CHAPTER 5
STRATEGIC CAPACITY

Wisdom is the tool with which creative vision is shaped into reality.

If we had to name one universal attribute by which we could describe the great strategic leaders of our time, or any other time, it would be the wisdom with which they approached the great strategic issues of their day. This is not to say that all great leaders are perfect. Nor is it to say that their wisdom was always penetrating, or even that they had wisdom about everything. It is just that at one time or another, they distinguished themselves by acting wisely in a situation in which they had to act, and in which lesser mortals might have acted unwisely. By so doing, they **added value** at a time when it was their responsibility to add value.

In previous chapters, we have asserted that a primary objective of all organizations (living systems) is to gain and maintain competitive advantage. Competitive advantage literally sustains life, and systems have a "self-preservation instinct" just as living organisms do. We have also asserted that the capacity to "make sense" of the extraordinarily complex and sometimes ambiguous environment underlies competitive advantage. Quickness is also important; the more quickly and accurately the unknown can be made known, the more time there is for action that will gain or preserve an advantage. And we have also asserted that "making sense" is perhaps the most important single job of the top-level leadership, whether personally, through a system-wide network of information processors empowered by a "learning" culture, specifically missioned "reconnaissance" elements, or a combination of all these.

However, most truly strategic situations cannot be fully known or understood at the outset. When they nevertheless demand that action be initiated toward some goal, the top-level leadership must be capable of moving forward productively in the company of uncertainty that might well have paralyzed with indecision leaders at lower levels. Note that there are two elements here. One is being able to cope with uncertainty. However, the second is moving forward productively, even when the situation is not fully knowable. It is being right about what was started, even though there may have been huge initial doubt about what might be right. This is what wisdom is all about. It literally is the capacity to see the right direction clearly enough to move out, even when shrouded in a dense fog of uncertainty. In this chapter, we will take the position that wisdom is the sine qua non of strategic leadership, that it develops in part as a result of reflective thinking about experience, and that its development can to some extent be purposefully accelerated. That is, a leader can **decide** to develop greater wisdom, and can within limits act effectively on that decision.

Wisdom

Required in handling "thorny" ill-structured problems.

Based on extensive and profound knowledge base.

Implies acceptance of the fact that everything about the issue cannot be known.

Is evident in willingness and exceptional ability nonetheless to formulate sound and executable judgements.

Why Wisdom?

Kitchener and Brenner (1990) define wisdom as the capacity to make sound judgements in complex and uncertain situations even though the information required for unequivocal judgement is lacking. It is "... a willingness and exceptional ability to formulate sound, executable judgements in the face of great uncertainty ..." about the facts of the case, the dynamics of the situation, and the range of options that might be available. It is a "... kind of intellectual ability that allows a few individuals to

make particularly exceptional judgements about uncertain, problematic life issues..." (p. 216) In essence, it is the capacity to act effectively in situations that by their very nature deny the leader the basis for making logical decisions about what is going on and what to do next. But it is, of course, this kind of ill-structured problem that dominates the strategic landscape, as we have seen earlier. And it is the effectiveness with which leaders handle these kinds of problems that determines how they are evaluated by history.

So, how do leaders get to be wise? Clearly, wisdom does not happen overnight, though our study of great leaders seems to show that many stood out in comparison with their peers. in the quality of their insight and judgement at an early age. However much one might criticize MacArthur, it seems clear that he had magnificent insight and judgement about the reconstruction of post-World War II Japan. And his potential was apparently marked early-on by his first-captain status at West Point. On the other hand, it might well be asserted that he had faulty insight and judgement about the potential for Chinese involvement in the Korean war. What happened? If one had wanted to pick a Supreme Allied Commander to direct the Normandy invasion, one would hardly have reached down so far in the class to pick Eisenhower. Yet, he did so command, and proceeded further to validate himself as a wise leader by serving effectively in the presidential office. How did that happen? And, finally, Marshall's evaluations as second lieutenant marked him for later greatness, which he later magnificently achieved by fashioning a post-World War II reconstruction that flew in the face of historic precedent and now has resulted in an European Economic Union that itself defies historic precedent. How could they have known?

We might now make three points, to lay out how we will proceed. First, it is clear that great leaders often are marked by others as having some ability or competence that allows them to stand out above others, even when young. They may be seen as thinking more clearly at an early age. Or, they may have a "presence" that causes others almost automatically to defer to them. (For example, size correlates slightly but significantly with attributed leadership; that is, accepted leaders tend to be physically larger than non-leaders.) Or they may be seen as having greater "maturity." In essence, most great leaders — but not all — start with some kind of advantage. We will not deal extensively with these initial attributes in this chapter, though we will examine "derailing" factors near its end. Instead, we will focus more on what leaders can do to develop.

Second, even though there may be some early "markers," greatness develops over time. In fact, the correlation between age and wisdom is so strong that describing a young person as "wise" generally has an entirely different meaning — that s/he may well have the vice of talking too much or too arrogantly. There is good reason for this. It seems likely that wisdom develops from both extensive and extended experience. Here, "extended" has special meaning. In discussion of Stratified Systems Theory (SST), we made the point that a perspective on time is important to the theory. The higher the position in a complex organization, the longer the time horizon must be. And the individual who successfully fills one of those positions must have a time perspective matching the one required for the job. It seems likely that individuals with longer time perspectives may have from the beginning been more capable of dealing with complexity. However, it seems equally certain that one cannot have a "feel" for time without having experienced it. So a person with a ten-year time perspective must certainly have had the opportunity to experience enough ten-year-long events to have an understanding of what they are all about. This almost certainly illustrates the experience requirement for wisdom. While there is more to it than just experience, it would seem that "wisdom about ..." is a product of "experience about ..." and that "experience about ..." is acquired over time. So must wisdom-building extend over time. We therefore expect to see more wisdom in older and more experienced leaders, and we typically – though not always – find our expectations fulfilled. However, the "not always" caveat poses a further requirement. We will find later in this chapter that just having an experience is not enough. The experience must be processed so as to extract its meaning for future events in order to contribute to wisdom development.

Third, if we know that there are some initial attributes that help, and that experience "processing" is subsequently required, can we lay out the process and identify wisdom building blocks? The answer is

probably yes. As noted earlier, the concept of a learning organization is quite important. As the world becomes more complex, it becomes more important that an organization have both the culture, mechanisms, and commitment to "learn." Organizational learning is really at the heart of Senge's Fifth Discipline (1990), and that source gives an excellent organizing framework for understanding how individuals also "learn," thereby acquiring wisdom. The five building blocks, stealing from the Fifth Discipline and adapting liberally, are: systems thinking, personal mastery, mental models, shared vision, and team learning.

Systems Thinking

Different people use the term "systems thinking" in different ways — systematic thinking, holistic thinking, integrative thinking, and the like. Here, we will include most of these meanings.

Systems Thinking

- Seeing the whole, not just the parts
- Understanding interrelationships
- Understanding dynamic process
- Mastering indirect effects
- Applying rigorous logic where possible
- Understanding where logic does not apply

Johns (1996) admits that the world is a messy place — and probably would now think that it is getting messier by the year — but asserts nonetheless that it should be attacked systematically. This is sometimes more easily said than done. The VUCA characteristics of the strategic world, and its very long time frames, challenge decision makers in profound ways. This challenge is especially great for those who are transitioning upward from decision making at the mid-level and for strategic leaders who must integrate inputs from mid-level sources. The problem is that higher levels of the organization deal with increasingly complex and more abstract issues that are not always amenable to rational analysis. Nonetheless, this perplexing world does operate according to at least some principles, at least some of the time, because it consists of systems and subsystems. ***Systems tend to have some properties in common, particularly some of the principles by which they operate.*** Part of strategic decision making is learning the properties of large, complex systems, and thus how to operate within them, using the "leverage" of the system to get things done – as opposed to brute force directly applied as is so often done at lower or even mid levels of organizations.

A SYSTEM

A set of parts that operate together in ***equilibrium***, with multiple links between the parts. The set of parts often are described as ***inputs***, ***processes***, ***outputs***, and ***feedback loops*** all working within a ***context*** or ***environment***.

In a complex system, ***cause and effect*** can move through a series of links in a variety of directions and paths.

Complex social and political systems are characterized by ***indirect effects*** as well as ***direct effects***, that may extend over long time periods.

What Is a System? The simplest systems may consist of only a few elements working together in ***equilibrium***. These often are described as ***inputs***, ***processes***, ***outputs***, and ***feedback loops*** all operating within a ***context*** or ***environment***. A skater on ice is a simple system. Physique, skills, and equipment make up the ***inputs*** that are fashioned into artistic performance (***output***) on the ice (***environment***) by the ***process*** of skating, jumping, twirling, etc. A good balance of forces keeps the skater erect and moving. The balance of forces is a kind of ***equilibrium***. If some of the forces get out of balance, a new ***equilibrium*** may quickly get established, with the skater flat on his/her backside. Systems tend toward some kind of equilibrium. They also tend to move toward lower states. That is, systems tend toward new equilibria that are less energy-demanding than the previous ones. (Some people are like that, too.) A high-performing organization is a system in a high-energy-consuming equilibrium. So, a high-performing organization tends toward more average performance over time, unless its members (or leaders) continually pump energy in to keep its

performance high. A part of effective leadership is knowing how to create and sustain high performing systems that will stay in balance, and how to keep them "pumped up:" not too pushy, not too laid back.

Complex systems seem to have "a life of their own." The skillful skater is a comparatively simple system, where most of the causes and effects are direct. The skater can exert powerful direct forces on the ice, and ***directly*** increase speed of movement. However, even in this simple system, too much force can exceed the bite of the blade and cause a fall.

An airplane with its pilot is a somewhat more complex system. While the pilot can make inputs -- and a skilled pilot can make forceful inputs -- the airplane "has a mind of its own." It has certain "natural frequencies," certain properties that are its "nature." One outcome of these properties is that the airplane will react to turbulence in a certain way; it moves in response to both the turbulent environment and the pilot's control inputs. The pilot cannot change the "nature" of the airplane; the pilot can change only the nature of the control inputs. To be "smooth on the controls," the pilot must know the nature of the system, which of course also includes the pilot. In the "young pilot" system, two things had changed from an earlier state. The first was strong turbulence in the pattern, which challenged previous experience. The second was the pilot's personal reaction to flying below his usual standard, and his concern about what the Instructor Pilot would say.

A YOUNG PILOT AND HIS AIRPLANE

A young pilot once was doing touch-and-gos, to the immense frustration of his instructor pilot. (There was a lot of turbulence in the pattern that day.) Finally, after one particularly sloppy circuit, the IP said, "I've got it!"

To the young pilot's amazement, the IP smoothly flew the airplane "hands off," using only feet on rudders, throttle, and trim until ready for touchdown. He said, "You are gripping the yoke so hard it is turning purple. Relax, and just use your fingertips."

So the young pilot learned that some input was needed, but that it should be gentle, sensing and going with the motion of the airplane rather than fighting it.

So, leaders must ***know the "nature" of the systems*** they are influencing, ***understand the influence of factors they cannot control***, and ***understand themselves*** so as to ensure their actions are appropriate for the time and the place. Understanding the complex systems that make up the strategic environment is far more difficult than is the case with the simple systems just described. The important thing is that ***many of the same principles will apply to them as to the simpler systems.*** So they can be approached with similar strategies; it just takes more work, and more tolerance of the fact that the extent of what cannot be known will be greater.

Understanding Systems. A key part of the strategy for understanding and dealing with systems is to build an accurate and extensive mental model of the relevant system. How one does that will be covered later, in the section on mental models. For now, it is enough to say that strategic decisions are fundamentally dependent on the quality of the mental model developed and used by the key decision making executive and/or the top team. And, as the relationship between wisdom and age implies, these mental models take time and effort to build. They evolve out of information gathering (experience) over long time periods, reflective thinking about the relevance and meaning of information gathered, and the construction of a dynamic cause-and-effect model that aids in understanding why a given event happened, and what is likely to occur subsequently. This latter is the "interrelationships" and "dynamic process" aspect of understanding systems.

Another part of wisdom is accepting that a dynamic process model of a really complex system probably is never finished. There are always deeper understandings, new insights, that wise leaders can and do develop over time and with more experience. A key part of this "deeper" level of understanding is the discovery of whole families of "indirect" effects. In complex systems, there often are chains of cause and effect. A given action — policy, rule, or legislative change — may produce direct effects of one sort, but very different second- and third-order effects. The luxury tax imposed on expensive boats in the early 90s provides an excellent example of poorly anticipated indirect effects. The tax was imposed on boats

costing more than $100,000.00 with the political intention of increasing tax revenue from the very rich. The political frame of reference was that of redistribution of income. However, the policy makers assumed that the very rich would purchase at the higher prices, which turned out not to be the case. It is possible that another, and poorly verbalized assumption, was that the very rich are imprudent and wasteful with their money. The outcome was that sales of expensive boats fell catastrophically, builders went out of business, and many wage-earners lost their jobs. Rather than increasing revenue while at the same time reducing the burden on low income earners, this public policy had just the opposite effect.

Similar complexities are rampant in most large scale organizations. For example, decisions about fringe benefits for members will have long-term effects on both the capacity to recruit new members of high quality, and the capacity to provide the lowest cost goods and services to clients. And, in this particular case, the decision will never be totally clear because of uncertainty with which the future can be known, and the time frame over which these potentially opposing consequences play out. Conversations with top-level leaders will almost always include recall of situations like these, which they now understand more fully – and wish they had then – based on reflective thought about what happened and how it might have been handled differently. These reflections represent motivated work by which these leaders profit from experience. It is not comfortable work, but it produces wisdom. And to the extent it produces a deeper understanding of indirect effects, it enables strategic leaders to understand how to make system changes that have both near-term **and** long-term desired effects.

But, as Johns (1996) points out, the messiness and ill-structured nature of the strategic world does not decrease the importance of **systematic** thinking. If all systems share at least some common principles, then their understanding must be based on the application of rigorous logic to those parts that yield to rigorous logic. The key here is to know when rigorous logic applies and when it does not. Almost by definition, this translates into knowing how much one knows (and can know) about the situation at hand. Where a lot is known, rigorous logic is more adaptive. Where little is known, the application of rigorous logic is likely to be maladaptive. While this sounds like a "so what," it underlies some of the most fundamental flaws in strategic decision making. There are substantial differences among decision makers in their comfort with ill-structured, "fuzzy," "wicked" problems. So there are two ways of dealing with these kinds of problems that will restore the comfort level. One is to assume away everything that doesn't fit into a nice, neat package. Once the situation has been shrunk down to manageable size, rigorous logic can be applied. The problem here is that this nice, neat package may no longer contain the real problem. An alternative is to fragment the problem, working on what is now well understood (and therefore amenable to rigorous logic) with the intention of working on the rest when it becomes understood. Again, fragmentation is rarely successful when dealing with systems problems, because of the interconnectedness of the elements in systems.

While it is easy to point out strategies that do not work when the problem defies the application of rigorous logic, it is hard to specify strategies that do work. However, at least two can be named, and they may be used in conjunction. The key in both is expanding the dynamic cause-and-effect mental model of the situation. The first is described by Isenberg (1985) as "diagnosis by treatment." On occasion, a patient is seriously ill, but the physician does not know the cause of the illness. However, the severity of the illness mandates immediate treatment even though the proper treatment may not be known. The physician may then prescribe treatment that ***may*** help, though it may not, but ***which is fairly certain not to make the case worse***. If the treatment works, then the cause of the illness will have been made more apparent. Exactly this kind of situation existed during the Cuban missile crisis, as described by Anderson (1983). As described elsewhere, no one on the Executive Committee (EXCOM) knew what would actually work, and the proposals being considered ranged from extremely hawkish to timid. A naval blockade was selected as something that might or might not work, but which probably would not make the situation worse. Fortunately, this worked. Now, diagnosis by treatment may look like the piecemeal ineffective strategy described earlier. The important difference is that in diagnosis by treatment, the broad range of unknowns is kept in view with the deliberate intent that the "treatment" will improve understanding, i.e., enlarge the dynamic model that must be fleshed out in order to resolve uncertainty.

The second is use of a top-level decision team to enlarge the problem space. Kennedy's EXCOM is a good example. Most competent large scale organizations have them. Their essence is that they contain representation of diverse frames of reference, diverse perspectives, and diverse experience (and therefore wisdom) backgrounds. They serve to explore the dimensions of ill-structured and fuzzy problems, each adding from his/her unique perspectives, thereby enlarging the range of known contributing factors, interrelationships, and dynamic effects — the problem space. In addition, when these teams work well, they serve as a sounding board not only for the chief executive but also for one another. That is, they are themselves a "learning organization" if the leadership and ensuing team climate/culture are appropriate. Anderson (1983) describes the operation of the EXCOM as "decision making by objection." That is, in their search for options that would not make matters worse, the members looked for negative outcomes of possible courses of action, and those actions with potentially significant negative outcomes were discarded. Clearly, leadership of such a process would be demanding. It would need to encourage debate while at the same time not allowing debate to become personalized. However, with this leadership, a top-level decision team can be extraordinarily effective in expanding the problem space so as to allow more rapid and deeper understanding of its dynamics than one chief executive acting alone typically could hope to achieve.

Personal Mastery

Some top-level ***position holders*** become top-level ***leaders*** and some do not. As noted above, the development of the mental models necessary to function at the highest levels is a life-long work, hard work at that, into which the great leaders have patiently plowed energy for years on top of years. This speaks to the personal attributes of great leaders. Again, the great leaders are not assumed to be perfect; nor are they assumed to be without significant idiosyncrasies without which they would have achieved even more greatness. However, most such leaders are characterized by a strong drive for increased personal competence, the willingness to invest energy in achieving it, and an ability that may have grown over time to see the world in objective as opposed to personal terms. To a large extent, this can be seen as growth in personal maturity – a work never fully completed but something to which all great leaders are committed.

Personal Mastery

- Deepening personal vision
- Focusing energy
- Developing patience
- Seeing reality objectively
- Accepting the presence of unknowns

Personal maturity is, in one sense, being able to take a perspective – think objectively – about events that have personal relevance. This, like wisdom, develops with experience, provided the work of reflective thinking is done in order to create understanding. For adults, there are three meaningful stages of development, each with its own unique perspectives about relationships with other people, and to values/principles – all of which is highly relevant to the capacity to lead at any level, but particularly at strategic levels.

a. Transactional. This perspective focuses strongly on quid pro quo relationships. At this level, decisions, actions, and outcomes are interpreted through the filter of "how it affects me." Issues or events without personal relevance may not create much involvement. Individuals at this level may be extraordinarily sensitive to the actions of others that have either positive or negative consequences for themselves, but at the same time remarkably insensitive to their own actions that might have consequences for others. By definition, at this stage of maturity, conscience is defined by "what will get me into trouble." Ethics are therefore very situational, and ethical judgement tends to be colored to a large extent by belief in the likelihood that an action will be observed, and the likelihood that unpleasant consequences will flow from that observation. Interpersonal interaction consequently tends to be based more on demands and constraints, to include authority relationships, than on the development of trust and mutual commitment. Personal power is highly valued as a tool, and individuals at this level will go to great lengths to place themselves in positions with power. Unfortunately, they tend then to exploit their

power for personal advantage rather than using their power to facilitate team or organizational performance. And they will use their position to exploit others in a win-lose manner. Clearly, individuals at this level of maturity are unfit for leadership at any level.

b. Interpersonally dependent. This perspective focuses on interpersonal relationships. At this level, decisions, actions, and outcomes are interpreted through the filter of "how it will affect our relationship." This individual wants to please others in order to have them think well of him/her. These individuals thus are sensitive to how their actions will impact on others. This is a far more mature perspective than is the transactional, and it shows the beginning of real conscience. Reputation is important, as is working for a good company. In fact, the self-concept of individuals at this level is defined in part by their relationships – the people they know, the organizations to which they belong, even the assessments they get from their bosses about their work performance. To this point, it sounds as though individuals at this level would be excellent leaders and in many cases they are. They tend to be good "company men/women," develop strong loyalties to their organizations, including bosses and subordinates, and are quite dependable. They also in general develop a reputation for "caring" about their subordinates. Their strength is, however, at the same time their weakness. Their leadership actions are passed through the filter of "what others will think of it" and these leaders find it difficult to make leadership decisions that they judge will be unpopular. So they may find themselves trapped in a situation in which they fear they will be criticized for making the "right" decision, and thus are reluctant to act at all.

c. Principled. This level of maturity is characterized as principled (or perhaps better labeled values-based) because leaders at this level make their decisions and choose their actions based on an internalized and internally consistent set of values and principles that have been thought through and accepted as valid. These leaders view situations and events through the filter of "what is morally and ethically right." Through the use of this filter, they can view themselves objectively as actors in the situation along with other actors, and can make objective judgements about what is right and proper. More importantly, because they can be impersonal about their own stake in the situation, they can objectively weigh their own self-interest against that of other considerations, and trade off their own self-interest against those considerations as necessary. Their values and principles become the criterion of rightness, as opposed to the opinion of others, as is the case with interpersonally dependent leaders. Not being dependent on others for their own self-respect, they can make decisions that are personally costly, because they know these decisions to be right and proper. Now, it sounds as though this is apple pie and motherhood, and this is how it ought to be for everyone. The difficulty is that leaders do not get to this level of maturity without a lot of reflective thinking and soul-searching. However, it seems reasonable that we would want all our leaders, and particularly our strategic leaders, to have achieved this level of personal maturity.

At first glance, it might appear that we do not have any transactional leaders among us, and that the interpersonally dependent ones are few and far between. This, unfortunately, is not quite the case. A contrast among these three levels shows that elements of all of them are found in our organizations. The transactional leader says, "I am more important than the people I own. Therefore, I will own as many as I can, and that will increase my importance." How often do we find the organizational wisdom that a person's importance is indicated by the number of people he/she supervises, and how often do we find leaders trying to pull others into their organizations so as to increase the number supervised? The interpersonally dependent person says, "I am as important as the people I know and the organizations I join. Therefore, I will become known by important people and will join exclusive organizations." This, of course, speaks for itself. The principled leader says, "There are some principles that are more important to me than I am to myself. Therefore, I will honor those principles at whatever cost to myself." There are some leaders who can say this because they do honor their principles that strongly. However, for most, perspectives and filters yield a mixture of these views. The objective of personal leader development, and the requirement of true wisdom, is to get as close to principled as possible,

understanding that while 100% may be hard, getting closer really is worth the effort. It is really the only way to achieve the objectivity that characterizes wise leaders.

One other wisdom component needs to be included in the overall concept of personal maturity. That is the capacity to know that one does not know everything, and to be comfortable with deciding and acting even when that is the case. A person at the highest level of development in this capacity would hold four beliefs:

- I don't personally know everything there is to be known.
- Some things probably cannot ever be known, and must just be taken on faith.
- Some of what I think I know probably reflects my own personal biases.
- There are logical ways to test personal knowledge and some of what I think I know may actually be wrong.

These statements might seem so "socially desirable" that most decision makers would endorse them all if asked. However, in the real world, very few decision makers ***act*** as though they do. First, they sound like "waffling"; however, they are actually the essence of ***objectivity.*** Second, they sound as though one is admitting uncertainty, and most decision makers are hesitant to do that; indeed, many are not all that willing even to act resolutely in the face of great uncertainty. However, that may be required of strategic leaders. Kitchener and Brenner (1990) suggest that a high level of reflective judgement is required if leaders are to perform well under conditions of great uncertainty, and, in fact, that reflective judgement is required for the development of what we call wisdom and objectivity.

Stages of Reflective Judgement

1. I know what I know. Experience is the best teacher.
2. There is one right answer to every question, though I may not personally know it.
3. Most questions have one right answer. For those that don't, my answer is as good as anybody's.
4. What is correct depends on the situation. You must know the situation to know what's right.
5. The truth depends on both the situation and perceptual biases. There may be different interpretations of any given situation, depending on personal biases, but it is hard to know which one is best.
6. We develop knowledge by examining evidence, and by sharing perspectives; I understand that different people will weigh the evidence differently, according to their personal values, but this is something that can be taken into account.
7. We develop knowledge by examining evidence; I understand that there are logical ways of examining evidence so as to minimize the effects of perceptual biases and values on what we come to regard as true. This will allow development of a "best" interpretation of an issue, whether it is my interpretation or not.

A liberal interpretation of their seven-stage model is shown at right. For our purposes, the fine details of the model are not critical. What is critical is an understanding of the general flow of the model, which runs from a very limiting view that one's own personal experience is the only teacher, on the one hand, to an extraordinarily open view that there are systematic ways of using evidence to comprehend uncertain situations, on the other hand. The first view gives little credence to different perspectives others may have, and it may work well in a situation that is clear-cut and sharply bounded by rules and procedures. However, its holder will certainly be overwhelmed by the complexity of most strategic issues, and is unlikely to be able to mobilize an effective top-level decision team to help. The second view appears to denigrate the decision maker's own experience and judgement, in favor of some kind of objective analysis. However, that is more apparent than real. The actual thrust of this seventh step is realization by the decision maker that s/he has, and has mastered, skills of processing information in highly uncertain situations in order to clarify them. It further suggests a degree of personal competence, in that this decision maker is capable of accepting an outcome judged to be "best," regardless of its source. Someone who has mastered this level of reflective judgement not only will probably appear to have wisdom, but also will almost certainly be able to mobilize and effectively use

decision teams when his/her experience alone is not enough. And, in fact, this may approximate Johns' "systematic thinking" imperative.

Again using the extremes, most of us can recall exemplars of both. A Stage 1 leader's credo is straightforward: My way or the highway. A Stage 7 leader's credo is: Let us reason together. So, what good is this model? If there is one key point to be made, it is that the evidence seems to show that this is a model of a ***developmental sequence***, not of ***types***. How far one develops in the journey from Stage 1 to Stage 7 depends on personal insight, commitment, and willingness to do the hard work of developing reflective judgement skills. Understanding that Stage 1 is not very good in strategic situations, and that Stage 7 usually is, a developing leader can and should "type-cast" him/herself, i.e., locate his/her current stage of development, and then ask what is needed to progress to the next stage. For someone at Stage 3, further development may result from acceptance that one must know the context of an issue before one can truly define the issue, i.e., there may be more than one "right" answer. For someone already at Stage 4, further development might result from understanding that one's own perceptual biases influence judgement, i.e., one must know one's own perceptual filters, and understand that others may have different filters , in order to understand differences of opinion. ***In both illustrations, the flow is from more bounded toward more open and impersonal ways of looking at issues.*** It is a flow toward higher levels of the personal mastery required for effective performance in dealing with complex strategic issues. And, perhaps even more important, it is a flow toward mastering the skills needed to create the mental models needed to comprehend strategic complexity in real time.

Mental Models

If there is any one mark of strategic capacity, as seen in those leaders we accept as truly great, it is their quickness in "seeing" a complex situation, understanding its full complexity, and knowing what to do about it. "Easy," one might say. With all the experience they have had, why isn't this what we should expect? The point is that experience is not enough. Great leaders have also done the hard work of doing reflective thinking about their experience, to understand in depth what that experience means — what happened, what the situation was, why what happened did happen, what the dynamic situational influences were, and so on. They have taken each new situation and processed it in relation to what they already know, thereby fitting it into a matrix of situational factors by outcomes, complete with dynamic linkages. Each one of these matrices is a "mental model" of that situation. It is a dynamic cause-and-effect representation of the real thing. If it is accurate and extensive, it can be used by the decision maker to understand what the operative factors are and how they can be leveraged so as to change the course of events. As the model gets more accurate and extensive, the kind of situation it represents is more readily recognizable. And each iteration of "meaning making" adds more richness to the model, making it more comprehensive and easier to use to "template" new events.

This templating process is very similar to the process intelligence analysts use to process intelligence information. If for example, the field configuration of a military organization is known, and if intelligence reports confirm the presence of some elements, the analyst will compare the disposition of the observed elements with **the disposition that would have been expected if the military organization to which they belong if ...** When the analyst finds a match, the identity of the military organization leaps out. It can then be verified, if necessary, by directed probes to see if other expected elements are present, though they might not have been detected to that point in time. The more experienced the analyst is, the more quickly s/he can infer the organization.

This is actually a process of seeing a part of a pattern, and then inferring the whole pattern from it. Photo interpretation skill is basically a pattern recognition skill. And the same principle applies in chess. The fantastic memories of chess masters are not composed of huge sequences of moves, but rather of patterns, and a part of chess mastery is learning to see the patterns. The same is true of mastery at many other tasks, including strategic problem solving. Expertise in solving strategic problems results from the same kind of hard work to learn how to see patterns as is the case with chess or intelligence analysis, except that we call them mental models rather than patterns, and the models are **constructed**

rather than learned by observing some tangible display. When the leader has done the hard work of construction, and has built a rich variety of mental models that are reasonably comprehensive in their coverage of the issues with which s/he must grapple, then understanding of the nature of a given problem does indeed come quickly, as indeed it should. The key point here is simply that this is not magic. It is the result of hard work, the reflective thinking that the leader has habitually done over the years.

There is one additional key point to consider. As implied above, these constructed models are abstract in nature. A pattern in chess is based on the spatial configuration of chess pieces, each of which moves by a specific set of rules. A model of a strategic issue, e.g., how best to grow a business, contains the dynamic interrelationships of such factors as current debt service, shareholders' expectations, current profitability on existing products, current return on investment, and the general set of assumptions and beliefs embodied in the culture of the organization. (While some of these factors can be **measured**, they all are abstract in the sense that one could not place any one of them on a table and observe it.) So we conclude that the construction of these models requires the capacity for **abstract reflective thought**, and, in addition, the capacity to discover and articulate the assumptions and beliefs – the frame of reference – that contribute so heavily to the perceptual biases of both individual leaders and organizations. That is, one's perception of a strategic situation, and thus one's conclusions about how to deal with it, depends on one's frame of reference. When people differ in their frames of reference, they may well differ in the solutions they offer to problem situations. When they are unaware of their frames of reference, and how frames of reference may differ, they may well lack insight into why their solutions are different and/or what to do about it.

Frames

Bolman and Deal (1991) describe four frames of reference that represent distinctively different ways of thinking about how to make organizations more effective. As evidence for the power of re-framing (seeing old problems in a new light), they describe Roger Smith's tenure as CEO of General Motors. He became the CEO in 1981, and GM's earnings went up by about 1.3 billion between 1979 and 1988; however, market share progressively went down during this period, and in 1987 Ford actually earned more than GM for the first time in 60 years. As we have seen in the decade from 1987 to 1997, the relative effectiveness of these two companies has not changed. Ford appears to have continued in its ability to deal effectively with an increasingly global economy, and the increasingly global competition in which it must participate to remain a robust organization. It recently acquired England's Jaguar nameplate, and has for two decades been progressing toward an understanding of how to produce a variety of models, each uniquely tailored for a specific country and culture, using only a few different chassis. So while Smith was alleged to have truncated vision and could not re-frame, Ford appears to have been able not only to operate from a variety of frames, but also to integrate well across frames. Bolman and Deal describe four different frames of reference, each of which represents a school of thought about what avenues are fruitful for understanding the essential nature of organizations and how to make them work better.

Frames

Structural – emphasizing the importance of formal roles and relationships.

Human Resources – emphasizing the needs, feelings, prejudices, skills, and limitations of people.

Political – emphasizing conflict, the competition for power and resources endemic to organizations.

Symbolic – emphasizing the cultural aspects of organizations, particularly the fundamental assumptions and beliefs that influence decision making.

Structural Frame. A structural focus asks, "Does the structure fit the situation?" Its fundamental assumption is that the answer to problems of organizational effectiveness lies in establishing and maintaining the right structure. An organization's "structure" consists of its "wiring diagram" (authority structure), its physical structure (work flow and work space layout), and its process structure (rules and procedures). Bolman and Deal illustrate extremes of structure by contrasting McDonald's and

Harvard University. McDonald's is highly centralized, tightly-coupled, with most major decisions made at the top. Employee work is controlled by the technology used in food preparation, standardized procedures for its preparation, and standardized raw materials obtained from central sources. Harvard University has a decentralized and loosely-coupled form, in which the highest value is given to the creativity and innovation of the service provider.

The structural perspective originated in the scientific management theories of Taylor and others near the turn of the 20th Century who were wrestling with issues of large scale industrialization and production engineering. Conceptually, these issues raised questions about job specialization, span of control, authority, and delegation of responsibility. Design principles reflecting appropriate answers to these questions strongly facilitated industrial design. For example, job simplification and specialization was one of the primary conceptual tools used by Ford Motor Company in moving to mass production of the Model T. By distributing the components of a complex job among many jobs spread out on an assembly line, thereby reducing the demand for skilled workers, mass production became feasible and large scale industry was born.

Weber (1946) also personifies the structural perspective. His theory of bureaucracy (not a pejorative term, but rather a description of a complex, hierarchical, missioned organization) emphasized rationality as an organizing principle, with six dimensions: fixed division of labor, hierarchy of offices, rules governing performance, separation of personal from official property and rights, technical (merit) qualifications for employee selection, and employment as a long-term career. These are fundamental principles for the design of large scale organizations, which by their structure are suited to bringing unity to the work efforts of large numbers of people through coordination.

Structural Frame Assumptions

Organizations exist to accomplish established goals.

A structural form can be developed to fit any particular set of circumstances.

Organizations are most effective when constrained by rationality norms (turbulence limited).

Specialization permits higher levels of individual expertise and performance.

Coordination (authority, rules, policies, SOP, information systems, meetings, lateral relationships) and control are essential.

Organizational problems arise from inappropriate structures or systems.

The basic assumptions underlying the structural frame are shown at right. They obviously represent an extreme perspective, one that is highly mechanistic and devoid of concern about the human element in organizations. It is not a surprise that the "rational economic man" logic was quite compatible with the "rational structure" logic. Both emphasize rationality to the extreme. It might not be an oversimplification to say that the dominant concern of the extreme structuralist is the ***efficiency*** with which work is done in a competitive world. Competitive advantage is sought through the use of devices that maximize the efficiency with which resources are used.

Issues around the handling of large scale industrialization was the stimulus for scientific management theory, and application of modern industrial design principles has made possible the industrial development of the western world, and has produced a standard of living that probably is unsurpassed in the history of man. However, the structural frame is blind to many issues that must be considered within the broad context of quality of life. Jaques (1989) developed Stratified Systems Theory through study of large-scale, capital-intensive industry in England. In his pre-eminent work on bureaucracy, he advanced an overarching consideration for the design of large organizations. They must be accountable to society for the well-being of their members. Understanding that organizational members are also members of a society, and that they are obligated to be good citizens, organizations have a mandate not to create poor citizenship, and, indeed, perhaps to create good citizenship. Mintzberg

(1979) echoes what many others have found in study of large-scale industry. Where jobs are over-simplified in order to reduce skill requirements, and to make possible mass assembly of large components, the work is often deadly dull. The worker consequently is both unchallenged and generally denied the opportunity for personal growth. This leads to apathy and alienation which spills over into citizenship roles in one way or another. So the extreme application of the structural frame may have negative outcomes as well as benefits, when viewed from organizational and societal perspectives. This is a dilemma for strategic leadership. On the one hand, efficiency is often required for competitive advantage; on the other hand, efficiency at the cost of attractiveness of organizational membership and alienation of organizational members may be a poor bargain.

Human Resources Frame. A human resources focus asks, "Does the organization fit the people?" A basic premise is that the skills, insights, energy, and commitment of its members are an organization's most critical resource. Organizations – and work life – should be energizing, exciting, and rewarding for the individual member of the organization. However, as we have seen, organizations dominated by the structural frame may be so alienating that human talents are wasted.

Following the work of Argyris, Bolman and Deal describe a "basic conflict" between human personality and how organizations are structured and managed. Most humans have growth needs, moving from high levels of dependence on others toward independence, from narrow to broader interests, from short time horizons to longer ones, and from low to high levels of self-awareness and self-control. But we have already seen that application of extreme structural frame perspectives, e.g., through extreme task specialization, results in treating people as though they have little to offer. A job that does not challenge skill growth blocks development. This and the perception that there is no upward mobility – nowhere to go from here – are great sources of alienation in large scale industry. Specialization thus may produce a variety of negative effects, among them worker passivity, output restriction, and devices to generate counterpower (e.g., unions). All these effects reduce the net worth of the organization's human resources.

Human Resources Frame Assumptions

Organizations exist to serve human needs.

Organizations and people need each other.

When the fit between the individual and the organization is poor, one or both will suffer through exploitation.

A good fit between individual and organization benefits both.

Bolman and Deal describe Maslow's theory of human needs (an ascending structure composed of physiological, safety, belongingness, self-esteem, and self-actualization needs). These needs extend from the most basic and dominant to the highest and most achievement-oriented. Another theory of needs is that proposed by Alderfer, which is simpler. It is an ascending structure composed of existence needs, relationship needs, and growth needs. This structure is not only simpler; it seems to parallel human development more accurately, is not burdened by some of the assumptions Maslow proposed, and emphasizes that the highest order need is not necessarily so individualistic and self-determined as is implied by the term self-actualization. (Self-actualization is actually somewhat difficult to define except in the abstract.) As Alderfer views it, most humans value the sense of competence they gain from being able to do something well. In addition, most humans have at least some interest in new experience, and they gain in ***capacity*** as they learn to do new things well. Growth in capacity enhances the sense of personal competence. For most humans, all this adds up to a real-world growth need — the need for opportunity to grow in personal competence. (As an illustration of the power of this need, the U.S. Army coined and used for more than a decade perhaps the most powerful recruiting slogan of all time "Be All You Can Be.")

Several schools of leadership have developed over the past 50 years in recognition of these needs. Late in the 40s decade, research at Ohio State University identified two major components of effective leadership. One of them was "consideration," leadership behaviors that communicated leader concern for

the individual and willingness to listen to subordinate input. In the decade of the 50s, Herzberg developed a formulation around "satisfiers" and "motivators." The motivators were growth needs satisfiers. Only a few years later, research at Michigan obtained similar findings. In the decade of the 70s, Graen proposed a theory of dyadic leadership that showed the growth of informal contracts between leaders and subordinates which result in higher subordinate motivation and commitment. These informal contracts developed as a result of satisfaction of subordinate growth needs by leaders. The growth of understanding about ***transformational leadership*** (Burns, 1978; Bass, 1985) during the decade of the 80s has shown that effective leaders are transformational, and that a key part of transformational leadership is growth needs oriented. And, finally, leadership theory of the 90s is increasingly emphasizing ***empowerment*** of subordinates, with all its demands on mutual trust, as a tool for increasing organizational member commitment and contribution to the achievement of organizational objectives.

So leadership theory has clearly shown the negatives in an extreme structural frame, and speaks powerfully to the important additional considerations in the human relations frame. In particular, the commitment of organization members is viewed as a partnership between the organization and its members, wherein each must be committed to the other beyond the framework of the formal employment contract. The formal contract includes only those expectations that may be legally enforced, i.e., violation of the formal contract can generally be remediated by members in the courts and by the organization through disciplinary action. In most cases, an organization that does not meet its payroll will lose its work force; a member who refuses to appear for work will lose his/her job. And, by law, certain environmental conditions must be provided by the organization to the work force. However, the opportunity for advancement is not a requirement of the formal contract, and there are no legal remedies for failure to provide opportunity for advancement, as long as that failure is not coupled to discrimination by the organization. So the ***informal*** contract is discretionary; however, it is nonetheless extraordinarily important.

This defines the dilemma posed by the human resources frame. To the extreme structuralist, the considerations it advances are not purely rational, and cannot be dealt with in formal, standardized ways. The extreme structuralist is mechanistic; the extreme humanist is individualistic. An extreme humanist cannot deal with regimentation; an extreme structuralist cannot deal with non-rational, and thus unpredictable, individualism. The stage therefore is set for continuing tension between these two, especially in large-scale organizations.

The Political Frame. Perhaps underscoring these tensions, Bolman and Deal describe a political frame of reference, which assumes conflict between competing factions as a way of organizational life. The fundamental driving force in the political frame is the need for resources, on the one hand, and resource limitations on the other hand. Tension between competitors (e.g., Quinn, 1988) within formal organizations is a growing centerpiece in organization theory. Bolman and Deal offer the Challenger shuttle disaster as a perfect example in which decision making was driven by a political point of view rather than a purely rational one. The space shuttle program was backed by a complex coalition: NASA, contractors, Congress, the White House, the military, the media, and even portions of the public. The difficulty for the Challenger is that different members of the coalition were in disagreement about how to balance technical and political concerns. In addition, NASA was under increasing pressure to fulfill promises about cost and schedule reliability in shuttle missions. Congressional criticism of inability to deliver on these promises was a threat to future program resources. The loss of program resources would threaten continuation of Thiokol's contract. Though there were technical concerns about the unexpectedly low temperatures that had occurred the evening before, the allegation is that management concerns about the survival of the program overcame the technical considerations. Thus, the assumptions of the political frame are illustrated. NASA and Thiokol needed one another, and thus there was pressure to reach a joint decision. It probably was recognized that engineers would be more cautious than top-level managers. (In this book. we will assert that risk tolerance is essential for effective strategic leadership.) The threat of resources loss was very evident.

Not surprisingly, operation of the political frame is strongly evident in government, both in competition between agencies for scarce resources and between individuals within agencies for the power to make decisions. Agencies compete for mission areas defined by their importance to the national interest and by their mutual exclusiveness. That is, an agency will seek to define its mission as extraordinarily important, and will define it in such a way that it excludes other, competing, agencies from that area. To the extent the Congress can be induced (another political operation) to endorse the agency's definition in legislation, the obligation to fund the mission area is then assurance of resources. Unfortunately, the inter-agency environment is characterized by a multiplicity of mission areas with clear-cut centers and very fuzzy, gray fringes. These fuzzy boundaries give rise to inter-agency working groups composed of key representatives whose purpose is to negotiate differences. Thus, strategic negotiation is one of the central skills of participants in these groups, and the capacity to form alliances and coalitions is one of the central skills of both agency members and agency heads.

Political Frame
Assumptions

Organizations are coalitions of individuals and interest groups. They need one another's support.

Individuals and groups have enduring differences in values, preferences, beliefs, information, and perceptions of reality. (Differences increase political behavior.

Most of the important decisions in organizations involve allocation of scarce resources. (Scarcity increases political behavior.)

Because of scarce resources and enduring differences, conflict is central to organizational dynamics and power is the most important resource.

Conflict is more likely in underbounded systems (less regulation and control). In an overbounded system with power concentrated at the top, e.g., pre-Glasnost Russia, politics remains, but underground.

Organizational goals and decisions emerge from bargaining, negotiation, and jockeying for position among members of different coalitions.

Power, especially the power to make decisions, is viewed by the political frame as a most valuable commodity. Decision-making power is the power to decide how resources are to be used — who gets what resources. And to the extent that supporters can be the resources receivers, the power to allocate resources is the power to form vertical coalitions that consolidate and institutionalize power cliques. This is one of the primary reasons why middle-aged institutions resist change so powerfully. Change might imply a different distribution of resources and thus be a threat to the existing power structure.

Power competition also exists between individuals in high positions even when tangible resources are not in question. George (1980) provides a highly illuminating analysis of the effects of power and politics on presidential decision making. He notes that political scientists of an earlier generation "... were intrigued by the possibility that an overburdened executive might be able to divide his overall responsibilities into a set of more manageable subtasks to be assigned to specialized units of the organization. It was hoped and expected that division of labor and specialization within the organization, coupled with central direction and coordination, would enable the modern executive to achieve the ideal of 'rationality' in policymaking." (109) However, he goes on to say that this hope has not been realized. Some problems of large scale are not amenable to fragmentation. In addition, hierarchy and centralization themselves encourage pathologies in information processing and advice.

If problem solving were purely rational, it would follow steps like the following ones: get all information needed for incisive and valid diagnosis of the problem/situation; identify all the dimensions of value complexity so there can be balanced consideration of value priorities; identify a broad range of option alternatives, considering uncertainties; take into account the policy implementation factor; and, arrange for feedback information. However, where political considerations are paramount, the issue is not necessarily finding the best outcome but rather simply winning. This seriously impacts rational processes:

- Each actor tends to look for convincing information on his/her own policy issues and not those of others, thereby denying full, balanced information flow to the decision maker.
- Each actor's participation in identification and evaluation of policy options is shaped by his/her own parochial interests and goals.
- Policy debate is distorted by oversimplification and rhetorical exaggeration (overstate benefits of own position, risks of opponents' positions).
- Actors use their own bargaining advantage to manipulate the flow of advice to influence the decision maker's choice of policy.
- Actors may arrange compromises (logrolling deals) among themselves to avoid decisions that might be damaging to their perceived interests, thereby keeping policy issues from even rising to the level of the decision maker.
- Actors may seek to avoid an area, in order to avoid responsibility for it.
- Actors may, where convenient, rely on policy routines and SOP that were previously developed, but which may not be appropriate for novel problems.
- Actors may be prevented from dealing incisively with foreign-policy issues by the time, energy, and attention expended on internal politics.

Another part of the problem is the increasing complexity of the global environment, as we have already noted. For example, central coordination and direction of foreign policymaking has gotten steadily more difficult as the range, complexity, and scope of foreign policy problems has increased. The distinction between foreign and domestic policy has also eroded. George illustrates using as an example the deployment of US troops in Europe. This has implications for defense posture (DOD), balance of payments (Treasury), and U.S. relations with foreign nations (State). Such problems must be approached from a broad, holistic viewpoint, and policy issues must be resolved among representatives of agencies with diverse viewpoints. However, the agencies themselves rarely have unitary viewpoints. Sub-units of agencies may develop objectives and goals at odds with public objectives of the agency, i.e., agencies must deal with internal politics as well as external.

Internal politics impact on interagency or inter-governmental communications by decreasing the certainty with which any given response can be predicted. Because they also are affected by bureaucratic politics, foreign policymaking systems in other governments may have quite complex internal dynamics. One must calculate how one's own positions will play at ***intermediate*** levels in other governments, because these will have significant impact on reactions at the highest levels. Indeed, as almost always happens, one may want to work through the initial negotiations ***intermediate level to intermediate level***. Otherwise, the competitive struggle over policy may impact both the ease and clarity with which communications are received. That is, a communication that threatens a given set of internal policy options may be "interpreted" by its first handlers so as to decrease the likelihood of a favorable reception by top level decision makers. And, as George notes, the complexity is compounded because these internal processes are operating at each end of the communication process.

Structural theorists operate in terms of (legitimate) authority, which itself is based on the structure of roles in a formal organization. Jaques (1979) calls these organizations "accountability hierarchies," i.e., they are hierarchies which have formal missions which generally flow from the top downward, and leaders who are accountable for their use of resources in performing missions. They also tend to establish membership by means of formal contracts, though, as we have seen, superior performance is likely to depend on informal contracts between leaders and led. Human Resources theorists tend to focus on forms of influence that enhance mutuality and collaboration, a recent development being the concept of empowerment. The political frame views authority (position power) as only one form of power; others are information and expertise (power flows to those who can contribute uniquely), control of rewards,

coercive power, alliances and networks, access to and control of agendas, and control of meaning and symbols. (When the powerless accept the myths propagated by the powerful, conflict may be eliminated.) The political frame views human needs not as pre-eminent, but rather as scarce resources colliding with incompatible preferences.

Attitudes about conflict itself differ across frames. Structuralists emphasize social control and norms of rationality, with the belief that hierarchical conflict will undermine management directives and authority. Authorities exist to resolve conflict, and authoritative decisions are supposed to be accepted. However, conflict is not necessarily viewed as bad from a political perspective. The focus of the political frame is on strategy and tactics of conflict, not conflict resolution. Human Resources theorists believe that "win-win" is possible, while structural theorists believe "better" solutions exist and can be found through rational discourse. However, political theorists believe conflict is an enduring and useful fact of life, given that most resources are finite and limited. We will consider the political frame at much greater length in a later chapter, in which we will explore organizational power and politics. For now, it is sufficient to summarize. As Bolman and Deal note, power dynamics – and thus political dynamics – are an organizational fact of life. However, an extreme political frame has significant weaknesses. First, it is so thoroughly focused on conflict as a modality that it underestimates the significance of both rational and collaborative processes – which the structural and human resources frames offer. In fact, modern leadership theory is a theory of collaborative processes. And, second, the political frame is cynical and pessimistic in its overstatement of the inevitability of conflict. By focusing so strongly on conflict and win-lose outcomes, it also tends to lose sight of what might be called "higher values" and thus to lose moral focus. The challenge to top level leaders from this frame thus is how to operate effectively in a political arena without losing sight of the values and morality necessary to inspire extraordinary human effort.

The Symbolic Frame. While the structural, human resources, and political frames are relatively easy to understand – perhaps because exemplars of these frames are relatively abundant around us – the symbolic frame is less so, perhaps because manifestations of the symbolic frame are less obvious. The symbolic frame is actually more an awareness of **how** one communicates than **what** one communicates. In that respect, its assumptions, which are somewhat unconventional, look more like wisdom statements than is the case with the assumptions of the other frames. Also, while the assumptions and beliefs of the other frames are perhaps appropriately viewed as ***descriptions of aspects of organization culture***, the assumptions and beliefs of the symbolic frame are close to being ***descriptions of how organization culture is influenced and how organization culture influences members***.

Symbolic Frame Assumptions

What is most important about any event is not what happened but what it means.

The same event can have different meanings for different people.

Many of the most significant events in organizations are ambiguous or uncertain.

The greater the ambiguity/uncertainty, the harder it is to use rational analytic problem solving methods.

Faced with uncertainty/ambiguity, humans create symbols to reduce confusion and provide direction.

Many organizational events (myths, rituals, ceremonies) help people find meaning and order in experience.

We will look more deeply at culture and how to manage/sustain it in a later chapter. For the present, however, it is useful to understand culture as a body of largely unwritten beliefs and assumptions that guide thinking and decision making about what is appropriate within an organization. So, culture helps members "make sense" of events, and to make "sensible" responses to events. However, it is different from the codified rules and SOPs that large scale organizations develop to provide control and coordination of effort among members. Rules and SOPs are very specific about what they require/prohibit, and they are written about very specific events or processes. In essence, rules and SOPs define **right-act**. Culture defines **right-think**. Violation of a rule may incur a sanction, based on the **formal contract**. Acting in violation of a cultural assumption or

belief may also incur a sanction, but that sanction is more likely to come **informally** from organization power holders and may be subtle.

The beliefs and assumptions underlying an organization's culture are not necessarily easy to learn. They typically are unwritten, and sometimes are so well ingrained in the thinking of top level executives that they are even difficult to verbalize. For that reason, organizations often will develop "markers" to communicate the important assumptions and beliefs. Symbols and rituals are "markers." Their purpose is to serve as tangible reminders of what may not often be verbalized, and thus may be very hard for newcomers to learn. The more abstract the assumptions and beliefs of the organization, the more likely it is to have these "markers" and to use them to socialize new members. So the symbolic frame is about how to communicate about assumptions and beliefs using "markers." Top level leaders are almost always very savvy about how to do this.

Bolman and Deal identify legislatures and religious orders as two kinds of organizations for which the use of symbols – "markers" – is helpful. The "markers" of the Christian church are unusually illustrative. The cross symbolizes belief in the sacrificial death of Christ. Many churches have spires; the spire symbolizes uplifting into future life. The sacraments symbolize belief in the forgiveness of sin. Reciting the Lord's prayer serves to recall significant mandates of the faith. These and other "markers" are extraordinarily helpful in teaching the beliefs and aiding in their integration.

Symbols and rituals are also numerous in the military. One essential belief in the profession of arms is that the massing of force will achieve victory. While in earlier times parades served to practice skills essential to maneuver on the battlefield, now they serve to remind about past victories and to give a sense of unity and strength that reinforces belief in future victory. The ritual respect for the colors symbolizes respect for and a sense of duty to the nation. The hand salute symbolizes respect for authority, an essential in a mission-oriented organization. Rendering the hand salute announces respect for authority, and thereby builds that attitude in military members. All services have some kind of basic training for new members, which serve not only to provide essential knowledge and skill but also to symbolize entry into the service. Someone who has successfully passed this initiation is now a member in different standing. Many organizations have initiations, and the more demanding of commitment the organization is, the more demanding the initiation is likely to be. Thus, Marine "basic" is more physically and psychologically stressful than Army "basic" – or, at least, the Marines would say so. Of course, it sometimes is difficult to know if such differences are still functional, as opposed to merely traditional. Protagonists would claim functionality; antagonists would say that many rituals have lost their functionality and now merely exist as a result of functional autonomy.

This, of course, defines the issue for the top level leadership, who are among the most important of the stakeholders, and who probably have more discretion to use symbolic communication than most others. There are two basic concerns. First, as we have already seen, the world is volatile, and is becoming more so, especially in those areas now being pushed by technology development. So change adaptation is increasingly essential to maintain competitive advantage. That implies a continuing need to revalidate symbolic messages, to ensure the messages being sent are the right ones. However, second, symbolic traditions are extremely hard to change, because they are not as tightly coupled to their underlying purpose as rules and SOPs are. Indeed, lacking this tightness of coupling, top level leaders may even be unaware that a given traditional practice is no longer facilitating the organization's movement toward a new state of adaptation.

Symbolic Frame
Key Issues for Executives

What beliefs and assumptions are key for our continued competitive advantage?

To what extent must all members share these beliefs and assumptions?

What constitutes symbolic confirmation that they are shared?

Are there elements in our tradition that appear to conflict with our future vision?

It would be difficult to imagine another area that connects so strongly to the requirement for top level wisdom and reflective judgement. Managing the symbolic communication within and between organizations is a most demanding exercise, utilizing the very best of reflective judgement, cultural sensitivity, and perspective taking – seeing events and their meaning from the perspectives of others.

Integrating the Frames. Now that we have looked in some depth at the individual frames, we may now ask what good purpose they serve. At least two come to mind. First, elements of all these frames inevitably can be found in the complex issues that inhabit the executive suite. In consequence, success cannot be had at the top of most large scale organizations if the executive operates from any one of these frames exclusively. In all likelihood, it probably is not possible to operate successfully even shifting flexibly from one to another when viewing a situation, because the interdependence of elements relevant to a complex issue must also be considered.

Then, second, one of the critical tasks of top level leaders is "reading" the perspectives of others. "Reading" is the process of getting an understanding of the frame of reference of the person with whom one is dealing. Regardless of the negative comments we might make about the political frame, political dynamics are a fact of life in virtually all organizations, and become increasingly important as one goes higher in these organizations. To the extent that a given interaction can be turned from competitive/positional to collaborative/principled, then the interaction can be moved to a higher plane. However, sometimes that just isn't going to happen. Then, maintenance of competitive advantage may demand that one get the better of one's opponent. Understanding that person's underlying beliefs, assumptions, and motive structure before s/he can understand one's own may then be key to success. The "reading" process is how this is done. What that person says and does in the early part of the interaction is applied against a template – a part of the internal frame of reference. If a match can be found, then beliefs, assumptions, and motives that are as yet unstated can be inferred. If they can be inferred correctly, before one's own are discovered, then it may be possible to exploit a vulnerability and achieve a win – or, better yet, figure out a way to turn the situation into a win-win.

So an in-depth understanding of frames will allow someone to be a "quick read" when interacting with others. It will also allow more rapid understanding of complex situations and how to influence them, perhaps in the process becoming a more difficult "read" for others. So how do we integrate the frames?

It seems unlikely that we can provide a "one size fits all" integration of the frames, because different people "make meaning" in different ways. However, it is possible to suggest ways of thinking about the separate frames. First of all, as already suggested, the symbolic frame is different from the other three. It speaks to reflective thinking and communication, and thus needs to be considered last. The other three are like different facets of a stone, or, perhaps better considered, as two states of water (liquid and solid) within a container. The states of water are human relations and political. To some extent, these two frames have diametrically opposing assumptions about human kind. Collaboration opposes conflict. A higher level of morality opposes amorality. Optimism about the future opposes pessimism. But if we view this as a continuum, then leadership's goal may well be to move conflicted situations away from the extreme political view toward some view that emphasizes the importance of human needs, values, and growth opportunities. This is impossible only when the imagination and skill are lacking to make it happen. And we have already seen from the evidence of vertical dyad theory and transformational leadership theory that this shift does call forth the better nature in most people, thereby achieving the win-win of a more meaningful work life for them and better competitive advantage for their organization.

The container, of course, is the structure. It is important because both water and ice must have boundaries. So without the structure, neither conflict nor collaboration would go anywhere. However, the analogy really does go further. The structure should not interfere with the energy of either conflict or collaboration. Structuralists become counterproductive when structure, which is intended to serve coordinative functions, rides roughshod over other means. Said another way, there is no need to force a thirsty horse to drink. So if the coordinative needs of the organization are being met by some means other

than formal structure, and if the requirements of the formal structure are therefore redundant, then perhaps they can be put aside. This may sound a little like Pollyanna; however, it is quite real. Some of the massive changes being brought about by information technology bear directly on coordination of effort, and, indeed, on the proper location of decision making in an organization. The Army is pressing forward with digitization of the battlefield. When each tank commander can see the whole relevant battlefield, and understands his job in relation to the jobs of others, what change then occurs to the command and control structure? The answer is that if good decisions can occur at that level instead of higher, organizational agility goes up. Control doesn't go down. It just takes a different form. Structure takes a back seat to commitment and understanding, unique components of the human resources frame. So true integration demands the capacity to work across frames in examining means for attaining ends. And it is this kind of integration that gives competitive advantage to the executive who can do it, and to his/her organization when he/she does it.

And how does the symbolic frame get integrated in? The answer probably is that it does not. The symbolic frame is more about communicating understanding to others, and about maintaining the solidarity and cohesiveness of the organization. So it addresses a different level of concern than the other frames. Symbolism and ritual practice may in fact be tools for satisfying human needs for purposeful living, and for achieving objectives that transcend the individual. So the symbolic frame may be more closely related to the human resources frame than to the others in some ways, but it is not tied to that frame. Symbols and rituals can just as easily communicate meaning relevant to the other frames. The important issue for the executive is the understanding and skill to use them well to achieve the longer-range macro-objectives for which they are designed – and, most important, to recognize when there are disconnects between the messages being sent and the intended ones. Skill with the symbolic frame is particularly important for "packaging" and communicating a shared vision with which to unite the energies of the organization.

Shared Vision

Vision, in the sense intended here, is the capacity to construct some sort of picture of what the future should look like, and to see ahead sufficiently far in time that construction of that desired future is possible. We have already spoken to the importance of vision, and will come back to vision as a tool for managing change in a later chapter. For the present, the crucial issue centers around the extent to which the leadership can cause the vision to be meaningfully shared with key stakeholders in the organization. This is essentially a question of how and with what effectiveness the substance of a vision is communicated. So the present issue is not about the qualities of a vision or how it is developed, but rather about the art of cross-level communication in large scale organizations.

A quick review of two postulates of Stratified Systems Theory (SST) will help. First, SST describes the critical work of the various levels in terms of their complexity. Complexity increases at the higher levels. In addition, the level of abstraction, and thus the need for abstract thinking skills, also increases at the higher levels. "Abstract" means, basically, that a leader must sometimes think about "things" that cannot be handled, touched, or manipulated physically. "Efficiency" is an abstraction. We can talk about it, and think about how to get it, but we cannot put it into a wheelbarrow and roll it from one place to another. On the other hand, it is not a terribly complex abstraction. Most members of an organization can understand that being efficient means to get the work done at the lowest cost. However, "culture" is an abstraction that is considerably harder to understand in a practical way.

The second SST postulate is that leaders grow in their capacity to handle abstraction/complexity. Ideally, they should grow at least as fast as they move up. Taken together, these two postulates say that the top-level leaders in a good organization will be more capable of thinking abstractly, and of handling higher levels of abstraction than mid- and lower-level leaders. They will have had both the required exposure to growth-stimulating experience, and the time to develop. The communication issue arises when the top leadership wants to communicate what at the top is understood to be quite significant for the future of the organization, but which unfortunately arises from a thought process which is not likely to be

fully understood – or even thought relevant – more than a few levels lower in the organization. It is a fact of life that each lower level becomes more "down-to-earth," practical, and concerned with near-term rather than far-term issues. The dilemma is that most top-level issues ***probably are*** relevant at all levels, but can be seen as relevant only when framed in level-specific terms which take away the conceptual basis for considering the issue in the first place. A prime example occurred in one of the military services during the last half of the decade of the 80s. A three-star flag officer had a vision of how to transform his organization to meet future needs for higher levels of initiative, innovation, and personal commitment at all levels. He understood the changing future much as we have discussed it in earlier sections. He also had a great deal of wisdom about the kinds of changes that needed to be made to achieve his objectives. For example, he understood that his installation's regulations were written in a legalistic style that members at lower organizational levels generally could not understand. So he wanted them re-written in plain English. He also understood that there were so many regulations that few members could hope to read them all. So he wanted the number reduced – or at least the volume of text reduced. He also understood that many of the rules by which organization members had to live made little sense when viewed in the light of their ultimate combat mission. So he wanted his rules to make sense; each rule should have visible relevance to the ultimate goal. There were, of course, many other elements in his vision of a growth-inducing workplace.

The thrust of his vision was pretty clear, and it was really very practical; it was certainly reflective of great wisdom. It was that there should be a priority of tasks, their most important ultimate mission ought to have highest priority, and members ought to be able to see the relevance of their everyday activities to that ultimate mission. In other words, he wanted to design a day-to-day environment that had meaning for members, and which encouraged them to develop the thinking skills they would ultimately need. A part of that wisdom was that the development of thinking (and deciding) skills requires practice of thinking (and deciding). But that created a degree of uncertainty at the lower levels. How can one be absolutely certain of having ***no*** mistakes when one relinquishes control over what is being done by allowing the practice of thinking (and deciding)? So his vision broke down in practice, because leaders four levels below him could not fully grasp and thus internalize the logic of the workplace dynamics he wanted to create. Some of these leaders could understand, and thus create the growth-inducing environment. Some could not, and continued to stifle subordinate growth by maintaining a level of centralized control over decision making that precluded much of that kind of thing at levels lower than theirs.

There is no magic solution to this problem. Heifetz differentiates between technical work and adaptive work within the overall leadership domain. In technical work, a rigorous answer is possible and technical solutions are not resisted. In adaptive work, as we have already seen, different actors have different values, goals, and beliefs. They may also have different underlying assumptions. Unity in "buying in" to a given solution cannot be achieved until these actors have done the hard work of examining their differences and reaching some value consensus on them. Only when these kinds of things have been sorted out will the key stakeholders be able to see their way to workable unitary solutions. A top-level leader can deliver a technical solution with some degree of assurance that it will be accepted. Adaptive solutions must be generated in a different way.

It is much too simplistic just to say that communication problems across levels can be solved by treating them as issues requiring adaptive work. In the first place, it is extraordinarily time-consuming; it is cost-effective only when the issue is sufficiently serious to warrant its cost. In the second place, other ways of gaining understanding of issue complexity at lower levels are rapidly maturing. For example, automation now enables members at the lowest levels to communicate directly to the topmost levels. Of course, this is a two-edged sword. One senior leader who publicly announced his presence on an e-mail network was immediately deluged with such a volume that he felt he had to retreat behind a bureaucratic filter. Was this a wisdom decision? Or was he perhaps just seeing an initial surge that would have diminished over time as the urgency of pent-up communication needs spent itself? This, of course, is almost a trivial question, but it illustrates the larger issue. Communication of complex issues across great

vertical distances in formal organizations is almost an arcane art. Those top-level leaders who can do it well have mastery of their organizations to a far greater extent than those who cannot, and, all other things equal, their organizations almost certainly also enjoy substantial competitive advantage.

Team Learning

We will discuss team building at much greater length in a later chapter, and we have already discussed learning organizations. For now, the important point is that strategic capacity includes a conceptual understanding of system dynamics that foster the development of team learning. That is, fully effective strategic leaders understand how to create system learning processes, and are personally capable of doing so. In all likelihood, the "personally capable" part of the last sentence is the more important part.

As we have already seen, a part of "personally capable" is the capacity to empower action by others, and to "trust the system to work." Some leaders cannot relinquish their need for control and/or power in order to let the system become the dominant factor. The question is why. There are several answers. Some leaders simply cannot manage the discomfort of a situation in which they do not have a high level of control. This is a personality variable which may or may not be amenable to change as a result of reflective thought. If change is possible, it comes as a result of understanding that there are system controls that are trustworthy as substitutes for personal controls. For example, a published SOP may substitute for direct, "hands-on" management of the effort. (This leader may over-formalize his work environment, but at least does not micromanage.) As an additional example, professional training may substitute for an SOP. (This leader may over-train, but at least does not over-formalize, and, in addition, may "grow" his/her people.) As yet another example, sharing frames of reference in open discourse by inviting subordinates to participate in problem-solving discussions may substitute for professional training. (This leader will both develop his people and enjoy a system in which performance reliability is likely.) What may not be clear is that we have just described a scale from micromanagement to empowerment, which any reflective leader can experiment with. Where s/he stops on the scale depends in part on the situation, but most organizations are likely to be higher performing when they are led from the empowering end of the scale, if that is possible.

There clearly are other answers as well to the question of why leaders cannot "let the system work." But the scale suggested above leads to what is probably the most general answer: the leader does not have a sufficiently profound conceptual grasp of human and organizational systems to understand how to set the system up so it will work. This is a capacity issue. While it is understood that some organizations simply will crucify a leader who makes a single mistake, it is also understood that these organizations really are few and far between. Most organizations make judgements about their members in terms of motivation and intent. (Indeed, a recent landmark court decision voided the conviction of a private company for having made expensive gifts to a government official. The reason is that the prosecution had not made the case that any favorable action followed the gift. The issue of intent, as evident/not evident in outcome, was crucial.) So organizations typically do forgive one-of-a-kind errors, if the intent was right and prudent risk control measures were used. Fully effective strategic leaders have learned this, and also understand how to make their organizations honor this principle in practice. Organizations cannot hope to sustain high levels of performance without trusting their members to behave with good intent, and members cannot sustain high levels of performance without similarly trusting their organizations. ***This is one of the core principles of strategic leadership, and is an essential conceptual element for the development of high performing systems.*** The dilemma this principle poses for strategic leadership is that while it demands trust, wisdom says that performance in a high performing system must be measured, and deficiencies must be corrected. The resolution of the dilemma lies in how the measurement is done, and how the deficiencies are viewed. If investigated with a view toward assigning personal blame, ***the system will promote safe, unimaginative behavior that probably will not reach high performance levels***. If investigated with a view toward future improvement, trusting that the members did their best, ***the system will promote higher levels of effort associated with prudent risk.***

"Derailing" Factors

It would not be proper to close this chapter without looking at the negative side of strategic capacity. The Center for Strategic Leadership conducted a survey of 191 top executives at six Fortune 500 companies (Hymowitz, 1988). The survey revealed that virtually all of them had had "hardship" experiences – missed promotions, firings, business failures. These executives had managed to spring back and move on, rather than blaming others. But there were others who "derailed" and stayed "de-railed." There were five main reasons, as shown in the box at right.

At the risk of oversimplification, one might think that as few as two dimensions actually are producing these five broad areas of personal deficiency. They would be personal immaturity, and a lack of strategic capacity.

Personal immaturity, the probable source of **transactional-only** leadership, was discussed earlier in this chapter. The power-seeking and power-dominating orientations of personally immature leaders produce a tendency to blame others personally for failure, to fear being blamed personally for their own failures, and to avoid accountability for their own unsuccessful actions. The "me only" syndrome is an excellent marker for personal immaturity. These tendencies work against the development of mutual trust, and are likely to result in an organizational climate that encourages playing safe.

Lack of strategic capacity is harder to see. However, we can see it there if we think again of strategic capacity as consisting of some combination of systems thinking and the reflective judgement that builds mental models. If we consider on the one hand the benefits of "trusting the system to work," as described in the previous section, we can also imagine the personal threat a leader may see in a risky situation in which s/he ***does not trust the system to work***. It is very reasonable to argue that this leader would see failure threat in risky situations, would try to avoid risk, would not be able to rise above (de-personalize) failure, and might be frozen into a lower level of cognitive flexibility by the resulting stress.

"Derailing" Factors

- Inability to get along. Poor interpersonal skills, especially in early and mid-career, particularly with subordinates:
  - Not being good listener.
  - Inability to give and receive criticism (feedback)
  - Viewing conflict as bad, rather than something to be managed.
  - Being arrogant
- Failure to adapt.
  - Sticking to a once-successful strategy or style that no longer works
  - Not getting out of the box
- "Me only" syndrome
  - Excessive concern with own outcomes
  - Narcissistic dependence on others
- Fear of Action
  - Fear of failure
  - Risk avoidance
  - Study to death
- Unable to Rebound
  - Overcome by setback
  - Defensively blame others

In a way, it is less productive to show what "did leaders in" than to show what helped them advance. However, the "derailers" are instructive. To some extent, they represent tendencies that we all have, but hopefully have outgrown over time. Of course, the "outgrowing" process is never complete, just as the growth of wisdom is never quite finished. Perhaps the greatest contribution of the derailers is to give us a nudge when we slip in one or another of these directions, to think reflectively about rising above the immediate issue so as to regain the broader perspective that is needed.

Summary

Great leaders are marked by great wisdom. But wisdom is not a "natural" gift. It is the product of hard work over long time periods given over to the development of mature and profound perspectives about the dynamic systems with which they must deal. Wisdom is the capacity for sound judgement in

situations marked by great uncertainty. In this chapter, we have asserted five basic building blocks that are needed for developing wisdom. They are systems thinking, personal mastery (maturity and objectivity), mental models, ability to communicate visions, and capacity to foster team learning.

Even though the problems at the top are often "wicked," and "ill-structured," the capacity to think systematically about them is nonetheless important, as is understanding the general properties that make systems similar to one another. It is these general properties that make it possible to generalize learning from one system to another. Personal mastery develops in at least two dimensions. One is growth of an internally consistent set of values, beliefs, and principles that guide both personal behavior and decisions making. A leader with such an inner compass is simply able to achieve a higher moral plane in his/her leadership than can otherwise be the case. Where selfless service is essential, that is a mandate. Coupled with maturity is acceptance of the fragility of one's personal knowledge base, but in the context of confidence in reflective judgement as a tool for resolving a lack of knowledge. That is, it is o.k. for a leader not to know everything, so long as a method exists for extending knowledge.

The mental models that strategic leaders build over time are essential to their effectiveness. A mental model is the template a leader uses to understand a complex situation. Competitive advantage accrues to leaders who are faster to reach understanding (by virtue of having better templates). The mental model, or frame of reference, a leader applies to analysis of a problem situation also will have a great deal to do with his/her perception of means available to reach desired ends. The richer the frames that can be applied, the variety of means the leader will have available. And to the extent the leader can integrate across frames, s/he can do rational tradeoff analyses to pick and choose most appropriate means for given ends.

Most books on strategic leadership speak to shared vision. For purposes of this immediate chapter, the key element in shared vision is the capacity to communicate very abstract concepts across great vertical distances. Top-level leaders must be capable of dealing with high-level abstractions, but mid-level leaders may not yet have developed the capacity to do so to the same extent. Where breaks in the capacity chain occur, it is likely that the flow of concepts will also be broken. The challenge to strategic leaders thus is how to operationalize highly abstract constructs that guide thinking at the top so as to make them meaningful (and used) at the lower levels.

To some extent, many of the factors just described contribute to the leader's capacity to foster team learning. Without trust that the system in fact can be trusted to operate, and a belief in the good intent of both the organization and one's co-workers, it is difficult to see how team learning could be judged either as possible or of value. But with trust, it would seem that fostering team learning would be seen as a primary means of extending the performance envelope of the organization. High performance does not always follow high expectations, but it almost never follows low expectations.

Finally, this chapter speaks briefly to several "derailing" factors – factors that appear to have marked the side-tracking of otherwise promising executives. A surface analysis of these factors suggests, perhaps over-simplistically, personal immaturity and lack of strategic capacity as underlying factors.

LEADER PREP

Develop wisdom by broadening your perspective; broaden your perspective by routinely looking at all but the simplest issues from at least two points of view.

Routinely reevaluate the assumptions you and others are making when solving problems and making decisions.

Routinely ask yourself if what was true yesterday remains true today. Also ask what is new today that just did not exist yesterday, and how that might influence the way you do business.

Make a determined effort to reflect upon what new technologies could erode your competitive advantage or increase your organizational security/survival risks.

Conversely, consider what technologies or information systems could increase or even transform your competitive advantage.