be total return to shareholders, it is clear that by driving the organisation to focus exclusively on financial measures of return, at the expense of vision and long-term growth, managerial leadership orientation actually produces exactly the opposite result to that which it sets out to achieve (Rowe, 2001; Joyce, et al., 2003; Kotter, 1990; Kaplan & Norton, 2004). Thus, in order to create exceptional returns to share-

holders, the focus of management attention needs to be a synergistic blend of both entrepreneurial vision and strategic leadership, combined with managerial leadership overlaid with financial controls. Therefore, to deliver in the short term, companies need to plan for the long-term.

The Evergreen Project (Nohria, et al., 2003) was an intensive study of companies over a long time period; in some cases extended for fifteen years. The objective of the study was to shed light on the management practices that 'actually work'. From this research project, four primary business practices were reported, that is, practices that over the long-haul returned above average growth and profitability – they are:

- A clear focussed strategy that is consistently communicated to customers, employees and shareholders;
- Develop and maintain flawless execution;
- Develop and maintain a performance oriented culture; and
- Build and maintain a fast, flexible, flat organisation.

Kaplan & Norton (1996) described a balanced approach to management that they called the Balanced Scorecard. This underlying proposition of this approach is that success comes from managing multiple outcomes; financial measures, customer, internal processes, and learning and growth. To echo and add to Tom Peters and Bob Waterman's 1982 message in the classic 'In Search of Excellence', Kaplan & Norton (2004) go on to say that "you can't manage what you can't measure, and you can't measure what you can't describe".

In summary, a strategic leader is one who is able to maintain a focus on both the long-term vision, and the short-term execution. The fundamental job of a strategic leader, therefore, becomes the co-ordination between the competing forces of vision and execution.

As Kotter (1990) states, strong management without effective leadership has the potential for producing highly unsatisfactory results. On the other hand, strong management without strategic leadership can create bureaucracy, thus, stifling the organisation by producing order for order's sake. Furthermore, strong leadership without effective management may produce a messianic and/or cult-like following, thus, producing a vision that may fall on fertile minds, but fail to be sustainable over the long-term or in an already established enterprise may create change for change's sake.

The most important challenge in creating shareholder wealth, therefore, is to take on a leadership approach that ensures the full spectrum of stakeholder interests are met, this includes creating a sustainable vision that all stakeholders embrace and empowering stakeholders to execute that vision within a tight management framework. Current practices within the Australian corporate context suggest that there is still a considerable challenge in shifting the leadership approach from singularly managerial, or visionary to strategic. The corporate rhetoric is still singularly about the shareholder, often to the exclusion of the wider stakeholder community. Embracing the wider stakeholder community is the currency of the

now and the future; to ignore this can only lead to unsatisfactory business outcomes.

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