

1 *Introduction – Leading within and across the functions*

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Leadership is the job of every member of the senior management team . . . The CEO is simply the leader of the orchestra – each section needs to contribute in its own way – for instance you have the leader of the string section, of the trombones, and so on. Clearly we should all be team players as well – but any CXO-level person should be leader, coach, and team player at different times. (CIO, global insurance group¹)

CXO is the collective name given to that expanding class of corporate executives whose title begins with the word ‘chief’ and ends with the word ‘officer’. In this book, we present the critical leadership tasks that must be undertaken, and the methods used by CXOs in the functions of marketing, sales, finance, research and technology, supply chain, manufacturing, information technology, human resources, governance, communications, the business unit president, and the CEO.

Together these executives provide full coverage of the business capabilities required at the apex of the corporation.

Why CXOs?

This book is a response to requests made to us by many executives for a straightforward exposition of leadership *in context*.

The authors are professors and researchers at IMD, a leading global business school based in Switzerland. In our development programmes and field research, we are in continuous discussion with people whose responsibility is to get business results, short term and longer term. These people are also responsible for developing others who similarly must achieve results in the context of ever-greater business challenges.

We hear a wide range of descriptions and assessments of the complexities and uncertainties inherent in these challenges. One observation and request that we have heard increasingly in recent times is:

We are busier and busier. We know that clear-sighted and pragmatic leadership is necessary to keep our people from misspending their valuable time and energy. Actually, we need good leadership to help us all avoid going nuts at times! So now, please, take us back to basics: what is good leadership? There are many gurus offering idealistic formulas. But can we have the no frills version? And can you please answer that 'in context'? First, so that I can better see the implications in my own line of work. But also, so that I can see what all the other managers in the company are trying to do.

This would help us all better align our efforts to achieve better results, and remain sane!

The above is a compilation of comments made by many managers in a wide variety of companies and industries. Remarkably, we hear the same refrain from first-time managers, from MBA participants, from mid-level project and operations managers, and from senior executives, including CEOs. We have even heard it from seasoned board members who now realize that they need to refresh themselves about some of the details in the broad range of responsibilities of their company's executives.

In some cases, though it might seem strange, these very senior people in top governance roles must learn – for the first time – what some areas of management are actually all about.

This book is our response to this clear and present challenge of leadership development. The chapters document the tasks – and essential initiatives and responses to handle these tasks – that comprise the work of senior executives at the pinnacle of the company's core business functions.

The book is also a reaction to widespread calls for functional managers to take a company-wide view of issues. Management educators and consultants – and CEOs – constantly tell them: 'Look beyond your own backyard, get out of your silos, throw off your tunnel vision, and take a strategic perspective.'

This is a very common, and often useful, point to make to ambitious executives. But this piece of advice has an important twin that is often overlooked. To be influential beyond one's own turf, it is essential to be high-performing and high-contributing on that home turf.

The advice to become business partners and activists at the strategy level can encourage CXOs to take their eyes off the basics and can end up undermining their legitimacy as strategic contributors. Service functions should look to *serve* before they try to change the business.

The CXO's leadership credibility also rests on setting up processes that will continue to improve the technical capabilities of the function and help the firm to manage change. With these fundamentals in place, *then* CXOs can expect to contribute strategically.

Here, we tackle both sides of the challenge. We delve into what it is CXOs must do to make their own function work effectively – and explore how to knit it all together.

Audience

As the book developed, we found ourselves writing for three very distinct audiences and we could see them each using the book in different ways: business school students; mid-level and senior executives; and CEOs and boards of directors.

For MBA participants and upper-level undergraduates, who have not yet had the breadth of experience required to perform a CXO role, we provide a view across the entire leadership team. For many business students, the book will provide a greater understanding of the work of the corporate leadership team and the issues that top executives face each day. This sheds light on how and why CXOs perform their jobs in the way they do; something that often does not make sense to people with limited exposure to senior executives.

Secondly, the material in this book is useful for practising managers, including mid-level executives aiming to go higher and project leaders whose work often spans the various functional areas. It is also useful for line managers who aspire to make more sophisticated and high-impact contributions as leaders within the company. Even current CXOs can broaden their understanding of how to contribute within their function and what is expected of them at the top leadership table. It is equally important that executives gain a richer appreciation of what is expected of their colleagues in the leadership team. Armed with this broader perspective, managers can forge more powerful relationships with colleagues and play a more-productive role in their company.

Finally, for CEOs, business unit presidents and board members who are responsible for influencing the work of executive leadership teams, the book provides tools for assessing incumbents and candidates for the highest leadership roles in the headquarters staff. A clear understanding of the profiles, the job expectations and the functional skills needed to staff a CXO team can help CEOs and their boards make

more-informed people decisions, and better assessments of their performance.

Leading in the top team: the CXO challenge

The book is divided into three parts. First, we lay out the imperatives that are common to all CXO jobs. Second, we examine the particularities of the individual CXO roles. Third, we consider how managers can find better ways of working together and integrating their efforts *across* the functions, to serve the larger corporate purpose.

Section 1: The business imperatives

A key theme of this book is that executives – bright and highly-experienced people – can sometimes get sidetracked from doing the obvious, the necessary things to do their jobs well. So we start with the essentials.

In section 1, we open with a broad view of leadership. Increasingly, it is necessary for companies to cultivate leaders at every level from CXO right through to front-line levels – project managers, team leaders and supervisors. They too must lead across boundaries, often without formal authority. They too must confront rapid change in business strategies, technology and work processes. They too must provide purpose, direction and focus for their employees in a context of high uncertainty.

The following leadership images are presented: the significance of the leader as wealth creator; the close relationship between leadership and strategy; the critical leadership methods of mission, process, structure and culture; and the central theme of the importance of quality-focus in the actions of the leader.

We then set out the two business imperatives that CXOs have in their overall wealth-creation mission: the management of talent and the management of learning. The themes are important enough to warrant their own chapters as they provide a basis for all CXO positions – and as such, are revisited throughout the book.

CXOs must master the use of talent and learning to ensure that their organization not only thrives today, but is also prepared for tomorrow's challenges.

Executives define talent in many different ways. In chapter 3, we introduce a framework by which to organize the CXOs' managing of their talent pool.

Seasoned executives observe that many students graduating from business schools expect that the bulk of their learning is behind them. However, people with a few years of experience in real business often observe that graduation from school marks the beginning of the learning marathon.

In chapter 4, we focus executive thinking on how to use learning management to maintain competitive advantages for their company. One of the key themes is the necessity to cultivate the habit of stepping away from the day-to-day work environment to regain perspective.

We then turn to the core of the book, which looks at leadership from the perspective of those who staff the top roles in the typical corporate headquarters.

Section 2: The CXO leadership challenge

Having discussed the key framing issues that must underpin the actions of any unit leader, section 2 documents the key tasks in each functional area, namely: marketing, supply chain, manufacturing, finance, technology and research, information management, human resources, governance and communication.

We start with marketing, because the entire business process rests on the identification and fulfilling of customer needs. The final role is that of the communications chief as this role provides a useful overview of the major stakeholders who must be informed of, involved in or influenced by the corporation's plans and activities.

Clearly these are not all the people that would report directly to the CEO, but in the interests of focus we have not included divisional or regional heads. On the other hand, we do address their concerns in a practical chapter on how the CXOs can provide better support to the heads of business operations.

The chapters in section 2 set out what successful CXOs do to ensure effective leadership within their respective functions. A combination of real-life examples and conceptual frameworks provide insights into both the overall challenges of the functional role and the everyday work of each CXO. Each chapter covers a similar set of themes, which include:

- The historical development of the CXO role;
- Current issues and trends;

- The critical tasks faced by the CXO, and the skills required to do the work;
- The role of the CXO at the top leadership table;
- Possible future changes in the CXO role;
- A purpose, direction and focus assessment of each CXO.

The purpose of this section is to highlight the contrasting realities of leading within each function. Each CXO confronts the same questions: What are my main roles and responsibilities? What do I have to deliver to the business units? What can I not afford to get wrong? What competing demands do I need to balance? What are the key constraints? Who are my internal customers? Which stakeholders require the most attention? Which matrices matter most? How will my effectiveness be judged? How can I have more say in the strategic direction of the firm? The same questions apply, but the answers to these questions differ significantly across the functions.

In short, differences in the purpose, direction and focus of each function lead to differences in outlook and leadership style. Section 2 shows how different CXOs inhabit different incentive regimes and ‘thought worlds’, reflecting the unique perspective, experience and priorities of each function.²

Section 2 concludes by exploring the often-tense relationship between CXOs and the line managers whom they must both influence *and* serve.

Section 3: The CEO and the leadership team – pulling it all together

In section 3, we present the challenges of integrating and aligning the contributions of all these functional areas, and then the methods to deal with these challenges. The critical roles of the CEO and the tasks of teamwork at the top level are examined in detail.

First, we use a five-role model to explore the CEO’s job and to consider which CXO positions provide good exposure to the various roles – but also to underline that the CEO job involves a very-substantive expansion of responsibilities. This chapter paves the way for a treatment of the CEO position along the lines of the previous CXO chapters.

Then, we explore the relations among CXOs as they strive to contribute to the firm’s corporate goals. A key factor influencing the weight

of each CXO's say in the strategic discussion is the ability to build alliances with, and to appreciate the perspective of, colleagues.

Observers of management – including academics, consultants and even board members – often bemoan the existence of 'functional chimneys', 'fiefdoms' and 'silos' that inhibit collaborative efforts within organizations. Often, these critics worry that clashes within the top management team are the result of politics, in-fighting and power-chasing among the CXOs.

The viewpoints presented in this section can help CXOs and their staffs to see beyond their own functional frames. We show how the various CXOs and their staffs view the business in different ways – for the simple reason that they are subject to very different concerns and constraints, choices and objectives and, critically, incentives. Understanding this range of perspectives is important for all CXOs, indeed any managers and professionals, who must engage in productive dialogue with colleagues in other functions.

We also consider the opportunities for and obstacles to improved co-operation across functional boundaries. We provide guidance by which managers can find better ways of working together and integrating their efforts across the functions, to serve the larger corporate purpose.

The concluding chapter reviews the leadership challenge of orchestrating the CXO team to deliver high-quality results in its ultimate mission of wealth creation.

Notes

- 1 G. Flood, 'Leading the way', *MIS UK*, 22 (1 April) (2004).
- 2 D. Dougherty, 'Interpretive barriers to successful product innovation in large firms', *Organization Science*, 3 (2) (1992), pp. 179–202.

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SECTION I

The Business Imperatives

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2 *The Leadership Imperative – Driving wealth creation*

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It's my job to consider the long term. Most people in most jobs in the company don't think like that. They think about the day-to-day things – that's as it should be – so it's not at all obvious to them why the changes I think have to be made, have to be made.¹

(CEO, global airline)

I sometimes see in leadership books and in reviews of these books a statement along the lines of: 'After decades of study, the phenomena of leadership are still not well understood.' This is a mistaken view.

Actually, a great deal is understood about leadership, and has been for a very long time. While it is certainly true that leadership is a vast and multi-faceted topic that finds different expressions in different situations, and can therefore be described and interpreted in many different ways, we can still make valid and fertile statements about 'what is leadership', even if there will never be a single-paragraph definition that will satisfy everyone.

The view of leadership that follows in this chapter is the author's personal statement. It will not be to all tastes. It distils twenty-five years of observation, engagement and scholarship, working closely with executives and listening to their views, as well as researching leadership across business, politics, the military, the arts, entertainment and sport.

Leadership and strategy are closely intertwined, in concept and practice. Both convey the related elements of desirable goals, the methods for pursuing them, and results actually achieved. Especially when we explore leadership in the business enterprise, as we do in this book, it is important to bear in mind this close relationship between individual leaders and the strategies they devise and employ.

A very general point to make about leaders is this:

Leaders are known by the goals and ambitions they express, by the results they achieve, and by their methods for achieving these results.

This chapter is presented in these terms. We look at leadership and strategy in terms of results to accomplish, and the methods for achieving them.

Later in this book we explore the specifics of leadership within the various functional areas of the firm – the work of the CXOs. The aim of the current chapter is to provide a general framework for leadership in business within which these later CXO examples provide details and particulars.

The intention in this chapter and throughout the book is to convey an overview, and some details, that readers can use to explore the following questions for themselves: What is my application of this to my own work? How does this apply to the leadership work that I am doing now, and must do, or will volunteer to do in the future?

Leaders must get results

Leaders in business must *create wealth*, short term and longer term. This can take many forms, but it starts with financial wealth. Business leaders must articulate and implement a theory of how the firm will make money given its position in its industry, and under given conditions of risk and speed of return on investment.

Financial wealth

This business theory must demonstrate why customers in growing numbers will repeatedly buy from the firm, and not from its rivals. It must spell out why customers will pay prices that significantly exceed the total costs of delivery and allow profits to be re-invested in pursuit of future results. It must be clear which existing capabilities this proposition is built on, and which future capabilities must be developed to sustain the advantage, and keep competitors at bay².

It is vital that CXOs – indeed as many leaders in the business as feasible – fully comprehend this theory, support it, and put it into action in their own spheres of influence. It is best when leaders at all levels are clear about how they can best contribute to the overall strategy. This way they can adapt and channel the efforts of their units into supporting the firm's economic model.

In extremely-competitive business situations, where profit margins are slim and under threat, the ideal but often-unattainable condition is that all employees, including the least paid, are fully aware of these key