

# **THE CHANGING ROLE OF LEADERSHIP: BUILDING PARTNERSHIPS INSIDE AND OUTSIDE THE ORGANIZATION**

**By: Marshall Goldsmith**

**In a recent study (sponsored by Accenture), we completed in-depth interviews with 202 specially chosen, high-potential leaders from around the world. These participants were all seen as being at the very top when compared to colleagues at their level in their organizations. These future leaders were asked to describe how the ideal leader of the future would differ from the leader of the past. The results were clear. The ideal leader of the future was seen as a person skilled at building partnerships inside and outside the organization. While these skills were seen as being somewhat important in the past, they were seen as being critically important for the future.<sup>1</sup>**

**Much has been written on *how* leaders can build partnerships (including several chapters in this book). This chapter will build upon our research and focus on *why* the leader of the future will need to be a builder of partnerships. Six different types of partnerships will be explored: three inside the organization (direct reports, co-workers, and managers) and three outside the organization (customers, suppliers, and competitors).**

## **BUILDING PARTNERSHIPS INSIDE THE ORGANIZATION**

### ***PARTNERING WITH DIRECT REPORTS***

**The traditional assumptions that have “bonded” employees with organizations are changing rapidly. Employees no longer expect that their organizations will provide them with job security. As the expectation of security has diminished, so has the blind loyalty that was assumed as a by-product of this security. Almost all of the high-potential leaders that we interviewed saw themselves as “free agents” not “employees” (in the traditional sense).<sup>2</sup> They saw the leader of the**

---

<sup>1</sup> For a more in-depth discussion of this study and the importance of partnerships, see *Global Leadership: The Next Generation*. Goldsmith, Robertson, Greenberg, and Hu-Chan. (2002)

<sup>2</sup> See “Coaching Free Agents.” Goldsmith, Sommerville, Greenberg-Walt, *Coaching for Leadership*. eds Marshall Goldsmith, Laurence Lyons, and Alyssa Freas.

future as a person who could build “win-win” relationships and who could be sensitive to their needs for personal growth and development. In return they felt, not only a desire, but also a responsibility to deliver value back, for the leader and to the organization. In simple terms, they saw the leader of the future as their *partner*, not their *boss*!

As Peter Drucker has noted on many occasions, one of the great challenges for leadership in the future will be the management of knowledge workers. Knowledge workers are people who know more about what they are doing than their manager does<sup>3</sup>. The high-potential people we interviewed painted a very clear picture. The managers of best knowledge workers of the future will have to be good partners. *They won't have a choice!* If they are not great partners, they won't have great people.

### ***PARTNERING WITH CO-WORKERS***

One of the great challenges for the leader of the future is breaking down boundaries. The successful leader of the future will be able to share people, capital and ideas across the organization. As the world becomes more complex, this type of integration becomes more important. It is easy for the CEO to understand why this is so important<sup>4</sup>. The CEO is rewarded by the success of the entire organization, not just the success of any one unit. The CEO can understand that people need to be shared so that they can develop the expertise and breadth needed to manage the entire organization. Capital needs to be shared so that mature business can transfer funds to high-growth businesses. Ideas need to be shared so that everyone in the organization can learn from both successes and mistakes in the most efficient way possible. The high-potential leaders we interviewed saw themselves as potential CEOs and saw the value of this perspective.

While these advantages are easy to see from the vantage point of the CEO, they can be more difficult to execute from the position of the lower-level manager. Leaders at all levels will need to develop skills in negotiation and in building “win-win” relationships with colleagues. They have to *learn* to share people, capital, and ideas. In some cases

---

<sup>3</sup>Drucker, Peter. *The Essential Drucker*. HarperBusiness, New York, 2001. pp. 78.

<sup>4</sup>Ashkenas, Ron, Ulrich, Dave, Jick, Todd, Kerr, Steve. *The Boundaryless Organization*. Jossey-Bass, San Francisco. 1995.

they must choose to experience a short-term loss, so that the organization can achieve a long-term gain. In the past, many leaders were taught to compete with colleagues for people, resources, and ideas. They have been rewarded for “winning” this competition. In the future, leaders will need to learn to collaborate with colleagues across the organization. The success of the larger organization will depend upon leaders’ ability to become great partners with their co-workers. In many cases, the participants in our research believed that developing partnerships with co-workers was an even bigger challenge for leaders than developing partnerships with direct reports.

### ***PARTNERING WITH MANAGERS***

Other than the CEO, every leader in the organization has a manager. The changing role of leadership will mean that the relationship between managers and direct reports will have to change in *both* directions. Not only will managers need to change, direct reports (who also may be leaders) will need to change. Many leaders of the future will be operating more like the managing director of an office in a consulting firm, than the operator of an independent small business. This is true not only in the business sector, but also in the human services sector. The new leader of the United Way, Brian Gallagher, recently described the ideal future leaders of this organization as partners leading in a network, not managers leading in a hierarchy<sup>5</sup>.

A consulting firm that could be a benchmark in partnering between junior and senior people is McKinsey and Company. At McKinsey, a director may often have less detailed knowledge about a client than a more junior principal. Leaders at all levels are trained in the following philosophy: “When you believe that the direction you are being given is not in the best interest of our client, you do not have the *opportunity* to challenge, you do not have the *right* to challenge, you have the *obligation* to challenge.” This philosophy teaches leaders at all levels to have very adult and responsible relationships with their managers.

Our high-potential participants saw the leaders of the future as working with their managers in a team approach that combined the leader’s knowledge of the unit operation with their managers’ understanding of

---

<sup>5</sup> Brian Gallagher, personal interview with the author, January 24, 2002.

the larger needs of the organization. Such a relationship requires taking responsibility, sharing information, and striving to see both the micro- and macro-perspective. While partnering with management can be a lot more complex than “taking orders,” it is becoming a requirement, not an option. When direct reports know more than their managers, they have to learn how to influence “up” as well as “down” and “across.”

## **BUILDING PARTNERSHIPS OUTSIDE THE ORGANIZATION**

### ***PARTNERING WITH CUSTOMERS***

As companies have become larger and more global, there has been a shift from buying stand-alone products to buying integrated solutions<sup>6</sup>. One reason for this shift is economy of scale. Huge retail corporations, like Home Depot or Wal-Mart, do not want to deal with thousands of vendors. They would prefer to work with fewer vendors who can deliver not only products, but systems for delivery that are customized to meet their needs. A second reason is the convergence of technology. Many customers now want “network solutions,” not just hardware and software.

As the supplier’s relationship with their customers continues to change, leaders from supply organizations will need to become more like partners and less like salespeople. One trend that our high-potential participants noticed is the shift toward building long-term customer relationships, not just achieving short-term sales. This change means that suppliers need to develop a much deeper understanding of the customers’ total business. They will need to be willing to look at the “big picture” in terms of delivery and reliability. They will need to make many small sacrifices to achieve a large gain. In short, they will need to act like partners.

### ***PARTNERING WITH SUPPLIERS***

As the shift toward integrated solutions advances, leaders will have to change their relationship with suppliers. A great example is IBM. “A

---

<sup>6</sup> Goldsmith, Marshall. “On a Consumer Watershed.” *Leader to Leader*. Number 5, Summer, 1997. Drucker Foundation, Jossey-Bass, San Francisco.

growing percentage of IBM's business, now involves customized solutions incorporating non-IBM products and services. While the idea of IBM selling non-IBM products was almost unheard of in the past, it is now becoming commonplace—to the benefit of customers and, in the long run to IBM itself.”<sup>7</sup> The same trend is occurring in the pharmaceutical and telecommunications world.

In a world in which a company sold stand alone products, partnering with suppliers was not only seen as unnecessary, it may have been viewed as unethical! The company's job was to “get the supplier down” to the lowest possible price in order to increase margins and profitability. Leaders who partnered with suppliers may well have been viewed as “helping the enemy” or having a “conflict of interest.” Today, many leaders realize that their success is directly related to their supplier's success. In fact, Northrop Grumman, one of America's leading defense contractors, actually includes commitment to suppliers as one of their core values.

The high-potential leaders that we interviewed saw suppliers as key partners. They realized that the leaders of the future would be able to transcend differences and focus on a common good—serving the ultimate end user of the product or service.

### *PARTNERING WITH COMPETITORS*

The most radical change in the role of leader as partner has come in the area of partnering with competitors. This has moved from the unthinkable to the commonplace. Most of the high-potential leaders that we interviewed saw competitors as potential customers, suppliers, and partners. Few had clear lines of demarcation. While there are still some noted exceptions to this trend (e.g., Coca-Cola and Pepsi), the direction of the curve is very clear. Most organizations that rely on knowledge workers have varied and complex relationships with competitors.

When today's competitors may become tomorrow's customers, the definition of “winning” changes. People have memories. Unfairly “bashing” competitors or striving to ruin their business could have

---

<sup>7</sup>Ibid.

harsh long-term consequences. While competitors should not expect collusion or unfair practices, they should expect integrity, respectful treatment and fair dealing.

## CONCLUSION

In reading this chapter, it should start to become obvious that the six trends toward more partnering are reinforcing each other. For example, as employees feel less job security, they begin to see suppliers, customers, and competitors as potential employers. The fact the leaders need to learn more about these other organizations, build long-term relationships, and develop “win-win” partnerships means that the other organizations are even more likely to hire the leaders. In many cases, this is seen as a positive, not a negative by both organizations. As the trend toward outsourcing increases, it becomes increasingly difficult to determine who is a customer, supplier, direct report, manager, or partner.

Almost every high-potential leader we interviewed believed that the leader of the future would need to be far more skilled than the leader of the past. In many ways the “old world” was simpler. Telling direct reports (who know less than we do) what to do is a lot simpler than developing relationships with partners (who know more than we do). Being able to work in a “silo” is a lot simpler than having to build partnerships with peers across the organization. “Taking orders” from managers is a lot simpler than having to challenge ideas that are not going to meet customer needs. Selling a product to customers is a lot simpler than providing an integrated solution. Getting the lowest price from suppliers is a lot simpler than understanding their complex business needs. Competing with competitors is a lot simpler than having to develop complex customer-supplier-competitor relationships.

The challenge of leadership is growing. The high-potential leaders of the future that we studied believe that many of the important qualities of the past, like integrity, vision, and self-confidence are going to be required in the future. They also believe that building partnerships inside and outside the organization is going to become a *requirement*, not an *option*, for future leaders.