

THE STRATEGIC LEADER'S ROADMAP

*6 Steps for Integrating
Leadership and Strategy*



HARBIR SINGH & MICHAEL USEEM



Praise for *The Strategic Leader's Roadmap*

“*The Strategic Leader's Roadmap* provides an essential playbook for combining business strategy with great leadership. In an era of heightened change and uncertainty, the exercise of both has become essential, and Harbir Singh and Michael Useem offer managers and executives compelling illustrations and practical guidance for doing so.”

—**William P. Lauder, Executive Chairman,
The Estée Lauder Companies Inc.**

“For pragmatic direction on how best to combine a company's strategy and its leadership, *The Strategic Leader's Roadmap* is essential reading. Harbir Singh and Michael Useem have brought executive experience together with university research to identify *the* essential steps for the art of leading strategically.”

—**Maggie Wilderotter, former Chairman and CEO, Frontier
Communications; director, Costco, DreamWorks Animation,
Hewlett Packard Enterprise, and Juno Therapeutics**

“Thinking strategically and acting decisively are vital capabilities for running any enterprise, and the Wharton School's Harbir Singh and Michael Useem show how to develop and apply them together. *The Strategic Leader's Roadmap* offers an invaluable model for the strategic leadership required at all levels in any organization during the turbulent era ahead.”

—**Ajay Banga, Chief Executive Officer, MasterCard Inc.**

THE STRATEGIC LEADER'S ROADMAP

*6 Steps for Integrating
Leadership and Strategy*

HARBIR SINGH & MICHAEL USEEM

Wharton
DIGITAL PRESS
Philadelphia

© 2016 by Harbir Singh and Michael Useem

Published by Wharton Digital Press
The Wharton School
University of Pennsylvania
3620 Locust Walk
2000 Steinberg Hall-Dietrich Hall
Philadelphia, PA 19104
Email: whartondigitalpress@wharton.upenn.edu
Website: <http://wdp.wharton.upenn.edu/>

All rights reserved. No part of this book may be reproduced, in any form or by any means, without written permission of the publisher. Company and product names mentioned herein are the trademarks or registered trademarks of their respective owners.

Ebook ISBN: 978-1-61363-076-1
Paperback ISBN: 978-1-61363-077-8

Contents

Prologue:	Leading Nissan Back from the Brink	1
Introduction:	Strategic Leadership as the Driver of Growth and Renewal	5
Part I. Strategy and Leadership Fundamentals		
Chapter 1.	Principles of Strategy and Leadership	13
Part II. The Strategic Leader's Checklist		
Chapter 2.	Integrate Strategy and Leadership	27
Chapter 3.	Learn to Lead Strategically	31
Chapter 4.	Ensure Strategic Fit	39
Chapter 5.	Convey Strategic Intent	43
Chapter 6.	Layer Leadership	49
Chapter 7.	Decide Deliberatively	53
Part III. Strategic Leadership in Action		
Chapter 8.	Strategy-Led Execution: Carlos Ghosn and Nissan	59
Chapter 9.	Leadership → Strategy: PepsiCo's Indra Nooyi and Alibaba's Jack Ma	71
Chapter 10.	Strategy → Leadership: Cisco Systems' John Chambers	77
Part IV. Strategic Leadership at the Board and Investor Levels		
Chapter 11.	Strategic Leadership for Boards and Investors	87
Chapter 12.	Investor Demand for Strategic Leadership	97
Conclusion:	Becoming a Strategic Leader	101
References		109
Endnotes		115
About the Authors		124

Prologue

Leading Nissan Back from the Brink

The financial situation for Japanese automaker Nissan Motor Company Ltd could not have been more dismal. Its global market share had shrunk from 6.6% in 1991 to 4.9% in 1998, and even in its home market only about 10% of its models were proving profitable. The company had chalked up losses in seven of the past eight years, and it was now paying a billion dollars annually just to service its \$19 billion debt. An enraged shareholder at Nissan's annual meeting on June 25, 1999, demanded that Nissan president Yoshikazu Hanawa resign: "You've made mistake after mistake in your management decisions."¹

Not that Nissan's management had not been trying to make the right decisions to stanch the losses. It had earlier set an ambitious target of taking a quarter of Japan's auto market by 2000. It was one of those aspirational goals that executives use to concentrate the mind and excite the ambitious. But to achieve that, Hanawa had said that the old way of making and selling cars would no longer work. A new strategy was needed.

The Nissan chief executive had called for a redoubled effort to resurrect its ailing American arm, a market where customers had been flocking to sports utility vehicles—though Nissan had not even introduced an SUV yet. The company, its chief had urged, must also focus more on earnings than sales, slash its car "platforms," and discontinue its least profitable models. In short, the CEO had

warned, the company could never recover if it continued doing business the same old way. And his new way seemed like the right way—providing he could deliver on the plan. But so far he had not. Nissan's market share in Japan in 1999 had stalled at just 16%, it was faring little better abroad, and losses were mounting everywhere.²

Given the widespread skepticism in Japan about whether Nissan executives could ever reverse its declining fortunes—whatever the strategy—further financing for a costly turnaround had dried up. Other carmakers, however, might have an interest in a rescue, though they were sure to exact a high price, such as Nissan's ability to control its own strategy or even its own leadership. Still, with little real choice in the matter, Nissan sought an international partner, toying first with Germany's Daimler AG and then eventually hooking up with France's Renault Group.

Renault agreed to infuse \$5.4 billion into Nissan, but in return it required more than 36% of the company's ownership and a commitment from Nissan to appoint Renault executive Carlos Ghosn as Nissan's chief operating officer. With that, Renault inserted a very different kind of leader into the top ranks of Nissan—more confident, more determined, and certainly by Japanese standards, more brazen. With a hint of Antony at the Forum ("I come to bury Caesar, not to praise him"), Ghosn told Nissan's suffering shareholders at the tumultuous 1999 annual meeting, "I have come to Japan not for the good of Renault but for the good of Nissan."³

"For the good of Nissan" would entail a new combination: a more aggressive execution of the company's strategy and a more demanding manager in charge of it. And Carlos Ghosn seemed to promise both. Under his leadership, he said, the struggling automaker would return to profitability the following year and halve its debt a year later. To do so, the company would close three assembly plants in Japan, increase factory utilization from 53% to 77%, cut suppliers by nearly half, eliminate 14% of the workforce, and reduce administrative costs by 20%.⁴

Carlos Ghosn painted the same turnaround picture to a roomful of journalists in Japan on October 18, 1999. International media had been writing increasingly gloomy stories about Nissan's future, but when Ghosn concluded his remarks, the skeptical gathering broke into spontaneous applause. Ghosn was as stunned by the journalists' reaction as they evidently were by his plan—and by him. It seemed that they were cheering both his more aggressive application of the strategy and his new leadership of it, tangibly reconfirming for him that the company sorely needed both. Nissan, it appeared, finally had an executive at the helm whose ideas for strategic redirection looked promising and whose personal capacities looked equally favorable for its realization.

Fifteen years later, under Carlos Ghosn's strategy and leadership, Nissan was indeed back on its feet. It was still far short of the goal of holding a quarter of the domestic market that its prior CEO had once targeted, and Toyota Motor Corporation continued to dominate Japan with more than 30% of auto sales. But Nissan had more than recovered to now outperform its industry in Japan, China, Europe, and even North America.

Introduction

Strategic Leadership as the Driver of Growth and Renewal

As Nissan's story illustrates, firms with good strategy but weak leadership can remain rudderless. We also know that firms with good leadership but weak strategy can lurch directionless. Neither a restructuring strategy nor a turnaround leader alone could have engineered Nissan's historic rebound. It required an individual who could both think and act strategically, a person with a solid strategy and the capacity to lead its execution.

Strategic leadership, the integrated application of both strategy and leadership, has become more important than ever before—and thus more vital for managers to master. This is due to five trends we see in the markets in which many firms now operate.

1. Companies are more globally interdependent and competitive, and shortcomings in either their strategy or their leadership are likely to have greater downsides than in a less connected world.⁵
2. The contracting lifecycles for products and the expanding change rates for markets have placed a greater premium on having a competitive strategy in place and an executive team than can execute it in a timely fashion.
3. Firms are increasingly contending with not just their direct competitors but also disruptive innovators and changeable customers, and that too has placed a greater premium on

more vigilant company leaders and a greater readiness to redirect their strategies.

4. New markets in developing economies and growing markets at the bottom of the pyramid in advanced economics are attracting fast-acting and frugal competitors, and the agile exercise of strategic leadership has become critical for reaching and prospering in those leaner and faster-moving markets.⁶
5. Investors are placing greater pressure on company executives and directors to exercise active strategic leadership of their enterprise.

All of these trends are intensifying, we believe, placing greater value on a manager's ability to integrate strategy with leadership. We have researched and observed many companies and managers and have found that strategic leadership has become more essential, whatever the particular challenges—whether dealing with extraordinary times, as Carlos Ghosn confronted at Nissan, or just the ordinary situations that managers face every day.

We define leading strategically as mastering the elements of strategy and leadership both separately and as an integrated whole. It entails applying them together, and continuously drawing on both as markets morph, disruptions occur, and openings arise. In framing strategy and leadership as a single unified discipline, we are seeking to see both components applied consistently and completely. Just one or the other will not suffice, as we witnessed at Nissan before its remake.

Strategic leadership is an acquired capability that can be mastered by managers at all levels. To that end, we offer a Strategic Leader's Checklist in Box 1.

Box 1. The Strategic Leader's Checklist

1. **Integrate Strategy and Leadership.** Master the elements of strategy and leadership both separately and as an integrated whole.
 2. **Learn to Lead Strategically.** Pursue directed learning, one-on-one coaching, and instructive experience to develop an integrated understanding of strategy and leadership.
 3. **Ensure Strategic Fit.** Arrange a strong match between the strategic challenges of a managerial position and the individual with the leadership skills to fill it.
 4. **Convey Strategic Intent.** Communicate strategic intent throughout the organization and empower others to implement the strategy.
 5. **Layer Leadership.** Ensure that leaders at every level are capable of appreciating strategic intent and implementing it, and hold them responsible for its execution.
 6. **Decide Deliberatively.** Focus on both short- and long-term objectives; press for disciplined analysis and avoid status-quo bias; and bring the future into the present.
-

Each element of this list is vital, in our view. Mastery of one or two elements will not accomplish much, but taken together these six items form a firm platform for developing and applying strategic leadership. Becoming a more strategic leader is a tall order, and we believe that concentrating on one's personal development in each of these areas will offer a practical way forward.

About the Book

The Strategic Leader's Roadmap builds on our personal experience working with students who aspire to manage and with those who already manage in a range of enterprises. As Wharton management professors, we have had the opportunity to teach MBA students, executive MBA students, and mid-career managers in programs in America and abroad. We have learned from them and from their employers that their present and future responsibilities increasingly require that they think strategically and lead effectively.

In an earlier era, a firm's chief strategist might not have had to think much about how to implement strategy. Or someone who led a start-up might not have had to give much thought to leading its long-term growth. But that segmentation is less acceptable now. The jobs to which many students and managers aspire increasingly require both, whatever the organizational level or the functional role. As a result, in our MBA program we combine elements of strategy and leadership in management courses, viewing them as mutually reinforcing facets of a single skill set. Similarly, in our mid-career initiatives we bring strategy into our leadership programs, and leadership into our strategy programs, treating them as two sides of the same coin.

Since we have also found that strategic leadership knows no geographical boundaries, we draw on our academic research, organizational consulting, and personal contact with companies and managers across markets not only in the United States but also in Asia, Europe, and Latin America.

In Part One, we delve into the main principles of strategy and of leadership. If you are already familiar with the key elements of both, please feel free to move on to Part Two. There, we elaborate on the checklist by delving into its six main components.

In Part Three, you will see what strategic leadership looks like in several companies where it has proven important for enterprise growth and shareholder value. We take you into the offices—and the

mindsets—of those who have been called to think and act strategically, including Indra Nooyi, chief executive of PepsiCo, Inc.; Jack Ma, founder and executive chairman of Alibaba Group Holding Limited; and John Chambers, executive chairman of Cisco Systems, Inc. And we profile other companies where strategic leadership has also proven important, including Britain's GlaxoSmithKline PLC, China's Lenovo Group Ltd, and Japan's Nissan Motor Company.

By witnessing what successful strategic leaders have done and asking how they learned to do so, we will be better prepared, we believe, to learn and apply the main principles to our own thoughts and actions. As business historian Richard S. Tedlow observed, Intel Corporation's legendary chief executive Andrew "Andy" Grove was "America's greatest student and teacher of business. By analyzing the decisions he made on the road to becoming a great leader, you can learn to hone your own leadership skills." As a direct extension of that premise, by watching others exercise their strategic leadership skills—or sometimes fall short—we can learn to better exercise our own skillset.⁷

Finally, in Part Four, we take you into the boardrooms and the institutions that preside over and invest in the strategic leaders that we have chronicled here. With the concentration of shareholding in the hands of a relatively small number of professional investors, both directors and investors have come to exercise a stronger hand in insisting that their boards are more engaged in the company strategy and more vigilant in selecting executives who can lead their company strategically. Here we follow China's Lenovo Group as it restructured its board to play a stronger role in leading the company's acquisition of IBM's personal computer division and in expanding abroad, and we look at activist investors in the United States as they have pressed companies like Yahoo Inc. to bring in more talented and more strategic top management teams. But first we begin with the fundamentals of strategy and leadership that all executives, directors, and investors will want to incorporate into their thinking and their actions.

About the Authors

Harbir Singh is Mack Professor of Management, Co-Director of the Mack Institute for Innovation Management, and Vice Dean for Global Initiatives, Wharton School, University of Pennsylvania. His research and teaching interests include corporate governance, corporate restructuring, joint ventures, management buyouts, and strategies for corporate acquisitions.

Michael Useem is Egan Professor of Management, Faculty Director of the McNulty Leadership Program, and Director of the Center for Leadership and Change Management, Wharton School, University of Pennsylvania. His research and teaching interests include corporate governance, risk management, decision making, organizational leadership, and change management.



About Wharton Digital Press

Wharton Digital Press was established to inspire bold, insightful thinking within the global business community. In the tradition of The Wharton School of the University of Pennsylvania and its online business journal, Knowledge@Wharton, Wharton Digital Press uses innovative digital technologies to help managers meet the challenges of today and tomorrow.

As an entrepreneurial publisher, Wharton Digital Press delivers relevant, accessible, conceptually sound, and empirically based business knowledge to readers wherever and whenever they need it. Its format ranges from ebooks to print books available through print-on-demand technology. Directed to a general business audience, the Press's areas of interest include management and strategy, innovation and entrepreneurship, finance and investment, leadership, marketing, operations, human resources, social responsibility, business–government relations, and more.

wdp.wharton.upenn.edu



About The Wharton School

The Wharton School of the University of Pennsylvania—founded in 1881 as the first collegiate business school—is recognized globally for intellectual leadership and ongoing innovation across every major discipline of business education. The most comprehensive source of business knowledge in the world, Wharton bridges research and practice through its broad engagement with the global business community. The School has 5,000 undergraduate, MBA, executive MBA, and doctoral students; nearly 9,200 annual participants in executive education programs; and an alumni network of 94,000 graduates.

wdp.wharton.upenn.edu



Thank you for downloading a complimentary preview of

THE STRATEGIC LEADER'S ROADMAP

6 Steps for Integrating Leadership and Strategy

Harbir Singh and Michael Useem

To learn more about the book,
please visit the Wharton Digital Press website:

wdp.wharton.upenn.edu/book/strategic-leaders-roadmap