LEADERSHIP

Excellence

Warren Bennis

CELEBRATING 25 years OF EXCELLENCE

THE MAGAZINE OF LEADERSHIP DEVELOPMENT, MANAGERIAL EFFECTIVENESS, AND ORGANIZATIONAL PRODUCTIVITY

MAY 2010

Wise Judgment

Collective Wisdom

Succession Success

Transition Execution

Ana Dutra
Leadership Consultant

"*Leadership Excellence* is an exceptional way to learn and then apply the best and latest ideas in the field of leadership."

—Warren Bennis, author and USC professor of management

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VOL. 27 NO. 5 MAY 2010

When dealing with diverse mates who operate in different modes, one from the country with feed corn and raw nuts and the other from the city with refined cuisine, learn from Aesop's fable and toast to each his own, or vive le difference!

E·D·I·T·O·R'S N·O·T·E

Worth of Wise Leaders

Only the wise can sustain success.

by Ken Shelton

HISTORY IS RIFE WITH STORIES of rises and falls. Few leaders can sustain success for a decade in office, let alone a management career of 30 years. Fewer yet pass the business (or leadership baton) to a second generation (50 years), and then to third generations (80 years). Rare is the enterprise that lives to be 100. Exceptional is the organization that survives 200 years.

Why? Some leaders now deride the Jim Collins' premise of *Built to Last*, opting for the *Built to Sell* mindset and boasting of their ability to gain fast wealth with strategies that call for impressive short-term growth on investment or acquisition steroids—and then cashing out before the house of cards crumbles.

Even most well-intended leaders who seek to sustain success are often diverted, distracted, bought out, bailed out, beat up, or beat out. As Boomers are learning, aging isn't for sissies. Time tests the mind, will, and heart. Succession is key to sustained success, and wisdom rules the roost and wins the day (decade, century, millennium).

So, in the monthly pages and in the 25-year (quarter-century) article archive of *Leadership Excellence (LE)*, we continue to serve the ***collective wisdom*** of the best minds on management and leadership.

What does it cost? What is it worth? When I'm asked "What does LE cost?" I always rephrase the question: "What is it worth?" We promise and guarantee exponential ROI in the timely application of timeless principles. I challenge you with this issue: open the May magazines to any page, read the article(s), and do the action item(s). My bet is that you'll then think that *Leadership Excellence* is *worth its weight in gold*.

Selling Solutions, Reaping Value

I was once asked by an IRS agent, "What exactly is the nature of your business?"

I replied, "We work for you in the sense that ***we sell solutions*** to managers and leaders who must attain desired results to sustain their success (thus pay more taxes)."

More accurately, I could have said, "We sell great ideas that require some degree of proactivity on the part of the reader to convert to solutions that are worth millions."

And we make it easy to ***convert ideas to solutions*** by prompting you to *put excellence in action* now—right after reading an article.

How can you benefit the most from your modest investment in Excellence? Start with the ***Guides***—the *Personal Excellence Plan* and the *Leadership Excellence Guide*. These popular tools have been used by many thousands of people over the past 15 years to orient them first in a development mode. Then use the *Application Tools and Templates* to facilitate the capture of the content and the application of ideas to your challenges.

For example, if you face challenges with learning, growth, innovation, reputation, inspiration, coaching, trust, communication (among other issues), you will find solutions in this edition of *Leadership Excellence*—and the worth of those solutions will be exponential compared to your investment—if you go beyond passive perusal and get into active, disciplined, team-based applications that align with your business plan and people development plan. The proof is in the *putting of Excellence in Action*.

LE Guide

Coming Attractions

Stay attuned to *Leadership Excellence* this year to see our expanded *Best in Leadership Development* rankings and best practitioners in LD listings. Also, this year, we plan to produce a 25-year CD archive of 4,500 articles.

Make Sense of It All

After a recent presentation at a leadership conference, I was asked by the LD director of a large company, "Could you please make sense of all the stuff that is out there on leadership and leadership development? I mean, who are the top thought leaders, what are their latest messages, what are the best books, who are the best internal practitioners and program directors, what are the best programs, and what are the best practices? Fortunately, I didn't have to answer his question *then and there* because I had already addressed and answered all these questions *here*, in the pages of *LE*, particular in our October 2009 and March 2010 issues. If you did not receive these recent issues, email me at Kens@eep.com and I'll send them to you. **LE**

Ken Shelton

Editor since 1984

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Executive Excellence Publishing

Collective Wisdom

It should reside in leaders.

by Alan Briskin

PETER SENGE WRITES IN the foreword of our book, *The Power of Collective Wisdom: And the Trap of Collective Folly:* "Few words have a longer historical association with leadership than *wisdom*, and few words have less credibility in that association today."

What has happened to account for such a discrepancy? And, what does the concept of wisdom offer today in a networked world driven by speed, time pressures, and fierce competition?

By definition, *wisdom* is associated with accumulated learning but is distinguished by qualities of reverence and respect for life. Wisdom facilitates greater meaning regarding the value of life. It is considerate of multiple perspectives and forms of intelligence, including intuition, emotion, and spiritual awareness. It balances short term with the long term—seeing longer-term consequences in present actions.

At a collective level, wisdom holds the key to redefining our organizations and communities because it takes into account the whole system and the fitness of the system to sustain life and prosperity. Wisdom in groups reflects a capacity for sound judgment, discernment, and the objectivity to see what is needed. ***So, how has wisdom become so distant in its relationship to leadership? Why the loss of credibility?***

The answer lies in contemporary realities. In the collapse of Enron and the unraveling of many Bernie Madoff-type scandals, we're reminded that the smartest guys in the room are not necessarily ethical, the most powerful can be the most self-interested, and the systems that support such profitable schemes are short-term structures that hold the seeds of economic catastrophe. From compromised food safety to toxic chemicals in products, to the slow poisoning of our oceans, to the puncturing of the biosphere that holds together the envelope of life, we have every reason to withdraw our faith in leadership and to doubt that leaders have the answers we need.

This may be the good news because *leadership was never really an individual endeavor but one that is collective in nature*. Too often our focus on leaders obscures this reality. Nearly 2,000 years ago, the Roman Emperor Marcus Aurelius wrote of his leadership as nurtured by a constellation of teachers. From his tutor, he learned not to take sides prematurely in partisan affairs and to endure difficulties. From other teachers, he learned not to become excited by "trifling things," to discipline his mind as a path to true freedom, and to understand how his character was in need of rehabilitation and care. For Aurelius, the danger was always in feeling satisfied with moral generalizations, trite exhortations, and glorified prophecies. How timely is his wisdom and how missing is such reflection in our leaders today.

In his personal reflections, Aurelius mused that we are all connected and

that what is common in us derives from a greater whole. He postulated that the Cosmos is a kind of city-state, a single community in which the "whole of mankind belongs." He wrote these reflections in the midst of war, turmoil, and the uncertain fate of his empire. Yet, he wrote them with conviction that we owe all our individual powers of reason and lawgiving to this collective awareness and through this awareness our fates are linked.

This is what wisdom, and collective wisdom, has to offer us. We each have a stake in each other and what binds us together can be greater than what drives us apart. The great myth that *wisdom is not developable* is shattered by a greater awareness that *wisdom can be developed through disciplined reflection, dialogue with others about what matters most, and through consideration of a higher purpose to our daily tasks*. The false notion that wisdom is not practical in the high-speed and short-term chase to beat out competitors is an unnecessary distraction. The economic and practical benefits of quality products that do not harm the environment or endanger our safety are becoming the differentiating element of today's commerce. Cisco's re-branding of its products and services to "constantly strive to be 'Best in the World' and 'Best for the World'" is but one example of this transition.

Leaders can't be mechanical governors controlling the engine speed of a train that is headed off the tracks. Nor are leaders helpless cogs in a machine too complex and out of control for any individual to matter. Leaders are one, albeit critical, element in a collective process. They serve the collective best when they express the higher aspirations of the group. Leaders now have a stake in understanding the relationship of collective activity and wisdom.

Why Collective Wisdom Matters

Collective wisdom has great functional value for three key reasons:

First, it bridges the past and future by being concerned with the present—the here and now of group decision making. Leaders must know what makes their organization unique—their brand, identity, story—as well as how their organization will be viable in the future. In his documentary on National Parks, Ken Burns chronicles the role of Teddy Roosevelt who saw the need to protect public lands so they wouldn't be commercially exploited. In doing so, he had to withstand the attacks of those who saw an immediate commercial reward in development or believed that the free market should have no constraints. The collective reward for his wisdom is shared by the millions of people who visit National Parks and furthered by those creating open space in their communities, giving public access to nature, wilderness, and beauty.

Second, collective wisdom isn't about getting things done through command-and-control leadership but through creative pairs, small groups, and networks of people committed to core beliefs. In a networked world, nothing works mechanically from the top down but rather through virtual space, multiple conversations among distributed groups, and shared purpose. Margaret Mead's comment that "a small group of thoughtful, committed citizens can change the world," has even greater meaning today in the age of multiple social technologies. Let us disabuse ourselves of *the lone genius* hypothesis in which the individual acting alone comes up with the solution. We will be far more influenced by what physicist and an authority on the science of networks, Albert-Laszlo Barabasi, calls *the fitness qualities of intersections in a networked environment*. "Some people have a knack for turning each random encounter into a lasting social link. Some companies make a loyal partner out of every consumer." Fitness requires collaboration in order to create an experience of WOW for the client or to mesh competing needs and agendas into a coherent whole. Leaders serve the collective, both their internal members and their customers, by creating the conditions for collaboration.

Third, wisdom is about results. We often associate *wisdom* with *process*—how people feel about their interactions, the mechanics of holding a dialogue session, proper facilitation of conflict, or the orchestration of a good meeting. These are key considerations. Wisdom can't be sustained without genuine curiosity, deep listening, and examining mental models. Wisdom is an emergent quality that is more likely when there is safety for reflection and consideration of our needs for respect, dignity, and a regard for each other's talents. Yet, wisdom also plays a role in creating *sustainable results*, actions that translate to *visible outcomes*, *better products and services*, and *more creative ways of managing our resources*. Leaders who cultivate collective wisdom must show how their efforts are worth the investment of time and resources. The rewards, however, are great because we can garner concrete achievements and because the growth and development of group members are explicit in such transformational leadership. ***In such groups, everyone can emerge as a leader***.

Wise leadership is cultivated through reflection, inquiry, appreciation, dialogue, and a positive regard for a higher moral standard. It is elevated by working on real problems in the world and achieving visible results. We reinforce wisdom's functional value each time we can actually point to collective accomplishments and note the human connections and creative solutions that emerged from behind the scenes. The marriage of wisdom and leadership is the differentiating skill we need in a networked world, allowing some organizations to thrive while others will simply move from folly to folly. **LE**

Alan Briskin, co-founder of the Collective Wisdom Initiative, is a consultant and author of The Stirring of Soul in the Workplace *and coauthor of* Bringing Your Soul to Work, Daily Miracles, *and* The Power of Collective Wisdom. *Email alan@alanbriskin.com.*

ACTION: Cultivate collective wisdom.

7 Laws of Learning

Great leaders are great teachers.

by Richard Godfrey

When Thomas Carlisle wrote "knowledge is power," he couldn't have known the damage that single statement would produce.

After 30 years in business, I never cease to be amazed at the low level of learning, discourse, and change that accompanies most *learning experiences*. Many leaders remain convinced that if information/knowledge is cleverly conveyed, it will produce an intended change in performance and productivity.

The fatal flaw in Carlisle's argument lies in *free will*. To experience a presentation of information is to confront knowledge. That knowledge creates *awareness*, not power. What happens with that awareness lies at the root of flawed assumptions about education, behavior, and outcomes. Individuals and groups regularly confront knowledge that they choose to ignore and demean, continuing in their current behavior. Conversely, knowledge— including what is neglected by others—is regularly taken up and taken in where it stimulates re-thinking and new behavior with the desired changes in results.

The real question lies not in deciding how to push data but in how to get people to experience new ideas and use their free will to get onboard.

Great leaders teach new ideas in ways that not only *engage* people but *persuade* them to use their free will for change. To lead people to a better place, you must engage with them as learners and learn how to *teach as well as you lead*. Here are ***seven laws*** or principles that turn knowledge sharing into growth:

Law 1: We are all born to learn. We must first believe that everyone wants to learn and then understand the resistance—history, approach, ego, frustration—and welcome that person, *in his or her own way*, into a learning experience.

Law 2: You never know when learning will occur. As Sherlock Holmes said to Dr. Watson, "You *see* but you don't *observe*." We are surrounded by metaphor, examples, conversations, observations, interactions, and experiences that are rich with learning and teaching material. We can *Learn by Wandering Around*. Any environment—a factory, office, schoolroom, nature—is filled, for the attendant observer, with things to first learn and then to teach.

Law 3: You learn by connecting. We are metaphorical, not literal beings. We learn and remember best when we *connect to life* through parables, metaphors, examples, and comparisons. Too many leaders, believing we are literal learners, think a barrage of data or facts in the form of documents, slides, and speeches will persuade us to engage. A well-told story with a clear connection to a challenge or opportunity always works better than a bevy of information.

Law 4: We all learn differently. Early in my teaching career I learned about VARK (*Visual, Auditory, Reading-assisted* and *Kinesthetic* learners). Unaware that people learn differently, many leaders assume that *how they learn works for everyone* and then *project their learning style through their communication*. By learning how people learn and accommodating various styles, you connect with more people in a meaningful way.

Law 5: Connections come through storytelling. In all societies, there's a chief, priest, healer, and storyteller. Before the written word, a society's knowledge base was conveyed through stories. We engage with stories. Hence, learning to tell great stories is key to *engaging the people* you lead.

Law 6: Learning is both an emotional and intellectual experience. *Emotional connection* to the teacher or topic opens a door to the mind. Failure to open the emotional door means that information, *no matter how well crafted*, bounces off the door with little impact.

Law 7: Learning can change lives. By practicing Laws 1-6, you can gain access to the minds, passions, and souls of people. In making such connections, guided by the light of *ethics and morality*, you can change lives, lift people, and impact organizations. Teaching is a *sacred calling* with *serious responsibilities* and *wonderful opportunities* for those who become able teachers.

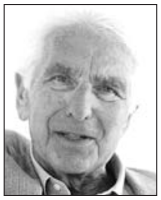
By incorporating these laws into your leadership, you can *teach* people through change rather than simply motivating, persuading or pushing—to a more engaged and lasting success. **LE**

Richard Godfrey is author of 7 Laws of Learning. *Email rlgodfreyis@yahoo.com or visit www.galileoinitiative.com.*

ACTION: Be a leader-teacher.

Wise Judgment

It takes character and courage.

by Noel Tichy and Warren Bennis

LEADERS MAKE MANY JUDGMENT CALLS that impact customers, employees, suppliers, and other stakeholders—and some calls can make or break the firm.

Great leaders are celebrated for their judgment. What is *good judgment*, and how can you sustain it? It's not a matter of *intellect*, but of *character* and *courage*.

Character provides the moral compass—it tells you what you must do. Then *courage* produces results, ensuring that you follow through on the decision you make. Without character and courage, you can't clear the high bar that is wise judgment. Without character and courage, you'll falter on the difficult and important questions.

For example, ***Jim Hackett***, CEO of Steelcase, the office furniture company, has spent much of his career thinking about what it means to be a values-based leader. He started thinking this way, he says, after a meeting with ***Bill Marriott***. Hackett was 39 and had become president of Steelcase only six months earlier. Marriott was then in his seventies and had run the Marriott hotel empire for decades. Their conversation focused on values. Marriott encouraged Hackett to build a reputation of *unyielding integrity*. A few weeks later, Hackett told his management team: *We need to ask ourselves, "How are we going to act when we get in trouble."* Ten years later, Hackett was faced with a tough call. Steelcase was selling a new line of panels that could be used either for waist-high office cubicles or to cover floor-to-ceiling walls. Building managers liked the product.

When Steelcase discovered that the rules governing fire standards for floor-to-ceiling walls were stricter than those for cubicles, and the product might not be up to the higher standards, some insiders tried to ignore it. "We had not had one damaged installation," Hackett recalls. "Our customers even called us and said 'Oh, don't worry about it—no one will ever have a problem.'"

Despite these reassurances, Hackett told his managers to *look into it further.* He only heard rationales for inaction: fire codes vary; nobody could say how much fire-retardant would be enough; and some managers wondered if the panels would ever be used in floor-to-ceiling walls. Still, Hackett felt that if Steelcase's standard of *unyielding integrity* were to mean anything, he had to recall the panels and replace them with ones that met stricter fire codes. Implementing the decision was expensive: Steelcase took a $40 million write-off, and Hackett and his team lost their annual performance bonuses.

Years later, however, Hackett's decision was vindicated. One of Steelcase's customers for the surface panel was the Department of Defense. Panels with the added fire retardant material

were installed in the perimeter walls of the Pentagon, and a section of them were destroyed on 9/11. After the attack, the Pentagon reviewed all building materials. "If the new Steelcase material was not there, the fire would have spread in a far more disastrous outcome," Hackett says. Character and courage are the bedrock of good judgment, and Jim Hackett displayed both.

When you ask people to list the bad decisions they've made in their lives, many of them will confess, "I knew in my gut what I should do, but I didn't do it." Having a set of *standards* or *values* isn't enough. Even *character* isn't enough. Having the *courage* to act on your standards is part of what it takes to exercise good judgment. All leaders make thousands of judgment calls, and the importance of these calls is magnified by the impact on the lives of others.

Three Phases

For a leader, the moment of making the call comes *in the middle* of a process. Good judgment isn't about luck, common sense, or gut instinct—it is more like a drama with plotlines, characters, and unforeseen twists and turns. That process begins with the leader recognizing the need for a judgment and continues through *successful execution*.

1. Preparation: Wise leaders pick up on signals and cut through complexity to get to the essence of an issue. They identify key stakeholders, and engage and energize them. They set clear parameters, provide a context, create a shared language, and tap strong ideas from anywhere to formulate the call. They sense the situation, *properly frame and name the issue*, and identify the need for a decision. The source of wise judgments is information that is relevant, meaningful, and timely. Four forms of intelligence are key: *self-intelligence*, or awareness of your values and aspirations; *social-network intelligence*, such as getting valid data from your direct reports; *organizational knowledge*, or knowing how people will respond, adapt, and execute; and *contextual intelligence*, or knowing the territory.

2. Call: A good leader makes a clear *yes* or *no call* and then explains the call to stakeholders. There is no waffling. You don't walk away from a call. What you do *in making the decision* determines whether it'll be the right choice.

3. Execution: Once the judgment call is made, good leaders stay involved in the execution. They support others who are involved and set clear milestones, ask for feedback, listen, and makes necessary adjustments. They then align and *mobilize the right stakeholders around a decision*. In the *execution phase*, you make it happen and continue to make adjustments as you go along. Good leaders are not afraid of these *redo loops*—the chance to go back and try again if a step was skipped or handled poorly. They pinpoint errors and allow for correction, greatly improving odds for success.

A leader's success hinges on *how well he or she manages the process*—not just moments when decisions are made.

Three Domains

The most important calls reside in one of three domains:

1. Judgments about people. This domain has the most potential for good or ill. If you don't make smart judgment calls about the people on your team, or if you manage them poorly, you can't set a sound direction and strategy, nor can you effectively deal with crises. The most critical attribute of any leader is *the ability to make sound people judgments*. For example, when ***A.G. Lafley*** took over P&G, he discovered a leadership problem in its $8 billion baby-care business. But then he made a mistake: he and another executive decided that 38-year-old ***Deb Henretta*** (a marketing consumer-oriented person) should run the operation (dominated by engineers). His vice-chairmen couldn't believe he'd made that call without their involvement. He met with them the next day, and after the meeting, he said: "Very thoughtful input, thank you, but here is why we're going with Deb" (the redo loop). On the execution side, he supported her every step of the way.

2. Judgments about strategy. If the current strategy is not leading the team to success, the leader must find a new path. For example, when ***Jeff Immelt*** succeeded ***Jack Welch*** at GE, he decided it was time to transform the company into a technology growth company. He selected 10 key technologies and made several acquisitions to execute this strategy. Immelt believes that making strategic judgment calls is how he adds value. "Good execution and good operations aren't enough to fix a business with a flawed strategy," he said.

3. Judgments in time of crisis. When ***Jim McNerney*** became CEO of ***Boeing*** in 2005, the company was in crisis. He was Boeing's *third chief executive in three years* (two years earlier, ***Phil Condit*** had been forced to resign the job as a result of alleged ethical violations, and former Boeing president, Harry Stonecipher, had been called back to the CEO post, only to be edged out after revelations of a liaison with a female Boeing executive, prompting a Justice Dept. investigation. Boeing's senior ranks were demoralized, and employees were frustrated. McNerney had watched events unfold from his seat on the board. He was aware that the crisis represented a watershed in his leadership. In response, he agreed to a $615 million settlement that enabled the company to avoid criminal charges and admission of wrongdoing. He could have fought the allegations and blamed former leaders. Instead, he made a judgment that turned the crisis into an opportunity to build a robust ethics and compliance program.

When you make critical judgment calls about people, strategy and crisis, explain your rationale. **LE**

Noel Tichy is Director of the Global Leadership Partnership and Professor of Management and Organizations, University of Michigan Ross School of Business. Tichy and Warren G. Bennis adapted this article from their book Judgment: How Winning Leaders Make Great Calls *(Portfolio).*

ACTION: Exercise character and courage in calls.

Growing Too Fast?

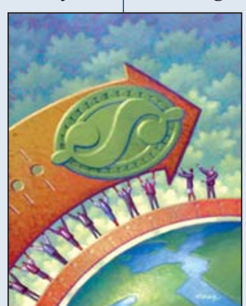
Learn lessons from Toyota's fall.

by Edward D. Hess

THE RECENT DELUGE OF recalls has made it clear: In its quest to become the biggest automaker, ***Toyota*** wandered off the path of building the highest quality and most dependable cars. How did Toyota end up in its current state—and what can we learn?

Toyota is having a very bad year. In months, its reputation for quality and dependability and status as a respected leader in the auto industry were zapped. Replacing those accolades were a recall of over eight million automobiles, over 60 class action lawsuits filed against the company, and company president Akio Toyoda admitting that the company may have grown too quickly.

What can leaders learn from Toyota's problems? The answer: If you aren't careful, you can grow your company to death.



Bigger is not always better. For decades, growth has been a determining factor for success—but growth can be bad. It can create serious business risks that if not properly managed can dilute a company's brand and destroy its value.

I debunk three big myths about growth: Myth 1: All growth is good. Myth 2: Bigger is always better. Myth 3: All companies must grow or die.

Then I replace those myths with the three Ps for proper growth: 1) *Plan for growth*; 2) *Prioritize the processes and controls* needed to accommodate the growth; and 3) *Pace growth* so as not to outstrip capabilities, processes, and controls.

Contrary to popular opinion, growth is not always good. Yet shareholders demand short-term growth, so that's what leaders deliver, *even if what they're doing is unsustainable in the long term*.

Too much growth can stress culture, controls, processes, and people, eventually destroying value and even leading the company to grow and die.

Toyota changed strategy in 2002 when it set out *to be the largest automobile sales company*. To achieve that goal quickly, it had to open new plants globally, hire many new employees, expand its outsourcing suppliers, and design its products for faster, cheaper production. Hence, the quality began to decline.

Not only did Toyota products suffer, but its ability to fix those problems suffered. We see just how true that is through the conflicting reports from company executives over what is causing the gas pedal problems and reports indicating communication issues between Japan and its U.S. and European operations. Bottom line: The company outgrew its quality controls and diluted its processes for effectively responding to customer complaints.

Leaders should assess the risks of growth using a *Growth Risks Audit* before undertaking a major growth initiative and develop a plan to manage those risks. Since managing risks requires a different mindset from managing growth, leaders need to devise *early warning systems* to alert them to potential problems.

With Toyota, the cumulative effect of many small changes created big consequences. In the heat of growth and the battle to be Number 1, no one could pull the cord and stop the Toyota line. Being the biggest is a different goal from being the best in quality and dependability. When conflicts between speed, growth, and quality arise, no one wins in a *be the biggest environment*.

By studying 54 high-growth companies, I find that CEOs with prior high-growth experiences acquire a healthy respect for *the risks of growth* and espouse the (ironically named) *gas pedal approach* to growth—letting up on the growth pedal to allow processes, controls, and people to catch up. A business, like an engine, can run at a red-line pace for only so long. Many leaders strive for continuous high growth. But *sustained high growth is the exception*. Few (10 percent) companies are able to grow above industry or GDP averages for five years or more.

Be realistic about growth—and know that it is *a complex change process* dependent on human behavior. Humans, like markets, are not efficient or rational actors all the time. *Growth can be good, and it can be bad.* You can increase the probability of a good outcome if you assess the risks of growth and proactively manage risks as you grow. *Grow for the right reasons, and grow smart.* **LE**

Edward D. Hess is author of Smart Growth *(Columbia Business School Publishing) and* The Road to Organic Growth *(McGraw-Hill) and is a professor at Darden Graduate School of Business, University of Virginia. Visit www.EDHLTD.com.*

ACTION: Engage in smart growth.

Reputation Leadership

It's more valuable than you may think.

by Nir Kossovsky

LEADERS KNOW THAT reputation matters and that a *good reputation* brings countless benefits; and yet, most leaders don't appreciate fully the financial benefits of a good reputation, or the costs of a damaged one.

Since *reputation-linked assets* account for ***70 percent*** of corporate value, developing and leading a reputation management initiative can yield high quantitative and qualitative returns, and mitigate extraordinary costs.

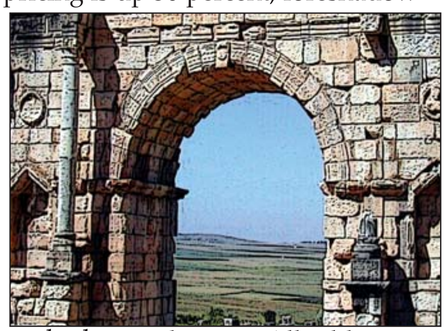
Recent Case in Point: Toyota

Harmony, honor and a devotion to quality characterized the ***Toyota Motor Company***'s philosophy for half a century. These values were memorialized in a 1962 pact between management and labor that created a *uniquely cooperative workplace*. Toyota's *team approach* enabled them to reduce the costs of defects and waste in accordance with the quality principles of W. Edwards Deming. In 1965, Toyota won the Deming Prize for quality. In 1992, Toyota revised its credo to embrace reputation-linked values such as *honor*, *respect*, *safety*, *quality* and *innovation*.

Fast-forward 10 years. In 2002, Toyota set a target to be the world's top automotive manufacturer. With an aggressive goal that required ***50 percent*** growth, *market share trumped less-easily-measured intangible values* such as honor and respect. This re-prioritization set up Toyota's fateful 2006 decision to sideline quality concerns that might adversely impact its growth strategy.

In early 2009, Toyota, the world's #1 automobile manufacturer, began to recognize the costs of nine years of reputation risk buildup arising from certain failed processes. Our *Corporate Reputation Index* records an acute drop in early 2009, safety and quality issues surfaced with increasing frequency. Stock price growth relative to market peers began to slow in late 2009, presaging its acute fall in early 2010. The thing about headline risks and reputation perils is that they can snowball. In 2010, Toyota faces criminal and Congressional probes into its safety problems. Both matters are being outdistanced by the myriad civil lawsuits being filed for claims of personal injury, wrongful death, racketeering, and unfair business practices. And insurers are preparing to subrogate past auto accident claims involving Toyota vehicles.

Equity costs to date are in the $25 billion range. Pricing power impact so far is 3 percent. Market share fell another 3 percent for the year, and January 2010 sales fell 16 percent to their lowest level in a decade. Operating costs are difficult to estimate—it was in an effort to control them that risk arose. Adding to future expected operating costs will be regulatory costs, possible fines and penalties, litigation costs, insurance subrogation costs, and inferior vendor terms. Credit default swap pricing is up 30 percent, foreshadowing higher credit costs. All told, we estimate the reputational impact, so far, to be a $2 billion cost to earnings and a $25 billion cost to market cap for 2010.



A strategy that generates phenomenal economic returns for seven years, only to create a situation in which everything is given back in one 12-month period, is not desirable. At a time when *intangible assets represent 70 percent of the value of public companies*, leaders must develop and execute strategies that harness the power of reputation to drive intangible asset value. Superior reputations pay off with: pricing power, lower operating costs, greater earnings multiples, lower beta (stock price volatility), and lower credit costs. When reputation is damaged, these benefits are lost. *These lost benefits will cost Toyota $2 billion this year.*

Reputation is the collective impression held by stakeholders of how a company manages its intangible assets. The CEO, executive team, and board have the primary roles and responsibilities in that management process. *Reputation management* encompasses the enterprise-wide management of six intangible assets: 1) ensure an ethical work environment; 2) drive innovation; 3) assure quality; 4) uphold safety; 5) promote sustainability; and 6) provide security. These six reputational assets interact with one another in a relationship resembling a ***Roman arch***, where a process failure of any one intangible asset can result in a precipitous loss of value, and can even place the enterprise in peril. Toyota's 1992 credo incorporates three of the six.

Leadership means fostering conformance with intangible asset management best practices. It means using the latest tools—IT systems, employment incentives, and insurance instruments—to shape behavior. Indeed, it was a failure of leadership and a lapse in managing the key intangible asset of ethics in 2006, motivated by a metric-driven obsession to outperform General Motors, that brought down 73-year-old Toyota's ***Roman arch of reputation*** in less than four years.

Fight Metrics with Metrics

In the face of demands for measurable performance indicators, most executives may feel that they lack the tools to affirm the value of risk and reputation management. Many may have a clear vision of *an integrated reputation management solution*, yet lack the resources to implement it.

In a business culture that manages what it can measure, we affirm that *the value of intangible assets can be measured*. As the Toyota case illustrates, intangible asset management affects pricing power, and both operating and capital costs. Our *Corporate Reputation Index* tracks reputation by capturing market measures of pricing, net income, earnings expectations, and uncertainty, and then reporting near-real time on reputation at the enterprise level.

Directors are likely to be held personally liable for money damages if they breach their duty of oversight, including management of intangible assets and risk. As a reputation leader, your *mission intangible* is to create enterprise value by understanding the business processes on which your reputation depends, protect them, practice them wisely, and communicate your mastery to your stakeholders. **LE**

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ACTION: Practice risk and reputation management.

Mad Scientists

Try leading them in five ways.


by Chip R. Bell and John R. Patterson

JAMES CAMERON IS A "MAD SCIENTIST"—and director of the two highest grossing movies ever made—*Titanic* and *Avatar*. Apple CEO Steve Jobs is probably a "mad scientist." So were Ludwig Beethoven, Henry Ford and Amelia Earhart. Who could deny their *gigantic contributions* or *incredible gifts*?

We use *mad scientists* not as a reference to some evil maladjusted type like Dr. Strangelove or Frankenstein, but rather as the catch-all phrase for the gifted eccentric and unconventional wild ducks that occasionally enter organizations. Some are nerdy, some are whiz kids without manners, and some are amazing talents marching to their own drum. For most organizations they bring a mixed blessing.

All *mad scientists* have noble traits—brilliant, visionary, perfectionists, and passionately driven. They're also very challenging to work with, extremely bull-headed, egotistical, countercultural, irreverent and sometimes borderline crazy. Organizations can't tolerate very many *mad scientists*. They disturb the sanctity of stability and status quo. Highly conservative organizations view them as extreme misfits.

Mad scientists ask tough questions that make mediocre performers feel inadequate. They ignore tidy rules of corporate civility in a headlong pursuit of their bold visions. They poke around in areas outside their sandbox and beyond their pay grades. While they would get an A in *creativity*, their impatience with diplomacy would net them an F grade in *emotional intelligence*.

Some organizations expel all *mad scientists*. Unless these eccentrics are protected by being in the top slot—film director, CEO, or owner—they get labeled, ignored, and ostracized. Their performance reviews give short shrift to their vast achievements while spotlighting only their "does not play well with others" dimensions. They are told to get a coach or read a book or talk with HR. Failing to be valued for their contribution, most exit for greener pastures. Consider the massive loss to the organizations they vacate.

Organizations interested in growth need a few *mad scientists*. They can make us better and more vigorous. Sure, they are complex, challenging, and difficult. But, they can propel us to greatness by being the sparkplug for the innovation engine. Of course they can make us wring our hands and shake our head. They can also insure our advancement. They are rare, and we need them.

Being a *mad scientist* can be lonely. And, being the leader of a *mad scientist* can be nerve racking. As the boss, you are perpetually surprised by events that signal your *mad scientist* has "done it again!" Other employees are in your office complaining about their quirky actions, rude business etiquette, and insensitive cross examinations. You wonder if the *practical return* is worth the *emotional cost*.

Five Ways to Lead Mad Scientists

To maximize the value of your *mad scientists* without losing them to competitors or resorting to pricy *personality transplants*, lead them in five ways:

1. Embrace their weirdness. Don't try to explain why *mad scientists* are the way they are. You can't reprogram eccentricity or turn off a compelling vision. Searching for a rational explanation for their idiosyncrasies implies that if they can be *understood* they can be "cured." The goal is not to *change* them but to effectively *lead* them in order to harness their creative energies. Accept their treasures and steer their talents.

2. Provide loose control and tight guidance. Since *mad scientists* live in the big picture world, they must be given an accurate view at the macro level but *not* micro-managed. *They can be successfully led but are poorly managed*. External controls trigger their aversion to restrictions and constraints. They do not deal well with mindless policies, narrow job descriptions, and obsessive controls that seek to convert them from "wild ducks" to barnyard chickens. They work nontraditional hours, guided more by the rhythm of their work than the hands of the clock. However, they need hard and fast boundaries regarding where an overstep risks the mission. Without governors, *mad scientists* can be a clear and present danger.

3. Run interference for them. *Mad scientists* need sponsors and champions with gladiator-like traits to take on naysayers and the frustrated mob. They need someone who always has a "get out of jail free" card—a defender who can explain their contribution in a way that makes defending their foibles unnecessary. They need a scout shrewd enough in corporate politics to provide them *early warning* regarding interpersonal mine fields and lurking ambushes. Without a front team, *mad scientists* are *marginalized* and rendered *impotent*.

4. Resource them. *Mad scientists* need more latitude and a higher tolerance for their errors. They may present 12 approaches, 11 of which are wacky, but the 12th genius. Discarding the first 11 before reviewing all their ideas risks missing breakthroughs. Give them the latest tools and access to the best minds. They need a network of like-minded "scientists" (one of Henry Ford's best friends was Thomas Edison). They need an easy entrée to information and access to a cadre of people who can help them refine their "perfect" idea into an effective application.

5. Celebrate them. *Mad scientists* need little public affirmation—but they do want credit. Seeing a lesser being get the prize they earned draws sharp disapproval. But, applause and attaboys others may cherish are not what drive them—the intrinsic give-back of their work is enough. However, celebration can help others learn to value their contribution. Celebration enables fellow employees to separate the person from the performance. It can foster their resilience and facilitate other's patience. And, if their presence becomes intolerable and no skunk works-like outlet is available, celebrate them by helping them migrate to organizations where their talents will be better used.

Effectively led, mavericks, eccentrics, rebels, and nonconformists can be catalysts for true greatness and make huge contributions. However, like wild horses, they should never be domesticated. *Well-behaved people seldom make history*. **LE**

Chip R. Bell and John R. Patterson are customer loyalty consultants and authors of the best-selling book, Take Their Breath Away: How Imaginative Service Creates Devoted Customers. *Visit www.taketheirbreathaway.com.*

ACTION: Lead your mad scientists.

Bootstrap Leadership

Develop your own leadership skills.

by Steve Arneson

WE ARE LIVING IN extraordinary times. The world is becoming more complicated, and we're becoming increasingly reliant on leadership to make sense of all the complexities. Whether it's the relentless march of technology, global competitiveness, sustainability or innovation, strong leadership has never been in greater demand. If you're a leader (at any level) today, you need to keep pace with this rate of change, continue to learn and grow, and take charge of your own development—or you'll be left behind. If you don't take responsibility for your development as a leader, who will?

All leaders have the potential to improve, but you have to *want* to get better—and work at it—to become a more effective leader. Why? Perhaps the most important reason is your obligation as a people manager. As a leader, you can help your people grow and develop so they can take their skills and contribution to another level. But to positively impact others, you have to keep learning and growing yourself. You have to model working on your own development.

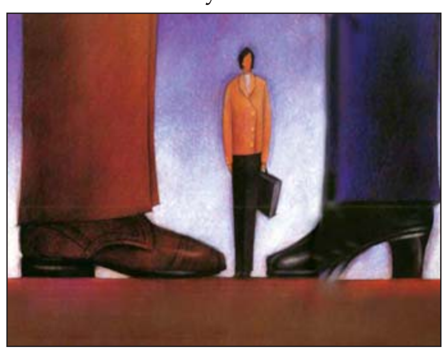
Fortunately, it *is* possible to get a little better each day as a leader. If you put in the time, you can learn, practice, and apply new skills consistently. With today's pace of change, you can't wait for the organization to bring leadership training to you; you have to work on your own game. You can't rely solely on your boss for coaching and mentoring; you need to take charge of your own growth as a leader. You need a *personalized learning strategy* and a *customized plan of action*. And you don't need a big budget or elaborate infrastructure to develop yourself. All you need is to seek and listen to feedback and reflect on how you can improve. You need to *pull yourself up by your own bootstraps*.

Five Ways to Bootstrap

Here are five ways you can make yourself a better leader:

1. Find out how you're showing up as a leader. Learn what others think of your skills and behaviors. Ask the people around you for input before you decide what areas to work on. How are they experiencing your leadership? What's working for them? What's not working? How do they feel about your ability to guide the team in the right direction? What suggestions do your colleagues have for taking your skills to the next level? If you sincerely solicit and listen to their feedback, they'll tell you what you need to work on. Examine where you are today as a leader. Listen carefully to the input, and then reflect on your own leadership brand. Where can you get better?

2. Add something new to your game. Beyond leveraging your strengths and minimizing your weaknesses, you need to continually add new elements



to your leadership toolkit. If you stand still, you are destined to stay at your current level or even fall behind. Do you have a plan for adding new skills? In what areas do you need to focus? How about adding some skills in coaching, leading change, fostering innovation, broadening your peer leadership, becoming a great storyteller, or adding new time management skills? Think and reflect on ideas for your skill development.

3. Get curious about the world around you. Now that you've added some new skills, it's time to branch out and expand your horizons. Developing yourself as a leader also means stretching your point of view, and seeing beyond the borders of your office (and company). How well are you staying up with new developments? Do you have a firm grasp of your organization's strategy? Do you know what people do in other parts of the company? Do you know what your competitors are doing? Are you learning from organizations and cultures that look nothing like yours? Where can you expand your network and *broaden* your perspective.

4. Step out of your comfort zone. Once you expand your world view and stretch the boundaries of your leadership, it's time to take some risks with your development. How about taking a more proactive stance with your boss about your next assignment or role? What about joining a professional network, or improving your speaking and presentation skills? Do you have trouble admitting mistakes, or seeing things from another perspective? Do you acknowledge that you don't know everything there is to know about how your organization works, or how it makes money? What if you asked others to review your team's strategy? You have a lot to gain by stepping outside your comfort zone and adapting different leadership behaviors. Pick the one thing that you've always avoided as a leader, and bring it inside your core set of skills.

5. It's not about you. Leadership is about the people you lead—it is not about you. Is this how you look at leadership? Are you spending your time on the right big things—such as people development? Do you go out of your way to raise the profile of your employees? Do you volunteer your leadership skills to a nonprofit organization? Do you offer feedback and coaching to your direct reports and others? Do you teach a class at the corporate university? That's a great way to "give away" your knowledge and expertise. Finally, what is your *plan for succession*—how are you preparing the leader who will come behind you? These questions will help you make the transition from *it's about me to it's about others*.

Leadership is a privilege. If you manage other people, you've been given a great gift—a chance to change people's lives. To make a difference, however, you need to keep taking your leadership skills to a new level by taking control of your own learning agenda. Start by creating a *customized leadership development plan*—one that says: "*I care about becoming a better leader.*" It's the right thing to do for your leadership brand, and the right thing to do for your team. **LE**

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ACTION: Develop your leadership skills this year.

Science and Art of Coaching

Address and answer these five key questions.

by Jack Zenger and Kathleen Stinnett

INTEREST IN HELPING LEADERS TO BECOME better coaches is high. People want more coaching than they receive, and organizations are trying to respond by training managers to be better coaches and using external coaches. *What can we do to insure our investment pays off?*

The future of coaching may lie in our ability to answer five key questions:

Question 1. Does coaching really make a difference? When we study leaders who are also effective coaches, we can see clear correlations between leaders' coaching effectiveness and employee commitment, engagement, and satisfaction. An increase in employee satisfaction typically leads to an increase in customer satisfaction, which impacts the bottom line. Also, we find that effective coaching *doubles* employee retention. The results produced by high-performing coaches correlate with: greater willingness to go the extra mile; more reports that the company is a good place to work; greater employee satisfaction with decisions that impact their work; more feelings of being valued as an employee; double the number of employees who are inspired to put forth greater effort every day; and increased perception that managers are doing a good job.

Question 2. How can we increase the effectiveness of coaching sessions?

Coaches can take two actions: ask the client what he or she would like to discuss; and ask the client for feedback at the end of each session.

• *Focus the conversation.* You, the coach, should talk about things that are of great interest and value to the coachee. If you feel that it is your right (or duty) to set the agenda in coaching conversations, you'll talk about issues that are of concern to you or that you believe would be of value to the person being coached. To ensure that the conversation is focused on topics important to your direct reports, you might provide a list of topics and request that they come to the first coaching discussion with four selected topics. This sends three messages: you want coachees to participate in the process; you respect their wishes; and this is the start of a long-term relationship designed to help them. Focus the coaching conversation more on *topics that are of interest to them*. At times, you should suggest a topic.

• *Ask for feedback.* When you open yourself up to feedback, you'll have better coaching discussions and be a better coach. The best *leaders-as-coaches* excel at providing feedback, and at asking for it. When you ask for feedback, the coaching relationship embodies the spirit of a collaborative, two-way conversation.

Question 3. How can coaching be made more consistent? Provide leaders with training and practice in applying the process and skills necessary to facilitate effective coaching conversations. Ensure that the training focuses on effective questioning and listening skills designed to discover situations from the coachees' point of view. Also, provide managers with a clear structure. This may be as simple as the *FUEL formula*: 1) ***F***rame the discussion, explaining desired outcomes, confidentiality issues, and roles each person will play; 2) ***U***nderstand the current state, clarifying the situation as seen by the person being coached; 3) ***E***xplore the desired state—the coach helps the person to think about what ideally would occur from that person's point of view; and 4) ***L***ay out a plan of action and follow-up that will enable the coachee to achieve the goal. Coaching improves when the leader-coach follows a clear framework, versus operating in a free-wheeling approach.

Question 4. What's the goal of coaching, and how much change can we expect? The coach tries to facilitate *positive change* in the coachee (*positive change* is defined by what the coachee wants to achieve, though it may also be defined by what the coach sees needing to be changed). In researching cases of drug and alcohol addiction, James Prochaska and his colleagues concluded: *change is rarely one giant leap*, but a series of ***five steps***: 1. *Precontemplation* (I've not thought about it, or I'm not ready yet) 2. *Contemplation* (I'm ready to seriously consider some change) 3. *Preparation* (I have a plan) 4. *Action* (I'm now ready to take action) 5. *Maintenance* (I'm willing to keep at it). The best coaches help people to move from one stage to the next. Each person should have a *personal development plan* and commit to it. Receiving help in creating a plan helps move people from Stage 2 to 3. They then must take personal responsibility to move from Stage 3 to 4 and 5. As a coach, monitor the frequent backward lapses, and create a greater sense of accountability to make personal change happen.

Question 5. What about the coaches' personality or behavior makes the most positive impact? William Miller and Stephen Rollnick note that three key elements create conditions for change: 1) collaboration between the people involved; 2) the coach seeks ideas and insights from those being helped; and 3) maintaining the autonomy of the person being coached (the right and capacity for self-development). Coaching will likely fail if there is tension or contention between the parties. Coaching is not something you do "to" someone, but is done "with" the person. If the coach assumes a position of power or status and conveys the message, *I have the answers, and I'm going to teach you*, there'll be less success than if the coach seeks ideas and insights. Indeed, the greatest success comes when the client's view of coaching issues, the potential solutions and ideas about the best process for change come together to form a theory for the client, and the coach uses the client's theory of change to assist the client in making progress. The coach serves to *reinforce the client's theory for change*, apply experience to it, help to interpret it, and use the client's thinking in place of the coach's agenda.

Most of what people learn is absorbed casually on the job, and yet little is done to help people be more observant about what takes place daily on the job, and to try new behaviors in daily work. Anticipate that the greatest gains will occur within the first sessions of coaching on a topic; there's usually a leveling off in the change process on that topic.

Coaching contains many characteristics of an art form—it will never be a pure science. **LE**

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ACTION: Master the art of coaching.

Dealing with Lay-Offs

Leaders need to use 10 strategies.

by Elaine Varelas

MANY LEADERS would rather have a root canal than eliminate jobs and lay off staff. Most go to great lengths to cut costs first to minimize the number of people affected by a reduction in force (RIF). Everyone—employees being laid off, those staying, HR managers, and leaders—fares better when a RIF is handled skillfully.

Here are 10 strategies:

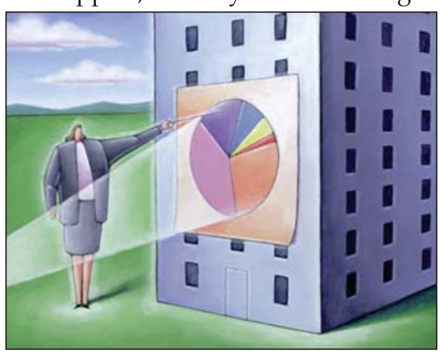
1. Recognize it will be painful. RIFs are upsetting for everyone. Leaders and HR managers should not be expected to smile through it or "put lipstick on a pig." Doing so might make light of the lay-off's impact and belittle people's feelings. Acknowledge that it is painful for all employees—those being let go, those who are staying, and for the HR managers who have to implement the reduction. It is also stressful on the organization, as people go through this difficult transition.

2. Remain objective. It can be easy to personalize a lay-off, but it's not productive. Managers should remain objective when selecting positions to eliminate. They need to be mindful of their words when speaking about the reduction. *People* are not being cut—*positions* are cut, and *people are affected*.

3. Have a well-thought-out plan. The lay-off must be well planned and executed. Address every detail. HR needs to help leaders ask probing questions to determine how positions will be selected. If the downturn only affects one area, will that department be the only one to face cuts, or will the entire company face restructuring? What will the criteria be for position elimination? Will it be last in, first out? Will it be performance-based? Has information been documented? Consult with legal counsel to know legal risks and implications of every activity involved in the RIF. Consider what talent, skills, and experience will be needed in the future. What teams need development to expand or refine needed skill sets?

4. Come to a consensus. Whatever the reasons for the lay-off, the management team needs to come to agreement and move forward as a team. Managers should avoid casting blame or making sideline deals. The leadership team needs to develop a clear message and present a united front.

5. Treat employees with respect. We've all heard lay-off horror stories—people who arrive at work to find boxes on their desk and security standing nearby; people who try to get into their office and realize the locks have been changed; or people who were terminated via a form email. Managers should treat every individual with respect and protect each person's dignity. Even if the RIF affects many people, managers should treat each person as if he or she is the only person being affected. Each employee deserves a private meeting with a manager, a chance to ask questions, and be informed of any transition support, verbally and in writing.



Deliver the news with kindness and compassion, remembering that the lay-off has a compounding effect on family.

6. Offer as much support as possible. Provide people with transition support. Here are five examples: 1) *Redeployment:* Is there another area of the company or another location that can absorb some of those affected? Can training be offered to fill a need in another area? 2) *Separation package:* Even if the cutbacks are fiscally based, provide a separation package that includes financial benefits, and career transition support. 3) *Reaching out to other employers:* Contact other employers to make them aware of the staff affected. Do they have open positions some of the employees could fill? 4) *Engage a career transition firm* with a proven record of delivering value to affected individuals. They try to get those affected by the RIF into the right roles in the best timeframe. 5) *Employment Assistance Program* can help people deal with the separation and move on. The organization benefits from having logistical support when many people are being asked to coordinate events. The individuals notified benefit from having a person to speak to who can address the impact of RIF.

7. Communicate clearly and honestly. Rumors are often more damaging than reality. There is some information that is confidential, and it changes daily until the day of the reduction. And yet the status of the company, its finances, and its future are pieces of information each employee should have. If managers don't control the message, fear and rumor can rule the day, and negatively influence people's behavior. Tell what the company is doing to avoid eliminating positions, and remind people of assistance for those in transition and support for those remaining.

8. Ensure resilience. Following a RIF, consider an alignment of structure, people, and process. Create plans for moving the business forward. Retention and engagement of key talent becomes a priority, and *managing change* becomes the focus. HR ensures resilience.

9. Look to the future. Focus on what will happen next. Are strategies, goals, and roles aligned? What will the new incarnation of the company look like? Is there a communication strategy to re-engage people? Does the culture need to be reinforced? How can leaders support employees in managing change? The sooner you speak to the future, the sooner you can recover.

10. Re-recruit remaining staff. Be highly visible and engaged with employee communication. This is the time to re-recruit remaining employees by reinforcing the support provided to those employees affected, and reaffirming the organization's commitment to current staff. Enlist the help of employees so they can play a role in shaping the future. What are their hopes and concerns? What do they need to do their jobs well? Reassure them of their place with—and their value to—the organization to avoid losing them.

HR professionals need to be experts in conducting RIFs to ensure that the people affected are treated with respect and supported in making a smooth transition. When leaders handle the process well, they can also reinforce their commitment to remaining staff, and communicate the mission so that the organization continues to thrive. **LE**

Elaine Varelas is managing partner at Camden Consulting Group, a career management firm, and serves on the board of Career Partners International. Visit www.camdenconsulting.com.

ACTION: Deal effectively with lay-offs.

Inspiration Factor

How to change your culture.

by Terry Barber

WHAT IS A GOOD synonym for *inspiration*? You might say *stimulation* or *influence* or *encouragement*. But, the word that most often comes to mind is *motivation*.

But are *motivation* and *inspiration* the same? As leaders, we all want certain things from those who report to us. So do we *motivate* them to action, or do we *inspire* them? Motivation provides an incentive to act a certain way—but for reasons both self-sacrificing and self-serving. A person can even be motivated out of fear, say, of a penalty—like when my dad used "corporal punishment" to "teach me a lesson." That *motivated* me, but I wasn't a bit *inspired*.

According to *Webster's Dictionary*, to *inspire* means to *exert an exalting influence—exalting* meaning *raising high, as in character or power*. Most books and seminars focus on motivation, encouraging the use of rewards to prod employees toward better performance. Some staff may reach for these dangling carrots—raises, promotions, various perks—but if your methodology stops at motivation, staff growth will be hit-or-miss. Not everyone can rise to the top, and even those who can, won't do so in a stagnant culture. Why? Because a few have been *motivated*, but no one's been *inspired*.

Some leaders are better at motivation than others, and some methods are less than inspiring: they motivate, but through manipulation or threats. "*If you don't meet this goal . . .*" Even when positive results are attained this way, they will be short-lived again, because people haven't been inspired.

What actions make the difference between *inspiring* people and *motivating* them? And what will that mean to you, as a manager or leader?

Leaders who genuinely inspire others do so by tapping into people's dreams—then extracting the best from them. This is what I call the "inspiration factor." And whether these leaders just have a knack for inspiring those around them, or they have developed the skill through training, trial, and error, the inspiration factor produces more positive transformations than any other leadership trait.

I didn't always know this. The first time I was asked to supervise people, I spent much time motivating them. I'd read all the books, but I didn't have a clue. So, to get them to achieve, I manipulated them. Each morning, like a cheerleader, I would pump them up: "We are world-changers! We love our team!" Some would get enthused—for a while. But something was missing: I wasn't connecting to their dreams, so results were minimal, at best.

So I changed tactics. "Live up to your potential—or you'll answer to me!" or "Produce! Perform—or I'll find someone who will." I threatened them with dire consequences for failing to measure up, but it didn't work. In fact, it reminds me of the *motivation* my dad used on me. His belt motivated me to obedience, temporarily, but I wasn't inspired. Neither was my team.

To put a student-mentoring program on 30 high school campuses in Houston, I needed my team to perform at peak level, but to have to pump them up was exhausting. If you've ever had to supervise a group of people, no matter their age or gender, you know the feeling. *Why can't they just charge ahead with excellence*—without *all the excuses*?

One young man, Ben, was challenging for me. I'd decided that it was time for a serious chat. But rather than blast him for the things I thought he was doing wrong, I asked him two questions: "How do you feel it's going?" and "What first interested you in this job?"

"I feel disappointed at times," he said. "I'm not good at speaking, and I was hoping to use this experience to develop my public speaking skills."

The lights came on. I said, "So, if I help you develop your ability to speak in public, you'd feel more fulfilled?"

"Absolutely!" Ben said.

I never needed to have the second part of that discussion. My experience with Ben was a defining moment for me. From that exchange, I gained ***three insights***—and these will help you be *more effective* at leading your team.

1. Work is only part of someone's life. Most people have personal dreams and ambitions *beyond* what you see at work. By uncovering those aspirations, you gain a great opportunity to align them with your organizational goals.

2. Notice, name, and nurture is the name of the game. Many people have just quit dreaming. They've settled into the day-to-day routine of their job, no longer considering their latent talent and desires. I encourage you as a team leader to take the initiative and *catch them doing something with extreme passion*, and affirm them for it. It's one thing to say, "Thanks for your hard work." But to say, "I notice you have an uncanny ability" takes it to a new level. "Have you ever considered using what you know here at work?" brings it home. The skill you notice may not fit with your goals, but the *positive character trait* displayed in the skill is always applicable. Here's another example: "I notice you energize people and are a great promoter. Have you ever considered management?" This exercise forces you to *notice* the positive traits in your team, *name* them, and *nurture* them.

3. Teachable moments are all around you. Although it's more fun to rally around successes, you can learn things in the midst of conflict and adversity. John Wooden, the iconic coach at UCLA for 27 years, saw the game of basketball as a mere object lesson for life, yet he retired with a record of 885–203.

"If you are not making mistakes," he'd say to his players after a bad game, "then you're not doing anything. I'm positive that any doer makes many mistakes."

Wooden's words also relate to life *beyond the court*. The adversity you and your team face are *teaching moments*, so turn your workplace into a teaching environment about things that are bigger than what goes on between 8 and 5. That's a sure way to inspire!

By practicing these basic principles of inspiration, you'll move from *motivating* people to *inspiring* them. **LE**

Terry Barber is an inspirational speaker, corporate trainer, and author of The Inspiration Factor (Greenleaf Book Group Press). *Visit www.inspirationblvd.com.*

ACTION: Become a more inspiring leader.

Young Leaders

Observe four seasons.

by Alan E. Nelson

MOST PARTICIPANTS in executive training programs are ages 30 to 55. But by this stage in life, our character is pretty much set. ***What can we do to identify and develop leaders while they're more pliable?***

That has been my quest for the last five years as we've prototyped a training curriculum for 10 to 13 year olds. We're learning more about developing young leaders, ages 2 to 22. By targeting life stages, we provide future leaders with a 10- to 20-year head start.

Four seasons emerge in a young leader's life, each with strategies based on the unique conditions of that time.

Spring: *Ages 2 to 9. Strategies: Conditioning and Character. Description:* Moral and cognitive development begin at age two, when children discover their will, learn right from wrong, and formulate speech and thoughts.

Metaphor: Till the soil

Conditioning: Adults need to help young children discover their value and uniqueness. Leadership aptitude can be seen in early socializing, when children begin interacting during playtime, creating informal structures. Certain kids influence peers more than others, positively or negatively. The role of parents and teachers is to condition young leaders by enabling them to experiment with leading games, family chores, sports and school projects.

Character: Much of our character is formulated during this season, when we learn right and wrong, both from modeling and behavioral consequences. Family structure and parental values are reflected in what children say and how they act, alone and with peers. This is when moral training has its most enduring results, good or bad. The moral/ethical connection establishes a framework from which a person makes decisions, whether to lie or tell the truth, steal or respect another person's property, honor or dishonor another person, present or absent.

Summer: *Ages 10-13. Strategies: Character and Competency. Description:* Cognitions accelerate at age 10, but character is still pliable. Most rites of passage to adulthood and/or moral maturity take place around ages 12-13 (bat mitzvah, bar mitzvah, Aboriginal walk-about, catechism, confirmation). *Metaphor:* Planting the seed

Character: Character is fairly set by the end of summer. So, this is the last chance in a young leader's life to concentrate on character issues that will impact their decision-making. Since leadership involves *power* and since a leader's decisions *influence* many others, the temptation to misuse power often skews a person's perspective. Pressures of leading create stress and reveal character flaws and ethical-moral weaknesses. Some suggest that *who we are as a 4th grader predicts who we'll be for life*. Emphasize character issues at home, in school and where preteens interact.

Competency: Cognitions elevate at age 10. While still concrete thinkers, preteens (8 to 12-year olds) are transitioning to conceptual thinking. The best methodology for teaching in this stage is active learning, where kids understand concepts by attaching them to tangible experiences. The overlap of cognitive development with moral mold-ability is what makes the 10 to 13 window so critical. You can teach sophisticated social skills required for leading and yet still shape character. The combination of leadership skills and character diffuses compartmentalization (separating personal character from professional character. Our training curriculum (*LeadNow*) emphasizes this season in a young leader's life.

Fall: *Ages 14-18. Strategies: Competency and Confidence. Description:* Teen years (adolescence) are times for discovering independence, moving toward peers for identification, and awakening self-expression, sexuality, and responsibility. Teens are less impressed with adults and more distracted by activities. *Metaphor:* Cultivate the plant

Competency: Knowing how important it is for teens to remain in school and learn life skills, this remains a strong season for developing leadership abilities. Because there is more mobility and access to leading opportunities, whether through work, student government, community service projects, or leading younger kids, skill training can include many practical applications in real-world situations.

Confidence: Redundancy enhances confidence, so that a young leader becomes familiar with what it takes to lead a project. Hopefully, a young leader by this season will have experienced "summer school" so that the newness of being in leadership situations wears off and confidence is heightened as the leader takes on more and larger and more complex leadership scenarios. Mentoring and coaching increase at this point, so that young leaders can see mistakes of predecessors and learn from failures before the cost of failing increases.

Winter: *Ages 19 to 22. Strategies: Confidence and Contacts. Description:* College and/or early career opportunities depict this stage. Making adult decisions regarding work, college, and transitioning into independence mark this final season in a young leader's life. *Metaphor:* Prepare for harvest

Confidence: As people gain experience in leading, they tend also to gain confidence. If competency was established in previous seasons, a young leader now can experiment with these skills in various settings, resulting in increased confidence that is grounded in reality, not ideology. The goal in this season is to continue mentoring and gaining feedback so that they can polish their ability and be ready for post-college opportunities as they come.

Contacts: Effective leaders use their networks to gain vital resources (information, relationships, expertise, money, talent, or position). At his stage, the goal should be to seek those who have access to people and opportunities and can open doors of opportunity where confident young leaders can establish themselves quickly. A framework for establishing these contacts could also benefit those seeking young leaders.

There is a time and season for everything. By developing leaders young, their adult lives can be perpetual fruit-bearing and harvesting. Since leaders are the primary makers of history, we must learn how to develop leaders earlier and get to the root of their leading, so that we can influence the influencers while they're most pliable. **LE**

Alan E. Nelson, EdD is a young leader development specialist, founder of KidLead and creator of the Social Influence Survey *that assesses leadership aptitude in youth. He is the author of* KidLead: Growing Great Leaders*. Visit www.kidlead.com.*

ACTION: Participate in developing young leaders.

Succession Success

Start planning your next CEO.


by Ana Dutra and Joe Griesedieck

WHEN KEN LEWIS ANNOUNCED THAT he'd step down as CEO of Bank of America, he declared it was "time to *begin* to transition to the next generation of leadership." There were two problems with this: there was no *next generation* ready to step up; and Lewis should have been *executing* the transition, not *beginning* it. Through this oversight, Bank of America opened the door to more scrutiny and criticism.

Boards should consider *CEO succession* one of their key responsibilities; however, only about half of boards even have a succession plan in place. Boards need to take *tangible action* to ensure long-term stability. Succession planning too often becomes at best *an exercise in damage control*, and at worst *an unseemly scramble that can destroy shareholder value*. Not only do investors dislike uncertainty, but the lack of a succession plan can put internal executive talent at risk. It's tough to retain talent and build leadership when there is no confidence in the process. Companies that don't plan for CEO succession leave themselves open to instability, personal agendas, internal politics, rumors and loss of peak performers.

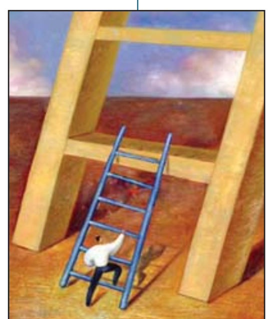
When succession planning is treated as a regular and structured process that's part of the board's agenda, it becomes a *strategic process* that's intimately related to *performance* and encompasses all mission-critical positions.

Benefits in Taking Action

A company with a *succession process* that is objective, fair and transparent will find it easier to attract and retain top talent, execute strategy, and discover weaknesses. There will be less jockeying for position and more focus on the work to be done. CEO succession should be an ongoing process, not a one-time event, starting well in advance—three to four years—of the planned leadership transition.

The SEC has proposed that executive succession be included in shareholder proposals to provide greater transparency surrounding management succession risk. This initiative should cause more boards to focus not only on CEO succession planning but also on longer-term initiatives such as talent recruitment and development.

In a *well-managed* succession process, transitions can be seamless. For example, the transition from A.G. Lafley to Robert McDonald as CEO of Procter & Gamble went smoothly. The company had implemented a long-term system of evaluation and planning for the position, granting exposure for McDonald to various markets and lines of business. P&G executives kept their eye on the ball during the transition. P&G maintains this practice for all executive positions. Hence, it maintains a steady hand when a new leader must be named.



Getting it Right

Here is how the best boards practice CEO succession planning:

1. Establish a succession committee. While CEO succession is the responsibility of the entire Board, the planning is usually done by the *Nominating and Governance Committee* (three or four directors). Every year, the status of all internal candidates should be reviewed, and succession discussed in the executive session. While it is ultimately the board's responsibility to drive the process, having the CEO's input with regard to internal candidates is important. If the board chairman is a non-executive director, that person also should be on the committee. If not, the Lead or Presiding Director should be included. One or more committee members should have experience in managing a high-profile succession. The board should assess internal and external talent and identify the *experience* and *qualities* needed in the next leader.

2. Review succession plans early and often. Planning for succession should start the day a new CEO is on the job. GE does this, as do Nokia and Novartis. These companies have longer-term CEOs. Because succession is done so rigorously and is so ingrained in these cultures, CEO tenure and executive retention are high. By contrast, Coca-Cola experienced a revolving door of four CEOs in 11 years after the sudden illness and death of Roberto Goizueta. While CEO candidates aren't eager to be compared and benchmarked, they'll accept it when an objective process occurs consistently.

3. Identify your gaps. One positive side-effect of succession planning is that it can reveal gaps that need to be filled and weaknesses that must be addressed. If, for example, there is a lack of talent in the top layers, the focus should be on identifying, developing and retaining high-potential people in middle management, then tapping the market for senior talent. However, if the issue is a general talent shortage, that isn't just a succession problem—it is a sign that something is wrong in terms of organization and leadership development. In this case, the board needs to require the CEO to develop a comprehensive and aggressive talent management strategy.

4. Build a strong candidate list. First, look at internal candidates. Are they progressing as expected? Are they getting the right experience? If an executive has excelled in one area, is it time to stretch that person by a transfer? Second, look outside the company to check out comparable talent. The idea is to *map* and benchmark the talent market: How do our people compare? Who might be available? Third, think the unthinkable. Who would be put in place in the event of sudden need? Is anyone ready?

5. Know your strategy. Consideration of any candidate should start with board agreement around the corporate strategy. How does the company plan to grow? What competitive, market and regulatory challenges might it face? The answers give the board insight into the kind of CEO needed. For example, a company looking to do acquisitions as part of its growth strategy would require a CEO who is a bold visionary and a great integrator. But if the company is refocusing on its core business, it will value an executive with deep experience. In any case, what may have made executives successful in the past is not necessarily what will equip them to be effective leaders *in the future*. The key is to gauge candidates' learning agility and their ability to adapt, not rely solely on past performance.

6. Learn from new best practices as they evolve. Boards should often do an external market calibration to research best practices in succession planning and evaluate their process as new ideas and practices evolve. Honest scrutiny can have long-term benefits. Knowledge of what's done well, and not well, can be transferred to other areas to create a merit-based organization that learns from its experience.

7. Evaluate the process often and make changes when appropriate. The succession process should stand up to external scrutiny. You might use an objective third party to advise the board, evaluate candidates, and learn to what extent stakeholders believe that the Board followed an objective and unbiased selection process.

Any succession process is only as good as it is believed to be fair. You might use 360-degree assessments and surveys to measure perceived fairness.

Proven Practices

Some *proven practices* can help boards manage succession. We have identified *best-in-class profiles* for major positions. These can then be tailored to specific situations and used to compare any candidate against competencies critical for success on the job and to assess candidates against the company culture.

Our unique approach breaks management style into four components: *Leadership style* refers to how a person acts in front of an audience, when trying to influence others, or in gathering input to make a decision. Is the person assertive and direct, intellectual or socially oriented? *Thinking style* reveals how a person solves problems or makes decisions. Are they creative, data-driven, or both? *Emotional style* is about the ability to perform with others, and navigate through difficulties. Is their empathy apparent? Do they exhibit tolerance of ambiguity? Are they willing to take risks? *Career motives* reveal what drives a leader: is that person a learner, entrepreneur or expert? How do the person's motivations fit the culture or strategy execution requirements?

All leaders have capabilities and profiles in all four areas; however, different components within each style take on greater or lesser prominence depending on the condition of the company and what the CEO needs to do.

CEO succession planning continues to be a key Board responsibility. And with heightened scrutiny, boards need to be planning for their next CEO. LE

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ACTION: Improve your leadership succession.

Innovation Initiative

The idea is just the beginning.

by Vijay Govindarajan and Chris Trimble

YOU ARE AN UP-AND-COMING LEADER. Recently the CEO asked you to take charge of an ambitious innovation initiative that will "lay the foundation for a brighter future." You can't say no (can you?), but inside you have misgivings. You know the assignment has no guarantee of success. Your previous assignments have been to accelerate growth in an existing business and to expand a proven offering. But this is different.

What follows is a sequence of events that is familiar to us from our research. It's a cautionary tale, one to consider before you accept the assignment.

A CEO announces that the strategic imperative for the year is *organic* growth. There are no more attractive acquisition targets out there. To keep up with Wall Street expectations, growth must come from within. It must be driven by innovation.

Experts on innovation are hired to inspire the troops, create the right conversations, and get the creative juices flowing. A committee reviews preliminary ideas for *new growth opportunities*. Dozens are submitted. A few are researched. Business plans are written, and one looks most promising.

The CEO examines the possibility from every angle. Many projects are competing for capital, but none can reinvigorate growth like this one. The CEO hires an outside expert who confirms that the project looks like a winner. The CEO commits to the plan and assigns the best GM to lead the initiative.

And then the CEO makes a big mistake by moving on to other matters. The innovation initiative, after all, is but a tiny fraction of the overall enterprise.

Asked to imagine an innovation success story, many people think first of a creative, brilliant, and inspired soul that sees the future in a different way. Then, the hero does whatever it takes to make the innovation work, fighting the bureaucracy when necessary, like a rebel on a mission. It is a romance deeply embedded in our culture.

The CEO's mistake is buying into the romance and assuming that the most difficult barriers were finding a great idea and appointing a great leader to make things happen. But the biggest challenges are yet to come.

Ideas will only get you so far. Consider companies that have struggled *even after* a competitor entered the market and made their great idea transparent to all. Did Xerox stumble because nobody at Xerox noticed that Canon had introduced personal copiers? Did Kodak fall behind because they were blind to the rise of digital photography? Did Sears suffer a decline because they had no awareness of Wal-Mart's every-day-low-price discount retailing format?

In these cases, the ideas were there, but follow-through was lacking. We find that innovation initiatives often face their stiffest resistance *well after* they show hints of success and start to grow. By then, they are consuming resources and clashing with the existing organization at many levels.

If the problem at Xerox, Kodak, and Sears was not a lack of good ideas, was it a lack of capable leaders? Perhaps, but consider what we view as the *First Law of Innovation*: *innovation and ongoing operations are always and inevitably in conflict*. So, asking one leader, even a talented one, to make innovation happen on their own is to ask too much.

There may be a few ingenious, creative, and determined souls who can overcome the odds that face any innovation and an organization that fights them at every turn, but they are rare.

Organizations are not designed for innovation but for ongoing operations—to deliver consistent and reliable performance. To build a capacity for innovation, reexamine the structure. Relying solely on the heroic leadership of a talented intrapreneur, even one with a great idea, is a recipe for failure.

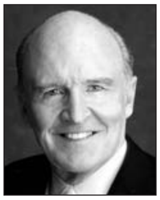
To move innovation initiatives forward, take six steps: 1) divide the labor, 2) assemble the dedicated team, 3) manage the partnership, 4) formalize the experiment, 5) break down the hypothesis, and 6) seek the truth. With this approach, innovation and operations can thrive simultaneously. LE

Vijay Govindarajan and Chris Trimble are authors of The Other Side of Innovation *(HBR Press) and creators of a parable and workshop. Email Greg@InsideInnovationWorkshop.com.*

ACTION: Move your innovation initiative forward.

Unforgiving Times

Stop talking about the risk of failure, start taking action.




by Jack and Suzy Welch

In this enlightened age, companies must be socially responsible. But tough economic conditions underscore a blunt reality. A company's foremost responsibility is to *do well*. That may sound politically incorrect, but the reason is inexorable. Winning companies create jobs, pay taxes, and strengthen the economy. They enable social responsibility. And so, now—as always—leaders should put profitability first. It's the necessity that makes all other necessities possible.

We're not suggesting that companies abandon philanthropy and other charitable initiatives until the sky is blue again. We're only saying that corporate social responsibility (CSR) needs to adapt to the circumstances. Leaders need to pin down, for themselves and their employees, CSR's place among the company's priorities.

CSR comes in three different forms. Companies can contribute to society with cash or products, giving away grants, goods, or their services to schools, homeless shelters, hospitals, and the like. Second, companies can focus their CSR on community involvement, by supporting employees who mentor students or volunteer for a myriad of causes. And third, companies can put CSR into their product and service strategies, focusing on green initiatives, for instance, or factoring environmental concerns into their manufacturing processes.

When the tide is high, many companies practice all three forms of CSR to some degree—and they should. It's *the right thing to do*, and CSR can play a powerful part in recruiting talent, retaining talent, and keeping up morale.

But how should leaders think about CSR now, with margins narrowing, layoffs rampant, and consumers embracing the *new frugality*? The contribution of cash and goods most likely has to decrease. In troubled times, cash flow is critical and delivering it often means survival. Moreover, when you're letting people go with one hand, doling out checks to worthy causes with the other is hard to rationalize. The decision for managers is how to distribute a smaller pot. You can sprinkle the money evenly, giving a little money to a lot of causes, or you can prune your list and give more to fewer organizations. Neither choice is bad, but we favor the latter only because it tends to have a greater impact.

As for community activities, continue to encourage employees to stay involved, helping out with transportation and scheduling allowances. But also understand when employees recoil from commitments to volunteer. It's only human to concentrate on your job when you feel your job might be vulnerable. And then there's CSR as a strategy. When gas costs over $4 a gallon, a hybrid Toyota Prius is an attractive value proposition. With gas under $3, not so much. When most consumers have good, secure jobs, expecting them to pay more for an enviro-friendly product makes sense. With bank accounts drained, it's a tough sell.

Our point: The bar for strategic CSR is higher than ever. Consumers are increasingly unable (or unwilling) to pay more for something simply because it makes them feel good inside. Today, it has to make them feel good in the wallet, too. That doesn't mean the era of socially responsible products is over. It just means increasingly intense cost pressures—and any manager who ignores that fact is ignoring an oncoming locomotive of competition. CSR belongs in every company. But every company must face reality. You have to make money first to give it away.

Dignity Makes the Difference

In everything you do as a leader, value dignity. Business is full of dilemmas and tough calls. You can try to solve them by going on gut instinct. You can do nothing and hope for the best. You can cover your rear end by playing politics. Or you can make your choices based on the indisputable tenet that people deserve to have their voices heard and self-respect preserved.

Dignity is not only *the right thing to do* from a moral perspective, it makes companies more competitive. It's a win-win every time. For example, managers should explain the comings and goings of key employees. Without demonizing anyone, they can explain why Joe was asked to move on or why Mary was transferred. It can be a perfect teaching moment. Such candor gives people the tools to control their own destiny. They know which behaviors are rewarded and which aren't, enabling them to adjust, if need be, and plan accordingly. It gives them agency.

As for managing people doing boring work, again, if you start in a dignity mindset, the solution becomes clear. As a leader, you need to infuse people with excitement and meaning—*no matter how mundane the work*. Celebrate small victories and milestones, and reward employees who outperform. And give your people voice, too. Hold brainstorming sessions regularly, and make public heroes out of the people who come up with process improvements. To be a leader is to energize and engage your people—to fill them with pride for what they do.

The *Dead Man Walking* boss is all-too-common, as companies cut costs. Yes, sometimes purges are necessary to remove incompetent managers, but just as often they usher out good people who just haven't performed well enough.

In such cases, it's *only human* to keep your distance from the person whose job is gone. You don't want to be associated with a goner, or you don't know what to say. It's awkward. So you hunker down in your office or ingratiate yourself with your boss's boss. Instead, try starting a conversation and making eye contact. Your *compassion* will keep the team running better, and your *decency* will be a testament to your *character*.

Business principles are *useless* if they don't help companies win. Fortunately, voice and dignity do just that. When it comes to people, no matter the question, they're part of the answer.

How Not to Succeed

In government and in business, we see many examples of ineffective leadership—of how *not* to build confidence and motivate people. These teach us three lessons on how *not* to succeed:

• ***First, business leaders gain nothing by showing uncertainty and indecision.*** Every leader grapples with a monster of a challenge at some point. In such a predicament, he feels unsure of direction and overwhelmed by complexity. That's only normal. What's should not be normal is taking those feelings public. As a leader, your job is to steer and inspire. When a difficulty arises, you need to huddle with trusted advisers and wrestle the challenge to the ground. Probe it. Debate it. Work it over. And when you've gone as far as you can with the available information, formulate the best plan to move forward.

Only then should you speak out and communicate as a leader, with the message: "Here's what we're going to do and why. Here's what's in it for you, and here's what we'll look like when we get to the other side." Such an approach is not hiding anything. Your people know the situation; they need you to do your job, by finding the solution, explaining it, and energizing everyone to execute it.

• ***Second, business leaders undermine success by talking about the risk of failure.*** When Katie Couric asked Chesley "Sully" Sullenberger III, the pilot who landed Flight 1549 in the Hudson River, if he was afraid at any point of "not making it," Sullenberger replied: "No, I knew I could do it." Obviously, he knew the enormous risk of a water landing. And yet he showed the best leadership by putting himself in a can-do mindset. Leaders know that any strategy holds the risk of failure. But why talk about it? You're only practicing *CYA management* by harping on the chances things won't work out. *Equivocating enervates everyone*. Your team won't give its all if it senses you're prepared to say, "Well, I told you it might not work out." They know they can't win unless the leader believes they can.

• ***Third, business leaders can't indulge bureaucratic data dumpers.*** Yes, part of a leader's job is to act as a sounding board for direct reports. But to build leadership in your ranks, don't let your managers bring you PowerPoint slides describing their problems in bone-crushing detail. Demand that they sort through the data with their team and deliver a decision with their rationale for it in clear terms.

If your managers are paralyzed by information, options, and obstacles, you can be sure their people are confused and demoralized. And the only way to break that cycle is by not tolerating leaders who obfuscate with data to avoid taking action. **LE**

Jack and Suzy Welch are coauthors of a Business Week *column from which this article was adapted. Visit www.welchway.com.*

ACTION: Take necessary actions to succeed.

Now What?

Take a proactive path.

by David Brainer

THE ECONOMY IS IMproving, but you're not out of the woods yet. How will you lead your organization to meet *the new economic reality*, where volatility is business as usual? The signs point to a *lumpy and bumpy* recovery marked by unpredictability. Measured gains followed by unexpected setbacks signal perilous times for leaders. If you made the tough calls that helped you survive so far, nice work. But the worst can still happen, especially if you're not addressing the problems that the downturn exposed—or the new ones it is leaving in its wake.

The recovery will be gradual and fragile, highly variable by industry and geography, and play out in stages. Are you prepared? *Move beyond reactionary maneuvering into a proactive mode*, targeting the changes that will have a lasting impact.

Take Five Actions

Take these five actions:

1. Understand your new reality. You likely suffered blows in the downturn. Where exactly is the damage? Where are your strengths today? Where does your company stand today in relation to where it wants to go? What about your industry and competitors? Where will growth come from? Where must you make tough choices? Get specific. Analyze your approach to the downturn. What has worked? What hasn't? Has your company been good or just lucky? A brutally honest assessment of how you got here will serve you well as you move on to other challenges.

2. Preserve the gains. You haven't made it this far without making major changes where it matters most. You've likely achieved new discipline and responsiveness, becoming cash-focused, cost-disciplined, and action-oriented. Today your business is likely lean and mean. Avoid letting it become flabby again. Make cost and cash discipline *the new norm*. Enter the upturn with a *killer instinct* and *competitive advantage*.

3. Tackle structural costs. For many, the downturn accentuated structural problems. Hence, everything should be under the microscope: customers and geographic markets served, product and service portfolios, general and administrative structures, and supply chains. In our survey of 600 executives, 74 percent indicate that they are focusing on structural costs—on everything from business model restructuring to optimizing supply chain networks and implementing a more focused investment strategy. Market dynamics are forcing leaders to reset their profit models and be more nimble and agile.

4. Plan for smart growth. It's not all about defense. While 28 percent of executives are focused on turning the business around, 27 percent say that they are aggressively solidifying their market position and taking advantage of weaker competitors. And with capital becoming more available, leaders are finding access to the resources they need to fund growth. But don't view this as a return to old ways. Examine growth opportunities through the lens of *risk and return*. Choose smart options, pursuing actions in pricing and product line extensions to deliver *predictable growth*. If you can't benefit from external funding, you can redirect existing funding to achieve *predictable* and *reliable growth*.

5. Take a scenario planning approach. *Uncertainty* is *the new normal*. Predicting the timing and strength of the upturn and developing an effective strategic response presents a big challenge. Scenario planning prepares the management team for whatever is around the corner, helps them see the implications of a range of scenarios and response triggers, and prepares the team to make the important decisions. Consider putting scenario planning at the core of your recovery strategy.

Think about what your organization would look like *in an ideal world*—if not for all the twists and turns, political battles, and outside forces that have left their marks—and begin to *reshape the business as it should be*. You can't leave the future to chance. So, get out of the reactive mode and rekindle your strategy. Ask the hard questions. Hammer out a plan that considers all the options and can actually be implemented. And start making it happen. **LE**

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ACTION: Take a proactive path to growth.

Rebuilding Trust

Renew from core values up.


by Priscilla Nelson and Ed Cohen

WHEN YOU ENCOUNTER STRONG TURbulence, you should revisit your core values and then adjust, communicate, and reinforce them. For most leaders, today's turbulence stems from the global recession; but others may be dealing with rapid growth, mergers and acquisitions, reorganization, internal corruption, or other changes.

We invite you to review your core values and decide what to keep, what to change, and what to add, ensuring that each value is clearly articulated and the boundaries of behavior are well defined. We've identified 14 core values that are vital for all leaders:

1. Conviction: Conveys sincerity and confidence in beliefs and decisions; willing to make and stand by decisions.

2. Diversity: Values different perspectives; builds multifaceted, diverse teams; seeks to understand what drives and motivates individuals.

3. Entrepreneurship: Recognizes opportunities and organizes resources to maximize them.

4. Excellence: Strives for excellence, not perfection; recognizes that *excellence* may vary from country to country, depending on the local context.

5. Fairness: Makes decisions that are fair, consistent, and equitable.

6. Humility: Acts in the knowledge that you are no better or more important than others.

7. Integrity: Demonstrates honesty and makes ethical decisions.

8. Passion: Leads by example; shows high energy and enthusiasm.

9. Perseverance: Shows resolve in moving along the path, with a strong will and the drive to accomplish.

10. A positive attitude: Maintains a positive attitude; represents decisions and policies in a positive manner.

11. Respect: Treats everyone with dignity and shows high regard for others, regardless of their station in life.

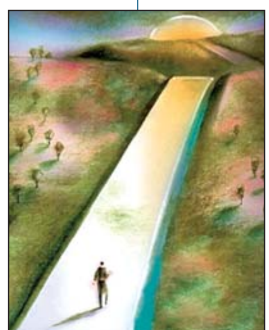
12. Service oriented: Provides extraordinary, extra-mile assistance to all.

13. Teamwork: Easily adapts to being a team player; encourages teamwork.

14. Work/life balance: Balances time spent at work with other dimensions of family, community, and social life.

Many leaders have breached their core values due to personal greed or a lack of courage. That's why we believe *courage* should be added, defined and reinforced as a core value:

Courage: This value entails standing up and speaking for what you believe is right, even when it is the minority view; taking calculated risks; learning from mistakes; and speaking the truth, even to those above in the hierarchy. According to Ira Chaleff, "Lack of courage by those serving senior leaders has contributed to the downfall of many once-powerful leaders. The price organizations pay for lacking the courage and skill to address dysfunctional behavior by leaders is high. You can't have a participatory workplace if the tough issues get swept under the rug and are only discussed cynically behind the backs of the group's leaders." This underscores the essence of courage as a key core value; *everyone*, not just leaders, is responsible for the organization's behaviors and outcomes. As a leader, you need to support those who speak up. This creates a culture where everyone is willing to take ownership and enhances loyalty.



Core values represent the essence of who you are and how you behave. Standing by core values in tough times is the best way for leaders to demonstrate their character. In *The Gulag Archipelago*, Alexander Solzhenitsyn writes: "In keeping silent about evil, in burying it so deep within us that no sign of it appears on the surface, we are implanting it, and it will rise up a thousandfold in the future. When we neither punish nor reproach evildoers, we are ripping the foundations of justice from beneath new generations." Be willing to have difficult conversations, make difficult decisions, and do not tolerate, under any circumstances, a lack of alignment with core values. Quickly ask people (especially leaders) who make such compromises to leave.

Mahatma Gandhi wrote, "In the attitude of silence, the soul finds the path in a clearer light, and what is elusive and deceptive resolves itself into crystal clearness. Our life is a long and arduous quest after truth."

When core values are breached, trust is damaged. If not quickly rebuilt, distrust becomes a part of the culture. The longer you go without rebuilding trust, the greater the chances of embedding distrust deeply in the culture. In Hindi, we find the saying, *Truth alone triumphs*. If you are transparent and speak the truth at all times, then trust is renewable every day. If you have built a trusting relationship with people, they will give you the benefit of the doubt when trouble comes. And of course trust, or the lack of it, is a basic underlying reality for all efforts to revisit your core purpose and values. *Trust can and must be continuously rebuilt*.

Here's how to build trust:

• Practice *inclusive leadership*: acknowledge contributions, cultivate strong relationships, conduct skip-level meetings (converse with those who do not report directly to you) to enhance approachability, and emphasize collaborative decision making.

• Choose not to collude in the blame game—end rumors before they start.

• Help the *displaced* find new positions.

• Learn to detect and call out deception.

• Sanitize or eliminate the leaders who caused the turbulence (if intentional) or have seriously broken the trust.

• Reinforce or launch core values.

• Hold everyone accountable to clean up the mess and move forward.

• Close communication gaps.

• Provide safe ways for people to express themselves. Overcommunicate.

• Conduct a *trust-indexing exercise* (a one-minute survey asking employees about the trust level of their leaders).

• Reward honesty, even when it results in negative business outcomes.

• Explain difficult decisions.

• Quickly finalize arrangements for those who must be asked to leave, providing special care and sensitivity, as they can either help or harm your brand.

Trust is damaged when core values are violated. Without trust, your culture will carry a norm of skepticism toward all leaders. **LE**

Priscilla Nelson is CEO and Ed Cohen is Executive VP at Nelson Cohen Global Consulting and co-authors of Riding the Tiger: Leading Through Learning in Turbulent Times. *Visit www.ridingthetiger.com.*

ACTION: Rebuild trust in your team.

Leadership Success

It all begins with connecting.

by John C. Maxwell

WE ARE BOMBARDED with 35,000 messages a day. Everywhere we go, someone is trying to get our attention. Every politician, advertiser, journalist, family member, and acquaintance has something to say to us. Every day we are faced with e-mails, text messages, billboards, television, movies, radio, Twitter, Facebook, and blogs. Add to these newspapers, magazines, and books. Our world is cluttered with words. How do we choose which messages to tune in and which ones to tune out?

At the same time, we also have messages we want to get across to others. Most people speak about 16,000 words a day. But how many of your words would matter? How many would make a difference?

Talk is easy. The question is, how can you make your words count? How can you *really* communicate with others? How can you gain influence?

Connecting Can Make You or Break You

You can't succeed without communicating effectively. It's not enough to just work hard and do a great job. You need to *learn how to communicate* with others. As Ralph G. Nichols points out, "The number one criteria for advancement and promotion for professionals is *an ability to communicate effectively*."

Have you ever been frustrated when making a presentation because people just weren't getting it? Have you ever wanted your boss to understand how much value you add so you could get a well-earned raise or promotion? Have you wanted your children to listen so you could help them make good choices? Have you wanted to improve your relationship with a friend or make a positive impact on your community? If you can't find a way to communicate effectively, you can't reach your potential, and you won't succeed in the way you desire.

What's the secret? Connecting! To succeed, and sustain success, you must learn how to connect with others.

Good communication is all about connecting. If you can connect with others—one-on-one, in groups, and with an audience—your relationships are stronger, your sense of community improves, your ability to create teamwork increases, your influence increases, and your productivity skyrockets.

Connecting is the ability to identify with people and relate to them in a way that increases your influence with them. And the ability to communicate and connect with others is a major determining factor in reaching your potential. To be successful, you must work with others. And to do that at your *absolute best*, you must learn to connect.

How much healthier would your relationships be if you excelled at connecting? How would your marriage and family life improve? How much better would you be at work when the number one criteria for advancement

and promotion is an ability to communicate effectively. Connecting better would change your life!

Connecting Is Crucial for Leaders

To be more productive and influential, become a better leader. *Everything rises and falls on leadership*. The best leaders are always excellent connectors.

Consider the differences in connecting skill between ***Ronald Reagan*** and ***Jimmy Carter*** when they ran against one another. In their final debate on October 28, 1980, Carter came across cold and impersonal. To every question he was asked, Carter responded with facts and figures. Walter Cronkite described Carter as *humorless*. Dan Rather called Carter *stoic* and *disengaged*. And as Carter made a case to be reelected, he seemed to bounce back and forth between trying to impress people by stating cold facts and trying to make his listeners feel sympathy for him and the burden of his job. At one point, he stated, "I alone have had to determine the interest and the involvement of my country," and he stated, "It's a lonely job." He never focused on his audience.

In contrast, Reagan was *engaged* with his audience and even with Carter. Before the debate, Reagan walked over to Carter to shake his hand, which seemed to startle the president. During the debate, Reagan listened and smiled. When it was Reagan's turn to speak, his appeals were often directed to his audience. He wasn't trying to come across as an expert, though he did quote figures and dispute some of Carter's facts. *He was trying to connect.* Many remember his closing remarks, when he asked people, "Are you better off than you were four years ago?" Reagan told his audience, "You made this country great." His focus was on the people. There couldn't have been a greater contrast between the Great Communicator and his predecessor.

A *similar contrast* can be seen between ***Bill Clinton*** and his successor, ***George W. Bush***. Clinton took communication to the next level. He equaled Reagan's ability to connect one-on-one as well as while looking into a camera. When he said, "I feel your pain," most people around the country connected with him. Clinton possessed Reagan's connection skills and added a mastery of the interview and talk show formats. He seemed never to miss a chance to connect. So far, no politician has surpassed him in connecting with others.

Bush seemed to miss nearly every opportunity to connect with people. His one clear moment of connection occurred immediately after September 11, 2001, when he spoke at Ground Zero. After that he usually fumbled and flopped when speaking with others. His inability to connect alienated people and colored everything he did.

Your effectiveness as a leader is impacted by your ability or inability to connect. Connecting helps you achieve goals. If you can't connect, it will cost you.

To become a better connecter and increase your influence, focus on others, expand your connecting vocabulary beyond just words, marshall your energy for connecting, and gain insight in how great connectors connect.

Find common ground with everyone you meet, make your communication simple, capture people's interest, inspire others, and be authentic.

As you connect with others, *you can see the positive impact right away*. LE

John C. Maxwell is the author of Everyone Communicates, Few Connect. *Visit www.johnmaxwell.com.*

ACTION: Enhance your ability to connect.

Virtual Teams

Keep people connected.

by Joseph Grenny

WORKING ACROSS THE pond or the room is easy, thanks to technology. Communicating is not so simple. You must learn to communicate *fearlessly* and *effectively* to ensure virtual teams maximize collaboration and minimize counterproductive behaviors.

Technology is both a blessing and a curse. On one hand, independent players are no longer isolated. Remote team members can easily connect with colleagues across cities and continents. Decisions can be made in moments. The talent pool widens to include diverse experts and contributors. Innovation abounds as diverse teams with access to diverse resources converge on new business models and product ideas. Technology makes once unimaginable connections possible.

On the other hand, while *communication technology* has expanded, *actual communication*—disseminating messages from senders to receivers—has received a big blow to its purpose and potential. Societal implications include devolving language and social skills wherein eloquent syntax and grammar have been reduced to cryptic grunts and growls delivered electronically. We are also seeing the negative effects of virtual technologies in business.

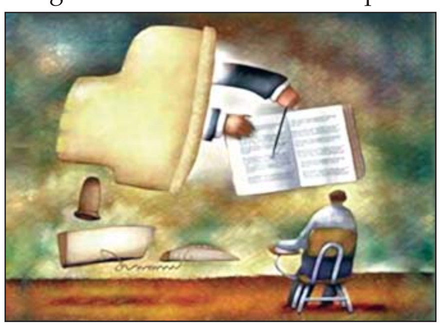
The challenge virtual teams face is productively brainstorming ideas, solving problems, and executing on projects with people whose physical location—not to mention specialty, and in some cases, culture—makes it difficult to freely and clearly speak one's mind. This *culture of silence* in the virtual business world—where people swallow their concerns, opinions and insight—becomes a breeding ground for bad decision making, poor morale, and lost productivity.

The *ability to talk candidly and directly in high-stakes moments* is a predictor of bottom-line success. Sadly, our study *Long-Distance Loathing* shows that when it comes to holding *crucial conversations*, most of us clam up instead of speak up.

We surveyed some 600 professionals to uncover the effects virtual teaming and telecommuting have on the productivity and morale of teams. We learned that common problems like not following through on commitments, questioning decisions, and backbiting occur far more frequently within virtual teams. And, when people face challenges with a remote colleague, they either *resort to silence and other passive coping strategies* or *become verbally violent*. Silent behaviors include avoidance strategies, such as screening phone calls from remote colleagues, not returning calls and e-mails, leaving teammates out of the loop on key decisions or avoiding them altogether. Drastic measures include dissuading others from working with remote colleagues, criticizing them, gossiping, complaining, and vengefully challenging their decisions.

History of Avoidance

For years, co-located managers and employees have gone to amazing ends to avoid controversial, touchy or frightening conversations. And, even when they can address a colleague face to face, people avoid instigating dialogue in high-stakes moments because past



experiences tells them that *speaking up will end badly*. For example, when considering how to tell a co-worker that he has an abrasive and obnoxious personality that affects the working relationship, most people say nothing. They figure it's easier to carp about him behind his back than face an embarrassing or volatile conversation.

Silence only intensifies when the issue involves a manager or executive—and it doubles again when the issue is sensitive, awkward or uncomfortable to share, such as performance feedback or direct criticism.

Sadly, people sacrifice precious time and resources to avoid uncomfortable moments. Avoiding crucial conversations is destructive. People who are not confident in a face-to-face crucial conversation are much more likely to live with poor productivity, poor morale, and a poor work environment.

Voice mail, e-mail, teleconferencing and instant messaging only give us more tools for avoiding interpersonal communication—even when the situation calls for it. The inability to speak candidly and directly to colleagues is destructive to productivity. Employees are 2.5 times more likely to have teamwork problems with distant colleagues, and the problems are harder to solve.

What Leaders Can Do

Leaders need to consider the unintended costs and hidden dangers inherent in virtual communication.

The solution to virtual teaming problems is not *co-location*—it's *communication*. Unless leaders invest in communication skill-building to make their teams work more effectively, they'll continue to undercut their potential. The most crucial skill is *the ability to raise emotionally and politically risky issues with virtual teammates in a candid but respectful way*. Many problems flow directly from the failure to hold crucial conversations.

The leader's job is to set parameters, define expectations, and enable candid, respectful dialogue. Teams that learn how to communicate across distances will be more effective, and profitable.

To help virtual teams hold crucial conversations, you can do three things:

1. Talk before problems start. Invest time upfront talking about how remote teammates will work together and setting ground rules to air concerns. Set expectations as a team, commit every team member to uphold these rules, ensure *every team member* understands the consequences of violating the rules, and hold one another accountable for violations. If problems are already full-fledged, call a virtual time out. Hold a meeting to set ground rules. Don't discuss the content of individual concerns or past problems; reset expectations everyone can agree to going forward.

2. Praise early. Take time early on to acknowledge small successes. Publicly praise people who keep ground rules and meet expectations. Broadcast their successes in a group conference call or write an e-mail and copy their boss.

3. Never raise individual concerns publicly. When holding people accountable for violating a rule, do so one on one. In long-distance crucial conversations, employees are *visually impaired*—they can't read body language—and the other parties are *hearing impaired*—they may easily hear villainy in a complaint. So, when bringing up concerns, always do so one on one. **LE**

Joseph Grenny is co-founder of VitalSmarts and the author of Crucial Conversations, Crucial Confrontations *and* Influencer. *Visit www.VitalSmarts.com.*

ACTION: Conduct crucial conversations.

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