Musings from

GATE 44

Musings from Gate 44 is a series of papers written from one of the most sacred reflective places in a consultant's life – the airport. As we depart our client's cities, we are often decompressing, celebrating, venting, strategizing and reflecting on behalf of those we serve. We're inviting you into our private thoughts about….you. "You" means those of you leading complex organizations trying to grow, change, improve and compete. These "musings" are stimulated by patterns we see over and over again as we work. Our hope is that letting you into our inner thoughts will help you grapple with the issues that frustrate your noblest aspirations and thwart what you seek to achieve. (We hope we'll also have a chance to laugh gently together at some of the silly things organizations can do.)

Leading at the Right Level II: Understanding the Different Roles in the System

By Eric Hansen

"He's always hovering," one traveler complained to the other. I was on my way back from a trip to the Middle East, and I was sitting in a crowded airport lounge waiting to board. A pair of business travelers were seated right behind me, and though I was trying not to eavesdrop, one of them was so exasperated that her voice was hard to tune out. "I knew exactly what to do with the project," she nearly shouted, "but it was impossible to make progress because he kept butting in and scrutinizing everything I did as I went along. Then he had a conversation with Lou and gave her a different set of expectations about what I should deliver. He didn't even get it – he gave her the wrong impression and now I have to deliver what he described, which leaves*

my best ideas out! I'd had it, I swear!" As her companion nodded in commiseration, I had to resist the urge to nod in agreement myself – I'd been hearing laments like this the whole week.

"She plays too low – Lift up, get her out of the weeds!"

"He's always looking over my shoulder! He never seems to trust that I can do the work I was hired to do!"

"If she really wants to do my job, then why did she hire me?!?"

"He says his job is 'strategic,' so I'd like it if he'd really focus on doing that (whatever 'strategic' means) and give me the authority and space to do my work!"

These comments represent a fraction of the collective complaints I heard during a recent engagement with a large and developing organization in the Gulf Region. Passionate employee interviews revealed a pernicious, but all-too-familiar pattern of behavior playing out within the leadership ranks. This universal pattern has plagued

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almost every client system I've been involved with over the past 20 years. Regardless of how specific symptoms manifest themselves, the underlying illness is the same: Leaders insist on playing "down" in their organizations. Top leaders who should be focused on the strategic challenges of setting direction for the company instead get mired in narrow and often tactical issues in the units of their business. Managers, in turn, become frustrated, begin to second guess themselves, and are challenged to properly execute their roles because they are too frequently drawn into time consuming and exhausting interactions with their leaders over issues they were told were theirs to manage. This creates confusion, compression and constraint within the organization – inhibiting productivity, causing anxiety, and eroding confidence among the broader employee population. And the thing people shake their heads over is that they know it doesn't have to be this way. The people I heard in the UAE were saying what I hear everywhere – things would work better if the top leaders limited themselves to doing what they are supposed to be doing instead of meddling in everyone else's job. One employee shared, "I get it. Picking stocks is fun. That's why we get into this business! I've been doing it for twenty years and have a great track record. I know what I'm passionate about and have managed my career so I get to keep doing it. If stock picking is what you like, then don't jump on the management track. I know my region and sectors inside and out. I make informed decisions, so I hate it when managers consistently second guess me. Just let me do my job, and let the results speak for themselves!"

Are You Playing Your Part?

As one employee after the next shared similar frustrations, I was reminded of a phrase often quoted by David O. McKay, an admirable 20th century leader, to guide his personal and professional life: "Whate're thou art, act well thy part!" He used this phrase to remind himself to be clear about the role he was expected to play in whatever circumstance he found himself, and to encourage excellence in his contributions. Leaders

in 21st century organizations are well advised to follow this simple counsel: Act well your part, not someone else's. There are as many unique excuses for invading other people's parts as there are leaders, but ultimately the reasons fall into one of three categories:

- Leaders aren't really clear about what they are supposed to be doing,
- Leaders lack the skill to do what they're supposed to be doing,
- Leaders are simply unwilling to do what they're supposed to be doing.

But unclear, unskilled, and unwilling does *not* sound like most of the top leaders I know. They are smart, hard-working, driven people who care deeply about their organizations and their people. The problems creep in when they don't understand or lose sight of the organization systems needed within their enterprise. In every successful organization I have observed or worked in, three distinct but interdependent structural systems have functioned simultaneously to optimize success. When I say "structural systems," I'm not referring to specific roles or reporting relationships. Rather, these systems are broad responsibilities shared by a collection of roles within the broader structure of the organization. Understanding how each system works optimally to add value to the organization can go a long way to clarify the confusion around the discrete contributions that people should be expected to make as they move up. The reverse is also true - when we don't understand or fail to take into account the system in which we should be operating, we cause much more harm than good.

The business unit head of a large manufacturing company I worked with came to me because his organization had become completely risk averse and incapable of making decisions. "I have to attend every meeting, or nothing gets resolved," he lamented. "We can't work this way. There's no way I can be all over every group in this business. And I don't think I should be. Please help me find out why we're stuck like this." I interviewed two dozen of his people in various parts of the business and found the same schizoid view of him: people liked him a lot and were very loyal to him but they felt that he sucked all the authority to make decisions out of every room he walked into. People had a real love/hate feeling toward him. As I observed him in action and got to know his style, I pointed out that his relentless need to know the facts had inadvertently turned into a style that undercut the authority of everyone on his leadership team. Rather than look unprepared or seemingly unaware of every variable, his people had gotten used to taking their cues from him. As a result, no-one felt confident to make decisions without him present to give these cues. This leader was also so interested in his business (a good thing) that he invited himself to every meeting that caught his interest and he weighed in on a host of

topics when he was there (a bad thing). When I started talking to him about the systems in his organization, it became apparent that he was unaware of the effect his leadership behavior had on these systems and it was costing his organization.

The idea of an organization as three interdependent systems is a relatively simple concept, but it is also one that people take for granted until they stop to consciously consider it. However, paying the right attention to the roles these systems represent is vital to the healthy functioning of organizations. It's well worth taking a look at how these operate and the vital function each of these plays (see "Three Organization Systems" below).

If we think in very basic terms, all organizations take inputs and transform them into outputs. Depending on the life-stage and maturity of the organization, an individual role may be required to play in multiple systems, as in start-ups or high-growth environments. In such cases, the need is even greater for leaders to be consciously aware of which role(s) they are acting in and why. Successful companies identify clear and distinct contributions for leaders in the Operating System, Coordinating System, and the Strategic System of the organization. Knowing what these contributions are and internalizing that knowledge so that it shows in how you fulfill your role as a leader is a big part of being an effective contributor in the system.
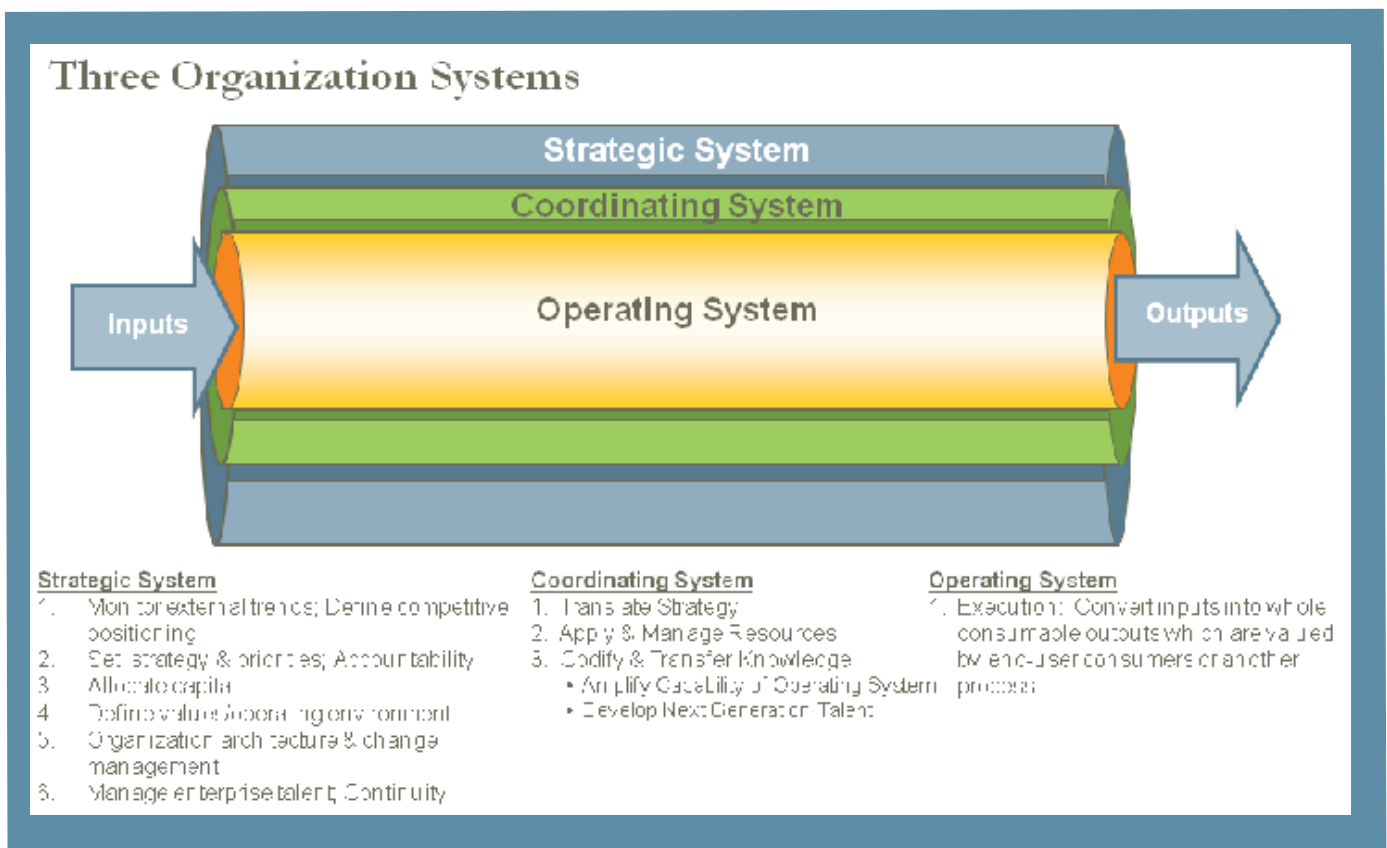
The Operating System

The Operating System is all about execution. It plays a central role in the delivery of goods and services to the market. Those participating in this system are responsible for taking raw inputs and converting them into whole, consumable outputs that are valued and used by end-user consumers or by other organizational processes. Ultimately, the majority of the effort and resources of any organization should be aligned to and in service of the Operating System.

For small businesses and start-ups, the transformation process (that turns inputs into outputs) is the Operating System. There aren't a lot of roles – everyone does what has to be done to keep the business running. A

Three Organization Systems

Strategic System
Coordinating System
Operating System
Inputs → Outputs

Strategic System
1. Monitor external trends; Define competitive positioning
2. Set strategy & priorities; Accountability
3. Allocate capital
4. Define value/operating environment
5. Organization architecture & change management
6. Manage enterprise talent; Continuity

Coordinating System
1. Translate Strategy
2. Apply & Manage Resources
3. Codify & Transfer Knowledge
   • Amplify Capability of Operating System
   • Develop Next Generation Talent

Operating System
1. Execution: Convert inputs into whole consumable outputs which are valued by end-user consumers or other processes

friend of mine launched a business making acoustic guitars with a unique bridge design. He and two partners combined numerous roles to get things done. At any moment, he could be: master luthier, head of marketing, head of distribution and fulfillment, research and design, facilities management, chief financial officer, materials sourcing, and janitor – he and his partners took turns sweeping up their workshop. The three of them led all the systems in their business. They worked ridiculously long hours, but were happy and made good progress launching their line of instruments. My friend was a lot less happy a few years later when his guitars were picked up by the Sam Ash music store chain and were featured in the mail order catalogue *Musician's Friend*. When I asked him what the problem was, he said that he had forty employees and forty-one headaches. Like many successful entrepreneurs, he was impatient with the day-to-day running of a growing operation. Things like dealing with the tax accountant over withholding payments, haggling with the insurance people over premiums and coverage for his workers, and negotiating the value of leasehold improvements – to say nothing of dealing with a troublesome employee who had to be let go, had made his life a misery. When I asked him what his forty-first headache was, he replied the guitars themselves. He was so busy dealing with the minutia of his business that he hadn't designed anything new in months.

The problem my friend and many entrepreneurs face as their companies first become successful is the reality that separate systems are not in place at the outset. Fast growth can equal muddy roles, and if you're not careful, the role you should be playing, like coming up with the next Big Idea or changing direction as you see an opportunity in the market, just won't happen. You'll get bogged down in the minutia of running your business, which will somehow limp along without a coordinating or a strategic system. Of course, businesses can't do that successfully for long, which is why so many entrepreneurs depart as their businesses mature, and are replaced by experienced management teams.

It's reasonable to assume that small businesses and start-ups won't have three explicit systems.

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Sometimes they don't even have three employees! But at some point, all organizations must grow up, and part of that process includes parsing out the operating, coordinating and strategic systems in the organization. For my friend the guitar maker, that meant creating leadership roles, bringing on new hires, and building a technology infrastructure. Some of this was "cool stuff to do." My friend was fascinated by one of the people he brought on board who was able to mate computer imaging technology with the science of acoustics to illustrate what was actually happening in the bodies of the guitars as sound waves bounced around inside. Some of this was not "cool" by my friend's definition. Anything to do with payroll and invoicing made him itch. But all of these things needed to be done. Regardless of whether your organization is new or in a growth phase, you need effective operating systems that are able to delineate the unique contribution of individuals who get goods and services to market. You also need to define creative distinctions between the three systems, designating which functional activity adds the most value to operations and separating out acticities that belong in the remaining two systems.

The Coordinating System

Large enterprises don't have the same problem of confusing roles between the Operating System and more senior leadership that smaller businesses and start-ups have. The growing pains of achieving a certain scale and level of success would have occurred earlier in the organization's history. The issue for larger businesses lies in the confusion of roles between the Coordinating System and the Strategic System. The way I have drawn these systems in the figure on page 3 is quite deliberate - they literally do both wrap around the Operating System, which remains completely central to what the organization does. The Coordinating System has five primary accountabilities.

- **Translate strategy.** Coordinating system roles make strategy tangible and practical for the operating system. Strategy only comes alive when it has personal meaning for individuals in the enterprise. Coordinating roles ensure that strategy comes out of binders and off PowerPoint slides and into how people work and add value.
- **Allocate and manage** the company's finite resources to enable achievement of strategic objectives. Ensuring clear tradeoff choices and management of how the resources are used significantly increases the probability for success.
- **Transfer knowledge and skill** to elevate and amplify the capacity of the Operating System.
- **Reinforce** the operating philosophy and desired culture of the company by consciously choosing to role model and be held accountable for desired behaviors.
- **Develop** next-generation talent.

I saw an organization with a solid understanding of the role of the Coordinating System when I was asked to design a series of leadership workshops for a consumer electronics company. They had a strong culture of promoting from within and had identified a class of several hundred high potential sales managers in their US operation who they wanted to bring into more senior management roles in each geographic region. They were mindful, however, that the very qualities that makes a successful sales manager could hinder the transition to a regional leadership role. As one of their top leaders said to me, "It's not about rolling up your sleeves and solving the problems while other people look on and learn from you. Now is the time our managers need to think about instilling that ethos in others and giving them the tools to make that happen. It's not enough to do the work themselves. They will need to work through the system to get the work done." That is a perfect definition of roles in the Coordinating System: working in the system to get things done.

The Strategic System

My friends in the consumer electronics business had a real handle on helping high-potential managers make the transition from the Operating System to the Coordinating System. But making the same transition from the Coordinating System to the Strategic System is where a lot of senior leaders struggle. This transition requires and even bigger mental shift in how leaders contribute value. While people in the Coordinating System work *in the system* to get things done, leaders in the Strategic System work *on the system* itself. This becomes apparent when you think about the work of the roles in the Strategic System:

- Monitor external trends to identify opportunities and mitigate threats;
- Define the competitive position of the company relative to competitors, set strategic priorities and define accountability;
- Secure and allocate capital;
- Define corporate values – the philosophy that will define the operating environment for all employees,
- Define and evolve the organization – manage change;
- Develop enterprise talent to ensure leadership continuity.

Contributing as a member of the Strategic System requires a real mental shift in defining value-adding work, and learning to let go of the "success posts" of the past to more effectively lead. The CEO of a media company I worked with promoted one of his best marketing executives to be Chief Strategy Officer. This happened a few months after a major acquisition for the company, and the CEO was eager to have input on strategic direction in a volatile economy. The new

CSO was distracted by the post merger changes in her old marketing department, however, and she also kept talking in terms of how to adapt existing plans and people to new conditions. She played a big role in developing a traveling workshop that described the new roles people would have in the context of the post-merger strategy. These workshops were a success, but the CEO was intensely annoyed that she was spending time helping design them. He thought she was playing too low in the organization. She was bewildered and said that she thought that translating the strategy for heads of accounts and other key players was an important part of her role. "I don't need you to translate strategy," the CEO replied. "We've got people for that. I need you to come up with breakaway ideas so we can write a new strategy going forward. That's what we *don't* have." The CSO was unable to let go of the coordinating roles she had known so well, which undermined her position and effectiveness. People elsewhere in the organization became intensely critical of her because they felt the company was losing direction and they resented her occupying the role but not achieving what the role implied. (This is part of the phenomenon of *compression* for more on this, see *Leading at the Right Level I: The Phenomenon of Decision Compression*.) Ultimately, the CSO was unsuccessful in her leadership on the Strategic System and her CEO was obliged to replace her.

I had the opportunity to run into her again about three years after this episode. She was herself the CEO of a media company, and interestingly enough, she had contacted me about an executive she had tapped to turn a department around. She was very candid when we met and said that her executive had the same problem she herself had as CSO three years earlier. I was intrigued and asked what she meant. She had been completely overwhelmed by the responsibility of taking on a role in the Strategic System. She thought that she understood it conceptually, but none of her previous experience equipped her for the realities of a position at the top. She was so thrown off balance that she found herself repeatedly going back to what she had succeeded at in the past. "Like those workshops," I suggested. "Exactly," she replied, continuing that she was hurt that her old CEO had criticized her as vociferously as he had. But now that she had some

perspective and had taken on a CEO role herself, she not only understood why she had been unsuccessful three years earlier, she recognized the same problem in one of her senior team members. "He's doing the same thing I did," she said, "trying to get back in there and help teams instead of using his network and his reports to turn his business group around." The irony killed me. And now she was playing a level down as CEO trying to get her direct to lead at a more strategic level in the organization. Unattended, history does have a way of repeating itself. And this time, it wasn't only about her direct; it was about her leadership again and her needing to raise her leadership elevation.

Finding Valence: Finding Your Role in the Strategic System

I've emphasized the mental shift that has to happen for you to be an effective contributing member of the Strategic System. Redefining value-adding work and letting go of the "success posts" of the past can leave us all feeling thrown off balance. Letting go requires courage and risks failure. At a minimum, it calls leaders to more important work on less familiar terms. Not to mention, such situations require momentarily sidelining standards that have brought past success. At a minimum, it calls leaders in the situation to do important yet less familiar work less perfectly than our own standard permits for some period of time. And the worst part is that you're asked to do it with everyone watching! (See *Leading at the Right Level III: Arriving at the Executive Level* for more on successfully negotiating this transition.) A principal thing to bear in mind as you work in the Strategic System is how all three systems in the enterprise work together. One of the many unique aspects of working on the system is that you're required to see how all the systems fit together (or don't) to transform inputs into desired results. Not only that, but you're responsible to see that the same understanding cascades down through the organization. Here are five things you can do to find your center of gravity in a Strategic System role.

Get Out of the Weeds

The biggest failing of people in the Strategic System is getting bogged down in the minutia of the business. Every large organization is complex, with an almost infinite number of siren calls for your time. But many of these calls will lead you into a tangled undergrowth where it becomes hard to see a bigger picture. Indeed, your people need you to help them see the bigger picture because they lack your vantage point in the organization. If you are down in the weeds, then *nobody* has the whole picture. This is terribly dangerous for your organization. Resist the urge to get pulled down into the undergrowth. And bear this in mind – if you maintain an appropriate level in the organization and get involved occasionally in something you think is important for the big picture, it will send a very powerful message to the rest of the organization. The COO of a national restaurant chain was visiting several locations in one of the chain's geographies at the tail end of a regional leadership conference. He disappeared from the group at a flagship location long enough that people went to look for him. They found him in the rest room, cleaning a dirty stall. This is the COO of a multi billion dollar company with his cuff links in his pocket and his sleeves rolled up, cleaning a stall. He emerged from the stall, washed his hands, put on his jacket and didn't have to say anything. The store manager was mortified, but the news made its way coast to coast in no time, and the chain's rest rooms actually received notice in an industry magazine at the end of the year for being spotless. If you choose when to get involved instead of living in the weeds, you will be able to send powerful messages when you need to. And you'll keep your perspective without paralyzing the whole organization.

Give People Space

I mentioned the manufacturing executive whose team couldn't seem to make a decision earlier. The real problem was that he was so involved in their day-to-day business that they didn't feel confident making decisions without getting cues from him as to how they should proceed. People need space and autonomy to do their jobs, make decisions, solve problems and generate ideas. It doesn't matter if you can think of "better" or "faster" or just plain different ways of doing it yourself. If your people are working on strategy and in the right context, then your job is to *let them do their jobs.* Defining the strategy and the context in which they operate *is* your job. You need to be able to support your people without micromanaging. This is harder in the Strategic System than it is in the Coordinating System because your direct reports have far greater spheres of control. The temptation to

intervene can be overwhelming. But unless there is a compelling reason for you to get involved, trust your people to do it themselves and support them in their work both with what you say and what you don't do.

Pick Your Battles

I once asked a semi-retired leader whose judgment I respected how he knew he needed to get personally involved in an issue. He simply said, "Honor necessity." How do you know you've done enough, I pressed. "Honor sufficiency," he replied. I've thought about this over the years, and have come to appreciate these simple measures. There are times when you will need to get involved to resolve issues in the other systems of the organization. Indeed, in some instances, you will be the only one with sufficient perspective and authority to resolve conflicts and find solutions. Do this when it is necessary, and don't flinch from it. If you have picked your battles instead of being constantly involved outside the Strategic System, then your involvement will send a strong message. But bear in mind the dictum "honor sufficiency" as you go. Resolve what must be resolved and then let your people take over the next steps.

Pick Your Words

Your words speak with far greater resonance in the Strategic System – and so do your silences. One leader I spoke with was amazed at how quickly the rumor mill took over when he did not provide information. He was preparing to announce a merger partner and had gone for a few weeks unable to comment on some confidential negotiations underway. He was dismayed at what the rumor mill supplied to make up for his uncharacteristic silence. Another executive was shocked to find that simple rides in the elevator resulted in multiple people believing they had landed the same top job on his senior team. He actually hadn't promised anyone anything, or at least he hadn't meant to. Watch what you say and what you omit – there are no "casual" utterances now.

Understand the Realities of Scale and Role

Understanding the three systems of the enterprise – the Strategic, Coordinating, and Operation Systems – is really about understanding the realities of your role in the context of the scale you've taken on. In many ways, this parallels the careers most people have as they rise in their organizations over time. They begin in the Operating System, working closely on the product or service the company creates with the support of the systems in the organization. They rise to the Coordinating System and accomplish objectives

by working through the system. But as they rise to the Strategic System, the focus changes to working on the system itself. Despite the personal experience and expertise leaders can draw on as they rise to the Strategic System, many find this the hardest transition of their careers, and not all get the hang of it. Your remit is now quite different. You are not just a Really Big Manager – you are a leader in every sense of the word. You are responsible for creating the strategic context in which the people in the other systems function. You have the broadest and longest view of anyone in the organization and you have the ability to turn the enterprise from one course to another based on your judgment. You can now reshape the organization the way no other can. It is important that you keep the scope and scale of your role in perspective. You can do things that no-one else can do, which means that if you spend too much of your time on Coordinating System tasks, your job will simply go undone, to the detriment of your business. And you have the ability to interfere in just about everything your company does, which means you can be a huge force for destabilization. Make the conscious choice to play at the level your organization needs. Your success and the success of all your people depend on it.

The plane is about to take off so I have to switch off my laptop. I hope I've given you some ideas for how to see your role in the context of the three systems within your company. At the very least, think about how you work. Do you find yourself stuck in the weeds to often? Are you doing the strategic work your organization needs or are your caught up on coordinating activities? Think about where you should be. This paper focuses on the framework of the systems within the enterprise. For more on how to successfully make the transition to the strategic system, see Leading at the Right Level I: The Phenomenon of Decision Compression and Leading at the Right Level III: Arriving at the Executive Level. If you want to hear more, drop me a line at eric@navalent.com

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