

- **Strategic Leadership:** The chapter identifies three interdependent activities that are central to strategic leadership; namely, setting direction, designing the organization, and nurturing a culture dedicated to excellence and ethical behavior. Both during your life as a student and in organizations at which you have worked, you have often assumed leadership positions. To what extent have you consciously and successfully engaged in each of these activities? Observe the leaders in your organization and assess to what extent you can learn from them the qualities of strategic leadership that you can use to advance your own career.
- **Power:** Identify the sources of power used by your superior at work. How do this person's primary source of power and the way he or she uses it affect your own creativity, morale, and willingness to stay with the organization? In addition, identify approaches you will use to enhance your power as you move up your career ladder. Explain why you chose these approaches.
- **Emotional Intelligence:** The chapter identifies the five components of emotional intelligence (self-awareness, self-regulation, motivation, empathy, and social skills). How do you rate yourself on each of these components? What steps can you take to improve your emotional intelligence and achieve greater career success?
- **Creating an Ethical Organization:** Identify an ethical dilemma that you personally faced in the course of your work. How did you respond to it? Was your response compliance-based, integrity-based, or even unethical? If your behavior was compliance-based, speculate on how it would have been different if it were integrity-based. What have you learned from your experience that would make you a more ethical leader in the future?

summary

Strategic leadership is vital in ensuring that strategies are formulated and implemented in an effective manner. Leaders must play a central role in performing three critical and interdependent activities: setting the direction, designing the organization, and nurturing a culture committed to excellence and ethical behavior. If leaders ignore or are ineffective at performing any one of the three, the organization will not be very successful. We identified two elements of leadership that contribute to success—overcoming barriers to change and using power effectively.

For leaders to effectively fulfill their activities, emotional intelligence (EI) is very important. Five elements that contribute to EI are self-awareness, self-regulation, motivation, empathy, and social skill. The first three elements pertain to self-management skills, whereas the last two are associated with a person's ability to manage relationships with others. We addressed some of the potential drawbacks from the ineffective use of EI. These include the dysfunctional use of power as well as a tendency to become overly empathetic, which may result in unreasonably lowered performance expectations.

Leaders need to play a central role in creating a learning organization. Gone are the days when the top-level managers “think” and everyone else in the organization “does.” With rapidly changing, unpredictable, and complex competitive environments, leaders must engage everyone in the ideas and energies of people throughout the organization. Great ideas can come from anywhere in the organization—from the executive suite to the factory floor. The five elements that we discussed as central to a learning organization are inspiring and motivating people with a mission or purpose, empowering people at all levels throughout the organization, accumulating and sharing internal knowledge, gathering external information, and challenging the status quo to stimulate creativity.

In the final section of the chapter, we addressed a leader's central role in instilling ethical behavior in the organization. We discussed the enormous costs that firms face when ethical crises arise—costs in terms of financial and reputational loss as well as the erosion of human capital and relationships with suppliers, customers, society at large, and governmental agencies. And, as we would expect, the benefits of having a strong ethical organization are also numerous. We contrasted compliance-based and integrity-based approaches to organizational ethics. Compliance-based approaches are largely externally motivated; that is, they are motivated by the fear of punishment for doing something that is unlawful. Integrity-based approaches, on the other hand, are driven by a personal and organizational commitment to ethical behavior. We also addressed the four key elements of an ethical organization: role models, corporate credos and codes of conduct, reward and evaluation systems, and policies and procedures.

SUMMARY REVIEW QUESTIONS

1. Three key activities—setting a direction, designing the organization, and nurturing a culture and ethics—are all part of what effective leaders do on a regular basis. Explain how these three activities are interrelated.
2. Define emotional intelligence (EI). What are the key elements of EI? Why is EI so important to successful strategic leadership? Address potential “downsides.”

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3. The knowledge a firm possesses can be a source of competitive advantage. Describe ways that a firm can continuously learn to maintain its competitive position.
4. How can the five central elements of “learning organizations” be incorporated into global companies?
5. What are the benefits to firms and their shareholders of conducting business in an ethical manner?
6. Firms that fail to behave in an ethical manner can incur high costs. What are these costs, and what is their source?
7. What are the most important differences between an “integrity organization” and a “compliance organization” in a firm's approach to organizational ethics?
8. What are some of the important mechanisms for promoting ethics in a firm?

key terms

leadership 350

setting a direction 351

designing the organization 351

excellent and ethical organizational culture 352

barriers to change 355

vested interest in the status quo 355

systemic barriers 355

behavioral barriers 356

political barriers 356

personal time constraints 356

power 356

organizational bases of power 356

personal bases of power 357

emotional intelligence (EI) 358

learning organizations 363

benchmarking 366

competitive benchmarking 366

functional benchmarking 366

ethics 368

organizational ethics 368

ethical orientation 368

compliance-based ethics programs 370

integrity-based ethics programs 370

corporate credo 372

experiential exercise

Select two well-known business leaders—one you admire and one you do not. Evaluate each of them on the five characteristics of emotional intelligence in the table at the bottom of the page.

application questions & exercises

1. Identify two CEOs whose leadership you admire. What is it about their skills, attributes, and effective use of power that causes you to admire them?

2. Founders have an important role in developing their organization's culture and values. At times, their influence persists for many years. Identify and describe two organizations in which the cultures and values established by the founder(s) continue to flourish. You may find research on the Internet helpful in answering this question.
3. Some leaders place a great emphasis on developing superior human capital. In what ways does this help a firm to develop and sustain competitive advantages?
4. In this chapter we discussed the five elements of a “learning organization.” Select a firm with which you are familiar and discuss whether or not it epitomizes some (or all) of these elements.

ethics questions

1. Sometimes organizations must go outside the firm to hire talent, thus bypassing employees already working for the firm. Are there conditions under which this might raise ethical considerations?
2. Ethical crises can occur in virtually any organization. Describe some of the systems, procedures, and processes that can help to prevent such crises.

Emotional Intelligence Characteristics	Admired Leader	Leader Not Admired
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Self-awareness

Self-regulation

Motivation

Empathy

Social skills

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