

Architectural Leadership: Building a value enhancing infrastructure

Eldad Kollenscher^a, Boaz Ronen^{a,*} and Moshe Farjoun^b

^a Faculty of Management, Tel Aviv University, Tel Aviv, Israel

^b Schulich School of Business, York University, Toronto, ON, Canada

Abstract. Architectural Leadership is a new approach to leadership intended to assist CEOs in overcoming obstacles, implementing strategy, achieving performance improvement and enhancing value. The Architect Leader structures value-drivers through unique core organizational Methods, which embody improved capabilities, serve strategy and widen the strategic horizon. The Architect Leader assimilates the Methods in the organization and ensures application of lessons learned and adjustment of the Methods to the varying circumstances. Architect Leaders nurture leadership at all organizational levels, encourage initiatives and harness all employees, not just the executive team, to fulfill the organization's goals. The Architectural Leadership approach is practical, accessible and does not require charisma. It is based on extensive experience and has successfully been applied in many business and governmental organizations and in various industries as a means of creating competitive advantage and increasing value.

Keywords: Leadership, structuring, core processes, bottleneck, value drivers, capabilities, competitive advantage, infrastructure, value creation



Dr. **Eldad Kollenscher** is interested in organizational leadership, has 20 years of managerial experience, and an engineering and business administration background. Dr. Kollenscher is a retired colonel from the IDF. He commanded a technological elite unit that has spawned many dozens of startups, including several leading companies, and won the Israel Security Award.



Prof. **Moshe Farjoun** is a Professor in York University, the Schulich School of Business. He is interested in strategic management and organizational capabilities. His articles in these areas have appeared in *Strategic Management Journal*, *Academy of Management Journal*, *Academy of Management Review*, *Organization Science* and *Organization Studies*. Prof. Farjoun co-authored a book "Organization at the Limit: Lessons from the Columbia Disaster" (Blackwell, 2005).



Prof. **Boaz Ronen** is a Professor of Technology Management and Value Creation in Tel Aviv University, Faculty of Management. He is interested in value enhancement of firms, technology management and the implementation of managerial techniques. He has accumulated over 30 years of experience in management and consulting, and has led initiatives to increase shareholders value in over 120 organizations worldwide. Prof. Ronen has published over 100 papers in leading academic and professional journals and has co-authored six books. His

last book "Focused Operations Management" was recently published (John Wiley & Sons, 2007).

*Corresponding author: Boaz Ronen, Faculty of Management, Tel Aviv University, Tel Aviv 69778, Israel. E-mail: boazr@post.tau.ac.il.

1. Background

CEOs often encounter fundamental obstacles that distract implementation of their strategy. These obstacles may include inadequate competitive capability, insufficient customer orientation, divisions focusing on local optimization, excessive internal competitiveness, preoccupation of managers with daily issues, employee dissatisfaction and lack of organizational learning. The common source of these obstacles is **flawed core processes**. Due to the significant pressures exerted upon them, many CEOs neglect the vital duty of building an infrastructure of appropriate and struc-

tured processes; consequently, they often find themselves in a vicious circle, dealing with numerous problems, caused by lack of infrastructure, allows no time to build one.

The most prevalent approaches to leadership, Transformational Leadership and Strategic Management, are insufficient in dealing with these problems. Transformational Leadership stresses interpersonal influence aimed at elevating employees' expectations. However, it is limited in a large organization due to the distance between the CEO and the employees. Strategic Management emphasizes adjustment to the external environment in order to exploit opportunities at the expense of developing internal capacities. It adopts a management as opposed to a leadership outlook; control and supervision overshadow employee motivation and commitment. Although both approaches focus on the CEO's influence on the organization's goal, they do not provide the means necessary to achieve the goal; this may result in inertia that undercuts the organization's competitive advantage. Therefore, CEOs need a new leadership perspective that will complement, rather than replace, the existing approaches and will facilitate strategy implementation and goal attainment.

The new approach, **Architectural Leadership (AL)**, is intended to achieve the organization's goal, which is to create long-term shareholder value, rather than to increase short-term profit. AL focuses on building and improving the infrastructure that is required to realize this goal. The **Architect Leader** is like an architect who designs a building to meet his client's needs and ensures it is being built properly. Instead of just operating the organization 'as is', assuming it should not be fixed unless it is broken, Architect Leaders continually enhance the existing structures and processes.

The article will present the AL approach and will show CEOs and managers how to implement it in their organization. AL is a practical approach; given managers' time constraints, it allows development of the vital infrastructure in a focused and efficient way. Implementing AL is clearly dependant upon leadership that provides the driving force, but 'greater than life' leaders are usually not essential. The article is based on intensive experience in applying the AL approach to improve and create value in about 100 business and governmental organizations. Following the definition of AL, the article will describe the infrastructure required for value enhancement and outline feasible guidelines for building it, including design principles and implementation stages. Finally, it will provide several examples of successful AL implementation including two case studies.

2. What is Architectural Leadership?

Architectural Leadership is an approach to leadership that focuses on designing, implementing and improving organizational processes and structures; AL strives to realize competitive strengths latent in the organization in order to allow materialization of strategy and to increase organizational value. Similar to an architect, who shapes a structure, the Architect Leader shapes the behavioral and functional space of the organization to meet its needs and its goal. The space that needs shaping includes the employees and their work, as well as formal and informal arrangements regarding the processes, structures and systems [2].

The requirements for structuring the organizational space derive directly from the strategy. By systematically structuring the space, the Architect Leader integrates and connects the abstract level of strategy and the practical level of managing daily activity. AL emphasizes building new capabilities through the development of an improved infrastructure; it encourages long-term design and opens new strategic directions.

Undesirable forces, which threaten to fragment the organization, derive from segmentation into autonomic specializations, fierce internal competitiveness and the tendency toward local responsiveness. To avoid these dangers and create cohesion, the Architect Leader integrates the entire organization by structuring and assimilating cross-organizational processes that are directed toward the common goal.

Setting value creation as the organization's goal is a prerequisite for its survival; yet, an appropriate definition of the goal does not suffice. Value creation involves a relatively small group of managers; it does not empower employees. In order to harness the whole organization to its goal and to avoid bias toward local optimizations and short-term considerations, the Architect Leader must provide organization-wide guidance. That guidance comes when core processes are structured to implement strategy and promote the organization's value. The primary tool of the Architect Leader is the **Core Organizational Method** or simply Method.

3. What is a Method?

A Method is a repetitive cross-functional and cross-unit pattern of activity, at the organization-wide level, intended to create value for external and internal cus-

tomers. Methods are initiated and supervised by the CEO in order to achieve strategic goals.

A Method is the managerial **frame** of a process, not its professional **content**. The Method, i.e., the framework of the core process, includes the process stages, their interfaces and the coordinating and control mechanisms. Within a flow chart of a process, the directions between blocks constitute the frame, while the content of the process lies within the blocks. Being only a frame and disregarding the specific content of the blocks, the same Method can serve various applications while the content of each application is different.

For example, a product development Method can enflame many different projects. In the flow chart of this Method, the direction from the requirement block to the development block, for instance, means that the development phase should start before the requirements have been completed. This direction is part of the framework, whereas the specific requirements belong to the content domain of a particular project. While the Method, or frame, is obligatory, the content is fluid; hence, the employees have considerable freedom to initiate, to experiment and to express creativity, as long as they do not infringe upon the frame. The CEO should focus only on a few Methods that underlie the organization's strategy, hence the term **Core**, and should rarely enter the domain of content. Therefore, the CEO can avoid excessive inspection and suffice with few 'laws'.

Organizational effectiveness depends on alignment with the customer needs. Therefore, Methods are open systems; they export and import to and from the environment, while focusing on the customer. Organizational efficiency depends on good communication and coordination among units. This entails an emphasis on lateral work processes, like customer support or logistic management, which cross the hierarchical structure. These processes embody the capabilities of the organization and are the source of the organization's

sustainable competitive advantage. A Method creates structural links between teams, tasks and stages, which are separated by structural boundaries, for example between routines that manifest specific professional skills.

Though it is counterintuitive, Methods contribute to innovation. They are like a dam that directs the creative energy of employees into productive channels in the professional domain of content. Indeed, organizations turn to well-structured processes, such as 'brainstorming', when creative ideas are needed. Without Methods, employees' energy and creativity may be eroded by friction with an organizational apparatus that does not support processes.

The frame constitutes a vessel to the content; therefore, their integration is vital, provided the boundaries between them are strictly maintained. Figure 1 illustrates the damage caused to the organization when the differentiation between **frame** and **content** blurs or when one infiltrates the other.

The organizational framework of processes and structure is intended to give employees a sense of stability and security, as well as a feeling that they are part of something meaningful. A good Method does more than simply deter negative behaviors; it instills positive behaviors and values such as cooperation, openness and innovation.

4. The generic types of Methods

The following Methods cover the basic areas of activity in most organizations:

- The Method for developing and assimilating VISION, purpose and core values.
- The Method for STRATEGIC MANAGEMENT including design and implementation of strategy as well as allocation of resources.

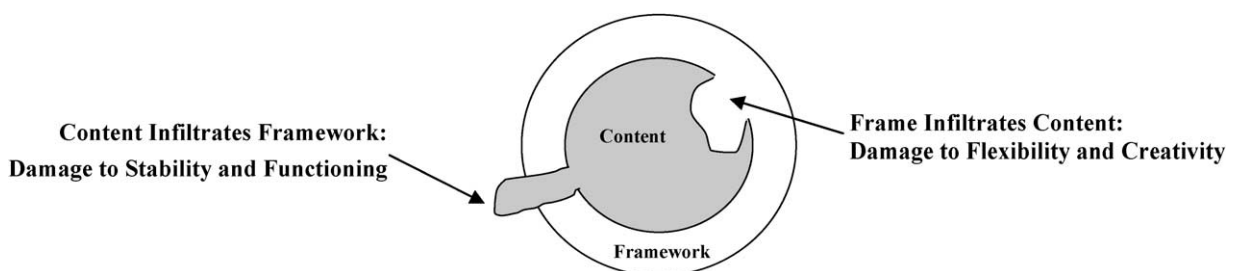


Fig. 1. Framework versus content.

- The Method for MANAGING RELATIONS with the environment and with stakeholders, including collecting data, recruiting support and resources, managing finances and involvement with the community and society.
- Methods for BASIC OPERATIONS that characterize the activities of the organization, like manufacturing, logistics, product development, service, sales and customer support.
- The Method for KNOWLEDGE MANAGEMENT including operational know-how regarding the workflow, specific professional know-how regarding products and/or services, and the development of informational infrastructure for knowledge retention, dissemination and creation.
- The Method for developing, applying and updating organizational STRUCTURE and FUNCTIONS as well as adapting the physical work environment to the work needs.
- The Method for COMMUNICATION including the diffusion of organization-wide measures, reporting, feedback, and moving ideas up and down the hierarchical ladder.
- The Method for HUMAN RESOURCES including management and development of all employees – especially managers.
- The SUPRA METHOD for leading the structuring process by a Method Leader who is directly subordinate to the CEO or VP.

These generic types, grounded in field experience, do not imply a ‘one size fits all’ model. Rather, the specific circumstances affect the unique features of every Method.

The organizational vision and strategy, which derive from the first two Methods, direct the structuring of the other Methods. To structure a Method, the Method Leader receives the required authority and resources and is assisted by a knowledgeable heterogeneous team. At any given time, focus is solely on those Methods, which once improved, will probably grant the organization a viable competitive advantage and enhance its value, not just gain local efficiency. These Methods are termed **Value Drivers**. This focus opposes TQM and Six Sigma views that try to improve every possible aspect of quality in the organization. Their result is often local optimization, not value enhancement.

5. Methods: Facilitating organizational integration and flexibility

As shown, Methods aid in value creation, customer orientation, organizational integration, encouraging innovation, guiding employees and instilling positive values, but they also provide other assets to the organization.

Balance between Stability and Flexibility: Methods define structured conduct and clarify expectations from employees. Therefore, the organization benefits from stability, uniformity, reliability as well as comfortable control. Conversely, in the Methods’ domain of content, structure is loose; specific expectations are not dictated, enabling flexibility. This grants workers a great deal of latitude and gives the whole organization the capacity to adjust itself to changes. In a dynamic world, an acquired competitive advantage is temporary; therefore, the Methods must improve at a faster pace than the changes in the business environment. Method Leaders must draw lessons from recurrent implementation and top management must contribute to flexibility by encouraging an open mind-set towards people and ideas. Managers must periodically examine basic assumptions, including whether the existing Methods correspond to the strategy; if not, processes and structures should be changed. Flexibility is enhanced by focusing on processes, which are easier to change than structures, and by the modular use of combinations of new and existing building blocks.

Assist in the Implementation of Strategy: Methods are designed to support the application of strategy by reinforcing collaboration and commitment to the organization rather than to the local unit. The CEO should lead the structuring with systems orientation, making sure the Methods are well coordinated and function harmoniously in furthering the organizational strategy.

Facilitate Integration of Existing Knowledge: Integration of the many sources of knowledge inherent in the organization is vital for developing an organization’s capabilities and for reinforcing its competitive position. Yet, integration is often difficult to realize due to internal competition among units and because tacit knowledge, which is embodied in numerous routines, is never adequately tapped. Methods serve integration since the organizational units involved in the application of a Method constitute a kind of ‘community of practice’. The dialogue among the community members facilitates the transformation of the individuals’ tacit knowledge into the explicit knowledge of the

whole organization. This knowledge, then, is incorporated into the Methods.

Encourage Organizational Learning: Without a norm, it is difficult to draw lessons since exceptions are not identified; thus, lacking structured processes, the capacity to realize organizational learning is limited. Moreover, the few lessons that *are* learned are rarely implemented because there is no process into which they can be interlaced. Assimilation of lessons learned in the appropriate Method enables feeding them into the organization's 'blood stream' and contributes to their long-term application.

6. The Architect Leader's implementation of Methods

Contrary to Management [5] that accepts the existing context and sticks to the existing order, AL seeks to improve order in an effort to advance the organizational goal. AL leads to focusing the organization, exploiting its potential, raising value in business firms, improving overall performance in non-profit organizations and overcoming the problems mentioned. By creating value, other stakeholders including customers, suppliers, workers and the community, eventually benefit. Since most business organizations, including *Fortune's 500*, exploit only part of their potential, the possibility for value enhancement is high.

Figure 2 describes the AL process and is based on an appropriate strategy. The structured Methods create patterns of conduct that fulfill this strategy, enabling the Architect Leader to both exceed interpersonal influence and reach organization-wide influence.

The leadership role of the Architect Leader includes:

On Going Structuring: Enhancing patterns of conduct is a successive process, not a perfect one-time act; it encompasses constant internalization and improvement of the core processes. Once a process that requires structuring is identified, the Architect Leader must set a challenging goal for performance improvement. However, the goal should be realized step by step, sometimes settling for a satisfactory solution to be improved in the future.

Harnessing Employees: The Architect Leader should create 'magnetization' of the organization, so that all its parts are directed towards the common goal. Methods help motivate the work force in this desired direction. Methods also entail a clarification of tasks and on-going coordination of expectations, hence, employee motivation is enhanced; they reduce

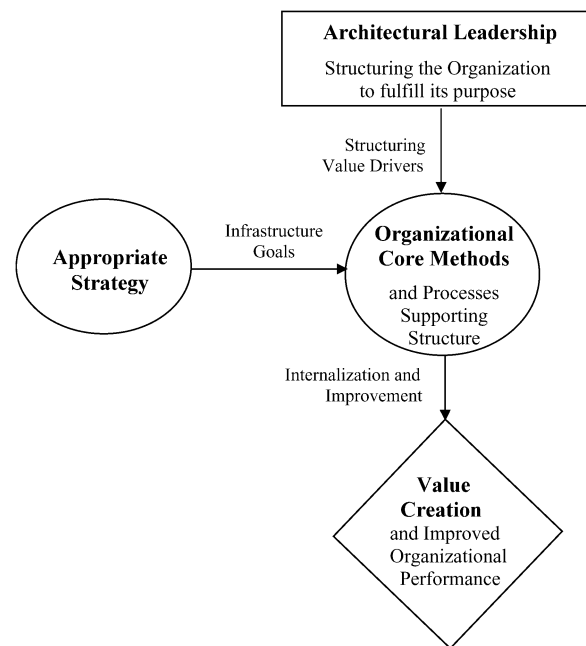


Fig. 2. The influence process of Architectural Leadership.

'burnout' because they enable employees to achieve the tasks at hand by providing for their work needs. Furthermore, The Vision Method is aimed at exciting the imagination; the two directional vertical COMMUNICATION Method encourages initiatives and facilitates the assimilation of organization-wide performance measures; the HUMAN RESOURCE Method nurtures leadership in managers and assists in the assimilation of coaching processes and measures for evaluation and compensation.

AL strengthens employees' commitment to the overall organizational process and goal by encouraging cross-functional cooperation through the execution of Methods. Employees are empowered by the latitude that they are granted as well as by their ability to influence the shaping of Methods through structuring teams and 'communities of practice'.

Developing Leaders at all Levels: Leadership at the top of the pyramid is not enough. Development and maintenance of abilities, management of bottlenecks and coaching of employees require leadership at all levels. The creation of leadership continuity at the senior level requires preparing and developing managers by enabling them to accumulate meaningful experience at all levels. CEOs should delegate authority, clarify goals, involve managers and verify that they are synchronized in meeting goals. Moreover, they should give priority to structuring the process of development

and advancement of managers throughout the organization.

Instilling Purposeful Action: Structuring Methods and developing Leadership are both required actions. Structuring Methods help realize the organization's purpose, while positioning Leadership in the field, as well as at the top, mobilizes the whole organization, not only senior managers. Filling the void of leadership throughout the organization and using Methods that enable CEO's influence to penetrate all managerial layers diminish the weight of 'political management'. Hence, struggles for personal and factional power that come at the expense of the organization's interest are spared. In addition, the organizational skeleton of Architect Leaders who use Methods enables the organization to act purposefully without tight CEO inspection. By devoting approximately one third of their time to structuring, CEOs can therefore avert 'putting out fires' and gain precious time for higher level tasks.

7. The principles of architectural design and implementation

The principles of AL summarized below provide guidelines for the actual structuring of all Methods. The CEO should implement them according to changing circumstances.

7.1. Alignment and drive

Leadership Responsibility: The CEO should delegate authority to Methods Leaders and to managers at all levels, giving them the authority to construct local processes and structures. However, CEOs must bear the over-all responsibility. They should approve Methods' design, insure their harmony and intervene if their implementation does not deliver the required outcome.

Focus on Adding Value: The bottleneck of the organization limits its performance. It is imperative that the CEO identify it and focus on the value driver that will bring about maximum value enhancement. The CEO should then deal with the bottleneck of the chosen value driver.

Conformance to Strategy: Methods' design is aimed at harnessing people, culture and structure in order to fulfill strategy. Each Method leader must adapt his Method to the strategy; likewise, each manager has to fit local processes and structures to the strategy. The organization structure should be formed to support the Methods.

7.2. Design and execution

Systematic Analysis and Operation: The cost of flawed processes is high; therefore, the Method Leaders and the CEO must systematically analyze each core process, thereby decreasing the probability of mistakes. They should employ systems thinking and use managerial techniques (derived from Six Sigma, LEAN [1] and TOC – Theory of Constraints [3]) appropriately. These techniques serve to identify and cope with bottlenecks, increase production, improve quality, shorten lead-time, decrease costs and reduce inventory.

Constant Improvement: The impetus for adjustments and continuous improvement is embedded in the SUPRA Method, which is aimed at drawing lessons, in the KNOWLEDGE MANAGEMENT Method, which spurs knowledge creation, and additionally in the two-directional COMMUNICATION Method, which encourages openness to employees' initiatives.

Teamwork and Lateral Cooperation: Structuring design and drawing lessons should be executed by interdisciplinary teams at the CEO level and at the Methods' Leaders level. When these teams are properly led and inspired to raise constructive criticism, they can increase the quality of design, enhance commitment to implementation and advance utilization of human resources.

7.3. Implementation support and follow up

Applying Performance Measures: Lacking performance measures, the Architect Leader cannot know whether his structuring is achieving progress. Moreover, Measures help disseminate the management policy, assist in decision-making and delegation of authority, as well as foster adherence to operation regulations. Besides value enhancement, the organization-wide measures are: throughput, operating expenses, quality, inventory, lead-time and due date performance [1]. These measures provide clear criteria for monitoring the structuring process and for appraising and rewarding managers and employees who contribute to the organization's performance.

Using Support Systems: Methods should be supported by appropriate technologies including information systems, to fully exploit the work force and resources invested in them.

Preparing for the Transition Period: The CEO and the Method Leaders should insure the completion of design and detailed working plans before starting

the implementation of new Methods and eliminating outdated Methods. They must also define executive responsibility for implementation, configure control mechanism, develop feedback channels, adjust reward systems, and outline reactions to probable events.

8. The process of implementing structuring

To structure systematically, the CEO should lead the process at the organization-wide level while the Method Leader leads at the Method level. The structuring process, the SUPRA Method, is described in Fig. 3 as a seven-staged cyclical sequence. The breakdown of the stages is intended to assist the Architect Leader in overcoming common obstacles. In each stage, the Architect Leader should initiate organizational activities (indicated by an arrow that emerges

from that stage) which will weaken the restraining forces of change while strengthening the supporting forces. For example, restraining forces can be subdued by decreasing stress and uncertainty through clarification of the change; supporting forces can be reinforced by the participation of prominent employees in the team that is shaping the structuring. The stages are not necessarily one directional; feedback and certain overlaps among stages are possible. Skipping stages should be avoided since the organization must be ready before a new stage is begun. Each stage embodies several AL principles.

Stage 1: Structuring Preparatory Work – the senior managers attend an AL approach workshop that emphasizes process thinking. This prepares them for a focused structuring challenge and shows how to identify the bottlenecks in the organization, to define the needed Methods for goal attainment and to articulate

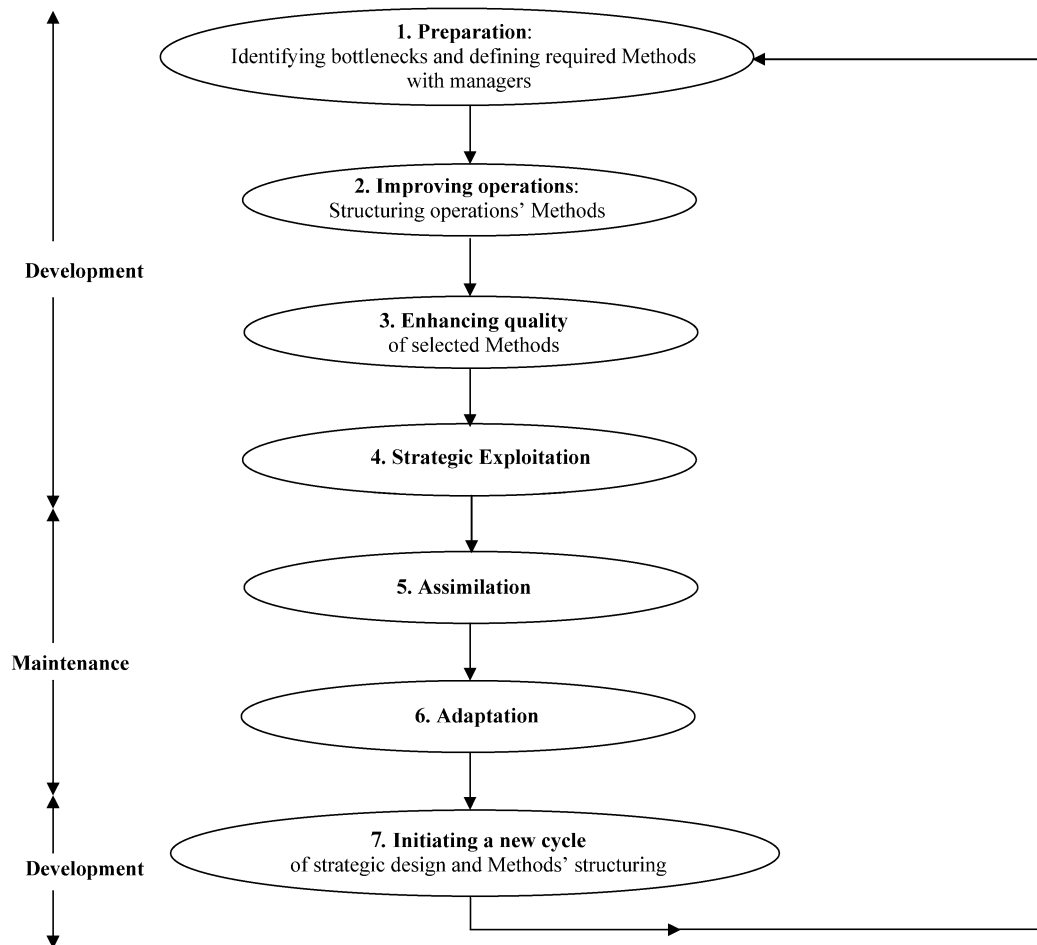


Fig. 3. Leading the structuring process.

the systems measures that will enable progress control. Method Leaders should commit themselves to the gradual attainment of a defined target, advancing from easy to more complicated tasks.

Stage 2: Improving Operations – this stage is designed to achieve fast improvement in OPERATIONS Methods like procurement, manufacturing and inventory management (recommended techniques are LEAN and TOC). The operational improvement should be relatively easy without much involvement by managers and workers. Due to the small investment and the low risk, resistance to change is decreased. Moreover, the rapid results like shorter lead-time, reduced costs and increased production create a dynamic for success. Tedeo Company, a transducers manufacturer, exemplifies this stage, where in 1992 one of the authors was involved in structuring core processes. The Method of manufacturing transducers was recognized as a value driver; thereafter, this Method was shortened from 3 months (as is common in the industry) to 3 weeks.

Stage 3: Improving Quality – the dynamic created in stage 2 produces faith in leadership and structuring. This faith paves the way for the more complex task of enhancing quality, which requires greater employee involvement as well as training and coaching. Quality is realized by reducing the variance of Methods that were identified as value drivers and by improving their fit to their uses and users. TQM techniques are recommended for improving the selected Methods. At Tedeo, for example, the quality of the manufacturing Method was improved through identifying and solving the frequent failures and through implementation of the ISO 9000 standard.

Stage 4: Strategic Exploitation of the Structured Methods – the capabilities attained in previous stages should be implemented in an integrative way so that they yield strategic benefits. If, for example, the result of operational improvement is an enlarged inventory, this may be detrimental if there has not been a growth in sales. The Methods built should, therefore, be used as strategic levers. For instance, at Tedeo, the operational and qualitative advantages were used as a powerful marketing tool. The company committed itself to fast delivery and frequently charged a premium for its speed; its sales grew and its market value almost tripled within 3 years.

Stage 5: Assimilation – this stage is designed to achieve maximal implementation of the Methods throughout the organization. Organizations have a propensity for disorder and disintegration, termed en-

tropy, which erodes existing processes. Without the active and continuous intervention by leaders who maintain order, the Methods gradually mutate into degenerated forms that require minimal employee effort.

Assimilation of a Method occurs when a Method Leader incorporates the Method into the organization's training program and conducts a forum of Method's users that serves as a 'community of practice'. The Method Leader should track the progress of assimilation, use evaluation and compensation measures that emphasize contribution to Methods' implementation and publicly honor outstanding employees who have successfully integrated a Method. The CEO should conduct a forum of Method Leaders to train, coach and monitor implementation, and to learn lessons.

Stage 6: Adaptations and Improvements – to avoid stagnation, Methods have to be adapted and improved regularly. The CEO and the Methods' leaders have the power to overcome inertia; they should encourage their 'communities of practice' to think critically and invite employees' suggestions for improvement.

Stage 7: Initiating a new cycle of Structuring – when circumstances change radically, the CEO must recognize this and launch a new structuring program. Otherwise, 'The winner's curse' of maintaining practices that no longer fit the situation may lead to failure.

The success of structuring depends on the commitment and demonstrated support of the CEO. Besides appointing appropriate Methods Leaders, coaching them and monitoring the structuring progress, CEOs must set personal goals for the development of infrastructure.

9. Examples of architectural structuring in businesses

The authors have successfully implemented the AL approach in many organizations, which gained performance improvement and value enhancement. Examples of these corporations include a Cellular Services Provider, a world leader in crops protection, Plastro Irrigation Systems, Manpower (Israel) and Comverse Communication. A case study of creating value in the SMS division of Comverse Communication demonstrates the AL structuring process (see Fig. 4: 'the Comverse case study').

Even before AL was conceptualized and applied in businesses, gifted CEOs used their own intuition and insight to structure core processes. Those CEOs include William McKnight and his followers, who built

SMS division in Comverse: A case study of value enhancement achieved through an AL perspective

In 2002, the division sales were only a very small fraction of the market and the profit was zero. The division over-ran its timetables, went beyond its budget, its value deteriorated to zero and it was expected to be closed. Then, the division manager led a process of structuring value drivers according to the AL methodology.

Stage 1: Structuring Preparatory Work – the division managers attended a workshop on structuring value driving Methods. The division problems were analyzed through teamwork, the bottlenecks and the potential value drivers were identified, the structuring target was determined and division-wide measures were defined to enable progress control.

Stage 2: Improving Operations – operations were upgraded through the application of five Methods:

- A shorter Product Development process, using bottleneck management and dividing activities into small batches.
- A strategic gating (filtering) process of bids, applying only the ones worthwhile.
- A sales process based on classifying customers by their value and allocating resources accordingly.
- An analysis process of the contribution of each product model versus its production expenses led to the reduction of the number of models from 200 to several dozens.
- A process of trimming down features in the remaining models by eliminating over design and over specification, relaxing unnecessary parameters and tolerances as well as canceling demands that lost their relevance.

Stage 3: Improving Quality – quality was enhanced through the application of three Methods:

- Applying division-wide performance measures.
- A maintenance process, based on classifying recurring failures and fast amendment of the frequent ones.
- An efficient testing process, using the development staff to fix some of the bugs, rather than waiting for the testing staff.

Stage 4: Strategic Exploitation of the Structured Methods – the improvements in operations and quality were used as a marketing lever for creating a competitive edge: the delivery times were shortened, especially for the more profitable customers, standard products were immediately supplied and prices were lowered thanks to the efficiency gained.

Stage 5: Assimilation – the new Methods were integrated in the training program; evaluation and compensation measures were applied according to the contribution to the Methods' application.

Stage 6: Adaptations and Improvements – some improvements and adaptations were applied according to lessons learned and suggestions raised by employees.

Carrying out the AL stages required overcoming several obstacles and necessitated determination on part of the division manager. First, there was a need to gain the cooperation of the other division's managers and the sales managers (who were not subordinated to the SMS manager). Second, some division habits of thinking and conduct had to be altered. Finally, several unintuitive decisions had to be taken, such as avoiding bids that are not profitable enough, despite the danger of shutting down the division.

In result of this implementation of AL, the division's sales in 2004 ascended fivefold and its market share rose up six fold. The division profit and value jumped dramatically, making it the growth engine of the corporation.

Fig. 4. Comverse case study: SMS division in Comverse: A case study of value enhancement achieved through an AL perspective.

the infrastructure for innovation at 3M, Jack Welch at General Electric, who did the same with integrated diversity and Sam Walton, who built the infrastructure for discount retailing at WAL-MART. Other examples include Michael Dell, who structured 'direct sell' at DELL and Fred Smith, who structured fast delivery at FedEx [4]. To demonstrate the use of AL in businesses,

a case study of FedEx is presented (see Fig. 5: 'FedEx case study').

10. Limitations of Architectural Leadership

The AL approach is applicable to business organizations as well as to non-profit organizations. It is

FedEx case study analyzed from an AL perspective: Fred Smith – structuring of fast delivery

Fred Smith founded FedEx in 1971, based on a new business model of express airfreight. Since then, he has served as CEO and managed to build processes that achieved his strategy in an especially effective way. Although significant corporations adopted his model, FedEx continued to lead the air courier industry due to innovation and constant improvement of core processes. These processes correspond to the generic types of Methods, used in AL.

- The VISION and VALUES Method – FedEx maintained its frontrunner role by striving to satisfy its customers through ‘absolutely positively overnight package delivery’.
- The STRATEGIC MANAGEMENT Method – included long range planning, pursuing related businesses and allocating worldwide sorting facilities. Each division was obliged to annual improvement in ‘people–service–profit’ aspects.
- The RELATIONS MANAGEMENT Method – emphasized strategic cooperation with important customers and competitors, including participation in processes’ improvement forum.
- The Basic OPERATION’S Methods – specifically, package transportation by a hub and spokes air route system and an automatic sorting system.
- The KNOWLEDGE MANAGEMENT Method – the information system tracked the package route and calculated the estimated arrival time, delivery cost and price.
- The STRUCTURE Method – FedEx acquired all the means necessary for independent transportation, including 670 airplanes and 70,000 delivery vans. Each company within the FedEx network specialized in one of the network’s diversified operations.
- The COMMUNICATION and CONTROL Method – ‘service quality indicator’ examined the daily performance levels. A ‘super tracker system’ facilitated operations control and supplied feedback to the customers.
- The HUMAN RESOURCE Method – the ‘people first’ policy was realized by developing, promoting and compensating processes, including personal developing plans and profit sharing, as well as by the ‘FedEx Leadership Institute’.
- The SUPRA Method – each structuring team was headed by a senior officer subordinated to a vice president. Fred Smith approved each design and monitored its implementation.

FedEx was the first service company to gain the Baldrige Quality Award (1990). Its updated and well-structured processes, not one great idea or patent, are the source of its success [4]. These processes constituted an infrastructure that facilitated exploitation of resources and a continual growth. In 2004, Fred Smith was selected CEO of the year by the Chief Executive Magazine. During the last years FedEx was included among the top ten ‘America’s Most Admired Company’ (*Fortune*). In 2007, FedEx sales amounted to more than \$35 billion and a net profit to \$2.0 billion.

Fig. 5. FedEx case study: FedEx case study analyzed from an AL perspective: Fred Smith – structuring of fast delivery.

less relevant, however, when the need for structuring is marginal as in a small-uncomplicated organization – like ‘startups’. In such cases, success is strongly based on the entrepreneur’s personality rather than on an institutionalized base.

While there is danger of leadership having excessive power, there are also objective limitations to its influence due to both internal and external restraining forces, upon which it has very little control. Among these forces are superiors, colleagues and sometimes even subordinate workers. Likewise, economic conditions, a dependency on resources, technological changes and the ever-changing environment limit leadership’s influence. Moreover, the leader’s freedom of action is constrained by the common strat-

egy and culture of the industry, as well as by the organizational capabilities, structure, culture, strategy and performance.

The AL approach recognizes the effect of all of these forces and offers the Architect Leader several ways to counteract them. First, AL provides a system of organization ‘checks and balances’ and avoids excess power at the top. It does not employ a grandiose master plan that is directed from above in all its details, but it encourages initiatives through developing the appropriate infrastructure. Infrastructure development allows for structured decentralization of authority, bottom-up emergence of ideas, horizontal cooperation oriented toward value enhancement of the whole organization, and promotion based on merit rather than on loyalty

to power holders. Secondly, the drive toward ambitious goals is implemented through *gradual improvements*, rather than through rapid and irreversible revolution that destroys the existing infrastructure. A New Method is piloted first, lessons are learned, and only then is the Method applied to other units.

Applying AL does not guarantee success in coping with any significant change in the environment, but it does supply the organization with improved tools that will enable it to compete successfully in a dynamic business environment. The AL use of systems thinking and systems measures helps uncover the bottlenecks and its focus on value enhancement advances problem solving and infuses a culture of constant improvement.

11. Contribution of AL

The AL approach complements the most prevalent approaches of leadership, provides a solution to their shortcomings and helps eliminate fundamental obstacles in the implementation of strategy. AL is accessible and does not depend on legendary 'executive stars'. If appropriate managers at all levels are promoted and developed accordingly, coached and equipped with suitable tools, and demonstrate determination, then they can create value, even without charisma. Structuring of Methods does not entail a prior change in values nor large-scale efforts to convince skeptics; neither is it costly in terms of budget, managers' time or length of implementation. The relatively fast results gained by implementing AL encourage adoption throughout the organization.

Applying the AL approach may contribute to the organization in three domains:

Value Enhancement: The Architect Leader builds the infrastructure for the long-term success of the organization. The combination of Methods' alignment toward customers along with the scale advantage of large organizations allows a large firm to compete with small-firm effectiveness. The Architect Leader, who develops business alignment and trains employees to accomplish the organization's strategy, facilitates the exploitation of the whole organization.

Leadership Fostering: Using the HUMAN RESOURCES Method and the SUPRA METHOD, the CEO develops and coaches Architect Leaders at all levels, acknowledging that they are the backbone of the organization. Architect Leaders break organizational barriers and strengthen the organization's cohesiveness. The Methods that they build minimize many organizational problems and enable managers to spend their time leading, coaching, improving capabilities and advancing business initiatives, rather than on daily operations.

Organizational Development: Because AL encompasses constant improvement and flexibility, the organization can promote innovation of content and encourage application of lessons to the framework. By providing exact guidelines for the role of the Architect Leader and the structuring of Methods, AL enables managers to visualize the organization that they are striving to build. Used as a benchmark, these AL guidelines facilitate the identification and analysis of existing gaps and assist in correcting these gaps.

Adopting the AL approach strengthens the organization and can serve as a self-fulfilling prophecy of value enhancement. If we view value-driving Methods as the proverbial 'golden eggs', then Architectural Leadership is the goose that lays them. As long as the Architect Leader utilizes AL wisely, the goose will continue laying 'golden eggs'.

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