

Operational vs. strategic

Why it takes two essential sides of leadership to grow like the giants **Interviewed by Paul R. Harvey**

It's no accident that companies like Microsoft, Starbucks and Southwest Airlines are giants in their industries. They continue to grow because people get charged up to work in the cultures these organizations present.

"Whenever you talk to people at companies who are chasing some kind of industry leader, they always think the other company has a better strategy," says Scott Blanchard, executive vice president, Client Solutions, The Ken Blanchard Companies in San Diego. "But what these leading companies typically have is a better run organization, and their strategy involves people."

Smart Business spoke with Blanchard about the functions of strategic leadership and operational leadership and how their impact on employee happiness and customer loyalty cannot be ignored.

When do the two sides of leadership emerge?

In the beginning, the founders' visions have to be crystal clear to form the organization. Most of the energies have to be around strategic leadership — entreprenuring, or inventing, the business. As a company grows and develops and starts to create some volume, they then need to up the focus on operational leadership. It's not necessary in the beginning because it's so small and so flat, but as the organization grows in size and complexity, operational leadership becomes more important. You have to be careful though that you don't kill the entrepreneurial spirit. Look at Google and eBay — they're big companies, but growth hasn't killed their cultures of spirit and creativity.

What variables do the two sides of leadership affect?

When we took a comprehensive look at the research and studied how everything related, we discovered that there were, in fact, two kinds of leadership out there, and categories that we originally called employee success, customer success and organizational success were actually much broader than we thought. So we created new labels — buckets or catch-alls — for all kinds of different measures of the three variables.



Scott Blanchard
Executive vice president, Client Solutions
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We found that operational leadership has a direct, positive and/or negative effect on hard and soft measures of employee passion or employee success. It matters to the way people feel about the company, the way they think about the company, and the memories and the meaning they create working there. It also has a very strong impact on customer success because the operational managers make decisions around the products and services you offer, and they're the ones ultimately responsible for the quality of the service and the customer experience. Operational leadership has less of an effect on organizational vitality or success because that primarily comes from your customers and employees.

What is the most important connection between the two sides of leadership and the variables?

The connection between employee passion and customer devotion is two-way and is so strong that any prudent business leader cannot ignore it. Many organizations are run as if those dynamics don't matter very much. Leaders need to understand how important it is to create the right kind of culture, hire good managers, and provide those managers with

the skills and abilities to make employees happy, productive and loyal — instead of seemingly doing the opposite.

It starts with strategic leadership. If there's not a declared value — an imperative within the company that says we are going to be a really healthy company — then by default, the natural dynamics of humans in organizations emerge. I often say that the only natural things that happen in an organization are fear, frustration, inefficiency, friction and political mayhem. If you want to make something positive happen, you need a clear vision and a plan, and you need to stick to the plan.

How do the two sides of leadership impact each other?

They have to support each other. It's a cascading model — the vision and direction set at the top need to cascade down to the senior leaders, middle managers, managers who run the business, supervisors and down to the people at the front lines. When those people get information, they need to share it, and that information needs to flow back up to the top. In companies that don't work, there is a block in energy, information and influence that goes down and up. That's where companies like Sears ran into so much trouble because there were nearly a dozen layers between the president and the store manager.

What should CEOs ask themselves about their organizations?

I often refer to 13 questions that CEOs should consider. Some of the toughest questions include: Are your leaders and managers held accountable for employee morale? Do your employees feel and know their work is meaningful and important? Do your employees perceive that top management believes, communicates and behaves as if people are critically important to the organization's success? Answering no to these questions may indicate your organization is out of alignment — with energies spent on things like politics and resource allocation instead of delivering better products and services to your customers. <<

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