

# DEVELOPMENT OF LEADERSHIP CAPABILITIES



**JORDI CANALS**  
Dean of IESE

People at the top of organizations need to develop the abilities and attitudes necessary to develop and grow the business over the long term. How can we develop these attributes? The dean of IESE reflects on the various approaches taken to this crucial question.

For many years, executive education was based on passing on knowledge about the principal functions of the company: operations, sales, people, technology and logistics. It is only quite recently that interest has grown in studying the leadership of companies as a set of skills distinct from mere management. But up to what point are these distinct abilities? Should they be developed in activities separate from the development of management skills or, on the other hand, should they be developed within such programs? There is no single answer to these questions, but let's reflect on what they mean.

## AN INTEGRATED PERSPECTIVE ON LEADERSHIP

Leadership at the different levels of managing a business brings dimensions to the organization that go beyond mere knowledge or basic but essential management skills. Leadership, according to the traditional definition by such classical authors as **C. Barnard** and **A. Selznick**, brings something significant to a business: it helps to define the company's direction over the long-term, and gives sense and coherence to the combination of strategy, policies and action plans, both inside and outside the organization.

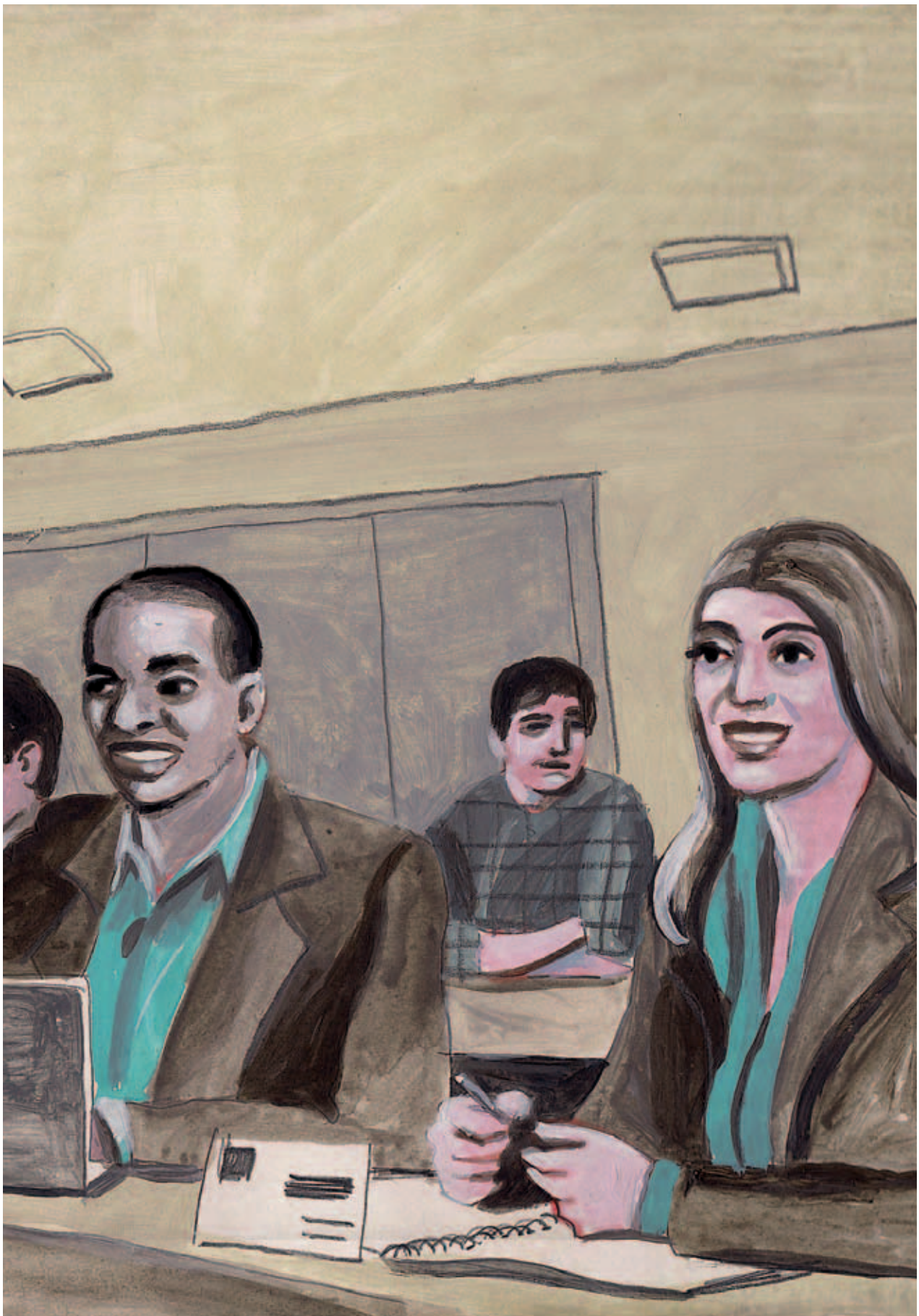
However, these qualities are not independent of understanding the

company and its functions, needs and challenges, nor independent of certain basic management skills, such as analysis, synthesis, communication and negotiation, among others. It follows, therefore, beyond any conceptual distinctions that experts care to make between leadership and management, or between leaders and executives, that it makes sense that executive education programs – such as the general management programs at IESE – address in a coherent and coordinated manner the various dimensions of management, including those that relate to leadership.

## KEY ASPECTS IN THE DEVELOPMENT OF LEADERSHIP CAPABILITIES

There are three main models for developing leadership capabilities. Developing leadership capabilities on the job through selling, managing, setting up teams and managing new projects is a method that underlines the potential for learning that exists in any management position. Each one of these tasks is especially designed and meticulously supervised by other executives.

Leadership capabilities can be developed through special initiatives, either as a part of or separate from the executive's normal work, and which are designed specifically to make just this sort of impact. These initiatives can come in many forms: taking over new projects, setting up multifunction teams to



## A GOOD LEADER IS SOMEONE WHO CAN HELP OTHERS AND BRING OUT THE BEST IN THEM.

enter new markets or simply special activities beyond the normal activity of the company, such as developing initiatives with social impact in the community where the company is based.

The third model is based on devising formal, structured programs to develop and expand leadership capabilities which may complement directly or indirectly the projects and content related to management.

Learning on the job or through special projects have two significant advantages when they are carried out well. The first is the personalization of the process of learning and improvement.

The second is that the capabilities developed are adapted to the company's needs. However, these approaches also suffer from basic limitations. The first is that they're basically in-company programs and there is no exchange of experiences with people from other companies and sectors. As a result they miss out on important learning potential. The second limitation is that companies carry out good work when it comes to expressing values and culture as well as building on recent successes. However, they have less impact when it comes to thinking about new models and future practices.

### COORDINATION OF EDUCATIONAL INITIATIVE

- These two approaches are
- complementary and are most successful when they are integrated into a project that also includes a specific teaching element, through an educational initiative designed with this in mind, whether it's a made-to-measure program designed around the company's needs or a program open to companies from various sectors. For these initiatives to be successful and have any impact there has to be:

- Clear coordination between the strategy and objectives of the company and the program's goals
- Clarity about how the program can help to develop the skills that the company needs

- Commitment on the part of top management to the project

- A conceptual model of developing leadership capabilities on the part of the school that corresponds to the program the business wants to develop.

At IESE, the model that we use in programs for senior management (AMP) and for management development (PLD) are founded on two principles. First, they are based on the conceptualization of ideas, models and knowledge developed from real experience and research.

In these programs, the teaching and development of this knowledge takes place within a general session and is developed by individuals or in small groups before being later discussed in a larger group in the context of a real problem, typically using the case study method.

Secondly, it is based on the real experience acquired by the faculty regarding business problems and possible solutions in a particular area. The context of the class discussion, which involves participants from various companies and businesses discussing real problems and possible conceptual models for dealing with them and finding solutions, is similar to a laboratory. The participants, using their professional experience and basic concepts and ideas, discuss and diagnose the problem, look for possible solutions and devise an action plan. The result is that knowledge, skills and attitudes are all brought together to solve problems. The participants work in these three key dimensions of their professional development. These three dimensions comprise between them the basic architecture of leadership skills.

### WORKING IN THREE DIMENSIONS

- Educational programs that
- focus only on knowledge and skills bear the stamp of management development. Programs that focus on interaction with other professionals, attitudes, personal knowledge and the knowledge of others and character development are more directly related to developing leadership capabilities.

However, integrated development of leadership capabilities means working in three dimensions – knowledge, skills and attitudes – which determine the three modes of being, both personally and professionally: knowing, doing and being. This is a complex adventure but in order to undertake it, none of these dimensions can be left out or the result will be incomplete.

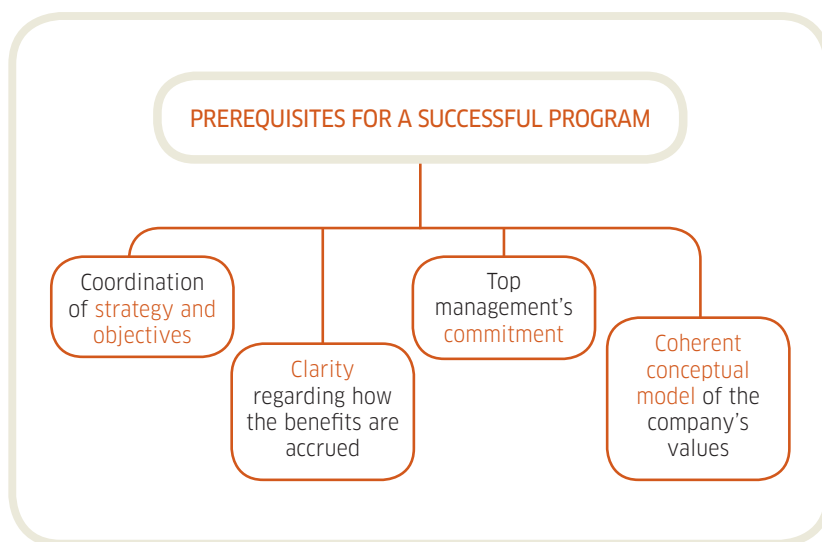
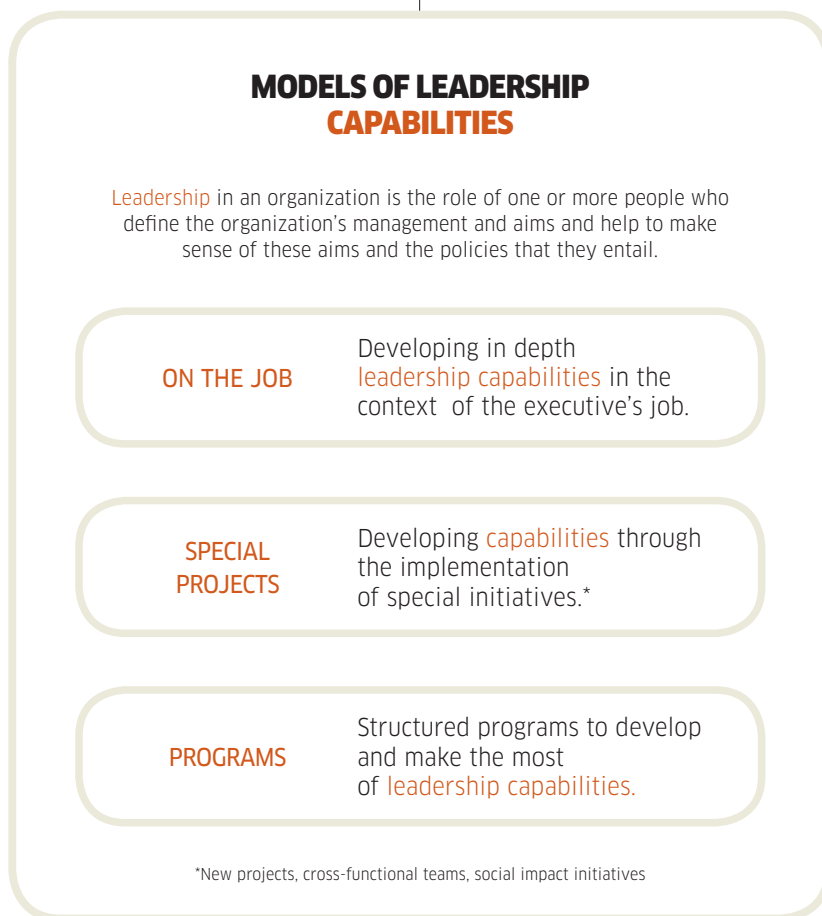
At the same time, in the context of this learning process, the faculty uses these discussions to confirm hypothetical models and to perfect concepts in order to tackle this type of problem. Simultaneously, many professors later contrast these ideas with the real problems they confront on the boards of companies.

There is no doubt that a teaching program, however well structured in regard to these three dimensions, but nevertheless disconnected from the participants' professional reality, will lack impact. However, when such a program is developed in the context of an executive's real work and is complemented by experience in his or her daily work, the potential impact is enormous. This partly explains the rise of executive education programs throughout the world during the past 20 years.

## THE CHALLENGE OF INTEGRATION

● Experience gleaned in executive education internationally over recent decades has allowed us to discern two main paths in terms of leadership. Some schools (such as Harvard, Stanford or IESE) don't limit themselves to offering a good education on these questions, but articulate and integrate them into the perspective of general management. This involves the perspective of those with the most responsibility for running a business – the CEO and his or her team.

The general management perspective has some indispensable attributes. These include a long-term vision; the well-being of the organization takes priority over individual functions or departments; decision-



making processes in which the distinct functions of the company are complement each other in order to arrive at a better decision and a better idea of the role of people. This final attribute eschews treating people in a mechanistic manner and assumes they are responsible, entrepreneurial and have sound ethical principles.

## GENERAL MANAGEMENT PERSPECTIVE

- Long-term vision.
- Subordination of the particular to the general.
- Integrated decision making.
- Encouraging responsibility and ethical awareness and entrepreneurial spirit in the team.
- Sound knowledge of the international business environment.
- Understanding of the complexity of international organizations.
- Ability to lead intercultural teams.

Schools that adopt a general management perspective, design a program of leadership development in a parallel process with communicating knowledge about the various functions of a company, generally in the context of decision making. In this manner, executives develop their abilities in the fields of analysis, synthesis, negotiation, communication, exposure to multicultural environments and self-knowledge, to name but a few. At the same time, using real cases – selected to focus an action plan to deal with the problem – provides an opportunity to reflect on the fundamentals of the ethics of decision making – power, authority, money and motivation – and ensures quality inter-personal relationships within the organization.

### THE ESSENTIAL QUALITIES OF LEADERSHIP

- In short, leadership capabilities are among the qualities required of a professional manager who has responsibilities within the senior management of a company. At the same time, this point of view assumes that a good leader is not only someone who is capable of motivating others but who understands all the relevant matters, who has the capacity to analyze problems and focus solutions in a way

that goes beyond mere intuition, although that too is important.

Such leaders possess attitudes that allow them to lead through example, conviction and persuasion; through charisma rather than simple authority.

In other schools that are more centered on various business functions (MIT, Chicago, NYU and Columbia, to cite only a few), the central idea of teaching is to transmit knowledge about the key questions surrounding the various functions. It is not that they don't deal with questions of general management. However, they have decided to focus on other aspects and in general leave aside the question of integration, arguing that each executive must take it upon themselves to deal with the process of integrating the various functions.

### CAPABILITIES DEVELOPMENT

- More recently, many of them have incorporated the development of capabilities, such as negotiation, communication or high-performance teamwork into their teaching programs, although not always in a manner that is in harmony with the rest of the program.

A sophisticated approach is taken to the question of developing abilities, which is closely related to leadership, using new techniques and exercises in professional development. However, these approaches have significant limitations. The first and main one is that they take the development of leadership abilities as something independent of the knowledge and the abilities needed to run a business (managing people, selling, producing, buying, designing operations, working with banks etc.).

The teaching and development of knowledge follows one route while the development of abilities runs in parallel, and often the two don't meet. Although, conceptually, knowledge and ability are different areas, development has to be integrated because the executive is one person and has to be able to

deal with these diverse dimensions in a unified manner. Furthermore, experience shows that educational programs designed in this manner have a greater impact on executives.

The second limitation of some of these methods is that they rely on techniques based on an idea of human beings that is derived from anthropology, that is limited and deficient, and from negative notions theories about what motivates people.

#### **LEADERSHIP CAPABILITIES IN A GLOBAL ECONOMY**

- Increasing globalization poses further questions. Does globalization affect the development of leadership abilities? Do we need different models from the current ones in order to develop leadership in a more global context?

A more international business environment suggests three more dimensions are involved in leadership development.

- The everyday business of the company is more complicated.
- The internal organization is also more complex and demands more sophistication in the interaction with people from the same company who are operating in different geographical areas.
- The relationship between the business and its clients, suppliers, financial bodies and governments in the country in question acquires different dimensions.

Faced with these challenges, some authors point to the need to create what they call a global mindset for international leaders. This global executive outlook must include a more thorough knowledge of the environment and of international business, a better understanding of sociological aspects of international organizations and of the interaction between them and an enhanced ability to manage teams of people from different cultures. This includes a greater sensitivity towards the cultural and ethical traditions of different countries.

It's clear that developing management capacities at an international level demands real experience, in the same way that is difficult to develop leadership abilities in general in someone who has no experience of managing people or organizations.

Therefore, working on international projects has a direct bearing on developing these abilities. However, a more integrated global economy doesn't call into question the basic aspects of leadership development but only demands that specific educational programs place greater emphasis on these questions which, in less open economies, are of less importance.

#### **THE NEED FOR LEADERSHIP CAPABILITIES**

- Leadership of an organization is something that is carried out by one or various people who define the aims of the management of the organization in such a way that it informs the policies the business adopts. This assumes that leaders acquire the necessary knowledge and possess the ability and attitudes necessary to achieve good results over the long term.

In this regard, 21st century businesses, and society in general, needs this sort of positive leadership grounded in knowledge, abilities, virtues and attitudes more than ever.

It follows, therefore, that thinking about the development of leadership capabilities is more urgent and more necessary than ever. Sophisticated management techniques are useful and this is important in developing abilities on the job.

However, the impact is limited and it is no substitute for programs that aim to have a transformational impact on individuals and on companies. There is an enormous need for positive, efficient and responsible leadership in organizations and in society. Universities, and business schools in particular, must make a real effort to contribute to this development.

**THERE IS GREAT  
NEED FOR  
RESPONSIBLE,  
POSITIVE AND  
EXEMPLARY  
LEADERSHIP.  
BUSINESS  
SCHOOLS MUST  
MAKE A REAL  
EFFORT TO  
CONTRIBUTE  
TO ITS  
DEVELOPMENT.**