

# Introduction

## INTRODUCTION

*"The Businessman of the Century was the builder of an industry that transformed the very land we live on, the first to create a mass market as well as the means to satisfy it, as great an entrepreneur as we've ever seen. He was a provincial and a curmudgeon; a man with all the prejudices of his time, who had as well the kind of genius that endures. He is Henry Ford."*<sup>1</sup>

Thomas A. Stewart, Alex Taylor III, Peter Petre and Brent Schlender,  
*"The Businessman of the Century," Fortune, 22 November 1999*

Throughout history, there have been calls for leadership. It's always been a big deal. Today, it's more important than ever to society and its institutions. Things are changing at an astonishing pace. Turbulence is normal. Surprise is everywhere, and a 24 × 7 reality. The challenges are huge. Yet, by all accounts, there are too few leaders to go around.

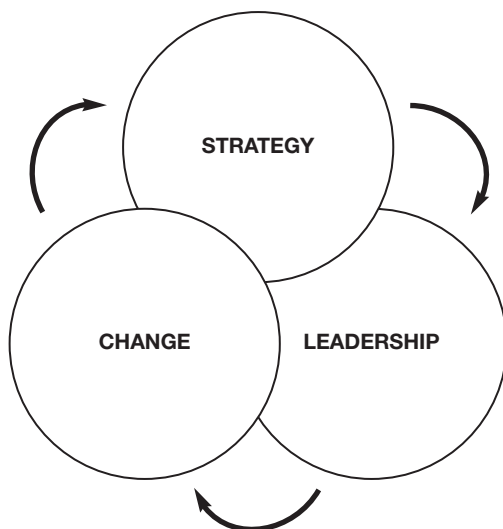
The first year of the twenty-first century was a turning point for humankind. Terror attacks on the United States of America, economic pressures, and the Enron/ Andersen imbroglio thrust leaders into the spotlight. They were always important, but now they are needed as never before. At the same time, questions about ethics, values, corporate governance, pay, and performance have come to haunt them.

Leaders have to make their businesses competitive. That's getting harder by the minute. For most companies across the globe, the first wave of efficiency gains is past. They've cut jobs. They've outsourced many functions. They've put red lines through research and development, training, promotions, travel, and just about everything else. Cutting further will be suicidal.

But sales and margins are under pressure. Customers are skittish and disloyal. Competition is fierce. Growth is elusive.

Contrary to what many people think, “fair weather” leaders are not two-a-penny. Those who can lead in foul weather are even rarer. Today, there’s seldom a break in the clouds.

For all these reasons, leadership is a headline issue, along with strategy and change management. Yet, while they’re seen as separate “disciplines,” it’s clear that they’re intertwined. Leaders must be strategists and change masters, for they are ultimately measured by their ability to choose the right things to do, and get them done.



**Figure I-I** *A holistic view*

This book is a companion to my previous one, *Making Sense of Strategy*,<sup>2</sup> and builds on many of the ideas I wrote about there. While the focus here is on business leadership, the principles apply equally to leaders in any organization. Again, I’ve tried to be brief, to let you get the information you need fast.

## Confusion about a critical function

Leadership is a mystery. It's a role and it's work. We know a great deal about leadership, but not enough to make it a discipline. We think we know what to look for in future leaders, but we don't know how to find it. We know what we expect from our leaders, but not how to produce them. We look up to them, and down on them.

I've worked with many leaders, and observed even more, and they're all different. Some are *boringly* consistent and predictable; others are real loose cannons. Some are correct in everything they do; others wing it all the way. Some are politeness personified; others are pigs.

It's tempting to say that all the good ones are consistent, predictable, correct, and polite, while the less effective ones aren't. But that wouldn't be true. It takes all types to make the world.

Much of what's said about leadership is interesting, but unhelpful. Much of the advice on how to be a leader sounds good, but doesn't work. Much of what we think we know about identifying and developing tomorrow's leaders is pure fiction. (For example, how do you explain the fact that psychometric testing is so popular, yet executive failure is so common?)

A subject this big is fertile ground for "experts." Here's what you'll get if you listen to them:

- Most organizations are over-managed and under-led.
- Everyone's a leader – or *could* be, with the right training.
- There are leaders at every level – or *should* be.
- Leadership is an art.
- Leadership is an attitude.
- Leaders are visionaries.
- Leadership is about charisma.
- Leaders must be both tough and tender.
- Leaders are born.
- Leaders can be made.

Leadership, we're told, is the ability to do the right things, not just do things right (that's plain old *management!*). It's all about change, says former Harvard Business School professor John Kotter, while management is about dealing with complexity.<sup>3</sup>

Fons Trompenaars and Charles Hampden-Turner, two European experts on leadership, say that the big difference between managers and leaders is in their sleeping problems. Some managers can't sleep because they haven't met their objectives, while some leaders can't sleep because "their various objectives appear to be in conflict and they cannot reconcile them."<sup>4</sup>

In a famous *Harvard Business Review* article, Abraham Zaleznik writes, "Managers aim to shift balances of power towards solutions" while leaders "develop fresh approaches to long-standing problems and open issues to new options."<sup>5</sup>

And Warren Bennis and Burt Nanus, in their best-selling 1985 book *Leaders*, tell us that whereas managing means "to bring about, to accomplish, to have charge of or responsibility for, to conduct," leading is "influencing, guiding in direction, course, action, opinion."<sup>6</sup>

If you're confused already, just wait.

Depending on whom you listen to, you'll learn that leadership is a talent, a skill, a discipline, a process. The work of leaders is to see possibilities where others see only problems ... to make strategic calls ... to be decisive ... to communicate compellingly ... to negotiate skilfully ... to win the support of stakeholders ... to be comfortable with ambiguity ... to motivate people. And a whole lot more.

Leaders are likely to be tall white males (in the West) ... have advanced degrees ... display emotional intelligence ... be excellent networkers ... have enormous physical energy ... work hard and play hard ... and – maybe most important of all – have balls.

Some gurus tell us leadership is like conducting an orchestra or herding cats. That it demands empathy, love, soul, and sensitivity. They borrow ideas from chaos theory and "the new science" and admire Robert K. Greenleaf's idea of "servant leadership."

Others say *blah*: real leadership is about winning, about beating the odds; that it takes toughness, a ruthless streak, a Machiavellian mind. They revel in war stories about “Neutron Jack” Welch, revered “Chainsaw” Al Dunlap as a man among men, think bellowing Steve Ballmer is a real hero, and see making the list of “toughest bosses” as the ultimate badge of honour.

While much of this may be true, it’s hardly *useful*. What are you supposed to *do* with this information? If you’re not a leader yet, how do you become one? If you are in charge already, how can you improve your performance? How do you tell if someone has the potential to be a leader? If you’re trying to grow the next generation of leaders, where do you start?

## Promises, promises

It’s hard to imagine that a professor of surgery could earn his post without ever picking up a scalpel. No accounting teacher could qualify without being able to construct a profit and loss account or analyse a balance sheet. But *leadership* – why, that’s different.

Most people posing as leadership gurus have led nothing themselves. In fact, they may not even have spent much time *near* a real leader. But hell, anything as interesting and important as this is an opportunity for instant wealth.

So you can pick up the ten keys to leadership success in under an hour from any number of books, magazines, audio tapes, videos, and websites. If that sounds like hard work, you can sit back and learn all you need to know from some shrieking motivational speaker (who’s probably about 25 and has never had a proper job). For an afternoon of fun, you might try paintball games. Or if you think shock treatment is a good idea, you can hone your leadership skills in a white-water ride down the Zambezi River or bungee-jumping off the Victoria Falls bridge.

You can learn to be a leader – visionary, influential, powerful, globally respected, highly paid, etc. – from more people than could show you how to fly a kite. (Or if that doesn’t grab you, and you’d rather teach than do, why not become a leadership coach yourself? *Anyone* can do it with the help of

franchise operators who sell “the secrets” for less than you’d pay to set up a rubber stamp shop!)

If only it were that easy.

## Many paths

Leadership is an elusive concept. I’ve been fascinated for many years by the difference between people at the head of organizations, and the rest. Who were these rare birds, and how did they get there? What got them noticed when they were among the Dilberts? What did they do along the way that gave them the edge over equally smart, aggressive, hungry, and maybe ruthless competitors? What lets them attract followers, persuade others to do their bidding, achieve great things, and earn fawning admiration – and fabulous sums of money?

And what about those others who, with little fuss or fanfare – and often without huge rewards – beaver away in their corners, making things happen, making a difference, and making the people around them special?

What turns leaders on? What gets them up in the morning and keeps them going during the day? Why are they more creative, more reliable, more persevering, and more effective than others? What can you learn from them that will help you spread the success virus?

Of course, there are as many answers to these questions as there are leaders. We are, after all, talking about a human ability and human traits. And we’re talking about an activity that takes place in a complex, changing arena where small changes trigger big ones, and where a minor shift over here quickly becomes a major issue over there.

Leadership is not the product of a simple formula. Every age throws up a few “golden people” who seem to have arrived on the world stage at just the right moment. Some have spent years in preparation for their appearance. For others, it’s a case of being in the right place at the right time. Always, a confluence of factors connects individuals to the possibilities for which they seem to have been born.

Jack Welch credits his mother with preparing him to be a leader. Disney chairman and CEO Michael Eisner thanks the head of his high school. Ricardo

Semler, author of the best-selling book *Maverick* and majority owner of Brazil-based Semco, says he learned most from Lewis Carroll, who wrote, “If you don’t know where you’re going, any road will take you there.”<sup>7</sup>

Leaders come in every shape and size, from both genders, and from every race group, social class, and personality type. Some, like the legendary General George Patton, lead from the front. But then there are the “quiet leaders” like those singled out by Jim Collins in his *Good To Great* study, who combine humility and will to get their way.<sup>8</sup>

Leadership is part instinct, part skill. It’s something you’re born with and that you learn. It’s an amalgam of logic and luck, power and compassion, teaching and learning, reflection and action.

There’s no perfect way to identify or develop leaders. For every apparent answer there are more questions and contradictions. But there are also some clear lessons. By absorbing and applying them, most people can do better than they imagine, and probably gain all they wish for. They can make better decisions for themselves and their organizations, and make a real impact on those around them.

The first lesson is that leadership is only partly about you and largely about those around you. You have to look inward to have outward influence. You have to recognize that the power you get when you’re anointed “Leader” is a one-time gift. To keep it, you have to keep earning it.

## Great through others

Some people make a difference by excelling as solo performers – musicians, consultants, scientists, sportsmen and women, actors, and artists come to mind. They’re a fine example to others, and have great influence. You can’t overestimate their value to society. But while it’s one thing to seek *personal* satisfaction or success and glory, it’s something else entirely *to be all you can be through others*. And that’s what this book is about.

My definition of leadership is simple. It is:

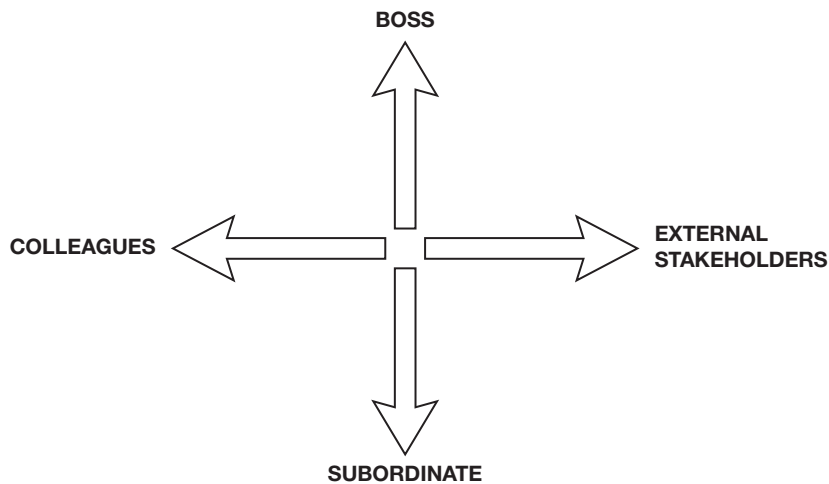
## The achievement of a specific purpose through others.

The key words there are *achievement* (results) ... *purpose* (for a reason) ... *through others* (by empowering and inspiring them).

This view makes three things clear:

1. It's not enough to merely have the title of chairman, CEO, vice-president, general manager, or whatever. You're accountable and you're measured by what you *do*, not what you *say*.
2. You need to be able to explain your intentions, and they must make enough sense for others to want to support them.
3. This is not a solo performance. What matters is your ability to unleash the potential in others, align their efforts, and keep them enthused over time.

There's a germ of leadership within almost every human being. There are leaders in many places in every organization. There's potential for even more of them. We lead people above us, below us, and beside us (Figure 1-2), and there's room to do it better.



**Figure 1-2** *Four views*



If I can magnify your contribution by just one per cent, and if you, in turn, can magnify the next person's contribution by one per cent, the multiplier effect will be immense. Obstacles will melt away. Distant goals will be within reach. Unimaginable achievements will be possible.

## **The extended enterprise**

Even in this “virtual” age, the edges of most organizations are quite clear. You can see where a company ends and the outside world begins – where “the rubber meets the road.” But the line is blurring. Firms have to be not merely *mindful* of outsiders, but clear about the value, influence, risks, and threats inherent in being part of an extended “ecosystem.” They have to understand what's needed to manage a widening array of players with many different agendas. And they have to be proactive and systematic in balancing those agendas.

To leave your company's fortunes in the hands of others is potentially dangerous. You risk being forever in firefighting mode. Working with them, on the other hand, can lead to critical competitive advantages.

Suppliers can give you an edge in innovation, quality, costs, service, financing, and much else. Customers can take over support functions and speak well of you in the marketplace. Governments can give you a licence to trade, pass laws that favour you, and influence what happens in the macro environment to your benefit. The Greens can sanction your new plant or pipeline. An ageing rock star can give your employment practices the nod and keep protesters off your back.

Your strategic conversation affects opinion both inside and outside of your organization. Manage it well, and you can win stakeholder “votes.” Manage it poorly, and you might lose by a landslide.

## **The scorecard**

Leadership is measured by hard facts and sometimes vague opinions. You need to be clear about what matters to you. But you also need to know what matters to others. Then, separate the “must do” factors from the ones with the most

vocal advocates, and apply your resources where, on balance, they'll make the *best* difference.

Ask business leaders what their most critical goal is. Most will say, "To create value for our shareholders." This is hardly surprising, given the pressure they're under from analysts and investors. However, other stakeholders are now clamouring for attention.

Enlightened executives understand that while money is one measure of performance – and undoubtedly the most important one – it isn't the only one. Quarterly financials are a short-term yardstick. Annual reports give a more complete view. Over the long haul, many other factors come into play.

Assessing corporate performance has become a growth industry with many formulas. For example:

- There's a growing trend towards holding leaders accountable for a "triple bottom line" which balances economic profit with social and environmental responsibility.<sup>9</sup>
- Fans of the balanced scorecard use four key "perspectives": financial, customer, internal, and learning and growth.<sup>10</sup>
- According to a survey by PricewaterhouseCoopers, investment decisions are made on the basis of nine measures: earnings, cash flow, costs, capital expenditures, R&D investment, segment performance, strategic goals, new product development, and market share.<sup>11</sup>
- *Fortune* magazine's annual list of "Most Admired" US companies rates firms by another eight criteria\*: innovation, financial soundness, employee talent, use of corporate assets, long-term investment value, social responsibility, quality of management, and quality of products and services.<sup>12</sup>

*Fortune* also reports on "the coolest companies to work for." There are numerous awards around the world for everything from product design to productivity, from safety to support for the arts. Every management function – customer service, personnel, IT, risk, assets, facilities, credit, energy – offers a chance to win a prize.

\* The global list has a ninth attribute, "globalness."

With all this excitement, it's tempting to have a bash at everything. But that's a sure-fire way to end up with nothing. Organizations are the sum of their parts. While it makes sense to encourage leaders in every area to push their performance to the limits, you also have to keep them focused on the overarching goal and working as a team.

Performance is the result of a host of activities. You can measure it in many ways. But in the end, money talks. You have to produce more than you use. And you have to produce more every year, for you to have credibility and for your company to survive. Excellence in anything else is either a means to that end or an exercise in futility.

Leadership is a delicate balancing act. You can't satisfy everyone all the time. No decision is made in a vacuum. Virtually every move has its enemies.

Sometimes, you'll have the luxury of being able to make a call on the basis of hard facts. More often, you'll have less information than you like. Things will be unclear and ambiguous – and you'll need to be ambiguous in explaining your future moves.

Paradoxes will tear you this way and that. "Either-or" choices won't be an option. You'll have to slash jobs while motivating the survivors, think both global and local, give customers more for less, and so on. "This-and-that" will be the only way.

And always, you'll need to show sensitivity to public opinion – a vague target, if ever there was one. You'll need to inform, placate, correct, and win over the media, organized pressure groups, legislators, politicians, institutions, organizations, and innumerable individuals whom you may or may not know.

Leadership is a public relations job. You have to manage both your image and that of your firm, in a hostile world where opinions change with the wind. But as public relations experts know, hype has no chance against truth. If you're not utterly sure of who you are and what you must do, you'll have an uphill struggle. If you don't define your own sense of purpose, your personal values, and your character, it'll be done for you. And if you don't deliver what you've led others to expect, you shouldn't be surprised when they blow you away.

The measures you choose send powerful signals. They define expectations and focus the efforts of your organization. They also let you assess your progress and make course adjustments. So choose them with care and treat them with deadly seriousness. They'll make or break you.

## The “X factor”: followers

Leaders need followers. Your performance depends partly on you and mostly on them. What matters isn't your ability to take daring decisions or make stirring speeches, but rather that you get more from your team than anyone else could do.

Your followers may be either *conscripts* or *volunteers*. Conscripts have little choice but to be there. They desperately need the job, or can't easily move. Volunteers *want* to be there. They have other choices, but turn up because for them it's the best game in town.

Leaders of conscripts have an awful time. They have to drag people into the future. The only way they get things done is by using orders, threats, anger, arguments, and punishment. Their “followers” fear and resent them. Creativity is a rare thing in their firms – except to duck the system. People do only what's demanded of them. No one “goes the extra mile.”

Leaders of volunteers, on the other hand, have it quite different. Their biggest problem is to harness the enthusiasm of their people, and align their energy.

There's no question that some people seem by nature to fit the conscript type, while you can't imagine others as anything but volunteers. But there's no arguing either, that leaders get the followers they deserve. Douglas McGregor was right when he wrote in 1960 that an executive's *expectations* shape the behaviour of the people they manage.<sup>13</sup> His insight of more than four decades ago has been proven too many times to ignore.

“Toxic” leaders expect the worst of people. They rely on “the system,” “procedures,” power, and other such weapons in their efforts to get things done. They frustrate themselves, because they foster a climate in which secrecy prevails and covering your ass is the first priority.

“Nourishing” leaders, in contrast, expect the best of people. Their tools of choice are dialogue, respect, trust, openness, challenges, and praise. They create a climate in which problems are opportunities and everyone’s a hero.

## The gift of winning

This book captures the essence of what leadership is about. It embraces ideas from many sources, and from my own experience of working with and observing many leaders.

*Discovering the Essence of Leadership* is based on this fact:

**Only by being truly yourself – and true to yourself – will you  
enable others to be what they can be.**

Leadership is a journey of discovery. It’s both a journey in search of yourself and a journey in which you help others search for their essence and possibilities. Neither journey is ever complete. There are no limits to personal growth.

You discover your self partly through introspection and reflection, and mostly through experience. No matter how deep you dig into your mind, you only discover what you can do when you do it. Quiet contemplation has great value. But action provides the real test and the best learning.

In the same way, the performance and growth of the people you lead depends on their own thoughtfulness and action. As their leader, you can provoke both or inhibit them. Your choice will make or break them. And you too.

Leadership is a gift. It’s a role you get partly because you have what it seems to take, and largely because others deem you worthy and give you the job. Consider this cycle of reciprocity:

1. You may decide that you want to be a leader, and you may prepare yourself carefully for such a role, but you need certain gifts in order to have a chance.
2. Usually, you must be chosen to lead. Someone else decides to give you the job. It’s their gift to you.

3. You, in turn, have a gift for those you lead: the gift of discovering their potential.
4. They then have a gift for you: the gift of success as a leader.

This extraordinary relationship begins and ends with integrity. You have to face up to who you are. You have to reveal yourself as you are. And you have to live your own life. At the same time, you have to accept others as they are, and empower them to be whatever only they can be.

That is the essence of leadership.

## **The payoff**

Being a leader has its perks, but it's not easy. If we remember few people as being great leaders, it's because the job is so onerous and the chances of failure are huge. If you wish to stick your neck out and be a leader, don't have any illusions about what lies ahead. On the public stage, you're fair game. Your own mistakes may not be your worst problem.

On the other hand, if you do have what it takes, if you have the guts to go for it, and if you can make a difference that matters, you'll have the satisfaction of knowing that you walked to the edge ... and flew.