Going the distance: Leadership for tomorrow

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Abstract: Corporate leadership tomorrow has differing agendas to past corporate deliverables. The forthcoming leader engages less levels of management, and executes greater leader-to-operational-level closeness. This perspective reduces costs and errors, delivers timely decisions and greater agility, increases performance, and involves greater employee responsibility. This leadership approach focuses on the physical dimensions of the business, but also reaches across digital and mobile platforms and bridges into the serious gaming intelligence gathering and modelling platform.

Keywords: Leadership, business, strategy, operations, knowledge, capability, transfer, learning.

1. Introduction

Businesses pursuing networked, future-focused strategies continually weigh-up risk and return options (Bower, et al., 2011). Some move incrementally, whilst others seek to move ‘beyond the norms’ of business competition (Kim and Mauborgne, 2005). Larger corporations such as: General Electric, Nokia, Toyota, LendLease, BHP-Billiton, and Rio Tinto grow their existing markets by strategic leadership selections (Gopinath, et al., 2011). Leaders of such organizations grow their businesses by engaging in business-sharing networks (Priess, 2005), innovations (Amar, et al., 2009), competing parallel operations (Adler et al., 2009), intelligent technologies, data, and systems and markets connectivity (Henisz and Zelner, 2010). When conjointly networked, such leadership-relevant intelligence approaches offer dynamic response capabilities (Harreld, et al., 2010) from which competitive intelligences may emerge (Liebowitz, 2010). Over time, these competitive intelligences combinations build into change management applications and they expose new business capabilities (Sher and Lee, 2004). By selectively connecting/combining existing (and emerging) competitive intelligences a collective intelligence solution emerges (Carraro and Chong, 2006).

2. Building Future-Focused Business Networks

Today corporate leaders operate under a range of leadership models. These leaders are often: (1) futures thinkers; (2) multi-skilled; (3) environmentally and sustainability aware; (4) directionally focused; (5) customer and upstream business astute; (6) capable of aligning the business expectations to those of its customers, and (7) ‘winners’ (Gopinath, et al., 2011). Such corporate leaders generally remain perceptive, dynamic, visionary, inspirational, and adaptable to change, yet each leader may display differing winning leadership styles (Welch, 2011).

2.1 Leadership styles

Heifetz (1994) believes leaders assist employees to face reality, to confront the issues, and to find non-existent solutions. Farr (2006) suggests multiple leadership styles exist and there is an appropriate leadership style for various specific situations. Farr adds that great leaders employ nearly every leadership style at some time, and that top leaders lead their employees and drive change by inspiring/motivating others into selecting appropriate solutions that solve business-encountered problems (Terry, 1960). Terry notes that ‘lead by example’ leadership empowers employees to unconsciously follow their leader’s example. Here, leadership does not require employees to be...
directly led by a leader. Burns (1978) and Kellerman (2004) see leadership as a collective of leaders-and-followers co-existing, and together delivering results. In this model management-leadership dissent can exist, yet the leader’s direct or indirect influence on employees still delivers positive business directional change – where the corporation can win against its competition.

Corporate leadership may also morally progress the business steadily towards a planned future position. At one extreme this approach can be transformative, instilling new workplace group-perceptions and value congruencies into the business, whilst also raising the employees’ net-living/working standards (Srivastava and Gnyawali, 2011), and at the other extreme leadership may be ‘laissez-faire’ with teamwork discouraged and employees allowed to work individually (Kassim and Sulaiman, 2011).

Zaleznik (1977) believes leaders are inspirational visionaries, yet concerned with substance. In contrast their managers are the planners and implementers of the inspirational processes. Such inspirational leaders articulate a vision that drives change and helps maintain competitive advantage (Waldman et al., 2011). These inspirational leaders positively relate with the performances of each employee-contributing group or team, and with the performance of the organization itself (Flynn & Straw, 2004; Judge & Piccolo, 2004; Sully de Luque, et al., 2008).

Jack Welch (2011) former CEO General Electric believes the most important quality of a leader today is to engage four E’s – energy (have energy), energizing others (build corporate energy), edge (make decisions now, and be innovative), and execution (lead and drive change). He adds these four E’s must be delivered with a winning passion. Hence corporate leadership is multi-faceted and exerts broad-reaching outcomes.

Bennis (1989) suggests leaders perform twelve tasks - they: (1) innovate, (2) ask what, and why, (3) focus on people, (4) do the right things, (5) develop, (6) inspire trust, (7) have longer-term perspectives, (8) challenge the status-quo, (9) have an eye on the horizon; (10) originate, (11) are their own person, and (12) show originality. However, Bennis accepts combinations of these characteristics can predominate at different points in the leader’s reign.

Yang et al. (2010) suggests corporate leaders reach beyond their corporation and extend their knowledge by pooling internal with external knowledge. Depending on leadership style, and the point-in-time of the leader’s life-cycle, the leader then converts existing new knowledge pools into viable refinements, expansive options, and/or innovative business integrations.

2.2 Smart leaders

Kaplan and Norton (2006) views smart leaders as astute assessors of their performance, who stay on track by constantly questioning their: (1) vision and priorities; (2) time management; (3) feedback systems; (4) succession planning; (5) evaluation and alignment; (6) leading under pressure; and (7) capacity to stay truthful to themselves. In large corporations such as: GE, Apple, Microsoft, Dell, FedEx, Google, GM, Virgin, and Sears, such smart leaders data-mine their available intelligences to locate new collective capacities, and then establish alternate strategic directions. Their approaches are often collective intelligences driven and are geared towards competitive positioning within existing or new marketspace (Hamilton and Selen, 2004; Kim and Mauborgne, 2005; Adler, et al., 2009).

Toyota’s leader sets corporation- challenging goals, such as ‘to drive from one side of the US to the other, on one tank of fuel.’ Toyota management personnel data-mine their intelligences, and then explore and experiment, and then execute a range of competing alternatives in search of the pathways to this goal. Other corporations apply ambidextrous approaches - where quickness of switching (or agility) remains a key to competitive success (Adler, 2009).

In retail, successful companies of tomorrow engage their customers via their available omni-channels of retailing/engagement – deploying both digital and physical experiences to sell their product (Rigby, 2011). Here, they focus on knowing what the customer wants before they do (Davenport, Dalle Mule, Lucker, 2011) whilst ensuring their retail stores deliver outstanding face-to-face interactions across all service/product deliverables (Johnson, 2011). Again, the approaches are collective intelligences driven.

In mining, the Rio Tinto leadership operates a seven level business model. This extremely flat management structure has employees as decision makers within their sphere of understanding (or
operational level) (Lynch, 2012). Thus decision making is streamlined and this flat business structure delivers a competitive business model that is roughly 2.5 times more cost efficient than its immediate global rival BHP-Billiton. This flattening to a seven stratum model began in 1979, with orchestrated change management occurring over the subsequent 15+ years. In contrast BHP (the world’s largest mining company) grew in size yet did not flatten its 27 plus levels of management. A change management culture now pervades Rio Tinto, and it is again moving rapidly to design, and fully activate its next vision – an intelligent, technologies-driven ‘mine of the future’ – with minimal people, and robot/machines operated from anywhere in the world. In this paper I now argue the merits of leaders creating flat corporations as these deliver highly competitive intelligent, integrative business models for the future.

2.3 Why flatness is good

Most managers directly oversee between five and twenty direct-report employees. Consider a small business with ten base-level employees and one manager (a 10 to 1 ratio), and operating efficiently in its competitive marketspace. Now, consider a 100,000 base-level employee business with the same 10 employee to 1 manager ratio, and likewise operating efficiently. Here, 11,111 managers now exist (and they manage/operate over five hierarchical levels as shown in Figure 1).

![Figure 1: Management levels](image)

These managers each justify their existence by creating new ideas, variations, and actions to enhance the business. Some managers, at the same level, may differentiate (or specialize) into data intelligence areas such as finance, accounting law, human resources, marketing, sales, research, and operations. Hence, the business differentiates, taps new capabilities, and expands its competitive marketspace. However, managers still ‘compete’ across levels (and between levels) and their decisions/actions may either enhance or hinder the business and the products/services delivered by its base-level employees.

As per Jaques’ (1976) three country, ten level (I to X), capability grouping of managers study (Figure 2), the 11,111 managers of Figure 1 self-select by their personal capability levels. Very few managers possessing the capabilities/capacity to lead. These corporate leaders occupy the highest (level 5) management group. This level 5 top-of-management group matches the small Jaques ‘level X’ leaders group. For example, the level 5 leader (or CEO) of Figure 1 leads and manages 111,110 employees. In Jaques (1976) study, most managers only show degrees of leadership, and each of these managers self-selects into one of the lower management levels within the corporation. Hence, a hierarchical management structure tends to emerge.

Within this management hierarchy an ‘importance’ classification emerges, accompanied by a differential salary scale. In reality, most managers manage other managers but they are paid at least 3 times more than their base-level employees. This additional manager’s salary component exerts a direct and additional overhead cost of at least 33% onto the payroll - thereby exerting a substantive cost impediment against the business. This overhead cost also affects business competitiveness, resource utilization, and overall productivity performance (Finch, 2008). Thus, when the large
business competes with small business it adopts alternate competitiveness tools such as: ‘economies of scale’ purchasing, supply chain and logistics efficiencies of goods movement, mass production and reduced cost per unit, customer purchase convenience of multi-products from one location, and volume sales with lower margins to generate suitable returns. Nevertheless, this hierarchical business model remains a weak cost effective model.

Figure 2: Jaques (1976) management capability levels

With managers managing other managers across five levels the decision making processes slow down. For example, a major change request, along with suggested solutions, is made by the lowest level manager and his base-level employee team. This request for a decision is then referred upwards to higher management levels and sideways to across-level managers. Eventually it reaches the leader, and a decision is actioned down the levels.

In this five vertical-level progression, each level of management makes suggestions, and side issues are raised by some across-level managers - who consider the request from different perspectives. Thus, the decision making process becomes cumbersome, convoluted, very slow, time-consuming, and costly. In addition, this level-detached decision making process often disenfranchises/disempowers the original requesting base-level employees and their manager. Further, in reviewing changes, higher-level managers sometimes misinterpret such requests and add changes to the original request. Associated with such request variations, the risk of making a poor decision and/or executing bad judgments, and/or initiating a non-correct decision (that is later found less workable) increases. Typically lower-level managers are only allocated partial degrees of decision making responsibility, and so they must comply with an upward locus of management control. This top-down management of managers-by-managers process remains a slow, imprecise, and expensive suite of overhead costs.

Finally, under this hierarchical corporate approach a forthcoming Harvard Business School global study shows CEO’s work a 55 hour week, spend 18 hours in meetings, two hours on phone calls, two hours in conference, five hours in business meetings, 20 hours in miscellaneous tasks (of which only six hours alone in thinking/planning time). These CEO’s complain that while sitting in meetings, and doing miscellaneous tasks - the competition is getting their tasks done. Put simply less meetings delivers management productivity, and can allow greater innovative thought time for CEO’s. Hence, I suggest reducing management levels reduces meetings, reduces overhead costs, and increases innovative thought. I now explore other corporate solutions, beginning with the world’s second biggest mining corporation - Rio Tinto.

2.4 Is the Rio Tinto model the solution?

Rio Tinto corporation’s leadership practices (and compensation levels) are interlinked with its employee’s work functions (as based on individual capabilities and talent development). Frontline workforce employees reside at stratum 1 (or task supervisor) or Figure 1’s base-level employees.
Their horizon of thought ranges from one day to three months, and it is task, mono-channeled, and lock-step centered. Here, they concentrate on delivering their daily workforce tasks in an excellent manner. Their requirement to deliver change/improvement outcomes is mapped one-step at a time. Promotion to stratum 2 (superintendent) or Figure 1’s level 1 of management is based on talent assessment, and the employee’s capabilities to handle more complex (and tighter) time-decision horizons, to deliver more complex thought processes, and to coordinate/improve the capabilities of a stratum 1 task supervisor team.

The stratum 2 superintendent) or Figure 1’s level 2 of management must adapt and resolve issues, whilst delivering efficient and effective targeted outcomes. Stratum 3 or Figure 1’s level 2 of management is the major mine manager position. The mine manager is ‘lord of this domain’ and has very broad decision-making powers. Here, planning horizons are one-to-two years. Work practices, systems, and productivity are delivered in this time-frame, and an ability to think and deliver ‘beyond the square’ and across multiple areas remains essential. At Rio Tinto, few employees progress beyond this level, but overall a seven level of management model still operates, and this worldwide seven-level structure delivers great efficiencies.

Like all its mining operations, the Rio Tinto model remains top leadership-level driven. This flat management model has worked for over 30 years. So, does further flattening of the corporation create even better solutions, or does flattening reach a limit where it create problems?

### 2.5 Is Morning Star’s model the solution?

Morning Star, the world’s largest tomato processor, and a US$700 million business in 2010, operates such that no one has a boss. Employees have no centrally defined roles, yet they negotiate responsibilities with their peers. Here, everyone can suggest improvements and lead the change. Everyone can spend the company’s money, but each individual is responsible for procuring the tools needed to do their work. There is no hierarchical structure and no titles, but not everyone is equal, and rivalry between employees is directed towards who contributes, and who contributes most to the task. Remuneration is determined on ROI and other metrics, and is local committee determined, and promotions do not exist.

Here, Morning Star preach ‘if people are free they will be drawn to what they really like, as opposed to being pushed towards what they are told to like’ (Rigby, 2011). Hence, Morning Star’s mission becomes the boss, and employees are empowered and self-manage. This also creates a dilemma – in a large business some base-level employee roles are machine-like and the level 1 manager ensures this base-level work is delivered on-time, precise and within quota.

Without managers, Morning Star’s employees must think laterally, and holistically, and must make intelligent decisions by assessing Morning Stars’ entire system-wide business data stores – which are maintained by self-choosing IT-capable employ - which are maintained by self-choosing IT-capable employees. Hence, like information-availability, communication (and access to communication) is business-wide, yet it is also peer-to-peer, and therefore direct.

The Morning Star approach considerably reduces management costs, but this structure does not suit everyone. Hence, hiring is necessarily costly, complex, and rigorously assesses applicant ‘fit’. In addition, outputs and financial accountability are personal. So, again, is the flat model a corporate solution? The answer is possibly, but some areas may still require attention. For example, how is personal development progressed? Also, as the corporation grows, its socially-dense operations may reach a stage where the peer-filtered company culture is diluted, and/or where information/communication overload may arise. Nevertheless, a smart model (Priess, et al., 2005) somewhere between Rio Tinto and Morning Star is deliverable if the corporate culture is set correctly by the leadership. This requires a leader who is intelligence-focused, innovative, tough, focused, and a successful change management driver.

### 3. Leadership for tomorrow

Change management leadership is multi-pronged, multi-modeled, and multi-targeted, but unless it delivers cost-conscious modeling even the best leaders can experience alternatives that out-compete
their model’s approach. Hence, to lead the business competitively into the future, first, flatten the business model by coalescing management levels that perform like-functions into fewer (ideally one) level of decision/tasks/actions, but do so with a winning and energetic focus that ensures corporate positioning. This process consolidation shortens and targets decision-making.

Second, as each non-productive management layer is removed, broaden and absorb the decision-making responsibilities at the remaining level(s) - possibly in-line with the Rio Tinto model. If the leadership targets extreme savings moves towards the Morning Star model offer one potential solution. It should be noted that flattening moves - like those within the Rio Tinto to Morning Star areas, require: time, careful employee selection, large time commitments (to initiate, training/adjusting of entire workforce), accountability, and careful growth considerations. Further, the extremely flat Morning Star model likely has greatest applicability where simple business models are involved – especially ones delivering few (and uncomplicated) product lines, and using simple delivery processes. This flattening delivers cost savings, and increases business agility.

Third, audit all employees by reassessing (and replotting) their capabilities against their relative potential to perform redefined business activities at level. This involves redefining job functions and decision processes matched at level, upskilling/retraining employees, and minimizing the need for between-level decisions. Hence decision making and agility increase, and job satisfaction increases.

Fourth, connect all employees into available corporate data and communication links, and grow by tapping the collective contributions of all employees. This deepens the sense of belonging between employees, deepens respect/understanding of the overall business, and builds trust.

4. Leadership in the virtual domain

The above leadership approaches are physical actions and largely apply to physical businesses. However, these physical leadership approaches also reach into the digital and mobile platforms, and even bridge into the serious gaming intelligence gathering and modelling platforms.

A business ‘transacts’ something (ideas, data, information, products, services, designs, currency, and/or themselves) with someone (another business, government, customer, competitor, and/or an information seeker), and seeks some form of reward, recognition or counter-trade. Such transaction channels are traditional, and are framed around the physical business world.

Today’s business environment operates within both the physical and/or virtual domains. First, the virtual domain gives global reach to the business, and broadens the suite of transaction approaches. The virtual domain is also a flat platform - no matter the size of the business.

Second, the virtual customer seeks instant, integrated experiences (comparable to those of a shopping/assessment experience). Where this virtual experience is emotionally-engaging, entertaining, exciting, timely, and represents a suitable customer-perceived transaction cost, then a business-customer exchange is more likely to emerge. Today, many corporations grapple with the delivery of such requirements.

Today, virtual environment intelligence techniques, scenario and gaming solutions (Hamilton, Ho, Lemmon, and Lui, 2011), customer-perceived value and satisfaction requirements (Hamilton 2009), and services gateways can now being linked to business expectations. These virtual business-customer interface hooks enable the business to track its externally engaging visitors, to target market, and to expand their market reach. Hence, corporations can grow beyond their physical client base, and can now intelligently monitor/target their customers.

Third, businesses differ - but health, education, logistic, engineering, and government infrastructure operations in Australia are trialing multi-scenario serious gaming environments - such as ‘strategic-operational-delivery-applications (SODA) software. Programs like SODA operate and conjointly share across any mobile or computer software platform. These complex, but concise competing-gaming-scenarios, offer virtual real-world-approximated simulations (complete with management control systems). These approaches can deliver concise software learning - as real-time, training-options for leaders and board room leadership, for management and research, for employee-upskilling, and for workplace training situations. Again, such approaches are cost-effective, reliable,
any-time, anywhere, corporate-specific, intelligence-spreading toolkits, and they can competitively
differentiate a SODA-deploying corporation from its competitors.

Rio Tinto is adopting different virtual world technologies into its future business model. It is
currently building its 'mine of the future' – where its mines operate with minimal people on site and
where mine site robots/machines mine, extract, and move, their robotically mined products. These
robots/machines are operated from an intelligent operational centre which may be located anywhere in
the world. Such approaches offer unprecedented levels in automation, improved sustainability of
performance, efficient and low cost production, improved health, safety and environmental
performance, and attractive work for next generation mine employees.

Rio Tinto’s mine employees can work remotely - like air traffic controllers, and supervise
automated production drills, loaders and haul trucks. They can also remotely build underground block
cave mines and speed the safe construction of shafts and tunnels. They can remotely manage rock
excavation and transport, and can remotely explore using airborne gravity gradiometry land survey
systems. These technologies-framed intelligence suites replace previous employee roles, and provide
enhanced corporate performance.

In 2001 the German’s and Israeli’s each passed electric pulses between nerve endings and silicon
chips – making the idea of human memory implants a possibility. The movie ‘The Matrix’
demonstrated memory uploads. At least one developed nation has since confirmed it is working on
making ‘matrix-learning’ memory-uploads a reality. In February 2012 Australian science has
successfully operated atomic on-off switching - bringing nanotechnology intelligences closer to
reality. Hence, into the future leader-to-employee knowledge transfer capabilities will likely become
more direct and more detailed.

Hence to lead, manage change, develop employee (or machine) capabilities, and to remain
‘winners’ in the business world of the future - corporate leaders should action the levels of corporate,
competitive, and collective intelligences they deem as their strategically-viable business drivers for
their corporations.

5. Conclusion

Tomorrow’s successful leaders remain astute, adaptable, aspirational, agile, assessors of their domain.
Depending on the size and the complexity of their corporation’s outputs, certain limitations emerge.
The merits of developing a flat organization remain clear, but the pathway to achieve this result
remains complex. To overcome inherent resistances to change management (Gopinath, et al., 2011), a
decisive, and sometimes directive, leadership style is likely required. The change management steps
of Kotter (1995; 1996a; 1996b), and those of Lynch’s (2012) twenty plus year study of Rio Tinto,
offer an implementation pathway, but they also deliver a leadership dilemma. The recognizable
corporate benefits (and embedded financial rewards) emerge over the long term - typically over future
decades, yet most corporation leaders typically hold command for far shorter time periods. Hence,
few leaders embark on such visionary ‘leadership for tomorrow’ approaches.

Ideally leaders should flatten their existing business models, and should base responsibilities and
accountabilities for decision-making at level (with possible exceptions where government imposed
legislative considerations are required of the leader).

Into the future, the corporate leader - aiming to improve both their physical and virtual
performances, should continually experiment with new technologies (along with new business
intelligences), and then incorporate those offering best capabilities or exploitation opportunities across
their business platforms. Such changes should be developed as a pathway to further flatten the
organizational structures of the corporation.

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