

# LEADERSHIP Excellence

Warren Bennis



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## American Success Story

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# Leadership Excellence

*It's another American success story.*



by Ken Shelton

as.

LE



Lance Armstrong

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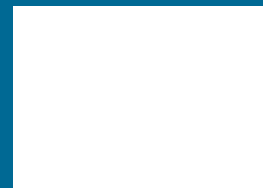
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*Ken Shelton*  
Editor since 1984



# Rewrite the Future

*Void the one already written.*



by Steve Zaffron and Dave Logan

WHEN SOMETHING ISN'T WORKING, many leaders struggle with which part of the problem to tackle first. Do we start with cost reduction? Recruitment or downsizing? Process improvement or reorganization?

We pick the problem to work on, and we either fail or succeed. If we fail, we add "frustration" to our list of problems. If we succeed, a new problem pops up to replace the old one. The solution to a problem becomes the next problem.

For example, imagine a company that is missing its financial targets, selling products people aren't buying. The cubicles are packed with frustrated people who take their malaise home. Dissatisfaction spills out into family life and, through the employees' children, into the schools and community. If we try to fix this problem in patchwork style, we may never get ahead of the corporate death spiral. Create new products, only to find investors have pulled out. Work on financial reporting—as the competition releases a new product that puts ours further behind.

It's as though the system we're working on—the company, finances, products, personnel, morale—is an old inner tube. The moment we patch one hole and add pressure, another spot rips open.

## Every Problem Has a Future

Many leaders spend their lives perfecting the art of improvement—more, better, different, and faster. Using this approach, many problems seem intractable. As the French proverb says, *the more things change, the more they stay the same*. Why is that? And what can leaders do about it?

The reason fixing problems often doesn't deliver desired or expected results is that the result is only superficial. What's left untouched are the

*underlying dynamics* that perpetuate the problem. Leaders need to approach problems from a new angle—one that is counterintuitive at first glance.

For every problem, there is a future that's already written about it. This future includes people's assumption, hopes, fears, resignation, cynicism, and "lessons learned" through past experience. Although this future is rarely, if ever, talked about, it is the context in which people try to create change.

If you went into the company described earlier, and got employees talking about the future, they'd probably say something like, *It will never work out. We're mired in politics, so when we do bring a product to market, it's two years too late, and that's not going to change. Our leaders will never lead—it's*



*not in them. We'll just waste away until we're bought or shut down.*

Although most people have never articulated what they think will happen to them personally or organizationally, they live every moment as if it's destined to come about. Employees are reduced to going through the motions, never fully engaging, never taking on the politics that hold the company back.

If you interviewed the leaders in this company, you'd hear a future that is correlated with what the employees describe: *People here don't care, and they never will. We invite their ideas, but they never come through with anything good. We don't have the money to replace them with star performers, and so we'll always be a B player in this industry at best. We'll continue to do the best we can, but as a company, we'll never really succeed.*

Like the employees, the leaders do their best in a situation that is doomed to mediocrity. They ask employees for

input, already thinking to themselves that the suggestions will be second-rate. Leaders work hard, but the company continues to lose ground against the competitors. People at all levels are frustrated but don't see anything they can do to help.

Two points are critical here. First, everyone experiences a future in front of them, even though few could articulate it. It goes beyond what they expect to happen, hope will happen, or think might happen. This future lives at a gut level. We know it's what will happen, whether we can give words to it or not. We call this the default future, and every person has one. So does every organization.

Second, people's relationship with the default future is complex. If someone described your default future to you, you might disagree, perhaps even get angry at how different that future is from what you think will happen. (Remember, the default future lives at an experiential level—underneath what we think and hope will happen.) Yet you (along with the rest of us) live as if that future is preordained. You live into your default future—unaware that by doing so you are making it come about.

Most change efforts fail because the default futures of employees and leaders are still in place, regardless of the management interventions tried. The more things change, the more they stay the same.

## Solution: New Leadership

The solution isn't change management—more, better, or different. The solution requires a new kind of leadership—one in which people rewrite the future together. The result is the transformation of a situation, leading to a dramatic elevation in performance.

Imagine, in the example we presented, what the company would look like if the people rewrote their future. What if it were this: *We've turned around the company. We have come from behind, and set the standard for the industry. We are people who work together, innovate, and succeed.*

Notice that we're not talking about motivational speeches or slogans that people repeat. We're talking about rewriting what people know will happen. Rewrite this future, and people's actions naturally shift—from disengaged to proactive, from resigned to inspired, from frustrated to innovative, from fearful to empowered. If we could rewrite the future across a critical mass of people, we could transform a

tired company into an innovator, a burned-out culture into one of inspiration, a command-and-control structure into a system in which everyone pulls for each other's success. Such leadership creates a wave of momentum: investors want in, companies want to partner with us, potential employees want to join our ranks.

All this happened without targeting the problems. When you rewrite the future, old problems disappear.

### Take Five Actions

Leaders can take five specific actions to construct a future that causes themselves and others to live into it:

1. **Invite people to articulate the default future.** Doing so reduces its impact.
2. Ask yourself and others, do we really want this default future?
3. Speculate with others on what future would inspire action for everyone, and address their concerns.
4. Allow people to struggle with whether they are aligned with the new future or not. If not, ask them for a proposal that inspires them and others.
5. Work until people say, "This speaks for me!" and they commit to it.

Leadership that rewrites the future gets to the heart of performance. The result is not fixing one problem at a time, but transforming situations, leading to unprecedented results. **LE**

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**ACTION:** .

## Power of Collaboration

*Becoming a leader of great group.*



by Dede Henley

WARREN BENNIS SAID, "There are groups, and then *Great Groups* that come together and accomplish the extraordinary." To become a Great Group, you need to engage in five elements of collaboration:

1. **Stay connected to a compelling purpose.** The purpose reminds people of the larger idea of which they're part. Teams flounder when members are unsure why they're doing what they're doing or how it fits into the larger scheme of things. When well-crafted, a compelling purpose has a powerful and irresistible effect. Team members feel like they are on a mission. They must put their talent and creativity into the tasks at hand. Leaders of Great Groups remind team members of *why* and *for what* they are giving their time and energy.

2. **Cultivate a culture of trust and respect.** Co-workers don't have to *like* each other to work together, but they must *trust and respect* each other. Cultivating *trust and respect* begins with hiring talented people and putting the right person in the right job. When the person and the task are well matched, great things happen. Sometimes, it's making the tough call—addressing underperformance or disruptive behavior. Great team leaders devote much time to cultivating trust (*going slow to go fast*), creating a culture where conflicts can be resolved in healthy ways.

3. **Increase competence in four dimensions**—emotionally, physically, intellectually, and spiritually. *Emotional Competence* is about increased self-awareness, authenticity, empathy, motivation, and social skill. It enables us to handle impulses and emotions well and *choose* how we act and react. *Physical Competence* is about paying attention to our physical well-being and encouraging those we work with to do the same. If we are tired, worn out, or stressed, we can't contribute or collaborate. Physical energy helps us manage our emotions, sustain concentration, think creatively, and maintain focus on our shared pur-

pose. *Intellectual competence* isn't just about being smart and having skills. It helps us bring our best thinking to a project. It enables us to think and work creatively and collaboratively; to engage in shared problem-solving; and to sustain focus, maintain optimism, and access both the left and the right hemisphere of the brain. *Spiritual competence* enables us to take in sensory data—sight, smell, taste, touch, sound, and feelings—without boundaries. It opens up possibilities. You can think big thoughts, because there is no association to the past or the future.

4. **Persevere in the face of breakdown and failure.** As difficult as failure is, it is inevitable for teams that are stretching and growing and trying to make a difference. How that failure is dealt with speaks to how successful a team will be in reaching goals. When faced with a setback, Great Groups get back up, get on track, and keep going. They fail fast. They don't dwell on the failure. They focus on fulfilling the compelling purpose. They venture into the unknown and learn along the way. They rarely dwell on failure except as something to learn from. Failure sug-

gests that we must try another way. At the moment of failure we gain access to new levels of creativity. How we deal with failure, how we react when things go awry, says a lot about our ability to cultivate a Great Group. Leaders who acknowledge failure, look past it without trying to lay

blame, and choose to learn from it, gain a powerful relationship to failure. Winston Churchill said: "Success is not final, failure is not fatal: it is the courage to continue that counts."

5. **Engage the power of appreciation** to drive collaboration. Warren Bennis notes, "Appreciation makes everyone feel that they're at the heart of things, that they matter. Then, people feel they are making a difference." Most people leave their jobs because they feel underappreciated. Appreciation is a powerful tool for cultivating Great Groups—and it doesn't cost you a cent!

These five elements take practice, contemplation, and consideration. I invite you to practice just one element. Try something new, seek feedback, expand your skill. This is how you become a leader of a Great Group. **LE**

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**ACTION:** *Become a leader of a great group.*

# Forgotten Dimension

*Leadership is also about integrity.*

by John A. Howard

Here are some thoughts about what is required of a leader whose life record makes us proud to belong to the human race.

**Above all, such a leader's life is characterized by integrity.** Integrity involves honesty. If you are associated with a leader who fibs a little to cover mistakes, you'll never be sure he is telling the truth about matters in which you are involved. He is not the kind of person you are going to follow comfortably into difficult or dangerous territory.

The same thing is true with regard to the *consistency* with which he follows the rules and laws. If he decides which laws he will obey—the people with whom he works are always in danger of being discredited by his shady conduct. Such a person may have skills in organizing a project or a high degree of personal magnetism and persuasion, but his leadership will be founded on shaky ground.

**A second quality of leadership is an unwavering commitment to a worthy set of ideals.** With truly great people, the greatness does not seem to be *in* them but *through* them. What sets them apart are the noble ideals that shape their lives. Ideals are fixed concepts of what is good and right and will make for a better society.

Ideals have fallen on hard times these days. They seem to be largely disregarded, perhaps discredited as one of the illusions of a bygone era. Working against ideals and generous impulses is the whole range of natural instincts that are fired up by any threat to our health, safety, possessions, satisfactions, pleasure, self-image, beliefs, prejudices, family, friends livelihood, routines or whatever we are inclined to do. In the natural state, untamed and untrained, we tend to touchy, sensitive, and selfish—engaged in an every-person-for-himself-or-herself struggle. All of those self-serving emotions make it difficult for people to live and work together unless they are influenced by culture, traditions, laws, rules and teachings.

One influence that diminishes respect for ideals is the tendency to criticize and find fault—a tendency which has risen to the level of a national pastime. Indeed, some dull people are making careers out of fault-finding. Hence, today we face a wilderness that is as imposing as the one faced by our colonists. This new wilderness is a cultural one in which pagan standards of behavior reign supreme. Behavior is often determined by what gives pleasure or gain to the individual with little if any concern for responsibility to the rest of society.

One result of the transition to paganism is the unraveling fabric of trust. True, there have always been people who robbed, murdered and lied, but they were so few that people did not need to live defensively. We

could go about our daily activities with confident expectation that those we encountered would behave in a lawful, truthful, and friendly fashion, with no hostile intent. Those days are now gone. *Buyer beware* is the new watchword; *security* the most prized promise or product.

**A leader senses what is praiseworthy and seeks to praise it and strengthen it.** Robert Galvin, past CEO of Motorola, once said that a good chief executive spreads hope. Now, there's a suspicion that we aren't bright enough to solve the problems we face. To the extent that such uneasiness is pervasive, one cause is the new illiteracy.

Our education too often does not arm the students with historical perspective. History makes clear that life has never been easy. It is only in recent decades that people have become so affluent or so arrogant as to suppose life should be made easy. The Black

Death wiped out one quarter of Europe's population in the 1300s. The potato crop failure in Ireland in 1845 and 1846 eliminated the principal source of food for a nation. During America's Civil War, there were 53,000 casualties at the Battle of Gettysburg in just three days.

History, however, also is filled with inspiring tales of heroism—of people surviving tragedy and disaster and moving on to new levels of civilized life. Able leaders will draw on history and literature to diminish the tendency toward pessimism and create a climate of hope among the people they serve.

Years ago I met an elderly scientist who, although he'd been retired for years, possessed one of the liveliest and best-informed minds I had ever encountered. He also carried with him an aura of cheerfulness and serenity that marked him as an extraordinary human being. One day I asked him how he remained so even-tempered and cheery in a world that seemed so combative and so confused. He replied that his friends sustained his good spirits, and with a gesture he indicated those friends were the books with which he had surrounded himself.

"You know, John," he said, "from time to time I have encountered a book or an article, or quotation that spoke very directly to me in a positive way, an anecdote or an analysis, which had an inspirational or a regenerative influence, or some basic bit of wisdom. These I have kept and ranged on the shelves according to the particular tonic which they offered to me, much as the pharmacist arranges his remedies according to the malady to be treated. There is no piece of news so dispiriting, no individual loss so debilitating, no personal success so inflating, but what I have here half a dozen literary medications to set it right."

His formula for good cheer is a simple one, but not often utilized. Each of us comes across literary works, quotations and poems that speak to us in an affirmative way, which bring warm light into our day. If we will just collect and turn to them in time of need, we can cut down on the psychiatrist's bill, and what is more by our own improved spirits, make life a little more pleasant for those around us.

*Integrity, ideals, and the ability to inspire hope and good cheer, are characteristics that give a leader a wholesome power that makes his projects prosper.* ■

*John A. Howard, Senior Fellow, The Howard Center, and author of Christianity: Lifeblood of America's Free Society.*

**ACTION: Cultivate leadership integrity.**

# Counterfeit LD

*Go for the gold standard.*



by Michael G. Winston

SIXTEEN YEARS AGO, THE Editor of *Leadership Excellence*, Ken Shelton, wrote in his book *Counterfeit Leadership* about the dearth of authentic leaders. He emphasized the need for *substance over style, fact over fallacy, and timeless wisdom over faddish notions*. This theme is relevant to efforts to develop leaders.

Growth imperatives, global complexities, and strong competition demand that we foster leadership development (LD) at all levels—finding, nurturing and developing leaders who champion change, innovation, and continuous improvement; leveraging leadership capability across business groups; fostering cross-functional learning; and building unity, alignment, and capacity for execution. These activities build sustainable competitive advantage.

## Gold Standard in LD

Here are *nine best practices* that enable leading companies to develop exemplary leaders. They constitute the “gold standard” in LD. I also list some practices, which if not thwarted, lead to “counterfeit development” characterized by style-over-substance:

**1. Require leaders to develop leaders.** You can't have a great company without having great leaders. Great leaders regard building leadership talent as a duty and privilege. They identify, attract and retain the most talented, diverse group of high performers. They know the competencies and skills required to meet goals and attract a highly capable staff. These leaders reward excellence, act as role models, and spur growth. They push decision-making down and develop people's confidence in their ability to lead, manage, and achieve goals. They allocate sufficient authority and resources to subordinates to enable them to make decisions and act independently within their responsibility.

**2. Secure top management support.** Senior executives must clearly communicate the mission, strategy, objectives and expectations for participants, executive presence and participation in the programs and tools to assess

improvement realized and reinforce leadership accountability for results.

**3. Align LD efforts with strategy.** Link the development of new skills, mind-sets and perspectives with achieving business objectives. The role of all LD efforts should be to speed up the realization of business results prompted by the strategy and to increase competitive advantage.

**4. Determine required skill-sets.** Best-practice companies define key leadership requirements and develop a plan to improve skills and competencies required to implement the strategy. They review current and prospective markets, competitors, customers, channels and determine critical success factors. They focus discussion on whether current strengths will continue to be a source of competitive advantage. Further, they review the skills and capabilities that would make the company unique in the future and from which margins would be derived.

**5. Embed four characteristics of world-class LD programs.** First, craft an *integrated* and *focused* set of initiatives that re-



flect the strategic agenda, address challenges and opportunities, and strengthen leadership capability. Use a combination of company presenters, external subject matter experts, e-learning technologies and post-program project work. Compare your “state-of-the-practice” with the “state-of-the-art” and address relevant gaps. Second, promote team-building and interaction by providing experiences that strengthen identification and engagement, and reinforce teamwork and networking. Third, leverage a robust 360 leadership feedback process—one that leads to insight, direction, focused action, and measurable improvement. Ensure each participant reviews leadership skill levels and seeks to leverage strengths and improve weaknesses. Provide participants with the support they need. Fourth, encourage skill *application* to real-world issues. Cross-functional teams work on enterprise-wide challenges, using their new skills, in teams that interface with man-

agement. Leaders identify, define and frame issues for participants, enabling them to focus on common challenges, create a unified perspective, and enhance its competitive advantage.

**6. Launch a tiered talent identification, assessment and succession process.** Succession management must identify, develop, and retain those people who can deliver superior performance, both individually and as part of a team. Done well, this aligns top performers to most critical jobs and identifies gaps; identifies successor candidates for key roles; assesses strengths across key competencies; and identifies and develops high potentials. Implement regular interviews, discussions and rigorous assessment and analysis. Emphasize candid and realistic evaluations of *performance* and *potential* of current and next generations leaders as well as the skill set requirements to meet *current* and *projected* challenges. Evaluate leadership depth and succession capability against a broad variety of scenarios. Use group talent reviews to exchange information on high potentials, gather input on their performance, and promote rotation and communication.

**7. Develop a broader perspective.** Use job rotation to broaden the executive, promote information sharing, reduce functional myopia, and promote sharing of management talent across functional, business, geographic boundaries.

**8. Install systems and metrics to hold line managers accountable for building leadership.** LD and succession should be a “gate” for promotion and affect compensation. Succession systems must match executives to needed development experiences, balance the short-term risks of stretch assignments with long-term benefits, and enable the enterprise-wide mobility of talent. Key executives are evaluated and compensated, in part, based upon the extent to which their direct reports reach excellent rankings in “job fit,” meeting or exceeding targeted goals, generating effective survey results and success in “successor quality and readiness” and “hi-po” identification. This takes into account the percentages of: key incumbents and successors whose development activities occur; vacancies filled via the plan; key positions designated with at least one validated “ready now” backup; key positions designated with at least one validated, planned backup.

**9. Institutionalize the process.** Note and celebrate LD wins. Executives focus on aligning skill-sets with key positions and identifying and developing high potentials. Panel talent reviews increase

the quality and quantity of input, and prepare executives for the next succession cycles. Key managers get briefings and updates on key initiatives.

### Avoid Counterfeit LD

Beyond these practices, you must also avoid these seven worst practices:

**1. Failure to engage top leadership and secure their commitment.** Secure the commitment of senior leaders and managers. Before moving fast toward enterprise initiatives, create understanding, support and commitment.

**2. LD not linked to tomorrow's skill requirements.** Counterfeit LD focuses on today's skills without assessing future relevance. LD is geared to the *program du jour*, teaching trendy discipline and failing to link all content to strategy.

**3. Faulty metrics.** Impact measures are often relegated to how many people, in how many programs, for how many hours. These companies *measure well what should not be measured at all*.

**4. Feedback processes not fully utilized.** When there's disagreement on critical success factors, people dismiss the feedback. Identify and measure the core values and leadership practices. Encourage each function to add items that predict success in their cultures.

**5. Failure to coach.** You foster counterfeit LD when you provide feedback without coaching. Coaching sessions provide participants with the support they need to make fast, measurable improvement in their leadership.

**6. Succession planning is done to satisfy compliance, not drive superior performance.** Hence, it is fraught with five pitfalls: 1) managers move up vertically—building upon similar experiences, without gaining perspective; 2) bright, talented people are moved too quickly; 3) people are often promoted based on good performance to jobs they aren't prepared for; 4) promotions are often based on style, loyalty, or relationships, not performance and competence; and 5) the succession process fails to anticipate skills needed in the future and passes up qualified people.

**7. No long-term strategy.** You need to craft a *sustained development strategy*. Don't gobble up the latest *management theories* only to abandon them quickly when hoped-for improvements do not occur overnight. There's no *magic elixir*. You build a culture of authentic leadership with patience and hard work. **LE**

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**ACTION: Go for the gold standard in LD.**

## Be Your Best

*Even in the worst of times.*



by Nick Craig

**W**E ARE NOW OPERATING in a world that looks very different from just 12 months ago. Many of us are involved in lay-offs, cutting production/services, selling in a buyer's market, closing offices, taking care of the remaining scared employees and disappearing investments that were the intended escape from the loony bin, walking into work and not knowing if you'll be the next one to go.

I ask, *what better time than now to lead?* It's when it's easy to lose one's head that we most need to step up. It's obvious that many people we put in charge the past 10 years haven't really led.

*Inauthentic leaders* have created a mess, and *authentic leaders* are needed to get us out. Here's the question each of us has to answer to lead: How do you stay calm when most external definitions of success (profit, revenue) are negative, and none of the tools we use to "predict" the future work now?

The alternative has been to manage out of fear. Fear has become the common denominator impacting many decision makers. In my dialogue with leaders, most have told me about the draconian decisions they are making. Unfortunately, fear doesn't create leadership; at best, it is the other side of the coin from arrogance. None of us fully knows how things will turn out in the next few years. However, doing what everyone else is doing won't be your finest hour. As Warren Buffett said about his experience of the herd mentality, "When everyone is greedy, I am fearful. When everyone is fearful, I get greedy."

### What's Your Version of Resilience?

We have discovered that each of us has the ability to be our best when things are at their worst. We have all been tested at key times in our life. The resilience we need now isn't something we are going to get from reading a book or from the latest PowerPoint presentation. Even if we had the time, taking someone else's approach isn't

going to work fast enough or address the complex and unprecedented issues we are facing. On the other hand, what has helped us be resilient in the past is well developed and effective; if you look at your most challenging life experiences it may be fair to say that if you hadn't found your resilience, your life today would be very different. Much of what has made us who we are is the gold that, if mined from those past challenges, will allow us to lead when others are running for the door.

My most challenging experience occurred about 10 years ago when I worked for a prestigious consulting firm running a huge change effort. I had a beautiful wife, a daughter, a dog, etc. Three months later, I couldn't get out of bed. I literally slept for 3 months. I had been fired by my client, fired from my job, and fired by my wife. In the face of this, the current news and economic events don't seem that bad.

In reality, what happened then was the *best thing* that could have happened. Today, I have a great home life and run a very successful organization, delivering programs on authentic leadership.

**Now, think about your most challenging experiences** in your personal or professional life. You can now access your version of resilience. For me, my version of resilience—one that worked when it seemed all was lost—went as follows:

- Take each day as it comes; don't worry about all of it at once. In small chunks, it's always okay.
- Only work with clients with high integrity and values. Walk away from the money if you have any doubt.
- My colleagues need to be my best friends and closes confidants.

My version of resilience likely isn't similar to yours. We find from our research that there are common patterns and themes that different people leverage; each person's combination and how they relate to their approach is different—no two people have the same strategy, and reading someone else's list has little value.

As you look at these experiences, what are the key elements of your resiliency (actions that helped you deal with the challenges you faced)?

Now that you have your list, help those around you find theirs. Welcome to leading in the 21<sup>st</sup> century. **LE**

Nick Craig is co-author of *Finding Your True North: A Personal Guide* (Jossey-Bass). Visit [www.truenorthleaders.com](http://www.truenorthleaders.com).

**ACTION: Demonstrate your resilience.**

# Our Leadership Challenge

*We all find ourselves on a journey to transformation.*



by Frances Hesselbein

**A**S WE HURTLE INTO the future, in this crucible of massive change, there is not time to negotiate with nostalgia for outmoded, irrelevant policies, practices, procedures, and assumptions. Today, all of us face *four new leadership imperatives* in this age of change and discontinuity.

*Our first leadership challenge is to challenge the gospel of the status quo*—the practices, procedures, assumptions of the past—and keep only those 21<sup>st</sup> century strategies, policies, practices that will be relevant in the future—relevant to those we lead, those we serve, those we care for in the new world we will build.

We must have the courage to practice planned abandonment. *Planned abandonment* means keeping mission, values, and vision, the soul of the organization, centered and aligned as we slough off the vestiges of the past that spell irrelevance in the future.

We must get our house in order. This means exercising tough discipline in moving innovation enterprise-wide.

*The second great leadership imperative is to develop today, the leaders of the future*—leaders of change, to lead organizations of change. The challenge is to develop today leaders of change, leaders of the future.

Our books *The Leader of the Future* includes several great thought leaders, allowing leaders in all three sectors to find new answers to new questions posed in our changing times. Across the sectors, there are common questions, common challenges, and a call for principled leadership.

Leading for change calls our country, and countries around the world, for effective, ethical leaders in every sector at every level of every enterprise: not a leader, not the leader, but many leaders dispersing the responsibilities of leadership across the organization.

Dispersed leadership is the leadership of the future. Gone is the old hierarchy with our people in boxes, up/down, top/bottom, superior/subordinate. Have you ever met a young

person who couldn't wait to be a "subordinate?" We develop leaders at every level.

*Our times call for leaders with a moral compass that works full time*, leaders who are healers and unifiers, who embody the mission and live the values, who keep the faith. Today for leaders in all three sectors, the great challenge is leading change.

This is a shared leadership imperative for we are on a journey to transformation and you and I are called to serve.

I spend a third of my time with corporations, a third with social sector organizations, and a third with colleges and universities. There has never been one disappointing moment.

I quote Peter Drucker at some point



to the leaders of different institutions I meet each week: "All companies, organizations share the responsibility for the whole community."

*A third great imperative that spells excellence is building collaboration, alliances, partnerships.* Look around. Human needs, health needs, are escalating rapidly. Traditional resources are diminishing even more rapidly. And social needs are not only escalating, but there are disturbing new developments challenging all of us who care about children, families, community.

We learn that 30 percent of all students in the USA will not receive a high school diploma; 50 percent of all minority students will not receive a high school diploma; 70 percent of all poverty level students—no high school diploma.

The question for all citizens, corporations, organizations—how can we sustain the democracy if we do not

educate all of our children?

William Butler Yeats wrote, "education is not the filling of a pail but the lighting of a fire." You and I are called to light that fire.

The day of the partnership is here.

A passionate focus of the Leader to Leader Institute and a common leadership imperative is to encourage the leaders of the future, to see beyond the walls of the organizations, the government agency, the corporation, the foundation and find partnerships and alliances to address critical issues, critical needs, as equal partners, in this great leadership imperative of building collaboration, alliances—leading beyond the walls.

If you and I share a vision that shimmers far in the distance, and our vision of the future is a country of healthy children, strong families, good schools, decent housing, safe neighborhoods, work that dignifies, all embraced by the diverse, cohesive, inclusive community that cares about all of its people, then leaders of the future must move beyond the walls and build the healthy community as energetically as they built the organization, institution, the corporation, the enterprise within the walls.

Principled corporate leaders tell me that corporate enlightened self-interest indicates that there is no hope for a productive enterprise within the walls, if the community outside the walls cannot provide the healthy, energetic, competitive, motivated work force so essential to future organizations.

So today we find there is a new openness among the best managed, best led corporations to forming partnerships with social sector organizations that address critical needs—and a new openness to encouraging their own people to volunteer, to build community—with the common bottom line—changing lives.

And in this service, the people of the corporation find new meaning, as they move, "from success to significance," as Peter Drucker would say.

*The fourth great imperative is to build the richly diverse enterprise*, today, if we are to be viable, relevant, even present 10 years from now.

Providing equal access is a leadership imperative essential to achieving significance in the new century. Leaders in all three sectors must send a clear and powerful message—that our goal is to provide equal access to opportunity for growth, learning, development, and participation to workers, students, men, and women in

management, governance, our customers from all segments of our country's increasingly diverse population.

This is not a message or a function that can be delegated. The only way it works is for a vibrant message of equal access in a richly diverse organization, with civility and good manners in the execution, to come directly from the leadership—leading from the front—not pushing from the rear, on this imperative.

Inspired by rapidly changing demographics, we should ask ourselves: Are we building today, the richly diverse organization that reflects the community, the nation, with rich representation across the enterprise at every level?

We must ask ourselves, "when they look at us, can they find themselves?" On our boards, our staff, the work force, visuals. When our answer is a resounding "yes," we are the organization of the future.

We have been talking about the power of mission, values, change, diversity, inclusion, collaboration, all about leadership. I define leadership as—"leadership is a matter of how to be, not how to do."

If we are to succeed as leaders we will manage for the mission, manage for innovation, manage for diversity and for leaders leading for change—for the greater good—Peter Drucker's definition of innovation: "change that creates a new dimension of performance" is very powerful. We may have some members in our own organization who will resist change—but who could resist "a new dimension of performance?"

### Keep the Faith

Long ago, early in another century, George Bernard Shaw left a message for you and me. "I am of the opinion that my life belongs to the community and as long as I live it is my privilege to do for it whatever I can. I want to be thoroughly used up when I die, for the harder I work the more I live. Life is no 'brief candle' for me. It is a sort of splendid torch which I have got hold of for a short moment, handing it on to future generations."

Ten years from now when the history of your own work is being written, may they write of you: "For a little while they held a splendid torch. The future called, they responded, they kept the faith." LE

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**ACTION:** Step up to the challenge.

## Reinventing Enterprise

*The hoss, the goose, and the tortoise.*



by Jack Bergstrand

IN HIS POEM, *THE ONE-Hoss Shay*, Oliver Wendell Holmes describes a buggy that was so well designed, it needed no repairs for more than 100 years. Then, the buggy collapsed in a worthless heap in an instant—not because it wasn't well designed but because it never changed with time.

Many organizations are going from apparent success to real failure—almost overnight—because the management practices and business model that made them successful ultimately failed them. They cut costs to improve efficiency (restructuring), but didn't change their business model to improve productivity with customers (reinvention).

**Reinvention goes beyond cost-cutting.** Cutting costs can put companies into a slow death spiral by damaging stakeholder relationships—the revenue and profit source of business. It starves the future and keeps ties with obsolete practices.

Reinventing enterprises requires a model change. As Peter Drucker noted, this requires: 1) making your enterprise more effective; 2) identifying and realizing its potential; and 3) creating a different enterprise for a different future.

The nature of work has changed—and the nature of managing it needs to change. Managing knowledge work and workers requires reinventing business models to systematically eliminate currently unimportant activities. Continually shifting resources from less productive to more productive areas requires continuous actions and results in: implementing successful new capabilities, improving and expanding successful capabilities, and stopping things that are unsuccessful.

Many companies fail to compete after their cost-cutting spirals, and hit a knowledge worker productivity wall. Drucker warned of this, repeatedly saying that a better management system is required. In 2009, knowledge worker productivity is imperative.

Managing knowledge work productivity requires more emphasis on structure to

drive behaviors. *Bad structures create bad behaviors; good structures produce good behaviors; the same structure produce the same behaviors. Cutting costs on the same structure will produce the worst behaviors.* The key? Don't focus on cost-cutting. Instead, focus on reinventing your enterprise around your customers—costs and revenues will then take care of themselves. Helping your customers reduce costs and be successful will help your company succeed.

**Reinvention will be most successful when it directs your employees to take care of your customers in five ways:** 1) integrate your intellectual property and product-service menu with customers' goals; 2) make your sales and relationship management more productive for your customers; 3) link delivery capability to your product-service menu to create a clear connection between what your customers are buying and what you're selling and delivering; 4) integrate your employees and your client's employees to be more interdependent, innovative, and productive; and 5) be a pleasure to do business with from a systems perspective (if your systems aren't transparent, customers will notice your weaknesses instead of your strengths).

From the fables of the *goose that laid the golden eggs* and *the tortoise and the hare*, we learn that you can kill the source of your wealth by acting improperly and that slow and steady often wins the race.

**The thinking and practices that got us to where we are today—in many cases—are working against us.** We have two choices. We can try to do the same old things cheaper—or do new things differently. Yet, we need to be careful. The goose is fragile—belt tightening, or mortgaging, its future can kill it. And, like the hare, we mustn't think that we can't lose—we can. And, to avoid the one-hoss shay, we need to systematically make difficult choices to change our businesses.

Thinking, acting, and managing differently can be done. By building upon the scientific management practices and principles—and moving forward with the next generation of management based on Drucker's *knowledge work productivity*—we can reinvent our enterprises and our society. LE

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**ACTION:** Reinvent your enterprise to compete.

# Lens of Success

*Leaders need core skill sets.*



by Kevin Cashman and Kenneth Brousseau

IMAGINE A GROWING COMPANY implementing an aggressive recruitment strategy out of a long-term need for high-impact leaders and a deep concern for the shortage of available talent. The company hires *four top MBA graduates* to become new first-line supervisors, each with strong grades and comparable IQ scores and subject matter knowledge—but also with different approaches to leadership. Each is hired on as fast-track talent intended to rise toward leadership positions.

## *The Marathon Race Begins*

*Delilah* is defined by her decisiveness with a focus on tasks and action. She is a no-nonsense leader whose motto is *first things first!* She keeps things simple and focuses on essentials. Those who report to her are clear what she wants them to do. Over time she is seen as a manager who never drops the ball. In fact, she never takes her eye off the ball. And when her boss makes a decision, she doesn't waste time "second guessing" things; she jumps in and gets things moving.

*Harry* thinks things through carefully before taking action. Consistent with his intellectual style, he assures that those who report to him understand the "what and why" of their work. Although he encourages them to speak up and express their views, Harry makes it clear that final decisions are his. He also ensures that he understands the "what and why" of his own work, when handed decisions by his boss. If he doesn't understand something, or agree with it, he may ask questions or even challenge decisions.

*Ingrid* has an integrative approach to leadership. She is a believer in teamwork. She feels that people work best when they have a hand in making decisions and plans. Reflecting the creative side of her integrative style, she believes that most problems have a variety of possible solutions, and each

of those has its own pros and cons. So, she encourages others to think of alternatives and to remain open to others' ideas. Over time, Ingrid becomes a first-rate consensus builder. Her bosses, however, wish that she'd focus more on time and productivity, although they recognize that turnover and conflict in Ingrid's unit are lower.

*Frank* has a flexible and social style. He is outgoing and affable. He seems to get along with everyone and spends time circulating among people. Frank doesn't stand on protocol. He seems to do different things in different ways. In fact, he doesn't seem to care how things get done as long as they get done. When recent events brought changes in personnel and procedures, Frank and his unit seemed to take the

changes in stride. Still, his superiors doubted whether he could be tough-minded enough to handle conflicts and develop and follow a detailed plan. The latter was the more serious issue, as his boss felt that Frank was a bit vague about details and the exact status of things in his unit.

*Which of these fast-trackers most successfully gets out of the starting gate?* As you might guess, Delilah wins this leg of the race, with her efficiency and productivity. Harry comes in second with his tough-minded and focused approach. Frank and Ingrid, are seen as "needing development."

## *The Race Narrows*

Five years later, however, these four individuals are now managers hoping to be promoted to directors. Delilah's once sterling reputation has become a bit tarnished. She still gets things done, but often at a cost. Her decisive way of dealing with people has taken

its toll on relationships. When things are vague, she seems to get rattled and has lost her cool. Her "first things first" approach hasn't panned out well on tasks that call for a more thoughtful and analytic style. Harry, too, seems uneasy with change and ambiguity, and his tendency to challenge others has strained a few relationships. On the other hand, Frank's star has risen a bit, as has Ingrid's, thought to a lesser extent. Both are seen as comfortable with unpredictability, and their relationships with others seem stronger now than when working as supervisors. At this point, however, none of the four stands out as clearly superior to the others. Delilah and Harry are seen as the more productive two, and Ingrid and Frank are seen as stronger in maintaining relationships.

## *The Leaders of the Pack Charge*

Years pass, and the four employees all view that mid-point as young managers to be defining moments in their careers. The once promising Delilah never caught her second wind; she faltered when dealing with unpredictable or complex assignments; Harry made some progress, especially when dealing with technical issues; but his relationships seemed strained; increasingly, he seemed walled-off and isolated. By now, Ingrid was seen as the go-to person for complex assignments, particularly during cross-functional conflicts and tensions. But it was Frank who emerged as the one with the highest potential. He seemed most adept at handling very different kinds of assignments. His relationships thrived, and he had learned to articulate clear goals and objectives without giving up the capacity to adapt plans to changing circumstances. He'd also learned to stay sufficiently informed on operating details to eliminate any concern that he might be out of touch. In fact, one of Frank's most impressive strengths was his uncanny capacity to see and adapt to changing situations. A consensus emerged among senior executives that Frank represented the kind of agile leader and decision-maker the company needed most among its top leaders.

*The stories of Delilah, Frank, Harry and Ingrid are all too familiar* in top talent-concerned organizations. Our research suggests that as individuals who are more highly compensated than their peers progress from supervisors to senior executives, they follow a predictable path. At this early stage, decisiveness trumps hierarchic, integrative and flexible decision-making

styles. But, at later stages, the pattern reverses. The shift revolves around the second level of management, where the styles cluster and then fan out in the reversed direction all the way up the ladder. We dub this lens-like pattern of changing styles the *lens of success*.

That mid-career convergence point—the *lens*—is a crucial period when executives must shift their styles from focusing on tasks to dealing with more complex, long-range plans and decisions. They must leave behind command-and-control behavior and adopt a more interactive, give-and-take, style that often means building consensus around plans and decisions. The shift is a sharp one—the style profiles do a complete 180-degree flip from one side of the lens to the other. Those who negotiate the lens successfully develop or build on the ability to *read situations* and adjust their styles accordingly.

### Leadership Growth and Evolution

Aspiring executives can adjust to their situations over time. Most of us aren't "one-note" individuals who can only make decisions and contribute value in a single manner. But, many of us are creatures of habit who grow comfortable with tendencies, and then fail to notice when they aren't serving us or our situations well.

Change is cited by leaders as the most challenging aspect of their jobs, and the pressure to cope with change will only increase; however, complacency and force of habit are inadequate excuses for lack of progress. When our growth stalls, so do our careers.

Consider the rising star example of *evolving Eddie*, who learned from his four predecessors and began taking decisive, action-oriented steps. As he encountered situations with less clarity and more complexity, he found how to adapt his approach to give way to more hierarchic, then integrative style of decision-making. In dealing with people, he morphed more to a flexible, and engaging approach. This enabled him to win the trust of others and to keep others motivated and cooperative during stressful times of change. His ability to be learning agile, to re-constitute his past to the changing needs of the present, equipped him well to create enduring value. LE

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**ACTION:** Develop the core skills sets.

## Put People First

Lead today with seven values.



by Howard Behar

WHATEVER CHALLENGE or goals you face, one thing is certain: You can't retreat your way to success. You need to reach *toward* success by honoring and unleashing the spirit of the creative people who will take you there.

In the best and worst of times, people can inspire you, sustain and grow the organization, and get you through. As I've learned during my career and my years at Starbucks, the easy high-flying times don't last. Ups and downs are part of economic and human cycles.

But our *values* do last, along with the impact of our actions. The values and actions of *putting people first*—showing you care, building trust, holding yourself accountable, knowing who you are and what you stand for—provide stability for people and organizations.

People are not assets—we own assets, but not people. Assets are buildings, trucks, computers—things. Assets always give us what we expect—unless something breaks down. People never quite give us what we expect. People surprise us.

I think of a business as a *group of volunteers* who lease their creativity. When we think of *ourselves and colleagues as people*—not *workers or assets*—we discover a wealth of knowledge and talent. As Studs Terkel said: "Most of us have jobs that are too small for our spirit." My job as a leader is to unleash that spirit for the good of the organization *and* individual. Instead of focusing on rules and orders, explain to people what you expect of them. They will surprise you and surpass your expectations. They have the creativity, energy, and passion to move your team forward.

### Seven Tips for Leading in Hard Times

To lead yourself and others in hard times, follow these seven guidelines:

**1. Be true to yourself and your values.** In difficult times, you're more likely lose your sense of self. Fear can take over. Your ethics can slide. Overwork and worry can limit your perspective. Yes, you need to deal with the realities,

but don't let go of your values, even when you're hungry—they'll keep your soul (and organization) alive.

**2. Listen and base your actions on the best information available—on accepted and unaccepted truths and insights.** Listen more—inside and outside your company—when trying to figure out your best next steps. Even in hard times, there are pockets of success in your organization and industry. The more you open yourself up, the more opportunities you'll discover.

**3. Be clear about your role, purpose, and contribution—and do the right things for the right reasons.** Recommit to your dreams and purpose. Don't worry about the personal credit, promotions, glory, or financial rewards. Let go of self-interest. With creativity and purpose, you can focus on what you can contribute to the organization.

**4. Ensure that the right person is making the right decisions.** Resist closing ranks or micromanaging. The people who are closest to the customers and clients know the most about what is going. Give them more information than you think they need—and room to decide, act, learn, and be creative.

**5. Do your decisions and actions build trust and show you care?** Show you care about people. If you must make layoffs, postpone promotions, cut back benefits, or end relationships with certain partners and suppliers, don't let the trust break down. Those who remain will observe how you treat those who leave. Keep your values and principles intact.

**6. Take responsibility and hold yourself accountable?** Good times or bad, nothing relieves you of the responsibility to produce the results you committed to achieve. You may miss your plan for the year, but you must put your house in order and move forward—no blaming or finger-pointing, only dealing with issues in a productive and positive manner.

**7. Let truth be your guide.** Listen to your inner voice of confusion, loss, hope, disappointment, or fear. Give that voice courage, and share it. That inner voice has a place. Honest conversations keep you from being immobilized and stuck in your uncertainty. You can get through hard times when you listen to the truth, share it, and know that you're not alone. LE

Howard Behar, author of *It's Not About The Coffee: Lessons In Putting People First From A Life At Starbucks*.

**ACTION:** Lead your people by a set of values.

## Authenticity Matters

Nurture your customer base.



by Jim Champy

**I**N SPITE OF A TOUGH economic climate, a few companies have found new and better ways to innovate and grow—even 15 percent a year for the past three or more years. I identify a set of shared traits that explain what they are doing right: company-wide ambition for steady growth and stellar performance; intuition valued above tradition; focus on markets the company can serve best; decisions driven by customer needs; risk calmly accepted as necessity; innovation viewed as everyone's business; behavior governed by culture, not imposed by rigid rules; and, work is taken seriously but is nearly always fun. One of these remarkable companies is Consumerist.

Consumerist has become a powerhouse. Daily, it showcases consumer complaints. Such entries, along with advice for coping with laggard call centers and other failings, attract more than 15 million visitors a month. Consumerist is high on the list of bookmarking sites such as Digg.com, and its multiple links with other blogs spread its contents.

Many companies, including Dell and Sprint, regularly monitor Consumerist and quickly respond to comments about their products and operations.

Consumerist editor Ben Popken in his person—and on his Web site—is a poster child for my book *INSPIRE! Why Customers Come Back*. He and Consumerist are emblematic of a seismic shift—a basic revision, even reversal, of buyer-seller relationships.

*Customers of every age and income watch business with doubting eyes.* The bigger and costlier an ad, the less seriously people take it. Many mute television commercials or, thanks to digital video recorders, simply fast-forward through them. Millions sit in constant judgment of sloppy companies, as if they were jurors wearing signs emblazoned *We Won't Be Fooled*. Accessible information abounds.

The Internet is a cornucopia of consumer intelligence, enabling anyone

to learn more about companies and their products than leaders ever imagined or intended. Customers can easily research a company's labor practices, carbon footprint, fair trade policies, charitable contributions, and products by checking out blogs such as Consumerist or comparing notes with other shoppers on social networking sites.

One study found that more than half of adult Americans believe they know more about the products and services they shop for than the salespeople in stores. In another, 51 percent of respondents said that the most trusted source of product information was "a person like themselves."

**How does all this affect your business?** It means that you no longer fully control your company's image and message—your customers do. It also means that you can vastly and quickly improve your image by changing your behavior in ways that will be noticed and appreciated. The Web empowers customers, but also companies.

Where did today's knowledgeable, independent consumer come from? Constant social interaction via cell-phone and computer has led people to seek advice from and offer advice to a list of correspondents, and share their life experiences in blogs and instant messages. They're distrustful of information from outside their circle and avoid traditional advertising. The new skeptics have their ways of finding out what to buy and their expectations of how companies should behave.

To compete today, you need a new strategy. You may profess appealing values, in the form of catchy, superficial slogans. But what makes inspirational companies special is their fidelity to long-expressed beliefs. They remain true to themselves; uphold their values in their products, services, and actions; and are what they say they are, at all times—they are *authentic*.

**Authenticity is the key to nurturing a solid customer base.** You might get a first order by fooling a customer once, but forget any further business unless you deliver the quality you profess to offer. Authenticity pays. An authentic company behaves according to its values. If you drift from your values, the Internet's *morality police* will nab you. **LE**

*Jim Champy is head of strategy and chairman of consulting for Perot Systems. His books include Reengineering the Corporation and Outsmart! How to Do What Your Competitors Can't. This article is adapted from his latest, Inspire! Why Customers Come Back. Visit [www.jimchampy.com](http://www.jimchampy.com).*

**ACTION:** Strive for authenticity.

## Strategy Execution

Bridge the engagement gaps.



by Jim Haudan

**E**VERY COMPANY HAS A story—a journey that includes where it's been, where it is now, and where it wants to go. If the company is taking an *important* journey, it helps to have a map that charts the course. Strategy tends to serve as this map, describing how the company plans to achieve its goals and realize its dreams. That's why leaders spend so much time trying to create the perfect strategy. They do in-depth analyses, bring in consultants, book offsite meetings to escape daily demands, and work long on revisions until they feel it's *just right*.

Many leaders admit that *developing* strategy is easy compared to *executing* strategy. Many can show you their execution scars. They'll tell you about meetings for communicating strategy, presentations designed to rally people, measures for monitoring progress, and high expectations for better results. When nothing changes, they wonder, "Why aren't we better off? Where did we go wrong? How can we get everyone on board? How do we get our people to think and act on critical issues?"

*Strategy execution* has the greatest impact on success. Most leaders spend much time perfecting a strategy, but too little time planning its execution. As a result, they fail to achieve their goals and dreams. What can you do to ensure that your strategies are executed? How can you translate *aspirations* into *tangible results* to make all the hard work of strategy development pay off?

### How Big Are Your Canyons?

**What prevents you from executing a strategy?** How can you close the gap between people and possibilities? It's usually more of a *canyon*. In fact, *two canyons* create the greatest challenges:

**1. Disengagement Canyon.** This represents the gap created when leaders try to execute a strategy *despite* people rather than *through* them. To drive ahead regardless of whether people are on board, leaders may try to execute their plans, but not in a way that's meaningful to employees—as if they can't see that *people execute strategy*. The *Disengagement Canyon* is where we

find many people who don't understand the strategy, aren't vested in bringing it to life, and don't see the importance of *their roles* in executing it.

I enjoy the wit of Yogi Berra: "If you see a fork in the road, take it" and "The future ain't what it used to be." Another one-liner is at the heart of executing strategy: "People will tolerate the conclusions of their leaders, but they will act on their own." *We want to solve our own problems. And we don't want to execute someone else's conclusions.* Bridging this canyon is done by *connecting people to the strategic questions of the business and inviting them to make the answers and actions their own.* To be engaged, we must be asked to consider, contrast, and think about solving the puzzles of the business—not simply executing somebody else's answers.

**2. Disconnection Canyon.** This canyon is formed by the failure to create a *process* that clearly outlines how the strategy will be executed and connects the people to each other in that execution. This illustrates that, without a process, even people who understand and embrace a strategy can't achieve the intended results alone.

### Building Bridges with a Process

Leaders need to define and communicate a *common mental model* for the strategy, presenting it as a *shared picture* that means the same thing to everyone.

**This is tough for four reasons.** First, words are inadequate conveyors of meaning. It's challenging to define *operational excellence, customer delight, brand differentiating, and organic growth* in a way people understand. Second, managers have to receive and send strategic information at the same time. They must interpret the meaning of the strategy and translate it for those they lead in a way that's relevant to them. Third, individual contributors must see the common mental model and have their managers translate it into what they'll have to do (and do differently). Fourth, people need to practice the new skills and behaviors necessary to execute strategy in way that is safe; their "failures" must be designed to build new muscle, not jeopardize their future.

**Two things are missing in strategy execution:** 1) to be engaged, people need to think about their strategic puzzles; and 2) they must be linked in a process that spells out the roles of leaders, managers, and individual contributors in executing that strategy. LE

Jim Haudan is CEO of Root Learning and author of *The Art of Engagement: Bridging the Gap Between People and Possibilities*, was recently published by McGraw-Hill.

**ACTION:** *Bridge these Grand Canyon gaps.*

## Paradox of Risk

*Crisis is a defining moment.*



by Howard M. Guttman

SEVERAL NEWS COMMENTATORS have used the phrase *paradox of thrift* to describe consumer behavior during the current downturn. Rather than heading to the malls, consumers are running to banks to make deposits. The paradox: by conserving their assets until rainy days pass, they are prolonging the downpour.

There is a parallel phenomenon in the corporate world. Let's call it the *paradox of risk*. In today's slash-and-burn environment, people tend to head for the storm cellar to ride out events. They avoid risk, don't press the envelope, hesitate to challenge peers or—heaven forbid—the leader. Better to play it safe. Stay in your comfort zone. There's a pervasive sense of *what-am-I-to-do powerlessness* in an economic tsunami.

But it's difficult to build a vibrant, successful organization on fear. The greater the risk aversion, the more likely you'll remain in the storm cellar, and the more likely there will not be much left when you emerge.

**Powerful leadership is the best antidote to fear.** During times of turmoil, high-performance leaders are "no-fear" models. They think of themselves as warriors who ask themselves and those around them, "How do we exercise power over, rather than become victims of, circumstance?"

### Case in Point

We are working with a senior leader who assumed the top position over a multi-billion-dollar division of a consumer goods company. The company, including this leader's division, has been reorganized. He is a true warrior, and despite tough times—or, rather, because of them—he is not just paddling through the status quo. He is carefully considering what needs to change in his unit, treating it as a blank slate, and asking himself and members of his team: "If we were to improve operations, what would it look like? What will move the enter-

prise forward?"

This leader wants to be seen as a player. It is the best way to motivate his people to think innovatively and take risks. By showing up powerfully, he is encouraging his people to look at the status quo, confront the outstanding issues, and take charge.

### Take Four Actions

If you want to avoid the paradox of risk, consider taking these four actions:

- **Check your "stories."** Are you leading from a safety/fear mentality or from one with a bias for action? If the former, change your story to, "I'm expected to lead and add value. Let's move forward."
- **Check your team's "stories."** What preconceived notions are your team members—and those reporting to them—holding onto? If they're hiding in the storm cellar, coach them to come out.
- **Make it safe to take risks.** Obviously, you don't want to stroke someone for blowing up the family farm. But, if people take a sensible risk and fail, debriefing is better than berating.
- **Create high-performance teams.** This is the best way to extricate you from

the risk paradox. It's easier to be rational about taking risks when peers provide one another with feedback, hold one another accountable, and think beyond silos. Open discussion and the free flow of information mitigate risk.

**Crisis is a defining moment for leaders.** The media drumbeat of economic bad news gets louder. No doubt

much of it is true. But you hold the key to the paradox of risk. It's your choice to either hunker down or take bold action. There's a world out there. Go get it. LE

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**ACTION:** .

# Smart Companies

*Their leaders have new skills.*



by Mark Blaxill and Ralph Eckardt

**W**HAT MAKES A GREAT LEADER? THE answer to that question has changed over the years, and it is about to change again—dramatically.

**Tomorrow's great leaders need to master the core innovation process:** creating intellectual assets, converting them to intellectual property, and monetizing the accumulated intellectual capital. These skills have traditionally been absent from the C-Suite, but this situation must stop. Today, these skills are the sole source of competitive advantage. The old sources are largely gone: scale can be bought or rented, and process efficiency can be copied.

**Sustainable** competitive advantage is about what makes you different; what customers will pay a premium for; and what your competition covets. In our knowledge-based world, success boils down to knowing—and *owning*—those things that make you different and managing them effectively to maximize their economic value.

Companies that excel at this are “smart,” and they require leaders who master the intellectual imperatives that drive innovation. Executives without the vision and skill set to meet these new demands will falter, and their companies will fall behind.

## Evolution of Business Strategy

**First there was The Cheap Company.** Here, success revolved around *low-cost production* and *dominance of mass markets*. Winners had low production cost in an era of *scale economics* and *learning curves* where companies competed with huge fixed-asset investments and production capacity commitments. *Cheap companies* were large-scale behemoths with hard-nosed managers—cost-cutters who drove large volumes and managed large investments in fixed assets.

**Next came The Fast Company.** With IT advances, success was driven by *process economics*—quality processes, excellent service, customer loyalty, and

rapid delivery times. Leaders were *process engineers* who redesigned core people processes using process reengineering, Six Sigma, and time-based competition. They tore down silos, reduced headcount, and increased transaction throughput. They focused on best practices and created new best practices—doing something a little better, more efficiently, and faster.

**Now comes The Smart Company.** In a knowledge economy, the core source of sustainable advantage is creating and capturing an *Invisible Edge*—an innovation process that moves from creating intellectual assets to converting them into intellectual property and monetizing that stock of property as intellectual capital. Sustaining this *Edge* requires new leadership skills.

For example A.G. Lafley's predecessor as CEO of P&G was Durk Jager, a hard-charging engineer who combined Cheap and Fast Company skills. But Jager pushed the company faster to the brink of ruin. His approach to innovation was insular and resource-intensive; as revenues rose, so did costs—profits crashed, and so did the stock price. Jager saw innovation as a linear process to be engineered. Lafley saw P&G's role as the coordinator of an *advantaged network*.

Lafley opened P&G's patent portfolio to licensing—even to competitors. Each time a competitor sold a product, P&G got a cut. This locked in a price advantage for P&G products.

Lafley's new *Connect and Develop* approach delivered impressive results: Even while slashing R&D spending, he increased R&D productivity by 50 percent and doubled the success rate of new products; the stock price recovered, and P&G regained its spot among *Fortune's* “Most Admired Companies.”

## Six New Skill Sets for Smart CEOs

Gaining a sustainable edge today carries six new demands:

**1. Product Literacy: Understanding the specific innovation in your business.** Owning your differentiators requires knowing what makes you different or unique—and worth a premium to customers. The CEO has to see how and

where the unique value is being created (*intellectual assets*), control those value drivers through ownership (*intellectual property*), and leverage that ownership into market share, premium prices, and profits (*intellectual capital*).

**2. Market Literacy: Understanding where your innovations fit in the market.** Smart CEOs know where their companies and innovations rank in the market. They ask: Are we leading or following the innovations of others? What investments are needed to own the next wave of innovations and secure advantage? Once the drivers of advantage are identified and mapped, the CEO can devise a strategy. Some innovations can be built, others bought, and some shared.

**3. Zooming: Mental agility to navigate vast knowledge.** Users of web-based map sites can “zoom” in and out. Smart Company CEOs who know how to “zoom” can see all the contours of the innovation landscape. But they need to zoom through multiple levels of information with speed and agility—within their organizations, within collaborative networks, and across the competitive landscape.

**4. Control vs. collaboration: Striking a balance between independence and collaboration.** It takes prudence to know when going it alone makes sense, and when the company needs inputs it can't control to deliver the winning customer experience.

**5. Simplicity vs. connectivity: Managing complex networks and knowing when to blow them up.** Collaboration can be a boon to innovation, but networks must be managed deftly. Ownership rights can be so convoluted or overlapping that they inhibit progress. Complexities in product architecture can create burdens on customers or limit innovation. Smart CEOs know when to encourage connectivity and complexity, and when to simplify it.

**6. Leadership Development: Training the next generation of Smart Company leaders.** Emerging leaders need training in all of these skills, plus a grounding in intellectual property: How to build it, manage it, defend it and monetize it.

Great leaders create *Smart Companies* and make them great. LE

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**ACTION: Master core innovation processes.**

# Internal Successors

*Develop them with a plan.*



by Marshall Goldsmith

**D**EVELOPING A GREAT successor is a great achievement for any leader, but should you develop an internal or an external successor? There are many reasons, both personal and professional, to invest in developing successors from internal candidates.

First, if you hire someone from outside, the board will expect a “name brand” leader who has a proven track record of success. There aren’t that many out there! To hire such an executive, you’ll have to pay a tone of money and provide an expensive golden parachute if things don’t work out. Several recent disaster stories (including Home Depot and Hewlett Packard) show exactly how much such failure can cost the company. The main damage, however, is not the amount of money spent—it is the damaged reputation. CEOs from the outside who fail—and then get millions of dollars for getting fired—provide very negative stories for the press that can lead to long-term PR damage.

While the damage done by a failed external CEO is bad outside the company, it is even worse inside. When leaders fail, employees are often dismissed and resources cut. It’s hard to explain to 26-year veteran employees why they have to take less so a failed externally hired CEO can get more.

It’s a disaster when a name-brand CEO, newly hired from outside, fails. The board looks like idiots who have only embarrassed the company and wasted money. This sad drama only reinforces the perception that CEOs are overpaid and board members are ultimately looking for their own interests—not the interests of the company.

And if you are the soon-to-be former CEO who is part of the selection process, your own reputation goes down with that of the company. This is not the legacy you want to leave.

No research shows that external CEOs are superior to internal CEOs in producing long-term returns. While they bring an external perspective, they don’t know the internal workings of the company and industry.

One former CEO pointed out that while a CEO may support the internal successor, the board may be enamored with the “glamour” of a proven external candidate. One challenge of the departing CEO is to manage the egos of board members who may find the internal candidate less exciting and who like to hang out with other famous leaders from the outside.

I’m *not* suggesting that companies should always hire internal candidates—in many cases (such as IBM), external CEOs have made a huge positive difference. I am suggesting that external CEOs come with extremely high risk and that you should develop an internal successor if at all possible.

## Four Succession Tips

Many executives tell me that *succession planning* (SP) “feels like a waste of time” and yet they acknowledge a lack of bench strength. They’re worried that they lack sufficient “ready now” candidates to replace *planned and unplanned losses* of key leaders. As a result, the continuity and performance of the business are at risk. These same executives also say that they’ve been doing succession planning for years and yet their SP process—or execution of succession plans—is poor. When I discussed these challenges with my friend Jim Moore, former CLO of three companies, we came up with four ways for making leadership succession more effective.

**1. Change the name of the process from Succession Planning to Succession Development.** Plans do not develop anyone—only development experiences develop people. Many companies put more effort and attention into the planning process than they do into the development process. Succession planning processes have lots of to-do’s—forms, charts, meetings, due dates and checklists. They sometimes create a false sense that the planning process is an end in itself rather than a precursor to real development. Your execution will be as impressive as your planning if you focus on development.

**2. Measure outcomes, not process.** Executives pay attention to what gets

measured and what gets rewarded. If leadership development is not enough of a priority for the company to establish goals and track progress against those goals, it will be difficult to make any succession planning process work. The act of engaging with senior executives to establish these goals will build support for succession planning and ownership for leadership development. And, these results will guide future efforts and mid-course corrections. The metrics a company could establish for *Succession Development* might include goals like the percent of executive level vacancies that are filled with an internal promotion vs. an external hire, or the percent of promotions that come from the high-potential pool. Often, companies measure only the percent of managers who had completed succession plans in place.

**3. Keep it simple.** Companies often add complex assessment criteria to the SP process in an effort to improve the quality of the assessment. Some criteria are challenging for behavioral scientists to assess, much less the average line manager. Since the plan-

ning process is only a precursor to focus the development, it doesn’t need to be perfect. Sophisticated assessments can administered by a competent coach.

**4. Stay realistic.** Succession plans often lack *realism*. Note two examples:

- The head of engineering is a high performer who has the potential to be COO. If she had sales experience, she’d be even more ready. So, her development plan includes a move to be head of sales. However, the company would never risk putting someone without sales experience in the top sales job.

- The CFO is a high performer who has passed all the criteria to be a high-potential, ready-now candidate for the CEO job. He is told he is the top candidate. However, the CEO can’t stand him; hence, he’ll never get the job.

When development plans and succession charts are communicated as promises, they lead to frustration. So, don’t jerk around high-performers with unrealistic expectations. Only give the promise of succession if there is a realistic chance of its happening!

These four suggestions help shift your focus from planning to development—and achieve bench strength. **LE**

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**ACTION:** Create a realistic succession plan.

## All Talk, No Action

*Be a person of achievement.*



by Eric Adler

AT WORK, PEOPLE strive for attention. While they seek *positive attention* first—such as acknowledgment, praise, admiration, and love—if they don't get it, they may strive for *negative attention*—such as criticism, mockery, and contradiction.

### Acknowledgment for Announcement

People may seek praise by making announcements. When they announce their goals, they are seeking acknowledgment for their *intentions*.

- In a social gathering, a colleague announces: "My goal is to climb the ladder. I'll work hard to move into a management role." Some co-workers will pat him on the back and say, "I think that's great!" The person receives praise for his *intentions*, not his *actions*. Receiving attention and recognition for an announcement is flattering.

- In a sales meeting, the manager wants to know how many leads are likely to convert to sales next quarter. People overestimate their conversion rates because the higher they shoot, the more recognition they receive.

Again, acknowledgment is given for the *announcements* or *intentions*.

Once people receive *positive recognition* through their announcements, they rarely follow through. After all, why would someone work toward his announcement if he has already received positive praise and attention?

### Attention for Excuses

When announced goals aren't met, management will seek an explanation. Excuses are the common solution, and more excuses lead to more announcements, which will result in attention, praise, and acknowledgement.

- If someone complains she couldn't complete her project because she is stressed, her managers and co-workers may feel sorry for her, offering her advice to help get her life under control. Now, the person who should be accepting the consequences of failure is receiving attention for making

excuses. If she sees herself as an innocent victim, she washes her hands of all responsibility and blames others.

If people strive for *acknowledgment and attention* and receive both through their *announcements and excuses*, why should they work for anything more?

### Four Rules to Live By

If you're ready to focus more on "doing" and less on "announcing," here are four simple rules to live by:

1. **Be a person of action—Just do it, don't announce it.** Never announce a goal unless you must in order to achieve it. Ask, "Is this necessary because other people need the information, or am I looking for an endorsement?" If the latter applies, keep it to yourself and put your first task into action. When you bring in results, you'll be perceived as a *person of action* and have the respect of peers and managers.

2. **Never back—always forward.** Every excuse is a justification. Every time you blame someone or something else, you admit you didn't have power over circumstances. *Explain* why something didn't work as announced.

Always keep in mind how you will achieve the announcement; this way you don't have to explain why it didn't work, but what you can change to make it work. Don't make excuses for the past, but think "forward" and do it!

3. **Demand and reward actions, not announcements.** To hold yourself and others accountable, never give praise for an announcement.

Do not compliment before achievement, and don't agree or nod your head in approval. Praising people for announcements sets a negative standard. Give recognition for actual accomplishments.

4. **Ignore excuses, force solutions.** Ignore excuses. Don't listen when someone tells you, "I just want to explain..." Simply say, "I don't want to know why something didn't work. *I only want to know how you will make it work.* Tell me how you'll do it in the future." People of action lead better lives!

By following these four rules, you will be surrounded by goal-oriented people, which will make you and your team more efficient and successful.

When people aren't held accountable, productivity suffers: There is too much talk and not enough action. **LE**

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**ACTION:** *Be seen as a person of action.*

## Defining Leadership

*Why ask what for Gen X or Y.*



by Gary Cohen

SOCRATES SOUGHT TO define key terms before having a debate.

How productive can a debate be, after all, if terms are not agreed upon?

In training leaders, I've given much thought to definitions of *leader* and *leadership*. Given the number of definitions out there, it's high time for debate.

Here are a few debatable definitions:

- *The only definition of a leader is someone who has followers*—Peter Drucker. To have followers is a low threshold. Cults have followers, as do NFL teams and pop stars. Leaders should aspire to greater heights.

- *Leadership is the art of getting someone to do something you want done because he wants to do it*—Dwight D. Eisenhower. This definition comes closer to what exceptional leaders do, but *getting* implies manipulation. The chance may exist for everyone to contribute meaningfully, but there's no guarantee that inspiration or vision will be valued.

- *Leadership is a process whereby an individual influences a group to achieve a common goal*—Peter Northouse. A *common goal* suggests that everyone can contribute to the vision. *Process* is vague, but Northouse recognizes that leadership is a process that harnesses the best thinking of people—no matter their age, job title, or experience—by appealing to their needs and desires.

- *Leaders ought to build a legion of thinkers, not automatons*—John Searle. In the *Chinese Room Argument*, Searle argues that a computer that processes and produces Chinese symbols so well that it can engage a Chinese speaker in conversation doesn't mean that the computer understands Chinese. It is simply following a devised program. He adds that people who run the same program manually are similarly lacking in understanding. They don't know Chinese. They only know how to follow the computer program.

*As a leader, do you want coworkers who simply follow scripts?* They won't feel inspired or authorized to employ their own vision or creativity. They may not even understand what they are trying to achieve, or how they fit into *your* vision. When they tell others

(not if) about how their skills are being wasted, your organization suffers—no matter how strong your vision is.

**Members of Gen Y want to understand and contribute to the direction.** Sure, material success is important to them, but not at the expense of the environment and the health and safety of people. David Stillman, co-author of *When Generations Collide*, says: “Gen Y has been raised by communicative Boomer parents who involved them in every household decision from what big screen TV to buy to where to go on the family vacation. We now have a generation that is used to piping in—on everything. They will gravitate to leaders who encourage their voice at the table. Now leadership needs to be a team effort.” Stillman sees the gap between leaders who want to tell and young people who prefer to be asked.

**The principles of question-based leadership (Just Ask Leadership) are not new.** In the 6th Century BC, Lao Tzu wrote: “A leader is best when people barely know that he exists, not so good when people obey and acclaim him, worst when they despise him. Fail to honor people they fail to honor you. But of a good leader, who talks little, when his work is done, his aim fulfilled, they will all say, ‘We did this ourselves.’” Question-based leadership meets Lao Tzu’s criteria: bestowing honor on coworkers, giving them a chance to speak, and allowing them to take pride in and credit for their work.

Socrates said: *The highest form of Human Excellence is to question oneself and others.* While he inspired other great thinkers, like Plato, his students didn’t always appreciate his *dialectic approach*. He also rarely answered questions.

**Just Ask Leaders** work in concert, not competition, with coworkers toward goals. They are as prepared to answer questions as they are to ask them—if they don’t overstep their authority. They act as a resource—not an oracle. They’ll rethink and revise beliefs and decisions. Hence, their coworkers learn that their thoughts and opinions can help shape the direction.

**So, here’s my definition:** *Leaders ask questions to set direction, put the right people in the right positions, seek insight from all levels, and ensure resources are allocated to the highest priority, while acting ethically at all times and engaging people to stretch beyond what is comfortable to maximize results.*

What do you think?

LE

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**ACTION:** Define leader and leadership.

## Corporate Dysfunction

Diagnose the symptoms and signs.



by Cathy Sunshine

**L**EADERS TODAY MUST BE vigilant in surveying their companies for symptoms of dysfunctional illnesses, since these could infect and destroy them.

The signs of inflammation in the workforce are often subtle and hard to detect. A careful examination process requires x-ray vision to see if the first signs of dysfunction. These symptoms may seem harmless at first, but can become a full-blown disease.

- **Deferral of decision-making** means that decisions aren’t being made or, if made, they must be thought and rethought before any action can be taken. The lack of forward movement can be invisible at first, but eventually becomes a crippling malady from which the company can never catch up.

- **Apathy**, if not picked up early, can spread throughout the workplace, leaving a stuck-in-place feeling. Apathy is a symptom that must be immediately and firmly addressed. If not, a lack of direction and sense of carelessness will infect employees who are merely hanging on to their jobs and neglecting their work.

Not contributing and thus negatively influencing the culture, these once-valued workers allow their roles to ultimately calcify and become irrelevant.

- **Circling the wagons** occurs when the usual and customary rate of turnover stalls. If that process is grinding to a halt, it might be time to examine who is staying on and why. Hangers-on inevitably bring about an uncommunicative and unproductive silo culture because they become increasingly territorial and resistant to change. As they struggling to maintain their small turf and refuse to step outside to interact with others, cooperation and contribution are soon sacrificed. Meaningful dialogue becomes stifled, and the sense of apathy grows deeper.

- **Triangulation** next appears, and when the blame for lack of results becomes constant, it is a sure sign of distress. Constructive argument leading to better results can be the sign of

health and vibrancy, as employees challenge each other and the status quo. A vibrant company is growing and taking on new challenges. Conflicts, when not allowed to rise to the surface, worsen and expand into larger emergencies that can become ultimately destructive.

- **Going on the defensive.** When these symptoms go unnoticed, unaware leaders suddenly find themselves scratching their heads and trying to inspire companies that are constantly on the defensive rather than the offensive. A strategy of growth has vanished and left behind a fear of change. Employees then see the company as a threat and possible villain, working against the very organization that is supposed to nurture their abilities and deepen their commitment to customers.

- **Bleeding customers.** At this stage, customers sense these changes and start falling away in greater numbers. This becomes obvious when valued customers who are expected never to leave decide to walk away. Having had their loyalty taken for granted and devalued, they take their business elsewhere, leaving dumbfounded execu-

tives and employees scrambling to understand what went wrong.

As a leader, you don’t want things to go this far. You must recognize the symptoms early, take them seriously, and begin at the beginning: **your company may be slipping away from its purpose. Getting back on its track means asking**

**the key question: are we creating value? To whom?** These symptoms may be telling you to redefine yourselves—and time is of the essence.

Companies that bounce back and achieve great things notice early when things are off track, see the energy of their employees as a trusted sign that portends problems, and question the biggest thing of all: **Is our value to the customer what it used to be?**

All is not lost if you have a diagnosis of dysfunction but the best medicine is to stay alert and awake to the signs. Employee behaviors will show early symptoms, and no company can afford to take a sick day, because the customer won’t have the patience to sit at your bedside and hold your hand while the illness only progresses. LE

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**ACTION:** Develop and display your resiliency.

# Strategic Restructuring

*Crafting the right strategy guides efforts and creates value.*



by Norm Smallwood and Mark Nyman

**D**URING ECONOMIC UNCERTAINTY, restructuring is common. While most leaders agree that structure should follow strategy, few have a process for moving from strategy to restructuring. With or without a strategic framework, restructuring goes on. As a result of not basing restructuring decisions on a clear strategy, few restructuring efforts involving downsizing ever improve profitability, even in the short term. Worse, most managers in these firms fearing that the long-term viability has been jeopardized. The following story is one that we encounter far too often.

The CEO of a parts manufacturer asked presidents of the business units to consider restructuring to maintain competitive pricing. One president moved swiftly on this counsel. The restructuring plan was completed within five months; it recommended substantial cuts in positions and labor costs. The president implemented the recommendations rapidly and reported his accomplishments at the next meeting with the CEO.

Over the next six months, however, the reorganization and outplacement costs actually increased overall costs. Morale had dropped. Some people said that they were now doing three jobs. Customers reported that quality and delivery specifications had not been met. The president directed managers to resolve these problems quickly, but considered them minor, considering the estimated cost savings.

Weeks later, their largest customer notified the sales department that they were shifting their business to a competitor. The president called the customer and promised that he would correct the problems, and threw in a 6 percent price reduction for all parts. He was shocked when the customer responded that the quality and delivery problems were costing it far more than the value of the price reduction.

Moreover, the customer no longer believed that his firm could provide quality parts and reliable delivery.

Some managers argue that this result is regrettable but *inescapable*. They believe that it is better to do something than nothing and learn as they go.

We disagree. Leaders who use a clear strategy to guide restructuring can cut fat, not muscle. They can eliminate *unnecessary work* and have a clear set of shared criteria to guide them. The choices and trade-offs involved in restructuring can only be made after

answering: *Where do we want to go in the future?*

They require a clear strategy. When leaders engage in restructuring and downsizing, they often wreck havoc in the lives of those affected and spread fear and uncertainty. They can't help ask, "Why are we doing this?" They must articulate a

clear, strategic justification for restructuring to help people appreciate how the changes boost viability.

Before managers can determine how to do work better, they must first determine what work needs to be done and what processes are critical to perform. Ways to increase revenues and reduce costs need to be examined. Choices can only be made on the basis of strategy.

## Strategy Is Key

Strategy is seldom formulated, articulated or understood in a way that provides managers with a useful basis for making decisions about restructuring. There are many reasons for this, of course—one being that people have different things in mind when they use the term *strategy*. Often *strategy* is used to describe budgets and forecasts. Sometimes managers say *strategy* to designate an objective. These uses fail to provide context that enables people to prioritize effectively or determine what work is strategic to the business.

We advocate an approach to strategy that describes how you will create competitive advantage and distinctiveness by answering two questions:

- 1) What unique technical and social capabilities will you focus on to create and sustain competitive advantage?
- 2) What about your products and

services create distinctiveness in the eyes of your target customers?

When these questions are answered well, they provide an easy-to-communicate strategy that informs what you will pursue and what you will say no to. Equally as important, it provides a framework for identifying what work is strategic and provides context for effectively structuring the business.

## Prioritizing Work

Across-the-board cuts—where budgets are reduced some fixed percent—indicate non-strategic restructuring. When the strategy is clear, you can target where you cut and why.

**Strategic clarity allows you to answer these questions:** What work should be the object of our intense improvement efforts? What activities

need to be improved together and which can be improved separately? What work should be eliminated or outsourced? When is efficiency (doing things right) and when is effectiveness (doing the right things) the most useful driver of improvement?

**Strategy clarification assists restructuring by**

**establishing a basis for prioritizing work.** Most businesses that succeed at restructuring identify and protect the work that creates competitive advantage or distinctiveness. A clear understanding of the strategy also helps groups operating outside of the competitive advantage work processes reexamine and restructure their work. If the group is involved in non-competitive advantage work, it must first decide which categories of work it performs: 1. *Strategic support work*, which facilitates accomplishment of competitive advantage work; 2. *Transactional support work*—essential for operation but does not create distinctiveness; 3. *Non-essential work*, or activity that has lost its usefulness but is still done.

**Strategically prioritizing work also enables leaders to make effective outsourcing decisions.** Outsourcing the wrong work, such as *competitive advantage work*, hurts performance. Strategy is the key to effective restructuring, whether it is done to downsize or position the business for growth. Crafting the right strategy is not easy, but done well few actions create greater value.**LE**

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**ACTION: Strategically prioritize your work.**

# Losing Your Edge?

*Leaders get stuck in five ways.*



by Joelle Jay

**M**ANY LEADERS GET stuck in the same trap: they don't take time to stop and reflect on what they're doing. Because there's so much for them to do and they have so much responsibility and accountability on their shoulders, they're constantly on the go, striving to deliver results.

However, their non-stop action only feeds the underlying problem—no alignment between what's important to them and what's important to their company. As a result, they feel unfulfilled, stressed out, and yearning for something different. That's why they need to take a step back, a time out, and give some serious thought to what they're doing and why they're doing it. Only then can they see what they bring to their leadership position and how it can help them reach both their personal and professional objectives.

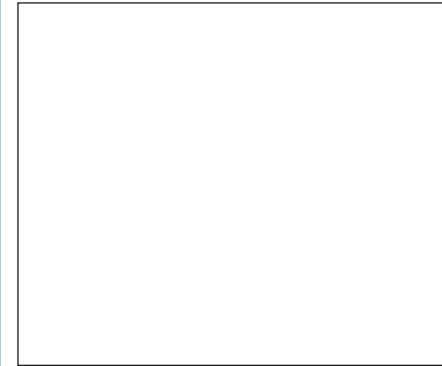
Many leaders often get so fixated on the success of their team and the results of their efforts that they forget to focus on themselves. Yet it's their own ability to sustain high effectiveness that is the biggest contributor to the company's success. If you ever feel that you're working harder but feeling less fulfilled, you may be making one these top mistakes. Take the steps to correct them today so you can reap bigger rewards tomorrow.

**1. They ignore the vision.** Having a vision means you're clear about what you want. You can describe it in vivid detail. You know a little something about what it will take to get there and how it will feel to arrive. When you have a clear vision, you can connect to an inner source of inspiration that will call you forth and compel you to achieve your goals. Therefore, you need to get a vision not only for the company, but also for your role as a leader. Who do you want to be as a leader? What do you want to achieve? What strengths do you bring to the role, and how can you capitalize on those strengths to meet your goals and the goals of the company?

**2. They lose their focus.** Once you know your vision and what you want

to achieve as a leader, you need to stay focused on it. As Robert Kaplan commented, "Having fifteen priorities is the same as not having any at all." There's only so much you can think about at once. Finding focus is about choosing where to put your time, energy and attention. It means highlighting, combining, minimizing, and even deleting priorities so your choices fit neatly in the greater context of your life. Once you know what's most important, you can let other things drop. So, if you really want what you say you want, what areas do you have to focus on to get it? What areas will help you achieve your vision?

**3. They take inefficient action.** After you decide where to focus, make sure your daily action plans reflect that pri-



ority—not just the 25 other things on the list. While many leaders are taking care of the needs of the business, their employees, the other people in their lives, and their responsibilities, they're not taking action on the things that matter most to them. So, stop asking, "How can I do everything I need to do in a day?" and start asking, "What are the most effective actions I can take to move toward my vision, and how can I ensure that I take those actions now?" By investing just minutes in the planning process and then taking targeted action, you can shave hours, weeks and even months off the time it takes to reach your goals.

**4. They do things the hard way.** In business and in life, you always have a choice. You can continue to do things the hard way, the usual way, the way you've always done them. Or, you can do things your way – the way you were made to do them. The key is to identify, maximize and leverage your

unique attributes so you can be an effective, higher-achieving leader. When you focus on your strengths, you do things your way based on where you naturally excel. To begin finding your strengths, answer these questions: Where are you talented? What do you love to do? At work, what are you recognized for? Given the freedom to do things your way, how do you do them?

**5. They become disconnected from their work.** To be successful, you need to connect not only to your work, but also to an inner sense of vitality. For many leaders, much of their energy goes into striving. They want to get ahead. They want to achieve. Finding fulfillment and alignment with your work means understanding what you're striving for. The meaning. The purpose. The essence. When you lack fulfillment, you lose your edge. Your energy goes down while your stress goes up. You may even feel guilty and resentful. You might be bored, either in an "I-can't-take-this-anymore" way or in a dull, channel-surfing kind of way. You might get short-tempered or edgy. So the questions to contemplate are: What do you want from your work? Do you want to be happy? Are you trying to reach your full potential? Do you hope to make a difference? Do you want to feel at peace? These are some of the experiences leaders seek when they seek "success." The key to finding fulfillment at work is to identify what success means to you—not the results but the spirit of a life well lived.

## Reclaim Your Edge

While these five mistakes are not all-inclusive of the pitfalls you need to be wary of, by avoiding these common mistakes you lay the foundation for exceptional results. Daily, millions of people drive onto the fast-lane and race their lives away—ironically missing the fact that everything they are doing to try to improve their life is running them into the ground. Work weeks get longer, the stress levels rise, and talented leaders burn out or move on. It doesn't have to be this way.

As you go forward into the future, know that every step you take to improve your leadership will enrich your life and the lives of others. By avoiding these top five leadership mistakes, you'll become the kind of leader who others will follow—the kind of leader you were meant to be. **LE**

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**ACTION:** Reclaim your leadership edge.

# Predictive Leadership

*How to manage tomorrow, today.*



by Jac Fitz-enz

**G**REAT LEADERSHIP combines art and science, balancing right brain with left brain. In the end, *great leaders manage the future.*

- **Harold Geneen**, former ITT CEO, was a great leader from the science side, driving management with financial reports. Under his leadership, the company prospered. When he retired, the organization floundered. The human side, the art of leadership, was missing.
- **Dave Packard**, co-founder of Hewlett Packard, was a great engineer and a great human being. After he and Bill Hewlett retired, the company continued to grow because they left behind a balanced approach to management.

The past is gone, and the present was prepared for yesterday—there is only tomorrow to manage.

The *art of people management* is marked by contradiction. Although most leaders to claim that *people are their most important asset*, their knowledge of how to manage human capital is much less well developed than their skills with technology and finance—yet the cost of human capital is two to six times the cost of financial capital!

*There are methods and tools to enhance any leader's effectiveness.* One promising tool is *human capital analytics* (HCA). This is about data, but not solely about statistical manipulation. HCA is first a mindset and focal point. The mindset is based on an appreciation for all factors that can influence decisions—recognizing the interdependence among human, structural, and relational issues. For example, a new tech-savvy generation taking over the workplace calls for a reexamination of work spaces and technology.

Processes are an expense. However, HCA can parse the input-throughput-output procedures to find the most cost-effective combination. This exercise transforms an operating expense into structural capital. It is faster and cheaper than reengineering because it considers all aspects of the process.

Siloed operations are notoriously inefficient. Predictive analytics show

how to integrate planning, hiring, paying, developing, and retaining people—how to synchronize service delivery to and optimize effectiveness.

## Macro and Micro

HCA can be applied to large-scale overhauls as well as single mission-critical positions. At the organizational level, a predictive analytic application was introduced into a large engineering company. In three days, top managers identified the external forces and internal factors, outlined a capability system, and detailed a leadership development program detailed. Within six months, the company was redirected and market share expanded.

A case of upgrading a mission-critical position applied analytics to uncov-

er how best to attract, deploy, develop, and retain top talent in any key position and the jobs leading up to it. In a four-step process, the past record was examined, future market predictions incorporated, a new position management program developed, and a performance measurement system designed—all within 30 work days.

## Performance

*Performance is typically broken into two pieces with a third piece ignored.*

Every company has a strategic performance planning and measurement system, right? Goals are formed and promulgated. Macro measures—such as revenue per employee, and compensation, as a percent of operating expense—are loaded into a reporting system. Target objectives for all functions are set and distributed. This provides guideposts and operating KPIs. In most cases this works, to some extent. The shortfall comes when corporate and operating metrics discon-

nect, usually due to assumed relationships. The discipline to trace causality is lacking. There are classic cases of a company's demise due to decisions founded on obsolescent experience, personal bias, and irrelevant data.

This performance measurement problem is exacerbated by a focus on the past and ignorance of the future.

Enter the third piece—leading indicators. Accounting can't treat this because the data usually deals with readiness, leadership, engagement, branding and other *intangibles*. In 1980, intangibles represented a small percentage of corporate assets. However, by 2002, market-to-book value in the S&P 500 was a ratio of 6 to 1. Today, leaders need an integrated three-point performance measurement system of strategic, operational, and leading indicators to know what they're managing.

## Connecting

*Human capital analytics draws out the connections among the three metric levels.* Obviously, a change in market economics affects future labor supply. Hence, the time to fill mission critical jobs will be extended, the quality questionable and the cost increased. A breakdown of any operating metric affects corporate goals; assuming there was a connection established in the beginning. The cause of the breakdown can be found through analytics.

*Most important are the effects of current decisions on leading indicators and vice versa.* Cutbacks in down markets can impact future outcomes. Failure to monitor the connection between total labor cost and productivity/profitability forces leaders to react to the unforeseen rather than proactively manage human capital. Readiness, a leading indicator, depends on the current succession system. Analytics shows how to design the system. The attractiveness of tomorrow's brand is a function of today's vision and culture. How employees view current leadership behaviors is a predictor of today's engagement and tomorrow's retention.

You can learn from the great leaders of the recent past, but their circumstances and problems are not yours.

The past can be prologue only if you understand the future. *The future will be driven by those intangible leading indicators.* HCA digs into the strategic, operational and leading indicators to find and connect the drivers. This *predictive capability* makes a leader a leader. **LE**

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**ACTION:** Enhance your predictive capability.