13 The Leader's Prison

Robert Galavan and John Cullen

Conducting long-term strategic planning in a fluid and uncertain world; controlling organizations while attempting to remain flexible; stewarding employees through processes of change whilst maintaining one's credibility; motivating whilst keeping an eye on profitability; and remaining nimble-minded while crafting innovative futures. The demands of leadership are simultaneously delightful and daunting, which is probably why more books, research theses, and articles are published on the subject than any other aspect of business or management.

However insurmountable the challenges of leadership may appear, many senior managers meet the demands and some even manage to do so with style! Others, no matter how hard they try, regardless of their brilliance or past achievements, fail. Why is this? A scan of the business sections of the popular press would doubtlessly provide the 'correlation' oriented student with enough data to apparently answer this question. Successful businesses, it would seem, rise to their lofty heights because of the efforts of talented management teams. Despite the difficulties of emerging technologies and the vagaries of the markets, these select groups have managed to step with grace through the war-torn industry and emerge with the spoils. On the other hand, organizations that fail to remain competitive are often the victims of failures within the market in which they operate and not because of a lack of management talent.

A student of human behavior will quickly recognize this relationship between success and leadership, and failure and circumstances, as a self-serving attribution. That is, we as humans have an innate tendency to believe good things happen because of our actions and bad things happen because of factors outside of our control. To believe otherwise would be to accept that we were the cause of our own problems. But even if what we observe in the pages of the business press is self-serving, we cannot simply dismiss it. Could it be true that managers create success, but circumstances cause failure? As with most management issues, the response will be sometimes and it depends. In some cases it is the market, in some cases the leader, in some the organization, and even occasionally the government! The important thing for us to know is what causes leaders or their organizations' environments to be more or less influential. Central to our explanation of this is an understanding of the level of *discretion* available to leaders in any given situation.

It is broadly accepted that, to some extent, leaders matter to the performance of their firms. The widely publicized pay rates of senior executives, the growth of a global search and headhunt industry, and the attention paid by the contemporary organization to talent development are surface indicators of these beliefs, underscoring a deeply, often tacitly held conviction that quality of leadership is instrumental to sustainable growth. Of course, while this is the generally accepted view in contemporary management circles, it could be argued that it would seem less than beneficial for leaders to make any alternative claim. On the other hand researchers, unencumbered by the limitations of their practitioner subjects, have a well-established (even if not well read by management practitioners) school of thought that argues to the contrary. It articulates that managers really don't matter very much. Proponents of this view, who are broadly categorized as population ecologists, take a somewhat Darwinian perspective, explaining corporate performance as a function of fit between the organization and its environment.[1] Organizations are, from this perspective, too large, slow, cumbersome, political, and socially embedded for mere leaders to influence them much and so, if organizations find that they are a poor fit for their changing markets, they simply die out and are replaced by a better-fitted species. The only solution available to managers and to organizations in this scenario is to engage in regular cycles of 'creative destruction,' where the entire organization is radically redesigned from top to bottom with the aim of continually readjusting itself to meet rapidly changing industry environments and customer needs.[2] This view, of course, is closely aligned to the perspective that all organizations, over their lifespan, are engaged in cycles of quiet evolutionary periods which are disrupted by a significant challenge or leadership crisis which demands a short, sharp period of revolutionary change.[3]

The counter-claim is that managers really do matter and that leaders can and do change the course of their organizations and so materially affect their performance and in some cases make profound differences that change the industry. In this counter-claim, even leaders facing the most intractable of problems such as crime on city streets can and do make a difference. Take, for example, Rudi Giuliani who is widely credited by the press as having cleaned up the streets of New York in the 1990s. Surely if the tenuous powers of a city mayor can be enacted to effectively lead the diverse and complex organization of city bureaucrats and police, then leaders must matter. But this would be to presume that it was in fact Giuliani or indeed anyone in the city organization that managed to reduce the crime rate in New York. At least one notable award-winning economist, the Harvard-educated Stephen Levitt, disagrees.

He, rather controversially, offered an alternative explanation for the reduction of crime in New York in the 1990s as an effect of legalizing abortion in the USA following the *Roe* vs. *Wade* case in 1973. He posits that rather than congratulating Giuliani for his efforts we can see that 'legalized abortion led to less unwantedness; unwantedness leads to high crime; legalized abortion, therefore, led to less crime.'[4] In other words the teenagers of the 1990s who might have become criminals were simply never born. While this explanation may be viewed as morally outrageous, if it has even a semblance of truth, then Giuliani's success in the war on crime is at least partly due to a change in his organization's environment and not simply the result of his leadership. Taken in the extreme, he got lucky by being in the right place at the right time and took credit for the inevitable.

The risk in following the course of this argument is that we get caught in the rather academic and black and white divide of whether managers do or don't matter. A more pragmatic course is to perhaps try to understand the circumstances in which leaders have a greater or lesser effect. Phrased slightly differently, we are trying to understand the extent of the constraints on a leader's discretion. Broadly speaking, these constraints come in at least two forms:[5] the operating environment and the organization itself.

Let us consider in the first instance the operating environment which, for commercial organizations, can usually be described by the concept of its industry. In some cases, the industry will confer more discretion on a leader than in others. Take for example the differences between the software industry and the forestry industry. If we consider just three factors that affect the discretion afforded to these industries, product commoditization, demand stability, and capital intensity, we can easily identify the software industry as a high-discretion industry and forestry as a low-discretion industry (see Table 13.1). The net effect is that managers in the software industry have a greater latitude of action and so firm performance in the software industry is relatively more affected by managers and less so by the industry conditions. In the case of the forestry industry (in Ireland) managers can do relatively little about the market price of logs and so are constrained in their actions. On this basis, forestry managers are prisoners of their industry while software managers roam free.

TABLE 13.1 Discretion in different industries

	Software	Forestry
Product commoditization	Low	High
Demand stability	Low	High
Capital intensity	Low	High
Overall discretion	**High**	**Low**

The second form of constraint on a manager's discretion is the organization itself. Large organizations with limited slack resources and powerful cultures constrain their leader's discretion. We can see the effect of how culture constrains discretion in the print industry. Over the past two decades the market and the technology for printing has changed enormously. Many organizations built on craft traditions with powerful and long-standing union agreements were understandably slow to change. As the markets tightened, their slack resources dwindled, making their operating circumstances even more difficult for them. Many of the firms that prospered in this phase were new start-ups, unencumbered by sunk capital, traditions, and powerful cultures. These new organizations, operating in the same industry, provided the opportunities for their founders to build capabilities that met the emerging market needs, leaving their tradition-encumbered predecessors imprisoned by their organizations' histories. This inability of an organization to change even when alarm bells are ringing loudly that the market is changing has been described as 'cultural lock-in'[6] and is a powerful example that often 'strong' cultures which are allowed to develop, or even are purposefully created, in organizations can eventually become pathological to an organization's own well-being, competitiveness, and sustainability.

Knowing whether an industry, an organization, or both give or constrain a leader's discretion should help us understand the circumstances in which managers matter most, and indeed, the research would seem to bear this out.[7] On average managers in high-discretion contexts matter more than those in low-discretion contexts. But 'on average' isn't much use when we need to consider a specific case. No organization has an average leader. They have real people who lead individual lives and while some industries undoubtedly have inherent constraints, sometimes the constraints are more in the minds of the industry leaders. A lucid example is that of the airline industry which, in a few years in the 1980s, lost more money than it had made in its entire history. It almost repeated this remarkable feat in the aftermath of the 11 September attacks. Its lack of fluid resources, capital intensity, and, apart from infrequent shocks, demand stability provided all of the characteristics of a low-discretion industry. The rules of the game were well established and all organizations followed a similar patter of competition with little variation. This was until Herb Kelleher brought low-cost carriers to the fore in America with Southwest Airlines, followed in Europe by Michael O'Leary's Ryanair, and subsequently Stelios Haji-Ioannou's easyJet. Their subsequent success in this industry is well documented. So how were they able to take on the considerable might of the airline industry and win? Well, one of the reasons was that these new operators were clearly unencumbered by the constraints of their organizations. They developed new organizations and had the discretion to establish different cultures, policies, routines, standards, and processes. Their counterparts, embedded in the full service businesses, were constrained by contracts, relationships, business models, capital structures, pay agreements, and more; and they quickly recognized this. The reaction of some was insightful and they set up 'new' rival organizations such as Buzz and Go that would be unencumbered by their existing conditions and have the discretion to take on the pretenders to their throne. The subsequent success or more to the point lack of success of these organizations is equally well documented. Why though, if the constraints of the existing organizations were lifted, could these fledgling offspring not survive?

The reasons can partly be explained by the third type of discretion constraint, the leaders themselves. While the offshoots of the major airlines benefited from the organizational discretion afforded to them through a lack of established assets, processes, and routines in their new organization, their senior executives were experienced airline people and, while they had the potential to benefit from this discretion, perhaps they were unable to perceive and act on it. On the other hand the leaders of the new low-cost airlines had no such experiential constraints; before entering the airline industry Kelleher was a practicing lawyer, O'Leary an accountant, and Stelios a serial entrepreneur. Rather than being imprisoned by their knowledge of the industry and the rules they couldn't break, they used their innovative capabilities to the full to find new ways of building the most profitable airlines of the twenty-first century. By not being part of the culture of the industry in which they found themselves leaders, they were enabled to think outside the established cultural paradigms of the sector. If we articulate culture as simply the subconscious acceptance of 'the way things are done around here,' and these new industry leaders were not of this culture, we can see they had a greater level of conscious awareness of the way things are *not done* around here, which equipped them with a sensitivity to the potential pathologies of the industry they faced at that point in time.

So we can clearly identify that the nature of the industry matters and the nature of the organization matters. In other words some leaders operate in highly discretionary external and organizational settings and some find, regardless of their efforts, that change proves next to impossible. From this we can take it that it is absolutely essential for leaders to assess the level of discretion available to them in a given situation. Failure to do so will lead to underperformance by not forging ahead with enough gusto when the discretion is available, or wasting energy trying to change things when it is not.

This assessment of course assumes that leaders have the capability to assess the reality they face. First we must ask, without becoming too philosophical, whether it is possible to even know what the reality is. In a world of intangible assets where the balance sheet of leading organizations often accounts for less than 50 per cent of their share value, how can a leader 'know' the resources that are available to him or her and understand the nature of the industry? Even if it is possible to know this reality, do managers have the time and could they handle the complexity involved? Bear in mind that we are now well embedded in an information-saturated world where we are bombarded with views, analysis, and data at a rate that makes it impossible to filter and sift through the continually morphing streams of data that we are presented with in what has been called the 'attention economy.'[8] Leaders, like all of us, need to limit the amount of information that they can process, and this creates what is known as bounded rationality.[9] To cope with information overload, leaders develop internalized approximations of the world they operate in; approximations which might be thought of as personal maps of the business reality that they must grapple with on a day-to-day basis.

These maps are developed over time as leaders gain experience, posit theories of the world they operate in, and test these theories in practice. Of course when testing our theories we have a tendency to look for only the supporting information and discard the rest, thus exposing the possibility of developing inaccurate, but trusted maps. Thus when two leaders face the same 'reality' (environmental and organization discretion) they will interpret this reality differently. They will overlay the complexity of the 'real' situation which they face with their own simplified version of reality in the form of their experientially developed idiosyncratic maps. In this way each leader sees their future options through the lens of past experiences. This allows them to learn from the lessons of the past, but at the same time imprisons their minds within the limits of the map. When leaders operate in circumstances where the future is by and large a replica of their past, those with experience and well-developed maps are likely to flourish. The uninitiated and the naive will have to expend their energy learning costly 'new' lessons. However in circumstances where the future will most likely involve significant change to meet a desired outcome perhaps both in the industry and the organization, these experienced leaders may find themselves disadvantaged. In such situations, the old-timers' demonstrative stories of past failures intended to helpfully teach the inexperienced the lessons of experience are often interpreted as 'holding on to the past' when perhaps new mindsets or maps are needed.

In addition to the embeddedness of thought that these maps create, they create other issues as well. The maps are, by their very nature, deeply personal. Our individual psychological make-up is contributed to by forces and experiences that are not necessarily of our choosing, but which exert phenomenal influence over how we experience reality and the world in which we live. Often these experiences are painful or traumatic and our world-view or personal paradigm develops to help us subconsciously protect ourselves. In particular we are drawn to states of mind and being that reduce pain and tension for us. We can become aware of our world-view if somebody asks us to 'see things from their point of view' or 'take a different' perspective. What they are asking us to consider is an alternative map. However, because these maps are so personal, and function to protect us from reliving difficult and traumatic experiences in the future, we tend to treat any threat to them as a personal threat and lapse into defensive mode. In this mode we try to convince the other person that our map is the 'right' one. They then take this as an assault on their own map and a dysfunctional cycle of arguing about maps rather than exploring reality, ensues. To make progress in situations that require change, and to fully engage with that change, leaders need to be able to engage in a constructive dialogue that stretches and extends the boundaries of their knowledge and the knowledge of others with whom they interact.

This process is problematic for everyone who attempts it; behavioral scientists assert that our core need as human beings is for self-protection. Managers and executives working in organizations in developed economies probably face their cognitive map violation on a much more regular basis than perhaps any other occupation. The reason for this is that they are continually, even relentlessly involved at the coalface of determining what an organization's reality is. In the early 1970s, Henry Mintzberg[10] overturned much of the accepted management theory on how managers actually spend their time, by positing that the vast majority of managerial time is spent in interpersonal communication. If Mintzberg's findings are generalizable to the broader population of managers, they must face challenges from all quarters as to what their organizational reality is, how it is changing, and how future challenges should be met. Key to the 'co-creation' of organizational realities with all stakeholders (organizational actors, shareholders, customers, etc.) is the ability to do something which very often only highly trained counsellors, psychotherapists, and psychoanalysts do; to enter the mindset of the individual or groups with whom they dialogue. Influential psychologists from the 1960s human potential movement, such as Carl Rogers and Abraham Maslow, stressed the importance of developing 'active listening' skills as crucial tools to help overcome conflicts and to create conducive working and living environments. It must be stipulated that this is not a universal requirement though, and extended dialogue in the face of short-term challenges is not always a great idea. In fact it can lead to 'paralysis-by-analysis' at times when direction is most needed. Sometimes a leader needs to impose their vision or map and make it the reality that the organization operates to, and this is particularly the case when employees need a clear picture of what they should do. It has become a cliché that the pace of change is increasing and that globalization is beginning to cause market and societal disruption. Crises are often caused by the emergence of unfamiliar, unstructured situations. During these times, a leader proves their worth by recognizing that it is a crisis, providing a clear and structured analysis of what has happened or is happening, and moves with resolve to implement a solution or a structure to address the challenge which has emerged.

We are reaching a conclusion that while the industry and organizational contexts matter, so too does the leader's perception of these realities; and particularly the leader's perception of their discretion. There are several definitions of what *management* actually is, but when we consider what it is that senior managers actually do, the following one is helpful: managing is 'the creation and maintenance of practical meaning in organised activity.'[11] This definition emphasizes the role that leaders play in offering a clear picture of what organizational realities are, and the practical and purposeful reasons for why they need to create these organizational world-views: to provide a map for the organization to effectively meet its goals.

One of the most interesting findings of Robert Galavan's recent research has been a challenge to the almost total acceptance of the 'fact' that the major influence on leaders' maps, and their perception of the discretion available to them, is their experience. Most students of organizational behaviour will have come across the concept of selective perception[12] in prescribed textbooks. Despite the canonical status of this concept, there is however relatively little support[13] for the original findings that managers selectively perceive issues on the basis of their experiences. In his research, Galavan found that in addition to experience the personality of the manager is at least as and perhaps more potent an indicator of their perceived discretion. That is, when we discount differences based on industry or organization, and even differences based on their personal work and educational experiences, we find that some managers inherently perceive that they have more discretion than others. The implication is that two managers with the same experiences, faced with the same situation, will hold a different perception of the discretion available to them and consequently act differently.

The implications for leaders of these findings are profound. If we need a manager to lead change, not only must we take into account their experience, both personal and industry, but we must also consider the perceptions they hold in relation to the discretion managers have more generally. It is clear from the research that their views will vary widely. We can surmise that when perception matches reality and managers have an accurate understanding of their world this is probably a good thing. If, however, the leader perceives they can do nothing, but the reality is that they can do much, they will miss an opportunity. But recognizing that discretion is available does not mean that leaders need to have all the answers. If leaders can create enough slack in the organization to allow it to respond to the environment it is possible that a learning organization might emerge. If on the other hand a leader perceives that they can create change when in fact the reality is quite different then the outcome is likely to be fraught with difficulties and frustration for everybody involved.

To avoid missed opportunities and the frustration of expending effort to no avail we need to consider how people learn about the world around them.

In organizational settings getting to 'know' things is a largely a social interpretation process, or in Karl Weick's term 'sensemaking.'[14] Through making sense of the world around us we come not to really know reality, but to move to agree on the premiss for reality—what has worked in the past, and what will work in the future. Once most of the players in the game agree on that reality and play by the rules then all is fine. Economists might explain the 'rules,' people may learn and play by them, then the market will function as expected. This familiar economic modeling of a market scenario, however, is very often different from how markets operate in the real world. These models, at a particular point in time, merely present a good working approximation of how markets operate. Failure to recognize that this is merely an approximation of reality, rather than reality itself, means leaders can fall into the trap of imprisoning their minds and consciously or unconsciously blocking all other options that might have been available to them, options that not only challenge, but change the rules of the game.

Leaders are ultimately prison inmates of one kind or another. The only question is whether it is a high-security or an open prison and the industry characteristics will often give us the answer. The difference between the leader's prison and the criminal's prison is that the leader's bars are sometimes mental constraints and not physical. Leaders can break free of the bars by deciding to do just that. The key element to remember in this regard is, once again, *discretion*. Senior managers who make a real difference to the organizations that they lead are ones who actively choose to confront the limitations that their own world-view places upon them in an effort to transcend the bars that have been built for them. It is interesting to note that topics such as self-awareness and personal development are being articulated with greater regularity in the literature associated with the fields of management development and management learning. These processes are key to assisting leaders in understanding their personal maps, their values, principles, and the internal psychological barriers that might inhibit their personal effectiveness.

One approach to help leaders develop their understanding can be broadly described as *reflective practice*, where leaders are urged to systematically reflect on their own performance, decisions, and reaction to stressful scenarios that may have arisen in their work. The practices associated with this family of approaches are broad and range from group counseling to personal journal keeping, but the aims are the same: to help managers gain an awareness of themselves, their behaviors, and their mental maps in order that they can recognize their limitations and address them through processes of personal development, and also to maximize the talents and skills that they have.

A second approach involves managers developing a deeper understanding of what may have happened to them during their *crucible experiences*.[15] Painful experiences of failure, reputational damage, even humiliation are valued because, if survived, they strengthen a manager's resolve and develop a much needed resilience for the turbulent times ahead. Most importantly, they are essential experiences in assisting the transformation from manager to leader, as they clearly communicate leadership abilities by forcing individuals to stretch their intellectual and emotional capabilities. Various leaders are eulogized in the business context (some even choose to lavish praise on themselves); but it is interesting to note that leaders who have made their way into popular understandings of leadership are ones who themselves have been forced into positions of self-assessment and personal transformation through actual physical imprisonment. Gandhi, Nelson Mandela, Aung San Suu Kyi, and Anwar Sadat are individuals who directly confronted their own maps for viewing their world and their relationship to social reality and, despite the obstacles they faced, chose to reassess and transform themselves. By being placed in a position where they have effectively lost everything, including their freedom, leaders who emerge from the crucible experience intact have been through a process which has radically widened the dimensions of their personal map. The experience of being imprisoned in a very real sense actually led these leaders to realize the potential they had for exercising discretion about how they would conduct their own public professional lives. With just a few anecdotal examples like this we can say clearly that leaders do matter. But it is perhaps more important to recognize that some leaders matter more than others and not just because of the circumstances they found themselves in. In the early days of Ryanair, a friend of one of the authors of this chapter berated him for using a case study based on the airline. He was told that they 'knew' the industry, as they had worked in it, and that you couldn't fly planes at that cost. Luckily for O'Leary and the other low-cost carriers it appears the entire industry 'knew' this low cost model couldn't work, and left them to get on with it. Time has shown very clearly that it does work and now less than a handful of low-cost carriers account for most of the profits in the global airline industry.

The examples that we have discussed are supportive of the position that leaders who orchestrated structural change within industries often were unencumbered by the organizational constraints their competitors faced. During times of change, these leaders exercised the organizational and most importantly the personal perceived discretion available to them. All leaders can expand their discretion, not through accumulating more facts about the circumstances in which they find themselves nor better understanding the rules of the game, although both have value. The real differences come through an engagement with learning at a deeper level, a level that allows the leader to reflect on the personal 'truths' they hold and recognize how they are imprisoned by them.

The challenge for leaders is to recognize and act on the discretion the circumstances offer and then to have the ability to reflect on that 'reality' through an understanding that this is just their own idiosyncratic view shaped by the facts, but also their personality, beliefs, and learning experiences from the past. The first step in breaking free of the discretion prison is to realize that you are in a prison. Having done this, the most capable leaders will have the personal strength and drive to stick with their view when appropriate, and the humility to learn from others when the time is right. The question for you is which kind of leader will you be? In the final analysis it matters not whether you believe you can make a difference or not—either way you will be right! Think about it—then do something about it.

Notes

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