

# An Essay on Thought Leadership

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*A leader's ability to develop innovative ideas and ask for people's help in implementing them may seem to be obvious keys to success. But the sad fact is that too many of today's leaders resign themselves to the limits imposed on them by flawed systems rather than rethinking those systems.*

-- Donald T. Phillips  
Lincoln on Leadership, 1992

The subject of leadership has been a focal point for numerous political and academics discussions since humans began to organize for the greater good of the whole and not just the survival of the individual. While the thinking about leadership continues to evolve, leaders and the challenges they face have always been with us.

In times of crisis, visible leadership often emerges and the leader becomes the chieftain for efforts to overcome adversity. Lacking an organizing force, leadership sometimes remains a hidden competency that while not dormant, is more mundane in its daily manifestation.

Leaders do not rise to the occasion; leadership is an integral part of a given individual's view of the world and approach to problem solving. Situations drive leadership behavior much less than is commonly understood. Leadership behavior based on situational constraints is a function of the make-up and style of the leader, his group of followers, and the situation itself.

## Leadership and Innovation

Most of us are constantly exhorted to "think outside the box." A refrain that resonates with most business and technological executives. Today's knowledge worker is compensated for his or her brainpower and not brawn. The creative process that these individual's engage in daily often add significant shareholder value for their firms. Just as often, these innovative processes detract from investor worth.

Herding these "cats" and keeping focus on the task at hand is more complex today then it was when early span of control managerial studies from Egyptian archaeology digs indicated that any given supervisor could effectively manage approximately ten servants. Not only do innovators need to lead organizations through complex changing environments, they must also be out in front if they are to capture profitable profit niches.

Moreover, many of the markets that technology firms address are mature or even in decline. Processes that are rewarded by innovators can be panned by customers who are at a different point in the industry or company life cycle.

Teaching is a critical component of the leadership process. In new endeavors, moving into uncharted waters, often leaning on past processes are not the most effective way to move forward. The old adage states that, "if you keep on doing what you have been doing, you will always keep getting what you have been getting." Leadership implies driving change, often reinventing the rules as well.

Change is a scary process for many. Change means risk and most people are conditioned to be risk averse. Large organizations will often mitigate change leadership through bureaucratic actions that inhibit real change.

## Systemic Change

Pundits extol the value of change; often without a clear understanding of the issues organizations may face during the change process. One question often given lip service if it is asked at all – what will our brave new world look like and how will we be positioned for success?

Not an easy question to answer, and the test of real leadership, the leader must change the way an organization thinks and position it for new challenges that invariably appear. Victory is fleeting and once a path has been walked by the one, the many will follow. Staying one step ahead of the competition is the real test of leadership.

Economists agree that *real* economic profit is not the bottom line that firms' report each quarter, but that profit that is above the performance of the industry. Firms cannot cut cost to manage their way to economic profit, although cost management is critical to successful organizational performance. Firms must lead the industry pack against financial metrics if they are to achieve the position of industry leadership.

Industry leadership is not secured through continuous improvement. Organizations must step out beyond the level of its competitors who are also continuing to improve their performance. Real change comes from a change in thinking – a new way of looking at the universe.

## Shaping New Thinking

New thinking is difficult. How hard is it to come up with something that no one else has thought of before? Analysts will admonish that there is nothing new under the sun. Mostly, they are right.

A relative few have the ability to truly think outside the box. The individuals who can truly go where no man has gone before and capitalize on the unique knowledge that they alone possess are a select group. Most are limited by artificial boundaries that inhibit true creativity.

Many lie dormant until a situational event brings their thinking to the forefront. Once engaged, these leaders exhibit the same qualities the Lincoln biographer hoped to find in the general managerial pool. Leaders shape their new universe by changing the thinking of their constituencies. But how does new thinking come about and what makes a thought leader?

Most will capitalize on the status quo building out from the current environment in the hope that a linear acceleration will drive towards a new way of thinking. Truth be told, the changed environment will look very different from the linear extrapolation of the present.

Thought leaders see the universe through a different lens. These individuals do not extrapolate the present into the future, but step outside the box with creative, unique thinking that can truly change their world.

The world is full of ideas, some having merit and some do not. Each individual's opinion is a function of his or her experience, education, and BIAS. Everyone has an agenda, hidden or otherwise. The culmination of these thought processes leads individuals to their perspective on a given issue.

Thought leadership requires that these protagonists draw upon their inner strength to achieve the seemingly impossible, but all the while known to them to be the *WAY*. There are several dimensions to the thought process. Individuals must constantly interpret a bewildering number of opinions and facts, usually being required to ascertain whether this information is relevant or not.

This thought process matrix represents the set of decision processes that are available to individual leaders. These leaders make decisions based on their interpretation of the available information. If the decision is based on hearsay, for example, it is based on opinions that have a low level of relevance. Sometimes, however, the rumor leads fact, so not all decisions made based on this quadrant are irrelevant, sometimes they are the foundation of new realities.

Trivia are facts that are of low relevance in the business decision process. Whether or not this information helps decision makers is suspect. Most often, this data is not useful. Politics, the art of the possible, is often more opinionated than factual. After all, perception is reality is the mantra in this arena.

Scientists, engineers, and software programs love facts. Simple, deterministic data drives these decision makers. However, many mathematical disciplines are not deterministic by nature, but stochastic. Like electrons that are believed to have both electromagnetic wave and particle properties exist in an environment that is not even measurable. The very act of measuring disturbs this ether and hence deterministic understanding is not physically possible.

Thought Leadership exists in its own rarified space. Facts are generally known and once understood, the herd mentality drives organizations to capitalize on this out of the box thinking. Nevertheless, if it is known to all, how is it out of the box?

Pundits who have the gift of understanding are best positioned for the thought leadership position. Talented individuals who can see in the fog of opinions and facts assimilate sometimes conflicting data, often from trusted advisors, and formulated a new vision and set of action plans.

Thought leadership by definition must exist outside of the limitations imposed by systemic constraints. Addressing needs that are yet to be identified and leading the extended supply chain into the unknown require unusual acts of faith on the part of the followers. Unlike political and religious leadership with their inherent righteousness, thought leadership in the business environment requires leaders to capitalize on something other than the greed of a pay check, bonus, or stock option. Followers must be helped to see a new vision that transcends the obvious linear and deterministic thinking in the mundane environment of working for a living.

Unlike the morality associated with changing the political world or finding a way towards salvation, leading a for profit organization and its many institutional politics towards the

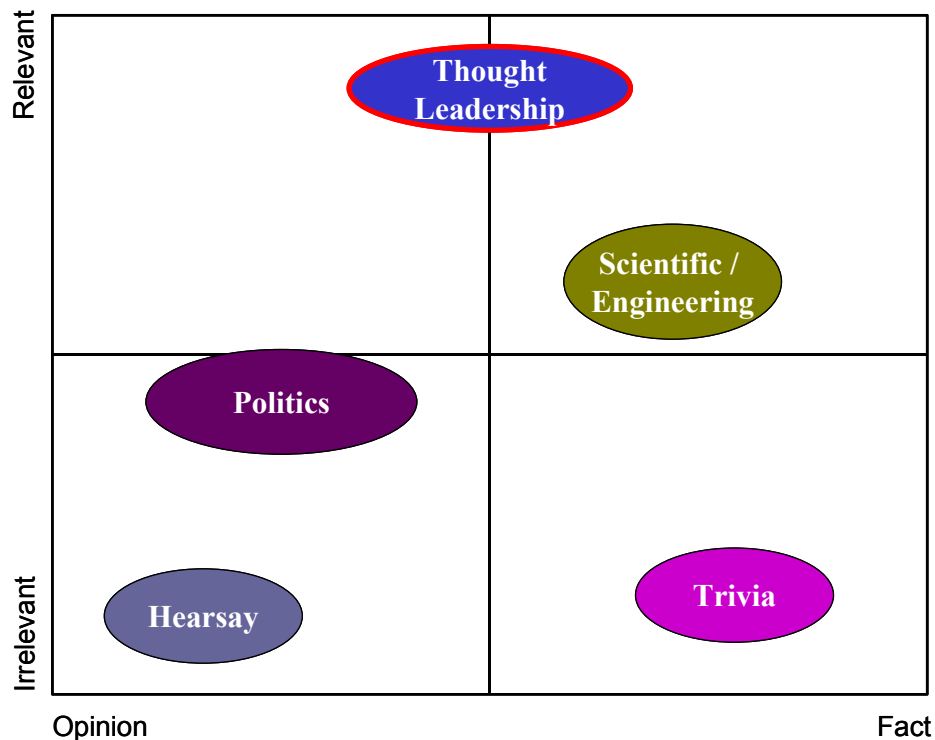
greater glory of enhanced margins requires a thinking process that is more secular than that which often inspires followers to accomplish truly great things.

Leaders who purport to change the thinking of organizations, indeed industries understand facts before they are commonly accepted as facts. Who would have thought that a group of software nerds in the Seattle area could unseat Thomas Watson's information engine, IBM, in less than twenty years. Who would have thought that a 60 something fried chicken hawker could market the same meal to the tune of several billion dollars that every Southern mother has been cooking for Sunday dinner since the settlement of the United States. Who would have thought that sailing west from Spain would lead the mariner to what we now call North America.

All of these endeavors have two things in common. Facts were available for all to see. Many of the issues these leaders solved were reasonably well known. The difference lies in their educated opinion of relevant information and processing these data sets in unique ways that others did not see, indeed, even ridiculed.

Thought leaders synergize available data and intuitively make decisions based on their opinions and unique analysis of this information. Often the subjects of ridicule, these individuals stand on the courage of their convictions and drive their followers and even detractors towards the changed enterprise.

### Thought Process Matrix



## Defining Core Competency

Organizations have a core competency – that set of capabilities that enable the concern to add value to its customers. Core competency is one of the most discussed, but often the most poorly understood concepts in modern business debates. Every firm started and evolved with a set of product and service lines of business (LOB). Over time, these LOBs become the firm's expertise, go-to-market strategy, and reputation.

However, is the firm's parochial view of its core competency its real competitive advantage? Or is there something else? Thinking outside the box is really a difficult accomplishment. Individuals within an organizational framework are bounded by the reward / punishment system inherent to that system. Firms rarely reward employees for taking dramatic risk, despite what they say. The expectations are that employees will linearly extrapolate the firm's core competency into different areas. Truly stepping to the beat of a different drummer carries significant political risk. The usual reward is ostracism, even the end of one's career with the firm.

Leaders face these and other challenges as they drive new thinking in the firm. Firm's that understand their *actual* core competencies and re-frame the business landscape are the ones that achieve comparative advantage. Economists usually think of comparative advantage as a function of the raw material or strategic position a country holds. In the knowledge age, comparative advantage goes to those who hold the knowledge necessary to achieve strategic posture.

Are the core competencies of the firm the sum total of its experience, or is it the innate knowledge the organization holds regarding certain processes? The evidence would suggest the latter, although sometimes it is difficult for firms to know what their value is because most managers are stuck doing what has always been done.

Firms that understand their value proposition build from the everyday work processes and transform that thinking into a different higher value add. These organizations are able to make the big leap, build upon their expertise, and be recognized for thought leadership in their industry sectors.

Is United Parcel Service (UPS) in the package delivery business or the logistics business, or are they really the glue in the supply chain of most industrial extended enterprises? Given that they have fleets of trucks and aircraft and the documented knowledge of part flow, what do they know about the supply chain that even their largest Fortune 10 customers do not? Is the core competency of this firm the marketing image of the guys in the brown shorts or is it a fundamental and unique knowledge of supply chain behavior? Can the same be said for this firm's competitors and if so who will secure the comparative advantage in this segment. – assuming the segment is properly defined.

The retail industry is undergoing a long-term systemic change. The recession that began in March 2001 has accentuated corporate weaknesses. In the fall of 2001, Sears, Roebuck & Co. informed analysts that it was no longer a department store. Apparently, the purpose of this announcement was to inform stakeholders, including employees, stockholders, and customers that the department store business has changed and it would no longer be business as usual for this firm.

The question management and stakeholders will have to address is how does this retail firm morph itself into the future. Can the company really transform itself, or will it redefine its core competency, for example, into supply chain management, etc. Which approach

will add economic value to shareholders and which may not? These are the difficult decisions firms must make as they implement change.

## Driving Change

Change is all around us, all the time. Leadership in changing times is the rare commodity that offers organizations an opportunity to realize economic value for their shareholders. While it is easy to dictate change from the boardroom, the implementation of the change process is what distinguishes top performing companies from the rest of the pack.

Change management processes must be part of the core competency of today's firm. In an era of continuous change, continuous confusion may ensue if the change process is not institutionalized and constantly communicated to stakeholders.

Management must resist the temptation to appoint a Change Executive. While process and structure must be developed, like all core competency's change management must be embodied and emboldened within everyday life at work. Anointing one department is a sure way for the rest of the organization to wait out this latest management change.

Top-level executive sponsorship is critical to transformational processes. Without this commitment, nothing will really change as the firm will take the wait and see approach. Real change means shaking the tree from top to bottom and from the inside out. Management must demonstrate this commitment every hour of every day.

Changing does not mean changing for change sake. If the end result is "we did not make our numbers last quarter, so we are going to shake things up again" becomes the mantra, then the organization will hunker down and tell management what it wants to hear until the next package is offered. This accomplishes nothing because leadership, if there really is any is lost in the clutter.

Thought leadership may not be the most popular position, but those that espouse to this perch must clearly articulate their vision and offer the olive branch of success to those who would follow. Leadership is not a mantle bestowed by decree or position, but is earned and tempered in the fire of reality.

## Leadership in Action

Most management consultants would have us believe that any matrix such as the one presented in this paper drives towards the upper right hand quadrant as the holy grail of managerial thinking. This may not necessarily be the case as position in a matrix depends on the scale of the X and Y axis. Moreover, if fact is defined as the known and certain, then answer is deterministic and not truly a function of our probabilistic universe.

Thought leadership and subsequent comparative / competitive advantage usually goes to those that see things differently, earlier, or both. Seeing is one thing, believing another, and implementation still another.

Leaders do not just postulate, they make things happen. This is the tough part. Many people have good ideas, but most do not implement and even fewer follow through to the end.

Thought leaders are the early adopters of the business world. They often see things that others do not and they are frequently misunderstood. Many times they must put their careers at risk and can be the voice in the wilderness that no one wants to hear. The courage of their conviction is what sets them apart from the political clutter.

These individuals set the stage for future actors. They change the rules or the structure of flawed systems. They are the economic agents of change and can add significant shareholder value. Their actions are not without risk, both personal as well as to the organization that backs the wrong leadership horse.

Thought leaders see the possible in the impossible. They are the radar in the fog and drive the organization in directions that are often contrary to the compass of the past. In this sense, their view of the facts is often viewed with suspect as the opinions of a madman. The managerial task is to ferret out true thought leaders and follow their lead. False prophets also emerge and casting them aside is sometimes difficult.

Thought leadership is not an art and it is not a science, it is the manifestation of creativity. Questions remain whether leaders are born or made by events, but none-the-less they emerge. Firms that identify these rare gems and capitalize on their thinking can position themselves on the strategic high ground. Effective thought leadership can secure markets for decades, and in an era of investor unrest, established leadership can be the difference between lagging performance and economic profit.