RI HUB

RESEARCH NOTE #12

RULE 11: LEAD FROM THE INSIDE OUT

The Ruthven Institute has developed 12 rules for business success. Based on 45 years of analysis of Australia's top 1000 companies, the Ruthven Institute has distilled the essence of a winning business strategy. Research undertaken by the University of Melbourne between 1998 and 2001 supported many of these rules. In this series, the RI Hub examines the literature to assess the validity and continuing relevance of these rules. In each of the following sections, the literature is summarised, the key issues for implementation highlighted, and the questions for future research identified.

> "The 'best' type of leadership for a business can vary. It depends on whether the business is new or old; an SME or a large corporation... it involves more of an external focus than an internal one – the opposite of management. It is about direction, strategy, and the means of getting there. Once you know where to go and how to get there, the challenge is to lead and manage your business and its employees along that journey."
>
> Ruthven Institute (2019) *Business Success: In Brief the 12 Golden Rules*

RI rule 11 argues that what top leaders do matters, and if leaders make strategic decisions consistent with the earlier RI rules their organisations will be successful. Further, the Rule contends that successful leaders will focus on planning from the outside in — that their reading of the external environments, together with their clear understanding of their own business and industry is critical to ensuring that those strategic decisions are the correct ones and that further, their vision and capacity to communicate the vision is important in aligning staff effort with corporate goals and targets.

The Rule goes on to distinguish at least three distinct types of leaders, each suited to firms at various stages in their life. The first type of leader is a risk-taking *entrepreneur* with the vision and persistence to build and navigate a new business. The second is a *builder*, with strengths in installing the systems and structures needed to sustain and grow an efficient, profitable giant. The third type is the *administrator*, who inherits markets, products, structures, systems and staff, and can hopefully steer a business through the downside of its industry's life cycle.

Locating the relevant research to test the rule

RI Rule 11 draws attention to the crucial, but challenging to measure, impact of leadership on firm performance. As with each of these Research Notes, we are primarily concerned with research pertaining to performance outcomes. So, although

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much has been written on what leadership is, and what distinguishes the behaviours and characteristics of successful leadership, we focus here on those studies relevant to testing and understanding the RI rule; that is, those that have sought to measure the impact top leaders have on the performance of organisations.[1] Those studies lie largely within the strategic leadership stream of research. Samimi et al. (2020: 3) offer a comprehensive definition of strategic leadership derived from their extensive review of previous conceptions of strategic leadership:

> "as the functions performed by individuals at the top levels of an organisation (CEOs, TMT members, Directors, General managers) that are intended to have strategic consequences for the firm. Our review identifies eight functions: making strategic decisions; engaging with external stakeholders; performing human resource management activities; motivating and influencing; managing information; overseeing operations and administration; managing social and ethical issues; and managing conflicting demands".

In this research note, we first explore the all-important, but thorny, issue of the how leadership might drive firm performance. Upon summarising this evidence base, we then consider the more recent leadership studies so as to map out a path for how Rule 11 could be augmented, and to identify pertinent issues of the horizons for leaders and leadership researchers.

Do leaders matter?

As discussed also in our exploration of RI Rule 6 (*Plan from the Outside in*), strategic management research has focussed on identifying the critical variables, factors and strategies that explained corporate success and establishing the key differences between successful and less successful organisations. Strategic leadership research evolved alongside this work, recognising that any study of the drivers of organisational performance is incomplete without studying what and how strategic choices are made and by whom. So too, strategic leadership researchers looked for similarities and differences in trying to explain the relative success or failure of organisations but concentrated on the traits and behaviours of executives, together with how they made their strategic choices. In 2009, Cannella, Finkelstein and Hambrick published a major review of the strategic leadership literature tracing the shifting views of the relative importance and impact of executives over time. The evidence is mixed.

1 The definition of organisational success and how organisational performance should be measured have been covered in *Research Note 1*. We recognise that there are other definitions and measures of success but for the purposes of testing the RI rules, we adopt the definitions proposed by RI.

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Cannella et al. (2009) cited a range of studies which have found top executives to contribute strongly to organisational performance. Some of these are what they categorise as anecdotal and observational (e.g., Tichy and Devanna (1986); Tichy and Sherman (1993)). Others focus on specific executive attributes that are found to have significant positive associations with organisational performance, such as Virany and Tushman (1986), who observed management teams of better-performing microcomputer firms had significant prior industry experience, and Murray (1989), who reported that top management within oil companies composed of diverse tenures outperformed those with more homogenous tenures.[2] A series of large sample studies presented positive evidence of executive impact and more, that prior effectiveness and measures of managerial quality were predictors of future managerial and organisational performance (Weiner & Mahony, 1981; Smith et al., 1984; Pfeffer & Davis-Blake, 1986; Cannella & Rowe, 1995; Rowe et al., 2005).

Canella et al. (2009) also survey a range of studies that have found the ability of executives to affect the success of their organisations is limited by external and other internal organisational factors. For example, Lieberson and O'Connor's 1972 study of top executives in 167 companies over 20 years found that leadership explained only 6.5-14.5 percent of variance in the three measures (sales, profits, and returns on sales). Salanick and Pfeffer's (1977: 492) study of city mayors in 30 US cities over 17 years found individual mayors accounted for only 5-15 percent of variance in expenditure categories and concluded that "leadership operates within constraints deriving from internal structural and procedural factors and from external demands on the organisation." Bertrand and Schoar's (2003) 30-year study of senior executives from across approximately 1500 large US public firms who had worked in at least 2 firms found as little as 5 percent of variance in return on assets attributable to firms' top managers.

The top echelon and Great Man research streams followed the prevailing social and corporate/military conventions of the times. Researchers assumed organisational success hinged on the strategies decided by those at the top of organisations with implementation undertaken by the organisation through a command-control hierarchy. Their research focused on first, trying to measure the extent of the impact of executives and then, to identify the traits and behaviours of successful executives.

2 Further examples they cite include: Gupta and Govindarajan (1984) who link different types of management expertise with business performance, depending on chosen strategies; Haleblian and Finkelstein (1993) who found the larger the top team, the better company performance; and Hage and Dewar (1973) who observed that top management team values affect innovation.

Other studies that have focused on leadership impact include Waldman et al. (2001), which reported on a study using data from 48 Fortune 500 companies that tested earlier claims about the effects of individual characteristics on organisational performance and the differentiation between transactional and transformational leadership.[3] Hypothesising that both charismatic and transactional leadership were potentially important aspects of leadership at the strategic level, they found that "the connection between top managers and firm outcomes [as measured by financial performance] may depend heavily on the managers' charismatic leadership *but only under conditions of perceived environmental uncertainty*" (Waldman et al., 2001: 140). Although they concluded their study did not support a strong correlation between leadership and organisational outcome personality traits, they did suggest that if future research were to test the relationship between CEO characteristics, it should go beyond simple demographic characteristics to look at the effect of personality.

Writing from within the financial and economics literature, Kaplan et al. (2012) argued that while many researchers had tried to name the characteristics relevant to organisational performance, the research had failed to establish the relationship between various characteristics and organisational performance. Methodological weaknesses had meant that "open questions remain concerning how managerial characteristics vary across CEOs, how CEO types vary, and which characteristics or types are important for corporate performance" (Kaplan et al., 2012: 3). In their study they set out to overcome these weaknesses and to challenge earlier research which found that a *first order distinction* between successful and less successful ones could be measured by their relative levels of resoluteness and overconfidence on the one hand, and empathy and communication on the other. Instead, Kaplan et al. (2012) analysed individuals involved in buy-out and venture capital transactions along two dimensions – general ability and another that contrasts communication and interpersonal with execution skills. They found later corporate performance was positively related to general ability and execution skills, particularly among those in the buyout group. They judged their findings to be consistent with Drucker's (1967) observations; that is, "effective executives differ widely in their personalities, strengths, weaknesses, values and beliefs… [and] all they have in common is that they get the right things done" (cited at Kaplan et al., 2012: 6).

In sum, there is clearly evidence from many studies to show that executives do affect the performance of their organisations. These studies have been conducted from

3 Transactional leadership relies on a leader motivating followers through appeals to their own self-interest, whereas transformational leadership sees the leader "moving the follower beyond immediate self-interests through idealized influence (charisma), inspiration, intellectual stimulation, or individualized consideration" (Bass, 1999: 11).

within different research and disciplinary streams. Yet methodological constraints have limited the study of complex and ambiguous situations and did not supply definitive answers about the exact nature of the impact and how it is achieved. In two recent reviews of leadership literature, authors noted that a significant amount of the existing research relied on event-based research methods which assume stability of forces and missed the dynamics of constantly evolving responses and outcomes (Dinh et al, 2014). In the second review, Gardner et al. (2020) express disappointment about how little research has been done on leadership impact in terms of hard organisational outcomes.

But while Cannella et al. (2009) show a long and persistent tradition of strategic leadership literature supporting the view that executives matter, they also describe countervailing research. They describe three different developments which shifted the focus from executives to other environmental and organisational sources of strategy *construction* and explanations of organisational performance.

The first – the professionalisation of management and strategy determination - was grounded in a view that top executives did matter, that the variability of their performance was reflected in organisational performance, and that the sources of that variation could be overcome by the development of improved strategic choice models. Following the *bounded rationality* concept (March & Simon, 1958), strategy researchers believed that executives made bad or suboptimal strategic choices because of the limits on their ability to discern, analyse, and interpret enormous quantities of information, and in the absence of proven strategy rules. Further, it was argued that this was exacerbated by Mintzberg's finding of how little time was spent in strategic assessment and decision making as CEOs juggled multiple roles and demands for their attention (Mintzberg, 1973).[4]

So, to overcome these constraints, strategy researchers set out to discover the essence of successful strategies and distil them into a set of business policy rules or models. Not only did these specify the information to be gathered, but they also supplied standardised analytic techniques and provided guidance about the *correct* strategic response (see Research Note on RI Rule 6). Separate planning units emerged to undertake the work of data collection and analysis and to recommend strategies based on the business rules that largely flowed from the external environments in which the organisations operated. Although designed to reduce

4 His later research showed that even the amount of time afforded to each of these roles varied between organisations depending on their ownership structure, financing arrangements and regulatory environment (Mintzberg, 1979, 1980; Mintzberg et al., 1976; Mintzberg & Waters, 1982).

executive variability by improving the analytic and predictive quality of strategy choices, these efforts arguably can be seen as serving to reduce the dependence on individual executives and lessen their decision-making scope.[5]

The second development was research that challenged the impact of executive influence in the first place. The key studies, as cited by Cannella et al. (2009), that challenge leadership impact, are outlined below and further elaboration is provided in the Research Note on RI Rule 6. Both population ecologists and institutional theorists regarded organisations as largely *inertial* and stressed the relative importance of external and internal forces in shaping and proscribing the strategic choices of firms. Noting how little firm performance in similar settings varied, they found that legal and financial barriers to entry and exit from markets, restricted access to external information, and changing social norms, all exerted similar pressures on firms. Internally firms were seen as constrained in their scope of action by existing investment and assets, restricted information flows, entrenched ways of working, and power distribution (Hannan & Freeman, 1977, 1984). Institutional theorists highlighted the way in which social conventions and regulatory constraints tend to drive organisational strategy homogeneity. They showed how much pressure organisations were under to adopt policies and practices acceptable to external resource providers (DiMaggio & Powell, 1983; Haveman, 1993; Spender, 1989). In more recent times, the concept of *social licence to operate*, which encompasses changing social and environmental expectations and new regulatory requirements that influence staffing, operations, and financing arrangements, can be viewed as an additional constraint behind the long-recognised pressures of isomorphism (Demuijnck & Fasterling, 2016).

These studies continue to influence thinking today, despite methodological critiques about the choice of variables, analytic techniques, and identification of who were the top leaders. For example, Cannella et al. (2009: 24) believe the choices made by Lieberson and O'Connor (1972) in their research design "consistently biased their findings away from observing managerial influence on corporate outcomes… [meaning] their study [is] far less… definitive". To demonstrate, they cite Weiner and Mahony's 1981 study that replicated the original Lieberson and O'Connor study but varied the sequence of analysis and found, instead, a significant leadership impact (44%). Even in 1972, Child challenged mechanical, or deterministic, research arguing that theories of organisation that do not include the direct source of variation –

5 An alternative interpretation is that, being associated with the Harvard model, it could be seen as a push to improve the quality and therefore the potential good impact of executives.

"namely the strategic decisions of those who have the power of structural initiation" – were ignoring the political processes surrounding apparent constraints and opportunities (Child, 1972: 16).

The importance of managerial discretion

Cannella et al. (2009) argue that, over time, the different streams of research on strategic leadership moved closer together. Population ecologists accepted a more significant role for top executives, noting that better performing executives helped organisations adapt to their environment and the changing circumstances in which they find themselves. At the same time, strategy researchers began to accept that there were various constraints on strategy choice. Child's (1972) *strategic choice* provided a bridge between the various research streams and allowed organisations to be seen as social structures embedded within their environments, with numerous linkages between them.

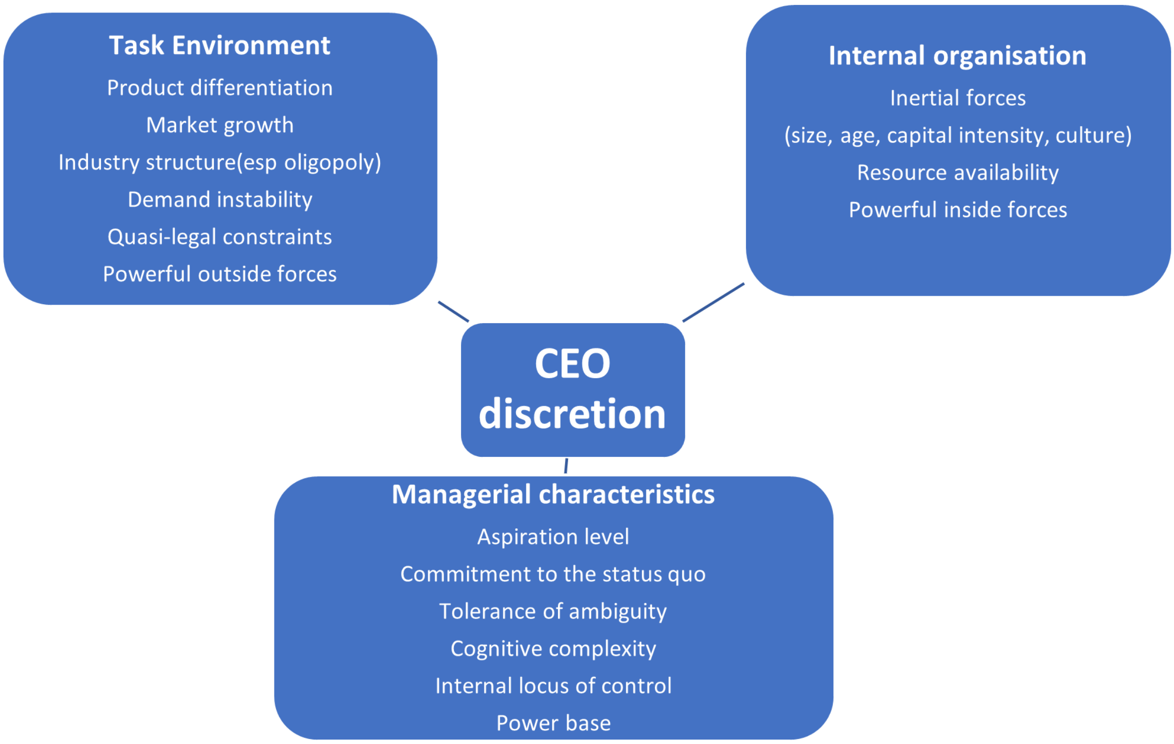
This bridge was extended and strengthened by Hambrick and Finkelstein (1987). Their concept of *managerial*, *or executive, discretion* acknowledges both the scope and the limits on executive influence over time, between industries and between cultures.[6] They argued the forces affecting the CEO's discretion derive from three sets of factors: environmental, organisational, and the CEO's own characteristics. They described the key elements within each set needed to assess the extent of discretion:

> "a chief executive's latitude of action is fundamentally a function of (1) the degree to which the environment allows variety and change, (2) the degree to which the organization itself is amenable to an array of possible actions and empowers the chief executive to formulate and execute those actions, and (3) the degree to which the chief executive personally is able to envision or create multiple courses of action" (Hambrick & Finkelstein, 1987: 379).

Figure 1 overleaf illustrates the main component parts of each set.

6 *Managerial discretion* is a term which has appeared in different research streams – management, financial and economics. They are not equivalent. Shen and Cho (2005) differentiate usage of the terms by separating the construct into two dimensions: *latitude of actions* (which aligns with Hambrick and Finkelstein's conception of discretion) and *latitude of objectives* which describes the extent to which executives can set their own objectives rather than be bound by the objective of maximising shareholder wealth used in the economics literature.

Figure 1: Forces Affecting CEO Executive Discretion



Source: Cannella et al. (2009: 27)

Hambrick and Finkelstein (1987) accepted, for example, Lieberson and O'Connor's (1972) finding that industry characteristics affect the extent of managerial discretion. Hambrick and Abrahamson (1995) tested these forces empirically, with a study of managerial discretion in 70 industries. Their managerial discretion score ranged from a high of 6.89 in the computer and software wholesaling industry to a low of 2.01 in the natural gas transmission industry.

Finkelstein and Peteraf (2007) extended the concept of managerial discretion by showing that individual executives can increase or limit their scope for action by how they choose to react to constraints. By analysing their activities, these researchers found that some executives were able to increase the extent of their discretion by minimizing or evading the constraints or focusing on areas not subject to constraints. The interplay of *constraint* and *choice* became another dimension added to the original formulation of discretion.

Similarly, Carpenter and Golden (1997) concluded that personality is an important factor in individual-level discretion and that perceptions of discretion are an important determinant of actual discretion. It may be that a characteristic of executives is that they can create greater discretion and discern more options and opportunities than their less-skilled counterparts.

Later research also found that the extent of executive discretion can vary over time – as regulatory and policy settings and social expectations change – and between cultures. For example, Crossland and Hambrick (2007) found that the percentage of variance in firm performance attributable to CEOs was substantially higher in US firms when compared to Japanese and German firms. They contend these differences reflect institutional differences between these countries, including in governance and ownership patterns, in legal systems, and also cultural norms.

Returning to the Leadership-Performance Relationship

Quigley and Hambrick (2015) sought to understand whether the increased focus on CEOs (and their associated remuneration levels) was justified by their greater impact on performance. Their study found that the impact of individual CEOs had indeed increased in the past decade, thereby supplying further evidence that executive impact does vary over time. For example, organisational innovations in firm structures, employment, financing, and supply chains have meant that there are more strategic options available to executives since the original studies were conducted in the 1970s. But some of the changes in board composition, and the reduction in CEOs combining their role with chair of the board, has meant a lessened scope for CEOs.

Much of the academic and popular literatures became transfixed on the idea of the *transformational* leader as opposed to the *transactional* manager (see Bass, 1999). Although some research – for example, Bandiera et al. (2017) – found that there were productivity differences between those firms that had *leader* CEOs and those that had *managers*, other studies found more complex explanations. Kaplan et al. (2012) showed execution and the managerial work inside the organisation matters – determining organisational structures and processes, translating the large vision into targets and tasks for different parts of the organisation, ensuring that the different parts of the organisation work together to common goals, and ensuring that resources are allocated in the most effective way to support capacity building, innovation, and production.

Sadun, Bloom and van Reenen (2017) reported on a decade-long research project involving 12,000 firms across 34 countries that examined how well companies performed 18 core management practices. They found vast differences in how companies execute basic tasks like setting targets, running operations, and grooming talent, and that those differences matter. They concluded that "[f]irms with strong managerial processes perform significantly better on high-level metrics such as profitability, growth, and productivity" (Sadun et al., 2017: 124). These differences in process quality endured over time, indicating that competent management is not easy to imitate and that investment in improving managerial practice can be a source of competitive advantage.

This work also provides support for the RI proposition that Australian managers are not performing well. Australian managers ranked 9th of 17 countries surveyed, behind the UK, and with US managers ranked first. (Sadun et al., 2017: 209). This result was repeated in the *Study of Australian Leadership* project (Gahan et al., 2016) where 40 percent of the companies surveyed by these researchers were designated as poorly performing against financial measures, such as ROI. In exploring the causes, Gahan et al. found that managers were not good at setting targets, monitoring performance, or using incentive schemes effectively. Only 18 percent of private sector firms reported radical innovation, despite the impact of innovation on growth and productivity improvement. Furthermore, the level of formal training, either in technical skills or leadership development, was lower than in comparable countries. More concerning, however, was that many of the senior managers surveyed did not seek external advice as an input to their strategic planning activities – a key element of the RI rule on leadership.

Hoffman and Tadelis (2021) also explored how managers' actions influence firm productivity. By marrying employee survey data with measures of managerial value-add, they found that higher rated managers affected employee outcomes positively. This meant in turn for example, that employee turnover was lower, and their remuneration higher. However, despite their findings being consistent with Schoar's (2016) finding that managers' improved communication skills led to higher productivity, Hoffman and Tadelis believe further work is needed to clearly establish the mechanisms by which managers' effectiveness is achieved.

Kiss et al. (2021) argued that prior research on personality traits of CEOs had failed to consider the role of personal attributes that have explicit action- and outcome-oriented components. Being interested in the attributes essential for successful innovation, they found that "'proactive' CEOs intend to achieve multiple outcomes, [and] engage in different behaviors to accomplish these outcomes…" which suggests " …that proactiveness may be a construct relevant to consider in research exploring multifaceted strategies and multiple performance outcomes" (Kiss et al, 2021: 11).

Basker et al. (2020) explored whether firm size affected the leadership research findings. Using a sample of small and medium sized accounting firms in Norway, they assessed two different types of leadership behaviours previously identified in the literature on profitability and employees' willingness to change. They found that CEOs' actions in setting goals and facilitating teams' attainment of those goals (Bass's (1990) concept of *initiating structures*) was positively associated with profitability, but the extent to which they showed concern and respect for their staff (Fleischman's (1995) concept of consideration) was very important in employee willingness to change. They concluded that if firms needed to remain profitable AND adapt to changing external circumstances, CEOs must engage in both initiating structure and consideration behaviours.

In summary

Our review of the strategic leadership literature outlined the findings of research over the past 40 years on the impact of executives on firm performance: do they matter or is the extent of their impact overblown? Is the RI rule that suggests leaders do matter supported? Cannella et al. (2009) provided a useful overview of the evidence about the extent of executive influence on organisational performance. Some research showed limits on the scope of executives to make and enact strategic choices; other research presented significant evidence of executives as key contributors to organisational success, or failure. Cannella et al.'s concluded that there was greater support for impact than not, especially when Hambrick's concept of managerial discretion is adopted, as this does seem to reconcile the apparently contrary findings from other research streams. Further, research from the situational or contingency models of leadership stream, noted in Cannella et al., supported RI's contention that the nature and demands of CEOs will vary over the lifecycle of a firm.

However, despite Cannella et al. (2009) concluding by adopting the unifying framework of managerial discretion, later reviews provide further insights about trends and gaps in the strategic leadership literature that allow us to extend what is incorporated in the RI rule. These are described in the next section.

Trends and gaps

Each of the reviews of the leadership literature undertaken after Cannella et al. (2009) remark on the huge growth in leadership research over the past 40 years as researchers accepted leaders' impact on organisational performance. But they also note the lack of consensus and focus. Indeed, one review noted that there were at least 66 different leadership models (Dinh et al. 2014). The purpose then of these reviews has been to seek to understand what is agreed, how to unify diverse findings and how to extend what is known to meet gaps and emerging new knowledge requirements as external environments change.

Samimi et al. (2020) constructed a framework that mapped how the research has developed. They note that the leaders in these studies can be (a) limited to the CEO, (b) extended to also include the rest of the top management team, and/or (c) the Board. The key relationships explored are often between the functions of the leader(s) (i.e. what they do) and/or their attributes (who they are and why they act in particular ways), how they lead, and firm-level outcomes. It is often recognised, or argued, that contextual factors will impact upon how they lead and thus any leadership style-performance relationship. These various research streams rarely interact with each other, however. As Samimi et al. (2020) argue, interaction and integration are needed for gaps in our knowledge of strategic leadership to be addressed. And not only must the streams of research be somehow unified, but that integration must also address emerging technology, industry, workforce and social trends. Cahya et al. (2019), for example, pointed out that despite there being a generational change occurring in organisations, much of the leadership research has failed to account for generational changes either among the leadership groups themselves or the workforce that is being led. Similarly, Basker et al., (2020) noted that most of the studies on leadership impact had been conducted in large organisations and wanted to know whether the same effects were applicable in smaller organisations.

Dinh et al. (2014) examined the leadership research published in ten top journals between 2000 and 2012. They identified 66 different categories of leadership theory domains, providing a diverse understanding of leadership from several disciplinary perspectives.[7] They analysed the research by distinguishing research method and whether the method assumed that what was being studied was a stable phenomenon (through event-style studies or retrospective or point-in-time) or was the result of a dynamic set of processes that were constantly evolving in response to internal and external stimuli. Despite ready acknowledgement by researchers that leadership and its effects were set within complex and ambiguous settings, much of the research has used methods that assume stability rather than dynamism. Dinh et al. (2014)

7 This was an increase from the 46 identified by Gardner et al. (2010) in their review.

emphasised the need for future research effort to be directed at unifying the literature's diverse findings and proposed that this might be achieved by focusing on understanding *how* leaders influence underlying processes that lead to organizational outcomes.

In 2020 Gardner et al. undertook their third review of leadership research published in *Leadership Quarterly*. Their work showed how the content, methods and authors of leadership research had changed over the 30-year period. For example, between 1990 and 2000 they found the most researched areas were neo-charismatic leadership models, followed by contingency and trait research. In the period 2000-2010 research interest had largely moved to what in the previous decade had been considered 'new directions' – ethical/servant/spiritual/authentic models, and leadership development and away from neo-charismatic, trait and behavioural models. Between 2010-2019, the research focus had once again moved back to neo-charismatic models (in the form of transformational leadership), leadership traits, and strategic leadership but also saw new areas emerge, such as leadership diversity, leader emotions and destructive leadership. Throughout there has been a steady but limited interest in leadership at different levels of the organisation.

Gardner et al.'s (2020) review identified gaps in the research to date, such as the need for greater attention to leadership at different levels of the organisation, how technology is affecting how leadership gets done, how changing social norms will affect leadership and how to internationalise leadership models. Overall, they confirmed earlier review findings about the multiplicity of leadership models and the need to find ways of synthesising these, but at the same time recommended a greater diversity in research methods and less dependence on surveys and quantitative methods. And like the earlier reviews described above, they saw potential for use of artificial intelligence instruments as a means of investigating the dynamic processes that Dinh et al. (2014) had highlighted. In a telling last statement, Gardner et al. (2020: 101379) note that most leadership research focuses on individual-level performance or the relationship between leader behaviour and group or team performance, but as a "field we have little evidence that these individual- and group-level outcomes cumulatively increase organisational performance".

Conclusion

The RI rule on leadership, like all the other RI rules, needs to be read and enacted in conjunction with the other rules. It is the interdependence of the rules which is critical. So, in exhorting leaders to lead from the inside out, RI is recognising the critical interface that CEOs play with the external environment and the need for them to understand clearly how the world is changing, where their organisation sits within it, and to translate these into appropriate strategic responses. At the same time, they must ensure that organisational resources are directed and aligned to those responses. The RI rule therefore recognises that CEOs must play multiple roles, and this is confirmed and elaborated in the leadership literature.

By following Rule 11 in conjunction with other rules (e.g., Rules 3, 6, 9 and10), RI is arming a top management team with key essentials for success. However, in acknowledging the *loneliness* that is the lot of the ultimately responsible CEO, the research (for example, Hayward & Hambrick, 1997; Park et al., 2018) suggests that it is important that this not translate into a *heroic leader complex* where hubris overcomes more balanced judgment. This was confirmed in a study which found that the extent of dominance of the CEO was negatively associated with performance. In other words, the CEO may be ultimately responsible but the more they share decision making the better the performance (Haleblian and Finkelstein, 1993).

In Rule 11, it is what is done by CEOs and top managers that is critical – the strategic choices they make. In this RI echoes the 1967 Drucker observation of effective managers. And although the explanation by RI of this rule pays scant attention to traits of successful leaders, favouring a view that their actions and choices are more important, the interplay of this rule with Rule 3 (Emulate World's Best Practice) encompasses the research we have described that found that management competence (and the functions associated with management as opposed to leadership) is also essential to organisational success.

Yet, despite the complexity of the interdependence of this rule with other RI rules, the strategic leadership research goes beyond simple support for the RI rule. The extensive reviews described in this note point to the lack of unification of the diverse and substantial leadership literature. The concept of leadership can be extended and enriched beyond that which RI describes. Currently the RI rules tend to reflect analysis derived from large corporates. So, as research extends into new realms that accommodate changing demographics, internationalised companies and new forms of organisation, the RI rule itself can be enriched and of use in settings other than large corporate.

However, while the existing literature can extend the RI rule, this literature also has gaps and methodological weaknesses itself. These mean that our understanding of how leaders affect firm performance can only improve. Advances in artificial intelligence and big data mean that the capacity to capture what are dynamic processes and systems operating within and outside organisations can also only improve.

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