

# The Four Capabilities of Leadership

## ***Introduction***

American Economist John Kenneth Galbraith has been quoted as saying “all of the great leaders have had one characteristic in common: it was the willingness to confront unequivocally the major anxiety of their people in their time. This, and not much else, is the essence of leadership.” This interesting quote is the foundation of a May 2009 interview with Professor Deborah Ancona from the MIT Sloan School of Management. In this interview, Professor Ancona discusses her viewpoints on the “The Four Capabilities of Leadership.” She identifies these capabilities as *sense-making*, *relating*, *visioning*, and *inventing*.

This reading will explain each capability and will give examples of the ways in which each may be applied in the business world of the 21<sup>st</sup> century.

## ***Sense-making***

Professor Ancona describes *sense-making* quite simply as “making sense of the world.” As part of her model, she wants to see today’s business leaders abandon older leadership models which tend to stifle creativity and inhibit business growth. Many of these models are far too insular and don’t allow are leaders to be forward thinking or flexible in this business dealings.

In terms of *sense-making*, Dr. Ancona wants to see leaders:

- creating change maps and models that outline targeted goals;
- working collaboratively with individuals at all levels of the organization;  
and
- maintaining flexibility in all aspects of their work and management activities.

Professor Ancona suggests that leaders create a map of changes that have occurred in their business environment and that they do this with assistance of others from within the organization. By working with others, she says, leaders can create a shared understanding of market conditions and business goals. Finally, she states that organizations should be flexible and willing to modify, update, and revise their models as business conditions change.

In her analysis, she cites the case of John Reed, former CEO of Citigroup. In the first few weeks of the 2008 market collapse, many pundits attempted to estimate

the overall damage, and the role that Citigroup played in the crisis. Surprisingly, Mr. Reed was outraged, not because the media was holding Citigroup accountable, but because they had failed to understand just how bad its failings were. Mr. Reed contended that initial estimates were far too low and as a result he openly sought to establish realistic numbers and improved forecasting models. By bringing together regulators, real estate experts, and other professionals, Mr. Reed and other corporate executives were able to discuss the issue in much broader terms, creating a better understanding of the magnitude of the crisis and the likelihood of ensuing damage.

Professor Ancona concludes her definition of *sense-making* by mentioning the influential economist Dr. Brian Arthur, whose expertise is in the areas of complexity theory, technology, and financial markets. His studies have led him to some interesting conclusions about the business environment. He believes that while we seek order in business and in our personal lives, we are constantly faced with uncertainty. In fact, he believes that we cannot even be sure that order exists. Therefore, sense-making is a never ending skill that is frequently put to use when we research, act, deduce, and make decisions. Dr. Arthur is quoted as saying, “what differentiates great leaders from good leaders is the ability to understand the new rules of the game as it is being played.” (1996)

## ***Relating***

In terms of *relating*, Dr. Ancona wants to see leaders:

- maintaining open communication;
- making themselves visible in the office environment;
- reassuring others on a regular basis; and
- reinforcing a sense of urgency so that workers do not become complacent in their duties.

Communicate constantly, says Professor Ancona. By doing so, a leader is visible to his or her employees and can be a reassuring presence. Being visible is a key trait of good managers and executives, it shows workers and customers that the organization’s leadership is committed to, and actively overseeing its current projects. In times of crisis people are concerned about how they will be directly or indirectly affected, and as a result they will often neglect their duties in order to commiserate and voice concerns with their coworkers. By having open lines of communication, a leader can clearly identify issues of companywide concern, and can present the organization’s plans for the future. By taking the time to make people aware of emerging situations, a leader can help his or her organization avoid productivity collapse.

President Obama is an excellent example of a leader who endeavors to relate to his people and to keep open lines of communication. He does this by holding regular press conferences and directly addressing the American people in times of crises and concern. He uses reassuring words in a relaxed but confident tone. He does not typically give a sugar-coated version of events; but rather, he approaches a situation by saying that “challenges will be met.” This is viewed as a sincere, open, and comforting approach.

Just as Mr. Reed did with his *sense-making* approach to the financial crisis, *relating* also needs to be expanded beyond the walls of the organization. Leaders must reach beyond the corporate confines and seek advice and assistance from the outside. Professor Ancona cites the example of Goldman Sachs Wealth Management Corporation. The company regularly holds role-playing exercises where employees practice calling customers and informing them of an imminent or ongoing market collapse. Employees take turns both making, and receiving these calls. This activity allows Goldman Sachs employees the opportunity to see collapse from both sides of the spectrum.

## ***Visioning***

Professor Ancona notes that “an effective leader creates a compelling vision.” *Visioning* during uncertain times is an essential core competency for leaders. Leaders should regularly demonstrate:

- values;
- urgency;
- hope;
- community; and
- confidence.

Managers need to be very articulate in order to illustrate a clear picture of what the future has in store. Leaders must ensure that their visions are based on the values that they hold as well as the values of the organization as a whole. Problems and successes should always be addressed with a “we mentality” in order to facilitate a sense of teamwork and cohesion.

Steve Jobs was a great example of a corporate *visionary*. The former Apple CEO frequently conceptualized how people would make use of the company’s products. He looked at the ways in which people work, how they think, and how

they learn, and he sought to incorporate those actions into a broader vision for product development and usage at Apple Inc.

Another example of *visionary leadership* can be seen in Martin Luther King, Jr., who extolled his vision by instilling a sense of urgency to his mission. He used the words “now is the time....” to get people to recognize that action was needed at that very moment. Creating a sense of urgency gives people the drive and determination to move forward and take action.

## ***Inventing***

Professor Ancona claims that “an effective leader invents the future.” This very bold statement illustrates her perspective that a leader needs to be creative, especially in uncertain times. A good leader should therefore:

- give employees permission to break with convention;
- embrace new development structures;
- illustrate clear priorities; and
- develop ambidextrous organizations.

By inventing new ways of doing things, a leader can help to move an organization forward by enabling others to be more innovative and creative.

Take the case of Southwest Airlines. Early on in Southwest Airlines’ history, the company needed to sell one of its four planes in order to meet employee payrolls. By selling the fourth plane, the company faced the issue of needing to fly the same number of passengers, but with one less plane. This would also mean that the timing of flights would be delayed, because there were fewer planes overall. In order to ensure that this could be done effectively, efficiently, and in a timely manner, Southwest gathered together a group of baggage handlers, flight attendants, and pilots to develop ways of turning around their planes more quickly. After several months of trial and error, this collaborative team was able to get turnaround time down to 10 minutes—the fastest time in the entire industry—an impressive feat for such a small company. After several years, Southwest had not only weathered the storm, but their innovative efforts had led them to the forefront of domestic flight providers in the United States.

## ***Summary***

- Effective leaders must be adaptable, especially in turbulent and uncertain times.

- Professor Deborah Ancona identifies the four essential capabilities of effective leaders: *sense-making*, *relating*, *visioning*, and *inventing*.
- *Sense-making* involves releasing old leadership models and embracing changes as they occur. Dr. Ancona recommends that leaders expand beyond the confines of the organization and work with others for a shared understanding of market conditions.
- *Relating* requires open communication and visibility. Dr. Ancona recommends that leaders be open to outside conditions and seek to be reassuring, especially in times of crisis.
- *Visioning* involves creating a sense of urgency to promote quick actions and a lively business atmosphere. Dr. Ancona recommends that leaders articulate a clear picture of the future and uphold personal as well as corporate values.
- *Inventing* enables leaders and employees to be creative and innovative. Distributed leadership—enabling employees at all levels to contribute their ideas—results in more effective and productive outcomes.

## **References**

Arthur, William Brian. 1996. "Increasing Returns and the World of Business." *Harvard Business Review*.

MIT Sloan School of Management. 2009. Interview with Professor Deborah Ancona.