

**STRATEGIC LEADERSHIP COMPETENCIES:
A COMPARATIVE STUDY**

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**STRATEGIC LEADERSHIP COMPETENCIES:
A COMPARATIVE STUDY**

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Submitted

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to the



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January 2014

Dedicated

to

my wonderful parents

Shri Niddodi Subrao and Smt Janaki Rao.

CERTIFICATE

The thesis titled “ **Strategic Leadership Competencies: A Comparative Study**” being submitted by **NS Rajan** to the Indian Institute of Technology, Delhi, for the award of the degree of **Doctor of Philosophy**(Ph.D.), is a record of bonafide research work carried out by him. He has worked under my supervision and has fulfilled the requirements for the submission of this thesis, which has attained the standard required for Ph.D. degree of the Institute. The results presented in this thesis have not been submitted elsewhere for award of any degree or diploma.

Date: January 2014

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(NS Rajan)

ABSTRACT

Three decades ago Burns remarked that “Leadership is one of the most observed and least understood phenomena on earth”. There are over 300 definitions of leadership, even as the world clearly recognizes the dire quest for leaders, lamented Warren Bennis (1990). In the current scenario of globalization, leadership matters more than ever, and at the same time organizations are investing a lot of time and resources to understand what makes a successful leader. Who is a leader? Is there an ideal business leader? What attributes make an effective leader? Can organizations create leaders? Stogdill (1959) observed ironically that “there are almost as many definitions of leadership as there are persons who have attempted to define the concept”. How does an organization recognize a leader, or even go a step forward to create one?

The leadership of an Organisation has remained inter-twined with that of an individual competence when viewed from a collective point of view. Competencies have emerged as a central theme to define elements of a successful leader. Many organizations have developed leadership competency models, which often provide general descriptions and are not linked to organizational strategy and results (Ulrich, Smallwood & Zenger, 2000) By corollary, an effective leadership competency model is one that results in enhanced organizational performance while creating a higher degree of employee alignment in enabling organizational success. Competencies are characteristics of an organisation. Together, members of an organisation contribute to its internal capability to achieve objectives, as explained by Cappelli & Sing (1995). A competency is “an underlying characteristic of an individual that is causally related to effective and/or superior performance in a job or a situation” (Spencer and Spencer 1993). Competency was defined by Boyatzis (1982) as ‘an underlying characteristic of an individual which is causally-related to effective or superior

performance”. When identified through a rigorous process, strategic leadership competencies can become a framework where capabilities of the members in an organisation can bring its strategy to life.

The great majority of companies that control their finances masterfully don't have any comparable processes for developing their leaders or even pinpointing which ones to develop (Conaty & Charan 2010). A further complication arises from the fact that any competency model needs to be closely aligned to strategy and needs to be rooted in the sector it operates in, which defines the competitive field of action, inherently providing for variances in leadership competency development, an area that has not been sufficiently explored. Conaty and Charan (2010) observed that managing people with precision is harder than managing numbers and that only a few leading companies have a rigorous, reiterative, and repetitive processes that can convert subjective judgement about a person's talent into an objective set of observations that are specific, verifiable and ultimately just as concrete as the analysis of a financial statement.

Research Objectives

India has emerged one of the major players on the new international business scene. Its unstoppable economic growth, since reforms in 1991, has become the focus of attention of researches in the area of international business, management and significant investments are being made in human capital. The present research is committed to identifying strategic leadership behavioural competencies, to institutionalise a framework that can serve as a foundation in investing in human competency at the leadership level, particularly from a practical application point of view. The core of the research is to identify a universally applicable generic set of competencies for public and

private, and manufacturing and service sector. There indeed is a clear need to provide a framework that can serve as a foundation for investing in human competence. The present research had the following three broad objectives:

1. To develop strategic leadership behavioural competencies for select business organizations based in India.
2. To compare strategic leadership behavioural competencies relevant for Public & Private sector and Manufacturing & Services industry
3. To identify the relative relevance/importance of strategic leadership behavioural competencies through an independent external survey on relevance in current & future business scenarios.

These objectives were achieved through three studies conducted for each of the objectives respectively and integrated to define way forward. The first study identified companies for which strategic leadership competencies (SLC) were developed through behavioural event interviews. The second study using the SLCs identified in Study 1 as the basis, utilised the Expert Panel method, to develop sector specific competencies. For the third study, a paired sample T- Test was performed on the data collected from all the respondents, to establish their relevance in the near future.

Study 1

In all, 45 companies who were keen to invest in leadership development were approached, of which 18 expressed their consent to conduct this research on SLCs which involved BEIs with senior management. These organizations together had to comprise Public Sector Units (PSU)

and Private Sector enterprises, from Manufacturing to Services to enable a wide range for examination.

Structured interviews were conducted with the top leadership of each organization comprising CEO, Directors and VPs to outline the organizational context, the strategic imperatives and business aspects significant for its future growth. The competency models were designed basis individual interviews with professionals (Superior and Average Performers) using Behavioural Event Interview (BEI) technique. Competency modelling through Behavioural Event Interview is reliable and validly associated with the success of an executive. (McClelland , 1996)

The strategic leadership competencies identified for each company identified in this study determine the kind of leadership behaviour critical to their success and provides a platform for a distinct leadership ethos which may serve as a key differentiator vis-a-vis competing organisation. Individual competencies translate into a collective organisational competence that contributes to organisational performance and effectiveness.

As a result of this study, strategic leadership competencies which have been approved and accepted by senior management of each of these organizations is available for further application in the leadership development process. The work conducted in this study was in the nature of live action research with the results intended to be used as the defined strategic leadership competency framework by each company for their leadership development interventions as well as to align it with their human resource management systems. All organizations have taken the results forward by conducting assessment centres to arrive at individual development plans to enhance their strategic leadership competencies.

Study 2

Study 2 is a direct derivative of Study 1. In Study 1, SLCs have been identified based on approval and acceptance by senior management of each of these organisations. From this already defined competency basket it was necessary to derive sector / industry-wise clusters of competencies. The Expert Panel started with a list of 186 competencies identified across 18 companies in Study 1. In the first round, the panel discussed and clarified the themes around these 186 competencies, which were mapped as per the sector and industry. In the next round, these competencies were distilled down to a set of 50 unique competencies. In the third and final round these competencies were further divided into four sets of competencies for Private/Public Sector and Manufacturing/Services Industry.

The results of this exercise serves the purpose of an organization being able to use these clustered sector specific competencies, in the absence of a strategic competency model, as a basis for commencing leadership development interventions. Given that there is a dearth of development frameworks and organization specific competencies in application, this study provides a set of competencies that can be readily deployed to support their interventions to enhance organisational performance.

Study 3

Study 3 is primarily in the nature of affirming the relevance of SLCs identified in Study 2 in the near future. In the Indian context when referring to the near future, it is broadly understood to be 5 to 10 years (Rodrik and Subramanian, 2004). The purpose of Study 3 was to examine whether

there is a difference in the relevance of 50 key strategic leadership competencies, identified in Study 2, from present to future scenario. In order to explore this aspect, a paired sample T- Test was performed on the survey data (refer Annexure II: Questionnaire) collected from 203 respondents. In this test, the relevance of all the competencies in their present scenario were compared with their relevance in the future scenario.

The results of the paired sample T-test analysis of data collected on the set of 50 unique competencies clearly indicate that all respondents employed by enterprises, be it Indian Public Sector or Indian Private Sector clearly perceive all these 50 unique competencies as being important in their organizations. Almost all of the competencies, except for the few referred below, are clearly perceived to be of increasing significance in the future.

There are a few exceptions where the significance going forward is same as the present. In the future scenario, as compared to the present, respondents from both the public sector as well as the private sector perceive that competencies such as integrity, technical function knowledge, and ability to control others will have the same importance. In the case of public sector, unlike the private sector, two additional competencies viz., integrity and attention to detail have been identified as having the same importance as in the current scenario.

Future Directions

An effective leadership competency model is one that results in enhanced organizational performance while creating a higher degree of employee alignment in enabling organizational success. When identified through a rigorous process, strategic leadership competencies is a

framework where capabilities of the members in an organisation can bring its strategy to life. A key and noticeable feature of this research is that it has been a live action research. The results of these present studies are being used by the 18 organizations for the next steps on the value chain of leadership development. It may be observed that organizations need to add technical/functional competencies to the development framework, in addition to the behavioural competencies examined in this research. Requirements on the job from a performance point of view would need a blend of development, across both dimensions, for enhancing the performance and the potential of its employees.

The sample of BEI respondents, across the organizations for which strategic leadership competencies have been developed, at 203, may still be seen as small compared to the universe of all employees. In behavioural event interviews, the set of people chosen would comprise select individuals in order to assess successful behaviours that can be captured in the course of the study. While, the requisite number have been covered for identification of strategic competencies across the 18 companies, the number in itself is limited to a combined sample of 203 respondents who provided the basis for deriving the competencies. There is scope to increase the respondent number only when the sample of 18 companies is also sufficiently expanded. While the respondents have served the scientific purpose of identifying competencies, there is further scope to be able to cover more companies in future and hence, increase the respondents' size.

The strategic competencies identified have been practically deployed by the 18 organisations for competency based assessments resulting in individual development plans. This clearly provides a future opportunity to examine the efficacy of the subsequent exercises in enhancing the

performance of the respective organisations. Further research following competency based leadership development would be invaluable to ascertain value derived through competency models as their implementation has already commenced. Organizations have been increasingly relying on developing a leadership competency model, undertaking assessments, and working towards a leadership capability development program. A universal principle of leadership and the way to nurture it continues to engage researchers. Competency based HRM systems necessitates a reasonable period of time in terms of human capital investment in the leadership development area which is likely to be untenable if the chosen competencies are either irrelevant or too dynamic in the near future. The current research will serve the cause of competency based HRM system in this context. As Sparrow (1995) suggested that practitioners should aim at defining "higher level" future oriented competencies.

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