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Ninety-one executives gathered at IMD on 3-4 June 2014 to learn about the importance of “non-sexy” or instrumental leadership. Professors Hooijberg and Antonakis shared their latest research, followed by a negotiation exercise demonstrating how difficult it is to apply the theory in real-world situations.

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Instrumental Leadership: The Nuts and Bolts of Leadership



There is a gap between what can be called the “soft” side of leadership (transformational) and the side that is more focused on “carrots and sticks” (transactional). Although both are important elements of effective leadership, leaders must also know the “nuts and bolts” of the context in which they are leading. Instrumental leadership fills that gap.

Transformational leadership focuses on setting a vision, being charismatic, developing employees and inspiring them to achieve better individual and organizational performance. This type of leadership has received considerable attention and currently dominates the research and practice landscape.

Transactional leadership focuses on ensuring that employee efforts are aligned with those of the organization by using incentives and disincentives. Other areas of leadership have focused on the traits of effective leaders. Within this work researchers have studied the impact of such variables as height, emotional intelligence, task- and people-oriented behaviors, participative decision-making, mentoring, managing teams, communication and many others.

Because transformational leadership focuses on the big picture and on the inspirational part of leadership, and transactional leadership concentrates on enforcing obligations, there is a huge area of leadership that remains underrepresented in

both research and in educational programs. This area is about answering questions such as “What are the implications of the vision?” “Is it realistic?” “How can we make the vision happen?” What we call “instrumental leadership” deals with scanning the external environment, identifying opportunities, choosing the right strategy, and then providing the needed information, tools and resources to get the job done. It is what could be described as the “non-sexy” part of leadership. In executive education, it is much more fun for both participants and professors to focus on developing an inspirational vision and strategy rather than making the difficult instrumental decisions.

Although this might sound obvious, we frequently see leaders who do not think through strategic decisions and/or do not act in ways consistent with their organization's vision and strategy, and that includes those who formulated that vision and strategy. Organizations often find themselves in the following situations:

- Being led by charismatic leaders who are charming and communicate convincing visions that are difficult to operationalize or are unrealistic.
- Implementing budgeting decisions that are not aligned with the strategy.
- Having unreasonable strategic goals or pursuing opportunities that are inconsistent with the vision.
- Failing to communicate strategic milestones throughout the organization that will help make the vision reality.
- Misaligning various strategic decisions (e.g., HR decisions, reward systems) with the strategy.
- Failing to make business units see how their collective efforts contribute to the strategic vision.
- Commissioning consulting strategy reports that do nothing but collect dust.

Research shows that while there is a significant relationship between transformational leadership and effectiveness, the effect of instrumental leadership is nearly three times as strong.

Instrumental leadership requires knowing which strategy will make the organization adapt to the external environment and aligning that strategy with actions. Leaders must remain attuned to what is happening real-time, both inside and outside the organization, and not just blindly deliver and execute “visions.” Although these tasks are not as sexy as setting a vision and being charismatic or being a great mentor and motivator, instrumental leadership is essential in order for activities relating to vision and strategy to have any real meaning and to ensure that the company stays in business.

One key element that is given relatively short shrift is the role of domain-specific expertise. We would even argue that simply using transformational leadership without such expertise is dangerous for organizations. Research on “expert leadership” shows that leaders who have significant industry experience are more effective than those who do not. According to Professor Amanda Goodall, having experts as managers predicts better performance across different domains such as Formula One teams, basketball teams and hospitals. Similarly, Professor Antonakis’s research clearly shows that deep knowledge of the nuts and bolts of the business you are leading makes a big difference to organizational effectiveness outcomes and matters more than both transformational and transactional leadership.

The nuts and bolts of instrumental leadership

Instrumental leadership focuses on the “what’s” and “how’s” of leadership and the nitty-gritty details. It has two main dimensions. The first is strategic leadership, which consists of 1) environmental monitoring – understanding

an organization’s environment, identifying its strengths, weaknesses, opportunities and threats; and 2) strategy formulation and implementation – developing programs and tactical policies to support the organization’s vision and setting specific organization-wide objectives and goals.

The second dimension is work facilitation, which 1) helps followers achieve their goals through clarification of how to get there and provides the required information and resources; and 2) monitors the performance outcome of followers and corrects errors in a constructive way.

Research shows that while there is a significant relationship between transformational leadership and effectiveness, the effect of instrumental leadership is nearly three times as strong. Given the attention paid to transformational leadership in research and management development and the lack of attention paid to instrumental leadership, these results give business leaders a much-needed “wake-up call.”

In their organizational culture research, IMD Professors Denison and Hooijberg examined how well companies translate their vision and strategy into action. Out of a sample of over 1,000 companies, they analyzed the 25% that scored highest on having a clear strategy for the future, having a shared vision of what the organization will look like in the future, and having a vision that creates excitement and motivation for their employees. They then examined what percentage of the companies that are top in terms of vision and strategy were also top (i.e., in the top 25%) on the following variables:

1. Work is organized so that each person can see the relationship between his or her job and the goals of the organization.
2. Ignoring values will get you into trouble.

Jean-Marie Messier is a good example of a leader whose lack of domain specific knowledge proved disastrous. His background was in privatization and then investment banking. From 1994 he led the diversification of a French water and sewage utility company, Compagnie Générale des Eaux, transforming it into the diversified media giant Vivendi. He was charming and charismatic. In 2001, well before smartphones had become firmly established (the iPhone was only released in 2007), he articulated the powerful vision of selling services to mobile devices that could play music, videos, and provide all sorts of services. However, this vision was too futuristic. Vivendi did not have the knowhow to see it through. A mere six months later, Vivendi’s stock price had fallen 61% and Messier was ousted as CEO. His downfall wiped about €100 billion from stockholder wealth – even more than the Enron scandal. Messier had the vision, ambition and the ability to make deals but lacked the expertise necessary to make his vision a reality.

3. Working with someone from another part of this organization is like working with someone from a different organization.
4. There is good alignment of goals across levels.
5. We respond well to competitors and other changes in the business environment.
6. Attempts to create change usually meet with resistance.
7. People understand what needs to be done for us to succeed in the long run.
8. Short-term thinking often compromises our long-term vision.

Their results support the hypotheses on the need for instrumental leadership. On the positive side, they found that 73% of these companies were also in the top quartile of people understanding what needs to be done to succeed (No. 7). The strategy variables were also positively linked to line of sight (No. 1, 65%) and aligning across levels (No. 4, 65%). The lowest scores were on ignoring values (No. 2, 40%); working with others in the organization is like working with someone from a different organization (No. 3, 40%); and the ability to create change (No. 6, 45%) (see **Table 1**).

some of the key struggles leaders face as they attempt to implement their vision. One particular struggle concerns the ability of the organization to act as “one,” as the results below illustrate.

Lessons learned from practice

It is easy to say that organizations should act as one and that the interests of the organization should come before those of individual business units or departments. Reality, however, is often quite different. To demonstrate some of these conundrums in practice, participants shared in an experiential exercise. They were divided into five different “organizations,” each with three business units (BUs). The organizations were assigned the overall strategy to make as many cubes as possible to sell to customers. The BUs had an inventory of materials with which to build their cubes and specifications about how the cubes should look. They were told how to calculate their profits and were given a strict timetable outlining meeting times with the organization’s other BUs to negotiate for supplies. During the time-pressured exercise, the groups experienced tense moments and pitfalls in

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	Also in the Top 25%							
Top 25%	1. Line of sight	2. Ignoring values	3. Working with other parts of org.	4. Alignment across levels	5. Responding well to competitors	6. Creating change	7. People understand what needs to be done	8. ST thinking vs. LT vision
There is a clear strategy for the future	65%	40%	44%	65%	55%	45%	72%	54%
We have a shared vision of what the organization will be like in the future	67%	43%	46%	69%	56%	49%	73%	53%
Our vision creates excitement and motivation for our employees	53%	66%	40%	56%	52%	65%	58%	57%

Table 1: The extent to which, and how, companies translate vision into actions

These results further stress the need for instrumental leadership. That is, while it is a good start to get everyone to understand the vision and strategy, it takes a lot more work to translate that into action. As the points above highlight, we need to get people to understand how what they do contributes to the vision, that the values spelled out really matter, and that there is alignment across levels and across different parts of the organization so that real change is created. These represent

aligning the organization’s overall strategy to individual BU goals.

Unlike many real life situations, the business units in all five organizations ultimately collaborated to maximize their organization’s overall profit but, in most cases, this outcome was not guaranteed. During organization-wide debriefs, the BUs shared what they had learned from their own behavior, how they perceived the other BUs, and the assumptions they had made during the exercise.

Participants' learnings

Although we spent time learning about the pitfalls of silo-thinking in organizations, I just fell into the trap.

We jumped right into the exercise without deciding who would do what, we just got lucky that we took up complementary roles.

It was easier to trust the people in my group – strangers – than people in my organization because I don't have any preconceived ideas of their reactions and behaviors.

Fact-based decisions are better than assumption-based behavior.

We assumed we had to maximize BU profit but the instructions did not say that!

The knowing–doing gap

The exercise showed that although we know what should be done, we are often unable to execute accordingly due to personal biases, special interests and assumptions. In preparation for the event, Professor Hooijberg had sent a survey asking how participants would react to a series of instrumental leadership dilemmas and what failures they had experienced during their careers. As with the experiential exercise, the survey responses demonstrated that participants knew perfectly well how to manage the dilemmas, as **Table 2** illustrates.

Professor Hooijberg contrasted this with the many failures to act in accordance with what participants know should be done.

Dilemmas	Solutions
Milking the traditional cash cow (currently 80% of revenues) to grow a new product from 5% to 80% of revenues.	Aligning resources, both financial and human, with the future direction of the organization
Moving to a networked and collaborative workplace while all processes and incentives reward individual goals.	Aligning incentive schemes and HR tools with the desired behaviors
Cutting overall organization costs 10% while hiring a new COO.	Communicating seemingly contradictory messages in ways that people accept
Demoting or firing a long-time friend who no longer has the right skills for the new strategic direction	Putting organizational interest before your personal relationships

Table 2: Instrumental leadership dilemmas and participant solutions

Participants cited failures in such areas as overlooking trends, misunderstanding organizational constraints, not adapting to threats and opportunities, failing to implement a well-adapted strategy, defining a well-adapted strategy but not working to reflect it in the organization's practices, not providing the necessary resources and/or clarifications so employees could reach their goals, and not monitoring employees' outcomes.

Participants' key recommendations for narrowing the knowing–doing gap were:

- Communicate to create clarity, walk the talk; set clear expectations; collaboration; own the corrective actions (people, resources, know the passive resisters); reward achievements; and act on the consequences.
- Values – either live and comply with the values or leave and go somewhere else. You need to have the courage and take the personal pain to make this happen.

- Really making sure to break down the strategy into meaningful work and involving people to develop their individual goals and how they plan to achieve them.
- Be clear on the do's and don'ts and measure how strategy is deployed. Then every employee can understand the why, what and how of strategy (i.e. how each employee contributes to making the strategy happen).
- Value tactics over strategies – then continuously learn from doing. This requires recognizing and being ok with failure, which is ok once but not all the time.
- Transparency on path and goal, how to get there. Sense of urgency of the change.

Conclusion

The current focus on transformational and transactional leadership must not outweigh the non-sexy role of instrumental leadership. Managers should use all styles to make tough choices, have difficult conversations, hold people accountable, ensure intra-organizational alignment and follow through on the delivery of the stated vision. Leaders struggle to ensure their visions are aligned with their choices and to establish vision-consistent processes. They often feel ill-prepared, under- or unsupported and face conflicting interests. Yet, instrumental leadership is essential for capturing the full value of transformational leadership and vision implementation.

Developing instrumental leadership requires rolling up your sleeves and making sure that the nuts and bolts are in place. Although this necessitates experience and dedication, the payoff in terms of effective leadership is worth it.