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| **Chapter 11** **Effective Strategic Leadership:**  **Creating a Learning Organization and an Ethical Organization**  Strategic leadership is vital in ensuring that strategies are formulated and implemented in an effective manner. Leaders must play a central role in performing three critical and interdependent activities:  1. Setting the direction  2. Designing the organization  3. Nurturing a culture committed to excellence and ethical behavior.   In this chapter, Dess & Lumpkin provide the imagery of these three activities as a "three-legged stool." If leaders ignore or are ineffective in performing any one of the three, the organization will not be very successful.  Leaders must also play a central role in creating a learning organization. Gone are the days when the top-level managers can "think" and everyone else in the organization "does." Three environmental characteristics have forced this change:  1. Rapid change  2. Unpredictability  3. Complex competition  The five elements that are central to a learning organization are:  1. Inspiring and motivating people with a mission or purpose  2. Empowering employees at all levels  3. Accumulating and sharing internal knowledge  4. Gathering and integrating external information  5. Challenging the status quo to stimulate creativity.  The leader has a central role in instilling ethical behavior in the organization. Firms face an enormous cost when ethical crises arise:  1. Financial loss  2. Reputation loss  3. Erosion of human capital  4. Reduced relationships with  a. Suppliers  b. Customers  c. Society at large  d. Governmental agencies  The four key elements of an ethical organization are:  1. Role models  2. Corporate credos and codes of conduct  3. Reward and evaluation systems  4. Policies and procedures |

* https://dbu.blackboard.com/images/ci/sets/set01/document_on.gif

**Discussion Board**

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| Discussion Board |
| Please go to the Discussion Board and participate in the discussion for **this session**. (To get to the Discussion Board, click on the "Discussion Board" link on the left side of the screen.)  **Sources of Power**  Explain briefly how a leader you are aware of uses one of the sources of power mentioned in chapter 11. The best example is your current boss, but if that does not work, choose another. |

* https://dbu.blackboard.com/images/ci/sets/set01/assignment_on.gif

[**Clear Channel Case**](https://dbu.blackboard.com/webapps/assignment/uploadAssignment?content_id=_706689_1&course_id=_13061_1&assign_group_id=&mode=view)

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| Case Study |
| **Clear Channel Leadership Case**   * 1. How is Pittman achieving the three leadership activities: Setting a direction, designing the organization and nurturing a culture? This should be the most in-depth answer.   2. Which of the four elements of integrative thinking does Pittman most clearly exemplify?   3. Explain how Pittman applies two of the bases of power.   4. Which one of the emotional intelligence self-management skills does Pittman use?   5. Cite an example of Pittman's ability to gather and integrate external information.   WSJ October 14, 2012  **Pittman Envisions New Life for Radio**  **MTV Founder, Now at Clear Channel, Says Old Medium Can Be Cool Again**  **By Merissa Marr**  At the swanky Hotel du Cap on the French Riviera this spring, Clear Channel Communications Inc. Chief Executive Bob Pittman sponsored a select party for heavy hitters in the advertising world. After cocktails overlooking the sea, the guests dined on foie gras and roasted John Dory as Elton John performed a private concert, playing an oversize piano that had to be airlifted into the hotel.  Bob Pittman, CEO of Clear Channel, says he is 'absolutely hard-wired to run companies.'  After almost a decade of self-imposed corporate exile, Mr. Pittman is back in the corporate saddle and on a mission. In his new role heading Clear Channel, the MTV founder and high-profile [AOL](http://online.wsj.com/public/quotes/main.html?type=djn&symbol=AOL) alum has a grandiose goal: to reinvent radio, a business many have left for dead.  "I've not had my adrenaline pumped up like this in years and I forgot how great it feels," he said, seated in his corner office overlooking Manhattan's Rockefeller Center. "As much as I've denied it by trying to stop working, I'm absolutely hard-wired to run companies."  Mr. Pittman, 58 years old, fled the corporate world in 2002 after exiting the now-broken-up AOL Time Warner in a cloud of recriminations over the ill-fated merger. He retreated to his favorite pastimes, flying his planes and traveling. He later launched a private investment firm with his own money, backing start-ups including email newsletter DailyCandy and the tequila brand Casa Dragones.  Now he's back in the building where he started MTV and where AOL Time Warner was based after its merger. Gone are the round spectacles and coifed hair from his AOL days, replaced by open-neck shirts and stubble. In an office adorned with models of the jets he has owned over the years and MTV Moonman awards, Mr. Pittman has been plotting a revival rooted in trying to make radio cool again and convincing marketers that radio deserves more than the 6% share of total ad spending it currently commands (television attracts around 50%).  It is a challenge unlike anything else he has taken on. Whereas his involvement with both MTV and AOL occurred when they were fresh and new,Radio is one of the oldest of old media. Its future was bleak even before the Internet and satellite radio came along, but now traditional radio faces an array of digital competitors in streaming music services, from Pandora to Spotify.  While most Americans still listen to radio in some form, radio advertising grew just 1% to $17.4 billion in 2011, according to the Radio Advertising Bureau.  To make life even tougher, Clear Channel is laboring under $20 billion of debt, a legacy of a 2008 leveraged buyout arranged right before that year's financial crisis. The company reported $4 billion in losses for each of 2008 and 2009 due to onerous impairment charges. By 2011, the outlook improved but the company was still in the red to the tune of $302 million.  "Bob's drawn to the challenge of a turnaround and working on something that most people think is doomed," said former MTV chief Tom Freston, who worked for Mr. Pittman in the early days of the music channel and is a fellow "Burner" (an attendee of the Burning Man arts extravaganza in the Nevada desert).  "Bob's had more reincarnations than the Buddha."  Born in Jackson, Miss., the son of a Methodist minister, Mr. Pittman turned his attention to Clear Channel two years ago at the instigation of its private-equity owners, Thomas H. Lee Partners and Bain Capital. Drawn by the breadth of Clear Channel's radio and outdoor-advertising assets—it has 850 stations and a stable of big-name hosts including Ryan Seacrest—he made a $5 million investment and agreed to "help out part-time."  He was soon hooked. Mr. Pittman cut his teeth in radio in his teens, earning minimum wage as a disc jockey to pay for flying lessons. He agreed to become chief executive late last year, taking a part of his remuneration in the use of a company Dassault-Breguet Mystère Falcon jet for his travels.  Clear Channel makes half its revenue from outdoor advertising, a stable business that is the company's cash generator. But radio, with its lower fixed costs, generates two-thirds of earnings. And Mr. Pittman sees that business as having the biggest upside potential.  A marketer at heart, Mr. Pittman sees his challenge as shaking off radio's fusty image and winning back advertisers who left for other media. He argues that, contrary to popular belief, listeners never deserted radio. According to [Arbitron](http://online.wsj.com/public/quotes/main.html?type=djn&symbol=ARB), weekly listening has grown in the past decade to 242 million people from 224 million.  Mr. Pittman has been touring the country talking up radio and schmoozing advertisers with a series of "show business" events. He recently co-hosted a cocktail party for advertisers with consulting firm Medialink, featuring a performance by Stevie Nicks. Plotting a promotional blitz for its digital site iHeartRadio, Mr. Pittman splurged on a two-day concert to showcase "the power we have."  "I said, 'Why act like a start-up?' We need something that blows everyone's mind," he said.  To capture bigger advertisers who have traditionally seen radio as purely a local medium, the company is using its scale to pitch for national business. For [American Express](http://online.wsj.com/public/quotes/main.html?type=djn&symbol=AXP) Co.'s Small Business Saturday event to promote local shopping, Clear Channel crafted a national campaign with customized ads in 150 markets. It isn't an easy goal. While Clear Channel has built a national infrastructure, each campaign has to be painstakingly stitched together.  Another challenge is locking in a new generation. Data from Arbitron suggests teen listeners are on the rise, although they are increasingly turning to outlets like YouTube to discover music.  Building a digital footprint is crucial. Digital commands just 4% of radio advertising but it is fast growing. Mr. Pittman's plan is to make Clear Channel's stations available free on as many platforms as possible. Clear Channel ranks second among domestic online audio networks, according to Triton Digital, but it is dwarfed by Pandora, albeit in a slightly different business. (Pandora offers a personalized music service, a feature Clear Channel added just last year.)  Mr. Pittman may not have the luxury of time to prove his approach. While Clear Channel has bought itself some breathing space by renegotiating some of its near-term debt, Standard & Poor's says its debt leverage and interest coverage need to improve "to have flexibility to meet 2016 debt maturities."  "Some of this is out of his control: What happens in the next 12-24 months with the economy will play a big part," says Joel Hollander, former CEO of CBS Radio. But he added: "He's thinking out of the box and he has to be credited with that."  "The worst thing to do is nothing," says Mr. Pittman. "You have to take chances." |