© *Academy of Management Executive*, 2005, Vol. 19, No. 4 Reprinted from 1999, Vol. 13, No. 1

Achieving and maintaining strategic competitiveness in the 21st century: The role of strategic leadership

R. Duane Ireland and Michael A. Hitt

Executive Overview

Competition in the 21st century's global economy will be complex, challenging, and filled with competitive opportunities and threats. Effective strategic leadership practices can help firms enhance performance while competing in turbulent and unpredictable environments. The purpose of this paper is to describe six components of effective strategic leadership. When the activities called for by these components are completed successfully, the firm's strategic leadership practices can become a source of competitive advantage. In turn, use of this advantage can contribute significantly to achieving strategic competitiveness and earning above-average returns in the next century.

> *It is possible—and fruitful—to identify major events that have already happened, irrevocably, and that will have predictable effects in the next decade or two. It is possible, in other words, to identify and prepare for the future that has already happened.*
>
> *Peter Drucker, 1997.*

Grounded in the insights and understanding that experience provides, conventional wisdom holds that it is very difficult to predict the future with high degrees of accuracy. In fact, Peter Drucker goes so far as to suggest that "In human affairs—political, social, economic, or business—it is pointless to try to predict the future, let alone attempt to look ahead 75 years."[1] Notwithstanding this difficulty, the capability implied by Drucker's comment above is encouraging. It is both possible and productive for firms to identify and prepare for a future that has already happened. Thus, although it is difficult for organizations to predict their future accurately, examining events that have already taken place allows them to know how to prepare for a future whose state has been influenced.

Based on this approach, we present a description of the strategic leadership practices that will contribute to corporate success during the 21st century. More precisely, our position is that the global economy is a major irrevocable event whose existence has already had a major influence on today's strategic leadership practices and offers insights about practices that should be used in the future. By examining appropriate and often innovative strategic leadership practices currently being used successfully by visionary organizations, it is possible to identify and understand practices that will be effective in the next century. This analysis is important, because strategic leadership may prove to be one of the most critical issues facing organizations. Without effective strategic leadership, the probability that a firm can achieve superior or even satisfactory performance when confronting the challenges of the global economy will be greatly reduced.[2]

Strategic leadership is defined as a person's ability to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organization.[3] When strategic leadership processes are difficult for competitors to understand and, hence, to imitate, the firm has created a competitive advantage.[4] Because the creation of sustainable competitive advantage is the universal objective of all companies,[5] being able to exercise strategic leadership in a competitively superior manner facilitates the firm's efforts to earn superior returns on its investments.

The Global Economy

There is virtually uniform agreement that the complexity, turbulence, and extraordinary changes during the 1980s and 1990s are contributing to the rapid development of an ultracompetitive global economy. Joseph Gorman, TRW's CEO, suggests that a transformational change is occurring, from regional economies and industries to global ones.[6] A key reality of our time, the commercial interactions that are taking place in the global economy are becoming the dominant force shaping relationships among nations. The fact that "...the proportion of trade among nations as a share of global income has increased from 7 percent to 21 percent since the end of World War II demonstrates why the globalization of commercial markets has an important effect on individual countries."[7] Thus, in the global economy, products are shipped anywhere in the world in a matter of days; communications are instant; and new product introductions and their life cycles have never been shorter, with six months the norm in some high-tech industries.[8]

The incredible breadth and depth of the global economy's effects are shown by the suggestion that in the 21st century, nation-states will lose their sovereignty, technology may replace labor, and corporations may come to resemble amoebas—collections of workers that are subdivided into dynamic, ever-changing teams to competitively exploit the firm's unique resources, capabilities, and core competencies. Thus, some analysts argue with conviction that the large number of structural changes occurring simultaneously in the international system are resulting in economies and communication systems that are more integrated. For example, it has been predicted that by 2150, all or most of the global economy will be part of a "...single market, perhaps complete with a single currency and monetary authority."[9] However, others believe that the political structures supporting various economies and their communication systems will remain somewhat fragmented and may even be reduced to ethnic units during the 21st century.[10] Changes such as these may culminate in corporations that would be unrecognizable to many employees and world citizens today.[11] The global economy may create a need for individual citizens to maintain separate loyalties—one to their own unique traditions and institutions, the other to the characteristics of a rapidly evolving international culture.

The global economy may create a need for individual citizens to maintain separate loyalties—one to their own unique traditions and institutions, the other to the characteristics of a rapidly evolving international culture.

The New Competitive Landscape

The global economy has created a new competitive landscape—one in which events change constantly and unpredictably.[12] For the most part, these changes are revolutionary, not evolutionary in nature. Revolutionary changes happen swiftly, are constant, even relentless in their frequency, and affect virtually all parts of an organization simultaneously.[13] The uncertainty, ambiguity, and discontinuity resulting from revolutionary changes challenge firms and their strategic leadership to increase the speed of the decision-making processes through which strategies are formulated and implemented.[14] In the global economy, knowledge work and knowledge workers are the primary sources of economic growth—for individual firms and for nations. Thus, in the 21st century, the ability to build, share and leverage knowledge will replace the ownership and/or control of assets as a primary source of competitive advantage.[15]

However, certain conditions of the new competitive landscape, including the expectation that the world's economy will grow substantially during the first 20 years of the next century, also create opportunities for companies to improve their financial performance.[16] Organizations in which strategic leaders adopt a new competitive mindset—one in which mental agility, firm flexibility, speed, innovation, and globalized strategic thinking are valued highly—will be able to identify and competitively exploit opportunities that emerge in the new competitive landscape. These opportunities surface primarily because of the disequilibrium that is created by continuous changes (especially technological changes) in the states of knowledge that are a part of a competitive environment. More specifically, although uncertainty and disequilibrium often result in seemingly hostile and intensely rivalrous conditions, these conditions may simultaneously yield significant product-driven growth opportunities.[17] Through effective strategic leadership, an organization can be mobilized so that it can adapt its behaviors and exploit different growth opportunities.[18]

Strategic Leadership

In the 1960s and early 1970s, situations facing the firm were thought to be the primary determinant of managerial behaviors and organizational outcomes. Compared with the influence of conditions in the firm's external environment, managers were believed to have little ability to make decisions that would affect the firm's performance.

The Great Leader View of Strategic Leadership

In 1972, John Child, a prominent organization theorist, argued persuasively that an organization's top-level managers had the discretion or latitude to make choices that would, indeed, affect their firm's outcomes.[19] In particular, because top managers have the responsibility for the overall performance of their firms, these individuals have the strongest effect on the firm's strategic management process. In Child's view, strategic leaders, armed with substantial decision-making responsibilities, had the ability to influence significantly the direction of the firm and how it was to be managed in that pursuit. Strategic leadership theory holds that companies are reflections of their top managers, and, in particular, of the chief executive officers, and that ". . .the specific knowledge, experience, values, and preferences of top managers are reflected not only in their decisions, but in their assessments of decision situations."[20]

Substantial numbers of CEOs have adopted the notion that strategic leadership responsibilities are theirs alone. One of their primary tasks is to choose a vision for the firm and create the conditions to achieve that vision. Thus, as a result of the significant choice options available to the CEO as the firm's key strategic leader, this individual often worked as a Lone Ranger when shaping the firm. Isolated from those being led, the firm's key strategic leader commanded his/her organization primarily through use of top-down directives.[21] Particularly when these choices resulted in financial success for the company, the key strategic leader was recognized widely as the "corporate Hercules."[22]

Appropriate for its time, the theory of strategic leadership contributed to organizational success. But the environmental conditions in which this theory was used have changed dramatically because of the global economy. In the past few decades, environmental conditions were relatively stable and predictable compared with the current and predicted states of these conditions in the 21st century.

The relative stability and predictability of the past few decades resulted in manageable amounts of uncertainty and ambiguity. Change was often treated as linear in many industries; major competitors were largely domestic, not global companies; organizations were structured in hierarchical configurations that were supported by selection and promotion practices. However, conditions associated with the global economy's new competitive landscape—shorter product life cycles, ever-accelerating rates and types of change, the explosion of data and the need to convert it to useable information—prevent single individuals from having all of the insights necessary to chart a firm's direction. Moreover, some believe that having strategic leadership centered on a single person or a few people at the top of a hierarchical pyramid is increasingly counterproductive.[23] Constrained by their abilities to deal with rapidly increasing amounts of data and the general complexity of the global economy, top managers are now challenged to discharge their strategic leadership responsibilities differently.[24] Insightful top managers recognize that it is impossible for them to have all of the answers, are willing to learn along with others, and understand that the uncertainty created by the global economy affects people at the top as well as those lower down in the organization.[25]

Insightful top managers recognize that it is impossible for them to have all of the answers, are willing to learn along with others, and understand that the uncertainty created by the global economy affects people at the top as well as those lower down in the organization.

The Great Groups View of Strategic Leadership

In the 21st century, the nature of the organization in which effective strategic leadership practices occur will be different. In the view of noted business thinker Charles Handy, a public corporation should and will be regarded not as a piece of property owned by the current holders of its shares, but as a community. More properly thought of as citizens than as employees, people involved with an organizational community remain together to pursue a common purpose. A community is something to which a person belongs and that belongs to no one individual. The community's citizens have both responsibilities to pursue the common good and rights to receive benefits earned through its attainment.

In an organizational community, strategic leadership is distributed among diverse individuals who share the responsibility to create a viable future for their firm. Handy argues that many citizens will need to serve their communities as leaders and will need to be dispersed throughout the firm.[26] When allowed to flourish as involved leaders, people spark greatness in each other. As Italian author Luciano De Crescenzo noted, "We are all angels with only one wing, we can only fly while embracing each other."[27]

Combinations or collaborations of organizational citizens functioning successfully have been labeled great groups. These collaborations usually feature managers with significant profit and loss responsibilities, internal networkers "who move about the organization spreading and fostering commitment to new ideas and practices," and community citizens with intellectual capital that stimulates the development and/or leveraging of knowledge.[28] Members of great groups rely on one another to create an environment in which innovations occur regularly and knowledge is generated and dispersed constantly. Consistent leadership between and among all of the firm's great groups results in innovative strategic thinking and rapid acceptance of organizational changes that, even when difficult, are required to enhance firm performance. Top managers who facilitate the development of great groups—groups in which strategic leadership takes place among a range or people with different talents—have shifted the locus of responsibility to form adaptive solutions to issues from themselves to the organization's full citizenry.[29]

As knowledge sharing and developing entities, great groups have several characteristics.[30] First, members of great groups have accepted their responsibility for firm outcomes. Involved and committed, these people understand the significance of their work and their responsibility to each other.[31] Second, great groups seek to learn from multiple parties, including contractors, suppliers, partners, and customers. Group members are committed to the position that "No matter where knowledge comes from, the key to reaping a big return is (for the group) to leverage that knowledge by replicating it throughout the company so that each unit is not learning in isolation and reinventing the wheel again and again."[32]

The third great group characteristic concerns information and knowledge. Increasingly, the information great groups gather to form knowledge and to understand how to use knowledge already possessed must come from events and conditions outside the organization. In Peter Drucker's view, it is primarily information from outside that allows a business to decide ". . .how to allocate its knowledge resources in order to produce the highest yield. Only with such information can a business also prepare for new changes and challenges arising from sudden shifts in the world economy and in the nature and content of knowledge. The development of rigorous methods for gathering and analyzing outside information will increasingly become a major challenge for businesses and for information experts."[33] Great groups respond positively to Drucker's challenge and are learning how to interpret external information in competitively relevant terms. In the 21st century, it will be increasingly vital for the firm's strategic leadership processes to adopt this perspective regarding the acquisition and use of information flows.

Another characteristic of great groups is their maintenance of records of individuals' knowledge stocks. With these records, people can quickly find others who possess the knowledge required to solve problems as they arise. Maintaining and using these records demonstrates these groups' ability to work smarter through their collective insights and the skills resulting from them.[34] Finally, great groups understand that the firm's method of strategic leadership results in a constantly changing configuration of responsibilities. Across tasks, every member of a great group serves, at different times, as a leader, peer, or subordinate. The operationalization of this understanding results in mutual influence relationships among the firm's top managers and all organizational citizens, including those with formal managerial responsibilities.[35]

Perhaps the most important "great group" in an organization is the top management team (TMT) formed by the CEO. The top management team is a relatively small group of executives, usually between three and ten people. These individuals are at the apex of the organization and provide strategic leadership.[36]

Because of the complexity of the new competitive landscape, both in its structure and dynamism, the collective intellect generated by a top management team is necessary for effective strategic leadership to occur in the firm. A philosopher's view demonstrates this point: "None of us is as smart as all of us."[37] The large number of organizational stakeholders alone makes it necessary to depend on a team of top executives for strategic leadership. The global economy, more than any other factor, has created the need for the top management team to effectively exercise strategic leadership in organizations. The knowledge

The global economy, more than any other factor, has created the need for the top management team to effectively exercise strategic leadership in organizations.

needed to understand and operate in many global markets is substantial, thereby requiring a team effort. In fact, global firms such as Asea Brown Boveri (ABB) believe that it is necessary to have a culturally diverse TMT to successfully operate in such markets. This is particularly important because of the emphasis on gaining the external knowledge necessary to develop a collective vision for the organization and to gain the multiple constituencies' commitment to pursuit of the vision.

Because of multiple stakeholders with competing interests, there is need for a heterogeneous TMT, one with members having different knowledge sets and skills.[38] The CEO remains the top leader, but must use these different knowledge sets and skills to successfully manage the organization. Viewing the other members of the TMT as partners allows the CEO to do this effectively. Beyond this, top managers should treat all employees as partners, especially in flatter, matrix type organizations—an organizational form that will be used increasingly in 21st century firms. In such organizations, top managers manage across traditional boundaries (e.g., functions), building the horizontal organization in the process.[39]

Even though the operational details of effective strategic leadership are continuing to change as the global economy evolves, the CEO remains accountable for the entire firm's performance. The board of directors will hold the CEO accountable for guiding the firm in ways that best serve the interests of owners (e.g., shareholders) and other stakeholders. Tomorrow's organizations will still require a great leader to be successful. Great leaders are able to share responsibility for leading and managing business units, sharing information and ideas widely with others and seeking mutual influence among all who have accepted the responsibility to contribute to the formation and achievement of the firm's direction.

Six Components of Strategic Leadership

What will be different in 21st century companies is how top managers discharge their strategic leadership responsibilities. They will no longer view their leadership position as one with rank and title, but rather as a position of significant responsibility to a range of stakeholders. Instead of seeking to provide all the right answers, they will strive to ask the right questions of community citizens they have empowered to work as partners with them. They can choose to form a community of colleagues rather than a company of employees constrained by traditional hierarchical configurations.

The top managers must affect the behaviors of many stakeholders, especially those of organizational citizens, working often as a coach. The organizational community is one in which citizens' creative energy is released, and their self-confidence enhanced, when they are inspired to assume responsibility for leading themselves through the work of great groups.[40] Sharing among inspired and committed citizens facilitates the emergence of the collective magic that creates intellectual capital and knowledge. An effective strategic leader "finds glory in the whole team reaching the summit together."[41]

John Browne, CEO of British Petroleum Company, believes that the top manager must stimulate the organization rather than control it. The top manager provides strategic directives, encourages learning that results in the formation of intellectual capital, and verifies that mechanisms exist to transfer intellectual capital across all of the firm's parts. Browne believes that "the role of leaders at all levels is to demonstrate to people that they are capable of achieving more than they think they can achieve and that they should never be satisfied with where they are now."[42] Heinrch von Pierer, president and CEO of Siemens AG, says that "As we move into what will be a century of unprecedented challenges, successful leaders will rely even more intensely on strengths that have become crucial in recent years—speed of decisions, flexibility, capable delegation, teamwork, the ability to build for the long term while meeting short-term needs—and vision. Increasingly, networked and globalized thinking will be essential for coping with the accelerating pace of change."[43]

Based on the evidence discussed above, we believe that 21st century strategic leadership should be executed through interactions that are based on a sharing of insights, knowledge, and responsibilities for achieved outcomes. These interactions should occur between the firm's great leaders—the top managers—and its citizens. These interactions take place as the firm satisfies the requirements associated with six key effective strategic leadership practices. Although considered individually, it is through the configuration of all six activities that strategic leadership can be effective in the 21st century organization.

Determining the Firm's Purpose or Vision

The task of determining the direction of the firm rests squarely on the CEO's shoulders. Joe Gorman, TRW's CEO, believes that the top manager, often working in concert with the TMT, must provide general guidelines as to where the firm intends to go and the key steps to be taken to reach that end.[44] J. Tracy O'Rourke, CEO of Varian Associates, Inc., endorses Gorman's view: "Clearly, if you're going to do well over time, you have to have some ability—yourself or in combination with others—to come up with a vision . . . and then follow it up with believable and implementable action plans. In most corporate structures, the only person who can do that is the CEO."[45] A recent survey of 1,450 executives from 12 global corporations found that the ability to "articulate a tangible vision, values, and strategy" for their firm was the most important of 21 competencies considered to be crucial skills for global leaders to possess in the future.

Various definitions of purpose or vision have been offered. However, the one advanced recently by John Browne, British Petroleum's CEO, captures the attributes of an effective organizational purpose for 21st century firms. Browne argues that as a description of who the firm is and what makes it distinctive, purpose indicates what a company exists to achieve and what it is willing and not willing to do to achieve it. Browne also believes that a clear purpose "...allows a company to focus its learning efforts in order to increase its competitive advantage."[47] Visions that facilitate development of this type of focus make sense to all organizational citizens, stretch citizens' imaginations but are still within the bounds of possibility, are understood easily, and create a cultural glue that allows units to share knowledge sets.[48]

Once the CEO and the TMT have set the general organizational purpose, all other citizens, including the TMT, will be empowered to design and execute strategies and courses of action to accomplish that end.[49] Empowered organizational citizens working individually or as members of great groups in pursuit of the firm's purpose will be able to provide valuable feedback to the CEO and the TMT. This feedback will help the top executives develop the type of insights required to revisit the purpose regularly to verify its authenticity.

Rockwell International's new vision is for the company to become "the world's best diversified high-technology company." The CEO and TMT believe that the actions necessary for this vision to be reached are the aggressive pursuit of global growth, the execution of leading-edge business practices, and the manufacture and distribution of products that will allow the firm's customers to be the most successful in the world in their business operations.

Critical to efforts to achieve the firm's vision is the active involvement of Rockwell employees (organizational citizens). At locations throughout the world, employees are to be challenged to take determined actions that will help the firm achieve its purpose. To select appropriate actions, employees/citizens are formed into 23 implementation teams (or great groups) that are asked to identify strengths and weaknesses. Each unit is to develop recommendations that when accomplished will allow it to become the best in the world at completing a particular task or set of activities.[50] This pattern—wherein organizational citizens work as members of a community that is seeking to serve the common good—will be linked with effective strategic leadership practices in the 21st century.

The blurring of industry boundaries stimulates the emergence of new and sometimes aggressive competitors with significant resource bases and creates interesting challenges for firms' strategic leadership processes.

The announced entrance in early 1998 of the Korean giant, Samsung Group, into the world's automobile manufacturing industry demonstrates this challenge. Although as of mid-1997 Samsung had never built and delivered to a customer a passenger car, it was in the midst of a $13 billion investment to manufacture 1.5 million cars annually. The vision driving these commitments and actions was for Samsung to rank among the world's top ten automakers by 2010. A demonstration of this vision is the billboard outside Samsung's new automobile manufacturing facility in Pusan: "Our dream and Korea's future."

Samsung Group's ambitious auto manufacturing goal surprised at least some industry analysts who noted that the global auto industry was awash in excess production capacity—a problem not expected to abate in the foreseeable future. One noted industry observer said "the world is not waiting breathlessly for a Samsung car . . . There's no logical opening in the marketplace where Samsung can step in and fill a vacuum. Its sales will have to come out of someone else's hide."[51] Evidence was also emerging in mid-1997 that at least some of South Korea's conglomerates were encountering difficult performance challenges because of too much diversification at too rapid a pace. Although Samsung's future competitive intentions could be affected by these general problems,[52] some believe it would be a serious mistake to underestimate Samsung's ability to make its vision a reality. In the words of Richard Pyo of Credit Suisse First Boston in Seoul, "Many people say that Samsung's plans are crazy and too risky, but the Korean economy has developed on gambles."[53]

As this example suggests, every automobile manufacturing company's strategic leadership is challenged to analyze carefully Samsung Group's ability to achieve its vision in the world's auto marketplace. To respond successfully to this challenge, both the top managers (strategic leaders) and organizational citizens (through their work in great groups) in companies competing against Samsung Group's auto unit should use significant amounts of external information to select appropriate competitive responses.

Exploiting and Maintaining Core Competencies

Core competencies are the resources and capabilities that give a firm a competitive advantage over its rivals. The relatively unstable market conditions resulting from innovations, diversity of competitors, and the array of revolutionary technological changes occurring in the new competitive landscape have caused core competencies rather than served markets to become ". . .the basis upon which firms establish their long-term strategies."[54] In the 21st century, an ability to develop and exploit core competencies will be linked even more positively and significantly with the firm's success.

Only the combinations of a firm's resources and capabilities that are valuable, rare, costly to imitate, and for which there are no equivalent strategic substitutes can be rightly identified as core competencies.[55] Only when uniform agreement exists within the organizational community about which resources and capabilities are indeed core competencies can appropriate actions be designed to exploit them in the marketplace.[56] The large retailer Nordstrom Inc., for example, is thought to have core competencies in its customer service and ability to package merchandise in ways that provide unique value to customers. Dell Computer Corporation's distribution system is a key competitive advantage. Competencies in the general area of marketing and specific applications of special skills in advertising campaigns and its global brand name are recognized as core competencies for Philip Morris. In each of these cases, following agreement about their identification as core competencies, strategic leaders work tirelessly to apply the competencies in ways that will improve company performance.

The sharing of knowledge or intellectual capital that is unique to a particular organization will influence significantly the choices strategic leaders make when seeking to use core competencies in novel, yet competitive ways. Through the reciprocal sharing of knowledge and the learning that results from it are a firm's core competencies nurtured effectively.

Knowledge is shared and learning occurs through superior execution of the human tasks of sensing, judging, creating, and building relationships.[57] The importance of knowledge for firms seeking competitive advantage in the global economy is shown by the following comment about Owens Corning's positive financial performance. "In the past year a series of moves in sales and marketing, information systems, and manufacturing and distribution have come together in a coherent strategy that is transforming this Midwestern maker of humdrum materials into a global competitor whose real business is knowledge."[58] Indeed, with rare exceptions, in the 21st century, a firm's productivity will lie more in its collective intellect—that is, in its collective capacity to gain and use knowledge—rather than in its hard assets such as land, plant, and equipment.[59]

The competitive value of core competencies increases through their use and continuing development.[60] A firm's privately held knowledge is the foundation of its competitively valuable core competencies and is increasing in importance as a driver of strategic decisions and actions. The most effective strategic leadership practices in the 21st century will be ones through which strategic leaders find ways for knowledge to breed still more knowledge. While physical assets such as land, machinery, and capital may be relatively scarce on a global basis, ideas and knowledge "are abundant, they build on each other, and they can be reproduced cheaply or at no cost at all. In other words, ideas don't obey the law of diminishing returns, where adding more labor, machinery or money eventually delivers less and less additional output."[61]

Johnson & Johnson's CEO is a strategic leader who believes in developing and nurturing his

The most effective strategic leadership practices in the 21st century will be ones through which strategic leaders find ways for knowledge to breed still more knowledge.

firm's knowledge base. Asked to describe factors that account for his company's success, he suggested that his company is "not in the product business. (It) is in the knowledge business."[62] However, knowledge cannot breed knowledge and core competencies cannot be emphasized and exploited effectively in the global marketplace without appropriate human capital.

Developing Human Capital

Human capital is the knowledge and skills of a firm's entire workforce or citizenry. Strategic leaders are those who view organizational citizens as a critical resource on which many core competencies are built and through which competitive advantages are exploited successfully. In the global economy, significant investments will be required for the firm to derive full competitive benefit from its human capital. Some economists argue that these investments are "essential to robust long-term growth in modern economies that depend on knowledge, skills, and information."[63] Continual, systematic work on the productivity of knowledge and knowledge workers enhances the firm's ability to perform successfully. Citizens appreciate the opportunity to learn continuously and feel greater involvement with their community when encouraged to expand their knowledge base. Ongoing investments in organizational citizens result in a creative, well-educated workforce—the type of workforce capable of forming highly effective great groups.

The importance of educational investments in citizens is being supported in a growing number of corporations. Andersen Consulting, for example, allocates six percent of its annual revenue to education and requires each professional employee to complete a minimum of 130 hours of training annually. Intel Corp. spends $3,500 per year per person on education. General Motors Corp. and General Electric have appointed chief knowledge officers. Warren Bennis suggests that "this institutionalization of education is not some fringe, feel-good benefit. It is tangible recognition that education gives the biggest bang for the corporate buck." A recent study showed that companies that invest 10 percent more in education receive an 8.5 percent increase in productivity. In contrast, companies boosted their productivity by only three percent as a result of a 10 percent increase in capital expenditures.[64]

The global economy allows firms to earn a financial premium by using competitively superior practices in the location, selection, and subsequent development of human capital. One key reason is that skilled labor is expected to be in short supply during the first part of the 21st century. For example, a million new jobs in high technology will be created over the next decade with almost no increase in the supply of human resources to fill these jobs.[65]

A survey of human resource managers conducted by the American Management Association revealed that 47 percent of the respondents worked in firms that faced skilled labor shortages. Interestingly, 54.7 percent of the same group of respondents also believe that the shortages in skilled personnel will be worse in 2000 and beyond. As of mid-1997, at least 190,000 information technology jobs were vacant in U.S. companies. A 43 percent decline in the number of college graduates earning undergraduate degrees in computer science between 1988 and 1997 suggests more serious labor shortages ahead.[66]

Skilled labor shortages have unintended negative consequences. Talented, dedicated, and motivated employees often become frustrated and dissatisfied when asked to work continuously with those without equivalent skills and commitments. As a successful financial analyst explained: "I could not fathom, let alone accept, the extreme variations in work ethic, attention to detail, and commitment to job and company. All my prior work and school experience had been with creative, energized self-starters. It took me months, if not years, to value the diverse work styles and varying motivators of the work force I encountered."[67] Thus, a challenge for tomorrow's strategic leaders is to find ways to encourage each employee to fulfill her or his potential. Especially when faced with labor shortages, the organizational community's common good can be reached only when each member of the great group is committed to full participation.

Greater workforce diversity is another issue that will confront 21st century strategic leaders. Organizational communities will comprise individuals from multiple countries and cultures that may have unique and idiosyncratic value structures. CEOs and TMTs should learn to appreciate the beliefs, values, behaviors, and business practices of companies competing in a variety of regions and cultures. Organizational citizens can then better understand the realities and preferences that are a part of the region and culture in which they are working.

Peter Brabeck-Letmathe, CEO of Nestle SA, believes that it is increasingly important for top managers to speak at least two to three languages.[68] Cross-border and culture transfers among organizational citizens will be used prominently in the 21st century, as will experts who help people understand the nuances of other cultures. As at ABB today, many firms' TMTs will be culturally diverse.

Success will depend on the ability of a firm's top managers to form a community of citizens rather than a band of employees working for a firm.

Sustaining an Effective Organizational Culture

Organizational culture refers to the complex set of ideologies, symbols, and core values shared throughout the firm. Several business writers believe that the challenges to firms in the 21st century will be not so much technical or rational as cultural—"how to lead the organizations that create and nurture knowledge; how to know when to set our machines aside and rely on instinct and judgment; how to live in a world in which companies have ever increasing visibility; and how to maintain, as individuals and organizations, our ability to learn."[69]

Culture provides the context within which strategies are formulated and implemented. Organizational culture is concerned with decisions, actions, communication patterns, and communication networks. Formed over the life of a company, culture reflects what the firm has learned across time through its responses to the continuous challenges of survival and growth. Culture is rooted in history, held collectively, and is of sufficient complexity to resist many attempts at direct manipulation. Because it influences how the firm conducts its business, as well as the methods used to regulate and control the behavior of organizational citizens, culture can be a competitive advantage.

In the global economy, strategic leaders capable of learning how to shape a firm's culture in competitively relevant ways will become a valued source of competitive advantage. Chrysler's CEO Robert Eaton and President Robert Lutz are strategic leaders thought to be sources of competitive advantage for their firm. The secret to his company's recognition as "Detroit's profitability champion," Eaton suggested, is the "Chrysler difference; a corporate culture that rejects Motown's hidebound bureaucratic traditions." Some analysts support this suggestion, noting that "no group of managers has stirred up Detroit more since Ford's fabled Whiz Kids of the 1950s." In one writer's view, the firm's tone "is set by Eaton, whose low-key demeanor belies a fierce competitive streak, and Lutz, the swashbuckling ex-Marine with a flair for product creation. But behind Eaton and Lutz, Chrysler boasts a little-known cast of managers who've become the envy of the industry."[70] Integrating this culture with Daimler-Benz's may prove to be challenging. On the other hand, a successful integration of these cultures could result in a competitive advantage for the new firm.

The social energy that drives Southwest Airlines is largely a product of CEO Herb Kelleher and the managers who surround him. The firm's culture is responsible for the company's steady growth, above-average profitability, and the avoidance of employee layoffs for more than 25 years. Actions that exemplify Southwest's culture include: "Pilots hold barbecues to thank mechanics; flight attendants sing safety instructions on board; agents hang mirrors on their computers to make sure they're smiling when taking reservations; Kelleher is generous with hugs and kisses." Employees are committed to treating coworkers and customers with respect and dignity, having fun, and working hard. An indication of the culture's desirability is that 137,000 people applied in 1996 for only 5,000 Southwest Airlines' job openings.[71]

Effective cultures are ones in which organizational citizens understand that competitive advantages do not last forever and that the firm must move forward continuously. When citizens are comfortable with the reality of constant change and the need for a never-ending stream of innovations, patterns and practices are in place that can enhance global competitiveness.

Emphasizing Ethical Practices

Ethical practices serve as a moral filter through which potential courses of action are evaluated.[72] The influence of top managers on the firm's ethical practices and outcomes is accepted by business practitioners, academics, and society. In the 21st century, effective strategic leaders will use honesty, trust, and integrity as the foundations for their decisions. Strategic leaders displaying these qualities are capable of inspiring their employees and developing an organizational culture in which ethical practices are the behavioral norm. Acer CEO Stan Shih notes that for his employees there is simply no alternative to dealing honestly with all of the firm's stakeholders. Shih's belief that human nature is basically positive and good could be the force driving his forthright and ethical business practices.[73]

The challenge for strategic leaders is how to instill normative values that guide corporate action and individuals' behaviors.[74] In the final analysis, ethical decision-making processes result in the use of organizational resources to obtain benefits desired by legitimate stakeholders. A strategic leader's commitment to pursuits in which legal, ethical, and social concerns have been taken into account is thought to be both morally right and economically efficient.

Establishing ethical practices will be difficult for strategic leaders in the 21st century's global economy because of the significant diversity of the cultures and economic structures within which firms will compete. An understanding of the interests of all legitimate stakeholders will come only through analysis of and sensitivity to cultural diversity. A strategic leader's commitment to serve stakeholders' legitimate claims will contribute to the establishment and continuation of an ethical organizational culture. Employee practices that take place in such a culture become the set of accepted and expected commitments, decisions, and actions that should be taken when dealing with the firm's stakeholders.

Establishing Balanced Organizational Controls

Organizational controls are the formal, information-based procedures that strategic leaders and managers use to frame, maintain, and alter patterns of organizational activities.[75] The new competitive landscape makes it difficult to establish such controls, which, by their nature, limit employees' behaviors. Controls influence and guide work in ways necessary to achieve performance objectives. The new competitive landscape is replete with opportunities that are addressed most effectively through innovation and creativity. Strategic leaders able to establish controls that facilitate flexible, innovative employee behaviors will earn a competitive premium for their firm.

Top managers are responsible for the development and effective use of two types of internal controls—strategic controls and financial controls.[76] Strategic controls require information-based exchanges among the CEO, top management team members, and organizational citizens. To exercise effective strategic control, top managers must acquire deep understandings of the competitive conditions and dynamics of each of the units or divisions for which they are responsible. Exchanges of information occur through both informal, unplanned meetings and interactions scheduled on a routine, formal basis. The effectiveness of strategic controls is increased substantially when strategic leaders are able to integrate disparate sets of information to yield competitively relevant insights. Because their emphasis is on actions rather than outcomes, strategic controls encourage lower-level managers to make decisions that incorporate moderate and acceptable levels of risk. Moreover, a focus on the content of strategic actions provides the flexibility managers and other great group members require to take advantage of competitive opportunities that develop rapidly in the new competitive landscape.

Financial controls entail objective criteria (e.g., various accounting-based measures) that strategic leaders use to evaluate returns earned by company units and those responsible for their performance. By focusing on performance-induced outcomes, financial controls encourage the accomplishment of short-term performance goals. An emphasis on financial rather than strategic controls makes managerial rewards contingent on achievement of financial outcomes. Therefore, an emphasis on short-term financial performance goals encourages risk-adverse managerial decisions and behaviors.

Effective top managers seek to develop and use a balanced set of strategic and financial controls. Typically, this outcome is achieved by using strategic controls to focus on positive long-term results while pursuing simultaneously the requirement to execute corporate actions in a financially prudent and appropriate manner. In this fashion, strategic leaders are able to use strategic controls to increase the probability that their firm will gain the benefits of carefully formulated strategies, but not at the expense of the type of financial performance that is critical to successful strategy implementation processes and to the firm's ability to satisfy selected stakeholders. Nonetheless, the diversity of the global economy, coupled with the dynamic challenges embedded within the new competitive landscape, highlight the increasing importance of strategic controls. Providing the leadership required for the firm to compete successfully in multiple countries and cultures demands strategic leadership practices that are oriented largely to the integration of disparate competitive information and the use of broad-based strategic controls.

Recommendations for Effective Strategic Leadership Practices

Competition in the 21st century's global economy will occur in postindustrial societies that differ dramatically from the industrial societies they are replacing.

Industrial societies and the commercial enterprises operating within them have been focused primarily on activities intended to create wealth. Technological and scientific advances were the principal means through which wealth was created in such sectors as medicine, agriculture, communications, energy, transportation, and electronics. In the postindustrial era, information-based technology and internationalization are the primary wealth-creation activities. In this era, "(1) much of the economic production occurs in service and high-technology sectors; (2) there is increasing globalization of finance, production, labor, and product markets, (3) economic growth is confronted with ecological limits, and (4) there is a movement toward democratization of markets and politics" in many of the world's countries.[77]

The attributes of the postindustrial era create more risk for firms that attempt to create wealth by competing in multiple marketplaces. Strategic leaders face challenges that may become pervasive as more market democratization processes occur throughout the world. These leaders are offered the following recommendations.

A Growth Orientation

The realities of competition in the global economy demand a corporate focus on growth rather than on downsizing and cost reductions. A variety of strategic approaches can be used in the pursuit of growth, including acquisition, innovation and product development, extreme decentralization, and concentration on product line extensions to provide customers with additional value. The means are less critical than the desired outcome. The most effective strategic leaders will be capable of working with all organizational citizens to find ways to match the firm's resources, capabilities, and core competencies with relevant growth-oriented opportunities.

The realities of competition in the global economy demand a corporate focus on growth rather than on downsizing and cost reductions.

Knowledge Management

Strategic leaders must enable their organizations to develop, exploit, and protect the intellectual capital contained in their citizens' knowledge bases. They are challenged to develop pathways through which knowledge can be transferred to people and units where it can be further developed and used to pursue strategic competitiveness. Managing knowledge in this manner challenges conventional thinking and increases the likelihood that the firm will be able to create new competitive space in its markets. In the words of Warren Bennis, "the key to competitive advantage in the 1990s and beyond will be the capacity of leadership to create the social architecture that generates intellectual capital. Success will belong to those who unfetter greatness within their organizations and find ways to keep it there."[78]

Through voluntary arrangements such as strategic alliances, joint ventures, technology exchanges, and licensing agreements, firms pool their resources to create goods and services with economic value. They create knowledge that, in turn, facilitates the development of competitively valuable goods or services.[79] Strategic leaders who learn how to manage such collaborations will become a source of competitive advantage for their organizations. The most effective strategic leaders will develop the skills required to engage simultaneously in competitive and cooperative behaviors.[80] Companies that both effectively cooperate and compete with other enterprises will earn above-average financial returns. The creativity of great groups will be instrumental in isolating cooperative projects from those for which competitive behaviors are more appropriate.

Mobilization of Human Capital

Implied throughout is the need for companies to adapt to the significant changes in the global economy. To cope with changes in the world's societies, technologies, and markets, 21st century strategic leaders will be challenged to mobilize citizens in ways that increase their adaptive abilities. Leaders should refrain from providing answers; instead, their focus should be on asking challenging questions. They should request that citizens working as members of great groups consider relevant information to determine how the firm can use its knowledge base to achieve strategic competitiveness. Asking citizens to accept their roles as leaders and colleagues while working in great groups can be expected to mobilize their efforts around key strategic issues. Facilitating citizens' efforts to challenge the historical conduct of business in the firm also can galvanize them as they seek to accomplish relevant goals. The development and mobilization of human capital is vital if the firm is to achieve the strategic flexibility that is linked with success in the new competitive landscape.[81]

Developing an Effective Organizational Culture

As the social energy that drives the firm, culture exerts a vital influence on performance. To facilitate the development of values oriented to growth and success, 21st century strategic leaders should commit to being open, honest, and forthright in their interactions with all stakeholders, including organizational citizens.

Such a commitment supported James Bonini's

Table 1
Strategic Leadership Practices

20th Century Practices	21st Century Practices
Outcome focused	Outcome and process focused
Stoic and confident	Confident, but without hubris
Sought to acquire knowledge	Seeks to acquire and leverage knowledge
Guided people's creativity	Seeks to release and nurture people's creativity
Work flows determined by hierarchy	Work flows influenced by relationships
Articulated the importance of integrity	Demonstrates the importance of integrity by actions
Demanded respect	Willing to earn respect
Tolerated diversity	Seeks diversity
Reacted to environmental change	Acts to anticipate environmental change
Served as the great leader	Serves as the leader and as a great group member
Views employees as a resource	Views organizational citizens as a critical resource
Operated primarily through a domestic mindset	Operates primarily through a global mindset
Invested in employees' development	Invests significantly in citizens' continuous development

work as the manager of Chrysler Corp.'s big-van plant in Windsor, Ontario. At the young age of 33 and with limited manufacturing experience, Bonini needed the support of the plant's 84 managers, 1,800 workers, and officials of the local Canadian autoworkers' union. In a display of candor and honesty, Bonini acknowledged his youth and inexperience to those he was to lead and solicited help from everyone involved with the plant. He scheduled town hall meetings to hear workers' ideas and complaints, met with union officials, and made certain that each employee knew him. He made frequent visits to the plant floor to verify that work was proceeding as intended and to request workers' insights regarding improvements. Employees responded positively to Bonini's candor, honesty, and integrity.[82]

Remaining Focused on the Future

The significant differences between effective strategic leadership practices in the 20th and the 21st centuries are presented in Table 1. CEOs who apply practices associated with 21st century strategic leadership can create sources of competitive advantage for their organizations. The competitive advantages resulting from the work of CEOs as chief leaders and the contributions of great groups as members of organizational communities will allow firms to improve their global competitiveness.

Strategic leaders must use some of their time and energies to predict future competitive conditions and challenges. Companies in the United States, Europe, and Japan have intensified their competitive actions in the world's emerging markets. This emphasis is understandable, given that emerging markets constitute a new and important competitive frontier. However, high levels of risk are associated with these significant opportunities. Major reversals in the trend toward democratization of countries' markets and their accompanying political structures could have significant implications for strategic leaders and their firms.[83] Effective strategies leaders should seek information that will allow them to predict accurately changes in various global markets. Strategic collaborations, with host governments and other companies, are a valuable means of dealing with changing conditions in emerging economic structures. By aligning their strategies with an emerging country's best interests, firms increase their chance of competitive success in volatile situations. Failure to develop these understandings will inhibit strategic leaders' efforts to lead their firms effectively in the 21st century.

Endnotes

[1] Five business thinkers, Peter F. Drucker, Esther Dyson, Charles Handy, Paul Saffo, and Peter M. Senge were asked recently by *Harvard Business Review* to describe the challenges they see already taking shape for executives as they move into the next century. See P. F. Drucker, E. Dyson, C. Handy, P. Saffo and P. M. Senge, Looking Ahead: Implications of the Present, *Harvard Business Review*, 75(5), 1997, 18–32.

[2] The importance of strategic leadership for 21st century firms is described in: M. Davids, Where Style Meets Substance, *Journal of Business Strategy*, 16(1), 1995, 48–60; R. P. White, P. Hodgson, and S. Crainer. *The Future of Leadership* (London: Pitman Publishing, 1997).

[3] Additional definitional information about strategic leadership can be found in: C. M. Christensen, Making Strategy: Learning by Doing, *Harvard Business Review*, 75(6), 1997, 141–156; M. A. Hitt, R. D. Ireland, and R. E. Hoskisson, *Strategic Management: Competitiveness and Globalization*, Third Edition (Cincinnati: South-Western College Publishing Company, 1999).

[4] John Browne, CEO of British Petroleum, describes a wide range of competitive approaches being used at BP. See S. E.

Prokesch, Unleashing the Power of Learning: An Interview with British Petroleum's John Browne, *Harvard Business Review*, 75(5), 1997, 147–168.

[5] The universal need for each firm to develop a competitive advantage serves as a foundation for two authors' analysis of how strategic management can be improved. For additional information on this subject, see: A. Campbell and M. Alexander, What's Wrong with Strategy? *Harvard Business Review*, 75(6), 1997, 42–51.

[6] Mr. Gorman's viewpoint is included in an article in which potential reasons for the recent success of U.S. firms in the global economy are examined. For further information see: G. P. Zachary, Behind Stocks' Surge is an Economy in Which Big U.S. Firms Thrive, *Wall Street Journal*, November 22, 1995, A1, A3.

[7] Based on an argument that globalization is a reality of our time, one business writer offers intriguing perspectives regarding the level and degree of economic interdependence of the world's nations. To explore his views further, see: R. Ruggiero, The High Stakes of World Trade, *Wall Street Journal*, April 28, 1997, A18.

[8] In light of the global economy, an interesting set of predictions about the nature of business firms and their leaders in the 21st century can be found in: S. Makridakis, Management in the 21st Century, *Long Range Planning*, 22, April, 1989, 37–53.

[9] The director of the Institute for International Economics offers his optimistic perspective about the characteristics of a global economy in: C. F. Bergsten, The Rationale For a Rosy View, *The Economist*, September 11, 1993, 57–58.

[10] Peter Drucker made these observations in an address to the Knowledge Advantage Conference sponsored by the Ernst & Young Center for Business Innovation. See Peter Drucker on The Next 20 Years, *Executive Upside*, March, 1997, 3.

[11] To better understand the possible nature of the global marketplace in the future, a senior writer reviewed several books. His reviews can be found in: F. R. Bleakley, The Future of the Global Marketplace, *Wall Street Journal*, March 15, 1996, A13.

[12] Unpredictable events affect firms of all sizes. An analysis of the effects of the new competitive landscape on high-growth entrepreneurial firms, is presented in: R. D. Ireland and M. A. Hitt, Performance Strategies for High-Growth Entrepreneurial Firms, *Frontiers of Entrepreneurship Research*, 1997, 90–104.

[13] In a recent article, two prominent researchers argue convincingly that "the complexity of political, regulatory, and technological changes confronting most organizations has made radical organizational change and adaptation a central research issue." To further explore this central issue see: R. Greenwood and C. R. Hinings, Understanding Radical Organizational Change: Bringing Together the Old and the New Institutionalism, *Academy of Management Review*, 21, 1996, 1022–1054.

[14] Rapidly changing business conditions result in a premium being placed on the firm's ability to speed up its operations. Recent research suggests that this ability is especially important to develop a competitive advantage in firms in industries with shortened product life cycles. Arguments supporting this position are presented in: E. H. Kessler and A. K. Chakrabarti, Innovation Speed: A Conceptual Model of Context, Antecedents, and Outcomes, *Academy of Management Review*, 21, 1996, 1143–1191.

[15] Both Drucker and Senge emphasize this point in their descriptions of events that have already happened that are shaping the future for 21st century firms. For more information, see: Drucker, Dyson, Handy, Saffo, and Senge, "Looking Ahead: Implications of the Present," 18–32.

[16] This positive projection of growth for at least the beginning part of the 21st century is presented in: *Dallas Morning News*, Futurists See Bright 21st Century, June 11, 1997, D2.

[17] An insightful treatment of the link between corporate entrepreneurship and the pursuit of organizational growth in firms facing challenging competitive environments is presented in: S. A. Zahra, Environment, Corporate Entrepreneurship, and Financial Performance: A Taxonomic Approach, *Journal of Business Venturing*, 8, 1993, 319–340.

[18] For additional information about how firms can mobilize to adapt their behaviors for competitive reasons, see: R. A. Heifetz and D. L. Laurie, The Work of Leadership, *Harvard Business Review*, 75(1), 1997, 124–134.

[19] Further arguments regarding the choices firms can make through the work of their strategic leaders and other key decision makers can be found in the following classic: J. Child, Organizational Structure, Environment and Performance: The Role of Strategic Choice, *Sociology* 6, 1972, 1–22.

[20] In a recent article, two researchers present a detailed analysis of different perspectives of strategic leadership that appear in the academic literature. This work is intended to present what the authors consider to be a "more realistic view of top managers' work." To examine the researchers' perspectives, see: A. A. Cannella, Jr. and M. J. Monroe, Contrasting Perspectives on Strategic Leaders: Toward a More Realistic View of Top Managers, *Journal of Management*, 23, 1997, 213–237 (the quote in our article appears on page 213 of the Cannella and Monroe publication).

[21] The historical isolation between strategic leaders and those they led is described in: P. M. Senge, Communities of Leaders and Learners, *Harvard Business Review*, 75(5), 1997, 30–32.

[22] W. Bennis, Cultivating Creative Genius, *Industry Week*, August 18, 1997, 84–88.

[23] This point is described in greater detail in Bennis, Cultivating Creative Genius.

[24] Some believe that understanding how to gather and interpret data is the organizational challenge of the next century. To evaluate this possibility, see: J. Teresko, Too Much Data, Too Little Information, *Industry Week*, August 19, 1996, 66–70.

[25] For a discussion of how uncertainty affects people at both upper and lower organizational levels, see: R. P. White, Seekers and Scalers: The Future Leaders, *Training & Development*, January, 1997, 21–24.

[26] Known widely as a preeminent business thinker, Charles Handy explains his thoughts about organizational communities in: C. Handy, *The Age of Unreason* (Boston: Harvard Business School Press, 1989).

[27] This quotation appears in: Bennis, Cultivating Creative Genius, 88.

[28] To explore the concept of great groups further, see W. Bennis, *Organizing Genius: The Secrets of Creative Collaboration* (Reading, MA.: Addison-Wesley Publishing Company, 1997).

[29] To learn how effective leaders allow all organizational employees to play an active role in helping firms become adaptive, see: Heifetz and Laurie, The Work of Leadership.

[30] To learn the views of British Petroleum's CEO about the value and nature of teams (or great groups) in the global economy, see: Prokesch, Unleashing the Power of Learning: An Interview With British Petroleum's John Browne.

[31] The importance of group members accepting the responsibility to support one another in their work is discussed in another one of Charles Handy's books: C. Handy, *The Age of Paradox* (Boston: Harvard Business School Press, 1994).

[32] Among many points discussed by John Browne, the importance of learning how to leverage knowledge is given the most attention. See Prokesch, op. cit.

[33] The criticality of external information for firms seeking high performance in the global economy is described in: P. F. Drucker, The Future That Has Already Happened, *Harvard Business Review*, 75(5), 1997, 20–24.

[34] The importance of collective work, and how such work can be stimulated, is discussed in: P. B. Vaill, *Managing As a Performing Art: New Ideas for a World of Chaotic Change* (San Francisco: Jossey-Bass, 1989).

[35] The inclusive roles of organizational leaders is noted in: G. Dutton, Leadership In a Post-Heroic Age, *Management Review*, October, 1996, 7.

[36] An excellent, comprehensive analysis of strategic leadership and the role of the top management team as part of strategic leadership, appears in: S. Finkelstein and D. C. Hambrick, *Strategic Leadership: Top Executives and Their Effects on Organizations* (St. Paul: West Publishing, 1996).

[37] This quote is taken from: Bennis, Cultivating Creative Organizations.

[38] Research results regarding the value of heterogeneous top management teams is explored carefully and in a detailed manner in: Finkelstein and Hambrick, *Strategic Leadership*.

[39] D. F. Abell, Mastering Management—Part 16, *Financial Times*, February 23, 1996, 13.

[40] The important link between self-confidence and the successful completion of significant types of organizational work is discussed in: R. D. Ireland, M. A. Hitt, and J. C. Williams, Self-Confidence and Decisiveness: Prerequisites for Effective Management in the 1990s, *Business Horizons*, 35(1), 1992, 36–43.

[41] B. A. Nagle, Wanted: A Leader for the 21st Century, *Industry Week*, November 20, 1995, 29.

[42] This quote, and the importance of letting organizational citizens know that their strategic leaders want them to try different methods to satisfy the demands of new challenges, appears on page 158 of Prokesch, op. cit.

[43] Viewpoints of other leaders, in addition to von Pierer, can be found in: W. H. Miller, Leadership at a Crossroads, *Industry Week*, August 19, 1996, 43–57.

[44] Other aspects of Mr. Gorman's perspectives about the value of a corporate purpose are included in: Miller, Leadership at a Crossroads.

[45] Mr. O'Rourke offered this viewpoint as part of his description of what a leader must do to lead effectively. His perspectives can be studied fully by reading: W. H. Miller, Leadership's Common Denominator, *Industry Week*, August 19, 1997, 97–100.

[46] A full list of the 21 competencies identified by the survey's 1,450 participants can be viewed by reading: Davids, Where Style Meets Substance.

[47] This view is explained more fully in Prokesch, op. cit.

[48] Charles Handy considers these points in two books: *The Age of Paradox* and *The Age of Unreason*.

[49] This point is articulated in: *The Economist*, The Changing Nature of Leadership, June 10, 1995, 57.

[50] Full details regarding actions framed by Rockwell's strategic leaders to achieve the firm's vision can be found in: Its Time to Change Your Perception of Rockwell, Rockwell International Corporation Annual Report, 1995.

[51] An intriguing analysis of decisions made by Samsung Group's strategic leaders regarding the firm's entry into the world's automobile manufacturing industry is featured in: L. Kraar, Behind Samsung's High-Stakes Push Into Cars, *Fortune*, May 12, 1997, 119–120.

[52] Large conglomerates, called chaebols, have played important roles in the growth of South Korea's economy. However, some evidence suggests that these huge firms may encounter additional competitive challenges in the future. Details of these challenges, and some of the chaebols' responses to them, are presented in: M. Schuman and N. Cho, Troubles of Korean Conglomerates Intensify, Signaling End of an Era, *Wall Street Journal*, April 25, 1997, A11.

[53] Kraar, Behind Samsung's High-Stakes Push Into Cars, 119.

[54] Some research proposes that knowledge is the most strategically significant source of core competence and thus, of competitive advantage for firms competing in the complex global economy. In a recent publication, this issue is explored through the development of a knowledge-based theory of organizational capability. To examine this theory see: R. M. Grant, Prospering in Dynamically-Competitive Environments: Organizational Capability as Knowledge Integration, *Organization Science*, 7, 1996, 375–387.

[55] Jay Barney's work informs our understanding of the criteria of sustainability. Two publications in which Barney's arguments are detailed are: J. B. Barney, Looking Inside for Competitive Advantage, *Academy of Management Executive*. IX(4), 1995, 49–61; J. B. Barney, Firm Resources and Sustained Competitive Advantage, *Journal of Management*, 17, 1991, 99–120.

[56] The value of understanding the nature of a firm's core competencies is accepted widely. However, one researcher suggests that little guidance is available to help strategic leaders and their co-workers to define carefully their firm's capabilities and core competencies. The experiences of three top-level management teams are described in: K. E. Marino, Developing Consensus on Firm Competencies and Capabilities, *Academy of Management Executive*, X(3), 1996, 40–51.

[57] T. A. Stewart, *Intellectual Capital* (New York: Doubleday/Currency, 1997).

[58] T. A. Stewart, Owens Back From the Dead, *Fortune*, May 26, 1997, 118–126.

[59] Three researchers have identified actions effective strategic leaders and their firms take to maximize the value of this critical organizational resource. These guidelines are offered in: J. B. Quinn, P. Anderson, and S. Finkelstein, Leveraging Intellect, *Academy of Management Executive*, X(3), 1996, 7–27.

[60] Based on organizational meta-learning processes, firms are able to continue gaining competitive advantages by exploiting dynamic core competencies. How this is accomplished is described in: D. Lei, M. A. Hitt, and R. Bettis, Dynamic Core Competences Through Meta-Learning and Strategic Context, *Journal of Management*, 22, 1996, 549–569.

[61] Economist Paul M. Romer's work is thought by some to be controversial. Romer's analyses suggest that ideas and technological discovery are the main drivers of a nation's economic growth. An introduction of these arguments is offered in: B. Wysocki, Jr., For This Economist, Long-Term Prosperity Hangs on Good Ideas, *Wall Street Journal*, January 21, 1997, A1, A8.

[62] H. Rudnitsky, One Hundred Sixty Companies For the Price of One, *Forbes*, February 26, 1996, 56–62.

[63] The potential value of additional national expenditures being allocated to education and training initiatives is explored by a prominent economist in: G. S. Becker, Why the Dole Plan Will Work, *Business Week*, August 26, 1996, 16.

[64] These points are discussed in Bennis, Cultivating Organizational Genius.

[65] J. Katkin, Close the Talent Gap, *Houston Chronicle*, November 9, 1997, C1, C5.

[66] These statistics are drawn from the following two sources: S. Baker, A. Barrett, and L. Himelstein, Calling All Nerds, *Business Week*, March 10, 1997, 36–37; D. Kunke, In Search of Expertise, *Dallas Morning News*. April 16, 1997, D1, D10.

[67] A business practitioner who participated in a debate expressed this view. The focus of the debate was the extent to which the traditional model of the MBA degree is outdated. The full text of this debate appears in: MBA: Is the Traditional Model Doomed? *Harvard Business Review*, 70(6), 1992, 128–140.

[68] For more information about Mr. Brabeck-Letmathe's views, see: Miller, Leadership's Common Denominator.

[69] These questions appear at the beginning of the interviews with Drucker, et al., op. cit.

[70] B. Vlasic, Can Chrysler keep it Up? *Business Week*, November 25, 1996, 108–120.

[71] Southwest Airlines' culture has been cited frequently as a competitive advantage for the firm. Interestingly, everyone (except consultants and U.S. competitors) is welcome to attend the sessions in which the company's culture is discussed. Additional details about the firm's culture sessions are offered in: W. Zellner, Southwest's Love Fest at Love Field, *Business Week*, April 28, 1997, 124.

[72] To explore in greater detail how ethical practices can be used as decision filters, see: J. M. Lozano, Ethics and Management: A Controversial Issue, *Journal of Business Ethics*, 15, 1996, 227–236; J. Milton-Smith, Ethics as Excellence: A Strategic Management Perspective, *Journal of Business Ethics*, 14, 1995, 683–693.

[73] L. Kraar, Acer's Edge: PCs to Go, *Fortune*, October 30, 1995, 187–204.

[74] The developing relationship between corporate social responsibility and society's expectations of corporations was considered through a special issue of *Academy of Management Review*. To examine the special issue's topics, consult the introductory comments included in: S. P. Sethi, Introduction to *AMR*'s Special Topic Forum on Shifting Paradigms: Societal Expectations and Corporate Performance, *Academy of Management Review*, 20, 1995, 18–21.

[75] R. Simons, How New Top Managers Use Control Systems As Levers of Strategic Renewal, *Strategic Management Journal*, 15, 1994, 169–189.

[76] Extensive considerations of the differences between strategic controls and financial controls are presented in several publications including: M. A. Hitt, R. E. Hoskisson, R. A. Johnson, and D. D. Moesel, The Market for Corporate Control and Firm Innovation, *Academy of Management Journal*, 39, 1996, 1084–1119; M. A. Hitt, R. E. Hoskisson, and R. D. Ireland, Mergers and Acquisitions and Managerial Commitment to Innovation in M-form Firms, *Strategic Management Journal*, 11 (Special Issue), 1990, 29–47.

[77] P. Shrivastava, Ecocentric Management for a Risk Society, *Academy of Management Review*, 20, 1995, 119.

[78] Bennis, Cultivating Creative Genius, 87.

[79] Three researchers explain theoretically the value firms can derive through implementation of cooperative strategies formed through interfirm collaborations: A. A. Lado, N. G. Boyd, and S. C. Hanlon, Competition, Cooperation, and the Search for Economic Rents: A Syncretic Model, *Academy of Management Review*, 22, 1997, 110–141. See also K. M. Eisenhardt and C. B. Schoonhoven, Resource-based View of Strategic Alliance Formation: Strategic and Social Effects in Entrepreneurial Firms, *Organization Science*, 7, 1996, 136–150.

[80] Lado, Boyd, and Hanlon argue that "Success in today's business world often requires that firms pursue both competitive and cooperative strategies simultaneously." They define syncretic rent-seeking behavior as actions firms can take to earn economic rents while engaging jointly in competitive and cooperative behaviors.

[81] This point is discussed in some detail in: M. A. Hitt, B. W. Keats and S. DeMarie, Navigating in the New Competitive Landscape: Building Strategic Flexibility and Competitive Advantage in the 21st Century. *Academy of Management Executive*, 12(4), 22–42.

[82] A comprehensive description of James Bonini's experiences as a young, inexperienced manager at a Chrysler Corp. plant is offered in: G. Stern, How a Young Manager Shook Up the Culture At Old Chrysler Plant, *Wall Street Journal*, April 21, 1997, A1, A6.

[83] These possibilities, and their accompanying competitive implications for firms committed to achieving success in the global marketplace are examined in: J. E. Garten, Troubles Ahead in Emerging Markets, *Harvard Business Review*, 1997, 75(3), 38–49.

R. Duane Ireland holds the Curtis Hankamer Chair in Entrepreneurship at Baylor University and is the director of the Entrepreneurship Studies Program at Baylor's Hankamer School of Business. He received his PhD from Texas Tech University. He has been an associate editor of the *Academy of Management Executive* and a consulting editor for *Entrepreneurship: Theory and Practice*. He is now serving as a member of the editorial review boards for *Academy of Management Review* and *Journal of Management*. His research examines questions related to corporate-level strategy, innovation, and core competencies. Currently, he is studying issues related to the intersection between the entrepreneurship and strategic management literatures and factors that differentiate success from failure in mergers and acquisitions. He is the coauthor of *Strategic Management: Competitiveness and Globalization* and is working on three books. He has been selected as Baylor University's outstanding researcher (1998) and as the distinguished professor in the Hankamer School of Business (1986).

Michael A. Hitt holds the Paul M. and Rosalie Robertson Chair in Business Administration at Texas A&M University. He received his PhD from the University of Colorado and has been selected to receive an honorary doctorate from the Universidad Carlos III de Madrid for his contributions to the field. He is a former editor of the *Academy of Management Journal* and a past president of the Academy of Management. A frequent contributor to the literature, he focuses on international strategy, corporate governance, innovation, importance of intangible resources and the new competitive landscape. He is the coauthor or coeditor of several recent books, including *Downscoping: How to Tame the Diversified Firm*; *Strategic Management: Competitiveness and Globalization*; *Managing Strategically in an Interconnected World*; and *New Managerial Mindsets*. He is a fellow of the Academy of Management and received the 1996 Award for Outstanding Academic Contributions to Competitiveness from the American Society for Competitiveness.