

ARCHITECTURAL LEADERSHIP: THE  
NEGLECTED CORE OF ORGANIZATIONAL  
LEADERSHIP

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## Architectural Leadership: The Neglected Core of Organizational Leadership

### Abstract

The cornerstone of Architectural Leadership (AL) theory is to structure the organization in service to its strategy so as to improve its capabilities and enhance its value. Rather than relying on the CEO's personal influence, structuring centers on core organization-wide processes that diffuse leadership influence across managerial levels and harness the whole organization better to attain its goals. AL is grounded in its authors' extensive experience as managers and consultants. It is intended to complement theories that focus on targets but neglect the means needed to achieve them. Though most managers spend much of their time dealing with the means while struggling with insufficient infrastructure, existing management theories ignore these issues or say little about them. Applying AL theory can help managers create value by doing them much more effectively.

Existing leadership theories leave a void in our understanding of how managers can and should pull the levers that run the organization. To see the forest for the trees, we focus on two dominant approaches, strategic management and transformational leadership, which explain the basic aspects of leadership. However, anyone fluent in both of these approaches would still be at a loss to manage an organization. The purposes of the present article are to fill this void by proposing “architectural leadership” (AL), a new theory. In essence, AL describes what successful managers actually do but which our management theories largely ignore.

In our collective experience in organizations of various types, we have observed many of the phenomena we describe here. Thus, we propose AL as descriptive of organizational reality. We also give voice to a normative approach and suggest ways in which the constructs we present can be utilized to enhance organizational effectiveness. We first focus on two prevailing perspectives: the interpersonal leadership approach which we pose as the micro view and the strategy approach, which we pose as the macro view. These two perspectives are based on different assumptions regarding the levers of leader influence. We then show that an additional lever is essential for improving performance.

The interpersonal leadership perspective focuses on one-on-one leadership and team leadership and posits leader behavior as the key lever of influence. Transformational leadership theory best exemplifies the micro perspective and is ranked the most effective compared to all other types of leadership in the full range leadership model (Avolio, 2011; Bass & Avolio, 1994). Transformational leadership comprises four types of behavior that are aimed at transforming and elevating the followers to higher levels of thought, motivation, commitment, and effort, culminating in improved performance. The link between transformational leadership and effectiveness has

received empirical support (e.g., Dvir, Eden, Avolio, & Shamir, 2002; Lowe, Kroeck, & Sivasubramaniam, 1996; Waldman, Ramirez, House & Puranam, 2001).

Despite its contribution to understanding the leaders' interpersonal influence, transformational leadership theory has serious limitations. First, time constraints and the physical and psychological distance between many leaders and their followers diminish the manager's role as an ongoing and available source of interpersonal influence (Yukl, 1999). More generally, the micro perspective cannot explain organizational effectiveness (Yukl, 2006). Transformational leadership theory neglects macro-level structure and processes and leaves the organization without a clear strategy and the infrastructure required to fulfill its goals.

Strategic management theory best instantiates what we call the macro perspective. It focuses on the CEO and the top executive team and posits strategy as a lever of influence. According to Hambrick (1989), strategic management "put top managers back in the strategy picture" (p. 5) in the late 1980s. The strategic management literature deals mainly with management; only a few strategic management scholars have referred to leadership (e.g., Hambrick, 1989, 2007; Tushman & Romanelli, 1985). The basic idea behind strategic management is that senior executives shape firms and try to achieve their goals by developing and disseminating an organizational strategy. Research confirms the positive influence of the design and the implementation of suitable strategy on organizational performance (e.g., Barrick, Day, Lord & Alexander, 1991; Finkelstein & Hambrick, 1997; Miller & Cardinal, 1994).

Although the strategic management approach successfully highlights the influence of leadership at the macro level, it too has its shortcomings. These include its emphasis on strategic analysis and planning (Porter, 1980), and especially economic factors, at the expense of issues pertaining to implementation (Reas, Heijltjes, Glunk, & Roe, 2011). Furthermore, as Hamel and

Prahalad (1989) pointed out, the focus on adaptation to the environment and exploitation of opportunities inevitably leads to neglect of internal issues, such as the development of new capacities. These capacities may enable the design and implementation of a new strategic component, rather than merely extrapolating from extant directions (Mintzberg, Ahlstrand, & Lampel, 1998). Finally, the organization focuses on control and supervision and tends to overlook employee motivation and commitment. The result is that human resources, including middle management, as well as organizational culture and behavior patterns, are neglected.

### **The Need for a New Leadership Theory**

The roots of AL go back to the *design school*, which focused on strategic analysis and design that enable an organization to adapt to its environment (Mintzberg et al., 1998). Selznick (1984) and Andrews (1971) best represent the design school. Selznick (1984) argued that a leader must not only set goals but also structure the organizational means needed to achieve the organization's mission and to embody its purpose and policy in its social structure. However, Selznick did not explain *how* to DO THIS; rather, he focused on leadership at the tip of the pyramid and preferred organizational stability to flexibility. This may have been appropriate in the relatively stable 1950s. Andrews (1971) enhanced the strategic design approach and emphasized processes that create commitment to the organization's purpose, thereby relating to managing human resources. However, Andrews, like so many others, neglected work processes.

“Organizational architecture” was developed primarily by Bennis and Nanus (1985), Nadler, Gerstein, and Shaw (1992), Nadler and Tushman (1997), and Senge (1990). Bennis and Nanus (1985) presented much insight into leadership and its influence. But their organizational architecture communicates the leader's vision that is limited to social architecture. It does not

deal with functional-organizational issues. The influence mechanisms they describe are confined to the interpersonal level. Tichy and Devanna (1986) also refer to the leader as a social architect.

Senge (1990) contributed a breakthrough on organizational architecture and the leader's role in designing and implementing it. However, his Fifth Discipline focuses on a single process, namely, building learning organizations. Senge's influence levers concern abstract cognitive issues and the symbolic meaning of behavior and interpersonal influence. However, he said little about action at the organizational level.

Nadler and his colleagues (1992, 1997) broadened the organizational architecture concept with the congruence model going beyond structure to encompass work, people, and culture. All these components are said to serve strategy, and the fit among them determines organizational success. Structure includes business processes, and their operational design derives from strategy. Leaders direct the design of strategy and organizational architecture as a vital, central, and lasting management tool to build the organization's capabilities. However, Nadler's emphasis on fit comes at the expense of drive for value enhancement. Because of his focus on hierarchical structure, Nadler treats organizational processes marginally, and refers to them as micro-level design. For Nadler, processes are developed bottom-up with local orientation by self-managed teams unfamiliar with the overall picture and lacking leadership guidance.

Thus, the organizational architecture concept needs elaboration in terms of core organizational processes in areas that go beyond simple operations, and greater focus on value creation drivers. By expanding the conceptualization of organizational architecture and developing the AL construct, we delineate the ways and means by which leaders can fulfill the organization's vision and strategy.

## **ARCHITECTURAL LEADERSHIP**

### **The Concept of Architectural Leadership**

Whereas the transformational leader operates on symbolic behaviors at the micro level, and the strategic manager implements strategic design at the macro level, the architect leader employs organizational structuring at the meso level, to fill the gap between micro and macro. Meso is a level of analysis in between macro and micro, aimed at bridging or linking them to facilitate a synthesis, an integrated inquiry and the research of organizational phenomena which are qualitatively different from micro or macro single-level phenomena (House, Rousseau, & Thomas-Hunt, 1995). An architect of a building shapes a physical structure. The architect leader shapes the behavioral and functional space of the organization to facilitate achieving its goal. This space includes the employees and their work, as well as formal and informal arrangements regarding processes, structures, and systems (Nadler & Tushman, 1997). By doing this, the architect leader awakens competitive potencies latent in the organization to implement the organization's strategy. In businesses, the goal is to enhance the firm's value; in non-profits, the goal is to improve performance of the core activity that promotes the organization's purpose.

AL focuses on building and improving the means that will enable the leader to actualize the strategy. This distinguishes it both from transformational leadership, with its interpersonal focus, and from strategic management, which is about designing strategy and supervising implementation. Thus, AL theory does not supplant either transformational leadership or strategic management; rather, it supplements them by adding the missing core in organizational leadership theory. We connect the organization's structure to its functioning using Mintzberg's definition of structure: "The sum total of the ways in which the organization divides its labor into distinct tasks and then achieves coordination among them" (1979, p. 2). Thus, structure is not limited to the formal

hierarchical structure, but consists also of processes that embody its activity, including processes that cut across the hierarchical structure. Architectural leadership theory emphasizes structuring cross-organizational processes that facilitate strategy implementation. Figure 1 shows the indirect effect of AL on organizational performance through structuring of core organization-wide processes, termed Methods below, as well as its direct effect on performance.

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Insert Figure 1 about here  
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Structured processes are processes that have been explicitly defined and are carried out systematically and consistently according to their definition so they become part of the organization's structure, as opposed to sporadic or ad-hoc processes. Structured processes disseminate the leader's policy, embody it in daily behavior, and create desired patterns of conduct. Processes multiply leaders' influence on the organization, enabling them to go beyond their limited interpersonal influence and have much more powerful organization-wide influence. By establishing the infrastructure and context for action, as opposed to controlling action directly, the architect leader frees up valuable time for leadership roles, including structuring.

Structuring consists of integrating mechanisms for the division and coordination of labor into the organization's structure (Mintzberg, 1979). Obviously, structuring is an activity resulting in structure, and this structure includes processes. Structuring existing structure means producing structural change, which becomes part of the organization's structure and has infrastructural significance. For example, changing the method of appointing executives instantiates structuring; appointing a particular executive does not. Structuring need not involve dramatic change. Establishing new rules of operations does not necessarily entail a whole new process.

The CEO, as an architect leader, guides employees in continuous structuring and exploitation of the organization's infrastructure to implement strategy. Instead of following the



mantra, “If it ain't broke, don't try to fix it,” architect leaders continually enhance existing structures and processes to create additional value. Because "the organization is a portfolio of dynamic processes, rather than a hierarchy of static roles" (Ghoshal & Bartlett, 1995, p. 86), leaders need to focus on structuring processes and managing their operations. As Reas et al. (2011) noted, little consideration has been given to the interface between top and middle management. Structuring and managing processes create a mechanism by which the top management team exerts direct influence on middle management and on the whole organization. Using the structuring lever creates direct interaction between the leader and the organization. Structuring and assimilating processes that serve strategy direct all organizational units toward implementing strategy, as all parts of a magnet pull in the same direction. This way, an architect leader can “magnetize” the organization, so that all its parts are directed toward a common goal.

The CEO relies on the work of process-structuring teams. However, because AL's perspective is organizational rather than local, the CEO is the ultimate authority that should confirm the design of each proposed organization-wide process. AL is especially relevant to big organizations where leadership influence is more indirect and diffused across managerial levels. But leadership at the top is not enough. The principle of using teamwork and delegating authority to managers applies at all levels. Managers at all levels are responsible for maintaining and developing local infrastructure that serves the organization's strategy in their operations, and therefore need some AL capabilities.

According to Schaffer and Thomson (1992), "successful change programs begin with results" (p. 80). To attain results, it is important to focus on value drivers by improving only those processes that will lead to attaining the organization's goal and by establishing a structure to support them. Unlike Deming's (1986) Six Sigma/TQM, which tends to spread the structuring effort over many activities, architectural leadership centers on a limited number of organization-

wide core processes that embody the organization's main competitive capabilities. These processes differ from ordinary processes. We call them Core Organizational Methods, or simply Methods.

*Architecture* in Greek means a building "above" ordinary building (techure) that has unique and superior features. In this sense the architect is a master builder of the structure. Nadler and his colleagues (1992, 1997) noticed the similarities between the work of the architect and the structuring of an organization. Using technologies, building blocks and suitable materials, the architect strives to achieve a fit between the environment, the circumstances, and people's needs. The building's purpose has utmost priority and its shape must derive from its functionality. However, in contrast to the engineer, the architect is expected to give the building both symbolic and aesthetic significance beyond functionality. Consequently, architecture is a practical profession, not art in the usual sense. Its consumers are ordinary people, who intend to live and work in the building, not necessarily art lovers.

In organizations, architectural design and implementation are not one-time acts. Rather, they are ongoing processes because organizational design is never perfect and will not last forever (Nadler & Tushman, 1997). Environmental changes require changes in the organization's architecture. The preferred viewpoint is not the *optimizer* approach that advocates "designs ahead of their time" (Nadler et al., 1992, p. 14, 37), but rather the *satisficer* approach. Simon (1945) originally defined satisficing in the context of decision-making. We extend satisficing in leadership to the requirement that leaders should think and act beyond the short-term. Unlike Simon's satisficer, leaders should seek challenges and gradually improve their solutions. The leadership challenge is to build the infrastructure that will fulfill the organization's purpose and not just to use it (i.e., to be content with running the organization). Structuring is the architect leader's principal means for implementing the organization's vision and strategy. Figure 2 shows that given

a strategy, the architect leader focuses on structuring core processes that will promote strategy implementation and value creation (and improved performance in not-for-profit organizations). These processes should be constantly inculcated and improved by the architect leader.

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The organization-wide reach of AL distinguishes it from the individual and team perspective of transformational leadership in four important ways. First, the organization's goal is value creation rather than local or team goals. Second, the means is development of an organization-wide infrastructure rather than relying on transformation of members' expectations. The third is investment in human resources. This involves a supporting frame of leadership and Methods, as well as coaching and development processes throughout the organization, instead of sufficing with the senior executive's personal influence. The fourth is assimilation of the organization's purpose through the structuring of processes that embody the organization's purpose, instead of just personal or team development.

### **The Organization's Goal**

Behavioral science suggests that organizations can pursue several goals, including employee satisfaction, commitment, cooperation, cohesion and harmony, and development. Although some of these goals may be necessary, they are not sufficient, because without economic success the organization will not survive. The business literature discusses various goals, such as profits, sales, market share, return on investment, expenses versus budget, firm growth, specialized level, innovation, flexibility and product quality. Some goals point in the right direction but do not suffice. Lacking clarity about the organization's goal creates confusion concerning the purpose of leadership and how to measure its effectiveness. AL theory adopts the Value Based Management (VBM) view, which states that the goal of a business organization is creating long-term

shareholder value (Copeland, Koller & Murrin, 1995; Rappaport, 1997). Eventually, creating value will also benefit other stakeholders including customers and employees. Some authors have suggested that most business organizations, including many *Fortune 500* firms, are under-achievers because they exploit only a small fraction of their potential and have a high mortality rate (De Geus, 1997; Ronen & Pass, 2008). Adopting AL strengthens the prospects for better exploitation of the organization's potential thereby achieving value enhancement.

### **Methods Follows Strategy**

Structuring requirements derive from strategy. Strategy should define infrastructure goals, and AL translates these goals into value-creating structuring activities. For instance, if the strategic positioning is differentiation through innovation, then the organization needs an effective and efficient Method for developing products and services. In the strategic management process, once a weakness is identified in this Method (e.g., time to market is long relative to competitors), the leaders should define a goal of improving this Method and initiate a structuring process.

### **Structure Follows Methods**

Chandler (1962) showed how structure follows strategy. He studied the transformation of corporations from centralized functional structure to decentralized divisional structure as a result of a growth and diversification strategy. In this case, the pressure for change in structure resulted from basic communication and decision-making processes necessitated by the strategy. The want of these processes created the need to change the hierarchical structure by delegating expanded authority to independent divisions, which were appraised based on their business results. This case shows that to realize a strategy it is necessary to design and build suitable core Methods (in this case, bi-directional vertical communication, including control, feedback and measures) and an organizational structure (in this case, divisions) that supports them.

In the structuring literature, it is commonly accepted that the design of the structure precedes that of the processes (Nadler & Tushman, 1997). The grouping of units is determined first, followed by designing the linkage between them. This is obtained by forging processes and other means to solve internal coordination problems that remained unsolved by the grouping. However, the structural-design stage creates severe constraints for the linking stage that follows. In fact, the architectural principle “form follows function” implies that trying to design a structure to support processes that have not yet been defined is a poor choice. To achieve a structure that supports Methods, one must first identify and design the cross-organizational Methods that derive from strategy and are vital for its implementation, and only then design and apply the hierarchical structure that will reduce the mutual dependence between the units involved in the Methods.

Nadler et al. (1992) recommended this approach for micro-level design. It is also appropriate at the organizational level. This untraditional order of structuring leads to better fit between strategy, Methods and structure. Recognizing the organization’s activity patterns through process thinking leads to the design of a structure that supports the organization’s activity with minimal interdependence between units. The structure is essential for long-term preservation and development of core knowledge centers and abilities, and not only as a link between processes, as Ostroff and Smith (1992) claim in their horizontal organization approach. As a combination of tasks and stages, Methods are flexible regarding adaptations necessitated by strategic change. Often they can prevent unnecessary structural changes that managers tend to carry out as part of the dominant approach that focuses on changes in the hierarchical structure.

### **Principles of Architectural Design**

Table 1 shows the design principles of AL theory. Neither transformational leadership theory or other micro approaches nor strategic management or other macro-level theories say much about

these things. Nevertheless, they are essential and countless managers engage in them daily. The emphasis is on overall systems analysis and design, led by the top executive team.

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### **Leadership Spread to all Organizational Levels**

Leadership at the tip of the pyramid is insufficient. Organizations encompass a variety of specializations and demand a high rate of decision-making. Development and maintenance of abilities require leadership that copes with this complexity and structures processes at all organizational levels. Furthermore, from the human resources perspective, leveraging manpower to create value involves decentralizing authority to employees and encouraging them to act as entrepreneurs. This requires coaching and empowerment through local leadership. Finally, the creation of leadership continuity at the senior level requires preparing and developing managers by accumulating experience through meaningful duties at all levels.

## **STRUCTURING ORGANIZATIONAL CORE METHODS**

### **The Need for Methods**

Value creation is a prerequisite for organizational survival. Value creation as a goal can drive a few managers, but it cannot guide employee activities. To harness the whole organization to its goal, the architect leader must provide organization-wide guidance. This guidance should encompass the vital daily activities of the organization. The organization's work processes embody its activity; therefore, they should be guided by the organization's leaders. Furthermore, the organization's processes manifest its resources and capabilities, which are the true source of its sustainable competitive advantage (Barney, 1991; Teece, Pisano, & Shuen, 1997).

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It is impossible to design a structure in which all the organization-wide processes reside within all the organization's units. As illustrated in Figure 3, the organization-wide processes are horizontal and permeate the vertical boundaries of the divisions. Therefore, many cross-functional processes "fall through the cracks." The larger and more complex the organization, the greater the need for lateral cooperation. As a result, large organizations are not built adequately to cope with the demand for efficiency and short lead-time required in dynamic markets. Therefore, priority must be given to the structuring of effective horizontal processes to connect different functions and encourage cooperation. The Method does this.

### **The Term Core Organizational Method**

A Method is the managerial frame of an organization-wide process, intended to create a valuable capability and assist in implementing strategy. The managerial frame includes defining the process stages, their interfaces and the coordinating and control mechanisms; the specialized content [i.e., the specific skilled details of execution) of the process lies within its stages. Beyond an ordinary structured process, a Method includes four extra characteristics: it is organization-wide, it is intended to create value, it refers to the managerial frame of the process not to its content, and it belongs to a limited number of core processes that underpin the organization's strategy. To emphasize these unique characteristics of the processes on which architectural leadership focuses, we use the term "core organizational Method" or simply Method. We capitalize Method to distinguish it from other meanings of method.

In a Method flow chart the stages are represented by building blocks that contain the content, namely, the specific way to conduct each activity (stage). The definition of the building blocks and the arrows among them constitute the frame and indicate the output for each stage. A written definition of the output requirements for each stage is the very heart of the Method's frame.

These requirements refer to the intermediate products and how they will be tested, that is, to the process frame and not to the process content.

A frame is like a research method in that the same Method can serve various applications while the content of each application is different. For example, in the flow chart of a product development Method (see Figure 4), the frame defines the process stages that each product development must follow, whereas the content of the stages is specific for each product development. The arrow from the requirement block to the product design block means that the design phase should not begin before the definition of the requirements has been completed (using some sort of an obligatory check list). The manager in charge should conduct a formal review that includes participants from all relevant units (marketing, development, manufacturing and maintenance) to verify that the requirements are approved before sending them to the next phase. The check list and the review are part of the frame (of the requirement definition phase), whereas the specific requirements belong to the content domain of a particular project.

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A Method consists of a logical continuity of tasks. It is intended to guarantee the systematic management of a horizontal, multi-functional process, while maintaining overall organizational coordination. A Method creates structural linkage among groups that are separated by structural boundaries but participate in a common process; it facilitates cooperation among these groups. Methods are not confined to businesses or to manufacturing. They apply to service, educational, governmental, and nonprofit organizations. Beyond operations, Methods encompass managerial processes such as control, reporting and feedback, HRM, and knowledge management, as well as intra-organizational processes that support the management of external relations, including co-competition with suppliers and complementary businesses (Nalebuff & Brandenburger, 1996).



To ensure alignment with customer needs, a Method is defined using the open-systems perspective. For example, a product development Method is initiated in the marketing division, which supplies the market requirements to the development division. Toward its end the Method returns to the marketing division, which is accountable for selling the new product and collecting user feedback for developing the next version (Fig. 4). Integrating suppliers and complementary businesses into the Methods strengthens cooperation, increases inter-firm knowledge exchange and knowledge creation (Arikan, 2009), and enhances competitive advantage (Lavie, 2006).

Structuring Methods is more demanding than structuring an ordinary process. Beyond designing the Method and implementing it, it is an ongoing activity of strategically exploiting the capability embodied in the Method to create value, assimilating the Method into the organization, and adapting existing and new Methods to changing circumstances and enhancing them. In addition to the CEO's overall responsibility for structuring Methods, a senior manager is appointed to each Method. Beyond building and managing the Method and assimilating it into the organization, the Method's leader is responsible also for evaluating and improving the Method. Based on the Methods frame, bottom-up initiatives should be added, addressing mostly but not exclusively its content. This infrastructure for continuous improvement of the Method ensures that the Method will be a dynamic capability and will continue contributing to the organization (Anand, Ward, Tatikonda, & Schilling, 2009).

### **Implications of Differentiating Frame from Content**

Distinguishing frame from content bridges the tension between individual autonomy and the organization's social order. The frame imposes clarity, simplicity, uniformity, and conformance to the organization's needs. It includes coordination and control mechanisms: the organization's hierarchical structure, its physical layout, core Methods, local processes and

routines, technical systems that support the processes, and norms. The Method or frame is obligatory; however, the content within the frame is flexible giving employees latitude to initiate, experiment, and express creativity. This is an organic perspective that values the individual as an important component of the organization's behavior.

The frame constitutes a vessel for the content; therefore, combining frame and content is vital, provided the boundaries between them are strictly maintained. Figure 5 illustrates the damage caused to the organization when the differentiation between frame and content is not strictly maintained by leaders and one domain infiltrates the other.

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Methods are designed top down, relying as much as possible on existing building blocks. Every building block (e.g., a routine) of the Method is granted much latitude; order is maintained by defining the continuity and the interfaces between building block/stages. To encourage improvements and empower employees, Methods can include an emergent bottom-up component.

A Method manifests explicit know-how. To permit learning and knowledge transfer, it is important for the know-how to be documented in the content realm as well as in the frame realm. Applying Giddens' (1984) observations regarding routines to Methods, we conclude that Methods embody a duality. They are part of a structure, but they concentrate on activity. They are both the means and the outcome of activity and they both facilitate and constrain activity.

### **Types of Generic Methods**

The number of cross-functional core processes on which strategy is based is small (Miller, 1993; Nadler & Tushman, 1997). Therefore, the number of Methods is small.

Figure 6 lists nine types of Methods that characterize most organizations:

1. The Method for developing and assimilating *vision*, purpose and core values.

2. The Method for *strategic management* including design and implementation of strategy as well as allocation of resources.
3. The Method for *managing external relations* with the environment and with stakeholders, including collecting data, recruiting support and resources, managing finances and involvement with the community and society.
4. Methods for *basic operations* that characterize the organization's activities (e.g., manufacturing, logistics, product development, and customer support).
5. The Method for *knowledge management* including specific know-how regarding workflow, products or services and the development of information infrastructure for knowledge creation, retention, and dissemination.
6. The Method for developing, applying and updating organizational *structure and functions* as well as adapting the physical work environment to the work needs.
7. The Method for *bi-directional communication* including the dissemination of organization-wide measures, control, reporting, feedback, and moving ideas up and down the hierarchy.
8. The Method for *human resources* including management and development of all employees – especially managers.
9. The *supra* Method for leading the structuring process by a Method leader who is directly subordinate to the CEO or a VP.

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These generic Method types are listed in their hierarchical order, not necessarily in order of importance. Each generic type supplies infrastructure to the next type and changes in order

can occur due to variability across contexts. Figure 6 shows that the Methods cover all areas of activity. For the sake of simplicity, each type of Method appears in the diagram once, even if it exists as both input and output. Because it concerns the structuring of each Method, the *Supra* Method is not part of the hierarchical order of Methods listed, nor is it indicated in Figure 6.

The existence of generic types is not a recommendation for templates of generic Methods. There is no one “best way” to organize. The specific circumstances of each organization and its environment must be taken into account. Therefore, every Method has unique features. It is important to learn from other organizations, but adaptations must be made to the context in which the organization operates. When a specific process is standardized, it can no longer be a source of competitive advantage.

### **THE AL MODEL**

Figure 1 portrays the influence of architectural leadership (AL) on Methods and organizational performance. This influence is exercised through structuring and operating Methods as the major course of influence, and through direct impact on performance. Each theoretical link represents a causal hypothesis.

#### **The Direct Impact of AL on Performance**

Even without structuring Methods, AL directly affects performance. This may occur through the development of a suitable organizational structure and local processes (e.g., infrastructure that is not Methods), as well as by methodical design and operation at the personal level that does not become an organizational infrastructure (e.g., through appointments, networking, or monitoring the operations management of core issues). The influence of managers’ personal characteristics is anchored in upper echelon theory (Hambrick & Fukutomi, 1991; Hambrick & Mason, 1984). Research has confirmed the impact of new CEOs on

performance (Grynyer, Mayers & McKiernan, 1990; Miller & Shamsie, 2001; Tushman, Newman, & Romanelli, 1986). Therefore,

*Hypothesis 1: AL directly and positively influences organizational performance.*

### **The Impact of AL on Methods**

Architectural leadership is expressed mainly through Methods structuring. An architect leader initiates the design of new Methods, monitors their construction and assimilation into the organization, and ensures their gradual improvement. Lack of leadership is often the cause of failure in such processes (Sutcliffe, 1999). The past influences the relationship between AL and Methods because the level of Methods when a new CEO enters office defines his or her starting point. Given suitable Methods built by a former architect leader, and given an appropriate strategy, Methods can still contribute to performance even without an architect leader. However, in the absence of architectural leadership, the fit between the Methods, the context and the strategy will erode over time and performance will deteriorate for the following reasons.

**Lack of design.** Due to daily pressures, managers are inclined toward a parochial viewpoint and immediate issues rather than toward developing infrastructure that will serve the organization as a whole in the long run. Consequently, without leadership, structuring will wane (Nadler et al., 1992; Nadler & Tushman, 1997).

**Resistance to change.** Significant changes call for leadership to overcome the resistance to change. In the absence of leadership, new Methods will not be developed and obsolete Methods will not be weeded out.

**Shortage of guidance.** Top management support and commitment are essential (Watson et al., 2007). Without prolonged coaching and guidance, Methods will not be applied correctly and

will not be exploited strategically. A style of “transmit and forget” on the one hand, or compulsory application on the other, will allow significant divergence from the design.

**Institutionalization.** Without assimilation and ongoing maintenance through AL, entropy will erode important aspects of the Methods, especially those that are inconvenient in terms of short-term employee preferences. Under these circumstances, Methods will not be institutionalized as part of the culture (Selznick, 1984).

**Misfit.** Continuous improvement is not natural. People usually prefer “to rest on their laurels.” Organizations incline toward inertia and stagnation (Arthur, 1994; Miller & Chen, 1994). Lacking AL, structure and processes turn into a rigid and mechanistic bureaucracy that may be convenient for the personnel, but no longer serves the organization’s purpose.

For all these reasons, architectural leadership is the source of the organization’s drive and the spirit behind the muscles of the organizational processes and structure:

*Hypothesis 2: AL positively influences Methods.*

### **How Methods Impact Organizational Performance**

“**Use value.**” Integrative consolidation of processes based on the perspective of input-output from the environment expedites exploitation of the organization’s potential. It facilitates value creation for customers (Bowman & Ambrosini, 2000) in lower prices, better product time to market and increased quality, due to better efficiency and process control.

**Value chain.** Methods are chains of activities that enable cost reduction and performance enhancement. Methods are defined from an organization-wide perspective and include *strategic management* and *HRM*, which are essential to value creation and go beyond the product perspective (e.g., Porter's [1985] value chain).

**Development of competences.** Methods are combinations of capabilities and resources that are sustainable, unique, and difficult to imitate. Therefore, they provide the organization with sustained competitive advantage and raise its value by increasing revenues or reducing costs (Barney, 1997). Methods promote integration, and integration enhances the competitive capabilities (Rondeau, Vonderembse, & Ragu-Nathan, 2000).

**Quality.** Methods facilitate quality by meeting customer needs due to market orientation, and by achieving minimal variance as a result of process control. Therefore, they create value and are especially difficult to imitate because of their complexity and cross-linkages (Powell, 1995). Even when organizations adapt the ISO 9000 standard, differences in implementation yield firm-specific advantages (Naveh & Marcus, 2005).

**Knowledge management.** Knowledge is the source of most value growth (Grant, 1996), and Methods embody a great deal of unique knowledge. This knowledge is transmitted across the organization, improves coordination, reduces uncertainty and facilitates problem solving (Koufteros, Vonderembse, & Doll, 2001).

**Operations management.** Work processes that cut through departments enable managers to cope with fragmentation to departments, poor coordination and limited lateral communication (Garvin, 1998). External and internal coordination through lateral processes increases the contribution of operations to performance (Droge, Jayaram, & Vickery, 2004).

**Risk management.** Methods reduce anomalies and errors (e.g., inferior goods that deviate from the standards and engender claims or returns from customers) and thus, according to the TQM approach, decrease risk.

**Management of constraints.** The purpose of managing constraints is to identify and improve key processes that impede the organization, open bottlenecks and enhance performance

(Goldratt, 1990; Watson, Blackstone & Gardiner, 2007).

The contribution of practices and processes to the organization's performance are well supported empirically (Douglas & Judge, 2001; Hendrickes & Singhal, 2001; Kaynak, 2003; Pfeffer, 1996; Powell, 1995). However, structuring in itself is not enough and there is no reason to "change for the sake of change." The capacity to absorb change is limited (Nadler & Tushman, 1997; Schaffer & Thomson, 1992) and too frequent changes may cause harm. Putative benefits must outweigh the costs that structuring entails. Local optimization (Goldratt, 1990) and unsuccessful practices (Pfeffer, 1996) must be avoided.

Structuring must therefore be founded on correct principles and be oriented *a priori* to a course of action that will yield value. Methods are more likely than ordinary processes to respond to these demands because their design is carried out from an organization-wide perspective that considers open-systems insights. Methods are based on appropriate systems principles and managerial fundamentals and they focus on those core processes that are Value Drivers, in the sense of "thought before action." Thus,

*Hypothesis 3: Methods positively influence performance.*

### **The Indirect Effects of AL on Performance: Mediation**

Beyond its direct effect on performance, AL also has effects that are mediated by Methods. In view of Hypothesis 1 and assuming it exists also in the presence of the mediator, we suggest:

*Hypothesis 4: Methods partially mediate the effects of architectural leadership on organizational performance.*

Without reasonable Methods, the outcome is a degenerated version of AL that does not fully utilize the organization's potential. Such inferior architectural leadership might result in inadequate and inconsistent performance and in weak managerial structure, undeveloped human



resources and an imbalance between centralization and decentralization. Hence, the main influence of AL on organizational performance is through structuring and operating Methods.

### **STRENGTHS OF ARCHITECTURAL LEADERSHIP**

#### **Value Creation: Methods as Value Drivers**

Methods fulfill all four of Barney's (1991) criteria for resources that grant the organization sustainable competitive advantage. They add value, are unique, are exploitable, and are difficult to imitate. Despite the codification of knowledge, it is hard for competitors to imitate Methods because of five inherent qualities. First, they are socially complex due to their connection to behavior and culture (Barney, 1991). Second, Methods are unique because they are developed in response to specific needs; it is hard for other firms to adapt a Method to a different context (Powell, 1995). Third, Methods change frequently; the copycat will never catch up. Fourth, Methods are leadership dependent. Even if updated documentation reaches a competitor, it is useless without AL. Imitation requires much structuring effort; without AL, documentation will not become an organizational capability. Finally, Methods are accompanied by content. A Method's frame doesn't specify the content of each stage. The knowledge cumulated from execution is more comprehensive than the frame's articulated knowledge. It is based on historical progression and is widely dispersed throughout the organizational. Even if explicit, it is difficult to acquire all this knowledge and to imitate it.

#### **Encouraging Innovation**

Though it may seem counterintuitive, Methods contribute to innovation. Scholars recognize that, despite the tension between the need for structure and discipline and the need to explore new ways, these elements can complement each other and create a synthesis (Bledow, Frese, Anderson, Erez, & Farr, 2009). Quinn (1988) considered static elements such as control and stability, and

dynamic elements such as innovation and adaptation as conflicting values that leaders must integrate. Viewing them as opposing poles implies that obtaining one means ignoring the other. For instance, seeking innovation at the expense of discipline can turn into adventurism, and adhering to control and stability can result in rigidity. Naveh and Erez (2004) showed that structure and innovation can coexist productively. They studied the conflict between innovation and “attention to details” (i.e., striving for precision through procedures, control, standardization, and conformism) and found that both contributed to performance quality and productivity.

Drucker (1998) stressed that disciplined work is vital for entrepreneurial success. Employees need a sense of security and stability concerning what is expected of them, and the organization’s frames should supply it. Methods’ frames reduce employee uncertainty and stress, leading to psychological availability, that is, an individual’s capacity to have a clear mind to be on-task despite distractions. This in turn enhances employee creativity (Binyamin & Carmeli, 2010). Within the frame, employees should be made to feel that they are part of something big that they could not have achieved alone. Therefore, AL uses the frame to instill positive behaviors and values such as cooperation, openness, knowledge exchange, quality and innovation, and does not settle for setting boundaries and deterring negative behaviors. Moreover, the ability to discuss ideas from different points of view in a cross-functional team (of a Method) promotes innovation (Bledow et al., 2009; Lovelace, Shapiro, & Weingart, 2001).

Any advantage is temporary. Therefore, Methods should be renewed and upgraded at a higher rate than the rate of change in the environment. Employees should be encouraged to propose improvements and initiate experiments (Peters & Waterman, 1993). These requirements are facilitated by considerable discretion within the realm of content that promotes innovation (Amabile, Conti, Coon, Lazenby, & Herron, 1996; Shalley, Zhou, & Oldham, 2004). Methods’

frames provide employees with guidance and support in know-how and in means and direct their efforts toward useful channels in the realm of content, instead of being eroded by friction with the organizational apparatus. It is important to encourage sensitivity to the environment and to learning from successes and failures, so that repeated use of Methods can serve as a lever for learning and improvement, not only in the realm of content but also in the realm of the frame. Organizations often use structured processes like brainstorming to raise creative ideas to create new knowledge. Relying on extant, proven routines to construct Methods by new combinations of routines can contribute to innovation as well (Nelson & Winter, 1982).

### **Balancing Stability and Flexibility**

Although there is tension between stability and flexibility (Leana & Barry, 2000), they can be mutually enabling (Farjoun, 2010) and structuring Methods can realize this. In the macro perspective, structure and standardization are defined and embedded in the organization with strict rigor concerning their internal fit and external appropriateness; there are clear expectations, “tight coupling” (Weick, 1969), and minimal variance and the organization benefits from stability, reliability and efficiency. By contrast, in the micro perspective, the structure may be loose, employees may have considerable latitude and expectations may be vague. Therefore, in the realm of content, there is “loose coupling” and high variance and the organization is flexible. Flexibility can also derive from the modularity of the building blocks that build the Methods (tasks that can be associated in various combinations) and the focus on processes, which are easier to change than are structures without causing trauma. Methods therefore enable the synthesis of stability and flexibility and provide the organization with both static capabilities and dynamic capabilities. Achieving dynamic capabilities is made possible by Methods because of ceaseless, directed, top-down effort to structure them, their flexibility in the realm of content, their

explicit and therefore alterable frame of knowledge, and the subordination of structuring to the changing strategy. These dynamic capabilities enable the organization to overcome structural rigidity and respond to environmental changes even in dynamic industries (Rosenbloom, 2000).

Stinchcombe (2001) has shown how formality can serve the organization much better than a romantic belief in continuous adaptation to “real life.” According to him, when the design is built to correct and update itself, solid success results. Leaders that improve and adjust Method frames and redesign or eliminate frames that are no longer useful constitute another means of guaranteeing flexibility. Proper implementation of the *strategic management* Method grants flexibility also to the top executive team. Top management should maintain an open mind set, a variety of concepts and culture, periodic reexamination of basic assumptions and check whether existing Methods fit the strategy. Designing strategy and defining Methods as the first stage of the *strategic management* Method also enhance flexibility. Effective design leads the organization to the needed capabilities and competitive positions. Ongoing small adjustments obviate the need to make major, disruptive changes. These means of achieving flexibility counter the danger that, due to inertia, Methods become unable to respond to a dynamic environment. However, there is also the danger of entropy. The propensity of organizations toward disorder (Katz & Kahn, 1978) erodes existing processes. Continuous intervention is required to achieve negative entropy and maintain order (Zucker, 1988). Leaders must constantly invest energy to sustain and improve Methods lest the organizational frame loosens and Methods degenerate into a form that requires minimal effort from employees and no longer serve the organization's needs.

While preserving the margin for employee action in the realm of content to enable flexibility, leaders must also maintain discipline in the frame realm to ensure stability and prevent entropy. Beyond learning from successes and failures and improving the frame, leaders must also

embed the Methods throughout the organization. Repeated efforts to improve Methods help to internalize their importance in the organization.

### **Promoting Organizational Learning**

Integration of many specialized knowledge sources to create organizational know-how is essential for developing the firm's capabilities. However, this is difficult to realize due to hierarchical structure, internal competition and numerous micro-level routines that embody tacit knowledge (Grant, 1996). Tacit knowledge is retained as individual rather than organizational knowledge (Nonaka, 1994); it is lost when the people who possess it leave and it prevents organizational learning. The Method concept helps convert tacit knowledge into explicit knowledge. The explicit knowledge embodied in Methods facilitates management of organizational knowledge. The areas and units involved in the application of a specific Method constitute a “community of practice.” Dialogue among group members is encouraged to facilitate “externalization” (Nonaka, 1994), which is the transformation of individual tacit knowledge into explicit organizational knowledge.

The Methods leader can periodically convene a multi-disciplinary forum of representatives from relevant bodies and direct a dedicated intranet site as a platform for deliberating on common issues, outlining work norms, and disseminating and integrating knowledge. From a multilevel perspective of human capital creation (Ployhart & Moliterno, 2011), Methods management converts individual human capital into a valuable unit-level resource and contributes to other units involved in the same Method, thereby adding value to the whole organization. The community of practice strengthens organization-wide cooperation and commitment. The combination of overlapping knowledge (embodied in the community of a practice's Method) and diversity of knowledge (due to the diverse mindsets of the participating

units) channeled toward a common goal encourages “fusion” and creates new knowledge (Davenport & Prusak, 1998). The community of practice gives participants 'outside the box' knowledge and can kindle the imagination, enabling people to connect this knowledge to existing knowledge and create new knowledge. The knowledge created in the community of practice is therefore unique, intricate, and hard to imitate. Dissemination of lessons learned does not suffice, because it is very difficult to administer improvement in a specific activity across the organization when the chain of activities is not defined. Hence, without structured processes, the capacity to realize organizational learning is limited. Though lessons might be learned from experience, acting on such lessons is difficult without weaving them into a specific process. Integrating lessons learned into the Methods frame enables feeding them into the organization’s “blood stream” so that it contributes to the organization-wide application of the new knowledge. Combining structuring and execution of Methods (i.e., design and action) encourages learning from experience and promotes improvement.

### **COPING WITH THE LIMITATIONS OF ARCHITECTURAL LEADERSHIP**

AL theory is not a detailed master plan directed from above. Nor does it ignore market conditions, availability of resources, inertia, entropy, diverse interest holders, history and uncertainty. The leader’s freedom of action is constrained by the common strategy and culture of the industry (Rindova & Fombrun, 1999), as well as by the organization’s capabilities, structure (Salancik, Calder, Rowland, Leblebic, & Conway, 1975), culture (De Wit & Meyer, 1999), strategy and performance, and also by superiors, colleagues and subordinates. Recognizing the constraints and threatening forces means that the organization is set up for both stability and flexibility. This does not rest on organizational politics or on “executive stars” but on architectural leaders that serve the good of the organization and enhance its value.

AL theory creates an integrated balance between strong psychological situations (House et al., 1995) thanks to the frame realm, and weak psychological situations, thanks to the relatively open contents realm. The structured development of leadership at all levels, as well as the infrastructure of Methods, should prevent a decline into extremely strong or extremely weak situations and enable enduring and effective functioning under changing circumstances.

Two principles guide architect leaders to cope with dangers and threats. The first is organizational checks and balances. These include leadership at all levels; decentralization of authority to managers; promotion according to achievement; horizontal cooperation oriented toward value enhancement; structuring Methods through team work; participation in structured decision-making; and openness accompanied by infrastructure development to encourage growth of emergent strategy. The second principle is gradual and controlled application. Ambitious goals are attained gradually through organization-wide improvement gained by applying lessons learned from accumulated experience (McCall, Lombardo, & Morrison, 1988) and using organization-wide performance measures.

The main risk in applying AL is the *Icarus* effect (Miller, 1990). The 'winner's curse' may cause clinging to actions that no longer suit the circumstances. It is difficult to emerge from an existing frame and to initiate a new cycle of design and structuring. However, the risk is greater in organizations that do not adopt AL, because AL theory recognizes the temporary nature of existing Methods and emphasizes adjusting and upgrading them. Leadership that takes the initiative in the face of threatening forces reduces this risk. Indeed, Leadership is an essential source of variance in the performance of competitive firms in the same industry. Research shows the influence of the CEO on performance (e.g., Grynner, Mayers, & McKiernan, 1990; Tushman, Newman, & Romanelli, 1986) and reveals that the effect of a specific firm on its performance is much greater

than the effect of the industry on that same firm (e.g., Mcgahan, 1999; Mcgahan & Porter, 1997; Rumelt, 1991).

## **EVALUATING THE CONCEPTS OF AL AND STRUCTURING**

### **Architectural Structuring versus Alternative Concepts**

**Architectural structuring versus conventional structuring.** Architectural structuring is novel in five areas. First, it emphasizes the manager's responsibility, rather than environmental influence (Lawrence & Lorsch, 1967; Miller, 1986; Mintzberg, 1979). Second, the focus is on work processes, rather than on structure; the latter marginalizes the attention paid to the organization's activities and functioning (Mintzberg, 1979). Third, there is an orientation toward effectiveness, rather than efficiency and local fit. Fourth, structuring is not confined to operational processes at the lower level (Mintzberg, 1979), but includes soft processes involving managers and skilled employees at upper levels. Finally, instead of limited horizontal coordination mechanisms such as liaison positions or integrators, standing committees and task forces (Galbraith, 1973; Mintzberg, 1979), AL structures the lateral links between units that are separated by the hierarchical structure.

**Architectural structuring versus routines.** The architectural structuring concept has five advantages compared to the routines approach. The first is effectiveness which can be attributed to the centralized management of the structuring process and the focus on value creation, as opposed to the local perspective of the routines approach and the evolutionary-deterministic approach of Nelson and Winter (1982), Weick (1969) and their followers. The second is improved flexibility and innovation through lessons learned, which is embedded in Methods management. By contrast, in the routines approach decision-making is limited in a given situation to choosing a routine that seems appropriate from a given pigeonhole set of routines (Weick, 1969); this reinforces rigidity in



thought and action. The third is increased intrinsic satisfaction, motivation and productivity of employees deriving from employees' latitude in the realm of content; conversely, routines enforce standardization (Cyert & March, 1963) and limit employee discretion. The fourth is strengthened organization-wide cooperation and commitment to overall results through Methods, communities of knowledge (practice) and heterogeneous teams. In contrast, orientation of the routines approach toward autonomy of organizational units (Perrow, 1986) weakens horizontal cooperation and coordination. Finally, by surmounting the failings of tacit knowledge and by building on the frames' explicit knowledge, AL avoids the problems of the routines approach including automatic reaction, inertia, and difficulties in identifying skills and in replicating and improving them.

**Architectural structuring versus process-based views.** TQM posits quality improvement as a substitute for strategy. It targets every aspect of quality instead of focusing on improving its overall result, thereby spreading effort over many improvement teams. However, each team's local endeavor to optimize rarely leads to organization-wide value enhancement. AL's balance between centralization and decentralization contrasts with TQM's exaggerated tendency to delegate excessive authority to teams, which can cause extreme decentralization, local optimizations and lack of focus.

"Business process reengineering" (BPR) argues for a fundamental rethinking and reshaping of processes, led by management, to improve performance (Hammer & Champy, 1993). In contrast to AL's gradual improvement approach, BPR is revolutionary. Its Achilles' heel lies in its riskiness. The destruction of an existing process may be irreversible, the approach elicits strong resistance among employees and managers who fear they will lose their jobs. Furthermore, local successes do not necessarily improve the organization's performance.

**Architectural structuring versus resources and capabilities views.** The development of capabilities and resources and their effectiveness, as suggested by strategic management scholars,

is limited compared to the AL structuring concept. Strategic management defines resources generally, largely ignoring processes, and is primarily static as in the “resource based view” (Barney, 1991; Wernerfelt, 1984). In contrast, architectural structuring focuses on Methods and on proactive leadership that defines, constructs, and improves Methods. Whereas strategic management focuses on a “bundle of skills and technologies” as in the “core competencies” view (Hamel & Prahalad, 1994), architectural structuring suggests organization-wide core processes that are developed at a much higher rate than core competencies, mostly within the organization. Finally, instead of a perspective of organizational dynamics and dependency on routines at the micro level, as in the “dynamic capabilities” view (Teece et al., 1997), AL defines Methods from a broader perspective, according to the strategic choice approach. Architectural structuring integrates stability and flexibility and does not suffice with a fragile and unstable frame of “a few simple rules” when the environment is dynamic, as Eisenhardt and Martin (2000) claim.

## **THEORETICAL CONTRIBUTION OF AL**

### **Contribution to Organizational Leadership Theory**

AL theory expands the concept of organizational leadership from a focus on challenging goals and strategy to the integration of vision and strategy formation with the development of the means needed to realize them. AL gets inside the “black box” of leadership and illuminates ways to identify value drivers and to structure them systematically and continuously. AL is not limited merely to design or symbolic behaviors; it is aimed at guiding action. Through structuring it entrains the whole organization rather than relying solely on the contribution of the CEO. AL drives the structuring of value-creating infrastructure. It is located at all organizational levels.

AL fills the gap between the micro perspective of interpersonal leadership and the macro perspective of strategic management. Adding a meso perspective, it responds to the shortcomings of

existing theories. It facilitates the implementation of balanced solutions to basic managerial dilemmas. For example, AL can alleviate the tension between the two poles of task orientation (as in strategic management) and people orientation (as in leadership theory) by structuring Methods that simultaneously derive from strategy and address employee needs.

AL theory adds to the full range leadership model leader impact on key organizational aspects beyond interpersonal influence. It also reduces the risk of use of interpersonal skills to promote personal and local interests. An arrogant and non-cooperative style blocks initiatives and new ideas and may cause hasty decisions and mind fixation (Collins, 2001).

Distributing leaders empowered with authority throughout the organization down to the team level and drawing upon cooperation and teamwork (as opposed to relying on personal influence) prevent concentration of excessive power in the top executive team. Furthermore, whereas political management divides the organization into interested parties that seek local, short-term interests, and is viewed by Mintzberg as “a form of organizational illness” (1989, p. 236), AL creates cohesion aimed at strategy implementation. Once the leadership void is filled politics becomes superfluous. Thus, implementing AL can spare the organization the high costs of emergence of internal coalitions and power struggles contrary to the organization’s interests.

AL theory supplements strategic management by adding elements that motivate people and transform routine management into leadership. These include creating *vision*, developing *human resources* and encouraging emergent *strategy*. AL expands the strategic design by turning more attention inward to design and implementation of an improved infrastructure to create new possibilities. AL responds to Selznick's (1984) design-school challenge by defining a “learning by doing” mechanism that weaves the organization’s purpose into its structure.

Strategic management raises the need for combining exploitation and exploration, as well as static and dynamic capabilities. However, how to do so is largely unresolved. AL theory addresses this through the combination of leadership and Methods. When circumstances change, strategic leadership explores and identifies a new niche to maintain competitive advantage or create a new advantage. Architectural leadership translates the new strategy into a Method or Methods that build the capacity to settle into the new niche, exploit it efficiently, defend it against competitors and improve gradually.

Architect leaders contribute to cohesiveness by setting a common goal of creating value and encouraging lateral cooperation aimed at attaining this goal. This way, AL helps reduce the tendency toward fragmentation due to excessive internal competitiveness, specialization and hierarchical structure, and leads the organization toward value enhancement.

### **Contribution to Organizational Structuring**

The organizational architecture concept extends beyond social architecture. The Methods approach applies to manufacturing organizations but also to non-operation processes, white-collar workers, and nonprofits. It overcomes weaknesses in the structuring literature, including the routine approach, TQM and dynamic capabilities, which acknowledge the importance of processes. The responsibility for structuring Methods is vested in leadership. Leaders are expected to adapt the processes to the strategy, not to wait for long and costly Darwinian adjustments, hoping it will eventually bring about fit. AL Structuring rests on a global open-systems perspective, on design principles and on teamwork. Attention is given to action while the hierarchical structure is seen as serving the Methods (i.e., supporting processes). Unlike TQM, AL focuses on processes that enhance value; unlike reengineering, AL encourages continuous gradual improvement, not turnarounds. Differentiating between the frame and content enables the Method concept to balance

the organization's need for stability, efficiency and cooperation, and the individual's need for self-expression. Beyond coordination and discipline, proper integration of frame and content grants the organization flexibility and innovation (thanks to the realm of content), and grants the individual comprehensibility for the task and support in its fulfillment (thanks to the managerial frame).

AL theory provides an answer to the organization's need for structuring knowledge management and knowledge creation. Knowledge is retained and developed through the *supra*-Method in which Methods leaders draw upon communities of practice, integrate the lessons learned in the Methods and thus internalize the lessons in the organization. The *supra*-Method copes with the danger of inertia on one hand and entropy on the other, while maintaining a balance between stability and flexibility. The *bi-directional communication* Method and the *human resources development* Method build an infrastructure that promotes flexibility and emergence, as an add-on to the planned strategy. Due to these benefits, structuring of Methods enables large companies to bring together their scale advantages with value creating focus on their customers and thereby to compete with the effectiveness that small companies can achieve.

### **Contribution to the Value Creation Field**

The AL view expands the VBM literature. It clarifies where to focus, details how to create enduring competitive advantage by structuring value drivers and enables the utilization of the whole organization as a lever for value creation.

### **Conclusion**

We have addressed the neglected core of organizational leadership, that is, focus on the organization itself, its activities, behavior patterns and structure. We have described these crucial issues and stated in normative terms how they can be applied most effectively. AL complements strategic management as well as team and interpersonal leadership models and offers a way for

leaders to boost organizational effectiveness. AL supplements existing approaches; it provides individuals with direction and means, and enables them to express their abilities and thereby to increase their commitment. At the same time AL helps exploit and develop core capabilities that support the implementation of existing strategies and the developing of new strategies. The structuring role of leaders is becoming increasingly important due to globalization and heightened competition that sharpen the need to improve key processes. Hence, it is vital to free the organization from dependence upon legendary "management wizards." AL sets the stage for appropriate managers at all organization levels that are trained, developed, coached and promoted accordingly but need not be endowed with extraordinary characteristics.

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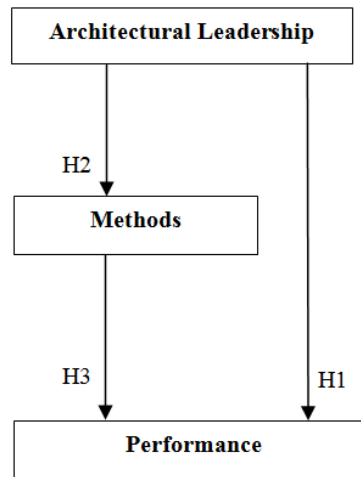
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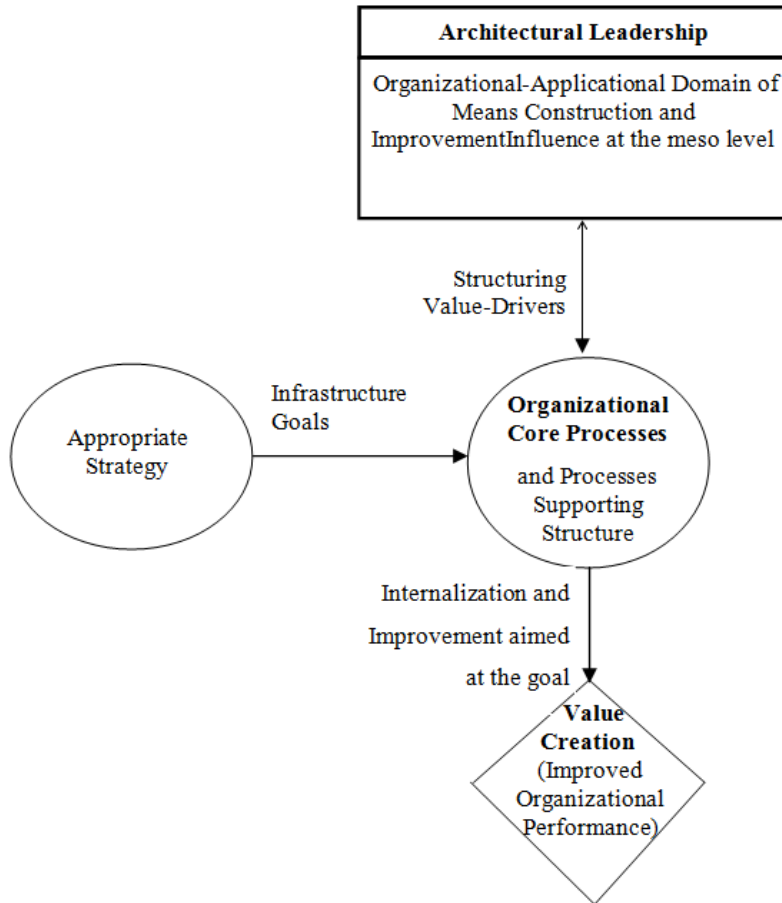
**TABLE 1**  
**Design Principles**

| <i>Areas</i>                                 | <i>Design Principles</i>             |                                 |  |
|--|--------------------------------------|---------------------------------|--|
| <b>Alignment and Drive</b>                   | Leadership responsibility            | Focus on adding value           | Conformance to strategy                                |
| <b>Design and Execution</b>                  | Systematic analysis and execution    | Constant improvement            | Teamwork and lateral cooperation                       |
| <b>Implementation, Support and Follow Up</b> | Applying system performance measures | Using technical support systems | Preparing for the transition period to the new Methods |

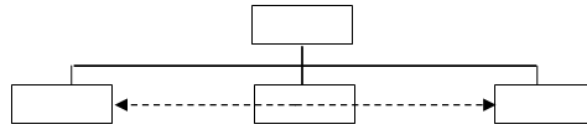
**FIGURE 1**  
**The Architectural Leadership Model**



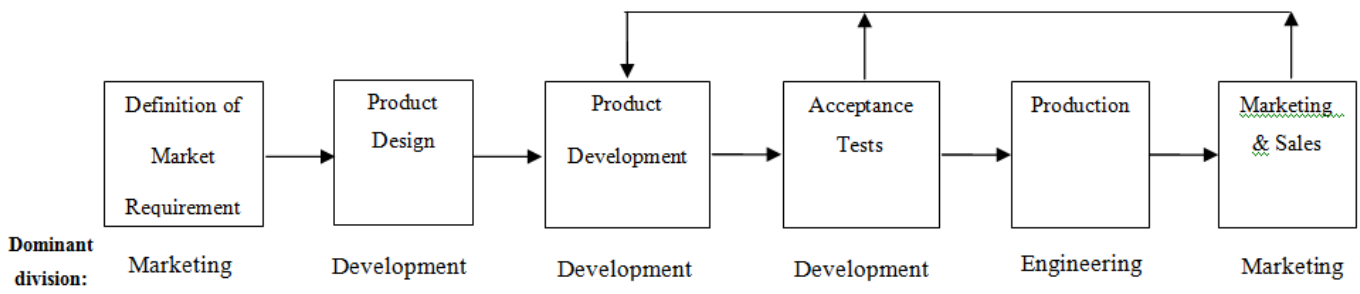
**FIGURE 2**  
**The Basic Process of Architectural Leadership**



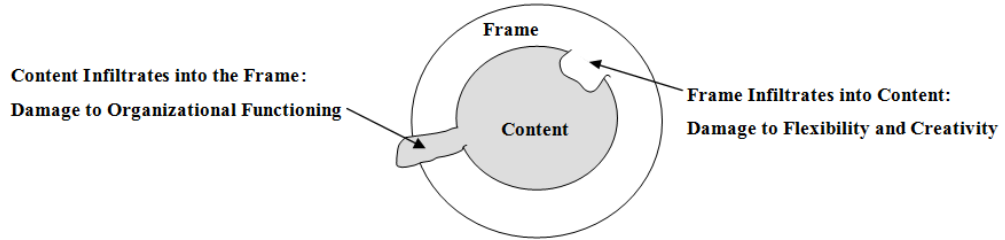
**FIGURE 3**  
**Organization-Wide Processes Go Beyond the Divisional Structure**



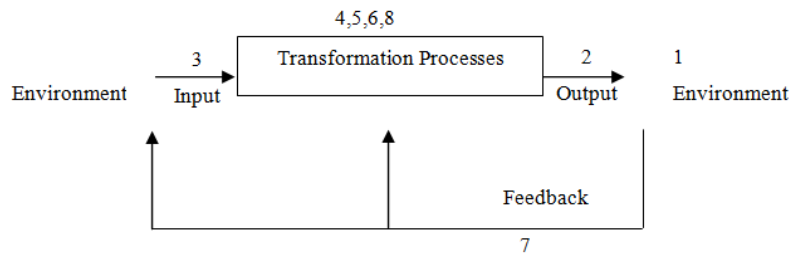
**FIGURE 4**  
**Simplified Skeleton of a Product Development Method**



**FIGURE 5**  
**Frame versus Content**



**FIGURE 6**  
**Generic Types of Methods in an Open Systems Perspective**



| Method number | Concise description   | Method number | Concise description       |
|---------------|-----------------------|---------------|---------------------------|
| 1             | vision shaping        | 5             | knowledge management      |
| 2             | strategic management  | 6             | updating structure        |
| 3             | managing relations    | 7             | control and communication |
| 4             | operational processes | 8             | human resources           |