



LEADERSHIP ACUMEN

Issue 19 – October 2004

© Doug Macnamara & Banff Executive Leadership Inc.

5 DYNAMICS OF NETWORK LEADERSHIP

Are you challenged by constant firefighting? Do you find that no matter how much you study and analyze challenges and options, you are still behind where you want to be? Are you having a tough time getting your head up to be strategic, because all your focus is on tactical/survival initiatives? Are your people losing motivation, and initiative?

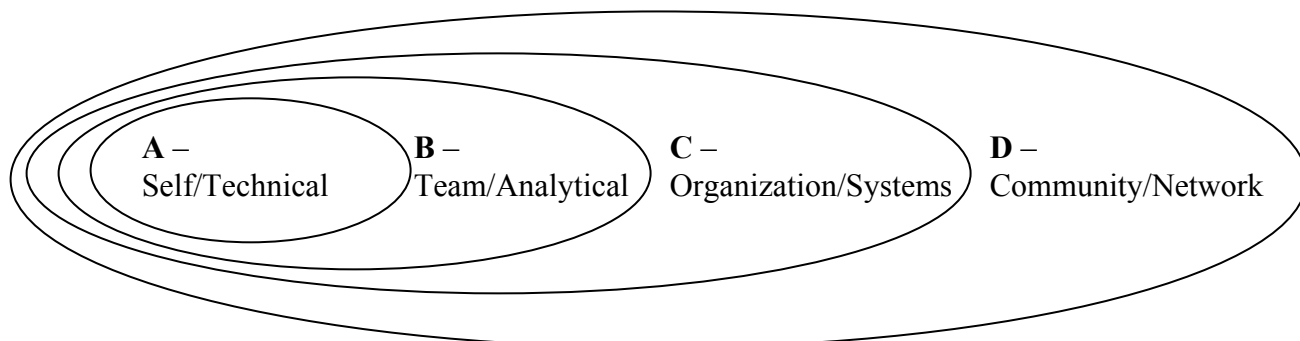
As executives, we now undeniably live and must lead in a dynamic, more complex web of traditional employee structures, contingent workers, non-traditional partnerships, and strategic alliances. We must be aware of government and regulatory expectations, plus provide a modicum of transparency to community and media, collaborate with NGO's, consultants, clients, even competitors – often spread across multiple time, geographic and cultural zones. Our front-line workers speak out for engagement and meaning as they solve customer issues, with many workers regularly asking for context clarification about priorities and how they contribute to the bigger endeavour. "Control" is an illusion, yet we are expected to guide adaptations to change and deliver results. Continuous value creation is the lifeblood of longer term sustainability of the enterprise and the economy, yet often we don't provide time for innovation – a result of stripped out layers of management and running "lean".

These are the challenges that can be effectively addressed by what we call Network Leadership.

Network Leadership is systems-thinking leadership taken to the next level. It is far beyond traditional inward looking and autocratic management. It requires executives to engage, empower, facilitate, and bring 'connectedness' to an otherwise unwieldy mass of disparate elements. And, it is anchored by a study of the changing dynamics in the environment around us instead of the technical/ analytical focus that has many an executive caught-up in the tactical.

The Leadership Perspective Holonomy

Previous articles in this space have addressed the 4 frames-of-reference for leadership application. However, as a reminder, Banff Executive Leadership's ongoing research has clearly shown the following four frames for executive practice.



The different frames reflect different levels of pattern recognition. Compared to the movement of a vehicle, Frame A is like knowing your current position or distance traveled. Frame B would be akin to looking at distance over time or speed. Frame C would be like looking at acceleration/ deceleration, and Frame D would be comparable to the dynamic of rate of change of acceleration/deceleration. While D and C frame perspectives can see, understand and practice the different perspectives inside their holonomies; we have found that it can be difficult for those in A or B frames to understand, and appreciate the higher level perspectives outside their own.

Frame A – Self/Technical perspective tends to focus on personal tasks, personal skill/expertise development, and might even take a “what’s in it for me” or “cover my butt” attitude. Technical competence in a relatively narrow aspect is highly valued and displayed. Perspective of the bigger picture and how to leverage this expertise with others is somewhat limited. In a leadership position, the executive operating from this frame is likely seen as directive, and wanting things done their way; often creating organizational systems focused on compliance.

Frame B – Team/Analytical perspective works to lever the talents and knowledge of the immediate team. Leaders using this frame will often keep a tight grip on their areas, providing strong direction, clear delegation, and personal oversight of decisions and problem solving, yet generating high performance local-team success. Issues and opportunities are analyzed from a context of what the team can control. Cause and effect thinking is common in the belief that a single correct answer is required and indeed possible. The focus on producing products or delivering services is in ‘pushing’ them out to as many buyers as possible the way you think best based on your assessment of needs/interests. “Stovepipes”, blame assignment, and competition for common resources is usually evident between teams.

Frame C – Organizational/Systems perspective leadership more easily crosses departmental boundaries to orchestrate collaboration, co-operation, and innovation across the organization. With a systems approach, leaders consider the *nature* of the relationships between parties, and their multiple inter-dependencies looking to lever added value. In this frame, leaders take ownership for the success of the organization as a whole (including their own piece), yet recognize that it may be impossible to predict all the results of an intervention in the system before making decisions. This requires looking for patterns and facilitating ingenuity from a variety of contributors to continuously re-combine elements into new products, services or operational processes that enhance value.

Frame D – Community/Network perspective moves the leader’s reference points external to their organization – pursuing an understanding of how their organization impacts and connects to other parties. The Network leader also studies the “dynamics” in the marketplace, trying to conceive how best to position the organization’s products, services, programs to continue to provide value amid shifting expectations, competition, and trends. They try to both create and capitalize upon new dynamics while remaining focused on achieving the broad outcomes co-created with the involvement of others (clients, government, citizens, suppliers, etc.). With this co-creation comes increased accountability in meeting expectations, heightened ability for transparency to community, and responsibility for societal advancement.

Staying at the technical/analytical level keeps leaders and organizations in reactive, inward-looking practices, but with a sense of control. Resultant efficiencies while good for the business in one aspect can also threaten the creativity and innovation – particularly with those employees/managers that are continuously overloaded. This further carries the risk of negatively impacting others outside your focus. Moving to systems and network frames allows the leader to build ownership for success, plus increase energy, motivation and co-creation of new value with a passionate group of workers.

As Einstein once said; “*The significant problems we face today can not be solved at the same level of thinking we were at when we created them.*” A shift to Network Leadership approaches can help you deal more effectively with the challenges that traditional/analytical management approaches have unintentionally created.

The State of the Art today, is anchored by one's ability to move up and down through these executive perspective holonomies, applying the proper perspectives and practices required by each particular challenge. In order to do this however, the executive must first and foremost be able to lift themselves into the Network perspective, as context for everything else.

A shift to Network Leadership approaches can help you deal more effectively with the challenges that traditional/analytical management approaches have unintentionally created.

So how can you lift yourself up to Network Leadership and address proactively the dynamics around you? A big part lies in the way you ask questions of yourself and of those around you.

The Way You Ask Questions Matters!

Executives might not always have all the answers – indeed from a systems or network perspective this is quite unlikely! However, it IS important for executive and organizational success to be good at asking questions – of colleagues, staff, customers, consultants, suppliers, etc.

Given an issue or problem to address, the way we ask our questions will quickly take us and those around us into the different perspectives described above.

What do I need to do? How can I benefit or protect myself? How do I solve this problem? What have I done in my past to solve a similar situation? What do I know/what's my opinion on this issue?

These kinds of questions (asked openly or sub-consciously) drive the leader and others into the A Frame. You are forced to draw upon your own knowledge and experience to address the situation. This might not be a bad thing, yet it will have its limitations especially in change situations where you have never been before. This approach can lead to many people contributing ideas, but nobody actually listening. It also promotes an organizational CYA (“cover your ass”) and/or blame-frame culture.

What is the problem? What's the best way to fix it? What do we need to do, to best address the time/quality/budget expectations? These questions force us into the analytical frame. The underlying assumption is that the collected wisdom can analyze the situation and come up with a technical solution using their resources, skill sets, and status quo models. Engineers, MBA's, and many other professionals have been extensively trained to think, lead, and act this way. Given a predictable technical need, this can be extremely beneficial approach; we have conquered our world with it, and it has given us many of the things in our life we now take for granted. In fast-moving environments or complex situations such as fast-growth, global collaborations, or developing sustainable economies however; this approach tends to have us fighting fires and constantly playing catch-up. It can also lead to the situation where there simply isn't enough time/knowledge to handle all the problems – overwhelming even the most dedicated executive. This Frame B approach is unfortunately also leading to a significant number of exhausted executives - some even questioning whether to continue with their organization or careers.

A systems thinking (Frame C) approach would ask:

What are all the various systems, processes, people issues and interdependencies contributing to this challenge? What various elements must we address, monitor and tweak in order to rebalance or re-design the system? How can we creatively take initiative and engage others in creating the future state we desire? By asking questions in this manner, the executive can engage a variety of people from different parts of the organization to come together, exchange perspective, knowledge and wisdom. It is likely that some deeper patterns of current practice, attitude, technology, or systems assumptions will be uncovered and a longer-lasting, more comprehensive set of ideas and cross-boundary resolutions will be applied. This approach contributes to innovation and value-enhancing actions. It will also generally empower those involved to stay in communication with each other and take initiative to continuously adapt their responses into the future. Finally, adopting this perspective can also “pump up” energy, as it is creativity focused, vs. dragging everyone down into analysis of problems and past actions.

The Network Leader lifts people up to an even higher level of perspective and solutions building, by asking frame D-style questions:

What are the market/community dynamics, customer needs, or external expectations shifts that are causing this to be an issue? In addressing the situation, what outcomes do we want to achieve? What solution elements will take us closer to our Vision or desired positioning with customers, community and competitors?

These questions recognize the inherent motion and energy at play in our world today. By looking at “dynamics” we seek to solve the issue in the context of a moving picture and our own goals. This is also future focused, plus it carries the expectation (and motivation) of co-creation of a new order of things. And, this approach is almost mandatory to address such challenges as fast-growth and sustainable economies.

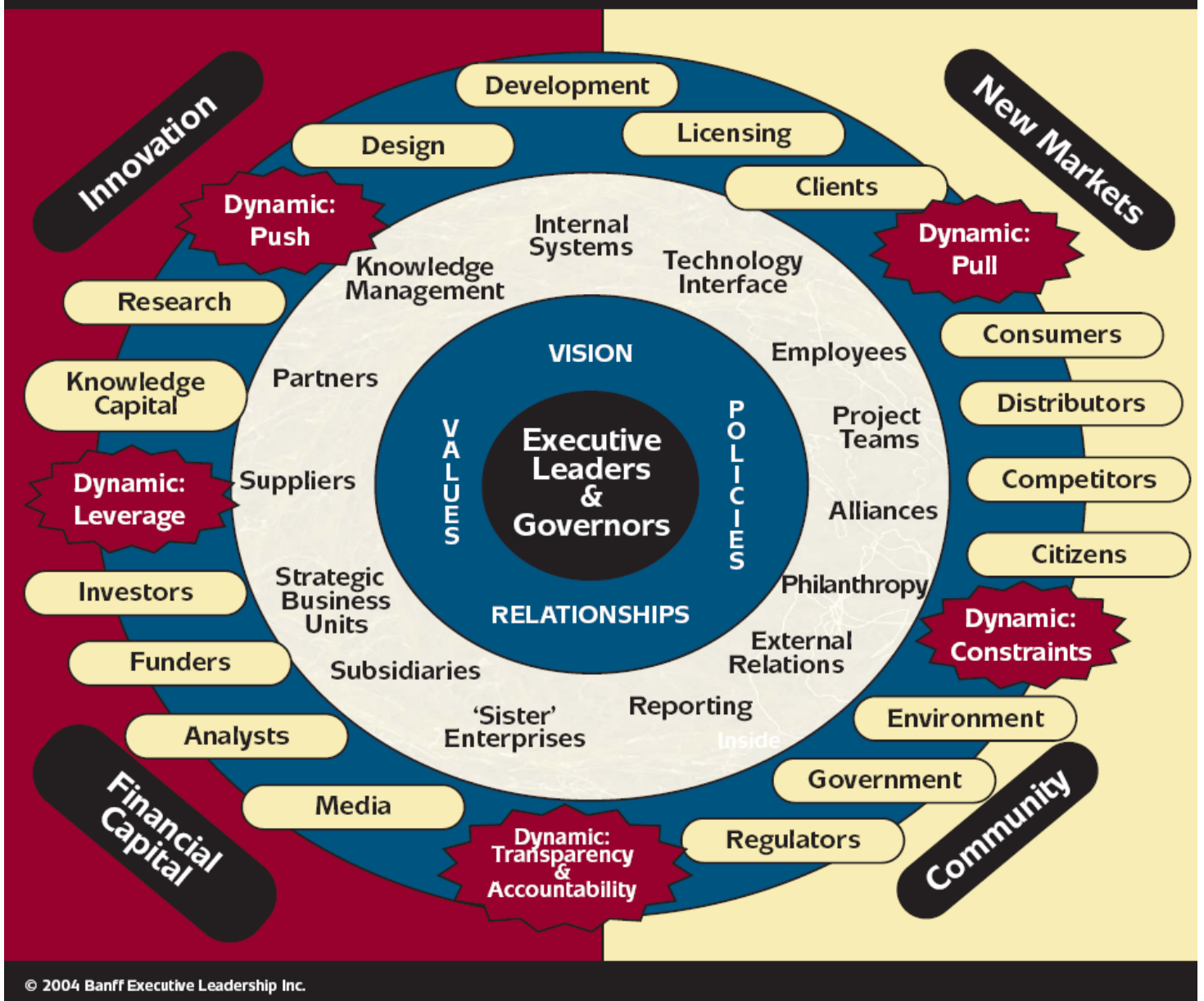
See/Understand the Network and Dynamics at Play

In order to rise up to the demands of today’s executive environment, the Network Leader starts by building a comprehensive picture of their organization’s connection to the whole. Before you can address the dynamics, you need to share a common picture of what is happening around you, and the underlying dynamics themselves. The more you can get fellow executives, Board members, and employees to understand this, the more effective your organization will be at keeping pace with or influencing the demands of the world.

Developing a picture of your network and describing the dynamics at play could become greatly complex and detailed if you try to analyze it traditionally – so avoid taking a Frame B approach to the exercise! However, in the picture above, we can see many aspects that will be common to most organizations, and 5 Key Dynamics that are also fairly universal.

As an executive, if you address these dynamics and apply the appropriate leadership elements each calls forth, then you will find you can rise above so many of the challenges dragging down today’s average executive. It’s not a panacea, and there are still some time/quality/budget realities that must be delivered, but it will help you be both strategic and technical at the same time. [A common demand of executives these days.] Here are some ideas on how to look at the 5 Key Dynamics, and then adopt the leadership practices to move you, your people, and your organization/marketplace forward.

Network Leadership and Governance



Dynamic 1 – Market Oriented “Pull” Dynamic

How are you connected to your industry sector and the overall marketplace? Are you broadly connected or at the whim of a few major customers/funding decisions – if so what dynamics are affecting them? Is the marketplace or society *really* demanding your product, service, or program? Where exactly is this “pull” factor coming from and why – and to where is it likely to migrate in the planning horizon (3-5 years)? How will you position yourself to deliver expectations both today AND to meet the migration of expectations especially during the development phase?

Today’s health diagnostics, therapies, and personal wellness products; plus personal/professional development services are examples of where both individuals and institutions in the marketplace are asking for ever more. The expectations of price-performance and intellectual capital value keep rising, however so is the tolerance for increased prices as long as both solutions and value are delivered. The customers/end-users themselves are also easily engaged in actively “wishing” or “dreaming” about what they want. They really are “pulling” the markets forward, and will recognize brand quality from market leaders. However, they are also willing to allow new entrants to establish new value formulae and presence; indeed they will work with new entrants to completely re-define the market!

But, be careful! Avoid assessing “growth opportunity”, for market “pull”. Don’t assess your own growth interests or shareholder value/stock-price appreciation expectations for a market-referenced “pull” dynamic. They are very different.

In North America, household white-goods (toaster ovens, microwaves, washing machines) and computers/laptops/PDAs, are in a “replacement” market. The “pull” dynamic in this instance is very different than the earlier example. Here the “pull” only comes when the end-user requires a replacement. While there are some new-entrant buyers, these are more than offset by the exiting buyers at the other end. And, the “pull” dynamic is largely for increased performance at decreasing real cost. [Japan’s whole economy misread this dynamic in the mid 90’s!]

Of course niche opportunities always exist, with micro-markets regularly defining themselves and “pulling” specific tailored services/products to their needs with a willingness to pay a premium if they really create solutions to their unique needs/interests.

The Network Leadership imperative for the “PULL” dynamic thus has both strategic and operational elements for executive engagement. After gaining and sharing an understanding of the dynamic(s), the executive must exercise the following leadership competencies:

- Prioritize investment, projects, product development in light of moving market conditions
- Define the organization’s Value Positioning (and possible migration of this positioning)
- Address Capacity and Capability – scalability to meet the needs and dynamics, plus ability to address the competitive/collaborative issues
- Drive Brand Integrity and follow-through – consistency of experience is crucial
- Engage front-line, real-time feedback mechanisms of perceived value and needs of customers and the marketplace

With a forward moving context, and these elements above clarified, the leader can intentionally also drop down to systems-wide initiatives in a way that will empower others to take initiative and sustain the energy/effort. The leader can also drop down to the Analytic level and refine/define project parameters in context to the market dynamics. As such, those working at the practical level can see both the context for and the impact of their efforts. All of a sudden, things are much less arbitrary or leader defined, and much more motivational. Teams can even work together more effectively rather than compete for common resources, when they are all working towards commonly understood outcomes.

Dynamic 2 – Innovation “Push” Dynamic

Most organizations have *some* seeds of growth and value creation within their own employee, supplier and partner relationships! In fact, in addition to the “Pull” dynamic defining & migrating expectations, the innovation engines of your enterprise can “Push” the markets towards new expectations or indeed create whole new markets. Presumably this ability to create and provide something of value is the basis for your existence.

Some organizations are excellent in the creation aspect, but rely on others to commercialize. Some organizations are excellent in the service delivery interface, others in the packaging of resources for those at the front-line. Some organizations manage to do all elements end-to-end. Internal systems and processes are both strategic and practical platforms for getting the most value out of innovation efforts. As with most things, the innovation “Push” dynamic has become much more sophisticated over the past 20 years, with the global knowledge base currently doubling every 3-4 years.

With this in mind, it is relatively difficult to know everything yourself to lead innovation, thus spawning efforts towards partnering, creating alliances, and licensing.

What capabilities does your organization inherently possess? What are the local/market/global *Dynamics* that you must be aware of and work towards? In which areas are you sophisticated enough to be leaders:

- Research (Pure, or action-based)
- Program/Product/Service Design
- Development
- Technical Ingenuity
- Social Adaptation and Ingenuity
- Systems and Process engineering/re-engineering/application
- Quality manufacturing/production
- Client-connection - knowledge and wisdom about this interface or un-enunciated needs

In order to truly understand each of these elements of your organization’s potential, and decide where to lead your organization in each applicable area, executives must develop and display the following competencies:

- Personal networking, exploration, and curiosity
- Nurturing of employees, suppliers, partners in their creativity and innovation efforts
- Cross-boundary “permissions”, flow of information, collegial efforts, issue resolution and consensus-building
- Invitation of new ideas and insights to be brought forward, trialed, refined
- Partnership-, alliance-, and membership- building
- Sifting of the landscape of opportunities, personal pattern-recognition, and discernment
- Effective utilization of IT to support, even create the above

Realistically, most executives couldn’t possibly be expected to have in-depth knowledge to do all of these things themselves, which makes the next Dynamic so important to address.

Dynamic 3 – Knowledge and Capital “Leverage” Dynamic

Today, Knowledge Leverage initiatives which link together a variety of stakeholders: employees, suppliers, partners, clients/end-users, even competitors are an absolute requirement for executives to understand and lead. Unfortunately, it is probably the least practiced and under-skilled capability in the current executive cadre. The old mantra of “Knowledge is Power” is being fast replaced with “Collaborative Exchange is Power”! Even consultants are hired now not so much because of what they know, as for who they know and with whom they are networked.

Reduced product lifecycles, have also reduced the timeframe for pay-back and profitability. So there's really no time or resources to allow everyone in an organization to make the same mistakes or re-invent the wheel. Project team successes/mistakes/learnings, need to be shared effectively with other project teams in other geographic or functional areas. In fact, if you see the wisdom of this internally, why not extend that knowledge exchange externally to a broader community of consultants and collaborators! Organizational "stovepipes" have to be shattered by executives in the pursuit of real-time leverage of good ideas and insight – no matter where they come from. R& D simply can't have the soul (sic) ownership for invention; neither should operations be the bastion for application of process design/improvement.

Resources are the inherent bottleneck in organizations, especially if common or central resources need to be shared. This can lead to "competitive" behaviors, nasty politicking, and hoarding. However, the cost of capital today is also an area for leverage and streamlining. Executives must work together to collaboratively assign their resources to the best place under the current conditions/needs. Organizations that can develop flexible infrastructure and resourcing mechanisms, through effective communications and development of "dashboards or "scorecards" that keep everyone in-synch, will have significantly enhanced ability to meet their commitments and adjust to change in any of the Dynamics.

Ultimately this Dynamic is cause for executives to work hard at "cross-connecting" people in the network and even re-thinking traditional decision-making processes that rest on the wisdom of a small elite number of senior leaders.

Thus, the leadership competencies to be applied in this area include:

- Engagement of multi-faceted teams
- "Fluid" approach to creating, leading, re-creating communities of practice
- Knowledge sharing, cross-connecting and networking
- Community engagement
- Clarification of common goals, measures, and outcomes – shared purpose
- Re-design of decision-making structures to engage the people with the insight needed

Dynamic 4 – Community "Transparency and Accountability" Dynamic

When you start operating at the network level of leadership, you start to realize and live the fact that you are not alone in the world, and that the actions and decisions you make will clearly impact others and create spin-off dynamics of their own. This also allows you to see the very privileged position in society an executive holds, and the attendant accountabilities that come with it.

People in our world simply expect more from executives and government leaders. And they are finding both legal and other mechanisms to ensure it. One could argue that good senior leaders have always had this trait. However, in order to provide good accountability, executives need to make clear the expectations and outcomes to which you are striving. Thus, the dual requirement for establishment of outcomes and the effective communication of intentions lie at the heart of this dynamic.

Our bankers and funders have always required regular reporting and the provision of business/strategic plans. In the more traditional Frame B approach, this was done in a confidential manner, with only a few privileged individuals seeing the total picture.

Of course today, more of the organizational funding is coming from a wider array of individual investors, institutions, pension funds, government budgets, public donations, community trusts, etc. They come in forms of direct cash; they also come in the form of tax concessions, loan guarantees, privileged land/natural resources access, education/ training and other service infrastructure, employee and community support. Virtually no organization can operate without these elements to day; and thus should give to their various stakeholders, honest, forthright communication about their actions. And, just in case an organization thinks they can avoid it;

our shareholders, media, market analysts, community leaders, and special interest groups are becoming ever more zealous in demanding such accountability and transparency.

For the Network Leader, this means the exercise of such competencies as:

- Establishment of Outcomes and Impact Measures – publishing of these objectives
- Networking and relationship-building with key stakeholders
- Implementation of regular public reporting mechanisms
- Development of Access to Information mechanisms and “tip” lines
- Government Relations
- Facilitation of Community Engagement/Media Relations efforts

In bigger organizations, some of the above have become the specialist domain of departments of Investor Relations, Government Relations, and Media Relations. However, as an officer of the organization, most executives are expected to carry out some if not all of these components.

Dynamic 5 – Regulatory, Environment, Competitive “Constraint” Dynamic

Growth for the Sake of Growth is the ideology of a Cancer cell.”- Edward Abbey

Few dynamics in the universe are un-constrained. Natural laws such as gravity and friction see to this. In the network we call Earth; there are constraints to organizational growth that are either natural or imposed. Trend lines run out of ore, bio-systems are poisoned and die off, waste dumps clash with expanding communities; annual budgets or investment dollars are finite, customer markets become saturated or exhausted.

As a result, the Network Leader ensures they are aware of the dynamic interfaces with the larger community in which they operate. For global companies, this means nurturing the interface with many communities, whereas other organizations can take a more regional or local perspective. Constraint factors include: environmental limits, government regulations, industry association codes of practice, competition, distribution barriers (language, packaging, physical), and knowledge/awareness of consumers.

Failure to take account of these dynamics can effectively negate all the good work done in the other four areas. Also, some regulatory or constraint elements may actually help “Push” innovation, or even add a “Pull” dynamic to your products or services in the marketplace, so they are not always a negative element. Many organizations have been terrifically successful as a result of being seen to establish the standards to which all other competitors are compared or must meet.

Competencies for success in this Dynamic area include:

- Stewardship approach for sustainability of the whole
- Awareness/Knowledge of legal requirements and regulatory standards
- Understand community/citizen expectations
- Awareness of competitive landscape
- “Waste = Food” operational design techniques
- Philanthropy & corporate citizenship

Network Leadership Focus

After reading the above, the idea of Network Leadership *focus* might seem like an oxymoron! Especially if you are currently feeling besieged or overwhelmed by your current workload, this could also look like a lot to add to what you are currently doing.

Of course this is not the point. The idea is for executives to replace the Frame B task-based approach, with the Frame D Network Leadership perspective. By organizing your thinking and actions around the 5 Dynamics affecting your business, then you will have better context for:

- Clarifying, positioning & prioritizing work elements
- mobilizing, motivating and empowering employees
- facilitating innovation and collaboration amongst a variety of contributors throughout the organization and across your wider network
- energizing yourself and those around you
- delegating and analyzing (when you really must!) more effectively
- ensuring accountability and impact

This can actually increase your focus, and ability to advance towards your goals and outcomes.

Bruch & Ghoshal's landmark study and article in Harvard Business Review February 2002: "Beware the Busy Manager", showed how only about 10% of today's executives are purposefully focused and effective in their roles. The others who have become distracted by being "busy", disengaged due to exhaustion, or have checked out because of lost context, may well be able to be brought into the purposeful group by lifting themselves up into this Network Leadership approach.

Of course, we also just need our executives to work this way. If they can't or don't, then who in our organizations will? The final point is that this approach can actually bring "fun" back into the executive existence. This is exciting, energizing work; and it has high value plus significant impact for your organization!

Exploring the Web!

This month, the connections below take you to sites with more perspectives, commentary and examples of Network Leadership:

<http://www.orgcoach.net/pdf/R0202Dp2.pdf>

"Beware the Busy Manager" – Brusch & Ghoshal; February 2002 Harvard Business Review

<http://globetrotter.berkeley.edu/people/Castells/castells-con0.html>

A conversation with Manuel Castells, author of: "The Rise of the Network Society"; and:

<http://www.tidec.org/geovisions/Castells.html>

A summary of Castells' observations on the Network Society

http://www.ecotecture.com/library_eco/interviews/capra1a.html

A conversation with Fritjof Capra on such things as "A Human Community is a Network of Communications" [Part 1]; and:

http://www.ecotecture.com/library_eco/interviews/capra2a.html [Part 2]

http://www.ecotecture.com/library_eco/interviews/capra3a.html [Part 3]

Banff Executive Leadership Inc. offers public and customized programming to improve Board Governance and Executive Leadership Practices. We also provide coaching and consulting services to Boards and Executives to help enhance their leadership practices. Please contact us if we can be of further assistance.

If you found this article useful, please forward the article's web link to a friend!

www.banffexeclead.com