What Drucker Taught Me

Real World Decision-Making

Customer Connection

Reinventing Talent in the Brand You World

Implement Ongoing Management Innovation

“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

www.LeaderExcel.com
Everyone is talking about
Marshall Goldsmith and his new book
What Got You Here Won’t Get You There.

We were a very successful team who took our performance to the next level. With Marshall's help we identified our two areas and went to work. We used everyone's help and support, exceeded our improvement expectations, and had fun! A team’s dedication to continuous improvement combined with Marshall’s proven process ROCKS!

—Alan Mulally, CEO, Ford Motor Company, and former CEO, Boeing Commercial Airlines

Perhaps the greatest teacher of leadership on the planet. I have personally watched him help thousands of executives in three companies improve their leadership in measurable ways. As a result, their performance improved, their relationships improved, and they lived happier lives.

—Jim Moore, former chief learning officer of deltathree, Merrill, and Sun Microsystems

Marshall has a unique gift and a rare skill—the gift to get beneath the surface issues to identify the core developmental needs that must be resolved for someone to be successful, and the skill to make the person aware of them in a no-nonsense manner that, somehow, stimulates change rather than creating denial and resistance.

—Steve Kerr, chief learning officer, Goldman Sachs, former CLO, GE, and president of the Academy of Management

I love Marshall Goldsmith for lot of reasons: his generous soul, his capacity to bring out the best in people, his zen-like ability to create an evocative community—the mark of a great teacher, and his way of getting people, just about everybody, to laugh their way into deep and penetrating insights. He is the very model of a professional: reliable, trustworthy, always 'on,' and always has your interest at heart.

—Warren Bennis, Distinguished Professor of Business, University of Southern California, and bestselling author

As the CEO of the Girl Scouts, I was working to help a great organization be ‘the best that we could be.’ The first person Marshall volunteered to work with was me — this sent an important message. I was exuberant about the experience. I improved, and we moved this process across the organization. Twenty-four years later, I am Chairman of the Leader to Leader Institute—and we are still working together to serve leaders.

—Frances Hesselbein, winner of the Presidential Medal of Freedom

Marshall’s valuable insights on leadership development and the related responsibilities of coaching and mentoring are critical to our general officers and their spouses. These are turbulent times, and the tools and techniques that Marshall shared with them are therefore vitally important as they return to their various commands and leadership responsibilities.

—General Eric K. Shinseki, former Chief of Staff, U.S. Army

What Got You Here Won’t Get You There
MARSHALL GOLDSMITH WITH MARK REITER

Available at bookstores nationwide in January
Every leader is part marketer, and, like this bear fishing for salmon, is ever vigilant in monitoring the steam of current and prospective customers.
Leaders of the Year
These men are the musketeers of marketing.

by Ken Shelton

Thank you for responding to my personal invitation last month to nominate a Leader of the Year. We received several nominations for our annual recognition.

In the December issue of Leadership Excellence, we invited you to nominate your favorite leaders, based on six criteria: 1) Performed exceptionally well in a leadership role throughout 2006; 2) Inspired great performance from colleagues and co-workers and cultivated healthy relationships; 3) Displayed courage and wisdom in facing adversity, problems, and decisions; 4) Registered impressive results for the year and set the stage for sustained results; 5) Is acknowledged within the organization and industry as a person of vision, passion, purpose, direction, and integrity; and 6) Created a culture and standard of excellence.

Based on these criteria and the strong nominations we received from leadership consultant Dave Ulrich and executive coach Marshall Goldsmith, we are recognizing three CEOs as our 2006 Leaders of the Year.

1. Rick Wagoner, CEO of General Motors. In his nomination, Dave Ulrich writes: “It’s always hard to pick just one leader for such recognition, but I think that a strong candidate, albeit a counter-intuitive choice, is Rick Wagoner, CEO of General Motors. No leader has had a tougher year than Rick. He has cut $8 billion in structural costs at GM, and weathered a tough board. He has the deep affection of his employees, dealers, and suppliers. He is an incredibly value-based leader. I realize that Rick would be a bold choice since GM continues to have problems.”

We agree with Dave—that the leader of the year should be someone who faced much adversity. Although embattled, Wagoner notes that GM is still the world’s largest automaker and the global industry sales leader for 75 years. Says Rick, “We are focused intensely on turning around GM’s North American business and returning the company to profitability as soon as possible. We are systematically and aggressively implementing a four-point turnaround plan, and we are making real progress. Our goal is to structure GM for sustained profitability and growth” (see p. 4).

2. Brian C. Walker, CEO of Herman Miller. In nominating Brian Walker, CEO of Herman Miller, Dave Ulrich writes: “I greatly admire Brian. This past year Herman Miller swept the awards at the annual Neocon convention. They won Best of Show in three categories. Moreover, they have helped reinvigorate the industry again and again.”

Says Brian, “Our people and the designers we work with are concerned with larger issues of humanity and equality and bettering the world we work in. What arrives on the truck is furniture. What went into the truck was an amalgam of what we believe in: innovation, design, operational excellence, smart application of technology, and social responsibility.”

3. Ed Zander, CEO of Motorola. In his nomination, Marshall Goldsmith writes: “Ed has done a great job of turning around a company that was not doing well, increasing market share, and increasing shareholder value in an incredibly turbulent and rapidly changing high-tech market. He has focused on the importance of values, principled leadership, and building positive relationships. He has broken down silos and built new synergy. He has the courage to tackle tough issues with people and non-performance. He encourages participation, and yet acknowledges that leaders have to make tough decisions.

“Ed has also brought the ‘cool’ back to Motorola and set the stage for continued growth. He has also expanded the international reach and positioned Motorola in developing markets. Moreover, Ed is personally involved in Motorola’s leadership development and consistently reaches out to communicate, listen, involve people, and build loyalty.”

“When leaders identify and articulate goals, announce these goals, and involve coworkers in helping them improve, positive and measurable change is likely to occur. We’ve decided to feature one leader every month during 2007 in Leadership Excellence. Again, your nominations are welcome. Email me at kens@eep.com. Include your 100-word tribute and your leader’s contact information.

LE

Editor since 1984
Leadership as a Brand

The one brand reflects on the other.

by Dave Ulrich and Norm Smallwood

Product brands are pervasive; in fact, we buy certain products in part because their brand reflects our self-identity. However, the emphasis in branding has shifted from products to the firms that produce or design them. Today it is less a specific product that entices the customer and more the reputation of the firm—and the firm’s brand is sustained and enhanced by the firm’s leadership brand.

A leadership brand represents the identity and reputation of leaders in the company. Leaders demonstrate a brand when they think and act in ways congruent with the desired product or firm brand. A leadership brand exists when leaders at all levels demonstrate a consistent reputation for both attributes and results.

Thinking about leadership as a brand offers several insights:

• Brand has both core and differential elements. Certain core elements of leadership are common among successful leaders. Leaders need to think about the future and act in ways congruent with the desired product or firm brand. A leadership brand exists when leaders at all levels demonstrate a consistent reputation for both attributes and results.

Your leadership brand should reflect the expectations of your customers.

• Brand focuses on the outside-in. A leadership brand is valuable to the extent that it results in a firm that is more likely to attract and please consumers. We define effective leadership for a firm by asking, What would customers want this firm to be known for? What do our leaders need to know, do, and deliver to make that customer-desired identity happen? With this approach, leadership matters because customers and investors put money into the firm. Leadership brand requires that leadership results be assessed by the extent to which leaders deliver value to customers and investors outside the firm.

• Brand evolves over time to meet the changing market. Brands change with consumers. Brands evolve, and so do leaders. Successful leaders continually tie their brand or identity to the changing expectations of customers and investors. As customers change, so must the leadership brand.

• Brand puts leadership into business terms. Leadership rhetoric is plagued with fuzzy terms such as transformation, vision, aspiration, character, and empowerment. A leadership brand focuses on quantifiable business terms of customer share and market value. The ultimate return on a leadership investment should be a “return on intangibles” that shows up in a firm’s stock price. When leadership brand connects to customer share or market value, the rationale for leadership investment is easier to make.

Firms with a leadership brand win with investors because investors grant higher market value for similar earnings, often called intangibles. Quality of management or leadership gives investors confidence in the future, leading to a higher share price. Of course, if the perceived brand value is not rooted in reality, or if the brand does not transfer to the demands of the new consumers, the brand image fades. But branded leaders are often in firms that have a higher price-to-earnings ratio.

Firms with branded leadership win with customers because customers have confidence that the leaders will respond to their needs in a consistent and appropriate way. Nordstrom wins in the service game because its leaders are branded with a service mentality. They don’t have to ask for permission to serve customers; they do it as a part of who they are. And customers respond with high customer share.

And, firms with branded leadership win with employees. When a consistent leadership brand exists, employees know what to expect and the engagement-draining dissonance is eliminated. One leader told us that he treated his best customers as if they were his best employees and his best customers as if they were his best customers. If a firm makes a customer brand promise of timely and responsive behavior, the same brand should be reflected in employee relations.

Building Leadership Brand

In recent years, we have defined how leaders can build their personal brand to be consistent with the firm’s brand, thus creating leadership market value. Our work with excellent firms has helped us identify six steps:

Step 1: Create a need for leadership brand. Here are three ways to create a need for leadership brand:

• Plot your earnings and stock price versus those of your competitors. If your price-to-earnings ratio exceeds the industry average, you likely have a favorable leadership brand. If not, you may be losing intangible value.

• Identify the leadership brand for your company. Ask, What are the top three things we want to be known for by our best customers in the future? What attributes and results do we need to exhibit to achieve that reputation? Identify the extent to which your leaders exhibit these attributes.

• Review your growth strategy. Ask, do we have enough leaders with the right skills to deliver this strategy? To deliver on strategic aspirations requires money, technology, product innovation, and leadership. Which of these elements is missing?

Step 2: Articulate a declaration of leadership. Branded leadership is more effective with a declaration that states clearly what leaders should know, do, and deliver. It combines attributes and competencies of leaders and their results. It sets the standards of what leaders should know and the results they should deliver. A declaration of leadership brand articulates the person-
Learning and skill building. Experience also offers leaders a great source of action opportunities. Off-the-job experience through job assignments and presentations, and task forces or less structured experiences from their daily experiences. These may be more structured with coaches, mentors, and task forces or less structured through job assignments and presentation opportunities. Off-the-job experience also offers leaders a great source of learning and skill building.

Step 4: Invest in leaders to enhance brand. Make three types of investment to enhance the leadership brand: training, on-the-job experience, and off-the-job experience. Training offers structured learning experiences in which people learn principles and apply them. On-the-job experience enables people to learn from their daily experiences. These may be more structured with coaches, mentors, and task forces or less structured through job assignments and presentation opportunities. Off-the-job experience also offers leaders a great source of learning and skill building.

Step 5: Measure the quality of leadership and the impact of leadership investments. Measure investments in next-generation leaders by asking about the business case: Why are we investing in leadership brand? What results do we expect to see? Often this means tracking employee engagement, customer share, or investor intangibles. Measurement may also focus on behaviors that leaders demonstrate. The initial business case should include a plan for routine measurement and assessment of results, followed by adjustments, as necessary.

Step 6: Publicize the leadership brand. Develop awareness that these investments build stakeholder confidence. The CEO should be the manager of the leadership brand, and take the lead in building brand awareness by ensuring that employees, customers, analysts, and investors understand the leadership brand, what leaders are doing to build the brand, and the results that have been achieved.

Branded leadership helps turn the desire for leadership into the actions required to make it happen in a way that is aligned with the strategy. For those who want to become more effective leaders, branded leadership provides a clear roadmap of what they should know, do, and be.

ACTION: What is your firm’s leadership brand?
Management Innovation

It delivers the greatest returns.

by Gary Hamel

Innovation is a hot topic. This shouldn’t be surprising since innovation is the only way to create wealth over the medium-term. In the short-run, companies can cut costs through off-shoring and outsourcing; they can capture the efficiency gains from industry consolidation and pump up the share price via stock buy backs. But longer-term, there are no substitutes for innovation.

Some forms of innovation deliver more in the way of competitive advantage than others. Management innovation is the kind of innovation that matters most. Innovation in the way companies allocate capital, motivate employees, organize activities, create strategies, and set priorities has the most potential to create long-lasting competitive advantage. Indeed, if we look back over the last 100 years, we see that management innovation has produced the biggest and most enduring shifts in industry leadership.

Here are a few of many examples:

Managing science. In the early 1900s, General Electric perfected Thomas Edison’s most notable invention, the industrial research laboratory. GE’s success in bringing management discipline to the chaotic process of scientific discovery allowed Edison to claim that his labs could produce a minor breakthrough every 10 days and a major invention every six months. This was no idle boast. Over the first half of the 20th century, GE won more patents than any other company.

Allocating capital. DuPont played a pioneering role in the development of capital-budgeting techniques when it initiated the use of ROI calculations in 1903. A few years later, the company developed a standard way of comparing the performance of its product departments. These advances addressed a pressing problem: how to allocate capital rationally when confronted with a bewildering array of potentially attractive projects? DuPont’s new decision tools would help it to become an industrial giant.

Managing intangible assets. Procter & Gamble’s preeminence in the pack-aged goods industry has its roots in the early 1930s, when the company began to formalize its approach to brand management. At the time, the idea of creating value out of intangible assets was a novel notion. In the decades since, P&G has built upon its early lead in managing great brands. In 2005, P&G’s product portfolio included 16 brands that produced $1 billion-plus in sales every year.

Capturing the wisdom of every employee. As the world’s most profitable carmaker, much of Toyota’s success rests on its ability to enroll employees in the pursuit of efficiency and quality. For 40 years, Toyota’s capacity for continuous improvement has been powered by a belief in the ability of “ordinary” employees to solve complex problems.

Indeed, people inside Toyota sometimes refer to the Toyota Production System as the “Thinking People System.” In 2006, the company received more than 560,000 improvement ideas from its employees.

Enabling a network of volunteers. Linux, the ubiquitous computer operating system, is the best known example of a radically new approach to organizing human effort: open source development. Based on subsidiary innovations like the public license and online collaboration tools, open source development is an effective mechanism for eliciting and coordinating the efforts of a geographically dispersed group of volunteers.

Given the power of management innovation to deliver peer-beating performance, it is odd that so few companies possess a well-honed process for continuous management innovation.

Today, it’s a rare company that lacks a formal methodology for product innovation or operational innovation—for reinventing core business processes for the sake of speed and efficiency. Yet a stroll through the pages of leading business magazines quickly reveals the steerate-class status of management innovation—a bias that’s understandable only if you believe following is better than leading.

When it comes to innovation, most companies have a barn-sized blind spot. Perversely, the sorts of innovation that are least likely to produce long-term competitive advantage—operational innovation and product innovation—are those that get the most attention.

What accounts for this myopia?

Firstly, managers typically don’t see themselves as inventors. Innovation isn’t central to the average manager’s role definition. Managers are selected, trained, and rewarded for their capacity to deliver more of the same, more efficiently. No one expects them to innovate. Rather, they are expected to turn someone else’s innovation into growth and profits.

Secondly, while technologists have a near-religious faith in the advance of scientific knowledge, few executives hold similarly buoyant hopes for radical innovation in management.

Managers are not surprised when science advances by leaps and bounds; but they don’t expect the practice of management to do the same.

When forced to account for the slow pace of management innovation, executives claim that immutable laws of human nature constrain the range of feasible options for mobilizing and organizing human effort. There are limits, they argue, to the number of people one person can effectively supervise, to the degree to which accountability can be distributed, to the extent to which employees can be trusted, to the willingness of individuals to subordinate their self-interests. While these limits are more self-imposed than real, they offer a reassuring alternative to the premise that it is a lack of imagination that most severely constrains management innovation.

Today leaders face daunting new challenges: the commoditization of knowledge, the emergence of low-cost competitors, the growth of customer power, unrelenting change, and collapsing barriers to entry. These problems demand solutions that only emerge when leaders learn to innovate as boldly around their management systems and processes as they do around their products, services, and strategies.

ACTION: Engage in management innovation.
Customer Connection

We started winning when we listened to customers.

by Anne M. Mulcahy

I came by my passion for the customer naturally. I began my Xerox career in sales, and I have never stopped selling Xerox. Staying connected with customers is part of my DNA, and I’m trying to keep it a part of the Xerox DNA. As our founder, Joe Wilson, said: “Customers determine whether we have a job or not. Their attitude determines our success.” This legacy is what saved Xerox from our worst crisis. We got into trouble by losing sight of the customer, and we got out of trouble by redoubling our focus on the customer.

Just five years ago, the prospect of bankruptcy loomed over us. Revenue and profits were declining. Cash was shrinking. Debt was mounting. Customers were irate. Employees were defecting. The day the value of Xerox stock had been cut in half (May 11, 2000), I was named president and COO.

One of the first things I did was call Warren Buffet to get his advice. He told me, “You’ve been drafted into a war you didn’t start. Focus on your customers and lead your people as though their lives depended on your success.”

Fortunately, I had not one but two aces in the hole: 1) a loyal customer base that wanted Xerox to survive, and 2) a talented and committed workforce—people who love Xerox and would do anything to help save the company and return it to greatness.

And so we went to work. We spent lots of time with customers, industry experts, and employees—listening. Customers told us we had great technology, but our response to them had slipped. Industry experts told us our technology was leading-edge, but we had to focus on doing a few things very well. And employees told us they would do whatever it took to save the company and return it to greatness.

We laid out a bold plan to turn Xerox around. The results have been stunning in magnitude and swiftness. We cut our debt by more than half; most of what remains is in the form of receivables. We more than doubled our equity. We took more than $2 billion out of our cost base through tough choices. And we increased earnings—building value for our shareholders, customers, and employees. Four years ago we lost $273 million. Last year we made $978 million. Our margins are healthy. We have money in the bank, and we’re buying back stock.

Leading Xerox has been the opportunity of a lifetime, and I’ve learned that you can’t do enough communications; that you need to change the bad and leverage the good in your culture; that you need to articulate a vision of where you are taking the company; that bad leadership can ruin a company overnight, and good leadership can move mountains over time; and that good people, aligned around a common set of objectives, can do almost anything. Mostly I learned that the customer is the center of our universe. Forget that and nothing much else matters: employees lose jobs, shareholders lose value, suppliers lose business, the brand deteriorates, and the firm spirals downward.

Consider the value of customer service: 1) If you can retain 5 percent more of your customers than you currently do, your bottom-line profit will grow from 25 to 50 percent; and 2) it takes five times more money and effort to attract a new customer as it does to retain an old one. We all know that customers are the reason we exist, yet we don’t always behave that way. That’s what got Xerox in trouble. We made decisions that didn’t have the customer in mind. We weren’t listening to our customers, and we started to take them for granted. We learned a powerful lesson the hard way.

Our philosophy is to listen and learn. We've set a few specific goals: 1) remain the world’s leader in office productivity solutions; 2) align all our efforts around the customer; 3) attract and retain good people; 4) build financial strength; and 5) leverage the good in our culture; that you need to change the bad and leverage the good in your culture; that you need to articulate a vision of where you are taking the company; that bad leadership can ruin a company overnight, and good leadership can move mountains over time; and that good people, aligned around a common set of objectives, can do almost anything. Mostly I learned that the customer is the center of our universe. Forget that and nothing much else matters: employees lose jobs, shareholders lose value, suppliers lose business, the brand deteriorates, and the firm spirals downward.

Strategy 1: Listen and learn what your customers are facing—what their problems and opportunities are. It’s not something you can delegate. It starts at the top. Every week I sit down with some of our key customers. In 2005 and 2006, I spent 25 percent of my time in direct contact with customers. Our entire leadership team at Xerox shares the same passion. Our 500 major accounts are assigned to our top executives. All our executives are involved. Each executive is responsible for communicating with at least one of our customers—understanding their concerns and requirements, and making sure that Xerox resources are marshaled to fix problems, address issues, and capture opportunities.

All of our officers do something to keep in touch with customers. There are about 20 of us, and we rotate responsibility to be “Customer Officer of the Day.” It works out to about a day a month. When you’re in the box, you assume responsibility for dealing with complaints from customers who have had a bad experience. They’re angry, frustrated, and calling headquarters as their court of last resort. The “Officer of the Day” is required to listen, resolve the problem, and fix the underlying cause. It keeps us in touch with the real world, permeates our decision-making, impacts the way we allocate resources, and keeps us passionate about serving our customers.

Strategy 2: Even in the worst of times, invest in the best of times. As proud as I am of our financial turnaround, what gives me even greater satisfaction is the progress we’ve made on strengthening our core business to ensure future growth. Even as we dramatically reduced our costs, we maintained R&D spending in our core business. This was not a universally applauded decision: our financial advisors thought that slashing R&D was necessary; the bankers thought I didn’t understand the problem; but our customers knew it would be a hollow victory if we avoided financial bankruptcy today only to face a technology drought tomorrow.

So we continued to invest in innovation. We’re glad we did. In recent years, we have brought to market scores of new products and services. These investments are paying off. In fact, three-quarters of our revenues are coming from offerings that were introduced in the past two years.

Strategy 3: Align: Focus all your employees on creating customer value.
A CEO I met with during our turn-around advised me to ask the question: “Would the customer pay for this? Would the customer think this was helpful?” I’ve tried to use that as a guideline. It has a double-payoff—streamlined costs and customer focus.

Top to bottom, Xerox people are tightly connected to our customers and their businesses. For us, it’s personal. Our customers are real people with aspirations that we want to help them realize. We treat each customer as an individual—using our own technology to communicate with them one-to-one.

Strategy 4: Deliver value: Don’t sell the customer your products, offer them solutions to their problems. In the recent decades, organizations have poured billions of dollars into technology. And the ROI hasn’t always lived up to the promise because the focus was always on the technology. Our focus is on what really matters—information and what our customers do with it. We focus not on hardware and technology for the sake of technology, but on reducing cost and complexity while improving the customer experience. And the customer experience is more about solving problems.

Strategy 5: Serve: Provide service beyond the customer’s expectations. About 75 percent of customers who defect say they were satisfied. When our customers tell us they are very satisfied, they are six times more likely to continue doing business with us than those who are merely “satisfied.” If you’re providing your customers with good service, they’re probably satisfied. But only about 40 percent of satisfied people repurchase! This should set off alarm bells. In a world of increasing competition and expectations, standards like good and satisfied don’t cut it.

We realize that our customers have choices about whom they do business with, that their expectations continue to escalate, and that our competitors continue to improve.

We embrace those challenges. We know that our success depends on customer loyalty. Customers put a lot of trust in us, and we’re on a crusade to give them a good return on trust.

The idea of putting the customer first is powerful, and we stray from it at our own peril. Our recent successes all stem from putting the customer at the center of decision-making.

LE

What Drucker Taught Me
He had five great strengths.

by Alan G. Lafley

I first met Peter Drucker in 1999. Procter & Gamble was in the midst of major strategic change. I was then responsible for P&G’s North America region, the big home market, and for P&G’s new global beauty business. I called Peter and asked if he would meet with me.

I had hoped for one hour of his time. We talked for four hours. It was like drinking from a fire hose. For every question I posed, Peter had more things to think about. He urged me to choose, to focus on the few right strategies and decisions that would make the greatest difference, and challenged me to understand the unique challenges of leading knowledge workers.

That exhilarating first conversation provided the themes Peter and I returned to for six years: how to unleash the creativity and productivity of knowledge workers; how to create free markets for ideas and innovation; how to build the agility and flexibility to lead change. Later, we conversed about the work of the CEO.

As I reflect on these conversations and my reading of Peter’s articles, I’ve thought about what made him so extraordinary. For me, it’s five things:

First, Peter’s basic rule was the importance of serving consumers. As he said, “The purpose of a business is to create and serve a customer.” At P&G, we have translated this principle into respect for the consumer as boss. Consumer-driven strategy, innovation, and leadership are cornerstones of P&G’s success, and a reflection of the influence Peter has had on our company.

Second, Peter insisted on the practice of management. He had little patience for detached theory or abstract plans. “Plans are only good intentions unless you degenerate into hard work,” he wrote. He and I agreed that execution is the only strategy customers or competitors ever see. I always came away from our conversations with clear, fresh insights that I could apply immediately. But Peter also believed in the power of strategic ideas and making clear choices. He said, “From quiet reflection will come even more effective action.” His ability to balance action and reflection is what makes his ideas so practical and enduring.

Third, Peter had a gift for reducing complexity to simplicity. His curiosity was insatiable, and he never stopped asking questions. He called himself a “social ecologist” because he drew from history, art, literature, music, economics, anthropology, sociology, and psychology. From these sources came the clear questions and insights that lit the road to action: “Management is doing things right; leadership is doing the right things.” “The only way you can manage change is to create it.” “The marketer is the consumer’s representative.” He taught us how to ask the right questions.

Fourth, Peter focused on the responsibility of leaders. “The CEO,” he said, “is the link between the inside, where there are only costs, and the outside, which is where the results are.” For many reasons, organizations become inwardly focused. Their business and financial measures are internal.

Fifth, foremost among Peter’s many attributes was his humanity. He treated everyone with deep respect. “Management’s task is to make people capable of joint performance, to make their strengths effective and their weaknesses irrelevant.” He noted that organizations are “the means through which people find access to social status, community, achievement, and satisfaction” and that “managers have a responsibility to ensure that jobs are fulfilling and that individuals contribute fully.” As CEO, I try to inspire leaders and unleash the creativity and productivity of P&G’s 135,000 knowledge workers.

Even if they have external metrics, those measures are often given lower priority because they don’t drive short-term financial performance or because they are more qualitative. Peter argued that the CEO is in a unique position to balance this inward focus and bring the outside in to ensure that the organization understands the views of the market, customers, and competitors.

Fifth, foremost among Peter’s many attributes was his humanity. He treated everyone with deep respect. “Management’s task is to make people capable of joint performance, to make their strengths effective and their weaknesses irrelevant.” He noted that organizations are “the means through which people find access to social status, community, achievement, and satisfaction” and that “managers have a responsibility to ensure that jobs are fulfilling and that individuals contribute fully.” As CEO, I try to inspire leaders and unleash the creativity and productivity of P&G’s 135,000 knowledge workers.

ACTION: Put your customers at the center.

LE

ACTION: Apply these lessons to your role.

LE

Anne M. Mulcahy is chairman and CEO of Xerox Corporation. This article is adapted from her speech at the World Business Forum, October 25, 2006, Frankfurt, Germany. Visit www.xerox.com or call 203-968-3000.

ACTION: Put your customers at the center.

LE


ACTION: Apply these lessons to your role.

LE
World of Customers
Knowing them isn’t simple.

by Elizabeth Haas Edersheim

The customer is in the driver’s seat. What could be more fundamental? And yet few leaders, amid all they are doing inside, are truly focused on the outside world of the customer.

If you are in business, beware. The silent revolution of technology and demography has given customers their own handy remote control. And they reach you, one by one. Moreover, dozens of factors influence the way they see value.

The customer is taking charge. Consider health care. It is now standard procedure for patients to investigate symptoms on the Internet, learning about diseases and treatments, and tracking records of doctors and hospitals. Patients assess the latest clinical drug trials and experimental procedures. Consumers are now directing their own medical treatments. The specialist doesn’t decide, only advise.

Peter Drucker often said, the purpose of a business begins and ends with the customer. In today’s world, where customers are standing up and grabbing control, understanding your customers and the value you provide to them is more critical than ever.

Four Classic Customer Themes

When Peter talked about the customer, he always came back to four classic themes: 1) Who is your customer? 2) What does your customer consider value? After discussing those questions, he would ask: 3) What are your results with customers? 4) Does your customer strategy work well with your business strategy?

All of Peter’s clients have a story about the impact of these questions. Rethinking the answers with Peter changed how they thought about their business. The question, “Who is your customer?” seems simple. Mission statements and quarterly reports suggest that most organizations know their customers intimately. But don’t be deceived. Identifying the customer is not a straightforward task. The real customer is not necessarily the one who pays for the product or service, but the one who makes the buying decision. The customer is no longer a passive receiver of products, but is engaged in designing and refining them.

To get a better handle on the customer, consider these four questions:

1. Who should be included in your definition of the customer? The end-consumer? The buyer or decision maker? Critical influencers? The customer is no longer merely a receiver of goods and services. He or she is your partner, and your roles are evolving. The relationships are not simple; they often include whole communities.

2. In the interlocking world of alliances and partnerships should you view as customers versus competitors? Value is based on your ability to connect with the customer and know more about his or her needs and desires than he or she can articulate. This connection requires openness and integrity. It benefits from being personalized—there are no bundles of customers. The vertically integrated brand is being replaced by the multi-party, networked value chain that integrates parts, products, and services.

3. Who is no longer your customer? Results happen customer by customer. Customers know the results as soon as you do, if not sooner.

4. Which of your current “non-customers” should you be doing business with? Customer strategy depends as much on the integration with the customer as on the product and service. The strategy needs to be built on the capabilities and strengths of your company.

These realities underscore the importance of beginning and ending with the customer. When I asked Peter what managers should do about this new customer, he said, “Ask yourself, which customers did I touch today, and what did I learn?”

Only with an outside-in view can you change customers’ expectations and provide products and services that customers didn’t know they wanted—the true measure of innovation.

Mindset of a Leader
Start growing people.

by Jack and Suzy Welch

Suppose you’ve just been appointed to a senior leadership position for the first time. How might you best approach your challenging new role?

First, you need to realize that being a leader means that you will have to change how you act. Too often people who are appointed to their first leadership position miss that point and trip up their careers. Being a leader changes everything. Before you are a leader, success is all about you—your performance, contributions, and solutions. Once you become a leader, success is all about growing others. It’s about making the people who work for you smarter, bigger, and bolder. Nothing you do anymore as an individual matters, except how you nurture and support your team and increase their self-confidence. Your success as a leader will come not from what you do, but from the reflected glory of your team.

You’re no longer thinking, how can I stand out? but, how can I help my people do their jobs better? That often requires a mindshift. After all, you probably spent your entire life as a contributor who excels at your job. But you’ve been promoted because someone believes you have the stuff to make the leap from star player to successful coach.

What does that leap involve? First, you need to actively mentor your people. Exude positive energy about life and the work that you are doing together, and show optimism about the future and care passionately about each person’s progress. Give your people feedback—not just at year’s end and mid-year performance reviews, but after meetings, presentations, and visits to clients. Make every significant event a teaching moment. Discuss what you like about what

ACTION: Revisit these classic themes.
they are doing and ways they can improve. Your energy will energize those around you.

And there is no need for sugarcoating. Use candor, which is one of the defining characteristics of effective leaders. Never forget that you are a leader now, and so it’s not about you anymore—it’s about them.

**Be a Winner**

As a leader, winning has to do with the markets or profits, but winning is also a personal journey. It’s about reaching a destination you choose, about achievement. Your goal could be creating a happy family, teaching children to read, or sailing around the world. It could be building a company that succeeds in the marketplace.

Economic success is not inherently morally corrupt. Winning in business is not a zero-sum game. In sports, when one team wins, the other loses. In business when one company wins, there are many collateral winners—the executives and shareholders, of course, but also employees, distributors, and suppliers. When people have meaningful work, they have the freedom to dream, not just survive.

Sure, there are those who lose their souls to profit. There always will be corrupt jerks in every field, but most leaders want to win the right way. They want to start companies, build teams, search for new ideas, invent new technologies, and create a better life.

What is your definition of winning? Will it make the world a better place? Will it turn your company into a preferred employer? When you build a company where people really want to work, you’ve got your hands on one of the most powerful competitive advantages in the game: the ability to hire and field the best team.

It often takes years to become a preferred employer. Reputations are built annual report by annual report, career by career, crisis by crisis, and recovery by recovery. However, today companies can become preferred employers virtually overnight thanks to the potent buzz factor that often comes with an exciting breakthrough or paradigm-altering product or service. Google, eBay, and Apple are perfect examples. Buzz, however, can also come from having a prestigious brand, like Chanel or Ferrari. The buzz factor is as rare as it is precarious. Apple had it with the Mac, lost it when other PC makers leapfrogged ahead, then recaptured it with the iPod. This story explains why most companies achieve preferred employer status by grinding it out over time.

Here’s a checklist to assess progress:

1. **Preferred employers demonstrate a real commitment to continuous learning.** No lip service. These companies invest in the development of their people through classes, training programs, and off-site experiences, sending the message that the organization facilitates personal growth.

2. **Preferred employers are meritocracies.** Pay and promotions are linked to performance, and rigorous appraisal systems consistently make people aware of where they stand. The people you know and the school you went to might help get you hired. But after that, it’s all about results. People with brains, self-confidence, and competitive spirit are attracted to meritocracies.

3. **Preferred employers not only allow people to take risks, but also celebrate those who do.** And they don’t shoot those who try but fail. A culture of risk-taking attracts the kind of creative, bold employees companies want and need today, since innovation is the best defense against cost competition.

4. **Preferred employers understand what is good for society is also good for business.** Gender, race, and nationality are never limitations; everyone’s ideas matter. Preferred employers are diverse and global in their outlook and environmentally sensitive in their practices. They offer flexibility in work schedules to those who earn it with performance.

5. **Preferred employers keep their hiring standards tight.** They make candidates work hard to join the ranks by meeting strict criteria that center around intelligence and previous experience, and by undergoing an arduous interview process. It’s difficult to be picky before you become an employer of choice. But it’s worth the effort. Top talent attracts other top talent.

6. **Preferred companies are profitable** and growing. A rising stock price is a hiring and retention magnet. Only thriving companies can promise you a future with career mobility and the potential of increased financial rewards. Indeed, one of the most intoxicating things a company can say to a potential employee is: “Join us for the ride of your life.” The best thing about being a preferred employer is that it gets you good people, and this launches a virtuous cycle. The best team attracts the best team, and winning often leads to more winning.

That’s why human resources should be every company’s “killer app.” What could possibly be more important than who gets hired, developed, promoted, or moved out the door? The team that puts the best people on the field and gets them playing together wins. And the director of personnel knows what it takes to win: how good each player is and where to find strong recruits to fill talent gaps.

Leaders need to appoint big-leaguers to run HR—not kingmakers nor cops but men and women with real stature and credibility. Fill HR positions with a special kind of hybrid: people who are part **pastor** (hearing all sins and complaints without recrimination) and part **parent** (loving and nurturing, but giving it to you straight).

Pastor-parent types more often than not have run something during their careers, such as a factory or a function. They get the business—it’s inner workings, history, tensions, and the hidden hierarchies that exist. They are known to be relentlessly candid, even when the message is hard, and they hold confidences tight. With their insight and integrity, pastor-parents earn and build trust, oversee a rigorous appraisal-and-evaluation system that lets every person know where he or she stands, and monitor that system with intensity.

Leaders need to ensure that HR creates effective mechanisms—such as money, recognition, and training—to motivate and retain people. And they must confront their most charged relationships with unions, individuals who are no longer delivering results, or stars who are becoming problematic.

Since CEOs loudly proclaim that people are their biggest asset, they need to put their money where their mouth is and get HR to do its real job: elevating employee management to the same level of professionalism and integrity as financial management.

Jack and Suzy Welch are co-contributors to “Ideas the Welch Way” in BusinessWeek. Email thewelchwav@businessweek.com.

**ACTION:** Cultivate the mindset of a leader.
Moral Leadership

Inspire ethical behavior.

by Deborah L. Rhode

GIVEN THE CENTRALITY of ethics to the practice of leadership, it is striking how little research has focused on key questions: How do leaders form, sustain, and transmit moral commitments? Under what conditions are those processes most effective? What is the impact of ethics officers, codes, training programs, and similar initiatives? How do practices vary across context and culture? What can we do to foster moral leadership?

One difficulty plaguing analysis of moral leadership is the lack of consensus on what exactly it means. Leadership requires a relationship, not simply a title; leaders must inspire, not simply compel or direct their followers.

Leadership is inescapably value-laden. All leadership has moral dimensions. The essence of effective leadership is ethical leadership, which requires morality in means, as well as ends. Whether such leadership is cost-effective in the short term, is uncertain. “Ethics pays” is the mantra of most leadership literature. But when and how much depends on various factors.

Ethical Culture and Financial Value

Most studies that attempt to assess the value of values find positive relationships between ethical behaviors and financial results. For example, companies with stated commitments to ethical behavior have a higher mean financial performance. Employees who view their organization as supporting fair and ethical conduct and its leadership as caring about ethical issues observe less unethical behavior and perform better; they are more willing to share information and knowledge and to go the extra mile in meeting job requirements.

Employees also show more concern for the customer when employers show more concern for them. Workers who feel justly treated respond in kind; they are less likely to engage in petty dishonesty such as pilfering, fudging on hours and expenses, or misusing business opportunities. The financial payoffs are obvious: employee satisfaction improves customer satisfaction and retention; enhances workplace trust, cooperation, and innovation; and saves substantial costs resulting from misconduct and surveillance designed to prevent it.

People perform better when they believe that their workplace is treating them with dignity and respect and ensuring basic rights and equitable reward structures. Workers also respond to cues from peers and leaders. Virtue begets virtue, and observing moral behavior by others promotes similar conduct. Employers reap the rewards in higher morale, recruitment, and retention. Employee loyalty and morale are higher in businesses that are involved in their communities, and corporate giving correlates with public image and financial performance.

A reputation for ethical conduct by leaders and organizations also has financial value. Such a reputation can attract customers, employees, and investors, and build relationships with government regulators. Most individuals believe that companies should set high ethical standards and contribute to social goals.

Foundations of Ethical Leadership

Moral leadership involves ethical conduct on the part of leaders, as well as the capacity to inspire such conduct in followers and create ethical cultures.

Most organizations have ethical codes and compliance programs. In principle, their rationale is clear. Codes of conduct can clarify rules and expectations, establish standards, and project a responsible public image. If widely accepted and enforced, codified rules can also reinforce ethical commitments, deter ethical misconduct, promote trust, reduce the risks of liability, and prevent free riders (those who benefit from others’ adherence to moral norms without observing them personally).

In practice, however, the value of codes is subject to debate. Skeptics often fault current documents as either too vague or too specific. Also, isolated ethical codes and compliance structures are viewed as window dressing—public relations gestures or formalities to satisfy federal guidelines.

Efforts to institutionalize ethics can succeed only if they are integral to the culture and taken seriously by leaders. A commitment to moral leadership requires the integration of ethical concerns into all activities. That means factoring moral considerations into day-to-day functions, including planning, resource allocations, hiring, promotion, compensation, performance evaluations, auditing, communications, public relations, and philanthropy. Responsibilities to stakeholders need to figure in strategic decision-making, and assessments of performance need to reflect values in addition to profits.

Ethical Commitment

The leader’s own ethical commitment is critical in several respects. First, leaders set a moral tone and a moral example by their own behavior. Employees take cues about appropriate behavior from their leaders. Whether workers believe that leaders care about principles as much as profits influences their conduct.

Consistency between words and actions is important in conveying a moral message. Decisions that mesh poorly with professed values send a powerful signal. No mission statement can counter the impact of seeing leaders withhold crucial information, play favorites with promotion, stifle dissent, implement corrosive reward structures, or pursue their own self-interest.

One overlooked opportunity for moral leadership is for those in top positions to keep their own compensation within reasonable bounds. Another is to create more safe spaces for reports of misconduct and moral disagreements. Doing so prevents the far greater costs of external whistle-blowing.

Not only do we need more rewards for leadership that is ethically and socially responsible, but we also need fewer rewards for leadership that is not. We need to alter compensation structures that unduly favor short-term profit maximization, and define success to include ethical and social responsibility as well as financial profitability.

Deborah L. Rhode is the Ernest W. McFarland Professor of Law and director of the Stanford Center on Ethics. This article is adapted from her book Moral Leadership (Jossey-Bass) and used with permission. Email rhode@stanford.edu.

ACTIONS: Engage in moral leadership.
Influential Individuals
What skills separate the best leaders?

by Kerry Patterson

Suppose you’re standing in line at the movie theater when someone cuts in front of you. What would you do? If you’re like most people, you would address the problem directly. At least, that’s what you’d say if we asked you. However, when we actually cut in front of people who were waiting in line, few said a word.

Silence Kills

Now, it’s not a big deal if you don’t speak up when someone cuts in front of you in a theater line, but what if not speaking your mind puts other lives at risk? Say you’re caught between confronting an authority figure and watching someone do something that places a person in harm’s way. Surely you’d speak up under these conditions.

Or would you? Consider what routinely happens in hospitals. Each year, tens of thousands of people contract hospital-acquired diseases. These preventable illnesses are passed around primarily because healthcare professionals don’t wash their hands for the prescribed length of time. Often, a doctor is observed not washing adequately by other doctors and nurses—but nobody says a word because confronting a strong-willed peer or authority figure could be viewed as offensive or insubordinate. Such a risky act could be career-limiting.

Now, suppose that you’re the president of a company and decide that for the holidays, you’ll send employees, customers, and vendors a present that carries the company logo. Unfortunately, instead of paying to have the gifts made, you decide to have the gift made in-house by some of your employees. Soon a small group of poorly prepared employees are trying to make this gift. Eventually, harried and upset, they complete the project at a cost of ten times over budget.

Moral has taken a real beating, and not one person ever said a word to the president. Making the gifts was a dumb and costly idea that only got worse with time, but it was the president’s idea—so all complaints were restricted to the water cooler, dinner table, and commuter train. Since the incident made for a terrific story, even absolute strangers knew all about the debacle. Too bad the president never heard a single word of disagreement.

Violence Is No Walk in the Park

This all sounds crazy right? What kind of weaklings would shy away from what should be a simple conversation? Surely these passive souls don’t represent how most people handle high-stakes discussions. Actually, people don’t generally sit quietly and watch the world around them collapse. When opinions vary, emotions run strong, and the stakes get high enough, sooner or later the person breaks from silence and charges to violence. People move with amazing alacrity from quietly observing a conversation to employing threats, sarcasm, debate, and other harsh tactics.

In short, when faced with high-stakes conversations, people often move from silence to violence and back again.

You’ve seen it happen. You’re sitting in a meeting and what starts off as a genial discussion takes a turn for the worse when two competing groups can’t come to agreement. First, a couple of people offer their view as others sit quietly to see which way the political winds blow. Someone else fires back an opposing view—only they don’t like the way things are going so they overstate their arguments while using inflammatory terms. The original two debaters become defensive and push back. Several people who initially had remained quiet jump in with their views, and soon the team is caught up in an argument. People are no longer trying to make the right choice—they’re trying to win their way or at least escape unharmed.

Dialogue Heals

Not everyone toggles from silence to violence. Some routinely engage in healthy dialogue. These gifted folks are a delight to work with. My colleagues and I were once hired to study a firm’s most influential people.

Our goal was to learn what top performers did at work and then teach the unique skills of the top contributors to the rest of the staff. We discovered that individuals who had been singled out by others as being the most influential people in the company shared a surprising characteristic. Not all were leaders, so it wasn’t their authority that made them different. Not all came from the same type or level of schooling, so it wasn’t education. Influential people weren’t necessarily taller, better looking, or more charismatic. However, they were better at mastering crucial conversations.

We were watching a fellow named Kevin who had been singled out as an opinion leader. We expected him to be more effective than his peers, but we weren’t sure in what way. As we watched Kevin and his colleagues discuss where the company was going to move corporate offices, the president eventually weighed in with his opinion. From then on the conversation suffered. No longer were people talking about where to move, they were now trying to figure out how to align with the president. Most of the people didn’t want to move to the community that the president supported, but they didn’t want to publicly disagree with him either.

We would now observe what set Kevin apart from his peers. While others sat nervously, Kevin spoke directly to the president: “Robert, I’m not sure you intended to do so, but I think you just broke your own ground rules on how we’d discuss this issue.”

“I’m not sure what you mean,” Robert replied. Kevin then explained that Robert and the senior VP had agreed that they wouldn’t express their opinions until all of the proposed cities had been discussed. Robert agreed that he had offered his opinion, and now people were singing the praises of the city he’d supported. He then said that he was sorry he had set the discussion off course and asked that they return to the original plan.

The group returned to discussing the pros and cons of each potential loca-
Spiral into Control
It's the path to consistency.

by John Haime

We often hear golf announcers say “If he can control his emotions today, he can win this tournament.” However, they never explain how you and I might control our emotions to perform at a higher level.

I challenge you to visit a professional golf event and tell me which players will succeed and which players will pack their bags and head home after the 36-hole cut. Then, visit a CEO conference and tell me which ones are leading successful companies and which ones are not making the cut.

Unless the golfers or leaders are under pressure in a dynamic environment, you can’t separate the contenders from the pretenders. The separation occurs when the heat is turned up, when results really matter, when the performers are pushed to their limits; at that point you can determine whether they can be consistent and sustainable performers.

The ability to manage emotions under pressure separates elite performers from average ones.

Emotional Competency
Let’s look at a few examples.

• Phil Mickelson competed for years before winning a major championship. Why? He’s very talented physically. The only real knock against Phil was that his seat-of-the-pants style hindered him from winning the majors. Before the 2004 season, he and his coaches assessed exactly what they needed to do to get to the next level. The risk-taking, stubborn Mickelson was replaced by the self-aware, flexible Phil managing his game to maximize strengths.

• The popular John Daly has won major championships, but his inability to consistently manage his emotions in big events keeps him from winning more. While Daly has the talent, his lack of self-awareness and emotional management has kept him down.

• Emotional intelligence in leadership is no different. Bill George, CEO of Medtronic, stayed at the top of the leaderboard for 12 years when the company’s sales soared from $740 million to $7 billion. He credits self-awareness. In fact, he insists that leadership training include teaching about human behavior.

• Michael Eisner. Profits exploded in the Walt Disney company when he took the reins. But the company struggled to maintain growth and keep shareholders happy. Many point to Eisner as the cause of the problems. He avoids assessment by surrounding himself with associates who fail to criticize his actions or choices—thus restricting his growth.

Lessons from the Links
Here are seven ideas to put you on the path to sustainable high performance:

1. Assess your emotional intelligence. Understanding where you might be strong and where you might need work is a good first step.

2. Build a great plan and stay the course. A plan is crucial to consistent development. Keep your eye on the big picture, periodically revisit the plan, and make adjustments.

3. Enhance self-awareness through practice. Ask yourself: Do I clearly see how my emotions impact my performance? Do I understand my tendencies, strengths, and limits, especially in stressful situations?

4. Create reasonable expectations. This goes for yourself and for others based on an analysis of capabilities and experience. Expectations are emotional traps, setting you up for frustration.

5. Concentrate your energy and emotion on things you can control and influence: your attitude, expectations, decisions, equipment, plan, and strategy. Focusing on things you have no control over leads to frustration.

6. Reserve judgment on yourself and others on every result. In stressful situations, give yourself a few seconds before reacting. Choose your response after a quick evaluation of the situation.

7. Build confidence at every opportunity. Fear can paralyze performance. Self-awareness and more time in the positive, emotional spiral will help you deal with it and move past it.

Be prepared and maximize your performance when the pressure arrives.

Those who control their emotions win.
Talent Management

Select the right people for the culture.

by Patrick Lencioni

Last spring was the big draft. You may have heard about it—the Mustang Boys’ Under-Nine Soccer draft in Danville, California. That’s right. I’m talking about eight-year-old boys, third graders, actually getting drafted to play competitive soccer. And the process by which they’re evaluated, rated, and selected is a sight to see.

Imagine a soccer field surrounded by clip-board toting coaches (myself included) who are taking detailed notes as they watch boys run, kick, dribble, and scrimmage against one another. Afterward, those coaches sit down around a table and take turns selecting 12 players for their teams.

Luckily for me, I don’t know a great deal about soccer. I played very little of the sport as a grade-schooler, though I’ve coached my sons’ teams. But to be fair, the nature of the game played by my boys’ teams more closely resembled a revolt within a prison than it did a sporting event.

I say that I’m lucky to be ignorant of soccer because it forced me to confront a brutal fact: I was going to be at a distinct competitive disadvantage when it came to assessing the technical skills of the munchkins on my list of draftable players. You see, the other coaches in the league have all played soccer at collegiate or professional levels, and they appreciate the nuances of the sport the way I do basketball or baseball. They not only understand the off-sides rule, but actually like it! Anyway, I decided to completely change the criteria I would use to evaluate and select players for my team (called The Swarm). So, I took the official evaluation form that was given to me before the try-outs, and crossed out the category descriptions that had been written in—such as physical fitness, speed, field awareness, touch, and potential—and replaced them with others like attitude, hustle, skill, and parents. Of course, that meant I would have to focus on observing different things than my peers would be looking for during the tryouts.

For instance, instead of spending most of my time watching at the players’ feet, I tended to watch how they treated one another. I wanted to see how they responded when the instructor asked them to help move one of the portable goals or a bag of soccer balls to the other side of the field. I also watched the way they interacted with their parents during breaks. Were they respectful or inattentive? And I wanted to see how hard they played on the field. Did they only run when the ball came to them, or did they get involved and help out on defense?

During breaks I might approach one of the kids and ask, “Hey there Billy, how do you like school?” or “What’s your favorite subject?” And I was looking for someone who would say, “Yeah, I like school a lot,” or “I like math, but not spelling so much.” What I didn’t want was a blank stare or an answer like “Nah, I only like recess.” When the tryouts were over, my assistant coach (who never played or coached soccer before) and I ranked the players from top to bottom, according to our largely attitudinal criteria. When the draft began, we nervously waited our turn. By the time the draft had ended, we had picked more of our top prospects than we could have imagined, and assembled a team that we felt had a high likelihood of being positive and coachable.

Now, after playing about half of our games, a few things have become crystal clear to us. First, our team is a team. They treat each other well, encourage one another, and seek out collective attention more than individual praise. Second, they’re having fun. They don’t complain about practices, and they enjoy being together. Third, their parents are having fun. Many of them have approached me and my assistant coach to tell us how pleasantly surprised they are about the positive environment on the team, and how much they enjoy being on the sideline with the other parents.

What about the soccer? We’ve only lost 3 of 13 games, and we’ve outscored our opponents 24-7. Of course, that is not as important as the other factors (as I remind myself and the other parents), but it’s a nice confirmation that our attitudinal approach is as viable on the field as it is off of it.

This early success of the team is not a result of great coaching and tactical training. The fact is, as Jim Collins points out, getting the right people on the bus is the first step toward building a great organization.

Once the bus is full, then it’s all about getting the right people in the right seats (or the right players in the right positions). But selecting the people who fit your culture—whether they are eight-year-old soccer players, senior executives, teachers, or volunteers—is the first critical step.

Why? Because it’s a lot easier to teach a humble, hard-working young man how to play goalie than it is to teach a spectacular athlete how to listen and put the team before himself. I’d guess that applies to the organization where you work. Not the goalie part. Well, you know what I mean.

Patrick Lencioni is president of The Table Group and author of Overcoming the Five Dysfunctions of a Team: A Field Guide for Leaders, Managers, and Facilitators (Wiley & Sons). Call 925-299-9700 or visit www.tablegroup.com.

ACTION: Select the people who fit your culture.
Streetwise Strategies

Promote people with leadership skills.

by Al Lucia

If I decide to add the title M.D. to my business card, it doesn’t make me a doctor. And yet, every year we give the title of leader to thousands of people who aren’t true leaders. Fortunately, we can do something about in-name-only leaders.

Recently I visited my hometown of Philadelphia. The small row houses still looked much like they did 50 years ago. As I walked past the houses of my old friends, each friend came to mind. These guys were my earliest exposure to right fit—matching a person’s skills with a particular task or using the right person for the job.

Danny always carried a sharp pocketknife and had a steady hand. His job was to cut the pimples balls in half for our games of Half Ball. Frank was the best driver in our group and the only one with a car, so he took us everywhere we went. Joe’s specialty was flirting with girls. Ted, the most gifted athlete among us, was the first one chosen for teams. He could even catch a soggy football (newspapers tied with string). And I was the diplomat—the one who talked to the parents when one of us stepped out of line.

As kids, we weren’t aware of the concept of right fit, but we practiced it. You’d think the concept would be common sense, but I continue to find people with few or no leadership skills working in leadership positions as a reward for their technical performance.

The result is leaders with minimal leadership abilities, or wrong fit. And when senior management fails to hold leaders accountable, people stay in leadership roles even though they have a negative impact. Bad bosses become poor role models for new managers, so poor leadership continues.

Immediately Noticeable Impact

How can organizations that believe in making effective business decisions let leadership inadequacy continue? They fail to fully understand the negative impact of poor leadership. Technical skills have an immediately noticeable impact (INI) on results. As long as the widgets are produced, sales made, and beans counted, leaders can keep their titles and bigger salaries. The short term may be served, but longer-term results including employee retention and engagement are sacrificed in the name of quarterly earnings.

Leadership behaviors and effectiveness, on the other hand, rarely have an INI on bottom-line results. Their effect is significant but subtle. When I was a kid, if we picked the wrong guy to go long in our football game, we saw the impact right away and made adjustments before the next play. With leadership deficiencies, problems may not show up for months, or even years, and the effects are not always traceable. For example, many organizations that have challenges with customers never trace the problem back to ineffective leaders who create disengaged employees who are neither interested in helping customers nor providing excellent service.

If you don’t develop leadership skills, you may still achieve some measure of success, but you can’t sustain that success. Unlike the mature workers who tend to be loyal despite the culture, new entrants place a high priority on respect, culture, and treatment. They will simply leave if they feel mistreated. And leaders are the number one factor in worker satisfaction and retention.

You may be saying: “Al, we put all our new leaders through leadership training, and existing leaders attend ongoing training. Plus, we provide cutting-edge leadership resources.” Okay. But how are you really doing?

Are you providing effective leadership training? Do you follow up to see if leaders actually use the resources and apply the concepts? Do you hold leaders accountable for the people side of their jobs? Are your leadership skills the right fit for your position? Have positive, short-term results clouded your judgment about your long-term success as a leader of people? Do you take leadership development seriously, giving it as much focus as staying proficient with your technical skills?

Streetwise Strategies

If you’re a leader of leaders, consider the following streetwise strategies:

• Evaluate your culture to discover the truth about the quality of your leadership. Pay attention to employee comments from climate surveys and casual conversations that indicate dissatisfaction with the leadership skills of their managers. Listen for comments from leaders about people skills. Notice if there’s a lack of people-issue discussions, and watch for mistreatment.

• Remember that actions always speak louder than words, and that what gets rewarded gets done. Many organizations continue to promote individuals with inadequate leadership skills. What gets leaders promoted? Is it primarily technical skills and dollar orientation? If people believe that leadership skills don’t get them ahead, they’ll develop a “why bother?” attitude.

• Incorporate leadership skills into the selection process. When you have direct responsibility for selection of a new leader, give equal weight to leadership talents and technical skills.

• Assess leaders’ performance. Evaluate how they achieve results. Then, encourage training, coaching, or mentoring for leaders who show the need for help with interpersonal skills. Everybody experiences atrophy in the leadership zone. Effective leadership development requires consistent effort.

• Seek coaching, training, and education in the areas of leadership and human interactions. People skills can be taught and learned. Becoming a better leader is doable. Your leadership skills can improve.

• Make an effort to positively interact with your team members daily. Then look for an INI—notice how much better people perform when you practice and apply good leadership skills.

Pay attention to having the best match between people and leadership skills. If you commit to ensuring a right fit in your leadership positions, you could win more of your games. LE
Step Up
Get a promotion.

by Chris Blauth and Linda Moran

The step up to management is a big one. Taking on new assignments, getting work done through others, shifting from being a buddy to a boss are tough transitions.

In the past, new managers had a few months to learn the job; today they are often thrust into key positions and have to hit the ground running. More people are turning down promotions, as the burdens of the job seem to outweigh any benefits. Their lives are complicated enough, and they may face responsibilities that may be at odds with the very abilities and attributes that got them promoted.

In finding their footing, they might comment: “People look at me differently now.” “I get pressure to improve production, so I pass it on—and get resented for it.” “I miss doing my own work. Now I deal with complaints, emergencies, and everybody’s issues.”

Three New Realities

Managers face three new realities:

1. An uncommitted, diverse, and cynical workforce. New managers must learn to balance former relationships with new working relations, friendships, and arrangements; doing work yourself with getting work done through others; activities and tasks with goals and results. You must learn to manage diverse people:
   - Older workers. Some older workers are staying on to maintain their health benefits, augment their pensions, make ends meet, or stay active. The age gap complicates relationships. Older employees may not take younger supervisors seriously.
   - Worn-out workers. More workers have a second or third job. So, by the time they get to their main job, they’re already tired and stressed out.
   - Angry and jaded employees. Competitive pressures force many companies to cut back on perks, benefits, and pensions. Employees are often demoralized, distrustful, cynical, angry, or hostile. Building commitment and motivation is a challenge.
   - Fractured families. With more women working, more men assuming child-care duties, more families having child-custody and visitation concerns, managers need to accommodate employees, when necessary, and cover their jobs when they are gone.
   - More diverse workers. Many workers today differ educationally and culturally from the people who supervise them. This requires special sensitivity and extra time. Some employees, for example, may speak little English.

2. Constantly changing job duties. New supervisors are often promoted because of their performance as contributors. As supervisors, their responsibilities change. They need guidelines. Since their jobs are less structured, it’s hard to know what to do. Managers must handle emergencies, answer questions, and delegate work. Certain trends complicate their jobs:
   - New processes. As companies streamline operations, supervisors need to learn new processes and systems.
   - Confusing lines of authority. Today, the command-and-control approach has given way to collaboration, influence, cross-functional partnerships, and alliances with suppliers. Managers must be skillful delegators, influencers, persuaders, and planners.
   - Collateral duties. Many supervisors have temporary duties, as firms postpone creating or filling a position.
   - Under-supported technology. Investment in upgrades and new systems has lagged; hence, manual efforts may be required to reap promised benefits.

3. More demands—but less support. Managers are expected to do more with less, and do it faster. This is difficult when traditional sources of support are unavailable:
   - Disconnect between responsibility and authority. When supervisors step up, they may not have the authority they need to make decisions.
   - Higher-stakes responsibilities. In the absence of middle managers, supervisors may be given responsibilities that managers shouldered in the past.
   - Pressures to innovate. Managers are pressured to cut costs and improve work processes, without much support.
   - Being ethical. Supervisors need to conform to all ethical regulations, check the accuracy of key reports, and report shoddy work or quality lapses.
   - Everything is everybody’s job. With downsizing, everyone’s job has grown. “It’s not my job” has morphed into “It’s everybody’s job.”
   - Fewer middle managers. With so many middle-management positions gone, supervisors often have no one available for coaching and mentoring.
   - Less formal support. Most managers today receive less technical support, less IT support, and fewer engineering and financial services.
   - Dog-eat-dog attitudes. Experienced managers are too busy to assist new ones. Also, frequent job cuts can produce internal competition.

These three new realities have raised the stakes, cut the margin for error, and made the job of managing other people more challenging.

What Managers Expect

New managers see these six tasks as their greatest training needs:

Motivating others. To achieve goals, commitment, creativity, and extra effort are required from everyone. People must feel motivated to go that extra mile.

Adapting to new situations. New managers must deal with the uncertainties, adapt to new situations, communicate changes, and sell the reasons.

Using goals to motivate people and determine priorities. New managers need to know the mission and goals, the core business, and the competitive environment. No one is available to tell them how to spend their time.

Establishing productive relationships with their bosses. Managers need to work independently and yet keep their bosses in the loop. Often first-time supervisors expect too much direction and exercise too little judgment and initiative.

Making a smooth transition. Some first-time supervisors shy away from conflict or confrontation. They need to move from being a friend to being a leader, and earn respect and trust by supporting people’s needs, developing their abilities, making resources available, and removing roadblocks.

Delegating. New managers tend to
dump and run, failing to follow through, assuming the job will be done, and later becoming angry. Others micromanage, which drives the other person crazy and creates passivity. Ask: Should the task be delegated? Who would be the best choice? What support is he or she likely to need?

Teaching Moments

With so many responsibilities, managers must know where to focus their efforts. Three strategies can help them deal with problems and people:

**Hallmark 1: Building personal credibility.** Credibility means more than a position, attitude, or quality. It’s a perception others form of you, based on their assessment of your actions. Once you step up to management, everything you do and say is noted. Do your words match your actions? Do you keep your promises? Do you take a stand on tough issues? You build personal credibility by respecting others, acknowledging mistakes, admitting it when you don’t have the answer, learning from others, following through, giving others credit, removing obstacles, and providing resources.

**Hallmark 2: Activating work group commitment.** Managers activate people’s creativity, effort, energy, dedication, and commitment by helping them connect their daily activities to the team’s goals—creating a sense that the group is doing something worthwhile, showing how their work fits into the bigger picture, giving clear directions, measuring performance, listening carefully, providing supportive feedback, including people in idea-generating and decision-making, and creating a sense of ownership. Your people will then go the extra mile to reach goals.

**Hallmark 3: Engaging management support.** Supervisors need to build a mutually supportive relationship with their managers. They need to know what’s important to the manager, and support it; offer the manager solutions, not just problems; clarify what they need from their managers; keep their manager up to date; and ask directly for help when necessary. When managers see the situation, they are more inclined to support you when you need extra resources or have obstacles removed.

These three strategies give first-time supervisors the traction they need to hit the ground running without losing their balance.

---

**ACTION:** Focus on the three hallmarks.
Brand You World

We need to re-imagine talent.

by Tom Peters

We keep trying to veer back to the professional career path of old—a model of employment in which big companies ruled. Dazzled by the abiding myth of security, we shy away from recognizing that new modes of enterprise require the re-imagining of the individual. Now we must take immediate charge of our newfangled careers and identities, which we build piece by piece at a series of companies over time.

That’s life in a Brand You World. I imagine a truly creative society: Each person moves from project to project, from gig to gig. Global voluntary communities of interest, rather than corporations, provide the bedrock. Learning never ceases. Self-reliance is the norm. Each career consists of numerous mini-careers, with timeouts along the way. The cubicle slave is dead! Long live the free agent!

People aren’t just employees. They are talent! And they, like their bosses, recognize that talent is all there is.

I love the word talent! It’s so different from employees or personnel or human resources. Yes, just uttering the word talent makes you puff up and feel good about yourself, but my point is that people (their talent, their creativity, their intellectual capital, their entrepreneurial drive) is all there is.

Alas, the language of talent has traditionally been limited to a few rarefied realms: opera, symphony, movies, sports, and Stanford’s physics department. And the talk inevitably turns to this baritone or soprano, cellist or violinist, actress or director, first baseman or quarterback. The talk, in other words, turns almost exclusively to talent.

But the same logic applies to every other industry and enterprise, public and private. Everything repetitive will soon be automated. Our only recourse: moving beyond any activity that is even remotely rote, and moving up the new creativity scale and banishing along the way the conformity mandate.

We must become independent contractors, at least in spirit, exhibit distinction, and become genuine businesspeople, not mere white-collar ciphers—innovative, risk-taking, self-sufficient entrepreneurs, not smooth-functioning organization men or women.

Sounds scary, right? You bet. But I believe that Dilbert-style cubicle slavery stinks. I believe that the chance to tear down those wretched cubicle walls, to take a pickax to that ergonomically correct but numbingly insipid cubicle furniture, and to make work for ourselves in the wide-open world beyond, is nothing short of liberation.

What an opportunity for immense, meaningful value creation and for individual reinvention! Between 35 and 55 million people already occupy nontraditional job slots. The nature of who we are is undergoing a tectonic shift. The transformation affects the kind of work we do, and our relationship to work.

The key is attitude. If the security of guaranteed cubicle slavery for life is your cup of tea, you’ll be scared of all that’s coming down the pike. But if the notion of life as a series of gigs, in which you learn new tricks and live by your wits, excites you, well, you’ll wake up drooling at the chance to re-imagine yourself and add yet another memorable WOW project to your portfolio. Can you do it? Of course!

The impetus to reinvent the individual is nothing new. It is, in fact, quintessentially American. America has been a nation defined by self-reinvention.

In terms of enterprise, the upshot of re-imagining the individual is a shift in perspective toward Brand You thinking. Whether or not you are on some payroll, you need to behave as if you were CEO of Me Inc. View yourself as the boss of your own show, even if that show happens to be playing just now at Citigroup or General Electric. In other words: be distinct or extinct.

Branding is a perennially hot issue in business, but branding is fundamentally not a marketing issue. It is an attitude issue. What I call “brand outside” (what the marketplace experiences of us) is a function of “brand inside” (what lies within us as an enterprise, or within our individual soul).

The Brand You Survival Kit

If you’re going to reinvent yourself as a Brand You enterprise, you’ll need to pack 10 key traits in your kit bag:

1. Think like an entrepreneur. The point of Brand You is not that you should quit your job at, say, JC Penny. It is that you should re-imagine yourself as the CEO of Me Inc.—who is currently on loan to Penney’s for the next gig. Be the de facto boss of your own show. Reinvent all gigs to ensure that they become Brand You enhancers.

2. Always be a closer. You need to understand the ins and outs of making money. Even if you don’t have line financial responsibility, get acquainted with the numbers (follow the money), and keep a close eye on the project P&L and balance sheet. The track record of Me Inc. derives from only one thing—implemented projects. And implementation is 98 percent a matter of closing the deal with internal and external stakeholders. Life is sales. The rest is details.

Or: When it comes to closing the deal, “good try” isn’t good enough.

3. Embrace marketing. No, you don’t need to land a spot on Oprah. But you do need to master more of the marketing puzzle. Brand You World is a long way from the old world in which you hung out for 20 years with the same 17 people in one department. Instead, you will be going from project to project, mostly working with strangers. Thus, on each gig you will be selling yourself anew—marketing your point of view and your worth.

4. Pursue mastery. Competence in baseline skills like marketing and networking is essential. But it’s not enough. To survive the white-collar wipeout, you need to be special at something of specific economic value—exhibit true mastery. Mastery goes beyond just having distinct skill. Think about athletes or actors who have records of sustained excellence. They work obsessively at their craft. You should approach your trade craft in the same way.

5. Thrive on ambiguity. Just as
important as the ability to do one thing extremely well is the ability to do a dozen things at once, and change course without raising a bead of sweat or feeling a shred of remorse. In such unsettling circumstances, you must actually thrive on ambiguity.


The sweet spot of a Brand You attitude is a great sense of humor. And by that I mean the ability to laugh off the fabulous prototype that self-destructs, and get on with the next rendition. Reaching and stretching and trying anything is a requisite for survival—let alone some form of new excellence.

7. Relish technology.

Many people are simply past their prime when it comes to new technologies. You don’t need to be an expert in any particular software, but you must appreciate the fact that the Internet and everything that comes in its wake will turn business upside-down. If that prospect doesn’t make you tingle with joy and anticipation, you’re in for a very rough (and very short) ride.

8. Grovel before the young.

Those of us who are a bit north of the Age 38.5 divide can still have an appetite for technology, but we must surround ourselves with young people. Every project team must include at least one youngster who was born, bred, and genetically certified in the new economy.


Loyalty is dead. I believe that loyalty is more important than ever. But the axis of loyalty has shifted 90 degrees. Old loyalty was vertical loyalty—loyalty to a hierarchy: You grasped one rung after another as you scrambled up a prescribed vertical ladder. Call it “suck-up loyalty.” That’s gone. New loyalty is horizontal loyalty—loyalty to a trade or industry. What matters is what your peers think of your work. You must build—and manage—an expanding network of contacts.

10. Cultivate a passion for renewal.

Picking up new skills on a catch-as-catch-can, as-needed basis used to be okay. But today, a passive approach to professional growth will not fly. Revolutionizing your portfolio of skills every six years is now a necessity. Do you have a formal renewal investment plan? And, is it as bold as these bold times demand?

Truly distinct talent reveals itself through work—through weird, wild projects that add incomparable value and effect profound transformation.

Five Drivers of Transformation

All leaders are concerned.

by C.K. Prahalad

WHAT ARE THE DRIVERS BEHIND GLOBAL RESTRUCTURING? WHY ARE LARGE GLOBAL FIRMS TRANSFORMING THEMSELVES? I BELIEVE THAT ALL LEADERS ARE CONCERNED ABOUT FIVE KEY DRIVERS:

1. The search for new sources of revenue.

It is not selling more to the existing market, but creating new markets. If you are looking for new sources of revenue, the size of the Chinese domestic market is very attractive. In most business, the Chinese domestic market is larger than the U.S. market: televisions, refrigerators, washing machines, wireless devices. And India will replicate China’s growth.


There is a tremendous search for cost reduction, and this is not coming out in the traditional way, but looking at global supply chains. I’m not talking about 5 percent cost reduction but 50 percent cost cutting—basically changing the price-performance equation of every industry. For example, in high-volume, low-cost electronics, the Chinese totally dominate this market. Increasingly, the core-component suppliers are moving into China, with a net result of $70 billion in exports of computer peripherals and high-volume electronics coming out of China. India is also competing for market position. China has dramatically altered the cost structure because of the extraordinary efficiency built into production.

3. Improvement in quality.

I want to give quality a different spin. I think companies are now coming to India for high quality. I think India sold itself short by focusing on cost rather than world-class quality. In fact, we have accomplished world-class quality in most areas, but we don’t talk as much about quality as we emphasize cost. I believe India will move on to transaction services, engineering design, and product and process development. On a world-wide basis, there may be over $100 billion in global outsourcing of talent at low cost.

4. The search for scale.

Scale is not measured in traditional terms any longer, and I want to give you some idea of how big companies have to become in order to dominate their industries. I am not a great believer of scale per se, but scale is important in the pharmaceutical industry and in other industries. This trend will continue with significant restructuring and consolidation. When you put two companies together, everything is open for challenge—and that is good news because it provides new opportunities. I do not believe that people coming to India for software or call centers or transcription services are coming here for low cost only.

5. The need for speed.

I’m not talking about product development or manufacturing cycle time, but speed for managerial reaction. Forecasting, as we used to teach it and practice it, is dead. Think about what system reaction time means. If you have a global supply chain and you want to react in three days’ time, the entire system has to be finely tuned world-wide. The IT requirements, the logistic requirements, the reaction time requirements are complex. To reduce the speed with which they react, managers need to reduce layers, increase accountability, and monitor business activity.

For example, if I go to General Motors and say, “Tell me all the places in the world where sales were 80 percent less than your forecast last week,” I won’t likely get an answer for weeks because they have to monitor 40 different databases worldwide, 18 different applications, and integrate all of them together to get in one page of information. If I were to say, “Show me all the advertising expenditure in the markets where we are not selling,” it would take 10 analysts, 10 days to give me an answer. By that time, you have different problem.

These five drivers are creating new sources of competitive advantage, and therefore every company is trying to get there. These driving forces are changing the way companies are structured, managed, and where the profits will be taken. The search for new revenues, lower cost, scale, quality, talent, and speed goes beyond traditional views of outsourcing—it is a new willingness on the part of companies and industries to fragment the value chain. That means there is a new opportunity to create and shape the new industry boundaries.

C.K. Prahalad is a distinguished professor of business at the University of Michigan, and the author of several books. This article has been adapted from his speech delivered at Partnership Summit. Email: cpr@umich.edu.

ACTION: Seize the opportunity.
Serve with Humility

To be a leader, manage your ego.

by Michael Canic

What makes a great leader? Few business topics have received as much attention over the past 20 years. As the theories and opinions have proliferated, so has the veneration of high-profile leaders. The media tends to publicize the exploits and lifestyles of the more charismatic leaders. So, we tend to conclude that charisma is a key component of successful leadership.

Yet is it? In recent years, several high-profile leaders have fallen out of favor. When reading about these cases, we wonder: Was it their egos that led to their demise?

A large ego might also be vitally important to a leader’s success, if ego is how one thinks and feels about oneself (self-image and self-esteem). Leaders need confidence and security to make tough decisions and take critical risks.

In his book Good to Great, Jim Collins identifies the key characteristics of companies that transcend mediocrity. Of the more than 1,000 companies studied, only 11 met the rigorous criteria for achieving this transition. One interesting finding was the profile of the leaders who took their companies from good to great. They are not the larger-than-life, celebrity leaders publicized in the media. Instead, they combine extreme personal humility with intense professional will. They shun the spotlight of fame and stay focused on building a great company.

So how do we reconcile the role of the leadership ego? The most effective leaders do have large egos, but they are well in control of them. They manage their egos, and don’t let their egos manage them.

Four Characteristics

Leaders with well-managed egos demonstrate four key characteristics:

1. They balance conflicting motives.

Here are three conflicting motives:

• Self-interest vs. group interest.

Every leader must deal with the conflicting pulls of self-interest versus group interest. One cause of the Enron failure was that a handful of top executives allowed their self-interest to overwhelm the interests of the company. Ultimately, the company imploded, many people were hurt, and millions of dollars of retirement savings were lost. A select few walked away with the spoils. Unrestrained self-interest transformed into destructive greed.

• Ends vs. means.

When leaders become obsessed with results, then the means used to obtain them come under intense pressure. What is legal and what is moral can become blurred. Rationalizations can lead one into thinking that to be competitive anything goes. When held to account for their actions, such poorly managed egos are likely to be unrepentant, unapologetic, or even defiant.

Enlightened leaders maintain the dynamic tension between ends and means.

• Emotion vs. reason.

Effective leaders distinguish between emotion that serves as a catalyst for action and emotion that corrupts action. For example, emotion without reason can lead to impatience, which plays out in bad decisions. Yet reason devoid of emotion can result in a lack of urgency, the “paralysis of analysis,” and no decisions. Reason leveraged with emotion, however, can produce the focused and passionate intensity that leaders use to motivate.

2. They possess detached self-knowledge.

Leaders with well-controlled egos recognize their strengths and limitations. They know what they can and can’t do. They bring their skills to bear in the areas they can most impact and don’t delude themselves into thinking they can do everything well. While they are supremely confident in their strengths, they do not presume to be all-powerful. They distinguish between results they cause and those they merely influence or witness.

A lack of arrogance keeps them from overstating their importance or coveting undeserved glory. Such leaders understand that true knowledge is knowing what one knows and what one doesn’t know. Successful leaders lease their beliefs; they do not own them. They are liberal in entertaining ideas, but conservative in confirming them. And they suffer no angst in uttering the words, “I don’t know.”

3. They admit mistakes.

Leaders with well-managed egos are quick to recognize when they are wrong. They are not prone to the denial and defensiveness that mask insecurity. Neither are they burdened by delusions of self-perfection. When they are wrong they move promptly to take corrective action. They do not dwell or slip into the abyss of self-doubt. They get over it, maintain their focus on the goal, and get on with it. They view failures as bricks on the road to success.

4. They cultivate excellence in people.

Secure leaders hire the best people available without fear of being eclipsed by them. They do not view great talents as threats to their status or their careers. They do not aspire to reach the summit by keeping others down. They realize that the more they surround themselves with strong people, the more successful everyone will be. Once they assemble first-rate talent, these leaders avoid the urge to micromanage. They set a clear target, provide support, and unleash people’s capabilities so they can flourish.

These leadership characteristics are consistent with timeless principles. In the Analects, Confucius addresses selflessness: “The man of human-heartedness is one who, desiring to sustain himself, sustains others, and desiring to develop himself, develops others.”

And the Taoist, Lao Tsu, wrote:

The sage knolws himself but makes no show, Has self-respect but is not arrogant. He lets go of that and chooses this. Working yet not taking credit, Leading yet not dominating, This is the Primal Virtue. If the sage would guide the people, he must serve with humility.

A secure and healthy ego is vital. The challenge is not to allow the success-fed ego to go unmanaged.

ACTION: Cultivate humility.

Michael J. Canic is a speaker, author, and principal of Edge Consulting Services. Call 303-537-1182.
Effective Leaders
They enhance performance.

by Joseph Maciariello

Effective leaders create a spirit of performance by doing the right thing and getting the right things done. They possess integrity of character, possess a vision for the purpose, and focus primarily outwardly—on opportunities, customers, technology, and competitors—to achieve customer satisfaction and meet revenue and profitability goals.

Formulating and implementing a purpose requires leaders to be competent in a set of executive skills and tasks. The test is to develop the strength of each person so that common people do extraordinary things.

Since a demand for performance characterizes a high-spirited organization, executives focus members’ activities primarily on opportunities and results. They pay special attention to people decisions—selection, rewards, and promotion—knowing that these direct behaviors by revealing what is valued, rewarded, and punished.

Executive integrity is crucial to the spirit of performance since the character of leaders serves as an example. The visible actions of executives must be based on strict principles of conduct regarding responsibility, performance standards, and respect for individuals. If an organization is great in spirit, it is because the spirit of its top people is great. An executive who establishes the spirit of performance in daily practice is a leader. Leadership, according to Peter Drucker, involves “lifting a person’s vision to higher sights, raising a person’s performance to a higher standard, and building a person’s personality beyond its normal limitations.”

The best way to encourage the emergence of leaders is to create an organization that is great in spirit and purpose. The purpose indicates how the business intends to create value for its customers. Leaders must answer: What is our mission? What are our core competencies? Who are our customers and noncustomers? What do we consider results? What should be our purpose? Where are our opportunities for innovation?

In formulating a purpose, executives first to look to the external environment, including places where noncustomers are being served and where future customers are likely to be served. Formulating a purpose must be a forward-looking exercise—evaluating emerging trends, future changes, and social problems that may be turned into business opportunities.

In determining core competencies, leaders must ask, What are we really good at? and What should we be doing? Assumptions about mission, core competencies, and customers not only must fit reality, and be consistent with each other.

If the purpose is different, then abandonment, innovation, and change are needed. Leaders must recognize when to give up products, processes, and customers and reallocate resources toward more promising opportunities.

Effective leaders use five practices:

1. **Managing time.** Many executives are mostly occupied with the unproductive demands of others. Effective executives prune time-wasters in order to achieve high priorities, focusing mostly on producing results, developing people, and nurturing values.

2. **Setting priorities.** This enables them to concentrate on opportunities, on those tasks that show promise of producing results. Doing the most important things first—focusing efforts on priority areas—enable executives to achieve superior performance.

3. **Making people decisions.** These decisions should match the strengths of a person with the assignments of a position. This requires leaders to understand the assignment, consider qualified candidates, examine performance records, and ensure the selected candidate understands the new assignment. Effective leaders build on the strengths of people.

4. **Abandoning unproductive activities.** Executives should ask, If we were not doing a particular activity, product, or process already, would we do it now? If not, they should ask, What should we do about it now? Should we try to make it more effective abandon it, or, in the case of a product line, sell it?

5. **Making effective decisions.** This is both a skill—following the right steps in the right order—and practice of the executive. Executives make decisions that affect the results. Decision-making thus distinguishes their work.

**Executive Tasks**

Five tasks of executives are aimed at fulfilling these system requirements.

1. **Clarify purpose and set objectives.** Management by objectives involves setting goals to balance short-range and long-range objectives. These become the basis for organizing the human and capital resources, making work assignments, and facilitating teamwork.

2. **Organize by classifying activities and placing them in the structure according to their contribution to objectives.** Organizing should result in a few relationships required for each position to achieve performance. The structure should allow decisions to be made at the lowest level, since each layer adds complexity and noise.

3. **Motivate and communicate.** This requires social skills, trust, and a focus on results. It includes providing equitable rewards that balance the merits of the individual with the needs and stability of the group.

4. **Set yardsticks of performance and direct efforts toward objectives.** Performance in each position is measured in relationship to the objectives. Establishing controls and reporting mechanisms facilitates development.

5. **Manage their careers and develop others.** Managing yourself requires you to determine what you are good at (your strengths) and where your efforts are most fruitful (make the greatest contribution). You must also help the people around you develop their abilities and maximize their contributions.

A highly spirited organization consists of executives who are proactive in leading change by discerning the “future that has already happened.”

Joseph A. Maciariello is Horton Professor of Management at the Peter F. Drucker and Masatoshi Ito Graduate School of Management at Claremont Graduate University. Email joseph.maciariello@cgu.edu.

**ACTION:** Focus on executive tasks.
Invest $8-$10 a month in Leadership Development, Sales and Service Excellence, and Personal Growth!

Team Leadership ($10/month)

Leadership Excellence brings together the best thinking in the world on all the issues that leaders encounter, and offers it all in the most time-effective format.

Leadership Excellence print or audio CD
- 1-year (12 issues) $129
- 2-year (24 issues) $199
- 3-year (36 issues) $269

Team Leadership + CD combo
- 1-year (12 issues) $199
- 2-year (24 issues) $299
- 3-year (36 issues) $399

Sales/Service Leadership ($8/month)

Sales and Service Excellence covers seven dimensions of sales, marketing, and service excellence.

Sales and Service Excellence print or audio CD
- 1-year (12 issues) $99
- 2-year (24 issues) $169
- 3-year (36 issues) $229

Personal Leadership ($8/month)

Personal Excellence focuses on seven dimensions of personal development and leadership.

Personal Excellence print or audio CD
- 1-year (12 issues) $99
- 2-year (24 issues) $169
- 3-year (36 issues) $229

**Recent contributors include: Jake Steinfeld, Margaret J. King, Dianna Booher, Oren Harari, Pam Billrey, Dave Anderson, Jim Taylor, Peter W. Shutz, and many others!**

Sales and Service Leadership + CD combo
- 1-year (12 issues) $99
- 2-year (24 issues) $169
- 3-year (36 issues) $229

“Sales and Service Excellence is crisp, succinct, and actionable—a nice change from Harvard Business Review, whose articles are interesting but too academic to be useful.”

—PETER G. BALBUS, CEO & MANAGING DIRECTOR OF PRAGMAXIS

Self-Leadership ($8/month)

Personal Excellence focuses on seven dimensions of personal development and leadership.

Personal Excellence print or audio CD
- 1-year (12 issues) $99
- 2-year (24 issues) $169
- 3-year (36 issues) $229

“Personal Excellence is the only reading you’ll need to do for continual self-improvement both personally and professionally!”

—SHARLENE HAWKES, FORMER MISS AMERICA, AWARD-WINNING ESPN BROADCASTER

Master of Excellence Leadership Package
- 1-year Leadership Excellence (Print or Audio)
- Your choice of 1-year Sales and Service Excellence or Personal Excellence
- 20-year Instant Consultant leadership library CD
- 3-book package on leadership*
- $329 (save over $150)**
- $399 Receive all three publications**

For more than 20 years, our three monthly magazines have been the best source for the best and brightest insights from all the top consultants, coaches, authors, and top executives.

Subscribe to Leadership Excellence, Sales and Service Excellence, and/or Personal Excellence—all part of the Excellence Performance System—and gain exponential return on your investment.

Use all of our FREE Development Tools:

- **Personal Excellence Plan**, an easy-to-use guide designed to help you create and implement a vision and mission, goals, and priorities.
- **Excellence in Action Cards** to help you put into action those ideas that will bring about desired change.
- **Excellence Worksheet**, the perfect way to bring Excellence into a meeting or team.

Please start my subscription!
Please sign me up for the item(s) I checked.
Name ___________________________
Company ________________________
Address _________________________
_________________________________
_________________________________
Phone ___________________________
Email ____________________________

Visa □ MC □ Amex □ Disc □ Bill me

# ______________________ exp. _____

Signature _________________________

*Books may be different than shown.  ** For Canadian and International subscriptions, add $20 U.S. postage per year—all three publications include Leadership Excellence, Sales and Service Excellence, and Personal Excellence.

Fax this form to 801-377-5960 or contact Kathi Christman by phone at 877-250-1983 ext 201, or email kchristman@EEP.com.
What if all of your employees and team members had easy, instant access to the best minds, articles, and thinking on leadership, leadership development, sales, marketing, branding and personal development? They would be better equipped to solve daily problems, be more productive, and have more of the tools and skills they need to be better employees and leaders.

For more than 20 years Leadership Excellence has provided the leadership development industry with access to the very best articles from the most innovative, creative and respected thinkers, consultants, trainers, speakers, authors, and leaders in their fields.

Now those articles are available to you electronically for as little as $1 per month per employee. What better investment could you make in your employees, your organization, or your company?

We’ve made it as easy as email for everyone in your organization to receive and benefit from the best and latest ideas that will build a more productive and efficient work force and management team to move your company forward. Executive Leadership Intranet Packages offer all of this for you. Get started today!

Really Big Problem:

It took Google only .2 seconds to find 142 million articles on leadership! How much time do you have to search for the useful ones?

Solution: Leadership Excellence Electronic Packages

Leadership Excellence

Electronic Intranet group subscriptions:

- 10 to 49 users $500
- 50 to 199 users $1,000
- 200 to 999 users $2,500
- 1,000-2,999* $3,250
- 3,000-4,999 $4,000
- 5,000-9,999 $5,000
- 10,000-19,999 $10,000
- 20,000-39,999 $15,000
- 40,000+ contact Geoff Pace below

*For 1000 or more users, add customization—your logo, title and short message. Ask about this option.

Get Started Today!
A Leader in Leadership Development.

More and more of the nation’s top corporations are turning to accredited universities for learning programs to develop the next generation of leaders. And one of the universities they’re turning to is Bellevue University.

Named by Leadership Excellence Magazine as one of the Top 15 University Leadership Development Programs, Bellevue University is known for its responsiveness and flexibility in designing strategic leadership programs for its corporate partners.

To learn more about how Bellevue University can help you develop your organization’s next generation of leaders, contact us at 866-827-8467 or visit www.corporatelearning.com.