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JANUARY 2009

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—Warren Bennis, author and USC professor of management

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Best and Worst Leaders

We sometimes forget that all three pigs were proactive and enterprising. All built shelter and had some provision. But only Practical Pig's brick built-to-last structure stood the test of time when good times ended and recession set in.

E · D · I · T · O · R ' S   N · O · T · E

Best and Worst Leaders

The differences can be like night and day.

by Ken Shelton

RECENTLY, I WAS ASKED BY Missy Smith of *Publishing Executive* to answer some questions about leadership.

Why and how did you get involved in leadership? In 1983, I was recognized as Editor of the Year in higher education and was fired for it. Out of work and tired of poor leadership, I decided to start *Leadership Excellence*, in partnership with the top thought leaders of the day.

Why is good leadership important? Read or watch the news. Bad leaders create havoc, waste, corruption, loss, crises, and in extreme cases devastation and death. In contrast, good leaders create sustained work and benefits. The difference between them can be as wide and deep as the Grand Canyon; their results as measured in profits or losses can soar into the billions; their relationships as measured in trust and tenure range from high and lifelong to low and tenuous.

What characteristics make for a good leader? I've written extensively on this topic in my books. However, I'm not fond of listing "Boy Scout" virtues (I've known too many "scout" leaders who mouth such platitudes and then abuse people). Good leaders, above all, are consistent, reliable, responsible, open, direct. They do what they say; and how and why they get results matter as much to them and what, who and when.

What actions or duties are required of a leader? They are duty-bound to see a desired (better) future and engage people in creating it. To treat people with respect. To cultivate trust. To keep focused on what matters most. And when the work is done, to have fun and share the recognition and rewards.

If you're a top executive, why do you need to demonstrate strong leadership skills? Otherwise, you won't have a company. If you can't lead people and manage resources, you go out of business. Sadly, many so-called leaders and managers today have sold out. They no longer operate as self-sustaining, independent entities; hence, they lose their voice and viability—and even lose a customer orientation.

How can a strong leader guide his or her company during rough times? First, be as transparent as possible, treating people as responsible adults who share in the problem and solution. Show and tell people what's at stake (survival, life as we know it, everything we hold near and dear). Present the facts. Invite their energy and ideas. "Strong" leaders often appear "soft" on people, hard on the problem. They break down silos, entitlement mindsets, us-vs.-them thinking, inequities, and blame games. Rough times often cause them to share ownership.

What happens when good leadership is lacking? The culture is soon characterized by politics, favoritism, cronyism, nepotism, chaos, corruption, egotism, depression, dependency, boredom, mediocrity, low engagement, victim mindset. Good leaders often bring energy, excitement, optimism, hope, vision, direction, and action to situations. They restore trust and open communication. They rebuild transparency and credibility with all constituents.

What advice do you have for people who work in a leadership role? Huddle up. Open the books. Share the outlook. Address the challenges. Set the new direction. Invite participation. Gain buy-in. Share the sacrifice. Recognize and reward the right people. Send the right signals. Communicate more. Connect with key employees and customers regularly. Set high standards and goals. Focus on execution excellence in every role. Measure a few *key success factors* weekly and make people's performance visible. Keep recruiting and upgrading the team. Go for what constitutes a meaningful win to your people.

List of Best and Worst

In our list of *2008 Best and Worst Leaders*, we made selections based on this criteria: track record, decisions and actions, tests and standards, responsibility and accountability, relationships, and results. **LE**

BEST LEADERS

Barack Obama, president elect
Alan Lafley, CEO, P&G
Ann Mulcahey, CEO, Xerox
Jonathan Schwartz, CEO, Sun Microsystems
John Rooney CEO, U.S. Cellular
Steve Jobs, CEO, Apple
Warren Buffet, Berkshire Hathaway
Jeffrey R. Immelt, CEO, GE
Eric E. Schmidt, CEO, Google
Fred W. Smith, President, FedEx
William C. Weldon, CEO, J&J
Gary C. Kelly, CEO, Southwest Air
Jim Sinegal, CEO, Costco
Brian Walker, CEO, Herman Miller
D. Scott Davis, CEO, UPS
John T. Chambers, CEO, Cisco Sys
George W. Buckley, CEO, 3M
Danny Wegman, CEO, Wegmans
James D. Weddle, Managing Partner, Edward Jones
Arthur D. Levinson, CEO, Genetech
Irwin M. Jacobs, CEO, Qualcomm
Lou Gentine, CEO,Sargento Cheese
Lakshmi Mittal, CEO, Arcelor Mittal
Arthur D. Levinson, CEO, Genetech

WORST LEADERS

Dick Cheney, Vice President
Donald Rumsfeld, Sec. of Def.
Angelo Mozilo, CEO, Countrywide
Gavin Newsom, Mayor, SF, CA
Ben Bernanke, Fed Res Chair
Henry Paulson. Sec of Treasury
Rick Wagoner CEO, GM
Robert Nardelli CEO, Chrysler
Alan Mulally CEO, Ford
Henry McKinnell, CEO, Pfizer
Barney Frank, Congressman
Chris Dodd, Senator
Christopher Cox, SEC Chairman
Rod Blagojevich, Illinois Governor

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Executive Excellence Publishing:
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For additional information on artwork by Scott Gustafson, please contact:
Greenwich Workshop
151 Main Street
Saymour, CT 06483
1-800-243-4246
www.greenwichworkshop.com

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Executive Excellence Publishing

Innovation Masters

Is innovation easier than golf?

by Gary Hamel

NO SPORT DELIVERS less adrenaline per unit of time than golf. For years, that simple fact kept me off the links. When compared to hurling myself down a black diamond ski run or diving on a wreck, the idea of spending the better part of a day struggling to propel a small ball toward a pint-sized hole, with a device ill-suited to the task, seemed to me both pointless and effete.

Yet there I was recently, hacking my way around two beautiful golf courses: Kauri Cliffs and Cape Kidnappers, both of which have views across the Pacific from New Zealand's North Island. And then I was off to join a week-long golf orgy in Palm Springs.

My journey from sneering skeptic to helpless addict began a decade ago when I set out to write a cover story for *Fortune* on the Internet. To imbue the piece with a bit of first person veracity, I visited eBay's nascent website and, more or less randomly, entered a bid for a set of golf clubs. So confident was I that my low-ball offer would soon be bested, I didn't bother to check back in on the auction. A few days later, I walked into my office and discovered an elongated box propped up in one corner. "Oh crap," were the first words out of my mouth when a shiny set of Wilson irons tumbled out of the package.

Nevertheless, within a few days I was down at the Stanford University driving range with a bucket of balls at my feet and a 7-iron in my hand. My first swing slammed into the ground a foot behind the ball, sending an electric shock up my arms. Another hideous spasm and the golf ball was whizzing sideways, provoking startled stares from my fellow range rats. Ten, 20, or 50 lunges later, I connected—and with a whizzing sound sweeter than the air intake on a Ferrari F430, that little white orb started to soar. Up it went, suspended in the sparkling autumn sky. And then, 160-yards downrange, it returned to earth, bouncing softly on the grass.

Jeepers. I had just hit a ball farther than a Barry Bonds home run—and it felt good, that sudden, effervescent jolt of positive reinforcement. In that first euphoric moment, I had no idea I had just inhaled a drug more powerful than crack, but I knew I wanted more of that grin-inducing buzz that comes when you succeed, even intermittently, at something darn-near impossible.

Like addicts of all sorts, my craving has cost me dearly. The new clubs every 18 months or so, the country club dues, and the dollars and days consumed by coaches, golf schools, and training aids.

The golf swing has been called

"the most difficult move in sports"—a gross understatement. To send your ball rocketing precisely toward its target, you must think of nothing but the target, while resisting the temptation to look at the target; you must keep your arms and hands relaxed, while torquing your torso like a taut rubber band; and you have to accelerate the club head from a standstill to more than 90 miles an hour in less than a second, while resisting the temptation to "swing hard."

And yet, with a bit of application, a middle-aged Boomer with a modicum of athletic ability can become a respectable golfer. And once or twice a round, this diligent, well-trained amateur will hit a golf shot that is the equal of anything you're likely to see on the PGA Tour.

This fact brings me neatly to my main point: Despite the old adage to the contrary, gray-haired dogs really can learn new tricks.

Old Dogs, New Tricks

Your company can dramatically improve its innovation performance! With the right tools and training, you can teach "ordinary" employees how to be extraordinary innovators.

And yet few CEOs put every employee through an intensive training program aimed at boosting their innovation skills. Sure, companies have electronic suggestion boxes, slush funds for new ideas, elaborate pipeline management tools, and innovation awards—but in the absence of a cadre of extensively trained and highly skilled innovators, much of the investment in innovation enablers will be wasted.

Imagine that you coaxed a keen, but woefully inexperienced golfer onto the first tee at Pebble Beach. After arming the tyro with the latest titanium driver, you challenge him to split the fairway with a monster drive. You promise the neophyte a $100 bonus every time he hits a long bomb that stays out of the rough, and another $100 for every hole where he manages to break par.

But what you don't do is this: You don't give him any instruction—no books, no tips, no coaching, no video feedback, and no time off to perfect his swing on the practice range. Given this scenario, how many 200-yard drives is our beginner likely to land in the fairway? How long is he likely to stay avidly devoted to the task at hand? And what kind of return are you likely to get on the $2,000 you spent on a bag full of high-tech clubs and the $450 you shelled out for a tee time? The answers are: Not many, not long, and not much. And no one who knows anything about golf would ever set up such a half-assed contest.

Invest in Innovation

I'm dumbfounded by the fact that so few executives invest in the innovation skills of their frontline employees. The least charitable explanation for this mind-boggling oversight: senior managers subscribe to a sort of innovation apartheid. They believe that a few blessed souls are genetically equipped to be creative, while everyone else is a dullard, unable to come up with anything more exciting than spiritless suggestions for Six Sigma improvements. A more charitable reading: CEOs and corporate HR leaders simply don't know how to turn on the innovation genes that are found in every human being.

Obviously, you can't teach someone to be an innovator unless you know where game-changing ideas come from. You need a theory of innovation—like Ben Hogan's theory of the golf swing. A few years' back, I and several colleagues analyzed more than 100 cases of business innovation to understand why some individuals, at certain points in time, see opportunities that are invisible to everyone else.

Pay Attention to Four Things

We learned that successful innovators have ways of seeing the world that throw new opportunities into sharp relief. They have developed, usually by accident, a set of perceptual "lenses" that allow them to pierce the fog of "what is" in order to see the promise of "what could be." How? By paying close attention to four things that usually go unnoticed:

1. Unchallenged orthodoxies—the widely held industry beliefs that blind incumbents to new opportunities.

2. Underleveraged competencies—the "invisible" assets and competencies, locked up in moribund businesses, that can be repurposed as new growth platforms

3. Underappreciated trends—the nascent discontinuities that can be harnessed to reinvigorate old business models and create new ones.

4. Unarticulated needs—the frustrations and inconveniences that customers take for granted, and industry stalwarts have thus far failed to address.

I've learned that these modes of discernment can be taught to anyone who is genuinely eager to "see differently." As individuals experience seeing the world in new ways, and as their novel insights get shared and cross-tabulated, an organization's capacity for innovation soars.

See with Fresh Eyes

The first and most important step for any company intent on building a capacity for continuous, game-changing, innovation is to teach its people how see what's around them with fresh eyes. Until your company steps up to this challenge, it will be filled with innovation hackers whose ideas rarely find the fairway. LE

Gary Hamel is director of the Management Lab and visiting professor strategic and international management at the London Business School. Adapted with permission from Gary Hamel's Management 2.0 blog for Harvard Business School Publishing. Visit www.garyhamel.com.

ACTION: Invest wisely in innovation.

Women Leaders

They embody four traits.

by Martha Carlson

AS WOMEN LEADERS, we live in historic times. Women are now taking top leadership roles and positions in many places and shaping the workplace as never before.

In the U.S., women now account for 46 percent of the total labor force, and 51 percent of all workers in high-paying management, professional, and related occupations. And women outnumber men as financial managers, medical and health services managers, accountants and auditors, budget analysts, property, real estate, and human resources (to name a few).

However, few women are found in the top earner, board member, officer level, or senior leadership roles. It seems that there is a double standard for women leaders: if they act consistent with gender stereotypes, they are considered too soft. If they take on traditionally male characteristics, they can't win either. When women exhibit traditionally valued leadership behaviors, such as assertiveness, they tend to be seen as competent but not personable. And women often face higher standards of performance expectations at lower levels of reward.

Four Characteristics

We are at a critical juncture for the future of women in leadership. As a female executive coach, my job is to communicate the characteristics that will sustain their effectiveness and fulfillment as they navigate the waters of leadership. Here's what I find:

- ***Authenticity.*** Authenticity is being self-aware, understanding your strengths, weaknesses, desires, and fears and converting this self-awareness into a business tool, and choosing how you will leverage the positive and compensate for the negative. Success is achievable if you realize that you do not need to be a man or act like a man to be effective. You must be yourself and act with integrity. An authentic woman leader sometimes recognizes that authenticity itself may be veiled by tact and judgment. A successful woman recognizes that things left unsaid are often more powerful than what is said.
- ***Fearlessness.*** Our behaviors are motivated either to fulfill our needs for satisfaction or to defend our sense of security. When we are motivated by security, whether with respect to our relationships or our sense of competence and self-worth, we act out of fear and thus compromise our effectiveness. When we are motivated to fulfill our need for satisfaction, we set aside our fears and focus on what we want to achieve—and are more likely to attain it. Fearless leaders take calculated risks and discern the cost/benefit of those risks. If (and when) a successful woman leader fails, she realizes a closed door only opens windows of opportunity.
- ***Focus.*** As women, we may believe we are the consummate multi-taskers —doing good work for our business, family, community, and friends. But to be effective and to sustain our progress toward our aspirations, we must stop multi-tasking and make a deliberate choice to focus. While we may be *able* to do many things at once, we can only *do justice* to one thing at a time. By being clear on the activities and actions essential to our success and fulfillment and maintaining singular focus, we increase the odds of achieving our goals tenfold.
- ***Energy.*** We can't achieve success by burning ourselves out—working longer, compromising sleep, and depleting our wellness. We must attend to what brings us energy in the physical, emotional, mental, and spiritual sense. This includes getting adequate sleep and exercise, dealing with negative emotions, fueling positive emotions, prioritizing tasks and activities, and then allocating time and energy to the most valuable ones.

One exemplary woman business leader is Marilyn Carlson Nelson, chairman of Carlson Companies. She embodies the characteristics of authenticity, fearlessness, focus, and energy.

These four characteristics apply equally to women and men. None are inherently feminine or masculine. Neither men nor women have a lock on effectiveness and fulfillment. This gives me confidence in the growing force of women in leadership. LE

Martha Carlson is Co-Principal and Executive Coach at The Bailey Consulting Group, and facilitates The Exchange, A Forum for Women Leaders. Visit www.thebaileygroup.com.

ACTION: Cultivate these four characteristics.

Align Action and Values

Put some teeth into your statements.

by Jim Collins

EXECUTIVES SPEND too much time drafting, word-smithing, and redrafting vision statements, mission statements, values statements, purpose statements, aspiration statements, and so on. They spend nowhere near enough time trying to align their organizations with the values and visions already in place.

Studying and working closely with some of the world's most visionary organizations has made it clear that they concentrate primarily on the process of alignment, not on crafting the perfect "statement." Not that it is a waste of time to think through fundamental questions like, "What are our core values? What is our fundamental reason for existence? What do we aspire to achieve and become?" Indeed, these are very important questions—questions that get at the "vision" of the organization.

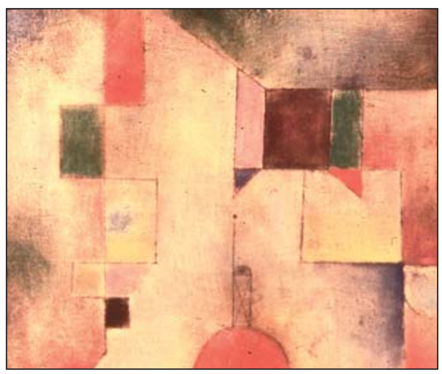
Yet vision is one of the least understood—and most overused—terms in the language. Vision is simply a combination of three basic elements: (1) an organization's fundamental reason for existence beyond just making money (often called its mission or purpose); (2) its timeless unchanging core values; and (3) huge and audacious—but ultimately achievable—aspirations for its own future (I like to call these BHAGs, or Big Hairy Audacious Goals). Of these, the most important to great, enduring organizations are its core values.

Okay, all fine and good to understand the basic concept of vision. But there is a big difference between being an organization with a vision statement and becoming a truly visionary organization. The difference lies in creating alignment—alignment to preserve an organization's core values, to reinforce its purpose, and to stimulate continued progress towards its aspirations. When you have superb alignment, a visitor could drop into your organization from another planet and infer the vision without having to read it on paper.

Creating alignment is a two-part process. The first is identifying and correcting misalignments. The second is creating new alignments, or what I call "mechanisms with teeth." I'm going to discuss the process as it applies primarily to core values, but the same basic process applies to creating alignment with purpose and BHAGs.

Correcting Misalignments

Identifying misalignments means looking around the organization, talking to people, getting input, and asking, "If these are our core values



and this is fundamentally why we exist, what are the obstacles that get in our way?" For instance, many organizations say they respect and trust their people to do the right thing, but they undermine that statement by doing X, Y, and Z. The misalignments exist not because the statements are false: these companies believe what they say. The misalignments occur because years of ad hoc policies and practices have become institutionalized and have obscured the firm's underlying values.

For example, say an organization launches a new service without coordinating its internal processes, creating problems for customers. To make sure it doesn't happen again, managers institute a sign-off process for each new service that's introduced. The policy remains embedded in operations long after people have forgotten why it was created. At some point, many people in the organization begin to grumble about the organization's elaborate sign-off process, recognizing its inconsistency with the notion of respect and trust for the individual. The first task for leaders, then, is to create an environment and a process that enable people to safely identify and eliminate these misalignments.

I recommend working collaboratively with people throughout the organization. Ask each individual to identify something in his or her daily work that is inconsistent with the organization's core values. Randomly sort the individuals into groups of three to six and ask each group to come up with the three most significant misalignments pertaining to each core value. Let's say you had 24 people involved—four groups of six. Each of the four groups comes up with three misalignments for each core value. Lo and behold—what do you find? Typically, each group has identified the same misalignments. This process allows your organization to quickly identify—without pointing fingers—the four or five most significant misalignments. Once you've agreed the emperor has no clothes, you can begin to dress him.

Creating New Alignments

It's one thing to eliminate misalignments that exist but shouldn't. It's another to create something that doesn't yet exist but ought to. Just being consistent is not enough. True alignment means being creatively compulsive. It means going over the top.

Consider, for example, Granite Rock Company, a small construction-materials outfit that won the Baldrige award in 1992. The company espouses continuous improvement in customer satisfaction. They tell their customers, "If there's anything about an order you don't like, simply don't pay us for it. Deduct that amount from the invoice and send us a check for the balance." They call it shortpay; I call it a thorn in the laurel or a mechanism with teeth. While many successful organizations rest on their laurels, Granite Rock does the opposite. They devised a system that makes it difficult, if not impossible, to become complacent about continuously improving customer satisfaction. Would Granite Rock be inconsistent without shortpay? No, but telling customers, "If there's anything you don't like, don't pay for it," goes way beyond what other organizations normally do.

Likewise, 3M could simply say, "We don't get in the way of innovators." Fine. But that's very different from creating mechanisms—like requiring that 30 percent of revenues be generated by new products—to actually *stimulate* innovation. By instituting these reinforcement mechanisms, Granite Rock and 3M bring their values to life.

To take another example, it's easy to say, "We ought to do more training of new people when they come in the door so they'll learn our value system." But that's not creating alignment. Alignment would be to enact a process in which "Within their first 48 hours on the job, all new employees will go through an eight-hour orientation process to learn what this organization is about. They'll study its history and philosophy. They'll meet with a senior executive." That's concrete and specific—two requirements of an effective alignment mechanism. It also has teeth.

Suppose one of your core values is encouraging employee participation and creativity, and therefore you want to encourage input and ideas from people throughout your organization. So you create a suggestion box. Is that alignment? Yes, it is an alignment mechanism, but to make it an *effective* mechanism, you must take the concept much further. Instead of sticking a suggestion box off by itself in some hallway, consider putting suggestion boxes in every hallway, corridor, conference room, and lunch room—anywhere people might be when they get an idea.

And don't stop there. Add the commitment that every submission, anonymous or signed, will be responded to publicly within 48 hours in the form of a statement specifying what will be done and who is responsible for getting it done. And beyond that, perhaps give recognition, prizes, or bonuses for the best ideas and suggestions or even give "thanks for the input" prizes randomly to a subset of all suggestions, no matter how valuable. Now, that's alignment. **LE**

Jim Collins is a student and teacher of enduring great companies, and the best selling author of Built to Last: Successful Habits of Visionary Companies *and* Good to Great: Why Some Companies Make the Leap . . . And Others Don't. *Visit www.jimcollins.com.*

ACTION: Align values and actions.

Innovation

It changes the game.

by A.G. Lafley

LEADERS OFTEN DECIDE on a strategy—what markets to pursue and products to make—then turn to innovation to support it. This is the wrong way around. Leaders need to put innovation at the center of the business in order to choose the right goals and strategy. The CEO must also serve as the CIO—the chief innovation officer.

Innovation is the real "game-changer"—the real source of sustainable competitive advantage and the most reliable engine of sustainable growth.

At P&G, we ask ourselves: how can we put innovation at the center of all we do? How can we turn innovation into more consistent, more decisive, and more sustainable competitive advantage? How can we manage the associated risks? How can we see and take advantage of the opportunities innovation might offer us?

We look at what we believe are the key enablers of an innovation strategy—drivers that create an innovation-led operation, build an innovation culture, and result in game-changing innovations that touch more consumers and improve more lives.

Eight Elements

To drive innovation, leaders must integrate ***eight elements*** with operations.

1. Motivating purpose. Innovation-centered companies are inspiring places to work. People there are motivated by a higher purpose and values. Having a purpose that's higher than delivering numbers gives meaning to work and unifies an organization.

2. Stretching goals. Goals influence every choice. Identifying a few critical goals creates clarity in focusing on strategies that win and align everyone's energy. To create game-changing innovation, leaders need to set growth goals that are stretching but achievable with sustained innovation, driven by leaders who see it as the way to change the game.

3. Selected strategies. Once goals are set, you have to figure out how to achieve them. Strategies are the few critical choices required by clear goals—choices that result in winning with customers and against competition. Putting innovation at the center of your thinking enables you to see strategic choices in a different light.

4. Unique core strengths. Once you choose where to play, focus on how to win by building on, enhancing, and deploying your unique core strengths. These enable you to play successfully and are consistent with what your company does best. They create and sustain competitive advantage and can be integrated to meet unforeseen needs.

5. Enabling structures. The execution of a strategy and deployment of unique core strengths require the design of a structure that supports innovation at the center of the business. There's no one best way to structure an innovation-centered company; managers simply need to design structures and processes that bring in and commercialize outside ideas.

6. Consistent and reliable systems. Innovation is creative but not chaotic. It is a systemic way of moving from concept to commercialization. It has well-defined success criteria, milestones, and measures. It is integrated with the mainstream of managerial decision-making, particularly the choices of where to play, specific time-based goals, and key performance indicators. Innovation is also linked with revenue growth, cost targets, resource allocation, people development, promotions, performance appraisals, and rewards.

7. Courageous and connected culture. In an innovation-centered company, managers and employees have no fear of innovation, since they know how to manage its attendant risk. Innovation builds their mental muscles, leading them to new core competencies. The culture of innovation helps the organization to be agile and not only adapt to change, but also cause change.

8. Inspiring leadership. Leaders link all the drivers of innovation, energize people, and inspire them to new heights. Leaders set stretch goals that are achievable. They exercise both their IQ and EQ, enabling them to work with diverse people and convert their creativity into practical results. They seek to know consumer needs and try to balance possibilities and practicalities. **LE**

Alan G. Lafley is CEO of P&G and coauthor of The Game Changer *(Crown Business). Visit www.pg.com.*

ACTION: Drive innovation with these elements.

Meaning at Work

See primary and secondary factors.

by Alicia Bassuk and Marshall Goldsmith

WITH SO MANY OF US LEADING A 24/7 work life, we're searching for meaning in our work. Gone are the days of the 35- to 40-hour work week and the month-long yearly vacation. We're tied to our jobs via technology all day, every day. Without a purpose for all this work, it loses its allure quickly—and even the best leaders burn out.

Increasingly, leaders are focusing beyond effectiveness, productivity, and compensation, and are striving to find more meaning in their work. Historically, leaders sought opportunities in organizations that were stable, prestigious, and well-funded. They worked for one or two organizations before they retired. Today's leaders change companies more frequently—in search not only of prestige and compensation, but also deeper meaning from their professional life.

Primary and Secondary Factors

Meaning in the workplace is derived from both primary and secondary factors.

To some, meaning comes directly from the work they do. These are "primary meaning" factors. If the purpose of their work is to feed the hungry or to educate children, their need for meaning through work may be satisfied.

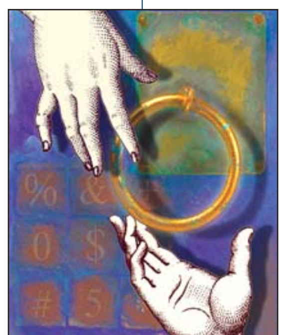
For others, the content of the work is less important in terms of meeting their quotient for meaning, and other "secondary meaning" work factors are more highly valued. They satisfy their meaning quotient in a multi-faceted way. Secondary work factors are becoming more common drivers for finding meaning through work.

Nine Secondary Meaning Factors

From our experience developing leaders, we've learned that nine secondary meaning factors are vital to recruit, retain, and develop leaders:

1. Philanthropy and community service. *Sofia is the COO at a large bank. Her HR director introduced her to the chairman of a non-profit. Sofia is now on the board, and her employer makes contributions through its foundation. In her annual review, Sofia is credited with being a strong civic leader who represents the company well. She has organized her division to spend one day each quarter providing service with the non-profit. She requires her staff to engage in this service to receive the highest ranking.*

Companies that act philanthropically through foundations or community service activities contribute to meaningful work. Many companies have paid community service time that is approved by managers. Guidelines for a minimum number of community service days encourage full participation and discourage managers from punishing their teams for missing work to spend the day helping the cause of their choice.



2. Healthy culture. *Marco is an EVP at a technology company. Dressed in jeans and a sweater, Marco and his daughter ride their bikes to his work each morning. After he drops her off at the onsite daycare facility at 9:30 a.m., Marco walks to his office. On the way, he exchanges smiles and high-fives with his staff. After four hours of intense work, Marco spends his lunch hour at a company-sponsored meditation session.*

More difficult to measure is the health of the culture and the extent to which the culture feels like it is a good fit. This is manifested in myriad ways: from openness in communication, to napping policies, to dress codes, onsite daycare, flex hours, and warm interactions. Companies that attend to these secondary contributions may offer health club use during lunch hours, meditation, executive coaching, and ping-pong tables to encourage play.

3. Ethical alignment. *Jane is the CEO of a non-profit. She's aware that the Chairman has made some decisions that are atypical in the non-profit world. Jane talks to several board members, including the Chairman. They schedule an emergency phone conference to openly discuss the ethical implications of the Chairman's actions.*

Leaders want to associate with organizations with which they are ethically aligned. Leaders can engage in healthy debate around sensitive ethical decisions. They may not be in agreement, but they have a shared understanding of ethics as central to their business practices.

4. Mentoring. *Robert is the manager of a tool factory. Between meetings with distributors, Robert receives an email from a factory supervisor who has received a call from HR regarding an opportunity for promotion. Robert calls the supervisor and shares his perspective and helps the supervisor prepare for the meeting. After the meeting, the supervisor calls Robert to thank him for his support.*

Mentoring is a major secondary meaning factor. When an executive has a connection with one or more senior managers who helps develop her or his skills and champion her or his success, the executive is more likely to develop meaningful relationships, feel more connected to the organization, and develop feelings of camaraderie and loyalty. In turn, the mentor feels that he or she is contributing to the success of another individual and derives secondary meaning.

5. Creativity. *Michelle is a buyer at a retail firm. Along with all salaried employees, Michelle is required to spend 10 percent of her work week on innovation. She spends her innovation time with a programmer in the IT division; together they develop a new application for the website.*

The ability to be creative at work also creates meaning. Employees are encouraged to collaborate across divisions, are given seed-funding to explore new product ideas, are given opportunities to experiment, and even supported in using a significant percent of their week towards innovation.

6. Big future vision. *Daniel is the GM of a media company. He meets twice a week with experts in the media field to brainstorm ideas about the way that people will engage with media over the next 10 years.*

Leaders want to be part of a big vision. Beyond growing a company or meeting goals, they want to improve the quality of life for other people, positively impact global relationships, create a new way for business to be conducted, and invent ways to influence the greater good. When strategy is aligned with a vision, it supports a culture in which employees want to do their part to achieve the big vision.

7. Multiple perspectives. *Juliet is a partner at a private equity firm. In select-*

ing the best candidates for funding, Juliet gains significant expertise in each field.

Leaders have access to more information, knowledge, and expertise and want to engage with multiple perspectives. This can be in the form of outside experts advising on key projects, collaboration with leaders in other fields, conferences in which leaders share their key lessons learned, joint publications, and assignment of multiple responsibilities over time.

8. Exposure to others. *Alex is a Director at a hospitality firm. When he suggests a new location for a hotel, a team member who grew up there shares insights. The group investigates the new perspective first to understand it and then to integrate the data to apply it effectively to future projects.*

Leaders are enriched by exposure to people with different backgrounds and lifestyles. There is a stimulation and fullness that comes with working with leaders who were raised and live in various communities and are active in different activities. True exposure makes for more vigorous debate and a more curious environment.

9. Public engagement. *Isabella is the editor of a magazine. She is in the final stages of writing her second book. In the Q&A portion of her talk, a conference attendee asks a provocative question that pushes her ideas in a new direction.*

Something extraordinary happens when a leader shares her ideas in a public forum and engages large groups. Inevitably a new idea comes from someone in the audience, and the idea can then grow organically. It is stimulating and rewarding, and generates energy for rigorous thinking.

Organizations that do not support leaders who value secondary meaning factors risk losing them and being unable to compete. In organizations that support meaningful work experiences, the culture enables more of them. These secondary meaning factors self-perpetuate and attract and retain like-minded, meaning-seeking leaders.

Companies that provide maximum secondary meaning factors foster cultures in which loyalty—a tertiary meaning factor—develops. Ultimately, finding meaning at work is a question of quality of life. Leaders realize that they spend their most productive waking hours at work, and that making those hours meaningful is crucial. **LE**

Alicia Bassuk is the author of Monday Morning Leadership Handbook. *E-mail alicia@ubicastrategy.com or visit www.ubicastrategy.com. Marshall Goldsmith is the co-founder of Marshall Goldsmith Partners. Visit www.MarshallGoldsmithLibrary.com.*

ACTION: Implement secondary meaning factors.

ETHICS CHARACTER

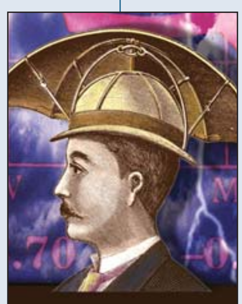
Being a Leader

Lead more with presence.

by Kevin Cashman

GOOGLE PLANS TO invest one percent of its equity, profits, and employee time in fighting climate change, advancing the economy, and creating warning systems for natural or man-made disasters or pandemics. It might well be the greatest case study ever of leaders' *Being*—delving deeply inward to unearth new possibilities.

Just how deep did Google go? Team members organized twice-weekly meditation sessions in their Mountain View, California headquarters with guest visits from Tibetan monks and mind-science researchers. Google.org director Larry Brilliant is the same man who led the WHO's effective smallpox immunization campaign on the recommendation of the guru he studied under while living in a monastery in the Himalayas.



Explaining why he has maintained his intensive study of self and its connection to comparative religions, Dr. Brilliant said, "It's the only game in town. Why do anything else?"

Meditation, prayer, and enjoying life's simple pleasures are more than just means to cope with the stress of the C-suite. They transform our state of awareness, help size up big issues, and lead to high-impact problem solving—enhancing our drive for external success with awareness of deeper values.

Benefits of Self-Awareness

If leadership is the act of going beyond what is, it begins by going beyond what is within us. Our inner calm attracts others by communicating a sense of comfort and thoughtful counsel. It translates into *executive presence*—a confidant demeanor that is not easily shaken by external circumstances. Being centered equips us to deal with change, enables us to refresh ourselves and achieve more with less effort, and gives us the mix of energy and calmness we need to achieve better balance.

Like flashes of intuitive insight, awareness of *Being*—this inner peace or spirit—comes to us in quiet moments—in the silence between our thoughts, the space between problem and analysis. As we go within, the power of thought is greater. Our deeper thoughts have more energy and power. As the mind settles down, it becomes more orderly, more able to comprehend and to handle challenges. We can go beyond the issues, combine seemingly unrelated variables, and come up with new solutions or perspectives.

If we want to *do* more, we need to *be* more. As Emerson wrote, "We but half express ourselves, ashamed of that divine which each of us represents." We can take more time to reflect and to be. Since leaders lead by virtue of who they are, we need to expand the depth of our character.

Four Points of Awareness

In leading with presence, keep these four points in mind:

1. Take your own journey into Being. Find your own path to unfold Being. It's your road, and only you can travel it and judge what vehicles will help you on your journey. Consider meditation, prayer, reflection, music, nature, exercise—whatever resonates with you.

2. Resolve life challenges by going to a deeper level. Problems rarely are solved on their own level. Learn to go to a deeper level to view things in a more comprehensive way. As your mind settles down yet remains alert, you can better sort through and organize your life. Experience the power of uniquely open, relaxed moments when the complex becomes simple, and the unsolvable is solved.

3. Learn to meditate properly. If you resist reflection or meditation, then your need to do so is probably great. Allow the resistance, but still spend time to meditate. As you experience the benefits, the resistance will subside.

4. Integrate some reflection into your life. Commit to a lifestyle that values more solitude, reflection, and meditation. Take some "Being Breaks" to get reacquainted with yourself. Enjoy the solitude. Go on walks. Sort out your priorities. Experience the silence. Reducing the noise and enjoying nature can help you to settle down and reconnect with yourself. Reflection is not an escape, but a process of preparing for a more dynamic, masterful life. **LE**

Kevin Cashman is senior partner and CEO advisor with Korn/Ferry Leadership and Talent Consulting and author of Leadership From the Inside Out. *Visit leadershipfromtheinsideout.com or e-mail kevin.cashman@kornferry.com.*

ACTION: Gain awareness to lead with presence.

Making Change Work

Learn lessons from the best.

by Jim Bramante and Lawrence Owen

IN LIGHT OF PRESSING REALITIES, MANY leaders desire pervasive change, and try to make changes, but few manage to do it well. In our study, we learned that on average 41 percent of projects are broadly successful (meeting project objectives within planned time, budget, and quality constraints). But even within the 41 percent that succeed, the top 20 percent are *supremely* successful. From these "change masters," we extract four lessons:

Lesson 1: Real insights, real actions. *Strive for a full, realistic understanding of upcoming challenges and complexities, and follow them with appropriate actions.*

Changing an organization requires change simultaneously at many levels—and organizations tend to build "immunities" to disruptive influences. Early awareness and consequent action can help to address the natural resistance of an organization to change. Some practical steps include:

- *Hook into the history.* Give change leaders access to historical data, people surveys, culture assessments, and "war stories," as well as to the people involved in previous projects if possible. Learn from both good and bad experiences and seek insights into the "soft" aspects of organizational change.
- *Open your eyes wide!* Examine the project's scope and expected outcomes carefully. Assess the dimensions of the change—people, culture, behavior, and organizational aspects, as well as process and technology impacts. Be realistic in defining what change is needed and communicate the reality.
- *Plan and adjust.* With a thorough understanding of project complexities, build a change plan to address them. As the plan is communicated, tested, and executed, be prepared to revise it frequently to handle the unexpected.
- *Take a long view.* Be prepared to build and execute plans to address the "soft stuff," which may extend well beyond the formal end date of the project. Changing these aspects takes time, patience, and consistent, continuous activity. Be prepared to continue these activities from project to project.

Lesson 2: Solid benefits, solid methods. *Use a systematic approach to change that is closely aligned with formal project management methods.*

Increased project complexity and attentiveness to hidden, softer dimensions of change is accelerating the movement of formal change management in the project mainstream and its integration into project management.

Putting solid methods into practice begins with allocating resources to establish a change method aligned with the project management approach. Then it must be used consistently. Developing a standard change method should include three practical steps:

- *Separate, but integrate.* Manage change as its own formal work stream within each project. Integrate it into project management and manage it with the same rigor.
- *Keep all eyes on "the prize."* Control the scope of the change effort to remain focused on clearly defined activities that spur the realization of benefits defined by the original business case.
- *Get consistent.* Develop and promote a standard change method that can be applied consistently from project to project. Communicate this widely and monitor its adoption.

Lesson 3: Better skills, better change. *Use resources appropriately, including communicating top management sponsorship, assigning dedicated change managers to projects, and empowering employees to enact change.*

For teams involved in change, enabling skills and engagement across the organization should be a priority to help build the capabilities to support continuous change. Some practical suggestions include:

- *Lead from the top.* Set direction, allocate resources, and establish culture from the top. A change sponsor should be visibly involved in setting direction, publicly communicating at all levels, using different techniques and media, and allocating the right skilled resources to the change effort.
- *Involve the people.* Emphasize employee involvement to ease resistance to change, at both individual and group levels, and establish mechanisms to encourage that involvement.
- *Communicate or fail.* Promote honest and timely two-way communication to build trust and commitment to change programs and leaders, and reduce resistance. Use multiple channels and different media. Understand the audience and how it likes to communicate.
- *Get the right skills—everywhere.* Enable rapid development of internal skills to keep pace with external changes. Consider establishing a permanent change-management capability.

Lesson 4: Right investment, right impact. *Allocate the right amount of change management—neither too little nor too much—by understanding which types of investment can offer the best return in terms of greater project success.*

Organizations need the right budget to build strategic capabilities and integrate them into processes and structures. Investing a little more per project can greatly improve results. Change Masters consider money spent on change management as an investment. Some practical ideas include:

- *Tackle complexity before it tackles you.* Invest upfront in gaining and acting upon insights that can help you avoid and overcome both expected and unexpected hurdles during the project.
- *Remember to emphasize the human touch.* Invest in skills by using well-trained change managers more consistently and enable widespread communications that engage employees across all organizational levels.
- *Put some method into your madness.* Invest in establishing standardized methods to build more effective and long-term capabilities that support change efforts, and to remain vigilant about project spending overall.

By excelling in all four change areas, change masters attain an 80 percent success rate in their projects. **LE**

Jim Bramante is Managing Partner-Americas for IBM Global Business Services. Email james.p.bramante@us.ibm.com. Lawrence Owen is VP, Strategy & Change Consulting, IBM Global Business Services. Email owenl@us.ibm.com. Visit www.ibm.com/gbs/makingchangework.

ACTION: Apply these four lessons.

Strategic Planning Delusion

Four common dangers threaten your ascent.

by Don Schmincke

THOUSANDS OF CEOs voice frustration with strategic planning efforts. It's not that spending time on strategic planning is bad, but what should executives do differently?

An answer can be found in a unique lab, the death zone—altitude above 26,000 feet where lack of oxygen threatens long-term survival. Here, climbers resemble executives. They live passionately while confronting impossible odds. Some are deeply humble, while others are psychotic narcissists. They come with all levels of competence, from naive wannabes to elite athletes. And when put to the test, climbers react like executives: sometimes heroically, other times self-destructively.

Remarkably, executives who create and execute great strategies in the face of extreme challenges—high-altitude leaders—walk a different path. They succeed by recognizing and surviving specific dangers found at higher levels.

Four Dangers

Four dangers threaten leaders when they engage in strategic planning:

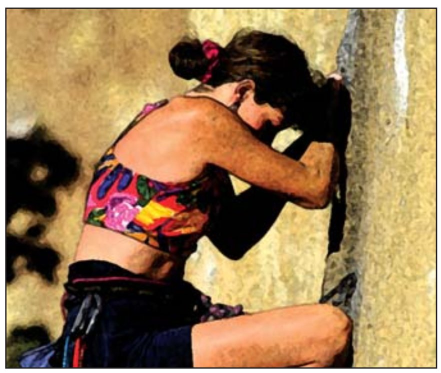
Fear of death. Last year at 26,500 feet on K2, an experienced Sherpa slipped off the edge into the darkness. He would fall for several minutes before hitting the glacier below. All the climbers stopped as the fear of death gripped them. This jeopardized what could be a successful summit.

The same happens in strategic planning. Unconscious anxiety about the death of a project, product line, sales target, market, career, or strategic goal causes executives to freeze. When this happens, strategic breakthroughs are jeopardized as managers shirk great decisions, avoid taking risks, stop challenging each other, and resist changes.

High-altitude leaders free up strategic thinking by embracing death. This unleashes innovation versus preserving the status quo, creates new opportunities versus resisting the inevitable death of a cherished product or market. Many leaders call it "dying before battle." Companies facing bankruptcy can experience the same effect—a freedom to take risks and pursue innovative strategies. What decision is your strategy team avoiding? What long overdue actions would they take today if the company was really dying?

Selfishness. At high altitudes, selfishness kills people when new strategies are needed to deal with injuries, equipment malfunction, limited resources, and threats of avalanche and weather. In strategic planning, selfishness kills new ideas and covers problems as executives let personal agendas drive strategy development. Then resources get misallocated, decisions become watered down, and commitment wanes.

High-altitude leaders drive from a fervor and zeal for achieving strategic results that rises above selfishness.



They inspire a higher passion in others by creating a compelling saga and aligning people on strategic execution via a shared drama. Passion is profit. When passions are greater than selfish agendas, creative strategy emerges. Is your team driven by a passionate saga or just empty words in a mission statement? Or are they just going through perfunctory planning retreat activities?

Tool seduction. In mountaineering, tool seduction endangers climbers every time they dress in the latest gear but apply the wrong techniques and behaviors to the challenge. In their overconfidence (or naiveté), they end up lost on a storm-ravaged slope for days while experienced climbers are at base camp watching the weather. Facilitators packing the latest tools and processes for strategic planning bog down progress and distract teams from focusing on vital issues.

Tool seduction detours the planning process from real strategic thinking into a labyrinth of mechanical, analytical processes. This explains why most strategic plans aren't strategic, but tactical (even though they have a "strategic plan" cover). Executives possessed by tool seduction confuse strategic planning with analysis; contrary to Kenichi Ohmae's observation that true strategy lies beyond analysis—it exists in the domain of intuition. Why do companies who drive superior market performance often ignore industry expert analysis and advice? Experts only know what is already known. Your job is to out-intuit what is known.

High-altitude leaders aren't seduced by tools, or anything that might diminish intuition. Do your planning team's tools support creative transformation of your beliefs, or distract you with fill-in-the-blank, analytical processes? Do your tools enable you to act decisively, or clog your shelves with interesting, but irrelevant, information? Avoiding tool seduction fuels team passion for the challenge ahead instead of derailing the team with useless meetings, lingo, and processes.

Cowardice. Cowardice stops teams from challenging the status quo, holding each other accountable, and exposing weaknesses. This danger happens as soon as planning team members are too afraid to confront previous violations of accountability or take necessary risks with each other. It causes strategy failures by stopping the essential act needed for effective strategic planning—telling the truth. Cowardice eats truth. Lack of truth eats strategy.

Initially telling the truth can upset people, but good planning teams love it—and it drives accountability to new levels. The alternative of keeping the truth at unspeakable levels only produces collateral damage—dead-weight ideas and doomed projects. High-altitude leaders bravely engage in the truthful communication necessary for innovating strategy. Does your team seek the truth about a situation or choose avoidance, denial, and silence to avert possible discomfort, anger, or retribution? Do team members whisper about issues outside the meeting?

Being aware of dangers that emerge in strategic planning helps you reach higher summits in strategic thinking and not slip into tactical distractions. The intuitive strategies that result drive higher market-share penetration, profitability, and commitment. **LE**

Don Schmincke is a speaker and co-author of High Altitude Leadership *with Chris Warner. Visit www.HighAltitude-Leadership.com.*

ACTION: Avoid these four common dangers.

Doing More On Less

Turn big ideas into big results.

by Michael T. Kanazawa

One popular but reviled phrase in business is "do more with less." Your budgets are cut and staff reduced, but the work to be done remains the same. This is no solution.

Once *doing more with less* referred to automating tasks with IT solutions, reducing headcount, and increasing operating throughput. However, it's become a throwaway phrase that allows leaders to dodge setting priorities and spread resources and investments thin. This results in poor execution and undermines the ability to turn big ideas into big results.

On the margin, taking on a few extra tasks to help in a resource-constrained environment can be necessary. However, when not kept in check, a lack of focus can result in corporate attention-deficit disorder: too many projects and competing priorities exist, lots of new projects and initiatives get started, and nothing is completed. Resources become stretched thin, no single effort has enough attention and focus to drive real impact, and the organization becomes gridlocked. As new strategic initiatives and change efforts are layered on top of overloaded systems, results suffer further. Thus, two thirds of strategic change efforts fail to accomplish their stated goals.

Although revenue growth and execution of strategy are the top concerns of leaders, team members who are told to *just do more with less* complain about the lack of focus and priorities.

Delusion of 'More With Less'

The idea of *doing more with less* is seductive because it seems to enable leaders to get more work out of people without giving up anything. However, there's a limit to what these people can deliver with excellence.

At one company, the executive team became frustrated with field leaders and their inability to get their teams to quickly execute programs deemed critical to success. They called a management team meeting to review the situation. When the meeting started, the VP of Operations placed a big box of papers on the boardroom table and explained it was all documents received in one month requiring action.

Clearly nobody could implement all of the orders—much less read them all—in a month. Every manager was faced with the choice of what to read, what to ignore, and what to implement. If executives didn't prioritize, the field managers had to, because they could not do it all. The point of many of the programs was to drive consistent customer experiences across the chain of stores, but inconsistent follow-through had the opposite effect. *More with less* had gone beyond its limit of effectiveness, leaving a major gap between their big ideas and desired big results.

Power of 'More On Less'

In challenging conditions, you feel the urge to reduce budgets, lay off employees, and call on those who remain to step up, work harder and longer, and do "more with less." When these employees complain, you may think that they would prefer to simply do *less* work. However, they are calling on you to set priorities so they can still deliver their *best* work.

The idea of doing "more *on* less" is to reduce the dispersion of tasks and initiatives, focusing only on the most critical priorities, and then putting extra effort against those. It is about doing *more* work, not less, but on just a *few* select high-impact areas. This concentrates resources, aligns teams towards a smaller and common set of objectives and initiatives, and allows teams to deliver breakthrough results faster.

You might reduce your portfolio of R&D projects to just 10 big ideas. Doing more on less is not about reducing workload or spending—it is about accelerating results by concentrating resources on important initiatives.

To generate breakthrough results with constrained resources, you need to ask, "Are we trying to get the *most* or *best* out of our people?" You can't optimize for both.

Be a 'More On Less' Leader

The use of the phrase "more with less" as a substitute for making tough decisions on priorities is a bad habit. We need a replacement idea—doing "more on less." To make this idea work, leaders must accept the responsibility and risks of calling out true priorities. Employees must also speak up when they are driven past the point of productive focus.

What is often missing are the ties between the strategy to high-priority initiatives to tactical commitments to budgets to success metrics to personal job responsibilities. When these elements aren't managed, they get dispersed, and focus becomes diffused. The key elements to managing a more-on-less organization are:

- ***Confront reality:*** Take a critical look at the business before starting the strategy development process, including external views and employee views, providing the fact base for making decisions on priorities
- ***Focus the strategy:*** From all possible growth ideas, select a critical few initiatives with the highest potential impact.
- ***Align:*** Align the executive team, operating plans, and budgets to support full execution on priority initiatives.
- ***Engage:*** Engage all employees in translating the strategy and top initiatives into meaningful personal commitments to action at their level.
- ***Execute:*** Establish regular reporting on a scorecard for the top initiatives, hold quarterly reviews to assess progress, ways to accelerate, and barriers. Tie the personal commitments into the performance management systems.

Generate Double-Digit Results

By following this approach, you can generate double-digit results in growing new revenues, reducing costs, and improving engagement. Maintaining focus, clear priorities, and alignment of resources requires consistent effort. Doing more on less unleashes excellence in execution and enables you to turn big ideas into big results. LE

Michael T. Kanazawa is a coauthor of BIG Ideas to BIG Results: Remake and Recharge Your Company, Fast *(FT Press) and CEO of Dissero Partners. Visit www.bigideastobigresults.com and www.disseropartners.com.*

ACTION: Do more on less.

Antitrust Suits

They kill enterprises.

by Michael Winston

THERE HE IS, THE CEO—expensive suit, commanding smile, persuasive communicator, compelling story—standing up front, imploring our continued support. The media is wrong, we are told. We will rise again. In fact, we will be bigger and more profitable than before. We will be the "last firm standing." We are asked to wear tokens and symbols of our undying loyalty to the cause.

We see him again on TV, being interviewed, and his response is the same: The industry is facing huge headwinds, but our company will be fine. Yes, we have borrowed to the limits of our credit. However, our incomparable leadership, unmatched business model, and "valued-employees" will save the day. We have come through tougher challenges.

But we know the truth. We listen to the rhetoric, but the reality is far different. Something inside us has died. This distortion proves what we have long known—employees are not valued at all. We are pawns in a larger game. The motivations at the top are not as stated, not meant to benefit our various constituents—shareholders, employees, and communities. They are selfish and driven by greed. Our belief system has been shattered by The Antitrust Suit.

There was a time when people would have walked through the gates of hell for this individual. But the veil of this Wizard has been pierced. Walk behind the curtain. There isn't much there—all smoke, mirrors, and a litany of "trust me" and "it will be fine."

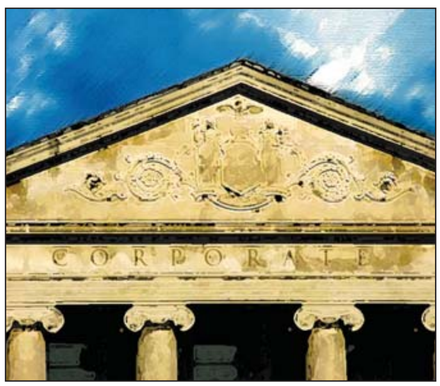
We're told by the Antitrust Suit to stick with him, and we'll make millions. We're told that those who have done so before are wealthy now. Few people still believe him. Over time, all realize the truth. It is over. It is done.

Credibility Lost

If I were to pick the *one* characteristic essential to leadership it would be credibility—meaning that the leader says what he is going to do, and does it. The leader keeps his promises.

Credibility is the soul of leadership. Credibility determines one's perceived and actual ability to lead. Credibility comes from the integrity that causes others to place their trust in the leader. Integrity involves a reliability that enables followers to know that the leader will, within reasonable boundaries, be predictable. A leader who is unpredictable will soon lose followers.

Many executives, managers, and supervisors fail in their leadership responsibilities because they lose credibility, either in a dramatic event or in a series of damaging actions, by putting their interests above the interests of their constituents. One executive put it well: "People don't give you their trust; they only lend it to you."



An Oft-Told Tale

I wish this tale were but of one lone institution. Alas, it's a tale about many.

Seven years ago, we were shocked when award-winning Enron turned out to be little more than a cash-shredding pyramid scheme. The crucial failing for investors was Enron's use of opaque, "mark-to-market" accounting. The problem surfaces when the market is uncertain or difficult to assess, and so assets are marked to a *model*, often based on generous assumptions.

In the end, we learned that Enron's accounting was mark-to-fairy-tale, with the company booking enormous gains from assumed future profits on schemes that sounded great, but had little chance of producing anything besides headlines. The misbehavior of Enron's Ken Lay and WorldCom's Bernie Ebbers, gave us our many sweeping reforms.

Why didn't we learn our lessons about fantasy accounting after Enron? That scandal supposedly ushered in an era of corporate responsibility and accountability. We all thought that it would happen, but it didn't. In fact, things actually got *worse*. Last year's version, the implosion of real estate, got downright ugly. Alas, this dream's "income" wasn't actually matched by real cash flows, just bank loans—this Enron-like "income" was all hot air.

Many stocks have been decimated. The losses at those companies most directly victimized by their own housing-bubble ineptitude—such as Bear Stearns and Fannie Mae—are easy to understand. But, the losses extend far beyond that. These tales represent corporate culture (at its worst). And leave us with chills down our spines at the horror of the deceit and arrogance.

Indeed, we've discovered many companies built on the sands of deceit, fraud, power, and greed.

Dick Thornburgh, examiner in the WorldCom bankruptcy proceedings, says companies aren't doing enough to promote accountability, transparency, and compliance—responsibilities that usually fall on corporate directors, in-house and outside counsel, and internal and external auditors. "Had gatekeepers of Enron, and WorldCom been more effective, shareholders would not have suffered the huge losses."

After such scandals as Enron and WorldCom, Congress hastily passed the Sarbanes-Oxley Act (SOX) to protect U.S. capital markets and shareholders. "While SOX may have increased investor confidence in the short-term, ongoing compliance with its requirements, as well as the heavy fines imposed by the SEC, have proved extremely expensive for some companies," said Michael Missal, lead counsel to Thornburgh in the WorldCom case.

The past is often prologue. Confidence in the disciplines in our economy is at historic lows. Clearly, we still lack disciplined governance on accountability, transparency, and compliance. Other examples abound:

- May 2008 marked the end for the 85-year-old financial powerhouse Bear Stearns. Problems appeared in July 2007 after two of the company's hedge funds imploded. After months of heavy write-downs due to the subprime mortgage crisis, rumors swirled. In March 2008, JP Morgan offered $2/share for the company and in late May the fifth-largest investment bank was no more.
- Arthur Andersen's (1913 to 2002) downfall was its role as Enron's auditor. In 2002, the firm surrendered its licenses to practice as CPAs after being found guilty of criminal charges, resulting in the loss of 85,000 jobs.

• Remember E.F. Hutton? "When E.F. Hutton talks, people listen," chimed its slogan. Well, people stopped listening when E.F. Hutton & Co. was caught check-kiting and money-laundering.

• AIG and Lehman Brothers debacles still have people shaking their heads.

Malfeasant practices continue to choke our economic system. We deserve better—and we should demand it of ourselves, and of those in whom we place great trust and power.

Two decades ago, James Kouzes and Barry Posner reported that the most essential element in successful leadership was "honesty." Also in the top ten traits were "straightforward" and "fair-minded." Clearly, some CEOs did not get the memo.

What can we do to repair the eroding standards of leadership? We must turn up the heat on our leaders—and hold ourselves to the highest standards—out of faith that it's the right thing to do, not out of fear of legal consequences. Let us model leadership that exudes these qualities:

• ***The vision*** to spell out what we will do for those who depend upon us.

• ***The drive*** to share that vision with those who share a stake in our success.

• ***The courage*** to challenge the status quo, stimulate change, and make decisions that move us forward.

• ***The ability*** to inspire individuals and teams to action to achieve goals.

• ***The foresight*** to empower people to learn new skills and stretch capabilities.

• ***The wisdom*** to translate knowledge into value-added performance.

• ***The willingness*** to recognize accomplishments and celebrate successes.

• ***The integrity*** to serve as examples in actions that reinforce basic values.

Implementing new strategy requires leaders who can energize operations; inspire people; personify the purpose, values, culture, and character; inspire commitment to the strategy and goals; and secure the allegiances required to make any bold purpose succeed. The best leaders evoke trust. They match their words with their deeds and keep their promises. They pass the true test of leadership—translating their promises and commitments into consistent, purposeful action. Without character and integrity, an organization is "built to fail." As Edward R. Murrow said: "*To be persuasive, we must be believable; to be believable, we must be credible; to be credible, we must be truthful.*" **LE**

Michael G. Winston has worked 25 years as a business leader, change agent, strategist, and leadership development officer for five esteemed Fortune 50 companies. E-mail winstonmg@aol.com.

ACTION: Stand up to the antitrust suits.

Leadership Integrity

Hardwire it into the culture.

by Deborah Garand and Judith Glaser

OF THE TOP 20 CHARACTERISTICS OF admired leaders, integrity is selected first 90 percent of the time. Integrity means an uncompromising adherence to a code of values and ethics. Integrity asks you to reach higher. Integrity is about honor and about "doing good over feeling good." Integrity speaks to our ethical fiber, and our sense of what is right for a company, society, and humanity—not just what is right for me, the individual.

Integrity challenges you to make sacrifices and to do the "right" thing when, in fact, it may stand in your way of greater wealth, jeopardize your status, or risk your career. Integrity requires humility. Humble leaders know that everyone has a different approach, value system, and reason for doing what they do. Integrity seeks to understand all perspectives, and weigh consequences *before* making a decision.

Companies succeed or fail based upon the integrity of its leaders and employees. Integrity is the basis for trust—the gauge through which we read and commit to action.

Hardwire Integrity into the Culture

You can hardwire integrity into the culture in three ways:

Conversations. Leaders must first have a conversation with themselves, asking themselves the hard questions of personal accountability, grounded in truthfulness to oneself and all others involved. Many executives become imbued with self-importance, narcissism, or over-evaluation of attributes or achievements. If we lead through our actions, our conversations must ensure that we "walk the talk." We will then inspire others through our own example. We will care less about the preservation of self-image, impressive "bottom-lines," pleasing the "street," and looking good in the eyes of others.

If we believe that we "walk into our words," what are those words? If you listed them today, would they reflect the highest tenets of leadership? There is power in leaders who adhere to their values. You feel that power in the conviction of their words and actions. They trust themselves. Through personal strength and courage, trust is grounded within the self-assured knowledge of their ability to adhere to their convictions. No one is given the right to impute this leader's integrity.

Leaders also need to expand conversations across all boundaries and seek honest perspectives concerning how we live integrity through corporate responsibility, accountability, and leadership direction.

Transparency. Transparency—being free of all pretense and deceit—paves the way to open dialogue based upon trust in management and in the information. Good business is predicated on solid principles. Businesses are comprised of many interconnected departments, each dependent upon the flow, accuracy, and transparency of disseminated information. Transparency is essential when you are setting a new course or desiring to improve productivity and profitability. One decision made by "shaving truth" or blatant deceit begins small and then snowballs. As more decisions are made based on the dishonest approach, the snowball gains speed and mass until it becomes unmanageable and systems begin to fail. Transparency keeps us honest.

Candor. Candor means a disposition to open-mindedness—a freedom from bias, prejudice, and malice. Candor enables us to listen receptively to other perspectives while engaging in interactive dialogue. Dynamic leaders appreciate the contribution of others. They leave their egos behind, harnessing the power of being secure within themselves while promoting innovation, collaboration, and a heightened sense of "team." Transparency affords the trust, and candor fosters openness.

By adhering to a personal code of honor, leaders can raise the bar for themselves and for others. **LE**

Deborah E. Garand is President of Integrity Integrations, speaker, and board member of The Women's Congress. Visit www.integrityintegrations.com. Judith E. Glaser is CEO of Benchmark Communications, co-founder of the Creating WE Institute, and author of Creating WE *and* The DNA of Leadership. *Visit www.creatingwe.com and www.creatingweinstitute.com.*

ACTION: Lead with integrity.

Great Leaders

Develop character in them.

by Tom Griffin

As an infantry officer in the U.S. Army, I learned this lesson: ***Great leaders are born of strong character***—now the foundation of the leadership model at U.S. Cellular.

Character separates good from great leaders; and it's what differentiates and defines you. To succeed as a leader at U.S. Cellular, you have to be strong of character, highly ethical, and authentic. Our leadership development (LD) model is effective because it's predicated on a specific set of principles, values, and behaviors that have withstood the test of time.

After 14 years at Texas Instruments, I took a position at SBC-Ameritech, where I met John E. Rooney, who eventually became the president and CEO of U.S. Cellular. About 10 months later, I was offered a job at U.S. Cellular, where I helped put the dynamic organization (DO) into practice, which starts with effective leadership.

Working with John Rooney and the management team, we develop programs that impact strategic business initiatives and prepare people to be leaders. We are continually looking at how we can develop better leaders.

U.S. Cellular is a place where learning and the business are harmonized. I'm involved in developing culture, fostering change and alignment, and creating higher capability. U.S. Cellular, with 8,700 employees, employs a servant-leader strategy. We encourage leaders and associates to move beyond self-interest and embrace a more synergistic vision of high personal and team performance. Our leadership model grew organically, as each senior leader contributed to its five tenets.

At the heart of our model is what we call *leader as self*—being a leader of high integrity and high character. Leadership starts and ends with self, so that's our center point. To drive the people results, you've also got to be an extraordinary relationship builder and a great teacher. To drive the business results, you have to be a good strategist and a superior results driver.

We have validated the components of the model at every level. Core competencies and behaviors are set for each of the five roles: leader as self, leader as teacher, leader as relationship builder, leader as strategist, and leader as results driver. This model was then embedded into other strategic HR processes, such as performance appraisal, talent review, and succession planning, making it an operational priority, ensuring implementation, and creating accountability.

We can't empower until we create the capability first, so our servant-leader philosophy at its core is about creating capability and then having leaders lead from this perspective in every interaction with a peer, associate, customer, supplier, or anybody else.

Because learners crave dialogue and learning often is the offshoot of discussion, we create a safe space for conversation by immersing leaders in four-day learning programs. We know that transformation often happens through substantive dialogue. The light may not go on for me today or tomorrow, but it may the next day—not necessarily through the instructor but through a side conversation, peer coaching, or a guest speaker talking about their personal experiences.

With discussion comes the need for reflection. We make time for cogitation. In all of our work, people engage in active learning and have chances to practice what they learn, and then demonstrate competence of that learning. A big part of our servant-leader program is *action reflection*. Our leaders take the time to engage in reflection.

In all of our programs, we build in time for purposeful reflection. We believe that meaningful reflection leads to more purposeful action. We create ways for people to dialogue, reflect on what they're learning, and then decide how this applies to them and what they can do differently as a result.

The ideal of *the learning organization* works with our goal to become a dynamic organization. If the leaders are effective, the associates and customers will be satisfied, and ultimately, the business will be successful. As our CEO John Rooney says, "You can't manage the results unless you manage the things that go into producing those results." The DO business model emphasizes values and principles, as well as leadership skills. We need leaders who engage, teach, and motivate their people.

Because of the close alignment between the learning organization's philosophy and the company's vision, I enjoy a close relationship with senior officers. We engage in powerful conversations with our senior officers, and I get lots of direction from them about their goals, needs, and wishes. Again, the first two components of the business model are leadership effectiveness and associate satisfaction. To deliver on that, I need and receive access to our most senior leaders.

To measure how we're doing, we conduct an annual *Culture Survey*, enabling associates to give feedback, and voice to the issues preventing customer satisfaction. The most successful year in terms of business results was 2007, and it also was U.S. Cellular's highest performance on the Culture Survey. In that survey, 97 percent of U.S. Cellular's associates participated, and of those, 97 percent said, "I am proud of what we are accomplishing."

While we have all the financial measures of any other telecom, we pay more attention to two key measures that drive our success—the internal measure of health, satisfaction, and vitality, the Culture Survey; and the external measure of customer satisfaction. We deploy a third-party vendor to contact customers after they've had an interaction with U.S. Cellular, and we ask them to evaluate how effective that interaction was. The CBI data and metrics indicate where we need to teach better and create more capability in our associates.

As we look to the future, we want to institute more e-learning activities, improve the business model, and link learning to performance. **LE**

Tom Griffin is VP of organizational learning and chief teaching officer at U.S. Cellular. Visit www.uscellular.com.

ACTION: Link your learning to performance.

Building Trust

How the best leaders do it.

by Stephen M. R. Covey

TRUST IS DECLINING everywhere—in our personal relationships and in our culture and organizations. Only half of employees trust their senior managers and leaders, and only 28 percent believe CEOs are a credible source of information.

We are now experiencing a crisis of trust and confidence in the financial markets. This compels us to ask: Is there a measurable cost to low trust? Is there a tangible benefit to high trust? And how can leaders build trust and reap the benefits of high trust?

Most leaders don't know how to quantify the costs of low trust or measure the gains of high trust. For many, trust is intangible. They don't know how to assess the trust level or how to improve it. Yet, the costs of low trust are very real—and often staggering.

One estimate put the cost of complying with federal rules and regulations—put in place due to lack of trust—at $1.1 trillion (11 percent of the gross domestic product). The average American company loses 6 percent of its annual revenue to fraudulent activity. We see similar effects for the other disguised low-trust "taxes" as well.

When trust is low, in a company or relationship, it places a hidden "tax" on every transaction—every communication, interaction, strategy, and decision is taxed, bringing speed down and driving costs up. ***Distrust doubles the cost of doing business and triples the time it takes to get things done!***

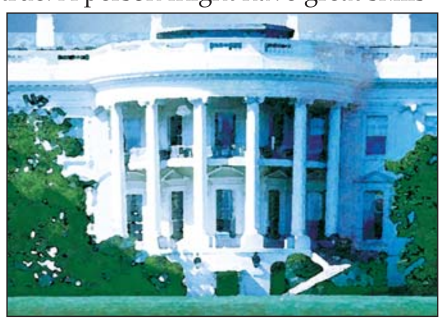
Leaders who are trustworthy and operate with high trust experience the opposite of a tax—a "dividend" that is like a performance multiplier, enabling them to succeed in their communications, interactions, and decisions, and to move with incredible speed. ***High-trust companies outperform low-trust companies by 300 percent!***

The ability to create, grow, extend, and restore trust among stakeholders is *the* critical competency of leadership. Fortunately, engendering trust is a competency that can be learned and applied. You can get good at it, measure it, improve it. You can't be an effective leader without mutual trust. As Warren Bennis notes, "Leadership without mutual trust is a contradiction in terms."

How Can Leaders Build Trust?

Job 1 of any leader is to inspire trust. Trust is confidence, born of character and competence. Character includes your integrity, motive, and intent. Competence includes your capabilities, skills, results, and track record.

With the focus on ethics, the character side of trust is now the price of entry in the global economy. However, the differentiating (and often ignored) side of trust—competence—is equally essential. You might think a person is sincere, even honest, but you won't trust that person fully if he or she doesn't get results. And the opposite is true. A person might have great skills and talents and a good track record, but if he or she is not honest, you won't trust that person either.



The best leaders frame trust in economic terms. In a low-trust culture, leaders can expect negative economic consequences. Everything takes longer and costs more because of the steps people need to take to compensate for the low trust. When these costs are counted, leaders recognize how low trust becomes an economic matter.

The dividends of high trust can also be quantified, enabling leaders to make a compelling business case for building trust, even making the building of trust an explicit objective. Like any other goal, building trust should be focused on, measured, and tracked for improvement. It must be clear that trust matters to managers and leaders, that it is the right thing to do, and the smart economic thing to do. One way to do this is to make an initial baseline measurement of trust, and then to track improvements over time.

The *trust transformation* starts with building credibility at the personal level. The foundation of trust is your personal credibility. Your reputation is a reflection of your credibility, and it precedes you in any interaction or negotiation. High credibility and a good reputation enable you to establish trust fast—speed goes up, cost goes down.

I see four *Cores of Credibility* that work in tandem—Integrity, Intent, Capabilities, and Results. You can build a culture of high trust by clarifying what constituents want and what you can offer them. Then practice behaviors that build trust. Next, extend trust to your organization. The combination of that credibility and behavior and alignment results in a culture of high trust.

For example, Warren Buffett, the trusted CEO of Berkshire Hathaway, completed an acquisition of McLane Distribution (a $23 billion company) from Wal-Mart in record time. The deal was made with one two-hour meeting and a handshake. In 30 days, it was completed. High trust yields high speed and low cost.

Behaviors of High-Trust Leaders

Effective leaders use 13 behaviors to build and maintain trust: Talk straight, show respect, create transparency, right wrongs, show loyalty, deliver results, get better, confront reality, clarify expectation, practice accountability, listen first, keep commitments, and extend trust first. When you adopt these behaviors, you make deposits into your "trust accounts." However, these behaviors need to be balanced (i.e., *talk straight* needs to be balanced by *show respect*). Any behavior, pushed to the extreme, becomes a liability.

You can always boost your *self-trust* (the confidence you have in yourself—in your ability to set and achieve goals, to keep commitments, to walk your talk), and your *relationship trust* (the ability to create and increase the trust accounts you have with others and to inspire trust in others).

The job of a leader is to extend trust first—not a blind trust but a smart trust with clear expectations and strong accountability. Trust determines the quality of our relationships, communication, projects, ventures, services, and products. It changes the quality of present moments and alters the trajectory and outcome of future moments. Nothing is as fast as the speed of trust. LE

Stephen M. R. Covey is the CEO of CoveyLink Worldwide 801-756-2700 and the author of The Speed of Trust: The One Thing That Changes Everything.

ACTION: Experience the speed of trust.

Leadership Laws

It was Drucker's favorite book.

by William A. Cohen

DESPITE HIS MANY contributions to management, Peter Drucker didn't write much on leadership until late in his career. He said: "The first systematic book on leadership, the *Kyropaidadaia* of Xenophon, is still the best book on the subject."

Peter found *Kyropaidadaia* and *Anabasis*, another book by Xenophon "fascinating." Both are 2,000 years old. Drucker felt that every modern "cutting-edge" leadership concept had been described in these two books.

Xenophon was a member of a 10,000 man Greek army hired by the Persian pretender to the throne, Cyrus the Younger, to defeat his brother in the fourth century B.C. Cyrus thought that with these trained troops he could defeat his brother's superior force and seize the throne.

At first things went well, but in a crucial battle in Persia, Cyrus the Younger was killed. The Greek generals were invited to negotiate their surrender but were instead murdered. The Greek Army was now stranded leaderless, surrounded by hostile forces.

In *The Persian Expedition*, Xenophon explains how he came to be commander and the fight to return to the Black Sea against overwhelming odds. This famous march took five months. It is a story of courage, improvisation, discipline, self-sacrifice, and leadership.

After his return, Xenophon became a writer and historian. In *Kyropaidadaia* he described the leadership education of Cyrus the Great. The central message of both books is leadership.

Inaction Worse Than No Action

After the Greek generals had been killed, there was confusion, fear, and inaction in the Greek camp. No one was in charge. Xenophon asked himself: "What am I doing here doing nothing? Am I waiting to become a little older? If I don't take action, I'll never become older—I'll be dead!" He stepped forward and told his comrades what needed to be done. He spoke convincingly, and they elected him general and commander.

There is never a reason for inaction. We must do what needs to be done, even if difficult and hazardous. Xenophon told himself: "Don't just stand there, do something!" and he did. Because he was ready to act, his fellow Greeks made him their leader.

Four Basic Points

Once commander, Xenophon called the new generals together and instructed them in leadership:

- ***Set the example.*** If you're downhearted, your men will be cowards. If you're prepared to meet the enemy and call on your soldiers to do their part, you can be sure they will try and be like you.
- ***You need to be braver*** than most men,

and to be the first to do hard work.
- ***Be in control and exercise discipline.*** When no one exercises control, nothing useful ever gets done.
- ***Get your soldiers thinking about the positive action each must take to succeed;*** otherwise, they will think about "what is going to happen to me?"

These statements closely parallel my ***eight universal laws of leadership***: Declare your expectations; show uncommon commitment; expect positive results; put duty before self; get out in front; maintain absolute integrity; know your stuff; and take care of your people.

Xenophon lived these eight principles. When one soldier complained that he had to walk and carry a shield, Xenophon jumped from his horse, took the man's shield and pushed him out of the ranks. Xenophon led the pace and encouraged others while not only carrying the shield but wearing his cavalry breast plate as well. When the going was light, he led on horseback, but when the terrain was difficult or it was impossible to ride, he dismounted and led on foot from the front. When some soldiers were disheartened because the Greeks had no cavalry, he reminded them of something that centuries later General George S. Patton told his army: "Wars may be fought with weapons, but they are won by men."

Xenophon said: "Ten thousand cavalry only amount to 10,000 men. No one has ever died in battle by being bitten or kicked by a horse; it is men who do whatever gets done in battle."

The same can be said of any human endeavor—it is men and women who get the job done. So if your workers are concerned about your comparative lack of resources or with the situation, remember Xenophon—it is people, not horses, that win battles or campaigns. Resources count, but they are not the deciding factor—people are.

Xenophon took care of his people first. He kept his word to them and he never exploited his position as commander to his own personal benefit. It was just the opposite. He risked his own wellbeing to ensure that promises made, even by others, were fulfilled.

Carrot-and-Stick Motivation Not Best

Cyrus the Great of Persia held the power of life and death over his followers. He could reward, punish, and motivate in any way. Cyrus' father asked him what he thought was the best way to motivate his subjects. Cyrus answered: "That which especially incites to obedience is the praising and honoring of one who obeys and the dishonoring of the one who disobeys."

Cyrus' father agreed that this was one way to gain obedience. "However," he continued, "when people think that they may incur harm in obeying, they are not so ready to respond to the threat of punishments or to be seduced by gifts." He told Cyrus that there was a superior way in which people would obey "with great pleasure," even when danger was present: *The leader had only to take care of his subordinates better than they would take care of themselves, and to ensure that he took care of them even before his own interests*. Who would not want to follow and obey a leader who does not eat until his soldiers eat first? We support those who lead this way.

The basis of leadership—the laws of integrity, commitment, duty, and more—are all there. In your leadership, you can learn from Xenophon. LE

William A. Cohen is President of the Institute of Leader Arts. He was Peter Drucker's first executive Ph.D. graduate, a retired Major General from the U.S. Air Force Reserve, and author of A Class with Drucker *(AMACOM). Visit www.stuffofheroes.com.*

ACTION: Observe these timeless leadership laws.

Tough Times

Focus on key factors.

by Bill Birnbaum

NOW IS A TOUGH TIME to be in business: the economy is weak, consumers are retrenching under the burden of higher prices, and the credit crunch is tightening. The decline in home prices, along with a weak stock market, has consumers *feeling* poorer—because they *are* poorer. And since consumer spending accounts for 70 percent of total spending, consumer retrenchment hurts the economy.

When the economy is weak, you must identify and focus on activities that determine your success—your key success factors. These activities are specific to your industry and organization. If you are very good at these activities, you can be "okay" at all other activities and still succeed.

Unfortunately, many managers are unaware of the activities that are critical to their success. Don't make this error. Determine and then focus on your key success factors.

Discover Key Success Factors

To determine those key activities, list two or three activities in answer to the question: "For our organization to be successful, we must be especially good at which specific activities?"

First ask your management team to spend a few minutes thinking about the question and writing their individual answers. Then have each person read their answers. Discuss differences of opinion, and arrive at a consensus.

This exercise is quite challenging. Narrowing the list to just two or three key activities requires serious, in-depth thought and discussion and a deeper understanding of the enterprise. It's a process of self-discovery that yields long-term benefit.

Limit your list of key success factors to two or three. You'll be tempted to include six or eight activities—understanding the customer, producing a low-cost product, managing expenses, hiring good people, developing innovative marketing programs. But just focus on a few (two or three) key success factors.

Of course, you can't ignore all of your other activities—you must continue to operate all aspects of your business. But you need to pay special attention to your key success factors. Again, if you are very good at your key success factors—those activities that matter most—you can be okay at all other activities and still be successful. All other activities are forgiving of mediocrity—key success factors are not.

Examples of Key Success Factors

- In the real estate development industry, the two key success factors are selecting land and maintaining financial liquidity. If every other activity were just average, but the land were well located and the firm maintained adequate liquidity, the company would do well. Sure, a developer should strive to deliver a well-constructed product with good financing. But nothing determines success more than building on the right piece of land and maintaining cash liquidity.
- In the computer software business, the key success factors are establishing efficient channels of distribution and providing after-sales support.
- In strategy consulting, the key success factors are communicating with executive decision makers and helping management teams think deeply about the enterprise.

Not every competitor in an industry has the same key success factors, since these depend on market position. A low-price provider's key factors relate to cost control. For a company in a high-quality position, key factors relate to product quality and customer service.

About Cut-Backs

During a downturn, many managers trim expenses or lay off people evenly across functional departments. This practice proves that the management team is unaware of their key success factors. You must avoid cutting back on resources that support your key success factors, since they are the heart, brain, and nervous system of the enterprise. Identify them and protect them at all costs. If you must cut back, do it sooner rather than later. If you don't make the tough decision in the short term, you may not have a long term to worry about. Don't wait to make the tough decision and then run out of cash. Cut back early. LE

Bill Birnbaum is President of Birnbaum Associates and author of Strategic Thinking. *Visit www.BirnbaumAssociates.com.*

ACTION: Focus on your key success factors.

Skip the Mirror

Look to others to learn of self.

by Bob Schwieterman

AS A KID, MY MOTHER used to tell us to always check the mirror before going to school. She wanted to ensure we weren't wearing a stained shirt or have food in our teeth. And while I now have a family that points out such things to me, I still look at my reflection each morning.

Many leaders use this self-reflecting approach to assess their performance. They rely on their perspective, personal experiences, and belief systems when charting their future leadership course. They wrongly assume the skills and behaviors that brought them to a senior position will continue to work.

Managers attain greater responsibilities based on demonstrating specific functional or "hard" skills; however, effective leadership is based more on interpersonal or "soft" skills. Many new managers fail because they lack interpersonal skills. The Hay Group reports: "The higher people move up, the more likely they are to overrate themselves and develop blindspots that hinder their effectiveness as leaders."

TRAMCOM's research shows a disconnect between a manager's view of their own abilities and the view of the people with whom they work—particularly in interpersonal skills and effective leadership. The study involved 166 executives, 337 managers, and 377 staff employees. It asked managers to rate their abilities and asked executives and staff to rate the managers with whom they work. The findings included:

- More than half of managers selected "effective communication" as one of their greatest strengths. Yet nearly 78 percent of staff and 85 percent of executives said communication skills were a deficiency among managers.
- 56 percent of managers said they had not promoted someone due to the candidate's poor interpersonal skills.
- 85 percent of executives had witnessed an executive-level leader fail or derail due to poor interpersonal skills.

This research makes a compelling case that many leaders lack interpersonal skills. As leadership expert Susan West wrote: "When it comes to being a good manager or leader, you must master the hard skills of your job as well as the soft skills of interpersonal relations. Interpersonal skills must be a focus of your leadership development.”

Because most leaders believe they have strong interpersonal skills, they need to see an objective measure of their skills (often in the form of a multirater or 360-degree assessment). After they complete a questionnaire about themselves with input from colleagues, direct reports, and boss, they need to see an evaluation of their interpersonal skills and behavioral preferences, showing strengths and weaknesses as well as highlighting areas where their self-ratings are different from those provided by others. The report will identify specific areas that can limit the leader’s interpersonal effectiveness and performance. Areas that can be affected by interpersonal shortcomings include the person’s ability to establish rapport, give and receive feedback, communicate, or manage/delegate work assignments effectively.

An objective report showing that the leader’s self-perception of their abilities differs from others provides opportunity for improvement. While some people will shrug off the data, most leaders find the information to be eye-opening and use it as a launching pad for personal improvement. It creates a highly “teachable moment.”

Leaders recognize they’re not being as effective with others as they want. One-on-one coaching or workshop training programs are effective ways to explore interpersonal effectiveness issues and build specific skills.

You can improve your interpersonal skills by identifying the behavioral preferences of others and work in a way that makes them comfortable.

Take these four basic steps:

1. Know yourself—understand your behavioral preferences.

2. Control yourself—don’t let those preferences dominate interactions.

3. Know others—note the behavioral preferences of your key relationships.

4. Do something for others—accommodate preferences of key relationships.

You can easily learn these skills and quickly see results. Often, just making an effort to work better with others increases productivity.

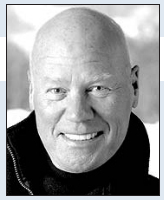
Interpersonal skills never become obsolete. Apply the principles of effective relationships to keep moving to next levels of leadership. **LE**

Bob Schwieterman is general manager of The TRACOM Group’s Performance Consulting Division. Call 303-265-6143 or visit www.tracomcorp.com.

ACTION: Improve your interpersonal skills.

Moral Courage

It’s the hallmark of leadership.



by Lance Secretan

COURAGE IS MENTAL or moral strength to venture, persevere, and withstand danger, fear, or difficulty. Inspirational leaders embody mental, moral, and spiritual courage. Followers abhor cowards and love leaders with mettle—it’s that simple. And smart leaders do what works.

We use the word *courage* to describe firefighters, police, and paramedics at their best and also to describe whistle blowers who expose corruption. In the first instance, a person’s life is in danger because of the physical risks; in the second case, people are risking their jobs by telling the truth—one is physically courageous, and the other is morally courageous.

In corporate life, we are infrequently required to display physical courage; but we are required to display moral courage daily.

Breakthroughs cannot be made without enormous effort sustained over time. In every field, entrenched, traditional beliefs present insurmountable hurdles to achieving the remarkable. This thinking is old-fashioned and unnecessary.

For some, skiing is dangerous and frightening. As an expert teacher of skiing, I run a *Leadership Summit* program in which we enable skiers of intermediate ability to overcome their fears so that they can ski moguls (bumps) in their first half day and double black diamond runs (experts only) by the end of the day. Many teachers say this is impossible, but we do it all the time. We do this because we use skiing as a metaphor—as it goes on the mountain, so it goes at work. The U.S. ski industry includes 600 resorts, 29,000 professional ski instructors, and 26,000 ski patrollers, all of whom have a vested interest in keeping a skier or snowboarder on a slow learning track. It helps maintain a continuing flow of repeat business, but it doesn’t lead to rapid, radical breakthroughs in skiing ability.

The “business” of leadership has the same inbuilt inertia—hundreds of thousands of consultants, academics, writers for learned journals, training executives, and coaches have a similar vested interest in dragging out the process of leadership development. As an expert teacher on leadership and inspiration, I help organizations and individuals achieve the same rapid, radical breakthroughs in a remarkably short period of time—just as we do in skiing. The secret to making a breakthrough in leadership or skiing is the same—courage and trust. It amazes me that so many skiers remain average or mediocre year after year, when they do not need to be. I’m equally amazed to see the same thing happen in organizations.

Perhaps we’re losing the strength of our courage muscles. In choosing how we lead, we exercise self-imposed limitations. Yet people regularly achieve breakthroughs in their experiences—the meaning and fulfillment of their work, the results they inspire from people, the fortunes they make from doing what they love—and we all have the power to do the same. As Buckminster Fuller said, we must “dare to be naïve.”

Each winter, leaders from around the world visit with me in Colorado to learn how to ski and lead better. Both can be achieved in a fraction of the time we expect—if we have passion, willingness to learn and change, a desire to improve, and a belief that there are no limits. We might call this courage.

In teaching and leading others, you must earn and build trusting relationships with followers. Trust creates a loving space in which experimentation and challenge can occur, in which you can let go of “certainties.” This leads to change—and in change there is power. It takes little courage to cling to the stillness of the status quo. Movement and change, which involves letting go of the familiar while embracing the new, require courage.

As Maya Angelou put it: “One isn’t necessarily born with courage, but one is born with potential. Without courage, we cannot practice any other virtue with consistency. We can’t be kind, true, merciful, generous, or honest.”

Paradoxically, safety comes from the adventurous and the exciting, not from the failing systems of the past. In this way, we sacrifice what we are for what we can become. **LE**

Lance Secretan is an expert in leadership development and author of ONE: The Art and Practice of Conscious Leadership. *Visit www.Secretan.com.*

ACTION: Cultivate the courage to change.

Authentic Leadership

Build strong relationships of trust.

Interview with George Borst

When did Toyota Financial Services start?

Our marketing name is Toyota Financial Services, but we started as a financial services company in May 1983 as Toyota Motor Credit Corp. Since then, we have grown from eight associates to 3,000 with $85 billion in managed assets. TFS is part of the financial services operations for Toyota Financial Services Corp. (TFSC), a subsidiary of Toyota Motor Corp.

Why have you enjoyed such success?

I give most of the credit to the Toyota products. Our great products add 15 points to my IQ. As long as I know that I'm *borrowing* those 15 points, I'm okay. When leaders think that any good fortune is all because of them, they get in trouble. So, *Toyota* has had a great run—both on the product side and sales side. In the finance company, we had two choices. We could just grow with Toyota, which was a robust growth rate, or we could seek ways to add incremental value.

How do you add value?

One of our strategic goals is to increase Toyota loyalty. One statistic we like is that if you buy a Toyota and finance with us (TFS) versus paying cash or financing with a bank, there is a 50 percent increase in the odds that you'll go back to the Toyota dealer.

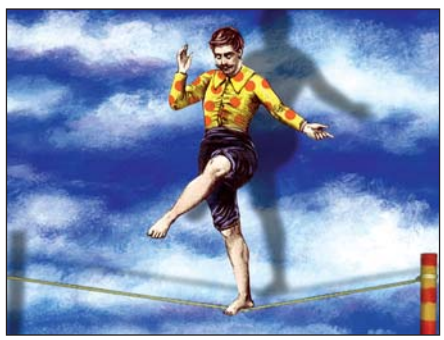
How can you add that much value?

We keep in touch with customers. We tell them what's going on at Toyota in our monthly billing statements. If they are leasing the vehicle, four or five months before the lease expires we call them and tell them what their options are. By staying in close contact with our customer, we steer them back into another Toyota or Lexus.

So, in effect, you change the Toyota value proposition?

Yes, but again, it starts with great products. The engineers, designers, and assembly workers add value by producing a quality car. The sales division adds value by identifying who should be buying Toyota and targeting the message to attract these people. On the finance side, we add value by boosting customer loyalty. We bring people back to the Toyota/Lexus dealers more often. All that we do—getting into the credit card business for redemption and points, or getting into lease retention or retail retention programs, or personalizing the billing statements—we are trying to develop more loyalty. We also add value through the funding side. We're now one of the few AAA names left in America. So even in this difficult funding market, we are able to access funds and make credit available.

How did you avoid the "lendron" mess of the home loaners?



We're not immune from that mess. Our credit losses and residual value losses from the declining used car market and off-lease vehicles have gone up as well. But the big issue facing the market in recent months is credit availability. We've seen so many banks exit from the retail and lease auto finance business. We've seen GMAC and Ford cut way back on leasing. GMAC announced that they're only going to approve FICO scores over 700. And yet in the first six months of this fiscal year, despite Toyota sales being down 15 percent, our absolute volume is up 58,000 contracts. That's because we have the ability to fund in a tight credit market.

Why is that?

Any investor in this marketplace is very nervous. Whether you're a pension fund manager or an individual investor, everybody is nervous. And when people are nervous, they either sit on the sideline, or there is, what they call in the investment world, a "flight to quality." We're among only a select few companies that have the highest possible short- and long-term credit ratings in corporate America that access the funding market daily. So in this difficult credit environment, we are still able to access funds. It's not as cheap as it was a few months ago.

Why the dramatic fallout in funds?

There are two reasons.

First, the banks have backed off on auto loans because their losses in the Asset-Backed mortgage market have drained their capital. So their leverage ratio has gone way out of whack. They can't grow the way they want to grow.

Secondly, for many of our competitors, their primary source of funding is the asset-backed market. And with what happened in mortgages, the asset-backed security market for cars and credit cards virtually disappeared. So where GMAC or Ford or some well-known banks would do an ABS deal of $1 billion, that market suddenly disappeared, and they didn't have new assets they could draw down on. So they weren't able to access funds; hence, they had to either tighten their credit standards or reduce lending, or both. Some chose to get out of leasing.

ABS is the most expensive form of funding. And since we're an AAA-rated organization, we can do unsecured term lending much cheaper. So, we've gone to a lot of smaller deals. We found that if we could customize our funding to the needs of insurance companies or pension fund managers, we could get much better rates. So that keeps our funding costs low; and in this credit market, we can still fund, just not as easily or cheaply.

What makes you effective as a leader?

I try to build relationships of trust across borders and boundaries, departments and divisions. Toyota encourages building these relationships. So I'm constantly communicating with all entities within the Toyota family and with the dealer organization. I participate in many of their meetings, and talk to their people about where we are on funding and credit issues. I'm also part of the Toyota North American Presidents Organization. All the presidents meet every two months. I can assure you that everybody is well aware of our issues, challenges, and goals—and I'm well aware of theirs.

Building relationships of trust forms the bedrock of Toyota. Toyota is, after all, a Japanese company. Some U.S.

vendors don't understand how to do business with Japanese companies because in a typical vendor/manufacturer relationship, you go in, make your presentation, and the lowest price or best value proposition wins. But Toyota wants to get to know you for a while before you win any business. So many people give up, and they say, "I can't afford to keep traveling to Japan without walking away with an order." But once you get inside that circle of trust, good things happen fast. That's why Toyota has such great relationships with its suppliers—we want them to be successful too.

Is anything lost in translation?

I don't believe we have bad leadership in America; however, the style and approaches are very different—and both can work well. The Toyota approach is one of consensus management. Toyota invests the time up front to get everybody's opinion and understanding—even people who are only tangentially involved weigh in at the beginning. Initially this process can drive you crazy because it's so time-consuming, and so many people have so many opinions. But once the decision is made, the execution is usually exceptional. In a sense, Toyota tries to create chaos at the start of the project; other companies can get quicker approvals or make faster decisions, but then other departments and organizations weigh in and say, "You did not think about this" or "This impacts us this way." Thus, they create chaos after the launch. I think that difference accounts for some of our success.

Are you a convert to Japanese style?

I respect it and understand it, and I try to be a blend of both Japanese and American styles. Toyota puts emphasis on the details, and I've learned there is dignity in the details. I've taken some Gallup strength tests and find that my strengths fall in the area of strategy and execution. One thing I learned early is you can have the greatest strategy in the world and want it done tomorrow. But if you don't respect the details—if you don't let the people who are strong in analytics have the time and the space and get out of their face so they can do their jobs—execution will suffer. I think one of the key leadership traits is self-awareness. I recognize this impatience in myself, and force myself to step away and let the analytical piece come together. Sometimes it drives me crazy, but it serves me well. When I make mistakes, I tend to not give others enough time to do their analysis.

How do you gauge who to involve and what to reveal?

I believe in involvement, transparency, and authentic communication. I tend to err on the side of revealing too much rather than try to hide things. I think people want to know who their leader is. I think it's okay for leaders to show some vulnerability, to show that they're human. People want to know there is a real person there. If leaders have enough self-confidence that they can show vulnerability and show what they're learning and where they've come from, people respond favorably.

How do you communicate authenticity?

Leaders often announce the strategy or plan and then assume everybody understands it and is committed to doing it. You have to repeat the message early and often. I get out of the office, visit my associates, and build relationships and a reputation. The big mistake that some leaders make is creating a "podium persona" that is not the same as who they really are. People know when somebody is giving them spin.

Does the feedback/feedforward process spur improvement?

Feedback is vital, and my coach Marshall Goldmith's "feedforward" process facilitates self-awareness and growth. Five years ago, I went back to school to pursue a master's degree in leadership. One demand of leadership is building a constituency by extending yourself into many other parts of the organization and building awareness of what you're doing.

For example, recently I learned that our Remarketing Managers were meeting 45 miles away in Laguna Niguel. In this credit crunch and collection environment and funding crisis, I didn't want to travel an hour and a half each way in LA traffic. But I figured, "This is important; these men and women come in from around the country." So, I went there and told them where we are as a company, what our profit challenges are, what we are doing to cut expenses. Then, I said, "I invested this time because what I need is unfiltered feedback. I need you to tell me what's going on, what we're doing right, and what we're doing wrong. And I don't care if what you ask me is politically incorrect—I need to know what's on your mind." What I learned made the trip more than worthwhile.

How do you build trust?

When you seek feedback consistently, you build a balance sheet, an emotional bank account, with the associates. You build up your asset side so when tough times come you can add to the liability side and still retain some net worth. If you don't build trust with people and you're not authentic and they don't know who you are, you can quickly become bankrupt.

Quarterly, I host an ice cream social. We randomly pick 15 people who respond to an invitation, get them in the room, and cite two rules: *You can't quote your boss by name, and you can't bad-mouth anybody after the meeting. You can say anything you want about me*.

I'm amazed at what I get out of this. As soon as people know that it's safe to speak up, they will tell you what is on their minds. If you can stay connected, you can look at the business from their side of the house. All of our associates want Toyota to do well, but you still have to answer these two questions: "What's in it for me?" and "How does this impact me?" By addressing those questions, you go a long way in getting collaboration, alignment, and consensus.

What advice do you give to leaders?

In tough times, you can't over-communicate. People want to know what is going on, and they want to be part of the solution. We all know what the challenges are. And if you can clearly communicate this in a transparent and authentic way, people will want to work with you to get to the solution.

In this market, people are nervous about benefits being cut or losing their jobs or bonuses. But if you can clearly communicate what needs to be done, you keep people focused on helping all of us get there. People feel much better when they're working toward a solution. *Action is the antidote for anxiety.*

When they are participating in the solution, they feel better about themselves and about their contribution. If we as leaders can motivate and coach people to make discretionary contributions, we'll get to better solutions of our problems much faster. **LE**

George Borst is CEO of Toyota Financial Services. Visit www.toyotafinancial.com.

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