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Spencer Stuart

DIRECTORS' BREAKFAST SUMMARY

LEADERSHIP



SUCCESSFUL LEADERS TAKE THE WHOLE PIECE AND WORK ON IT AS A WHOLE; SO THEY KEEP A HOLISTIC VIEW OF ALL THE THINGS THAT THEY THINK ARE SALIENT.

Lessons from the Top also highlights the importance of broad intelligence as being one of the marks of a good leader. “Intelligence was one of the traits we mentioned in the book,” says Citrin. “I don’t think there is any question that the leaders of these 50 companies could get where they are without being basically very smart, in addition to the other characteristics we mentioned.”

As the Dean of the Rotman School of Business, this is something Roger Martin has spent a great deal of time and energy exploring. But for Martin, the mark of a good leader is not so much about native intelligence, per se, as it is about a *way* of thinking.

“I think there’s a very important question to ask about effective leaders, and that is, is there a way of thinking there that is consistent? Is there an approach to assessing and solving problems that leads them to take actions that produce good outcomes time and time again? And is there a pattern that we can see? The findings on this are still in the process of emerging, but I think the preliminary answer has to be yes. There are definitely certain features I see in successful leaders that I don’t see in less successful ones.”

The way of thinking that is becoming clear through his research is what Martin calls “integrative thinking.” In a recent article on it, Martin points out that “today’s climate of constant change, relentless competition, and growing complexity demands quick assimilation of new data and more flexibility, agility, and creativity than ever before.” As a result, effective leaders must “look beyond narrow silos like finance, marketing, operations and human resources, and

focus instead on the complexity and interrelatedness of all the functional disciplines.” Doing so is an art, Martin suggests, but it clearly seems to be one that the most effective business leaders have mastered.

At the crux of it is an ability, Martin says, for these integrative thinkers to see “more pieces of the puzzle, to be more open to ambiguity, and to take what others perceive as unsolvable tension and use it to inspire novel solutions.”

In breaking it down, Martin identifies four key points: 1. salience; 2. causality; 3. sequencing; and 4. resolution.

Salience

Leaders spend most of their time making choices. Successful leaders consistently consider a broader and more diverse set of features to be salient than do less successful ones. Martin points to Herb Kelleher, the leader of Southwest Airlines, to illustrate the point.

“Southwest is arguably one of the most successful airlines in the United States, and has been over the last decade, with earnings growing at a compound rate of 26%. The interesting thing about the airline is that it’s the lowest cost airline in the US per seat-mile by far, yet it has always had one of the highest customer satisfaction rates and one of the highest employee satisfaction rates (if not *the* highest) in the industry.

“That’s quite a trick to pull off, but if you look at how Herb Kelleher thinks, what you’ll find is that he factors more into his assessment of choices. He thinks about the fundamental economics of planes, route configuration, travel agents, what passengers think, what employees think, what shareholders think, what the media thinks...and he considers them all simultaneously in making his decisions. He doesn’t take part of that total and think about it first, then another part and think about it second. He considers all of those things to be salient when approaching any choice.”

Causality

Causality relates to how all these salient points connect as pieces of a puzzle. What Martin suggests is that, in addition to thinking about numerous factors simultaneously, “successful leaders have a causal map in their heads about how all these things fit together, and their thinking is more non-linear in its relationships. There tends to be, in the way they think about the features of their market, more back-and-forth

relationships and more complex math.”

Going back to his earlier example, Martin points out that Kelleher of Southwest was able to make a useful link between gate turnaround and employee morale. Martin says that, while it might be obvious that the more motivated your employees are, the better the gate turnaround time you have, Kelleher was the only airline executive who asked the question “how does choice of hub-and-spoke system impact employee morale and motivation?” In seeing the indirect causal link in this equation, what Kelleher concluded was that a point-to-point system, unlike the hub-and-spoke one of all other major airlines, would eliminate unproductive wait time, boost morale as a result, and give the company the fast gate-turnaround it needed. “Thinking through those causal links,” says Martin, “is the mark of a successful leader.”

Sequencing

In working through this complicated and multifaceted map to be able to make decisions, says Martin, here again successful leaders consistently reject an approach that leaves things off the table, or distorts the view by parsing pieces of the problem out to various other people. “Successful leaders take the whole piece and work on it as a whole; so they keep a holistic view of all the things that they think are salient. Like a painter they put some things in the background and some in the foreground, but everything is always in view.”

In the case of Kelleher, says Martin, “this is a CEO who does not say ‘you do my plane procurement,’ and ‘you do my people strategy’ and ‘you think about scheduling’ because he sees that all these things are intricately linked together in the system that creates competitive advantage for Southwest.”

Resolution

According to Martin, “when it comes to reaching conclusions, successful leaders always look for a creative resolution to the tensions and won’t accept the tradeoffs that others do.”

When Citrin and Neff were researching their book, they heard this sentiment from Fred Smith, the founder of Federal Express. It is what he called “kaleidoscope thinking.” He said, “sometimes when you look at a business plan and it’s intractable, you need to keep looking at it and turning the kaleidoscope until you see a different pattern emerging.” Which goes to show that for creative leaders, getting past the tradeoffs is often a matter of trying to get past the antithetical way of stating the problem.

One of the most common tradeoffs perceived in

the corporate world is that between long and short term results. Citrin recalls that during a CEO round table that he and Neff convened for the *New York Times*, both Larry Bossidy of AlliedSignal and Dennis Kozlowski of Tyco International addressed this. “What they both said,” according to Citrin, “is that it’s a cop out to say that you can’t manage the long term while meeting your short term commitments, or vice versa. That is not easy, but you have to do both and it’s just a reality of the way the world works now.”

Martin sees this approach to tradeoffs in Kelleher as well. “He’s got the lowest cost airline in the industry, and you would think that he’s got to have extremely low employee costs and low-paid employees who are mad at him. Of course, Southwest consistently has the happiest employees in the airline industry. You’d think that if you’re going to be low cost, you’d have to scrimp on service and have unhappy customers. In fact, Southwest has among the highest customer satisfaction ratings.

“The key is that Kelleher did not accept the traditional tradeoffs that others throughout the industry were consistently willing to accept. Rather, he sought a new and creative solution. With some risk he created an airline where there is one kind of plane, a point-to-point system, and more frequent departures than anyone in the industry. He’s irritated and ticked off every travel agent in the industry because he doesn’t need them, and he has fewer staff than any other airline. These fewer staff are paid very well and are highly motivated. Everybody has an easier, more fun job and works hard to maintain a fun culture, which rubs off on the passengers. Kelleher has achieved, as the Brits would call it, ‘cheap and cheerful service’.”

For Martin, Kelleher is the prime example of a leader who has consistently thought about more things at the same time than all of his competitors. “He has a very complex map in his head, can keep all the salient points in mind, and is somebody who will not accept that tradeoffs are absolute and permanent; he believes you can think your way around them. This is what I call integrative thinking, and it is what enables leaders to take actions that produce better outcomes.”

