

The Most Important Competency of a Leader

by Rich Horwath

Several years ago, the number one brand in the world was facing a dilemma. The CEO of Coca-Cola Doug Daft was being hammered for poor strategy and Coke's board decided it was time for a change.

Only one candidate was receiving a strong recommendation to replace Daft, the number two person in the company, Steve Heyer. Mr. Heyer had been president and COO of Turner Broadcasting and had received strong support while at Coke from investors, bottlers and Wall Street analysts because of his skills as a strategist.

So Steve Heyer became the next CEO right? Wrong. Turns out Mr. Heyer is a member of PITA. No, not PETA as in P-E-T-A, the Protection of the Ethical Treatment of Animals. PITA as in P-I-T-A: the "Pain-In-The-Ass" club. While he has an excellent business mind, a Wall Street Journal article cited how he routinely ridiculed colleagues, criticized subordinates and had significant management turnover within his group.

Coca-Cola wound up *recycling* Neville Isdell, one of its retired executives for the top job.

Doug Daft was considered a leader but not a strategist. Steve Heyer was considered a strategist but not a leader. The bottom line is that it doesn't have to be an either or proposition. You can be a strong strategist and an effective leader of people. In fact, research shows you must if you want to be successful at the higher levels of an organization.

The Most Important Leadership Trait
The American Management Association

sponsored research on leadership in which nearly 2,000 global executives were studied for insights on leadership competencies. The study determined that the most important competency for a leader to possess is the **ability to develop strategy**. Following is the full list of the most important competencies for a leader to possess.

Top 10 Leadership Competencies

1. **Strategy development**
2. Communication skills
3. Developing leaders
4. Hiring talent
5. Fostering creativity and innovation
6. Driving for results
7. Know the business
8. Role model for values
9. Business ethics
10. Knowledge of the industry

The study also projected that in ten years, strategy skills would still be the most important competency for a leader to possess.

Future Top 5 Leadership Competencies

1. **Strategy development**
2. Communication skills
3. Fostering innovation and creativity
4. Developing leaders
5. Hiring talent

Unfortunately, when researchers examined leaders at all levels in organizations, they found only 4% to be strategic thinkers. However, that number rose to 80% when C-Suite Level executives were evaluated. The authors concluded that managers with good strategy skills are significantly more likely than other managers to be promoted to the top levels of organizations. Therefore, in order to position your mid-level managers for continued success,

they must have the tools, frameworks and expertise to think strategically about their business. Not providing managers with the necessary strategy skills will substitute hope for preparation that they make the leap from tactical to strategic thinkers.

What You Need to Become a “Strategic” Leader

There are literally thousands of books, articles, training programs, etc. on leadership. They range from lessons from historical figures (“Lead Like Lincoln...But Be Sure to Leave the Play Early”) to leadership topics like Emotional Intelligence, Servant Leadership, Resonant Leadership and “Soprano’s Style Leadership” for those folks in the “trucking” or “waste disposal” industries. If leadership can be learned—and that is still up for debate—then it appears we have it covered. Unfortunately, the same can’t be said for the “strategic” part of “Strategic Leadership.” How do we go about developing our strategy skills if in fact research shows that they are the most important competency for a leader to possess?

The Three A’s

If we begin with the definition of business strategy as “the intelligent allocation of limited resources through a unique system of activities to outperform the competition in serving customers,” we can see that strategy involves three A’s:

1. Acumen
2. Allocation
3. Action

The goal then is to enhance our abilities to competently navigate these three A’s. Acumen involves the generation of insights, those ideas that provide the “aha’s” of which direction we should guide our business. How do you currently generate insights about your business? What tools, techniques or processes do you and your colleagues use on a regular basis to challenge long-standing assumptions and

disrupt the status quo? Creating and using tools on a regular basis to gauge the current context of the business, assess changing customer value drivers, determine shifts in the competitive landscape and identify opportunities in a timely manner all contribute to heightened business acumen.

At some point our insights and acumen must be used to drive decisions which allocate resources. The second “A” is allocation which requires both the intelligence and guts to make trade-offs and open ourselves up to risk. Make no mistake that smart, calculated risk is part of your job description. If it’s not, then there’s a good chance you’re not making a difference. And if you’re not making a difference, then you need to proactively position yourself for opportunities where you can make a significant contribution.

Two tools to help you better allocate resources are the Strategy Profile and Trade-off Matrix. The Strategy Profile is used to visually create an organization’s strategy by graphing the factors of market competition and their corresponding investment levels in those areas. Once your organization is depicted, then use your expertise of the business to draw the Strategy Profiles of your top competitors.

If the Strategy Profile shows very similar strategies (competitive convergence) or a strategy you’re not happy with, you can use the Trade-off Matrix to develop a new strategy. The Trade-off Matrix is comprised of four quadrants in which you should place the factors of competition:

- 1. Increase**—which factors of competition should receive an increase of resources above the industry standard?
- 2. Decrease**—which factors of competition should receive a decrease of resources below the industry standard?

3. Eliminate—which factors of competition should not receive any resources based on the changing customer value drivers?

4. Create—which factors of competition could be created that would bring new value to the market?

The third “A” of strategy is action, where the proverbial rubber meets the road. Great insights and superb decision making mean little if they are not acted upon with speed, strength and agility. How often do we allow the urgent items in our lives to become our highest priorities?

The other important consideration for “Action” is directly linking your strategy to daily activities. Not having a 1-2 page strategic action plan which drives your daily activities is akin to a professional football team taking the field on Sunday without a playbook (ok—Chicago Bear’s offense excluded). Is the business performing more like a high caliber professional football team with an innovative playbook or kids at recess running full speed in dozens of different directions trying to tackle the lone ball carrier? A brief strategic action plan aligning goals, objectives, strategies, tactics and metrics will keep you focused on the important and not the urgent items that determine the winners from the losers.

Now You See It...

The overarching challenge with both strategy and leadership is that they are abstract concepts—we can’t reach out and physically touch either of them. Yet, research has shown that they are both absolutely essential for success. Numerous real-world examples demonstrate that possessing one and not the other will eventually lead to failure.

Ensuring that leaders at all levels of the organization are given the proper tools and expertise relative to strategy and leadership is essential. After all, is their anything more powerful than the ability to shape the future and successfully lead others to it? □

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