Leading With Your Head:
The shift from team to enterprise leadership

Tom DeCotiis, PhD
Marta Erhard, MA

corvirtus™

If you were lucky enough to have been born in the last few years in a developed country, chances are you will live eighty-plus years. That's a solid ten-year increase in longevity over the last fifty years. While people are living longer, the same can't be said for companies. In this same time period, the life expectancy of the average American company has decreased from seventy-five years to a bit under fifteen years. Hurray for people, but what's going on with free enterprise?

There are lots of explanations for this huge loss of corporate vitality, including creative destruction (less innovative companies killed-off by more innovative competitors), the strangulation of regulation, acquisitions and mergers, and an increasing focus by company leaders on short-term results. However, based on our experience working with several start-up and fast-growth companies during the last forty years, we'd like to add another explanation to the list: The skills required to start a company and gain momentum are not the same as the skills required to build and sustain its vitality. It seems apparent that the skills of entrepreneurship are not the same as the skills of enterprise building and sustainment.

5 + 4 Leadership:
A Short Course

Our perspective on leadership starts with a simple model of leadership that has served us well for many years. It's an experiential model derived largely from many years of working with leaders at all levels. The model emphasizes five distinct skillsets; namely, leadership of: self, people, culture, business, and results. The model is shown in Figure 1.
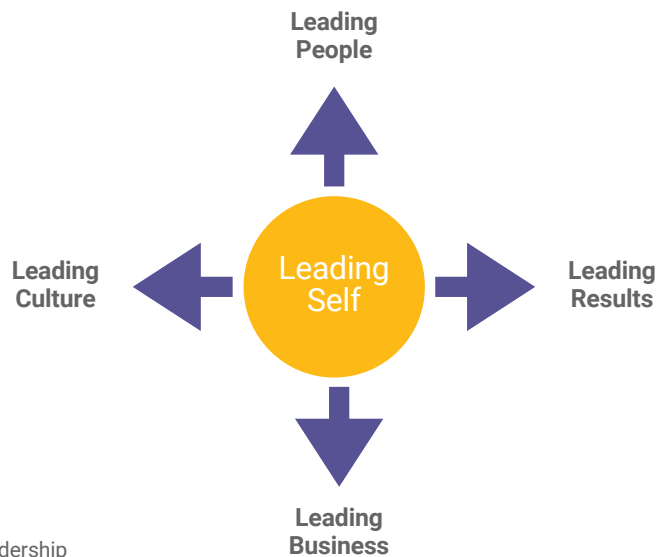

Figure 1. Five Skillsets of Leadership

We think of the five skillsets as core to leadership and define them below:

Self-leadership
Being in touch with and in control of one's motives and emotions; being predictably dependable and performing well under stress; acknowledging and owning one's strengths, limitations, and mistakes; changing as the conditions of success demand it; and acting with honor.

People-leadership
Creating and teaching an inspiring vision of the future one wants to create and communicating it to followers in clear and actionable terms that result in shared values, standards, and ways of thinking and behaving that support the vision.

Culture-leadership
Understanding the practical application of abstractions such as business models, stakeholder loyalty, and competitive dominance; accurately identifying strategic imperatives, sources of differentiation, and competitive threat; focusing on the proven keys to success; and insisting on standards that ensure consistent execution of the intended customer experience and the development of a strong and vital brand.

Business-leadership
Understanding the ebb and flow of emotion in people; accurately reading the emotions and perspective of others and being able to harness them in the interest of a shared goal; earning the trust of followers and molding them into a winning team that buys into the vision and has strong sense of belonging and significance.

Results-leadership
Untangling symptoms from their underlying problems; understanding the flow and order of causality among key results; and acting in a balanced way on the natural give and take among each stakeholder's needs and wants.

The definition of each of the five skillsets is in terms of its primary competence and based on the rare privilege of having worked with several leaders over an extended period of time as they grew from entry-level supervisors to being C-level executives. That work has led us to conclude that the skills are more or less simultaneously developed, with one being more intensely developed at one point, while another is more developed at another. Having said that, we have also learned that effective self-leadership prerequisite to the other skill sets; particularly, as a leader moves toward the top.

Often, the skill developed at a particular point in time has to do with the strengths of the leader they happen to be reporting to, the situation they find themselves in, and the brick walls encountered where they simply have to *figure it out*. In founder-led small to medium size companies, crafted leader development plans are not the norm. This pattern of unsystematic learning results in leaders who vary widely with respect to the five skillsets.

This *development by fire* is well illustrated by a friend of ours who took a job as a management trainee in a manufacturing plant after spending eleven years in the U.S. Navy. He had been an engineering officer on a nuclear submarine where, as he described it, the traditional relationship between leader and follower is based on mutual respect spiced with a dose of *I command and you obey*. With this tradition as his only leadership experience, he had a rude awakening when, after a month or so on the job, he was assigned as the second-shift supervisor of a group of unionized workers. As he told us the story, he was *totally shocked* by the fact that his *subordinates failed to respond when I gave direction*. He had encountered his first brick wall: culture. The manufacturing plant's culture was radically different than the one he had come from.

His comment about needing *to figure out* how to get things done the way he wanted them done was a step in the right direction when it came to self-leadership. It turns out that self-leadership is not only a key to personal growth, but also to growth as a leader. If you share our experience, you have recognized that people follow people rather than organizations. As mentioned, self-leadership appears to be the fulcrum for the other four skillsets if for no other reason than that in order to commit to learning them, a leader has to recognize them as a weakness.

Going upstairs

"Ladder" is a common metaphor used to describe the progression of leadership skills from entry-level individual contributor to team leader, supervisor, manager, and so on. While it's a good one, we prefer to think about the progress of a leader in terms of flights of stairs.

Each stair is its own point of learning within a level of leadership (e.g., supervisor, department head). In other words, leaders rarely step into a 3 new set of responsibilities fully developed. Rather, they progress step-by-step as they gain new knowledge, skills, and experiences. At the top of each flight of stairs is a "landing" that enables the leader to reflect on the lessons learned, those that need to learned, and, equally important, the ones that must be left behind as he or she steps toward a new flight of stairs. If a leader is good on the stairs, he or she eventually reaches the top. That's the beginning of a new flight of stairs – enterprise leadership – and a whole new set of skills.

Adding enterprise leadership

Except for the furniture, things may seem the same at the top. There's the usual stuff: a new team to build, a long to-do list, pressure for results, and new disciplines to be developed. However, there are also critical differences. For one thing, an enterprise leader can no longer *think out loud.* All of a sudden, what he or she says is taken as gospel and fuel for the rumor mill. The new enterprise leader also notices that some things are missing, such as a mentor's support and colleagues to "think out loud" with. While most leaders adapt very quickly to these changes, there is another change that some leaders never adapt to; it's one that keeps them from being as effective as they want to be.

Leading is no an exclusively internal focus on *me and my people.* Rather, it is about what is best for the enterprise and all of its stakeholders. It's a shift that requires the leader to see his or her responsibilities as, first and foremost, to the enterprise and its well-being both internally and externally. In a sense, at the top the leader answers to an *alpha-stakeholder* – namely, the company itself.

Concern for the individual does not go away, but it does take a backseat to concern for the vitality of the enterprise. To the enterprise leader, the critical question is: *What is best for the company*? What is best for the company may well be what is best for the individual, but very often it is not. Ironically, this shift is often made at the expense of the founder who has successfully wooed investors to fund the company's growth. Investors will replace the founder when growth stalls, and growth inevitably stalls when the founder fails to make the shift from entrepreneur to enterprise builder.

We need to recruit professional management is code for a founder's inability to transition to enterprise leadership. In this sense, enterprise leadership is as much a shift in mindset as it is a skillset. When the leader changes the way he looks at things, what he sees changes. The new mindset is seeing teams and their members in terms of what is best for the vitality of the company, even at the expense of the team or comfort and security of a team member. This mindset is easily seen in the seemingly callous decisions coaches routinely make about veteran professional athletes – hero today and goner tomorrow. As heartless as these decisions may appear, they perfectly capture the *enterprise-first* mindset of the enterprise leader. It is one where the health of the whole will not be sacrificed to the interests of the few.

The new steps

As you might suspect, there is more to enterprise leadership than a shift in mindset; it also requires an enhancement to the five skillsets of leadership – self, people, culture, business, and results – described above. We had been wrestling with how to articulate and summarize the necessary enhancements to a leader's toolbox when we happily discovered a clarifying article in the Harvard Business Review (HBR). The 4 article was based on a multi-year study of the success, mediocrity, and failure of 160 public companies across several industries.

While we define the enterprise leadership skills differently – very differently in some instances – than the Harvard study, the definitions overlap in a way that tells us we have been on the right track. The differences between the HBR researchers and our own experience is one of emphasis and detail. We chalk most of these differences up to the fact that much of our experience has been with founder-led or privately held enterprises. The content of each of the four enterprise leadership skillsets as we define them is shown on the next page.

| **Strategy**	**Culture**	**Structure**	**Execution**
• Consumer Insight • Choice of Customer • Defined Experience • Competitive Choice • Quality Choice • Defined Value • Keys • Goals • Imperatives	• Content of Success • Process of Success • Values and Beliefs • Mental Models • Member Rights and Obligations • Link to Strategic Goals • Common Brand Attributes	• Fit with Culture • Strategic Imperative Alignment • Responsibility-Accountability Alignment • Stakeholder Centricity • Competence Required • Succession	• Intended Customer Experience • Business Basics • Key Metrics • Process Alignment with Experiences and Attributes • Measured results • Accountability for results

Figure 2. The four skillsets of enterprise leadership

Years of experience tell us that these skillsets are not *naturally occurring* among C-level leaders, but are learned from a competent teacher, whether the teacher is a mentor, books, hands-on experience and reflection, or some combination of the three. That's a more or less chancy path to leadership excellence and may explain why most of the enterprise leaders we have known unevenly understand and apply the skills.

Many founders, for example, are much better at the hands-on hard work of creating an enterprise and getting it on track toward growth than they are at sustaining its initial momentum. Many founders start with a great consumer idea and then *muscle* operations through, right up to the point where the pace of growth exceeds their ability to muscle it. Paradoxically, many of them see themselves as having an abundance of all four skills, or dismiss them as a waste of time. As a result, it is hard for some of them to see that the *growing pains* their company is having are the result of major skill deficiencies – their own.

This paper is meant to introduce you to these skills rather than take a deep dive into them. In the interest of space and your time, we will limit our discussion to the highlights of each skillset. What we emphasize is the definition of each of the skillsets, some of each set's hyper-important elements, and the elements where their meaning might not be obvious from their name alone.
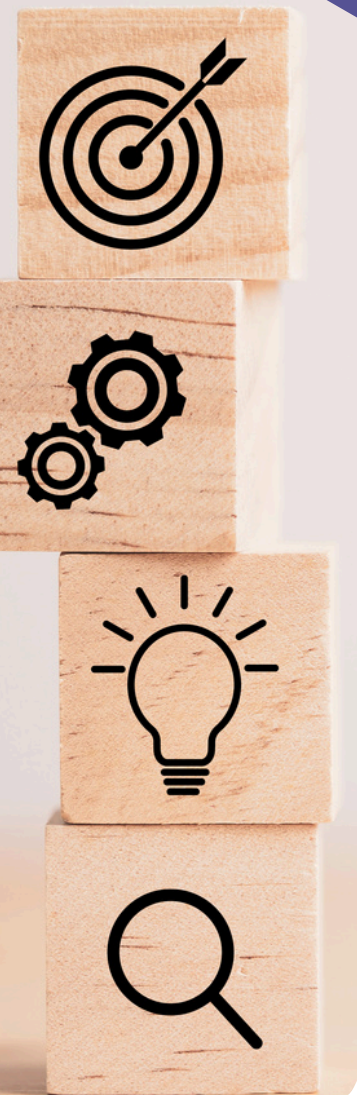
Strategy

Strategy is a company's choice of how to compete. It defines what the company will and, equally important, will not do in order to earn the loyalty of its most valued customer. Generally speaking, when it comes to consumer strategy (we believe that there should be a strategy for each of a company's stakeholders), the choice boils down to competing on the basis of price or uniqueness.

Competitive choice is a defining principle of strategy and one that should not be made without careful thought. That's because once this decision has been made, it's extremely difficult to change it. Once made, the decision becomes part of the company's culture, processes, brand identity, and way of doing business. Hence, the difficulty of an independent retailer who once dominated a market based on service and personal relationships making the shift necessary to compete with a big box retailer's cost-based sophisticated supply chain.

Most valued customer is an extension of competitive choice as it says: Choose your customer and ignore all others. This is an extremely difficult discipline for company leaders as they hate to pass on a seemingly great opportunity (i.e., an expanded customer base). One of the ways that this difficulty manifests itself is the almost irresistible urge many enterprise leaders have to expand their product offering to include multiple price points even though doing so may well dilute the company's brand.

Consumer insight is the great enabler of enterprise creation, and typically has to do with identifying an unmet consumer need/want. Outback Steakhouse was founded in 1988 at the height of a wave of public sentiment against eating red meat. Not a good time to open a steak house unless you have the insight that Outback's founders had: While beef consumption at home was decreasing, it was increasing in restaurants. The insight was not that people like steak; rather, it was that people want to indulge themselves when they go out. And, as Outback's founders believed, the indulgence of a fine-dining-quality steak, concentrated service, a casual environment, and an affordable price was what people were looking for.

Strategy
- Consumer Insight
- Choice of Customer
- Defined Experience
- Competitive Choice
- Quality Choice
- Defined Value
- Keys
- Goals
- Imperatives

Deliver superior value is the mantra of free enterprise. It has been the rallying cry of one of our Customers since the founding of their company eleven years ago. Since the company has grown more than ten-fold since its founding, the company's leaders obviously have a handle on what superior value means – or so we thought. So we ask the company's leaders to define superior value as part of a Visioneering™ process.

Surprisingly, their answers were all over the place. Why worry? Why argue with success? The answer is that the company wants to continue growing not only nationally, but internationally. As the leaders admitted, they had been muscling the value thing that'll work in a single plant location, but will crumble if plants are opened in other parts of the country or world. So, as a part of Visioneering™, the team worked together to identify twelve measurable elements of superior value that will be taught to future generations of leaders. One of the lessons that we learned is that a company prospers not only on its ability to create superior value for its customers, but to teach its meaning to future generations of leaders.

The most fundamental question of company success is this: What can we do for our most valued customers that they will find compelling and differentiating? Creating a true answer to this question is a vital part of putting a company on the path to success. Maintaining it will keep them there. **Exceed expectations** is not a good answer to this question if for no other reason than exceeding expectations cannot be taught. We may be brash in saying so, but that answer to the question seems to be most common among leaders that have not defined their company's intended customer experience.

Keys are what you have to have in order to access your employees' ability to deliver a compelling and differentiating customer experience. In the restaurant industry, a key to success is stable quality 6 management. These are managers who stay and grow the business by creating a solid base of regular customers, low employee turnover, and community involvement. Finally, every strategy has a point of dominance and a point of failure that are the same thing. These points are strategic imperatives – things that must routinely happen in order for growth to happen. Talent management is an obvious one for all service companies

Culture

Culture is more than *It's the way we do things around here.* Culture is the shared values, mental models, and beliefs about success that govern the behavior of the members of a group. As Lou Gerstner noted about his time as Chairman and CEO of IBM: Culture isn't just one aspect of the game – it is the game. In the end, a company is nothing more that the collective capacity of its people to create value. Culture follows strategy rather than preceding it for the simple reason that culture eats strategy for lunch. This is the reason why so many change efforts – even really good ones – fail. It's also why so many company values statements are meaningless.

In the recent Wells Fargo scandal where customers where routinely sold things they did not ask for, CEO John G. Stumpf blamed employees for not honoring one of the company's core values; namely, *Put the customer first.* Let's come to the point: He is pointing his finger in the wrong direction and, thereby, demonstrating a serious misunderstanding of how company culture is built. A company's culture is the result of what leaders believe (values) and what they do in terms of key processes such as employee compensation and recognition. Not to beat this horse any further, what happened at Wells Fargo is a perfect example of what always happens: Employees walk the talk of their leaders as represented by what the company rewards.

The upshot of this fact is that a company that needs to change its culture – the way things are done – first needs to change what employees are rewarded for. It matters little what a company's leaders say are the company's values, if that speech is in contradiction to what employees are recognized, rewarded, and promoted for. A technique that we have found useful is to integrate strategy and culture development through a process we call Visioneering. The process starts with defining less culturally-loaded aspects of the company such as its intended customer experience, competitive keys, and business basics, and then recasting them in terms of a compelling story about company and employee success and how both are achieved. Without this integration, it is difficult to introduce meaningful change to an established culture. As the Wells Fargo example illustrates, understanding what culture is and does is an important aspect of enterprise leadership.

Culture
- Content of Success
- Process of Success
- Values and Beliefs
- Mental Models
- Member Rights and Obligations
- Link to Strategic Goals
- Common Brand Attributes

Structure

Structure is the process of aligning accountability, decision making, and responsibility. In the best of worlds, it ensures that the people in the best position to make an informed and thoughtful decision do so. The natural outcome of this process is a flat, anti-bureaucratic organization and culture of accountability. Known as the gold standard of customer service, the Ritz Carlton has been sliced and diced over the years in an effort to identify the "secret sauce" of its service reputation.

Structure
- Fit with Culture
- Strategic Imperative Alignment
- Responsibility-Accountability Alignment
- Stakeholder Centricity
- Competence Required
- Succession

That sauce turns out to be the result of creating the right structure; one that fits the company's choice of how to compete and its cultural values. In this light, it is not surprising that its employees are empowered to spend up to two thousand dollars to solve a guest's problem without having to ask a manager. The Ritz recognizes that its guests don't want to hear "no" or "I will have to check with my manager" when they have a problem. The structure is also a nod to the fact that the Ritz is a relationship-based business and, therefore, that problems should not be bumped up the chain of command with the likelihood of damaging the nature of the relationship between employee and guest. The people at the point of contact are trusted to do the right thing for the guest and the company.

As the box in Figure 2 indicates, the alignment of responsibility, decision making, and accountability depends on a clear strategy and a strong and vital culture. Less clear is the fact that it depends almost entirely on the company hiring and retaining quality employees who are trusted to do their jobs and held accountable for doing them. What seems to escape some enterprise leaders is that a flat and fast structure is not created in a vacuum; instead, it is the result of a clear and widely understood strategy, shared purpose vis-à-vis cultural values and beliefs, employee rights and obligations, and focus on execution.

corvirtus™

Exececution

Execution
- Intended Customer Experience
- Business Basics
- Key Metrics
- Process Alignment with Experiences and Attributes
- Measured results
- Accountability for results

Execution is flawlessly doing the right things the right way on-time and within budget. The Wells Fargo scandal demonstrates the fact that while the four skillsets shown in Figure 2 are presented as though they are discrete, in reality they weave a fabric of executive competence. Weakness in any one of the skillsets weakens all of the skillsets. Wells Fargo's leaders constructed the company's employee sales incentives without reference to what they had defined as the company's core values.

What they forgot is that process/procedure always drives the nature of a company's culture regardless of whether the process/procedure is in alignment with cultural values. This failure to recognize the integrated nature of enterprise leadership is almost always reflected as execution. Specifically, it shows up as an inconsistent customer experience and disappointing results. While skill weakness within the other three skillsets is part of the problem, it's not the whole story. The rest of the story is due to a problem that we have encountered again and again over the years: Lack of clarity.

It was Socrates who said "The definition of terms is the beginning of wisdom." Amen to that. However, it's not advice followed by a lot of enterprise leaders, even among themselves. Imagine the potential for confusion down the line when the members of a company's executive team fail to work from a sense of consensus on important aspects of enterprise success and how it is achieved!

Working right to left from execution back to strategy, you can see an important thread that must be woven into the fabric of enterprise leadership. In order to execute the intended customer experience, an employee has to know what it is. In order to know what it is, the enterprise's leaders have had to articulate a consumer insight and choice of customer, what the experience is to be and the brand attributes to be associated with it, the employee competency required to deliver it, and the processes/procedures 8 necessary to turn intentions into reality. In too many companies – especially service industries – this chain of clarity simply does not exist.

Final thoughts

The need for enterprise leadership skills can sneak up on you in ways that you might not expect. One of our Customers is a restaurant company owned by two very creative individuals. While the company has only four restaurants – plus three on the way – it employs lots of people (175-250 per location). It has exceptionally high sales volume per unit on the basis of a very complex business model. The business is so complex – by design – that we doubt that many other leaders in the restaurant industry could pull it off.

For example, the founders have taken the ideals of farm to table, local sourcing, and culinary skill to a whole new level of achievement and involvement. All products are made in-house from English muffins, biscuits, and fresh pastries to house-made mixers for the bar. You name it, and a culinary expert has created it. As if this were not enough to do, the founders are opening a distillery to serve the existing restaurants in addition to the three new units in process.

So much for the *crayon simple* approach to leadership favored by many leaders. So what do they do as they anticipate growth, geographic dispersion, and increased complexity? Our answer, of course, is that they need to add the four skillsets enterprise leadership to their teaching, but the reason is not the complexity we have described. The real reason is far less obvious: The founders, themselves, are exceptionally skilled within each of the four skillsets.

Their skill levels (and inherent humility about them), the extreme challenge of leveraging values and direction during fast growth, and their rejection of the traditional restaurant company structure of multiunit management (they want no operations managers between themselves and the unit leaders) dictates that they teach their unit-level managers the skills of enterprise leadership. That's because as the company scales up, each of the unit leaders will be, in effect, leading a company. The founders will simply not have enough time or bandwidth to do the hands-on leadership that is the habit of many founders. Size does not dictate the need for enterprise leadership any more than does the nature of the enterprise and the philosophy of its founders.

As anyone who has tried it knows, starting and growing a company is hard work; too hard and too risky to be endangered by the habits of entrepreneurship, not all of which are good ones. Enterprise leadership adds to the spirit and passion of entrepreneurship is a set of skills that can help entrepreneurs ensure that their company not only gets going, but keeps going, scales, and creates the kind of future they dreamed about. As we said in the beginning, these skills are rarely naturally occurring, but must be learned and add certainty to the future of any company.

About Corvirtus

Corvirtus provides a range of innovative, science-based measurements and services that tie a company's culture and core values to talent processes. Corvirtus solutions have enabled hundreds of companies to strengthen and scale their corporate cultures, and to identify, develop and retain those employees with the characteristics and capabilities essential for business success and customer satisfaction. For more information, visit www.corvirtus.com or schedule a demo by using this link:

Schedule time for us to connect.