LEADERSHIP Excellence

Warren Bennis's

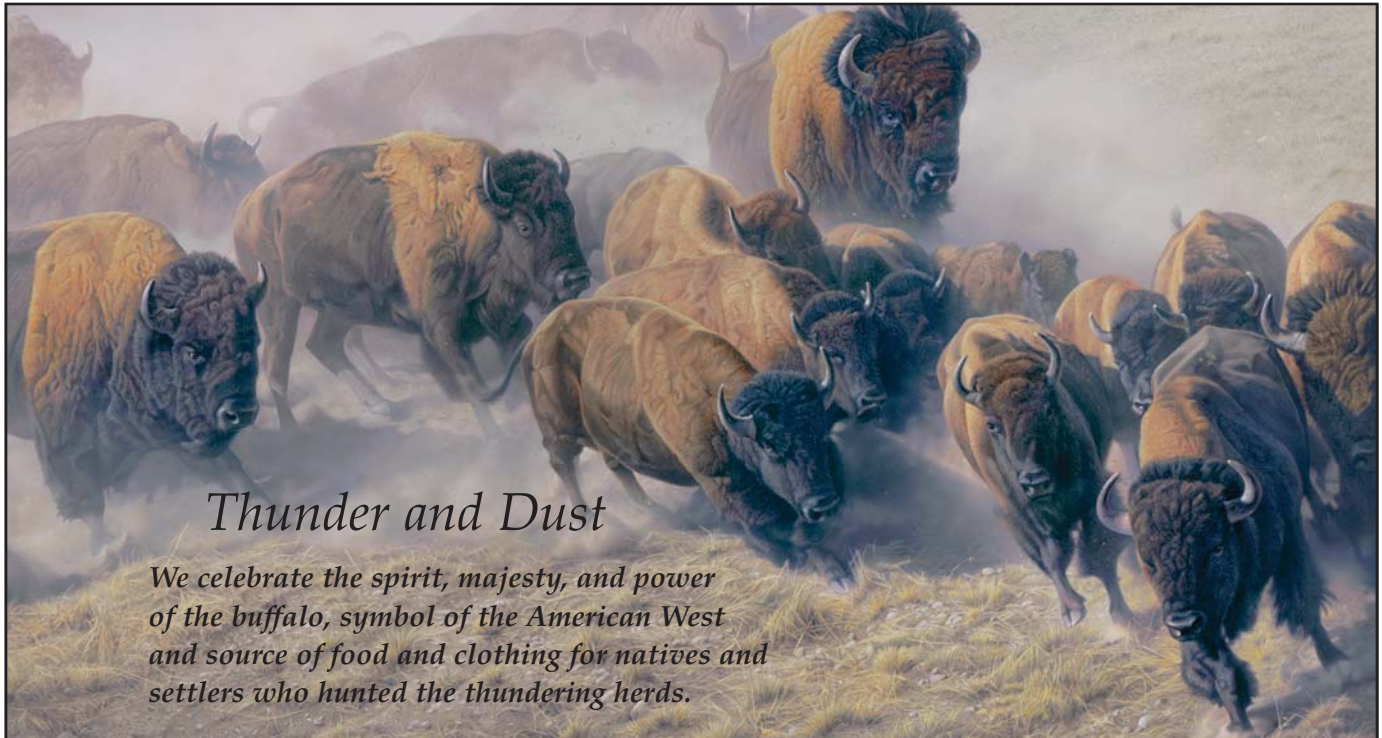CELEBRATING 25 years OF EXCELLENCE

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

MAY 2008

Crisis Leadership

New Sources of Power

Position vs. Contribution

Call for Talent

**John Zenger
Leadership Coach**

w w w . L e a d e r E x c e l . c o m

Thunder and Dust

We celebrate the spirit, majesty, and power of the buffalo, symbol of the American West and source of food and clothing for natives and settlers who hunted the thundering herds.

Celebrating 25 Years of Excellence

Leadership Excellence has found a faithful following.

by Ken Shelton

SOON AFTER BEING NAMED *University of Editor of the Year* in May 1983, I started working with **Stephen R. Covey** and **Ken Blanchard** in planning the launch of *Executive Excellence* magazine, an open forum of best thinking on management and leadership.

To commemorate our 25th year, I've included two articles by Covey and Blanchard from our archive (visit *www.LeaderExcel.com* to get access to over 6,000 articles) as well as an all-star lineup of other contributors.

As part of the editorial mission of *Leadership Excellence*, we continue to provide an open forum of best thinking. However, we have sharpened our focus—and added new features and accessories to the magazine—to serve more effectively in the management and leadership development space. You are not using this valuable resource fully until you start using regularly the templates and tools and making disciplined application of the ideas that most apply to you.

Bringing Down Top-Down Leaders

Another part of our mission is to expose counterfeit leadership and bring down top-down leaders who operate as laws unto themselves. My friend **James R. Fisher, Jr.** (www.fisherofideas.com) recently sent me an epistle on this topic, wherein he stated: "Our political operatives have gotten arrogant. Recently, VP Dick Chaney was told that 80 percent of the American people are fed up with the war in Iraq. His answer? 'So?' In other words, 'We, at the top, know best.' This mantra is now being played out."

Fisher continues: "The subprime fiasco is one indicator of what happens when sweetheart deals are created, and greed and chicanery operate without license or control."

He noticed that recently the *Tampa Tribune* had mug shots of six CEOs who ripped off their companies, spent lavishly on weddings, gifts, hotels, and cars, while giving themselves stock options and huge bonuses. "My wonder is what were their direct reports doing while these shenanigans were going on? Where was the bottom-up response?"

Fisher says: "The days of top-down leadership are numbered. Bottom-up leaders are often without power, purse, or portfolio, but this is where leadership now resides."

He concludes, "The days of executives making ten thousand times as much as the workers are numbered. The days of every worker looking to the CEO and the Board to lift them out of chaos are numbered. The days of everyman everywhere taking it on the chin and made to suffer for the malfeasance and excess of the few are numbered."

Best and Worst

Such sad days may be numbered, but they do continue. Last month I asked you to email me with your nominations for the *best and worst leaders*. I received more names representing the dark side. It seems people are fed up with the Federal Reserve over the Bear Stearns bailout and mad at leaders of banks, mortgage lenders, financial service, and credit card companies generally.

Wall Street bank **Bear Stearns** was at the heart of the subprime mortgage meltdown, reeling from massive, multibillion-dollar losses at two hedge funds. Investors watched the stock collapse $50 a share in a few months, but before the crisis hit, four savvy investors (**Alan Greenberg, Sam Molinaro**, **James Cayne** and **Warren Spector**, top honchos at Bear Stearns) quietly cashed out more than $57 million worth of company stock, saving themselves $16 million.

My personal experience with leaders of credit card companies suggests these white-collar criminals deserve jail time for charging 29.9% and even 39.9% interest rates and high fees (even the Mafia only charged 15%).

Here we feature six credit card executives, one of whom made $100 million in 2007.

Ken Chenault
American Express
$53.2 Million

Jamie Dimon
JP Morgan Chase
$41.2 Million

Rich D. Fairbank
Capital One
$37.4 Million

Ken Lewis
Bank of America
$99.8 Million

David Nelms
Discover
$21.8 Million

Vikram Pandit
Citigroup
$30 Million

Thank you for supporting the high ideals and standards of *Leadership Excellence*. **LE**

Ken Shelton
Editor since 1984

Executive
Excellence
Publishing

Crisis Leadership

It's all about good judgment.

by Noel Tichy and Warren Bennis

OBVIOUSLY LEADERS NEED TO MAKE good judgment calls in crisis situations, since crises are, by definition, dangerous moments. But errors at these times may not be any more fatal than errors in judgment regarding people and strategy. The big difference is that they are usually time-pressured; hence, dire consequences brought on by bad calls at these moments often come quickly.

We examined judgment calls in crises, not only because getting them right is so important, but also because they compress and highlight so many important elements of making judgment calls. They require leaders: to have clear values and know their ultimate goal; to foster open and effective communication among members of the senior team and in the ranks; to gather and analyze data; and to execute decisions effectively. These are elements for making good judgment calls under any circumstances, but the pressure of a crisis brings them clearly into focus.

In the military, especially during war, leaders deal with crises regularly as part of their role. The stakes are different in business, but the urgency, the unpredictability, and the serious nature of the situations are the same. There are important lessons for business leaders to be found in reflecting on how the military handles crises.

The first thing you need to do in a crisis is keep your wits about you. Assess what you are facing, and come up with the best strategy for achieving your ultimate goal in the circumstances. Of course, you need to know your strategic goal. In a crisis, leaders often forget the strategic goal—they may come up with a great solution that has little to do with accomplishing what they're supposed to be doing. If you don't stay focused on the mission, you easily drift into wasted activity.

All leaders face crises at some point. Some crises are life-threatening to the institution, if not to human life. Crises not handled well, where good judgment calls were not made, can even lead to the demise of an institution.

Three Phases

Good judgments made during times of crisis follow the same process as judgments made under ordinary circumstances. There is a *preparation* phase, a *call* phase, and an *execution* phase. The preparation phase needs to be done before the crisis occurs. Effective leaders prepare for crisis, even before knowing what crisis will occur.

It's more true in crisis situations than with judgments about people and strategy that the likelihood of making successful calls is vastly increased if they are made in the context of a *Teachable*

Point of View (TPOV) and on the platform of the storyline for the future.

Leaders tend to make bad crisis judgments either because they lack a clear TPOV and storyline, or they make bad people judgments. To handle crises effectively, leaders must have an aligned team. Otherwise, the crisis situation will splinter the team just when smart, coherent action is needed most. Bad people judgments or bad strategy judgments can precipitate a crisis, but once one happens, teamwork and focus make all the difference between survival and disaster.

Having been in leadership positions dealing with crises, and having talked with scores of leaders about crisis leadership, we can attest that the fundamental process of judgment is the same as with people and strategy: have a solid TPOV, and make sure the judgments you make are consistent with the TPOV, or at least, do not hinder execution of the storyline for where you want to ultimately end up.

Blind spots. Most leaders have blind spots about people. Sometimes leaders have a sense of loyalty to those who did something helpful to them earlier in their career. Sometimes subordinates are talented at the "kiss up and kick down" game. They abuse their subordinates and undermine colleagues, but they present a picture of perfection to the boss. This is why 360-degree evaluations are necessary. Leaders also succumb to the halo effect—when the they generalize their own talents and abilities to others around them. Blind spots cause some leaders to have defensive routines that block out accurate data on a person or set up psychological barriers that keep others from sharing honest feedback on the person. All of these forces add up to serious bad people judgments, which can create organizational crises.

Why are some leaders better able to deal with crises than others? Even when hit with unpredictable events, why do some leaders do a better job of responding? How do some leaders even manage to turn crises into leadership development opportunities?

The answer is because they anticipate crises. They aren't psychics. They can't see into the future and predict random events that are going to strike two days or two years hence. But they know that some crises will occur, and they prepare themselves and their organizations to respond effectively and efficiently when they do.

These leaders know that in order to survive crises, perhaps even come out ahead, they must have an aligned and trusted team; a teachable point of view and storyline for the future success; and a commitment to developing other leaders throughout the crisis.

David Novak, CEO of Yum! Brands, and Phil Schoonover, CEO of Circuit City, are two leaders who have navigated through several crisis situations. They both do three things: 1) they effectively, in real time, deal with their crises; 2) they mobilize, align, and engage the right social network of leaders by tapping their brains and emotional energy to handle the crises; and 3) they focus on developing the leaders engaged in the process, teaching and coaching in real time.

Leaders who succeed in crises develop their capabilities and build them into their culture. The conventional wisdom regarding crisis management and communication, basically, nets out to be good public relations advice. It includes such things as preparation of

crisis contingency plans, analysis of the crisis and public perceptions, identification of the relevant audiences, and repairing a tarnished image.

These are reasonable actions, but they do not address how to help the leader deal with the crisis judgment process in a way that furthers the organization's storyline, builds for the future, and also develops a broader social network of leaders better able to handle future crisis judgments.

The lesson for leaders is to have mechanisms in place that provide quick responses to crises and that develop the next generation of leaders.

Even great leaders have inconsistent judgment but, over their careers, find a way to be on the right side when judgment is critical. With good judgment, little else matters. Without it, nothing else matters. Judgment doesn't involve a simple decision, or "call," but a process that begins with acquiring the right information and continues through execution. Judgment is not good judgment until it's backed up by execution, and mistakes must be recognized and course corrections made.

In our research, we discovered that few leaders want to share stories or examples of their bad judgments. Because the easy decisions are made by managers, the judgment calls that rise to the top are always difficult.

The most common reason leaders cite for their bad judgment is that they misjudge others. When leaders talk about bad judgment calls, they often talk about the bad judgment of others. They did not recognize or act on the signs that others were up to something inept or unethical. They were overly loyal, overly supportive, or overly protective at the expense of the business. As a leader, you can't put the business at jeopardy by protecting a weak-performer who is a personal friend.

Leadership is a process of course correction. The challenge is that, while opportunity can be a judgment trap, it is also the lifeblood of business and what leaders are paid to recognize and act upon. In crises, leaders need information but are sometimes doomed by wrong information. It's analogous to the heart—if you don't get the right amount of oxygenated blood to the right place, you have a heart attack. **LE**

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ACTION: Improve your crisis judgment.

Leaders and Followers

Technology impacts relationships.

by Barbara Kellerman

TECHNOLOGY DIFFUSES power. Since information is more valuable a resource than things, no one can ever again completely control anyone or anything. Power and influence are trickling *away* from leaders *toward* followers.

Technology is changing the leader-follower dynamic. This is not to deny the pecking order, the hardwiring that dictates hierarchy, but those in the middle and bottom now have new and different tools that enable them to take on or to circumvent those at the top.

Consideration of relations between leaders and followers must take into account the impact of satellite dishes, cell phones, text messaging, and digital cameras, along with the internet and e-mail and the social networking sites, including YouTube, Facebook, and MySpace.

Consider two examples:

• *2008 presidential campaign.* Just a year ago, Senator Hillary Clinton was considered the Democratic Party's "inevitable" nominee for president, while Senator Barack Obama was largely unknown. But, ordinary people used technology to interfere with the conventional wisdom. Obama's stunningly successful race testifies to the power of the Web to turn establishment politics on its head. Obama is a man *of* the people and *by* the people. He is the product of our imagination, a candidate whose brand was created from the bottom up. His campaign has been fuelled by our money (about 90 percent of the $32 million he raised in January 2008 came from contributions of less than $100.) And his charisma is the reflection of our infatuation (more than 500,000 Obama followers created accounts at *mybarackobama.com*.

This is not to say that Obama profited from the new technology at every turn. In fact, when the hand that fed him bit him, he complained about clips being endlessly played that showed his longtime pastor, the Rev. Jeremiah Wright, making highly controversial statements. Still, Obama's 37-minute speech on race went platinum—almost

immediately it became one of the most widely-watched of all Web videos.

Hillary Clinton, in contrast, has been victimized by the very technology that neither she nor her countless advisors seemed ever fully to grasp. It was technology that fuelled the fire ignited by the lie Clinton told about landing in Bosnia under the threat of "sniper fire." As it happened, there was a press pool video of the First Lady arriving on the tarmac in Tuzla with daughter Chelsea in tow, all smiles, and to all appearances altogether safe and sound. So when Clinton claimed yet again that she was on the occasion in harm's way, the clip was aired on the CBS Evening News. However, the real damage was done once the video was harnessed to the Web, where the constant loops proved the power of viral politics. On YouTube, the clip became what Frank Rich tagged an "assault weapon," which clobbered Clinton with the truth over and over again.

• *Recent events in China and Tibet.* China is putting its best foot forward for the 2008 summer Olympics. How inconvenient then the unrest in Tibet—and the technologies that enabled the world to witness. Aided by mobile phones, digital cameras, satellite dishes, and the Internet, protests against Chinese hegemony spread to more far-flung ethnic enclaves. Hence, little was left to the imagination or confined to the scene of the action.

China is trying to stop the spread of information. Last March, Chinese officials cut off YouTube after the Web site was flooded with graphic images from Tibet, including videos of monks being dragged in streets by Chinese solders. Still, whatever the Chinese do from now on, as the fiascos that accompanied the Olympic torch relay have already testified, the 2008 Olympics will be tarnished by activists, who have at their disposal the resources to speak truth to power."

The impact of technology over relations between those with power, authority, and influence, and those ostensibly without, is in evidence everywhere. Followers are armed with information, with the capacity to communicate with each other, and with the means to be heard. This makes leaders vulnerable in ways they never were before. **LE**

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ACTION: Exercise your power and influence.

Are You a Good Leader?

Create an evolutionary advantage over time.

by Gary Hamel

MOST LEADERS EXERcise control via standard operating procedures, tight supervision, detailed role definitions, a minimum of self-directed time, and frequent reviews. These mechanisms bring people to heel, but they also put a short leash on initiative, creativity, and passion.

Luckily there are other ways of leading and managing. For example, while the in-store teams at Whole Foods have discretion over staffing, pricing, and product selection, they are also held accountable for the profitability of their departments. Teams are assessed against monthly profitability targets, and when they meet those goals, team members receive a bonus in their paycheck. Since the rewards are team-based, associates have little tolerance for colleagues who don't pull their weight. Every team's performance is visible across the company—incentive to work hard and stay focused.

You don't need much top-down discipline when: 1) first-line employees are responsible for results; 2) team members have access to real-time performance data; 3) they have decision authority over key variables that influence performance outcomes; and 4) there's a tight coupling between results, compensation, and recognition.

• For example, *Gore* would seem to suffer from an excess of freedom. Associates choose which teams to work on. They can say *no* to requests and allocate their dabble time as they see fit. But they are reviewed by their peers each year—and these assessments determine their compensation. And, once a project moves beyond the dabble stage, a cross-functional review process puts the development team through an exercise called "Real, Win, Worth." To attract resources, a product champion must first show that the opportunity is real and that Gore can win in the marketplace. Then, the focus turns to profitability. While Gore encourages grass-roots innovation, associates must build a solid business case before they can get funding. And pensions are closely tied to Gore's share price. This is why Gore is as disciplined as it is inventive.

• And then there's *Google*—with its top-to-bottom anti-authoritarian vibe—where if a person feels something is more important than anything they are asked to do, they should "follow their passion." Can you hear your VP of operations saying something like that?

Google's equivalent of *Real, Win, Worth* is "Learn fast, fail fast." Employees don't need many sign-offs to try something new, but they won't get many resources until they have some positive user feedback. Since every project has its own internal website, engineering teams get a lot of peer feedback. This transparency weeds out stupid ideas and beefs up good ones—reducing the need for formal reviews. And, there's Google's reputational scoreboard. Titles don't mean much at Google—you have to develop a product that attracts millions of users; this keeps developers focused on real-world problems.

And the quarterly Founders Awards grant millions of dollars' worth of restricted stock to teams that make remarkable contributions. To get a big bonus, you have to build something that makes money. These mechanisms help to keep noses to grindstones.

In these cases, what at first glance looks like a slacker's paradise turns out to be anything but. Discipline and freedom can coexist, but not if leaders rely on stick-instead-of-carrot methods for keeping employees in line.

Drawing a clear distinction between the *what* and *how* of discipline can help uproot management dogma. People often defend the *how* of a hoary old management process simply because they haven't thought deeply about other ways of accomplishing the goals that process serves. Help them distinguish between the *what* and the *how*, give them some time to think, and new approaches are likely to emerge.

The sooner you start sloughing off your legacy management beliefs, the sooner you become fit for the future. A few companies are already traveling light, having left a lot of their outdated management baggage. In the end, there's not much of a choice: You can either wait for tomorrow's management heretics to beat the orthodoxies out of your company, or you can start coaxing them out right now.

What does the future of leadership look like to you? Can you imagine dramatic changes in the way human effort is mobilized and organized? Can you envision radical and far-reaching changes in the way you manage?

What you need is a methodology for breakthrough thinking. While you can't entirely script innovation, you can have a disciplined process for challenging the long-standing orthodoxies that constrain creative thinking.

Rooting out dogma is all about asking the right questions repeatedly: Is this a belief worth challenging? Is it debilitating? Does it get in the way of an important attribute (like strategic adaptability)? Is this belief universally valid? Are there counterexamples? If so, what do we learn from those cases? Have our choices and assumptions conspired to make this belief self-fulfilling? Is this belief true simply because we have made it true? If so, can we imagine alternatives? These questions are your pickax. They'll help you break through "impenetrable" orthodoxies.

When talking to leaders, I often get the sense they'd like their employees to be more experimental, but they're worried this might distract them from a laser-like focus on efficiency and execution. These sentiments reveal a persistent mindset: If you allow people the freedom to innovate, discipline will take a beating. This view holds that having more of one means having less of the other.

Yet is it possible to have more innovation *and* more discipline. These virtues can coexist! Leadership innovation is innovation in principles and processes that changes the practice of what leaders do, and how they do it.

The ultimate test of any leadership team is not how fast it can grow the company short-term, but how consistently it can grow it over time. A world of relentless change demands a capacity for rapid strategic adaptation. In recent years, we've witnessed many adaptation failures. What the laggards fail to grasp is that what matters most today is not a competitive advantage at a point in time, but an evolutionary advantage over time. The capacity to evolve is the greatest advantage of all. **LE**

ACTION: Assess your leadership innovation.

New Sources of Power

We need a new model of leadership.

by Sally Helgesen

OVER THE LAST 15 years, three forces have transformed the nature of organizations, rendering traditional models of leadership obsolete. By examining these forces, we can better see what leadership we need.

First, the nature of our economy has shifted. In this knowledge era, primary value is vested in the knowledge and expertise of those who comprise and serve it. Human knowledge—not land, capital, or machines—has become the essential asset, shifting the balance of power *away* from organizations and *toward* individuals.

The shift to a knowledge economy has three implications for leaders:

1. Individuals now own the primary means of all production. The knowledge economy offers more freedom, choices, and scope for action to those whose skills and talents have real value. In a knowledge economy, talent can't be compelled, but must be encouraged and coaxed. Leaders must attract and inspire people to use their best talents.

2. Knowledge must be broadly vested. In the industrial world, knowledge was often prized only at the top of the pyramid or chain of command. Decisions were made by "heads" at the top; implementation was done by "hands" in the ranks. By contrast, in a knowledge economy, knowledge must be distributed broadly to be effectively leveraged. Leaders must build collegiality and spread decision-making.

3. Since a great idea has greater worth than costly machines or even access to capital, competition can come from anywhere. A 100-year investment can be trumped overnight by a smarter vision of how to offer a product or perform a service. This puts a premium on innovation, continually adapt to changing conditions. Since new ideas are paramount, leaders must be skilled in creating a culture in which innovation flourishes.

Second, a new architecture of technology is reshaping organizations. Today's networked systems are fast, flexible, interactive, and non-hierarchical in shape and structure, facilitating direct communication. Those who are comfortable communicating directly, rather than up and down a chain of command, have a distinct advantage.

This has two primary implications:

First, technology distributes information more broadly. Information and power are being pushed down to those on the front lines, no longer isolated at the top. This undermines hierarchies and the status of those at the top, as they rely primarily upon the mystique of their position. Leadership is becoming decoupled from the power of position; it must be constantly earned, not assumed.

Second, using the technologies of work to manage private lives breaks down barriers between public and private, work and home. As technology becomes ubiquitous, zones of privacy erode. Public and private concerns can no longer be separated. Private issues are resolved in public; private behaviors that were in the past tolerated have become the subject of

public debate; public and political matters are increasingly viewed as matters of private concern; and private and working hours encroach upon each other.

Leaders must negotiate the frontier between public and private, aligning their private actions with their public face and respecting privacy that their stakeholders value. Failure to do so brings rapid and severe public response, even for those whose position made them unassailable in the past.

The third change is demographic. This is manifest in the inclusion of women into positions of authority and influence. Women bring with them many of the talents, attitudes, and presumptions that were formerly honored in the domestic sphere into the public realm. This has had a profound impact upon what is required of leaders. Relationship skills, intuitiveness, inclusiveness, coaching, the capacity to listen—these were considered "soft" skills, antithetical to heroic conceptions of charge-ahead leadership. Recently, these skills have moved front and center.

Women tend to evince a healthy skepticism about the perks and privileges that define high position, in part because they have long been excluded from traditional hierarchies. But this skepticism is also the result of the fact that women, as the Harvard psychologist Carol Gilligan argued in *A Different Voice*, are comfortable being at the center of things rather than at the top, and making moral judgments on a contextual rather than abstract basis. Such attitudes undermine the presumptions and disciplines by which hierarchies have been maintained.

Diversity is the order of the day. In every organization, people of divergent backgrounds are working side-by-side. This is the result of greater movement across borders; direct immigration to non-gateway cities; the assimilation of African-Americans into the mainstream of American life; and the fact that members of subcultures no longer necessarily find value in submerging ethnic, national and religious identity in order to adjust to notions of a fast-fragmenting "mainstream."

Thus leaders must show nimbleness and sensitivity to cultural difference to balance the needs of their diverse constituency. They must also see that diversity is not simply openness to race or gender, but to different *values* as well.

Power and Influence

The economic, technological and demographic changes work together, resulting in a rapidly shifting landscape in which the power and influence of those in the ranks becomes integral to how organizations function. This turns traditional notions of leadership upside down. For if people in the ranks are empowered, if their knowledge constitutes a primary value, if they can communicate directly, and if they prize diversity, they will not be led by my-way-or-the-highway autocrats.

To the extent that leadership is equated with and derived from position, it will be less potent. New concepts of leadership will be vested less in position than in the power of connections, relationships, individual expertise, personal qualities, aspirations, and earned personal authority. Leaders need to make the mental shift away from traditional models and sources of power and exercise flexibility and sensitivity to meet the challenge of the new model. **LE**

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ACTION: Tap into new sources of power.

Attracting Loyalty

From all the new customers.

by Chip R. Bell and John R. Patterson

TODAY'S CUSTOMERS GET TERRIFIC SERvice in pockets of their life, and use those experiences to judge everyone else. When the UPS or FedEx delivery person walks with a sense of urgency, we expect the mail carrier to do likewise. Customers also have choices. Shop for a loaf of bread, and you're confronted with 16 brands and 23 varieties packaged 12 different ways.

Today's customers are smarter buyers. Considering Sleepwell Hotel for your next vacation trip? You can get web-based information complete with evaluations from 40 previous guests. Everyone is everyone's *Consumers Report*. Watchdog websites can give you the lowdown on why one company is better than another. It means companies must monitor all the details (now transparent to customers) and get early warning on emerging glitches.

Figuring out how to attract and retain loyal customers today is not easy.

Five Loyalty Drivers

Five loyalty drivers fit most customers most of the time about most services.

1. Include me. Customers' loyalty soars when they discover they can be active participants in the service experience. Harley-Davidson created the Harley Owners Group (HOG) as a forum to bring Harley loyalists together for education and recreation. Membership comes with the purchase of a Harley. Managers often join in the fun and fellowship as HOG members reunite around a barbeque or motorcade on a Sunday afternoon.

Dealers for BMW's Mini-brand automobile mail to buyers a "birth certificate" once the customer pays a deposit. The customer then receives a link to go on line and follow their car's production. Build-A-Bear Workshop with their interactive build-a-stuff-toy experience has grown to 200 stores worldwide in 10 years. If customers know they have a chance to be included, the impact is almost as powerful as

if they actually put "skin in the game."

2. Protect me. A value proposition is the complete package of offerings a seller proposes to a customer in exchange for the customer's funds. It includes the product (or outcome), the price, and the process (or experience) involved in getting the product or outcome. There are certain qualities or features all buyers assume will typify that value proposition—the products they buy will be as promised, the price fair, and the process comfortable. These are "givens"—taken for granted unless removed—but they do not make us happy campers. If the commercial plane we board lands in the right city, we do not cheer; but, if it lands in the wrong city, we're upset. We assume banks will be safe, hotels comfortable, and hospitals clean. Customers are loyal to organizations that make sure the basics are always done perfectly.

3. Understand me. Service goes deeper than just meeting a customer's need. All needs are derived from a problem to be solved. Great service providers are great listeners. They know that unearthing the essence of the problem will point to a solution that goes beyond the superficial transaction. It takes building rapport with customers to engender trust. It entails standing in the customers shoes to get sense their hopes and aspirations.

Understanding customers takes more than surveys and focus groups. It means viewing every person who comes in contact with the customer as a vital listening post—a scout who gathers intelligence about the customer's changing requirements and provides early warning about issues and concerns. It involves gathering customer intelligence and mining the intelligence from front-line contacts.

4. Surprise me. Today's customers want sparkle and glitter; a cherry on top of everything. They want all their senses stimulated, not just those linked to the buyer-seller exchange. Features have become far more titillating than function; extras more valued than the core offering. Attracting customer loyalty today requires thinking of service

as an attraction. Examine how Cabelas and Bass Pro Shops decorate the service experience. If your enterprise was "choreographed" by Walt Disney World, a Lexus dealership, MTV or Starbucks, how would it change?

Think of the service experience like a box of Cracker Jacks. What can be your "free prize inside?" The power of surprise lies in its capacity to enchant, not just entertain; to be value-unique, not just value-added. Service innovation works best when it is simple and unexpected. Hotel Monaco puts a live goldfish in your room; Sewell Infiniti dealership programs in your radio stations from your trade-in; servers at Macaroni Grill introduce themselves by writing their name with a crayon upside down (right side up to the customer) on the butcher paper table cloth.

5. Inspire me. Customers are tired of plain-vanilla service. It attracts their loyalty if it reflects a deeper purpose or destiny, befitting of the organization's values— not just its strategy. Service with character means a sense of innocence, naturalness, purity—a solid grounding. We like being charmed by what we don't understand; we do not enjoy being hoodwinked by what we should have understood. Such service need not be obvious to customers in its design, but it must never feel devious in its execution.

What makes service inspirational? It moves us when it comes from people who are passionate about their work. We are stirred by professionalism and pride when it reflects a zeal to "do the right thing." It leaves customers wanting to return when they've had an encounter with goodness and purity.

Loyal customers act as a volunteer sales force, championing you to others at home, work, social circles, blogs, bulletin boards, and web sites. Because they feel committed to you and see both emotional and business value in the relationship, they'll often pay more for what they get from you.

The formula for creating and sustaining loyalty comes through inclusion, trust, understanding, joy, and character. Put these in your customers' experience, and watch their admiration soar along with your bottom line! **LE**

Chip Bell is senior partner of The Chip Bell Group. John Patterson is president of Progressive Insights, a CBG alliance company. Their new book is Customer Loyalty Guaranteed! *Visit www.loyaltycreators.com.*

ACTION: Earn customer loyalty.

Wake Up!

It's a new world.

by Kevin and Jackie Freiberg

I N MOST CASES, *CHANGE IS PRECEDED BY crisis*. Someone religiously buckles up after being in a serious automobile accident. A friend goes on a rigorous exercise program and low-cholesterol diet after experiencing a minor heart attack. A workaholic father decides to check-in, re-engage and "be there" for his children after his teenage daughter enrolls herself in drug rehab.

Here are eight insights gleaned from our global travels:

1. See opportunity in the crisis. You are likely on the verge of facing either a crisis or an opportunity, depending on how you choose to look at it. India, China, and others are getting better and stronger every day. Don't assume that professionals in these countries are content to settle for low-paying, labor-intensive jobs. How long will a software engineer in India or China—who reads about the success of his or her counterparts at Microsoft, Yahoo, Google, Intel, and Silicon Graphics—be content to work for a third of the wages? How long will the best and brightest entrepreneurs of these countries suppress their standard of living and materialistic desires with so much opportunity right in front of them?

2. Face reality. Are the radical innovations that give birth to new industries unique to entrepreneurs in the U.S.? Do we really think that the people of India, China, and other countries will patiently wait for us to create new, cutting-edge technologies and sophisticated new industries so they can take the routine work we refer to them? Perhaps we need to think again.

3. Fuel the entrepreneurial spirit. On his last two trips to India, Kevin conducted leadership programs in Hyderabad, Bangalore, and Mumbai. He was struck by the first-rate intellect of the people, the thoughtfulness of the questions from the media, and the passion with which business leaders are engaged in building a new India. Young people take little for granted. They want to learn, and they are committed to doing something significant with their education. As soon as they graduate and start making money, they are dedicated to helping their younger siblings get an education. The country is abuzz with new-found hope and optimism. People hungry for new ideas are experimenting feverishly. Their penchant for action is challenging India's fatalistic culture and creating a fresh and invigorating momentum. When asked, "What big initiatives are you focused on right now?" Many Indian CEOs are building stronger ties with companies in China, Australia, Egypt and Brazil.

The argument has been that while we outsource more of the low-value-add jobs to developing countries, those jobs will be replaced by more sophisticated, higher-paying jobs here in the U.S. Maybe, but consider the fact that Ernst & Young, J.P. Morgan, Goldman Sachs, Microsoft and Intel are building or plan to build facilities in Hyderabad, Bangalore, Mumbai and other locations in India. These facilities will house people producing more sophisticated, technically-advanced products—not just the repetitive "call center" work.

4. Be aware of the intellectual migration underway. Enticed by a whirlwind of entrepreneurial activity, cultural restoration and the excitement of putting their homelands in contention for global economic leadership status, expatriate managers are bringing their knowledge, skills, experience, and networks back home. Trained in the best American and European firms and universities, these sophisticated managers are equipped to lead the knowledge workers of the 21st century into more complex and value-added work.

The phrase "Made in China" now has a different ring to it. The result? A national renaissance that is sending shockwaves around the globe. Those who will be most affected are those who choose to reside in denial about the radical changes occurring in other parts of the world. People are in for a surprise who believe that India is simply the call center capital of the world and China is an isolated, inward-looking nation that can't get out from under communist oppression.

Even if only a small percentage of the three billion people in China and India cross the entrepreneurial threshold that we are describing, it will have a dramatic affect on everyone competing in the global marketplace? Are you and your company prepared for this?

5. Take nothing for granted—success is never final. While we've had our ups and downs as economic cycles come and go, the U.S. is still the only superpower in the world. Yet, as a nation we are never more vulnerable to arrogance, complacency, indifference, and inflexibility than when we are riding the wave of success. No nation has the corner on creativity, innovation, and ingenuity. Success is never final. Our greatness today could disappear tomorrow. Hard to fathom? Read some history—there are no guarantees.

6. Stay hungry. Many people argue that in the next 20 years there will be three superpowers: India, China and the U.S.—*if we get our act together*. We believe the U.S. can maintain its place of leadership on the global stage, but only if we can reinvigorate our entrepreneurial spirit by developing the guts to risk more and fail faster, strengthening our work ethic, ridding ourselves of the entitlement mentality, and acting with a sense of urgency. We can't afford to roll over and hit the snooze button.

7. Inspire people to fire on all cylinders. Eric Hoffer said, "*In times of drastic change, the learners will inherit the future.*" If we become arrogant or fail to ask the tough questions that force us to face the brutal facts, we won't govern our economic future. To have a fighting chance, we need to engage every employee, with every idea in their heads, and every bit of energy in their bodies.

8. Be a global player. What are you learning today that prepares you and your organization to face these challenges and capitalize on these opportunities tomorrow? Are you currently engaged in a dialogue about what it means to be a player on a global scale, or are you content to be a spectator? Are you interested in establishing the rules by which the game is played, or are you satisfied to play by the rules created by your competitors—who just might be on the other side of the world?   **LE**

Kevin and Jackie Freiberg are speakers, thought leaders and authors of NUTS! *and* GUTS! *and* BOOM! *Visit www.freibergs.com or www.bigspeak.com.*

ACTION: Wake up to the global world.
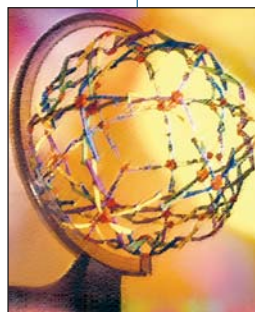
Better Coaching

Start asking six questions.

by Marshall Goldsmith

IN MY WORK WITH leaders, I find that one common complaint of direct reports is that their leaders do a poor job of coaching. Yes, executives tend to be poor coaches. They often neglect to schedule coaching time, and some leaders fear that coaching will come across as negative, alienating direct reports.

I suggest that you use an effective, time-efficient, six-question coaching process. Schedule a one-on-one, 30-minute dialogue with each direct report once a quarter. You and they are asked to: 1) make each question a dialogue, not a dictate, 2) focus on the future, not the past, and 3) listen to the other person's ideas, try to implement what you can—and not try to prove the other person is wrong.

1. Where are we going? The first question deals with the big picture. You outline the larger organization's direction, vision, goals and priorities, and then ask direct reports where they think the organization should be going. This question builds alignment and commitment to the vision.

2. Where are you going? This question surfaces the direct reports' vision, goals, and priorities. Executives share their views as well. By the end of this discussion, the vision, goals and priorities of the direct reports should be aligned with the executive's vision, and the goals and priorities of executives and direct reports should be aligned.

3. What is going well? Great coaches provide positive recognition for achievement. Assess what the direct reports and their teams are doing well, and ask, "What do you think that you and your team are doing well?" Direct reports may feel under-appreciated because you don't recognize their achievements. In many cases, you would recognize these achievements if you knew what they were! By asking this question, you can celebrate performance wins that you may otherwise miss.

4. What are key suggestions for improvement? Here leaders begin by giving direct reports constructive suggestions for the future. These suggestions should be limited to key opportunities for improvement. Giving too many suggestions is almost as bad as giving none. Direct reports should listen to the suggestions with a focus on understanding, not judging what is said. Executives should come across as trying to help. Next, executives should ask, "If you were your own coach, what suggestions would you have for yourself?" Then modify the areas of focus and attention as needed.

5. How can I help? After asking this question, listen to the suggestions! You can also participate in the dialogue by suggesting approaches and then asking, "Do you feel this approach will help you become more effective?" The key to helping others improve is not to do more coaching, but to provide coaching to the right people on the right topics. By asking this question, you can make more effective use of your time.

6. What suggestions do you have for me? This question changes the dynamics of the coaching process from a one-way monologue that focuses on, "Let me tell you what you can do to improve" to a two-way dialogue: "Let's try to help each other." Your reports are more willing to be coached by you if you are willing to be coached by them! In fact, by asking for suggestions, focusing on improving one or two key behaviors, and following up quarterly, you will be seen as dramatically increasing your leadership effectiveness.

Arrange for follow-up between sessions. At the end of each session, you might say, "I'll have a dialogue with you once each quarter. I'll cover what I think is most important and get your suggestions on what you think is most important. Please contact me at any time you need my help. I can't promise I'll be immediately available, but I promise to make your request a top priority." Great coaching happens within an agreement of mutual responsibility.

Use this six-question approach to become a more effective coach. Cover the most important topics regularly, and be available for each other for special situations. Few people need or want more coaching than this. This process provides you with a simple discipline to give people what they need, and receive what you need, in a way that respects your time and theirs.

Pay for Results

As an executive coach, I have a unique compensation system—I only get paid if my clients get better, meaning they achieve positive, measurable change in behavior, as judged by their key stakeholders. This process usually takes about 18 months and involves an average of 16 stakeholders.

I learned this "pay for results" idea from Dennis Mudd, my boss 43 years ago. Growing up in Valley Station, Kentucky, my family was poor. Dad operated a small gas station. The old roof on our home had started to leak, so Dad hired Dennis Mudd to put on a new roof. To save some money, I worked as his assistant. Putting on a roof in mid-summer in Kentucky is no fun. I've never done any job (before or since) that required such physical exertion. I was amazed at the care Mudd put into the laying of the shingles. He was patient with me as I made mistakes and helped me learn how to do the job right.

When Mudd presented my Dad with the invoice, he said, "Bill, please take your time and inspect our work. If you feel this roof meets your standards, pay us. If not, there's no charge." Dad carefully looked at the roof, thanked us for a job well-done, and paid Mudd, who then paid me.

I'll never forget this event. The Mudd family didn't have any more money that we did. I thought, "Mr. Mudd may be poor, but he is a class act."

How much would not getting paid have hurt Mudd? A lot. Not paying him would have meant that his family would not be eating well for the next two months. This sacrifice didn't matter, though. His pride and integrity were more important than money.

Mudd never gave pep talks about quality or service. He didn't use any fancy buzzwords. He didn't have to—his actions communicated his values.

The next time you are working on a project, ask yourself, "What would happen to my commitment and behavior, if I knew that I was only going to be paid if I achieved results?"

Although I've received many honors for my work, I'll never match the dedication to quality and integrity of Mr. Mudd. For the record, I have not been paid on a few assignments, and I've never asked for money I felt was undeserved. At the time, this caused me some pain and embarrassment, but I knew I'd still have a prosperous life. **LE**

ACTION: Adopt a pay-for-performance system.

Emergence

How change happens.

by Margaret Wheatley and Deborah Frieze

IN SPITE OF CURRENT slogans, the world does not change one person at a time. It changes as networks of relationships form among people who share a common cause and vision. This is good news for leaders: We don't need to convince large numbers of people to change; instead, we need to connect with kindred spirits.

Networks need to evolve into intentional working relationships where new knowledge, practices, courage, and commitment can develop, such as happens in Communities of Practice. From these relationships, *emergence* becomes possible. Emergence is how large-scale change happens. Separate, local efforts connect and strengthen their interaction and interdependency. What emerges is a *system of influence*—a powerful cultural shift that then greatly influences behaviors and defines accepted practices.

Traditionally, when leaders seek to create a culture of achievement, they create a vision, develop a strategy, design an implementation plan, structure a timeline of activities and desired outcomes, design assessment and evaluation tools, then parcel out the work. They seek allies and change champions from senior leaders, use policies, measures and rules to enforce the new behaviors, develop rewards and enticements to achieve buy-in, punish those who don't buy it, and develop a PR and communication strategy to create good press.

This theory has several embedded assumptions: Change is top-down and requires top-level support; it requires careful planning and good controls; it happens step-by-step in a neat, incremental fashion; behavior can be mandated; rewards and punishment motivate people to change; and large-scale changes require large-scale efforts.

This approach to change has failed to achieve its intentions. The intent is to create a *Culture of Achievement* but what emerges is a *Culture of Enforcement* which subverts achievement and wearies and demoralizes people.

How do change leaders often create results opposite to what they intend? To answer this question, we need to notice how change really happens.

Change Through Emergence

In all living systems, change happens through *emergence*. Large-scale changes that have great impact do not originate in plans or strategies from on high. Instead, they begin as small, local actions. While they remain separate and apart, they have no influence beyond their locale. However, if they become connected, exchanging information and learning, their separate efforts can emerge as powerful changes, able to influence a large system. This sudden appearance always brings new capacity. Three things are guaranteed with emergent phenomena: their power and influence far exceed any sum of the separate efforts; they exhibit skills and capacities that were not present in the local efforts; and their appearance always surprises us.

One way to understand emergence is to look at the "Perfect Storm." Its power is a result of several factors converging in perfect synchrony. If any one of the elements were not present at that very moment, the storm could not emerge. It is the *simultaneity of their convergence* that creates their power.

Well-intentioned leaders often activate unseen dynamics in the culture to create a perfect storm. Local changes that have little significance in isolation converge with other changes to create a major force.

In organizations, a *System of Influence* determines accepted practices and patterns of behavior; it sets the criteria for what's important. Over time, those who fail to conform to requirements get labeled as *deviant* and pushed to the fringes. A System of Influence, like a culture, sets the values, norms, expectations, beliefs and assumptions. It determines where resources go, what practices to use, which behaviors to reward. To understand how these powerful systems of influence arise, we must understand and work with the dynamics of emergence.

Working with Emergence

Emergence is a description of large-scale change. *These Systems of Influence* have broad reach and affect behaviors throughout the system. Yet emergence doesn't start big—it begins with small local actions. Large-scale change emerges from connections among these local efforts, from the exchanges and forging of relationships.

Even if you could change all the elements, you could never replicate how they converge. What you can do is begin to create system-wide change by working locally where you learn how to be the change you want to see. At the start, your small efforts seem impotent, puny in the face of the dominating culture. By themselves, they're insufficient.

These initial local experiments not only teach us how to make the future come alive in the present, they activate supportive beliefs that have been suppressed by the current culture. Many supportive dynamics and beliefs are invisible now, but they appear as you do your work. Your work is to encourage local experiments, to nourish supportive beliefs and dynamics, and to sponsor people to connect with all the kindred spirits now working in isolation. This is how you work with emergence to create the future you desire.

Emergence has a life-cycle. In each stage, connections become stronger and interactions more numerous and diverse. It begins with networking, connecting people who are often so engaged in their own efforts that they don't know what's happening outside their building. Discovering you're not alone offers a big boost to morale.

The second stage is when people realize that they can create more benefit by working together. Relationships shift from casual exchanges to a commitment to work together. Personal needs expand to include a desire to support others and improve professional practices. One example is Communities of Practice—a group of practitioners dedicated to learning with and from one another in pursuit of promising practices that support or create the desired changes. With emergence, it's not critical mass you have to achieve—it's critical connections.

As we innovate at the local level, strengthen connections, and embody societal ideals, we work toward the emergence of a new *System of Influence*. If we can see how we created our current culture and how change happens, a new map will reveal itself for how we can create better organizations. **LE**

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ACTION: Work with emergence.

Overcome Resistance

G i v e   c h a n g e   a   c h a n c e   t o   s u c c e e d .

by Howard M. Guttman

WHAT PROMPTS PEOple to do what they do? Why do they behave in a certain way? What causes them to overcome fear and inertia to follow some new, untraveled path?

These are complex questions. We don't have scientifically valid answers for how organizations can change the behavior of those who show up each day in varying states of readiness, willingness, and ability to shift paradigms and routines.

What we can offer are practical tips —a kind of results verification—that come from great leaders who have overcome resistance to change to take their teams to a very different place.

• *Be reassuring.* Not surprisingly, change, especially in lean times, breeds fear. It is difficult for people to embrace your vision of some new tomorrow, no matter how brightly you paint it, when they remain frozen in fear.

Managing the fear of change is a top priority for high-performing leaders, who know that "greatness" requires making deep organizational and personal change. When Grant Reid, now global president, Mars Drinks, was faced with the challenge of turning around sales at Mars' Snack unit, he first went directly to associates—especially those whose leader had been replaced by Reid, to reassure them.

Reid set up one-on-one meetings with his VPs and their direct reports to explain his vision for the future and ask for their help in achieving it. He encouraged them to express their feelings about the changes by asking questions: "How are you feeling? What are you thinking about your future here? What are your major concerns?"

Listening to the answers, Reid realized that people wanted reassurance that their future was secure. He carefully explained what was going to change and what their role would be going forward. He let people know the end game; let them know they would have a hand in bringing it about. Before long, they were fully committed to Reid's plan.

• *Pace change.* People can only deal with so many changes before they go into "Future Shock." One way to keep Future Shock from undermining your efforts to implement change is to make sure that people have sufficient time to understand and absorb the upcoming move to the high-performance model— and to give them plenty of opportunity to ask questions. As Axcan Pharma's CEO, Frank Verwiel, reminds us, "It's a challenge to strike the right balance between getting people to change enough to make a difference and not making so many changes that they become paralyzed."

There is no formula for finding that balance. High-performing leaders know how to weigh the business case for the change and its urgency with how far the organization must travel to get

there. They also know how to convey to everyone that moving horizontally is the "real deal" rather than just another this-too-shall pass initiative.

Bottom-line lesson for leaders: Keep in mind that change doesn't just happen—it happens to people.

• *Tie-in self-interest.* People are more apt to change when there are incentives to do so—and disincentives for clinging to old habits. What will the high-performing model mean in terms of how players in an organization earn their living and live their professional life? What's the cash value to them? What are the rewards in terms of their career, their ability to operate freely, to tap their creative energy, and to express themselves freely without all the task interference of a siloed, hierarchical environment?

Brian Camastral, regional president, Latin America for Mars, Inc., is a superb consequence thinker—a skill that he

uses adeptly in managing high-performance change. Imagine, he asked his change-shy team members, if we could create a situation in which each of the decentralized geographical units could work together as an area-wide team, continue to operate independently, and yet improve individual unit results?

Camastral got his team's attention. He then made the business case for aligning each unit's strategy with Mars' global strategy. Camastral took his top team through an alignment session, which barreled home the point that with each unit working off the same strategic plan, parts would be more interchangeable, allowing for cross-border mutual assistance. Executives on his team realized that they would remain accountable and be rewarded for their unit's results, not the region's, but their unit's results would improve, given a freer flow of talent. "The attitude began to shift," says Camastral, "until everyone wanted to be on the winning team, and they were all determined to make it work, individually and collectively."

When Paul Parker was vice president of HR for Colgate-Palmolive's Africa-Middle East Division, he was charged with reining in the South African team of "mavericks" who enjoyed the rough-and-tumble of the local marketplace. The only problem: The region wanted to play a more robust corporate role and become a global supplier for CP, which it couldn't do if it remained at its current level.

Enter the universal motivator: self-interest. When it was pointed out to the South Africans that they would never be viewed by corporate as a source of talent for the global organization, they realized that their behavior wasn't in their own best interests. They asked: "How do we accelerate our careers within CP?" The answer: "By demonstrating high-performance behaviors." They began to do so.

Then there is that effective, stand-by carrot: pay for team performance. Many companies now reward both results *and* how they are achieved. In one company, 40 percent of compensation depends on "soft" behaviors: authenticity, following protocols, depersonalizing, holding others' accountable, being receptive to feedback. And it really helps people take that leap of faith onto a new path. **LE**

ACTION: Reward results and how they're achieved.

Leading Change

Use fixed points to navigate.

by Kim Cameron

WE LIVE IN A DYN-amic, turbulent, high-velocity world. Unfortunately, when everything is changing, it becomes impossible to lead change. Without a stable, unchanging reference point, direction and progress become indeterminate.

Airplane piloting offers an instructive metaphor. The key to successful flight is adjusting the plane's movement in relation to a stable, unchanging referent such as land or the horizon. Without such fixed referents, pilots can't steer a course. With no visual or instrumentation contact with a fixed point, they are unable to navigate.

Consider the last flight of John Kennedy, Jr., who began to fly up the New England coast at dusk. He lost sight of land and, when it grew dark, the horizon line as well. He lost his fixed point of reference. The result was disorientation, and he flew his plane into the ocean. He was unable to navigate the changing position of his airplane without a fixed standard.

The same disorientation afflicts leaders in situations where they have no fixed referents. When nothing is stable, no clear fixed points or undisputed guiding principles exist, leaders are left with nothing by which to steer. They can't tell up from down or progress from regress. When nothing is stable—an absence of fixed points, dependable principles, or stable benchmarks—they tend to make up their own rules. They make sense of the ambiguity and chaos they experience by deciding for themselves what is real and appropriate—based on criteria such as personal past experience, immediate payoff, personal reward, or socialized standards.

In high-pressure, high-velocity environs, some leaders simply make up their own rules. They end up cheating, lying, waffling, or claiming naiveté, not only because it's to their economic advantage, but because they create their own rationale for what's acceptable. They operate in evolving, complex, and high-pressure environments where rules and conditions change constantly. Although their actions are unethical and harmful, within the rationale they create, those actions make perfect sense.

These examples illustrate why ethics, standards, rules, and social responsibility are vital in governing behavior. Ethical reforms have led to the Sarbanes-Oxley legislation—considered to be an enormous cost and productivity drain on U.S. companies because of its requirements for documentation and oversight —and the emphasis on social responsibility has motivated leaders to address troublesome issues in the environment (pollution, poverty, health care, environmental sustainability), redress existing problems (cleaning up waterways), or work to prevent harm (filtering smokestacks). Rules and standards meant to guide what is right and wrong, legal and illegal, have escalated in the interest of identifying fixed points.

The problem is, standards that avoid harm are not the same as standards that lead to doing good. To date, the dominant emphasis in the ethics legislation has been on avoiding harm, fulfilling contracts, and obeying the law. In practice, ethics are understood and implemented as duties. They are mainly specs designed to avoid injury or prevent damage. Unfortunately, such rules and standards may lead to the reverse—notice campaign finance reform, mortgage lending standards, union work rules, tax legislation. Ethical standards are frequently in flux.

To illustrate, consider a continuum in which three points are identified—negative deviance on the left (illness, dishonesty), a normal or expected condition in the center (health, trust), and positive deviance or highly desirable condition on the right (vitality, flow, virtue). This continuum illustrates the difference between ethics—defined as an absence of harm—and virtuousness—the perpetuation of goodness.

To understand the continuum, think of the human body. Most of what is known about human physiology relates to avoiding or overcoming illness and harm—similar to the emphasis in the ethics literature. Unethical behavior produces harm, violates principles, and does damage. Ethical behavior usually refers to avoiding damage—behaving consistently, being trustworthy, not injuring others, addressing or redressing societal problems. However, the right side of the continuum refers to conditions that extend beyond the avoidance of harm. Terms such as *honor*, *vitality*, *benevolence*, and *flourishing* describe a condition of virtuousness— what individuals aspire to be when they are at their very best. The word is derived from Greek *arête*, meaning *excellence* or that which represents the highest of the human condition.

Sadly, the concept of virtuousness at work is often viewed with skepticism or disdain. We see increasing usage of competitive and aggressive language in reference to business but almost no link between business and virtue, compassion, and integrity. Moreover, practicing managers often reflect the attitude that virtuous concepts are irrelevant.

Virtuousness can, and should, serve as a fixed point to guide behavior in times of ambiguity, turbulence, and high-velocity change. *Virtuousness* represents what people aspire to be at their best, and those aspirations are universal. Without virtuousness as a supplement to ethics, no unchanging fixed point exists with which to lead change. When virtuousness is demonstrated, positive outcomes accrue.

Organizations that facilitate universal virtues such as compassion, integrity, forgiveness, trust, and optimism outperform less virtuous organizations on profitability, productivity, innovation, quality, customer retention, and employee loyalty. In turbulent conditions, virtuous firms made more money, recovered from downsizing, retained customers and employees, and were more creative and innovative.

To cope effectively and perform successfully, leaders must avoid doing harm—adhere to ethical rules—and also act virtuously—foster virtuousness and the best of the human condition. Virtuousness is associated with positive outcomes, positive energy, growth and vitality, social capital, performance, and dividends. Doing good helps organizations to do well. **LE**

ACTION: Cultivate virtue.

Strategic Excellence

Here's all you need to know.

by Tom Peters

I AM NOT A CHAMPION OF the school of thought that implies, "Get the strategy *right*, and the rest will automatically follow." Knowing *where* you're going—with today's market gyrations—is difficult to do. For me, knowing *who* you're going with tops the list of imperatives, along with knowing that those you're going with share your *passion* and *determination*—and the *flexibility* of mind to adjust.

What do you need to know about strategy? My answer: 13 eternal verities:

1. Do you have awesome talent, everywhere, and do you push that talent to pursue audacious quests? It's the people, stupid! It's the people on your roster. Become a "connoisseur of talent." And then, what do you do with this Great Talent you've recruited? *Send them out on Inspiring Quests!* Aim to have this Great Collection of Talent *surprise* and *delight* you by heading off to explore territories that neither could have imagined. If you are settling for de-motivation and mediocrity, no strategy will save you.

2. Is your Talent Pool loaded with wonderfully peculiar people whom others would call "problems"? We're seeking adventurers for quests, right? Adventurers tend to be a bit quirky. They travel paths of their own making. Their commitment shows on their sleeves—sometimes to the annoyance of "company men." I say: It's a weird time! Bring on the Misfits! And I'd extend this Keystone Idea to customers, vendors, and the extended enterprise. How do you do measure up on the Weirdness-Misfits-Pioneers Scale?

3. Is your Board of Directors as cool as your product offerings—and does it have 50 percent (or at least one-third) women members? "The bottleneck is at the top of the bottle," strategy guru Gary Hamel reminds us. That's where you are likely to find people with the least diversity of experience, the largest investment in the past, and the greatest reverence for dogma. The Board ought to bear some slight resemblance to the market you serve or aim to serve, but most Boards do no such thing! Women, minorities and youth are nowhere to be found! *I see no excuse, save an open acknowledgement of stupidity, for less than one-third of board members being female.* This issue is of the utmost "strategic" importance. Who cares what the strategy is—if the Board is completely, maliciously misaligned with the market served?

4. Is creating a culture that cherishes innovation (not imitation) and entrepreneurship your primary aim? We are assaulted by a siege of "me too" at exactly the wrong time—a time of profound and rapid change. It is thus a moment that cries out for profound innovation. No promotion should be granted to anyone who does not demonstrate a clear, compelling, sustained commitment to Radical Change. The heart of "good strategy " goes far beyond any plan. The heart of the matter is *Heart and Will*—a record of upsetting apple carts, dislodging establishments and altering deep-rooted cultures to embrace change. We need leaders who can re-imagine, call forth wellsprings of daring and guts, spirit and spunk, from one and all, to topple the way things have been—and inspire us to venture into white waters with insouciance, bravado, and determination.

5. Are the ultimate rewards heaped on those who exhibit an unswerving bias for action? Many brilliant strategies are executed poorly. At excellent companies, we see less emphasis on the strategy per se, and a persistent focus on simply doing stuff, not talking it to death. *Problem One: Too much talk, too little do!* An abiding bias for action, results, performance remains Exec Job One. A "bias for action" is *the* Deep Cultural issue. Instilling such a bias begins with the front-line recruiting process and continues all the way to the selection of the CEO.

6. Do you routinely use hot, aspirational words-terms like "excellence"and BHAG (Big Hairy Audacious Goal, per Jim Collins) and "Let's make a dent in the Universe" (per Steve Jobs)? Is "Reward excellent failures, punish mediocre successes" your de facto or de jure motto? *Message*: **Hot begets Hot! (Cold begets Cold.)** My work has been to re-paint dry and dreary "management talk" in Technicolor hues! Business is about people creating things for people. People serving people. People growing and achieving beyond their dreams—one Wow Project at a time. I'm still in love with "excellence" with exceeding expectations. I'm convinced that any activity, no matter how humble, can be turned into a Work of Magnificent Art. Great Aspirations don't ensure great results. But the absence of Great Aspirations *will* ensure non-great results. If reaching for the moon is routine, then falling short will also occur frequently. But with the playing fields morphing, time devoted to a "mediocre success" is a tragic waste.

7. Do you subscribe to Jerry Garcia's dictum: "We do not merely want to be the best of the best, we want to be the only ones who do what we do"? Doug Hall, my favorite marketing guru, gives us *Three Laws of Marketing Physics*. The *Law of Dramatic Difference* is Law 3: Prospective customers evaluate a new product and are then asked 1) if they'd buy it and 2) if they see it as unique. The firm's execs in turn evaluate and weigh the prospective customers' reactions. Without fail, the execs deciding to launch or not bet all their marbles on the intent-to-buy question, and ignore the uniqueness issue. The problem: the intent-to-buy response is a poor predictor of success (or failure), while the "uniqueness" assessment almost perfectly predicts the true response to the product.

8. Do you elaborate on and enhance Jerry G's dictum by adding, We subscribe to Best-Sourcing—and only want to associate with the best of the best. My punch line has been: *Not out-sourcing. Not off-shoring. Not near-shoring. Not in-sourcing. But Best-Sourcing.* Companies that try to be best at everything are doomed. Every unit (logistics, IS/IT, HR, finance, R&D, marketing, sales) must offer proof that it is, "the only ones who do what we do"—or at least equivalent to the best of the best.

9. Do you embrace the new technologies with child-like enthusiasm and a revolutionary's zeal? The whole idea of thoroughly modern IS/IT is the right information at the right place at the right time. Adios, middle managers! Welcome, direct agency and inter-ser-

vice, bureaucracy-free communication among those who do the work.

10. Do you serve and satisfy customers, or go berserk attempting to provide every customer with an awesome experience that does nothing less than transform the way she or he sees the world? As global competition heats up, merely making a quality product or service is not enough. You need to offer remarkable experiences.

11. Do you know that the two biggest underserved markets are Women and Boomers-Geezers and that to take advantage of these two Monster Trends requires realignment of the enterprise? Getting with the program is not about segmentation—it's about wholesale cultural realignment of the enterprise. *Women = Opportunity No. 1. Women buy everything (and they have their own approach to purchasing things).* Those leaders who shortchange this business opportunity are simply stupid.

12. Are your leaders accessible? Do they wear their passion on their sleeves? Does integrity ooze out of every pore? Is "We care" your implicit motto? Today the boss's mantra is: "Help! Please commit your heart, soul and imagination to inventing clever and wonderful services-solutions-experiences-dreams come true. Join with me in inventing an adventure, a quest worth our time and our clients' time and money." A true partnership among all parties demands as a price of entry: unstinting integrity, total transparency, passion-on-our-sleeves, and spirit to burn.

13. Do you understand business mantra #1: Don't try to compete with WAL*MART on price or China on cost? Clients want either the best or the least expensive—business as usual is dead. And I say, "Hurray." Try instead to be "the only ones who do what we do "— whether the tableau is a one-person accountancy, a 10-chair beauty salon, a 400,000-person behemoth, or your career as newly minted "Brand You."

Cubicle slavery is ending. Commodity strategies are bankrupt. Passion and commitment matter most. Creativity wins. Individuals reign. Re-imagine! Technicolor Times demand Technicolor leaders and Boards who recruit Technicolor People who are sent on Technicolor Quests to execute Technicolor Projects in partnership with Technicolor Customers and Technicolor Suppliers all of whom are in pursuit of Technicolor Goals and Aspirations fit for Technicolor Times. **LE**

Tom Peters is the author of In Search of Excellence *and several other best-selling books and one of the original contributing editors of* Leadership Excellence. *Visit www.TomPeters.com.*

ACTION: Seek strategic execution excellence.

Change Model

Three stages to success.

by Connie Hritz

CHANGE IS INEVITABLE —and the key to success is adaptability. If you've lived through change, you already know that it occurs one person at a time. If you can bring people through change individually, you can manage change successfully. Organizations change when the people in them change.

Change happens at three levels: individual, team, and organization. As individuals adapt to change, their actions shift the team. As their adaptations and shifts work their way up, the organization changes. So, focus your change management efforts on getting individual commitment.

Employee attitudes toward change roughly follow bell-shaped curve: 15 percent embrace change; 60 percent are uncertain; and 25 percent resist. Since most employees are ambivalent, your ideal strategy is to applaud the minority who embrace the change and move the ambivalent group toward commitment. The resisters warrant your attention and energy only as they sabotage the change.

Our three-stage change model is based on a belief that organizations change as a result of changes in individuals:

Stage 1: Assess

Determine the degree of change readiness. People tend to fall into *six change readiness states*:

Indifference. Some see no need to change. Behaviors may include apathy, disregard, and an unwillingness to take risks required to produce the change.

Rejection. Some people don't want to change. Behaviors may include fear of change, refusal to change, challenging the business case of the change, and discouraging others from changing.

Doubt. Some people may focus on the downside. Behaviors may include skepticism, suspicion, the search for proof, hesitancy, or questioning.

Neutrality. Some people will participate when asked, but won't initiate. Their behaviors include sitting on the fence, indecision, and non-commit-ment, but they will listen and observe.

Experimentation. Some people provide momentum for the change without being committed to it. Behaviors may include a willingness to participate and move the change forward.

Commitment. Some embrace the change. They're eager to learn and perform well. They accept and support the change. They collaborate to integrate the change and show dedication.

Stage 2: Customize and Implement

To move people toward commitment, you need to acquire four competencies:

Communication. Explain the change and its drivers, being authentic about benefits and challenges, exploring reactions and implications, and gaining commitment to next steps.

Accountability. Ensure that correct behaviors bring rewards and resistance brings undesired consequences.

Creating a safe environment. Ensure that people have a safe place to express their feelings. People can't commit to change in a closed environment.

Coaching. In coaching through change, you focus on feelings and personal implications. Such coaching tends to release much deeper emotions, and meet much stiffer resistance. Authenticity and problem-solving take precedence.

Stage 3: Sustain

Help each individual build "change muscle." Since it's easy for people to fall back into old habits or lose sight of why change is needed, apply four skills:

Reinforce key coaching skills. Practice working with people who are in challenging states like rejection. Focus on clearly defined action plans.

Use coach-the-coach routines. Observe coaches. Help them grow and develop in the role.

Refresh coaching skills. Offer follow-up training programs: onsite sessions, webcasts, conference calls.

Reassess change readiness. Reevaluate to see if you are getting closer to total commitment.

Changes happen at the individual level, and coaching is an effective way to influence behavior. "Change muscle" enables you to navigate change more easily. Cultivate your change resilience, and you'll be ready for anything. **LE**

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ACTION: Observe these three stages.

Leader for Life

Work from the inside out.

by Kevin Cashman

We lead by virtue of who we are. We are all CEOs of our own lives. The only difference is the domain of influence. The process is the same: we lead from who we are. The leader and the person are one. As we learn to master our growth as a person, we will be on the path to mastery of *Leadership from the Inside Out*.

What does *mastery* of leadership mean to you? Our ideas about mastery and leadership tend to be externalized. Our leadership development (LD) programs focus on learning about *things*. We learn *what* to think, not *how* to think. We learn *what* to do, not *how* to be. We learn *what* to achieve, *not* how to achieve. We learn about *things*, not the *nature of things*.

As leaders, we receive recognition for our external mastery. Our success is measured by the degree to which we master our external environment. Revenue, profit, new product breakthroughs, cost savings, and market share are some measures of our external competencies. But where do the external results come from? Is focusing on external achievement the sole source of greater accomplishment? Could our single-minded focus on external results cause us to miss the underlying dynamics supporting sustainable peak performance?

Our definitions of leadership also tend to be externalized. Most descriptions of leadership focus on the *outer manifestations* of leadership—vision, innovation, results, drive—instead of getting to the *essence of leadership*.

Many companies develop massive leadership competency models or "perfection myths" about what they want or expect of leaders. When competency models are perfectionist, mythical, and disconnected to the business needs, they are counter-productive.

We decided to study the most effective clients that we had coached over the last 30 years. We asked, "What is fundamental to the most effective, results-producing leaders that supports their various competencies or styles?" Three patterns became clear:

1. *Authenticity:* Self-awareness that openly faces strengths, vulnerabilities and development challenges.

2. *Influence:* Communication that connects with people by reminding self and others what is genuinely important.

3. *Value creation:* Passion and aspiration to serve multiple constituencies—self, team, organization, family, community—to sustain performance.

By evaluating these principles, we landed on what we think is an essential definition of leadership: *Leadership is authentic influence that creates value.*

The implications of this definition are far-reaching. Leadership is not hierarchical—it exists everywhere. The roles of leadership change, but the core process is the same. Anyone who is authentically influencing to create value is leading. Some may influence and create value through ideas, others through systems, others through people. Deep from their core, the person brings their talents, connects with others, and serves multiple constituencies.

The single biggest performance issue organizations face is inspiring leadership at all levels. There are infinite ways to manifest leadership. There are as many styles of leadership as there are leaders. To enhance your leadership effectiveness, explore three essential questions: How can we enhance our *authenticity* as a leader? How can we extend the *influence* we have? How can we create more *value*?

Leadership from the Inside Out is about our journey to discover and develop our purposeful inner capabilities to make a more positive contribution. Bill George, former CEO of Medtronic, notes: "The more we can unleash our whole capabilities—mind, body, spirit—the more value we can create."

Mastery of *Leadership from the Inside Out* is principally about achieving one thing—making a difference by applying more of our potential. This does not mean that we only lead from the inside-out. We lead just as much—and sometimes more—from the outside-in. Leadership involves a dynamic between the inner and the outer. We emphasize the inside-out dynamic because we tend to focus too much on the outside. We are in a dynamic relationship with ourselves and our constituencies—the marketplace, our customers, employees, and personal relationships. Ultimately, we want a balance of leading from the inside-out and the outside-in. Our decisions and actions are in a dynamic loop from us to others and back again. To practice leadership at the highest level, we need to take responsibility—personal and social responsibility—and be vigilant about the "I" and the "We" of effective leadership (awareness of self and others).

As we help people to develop their leadership, we learn:

• As the person grows, the leader grows. The master competency in LD programs is *growing the whole person to grow the whole leader*.

• Most definitions of leadership need to be balanced from the inside-out, viewing leadership in terms of its external manifestations and seeing it also from its internal source.

• Helping leaders to connect with their core talents, core values, and core beliefs is key to effective LD.
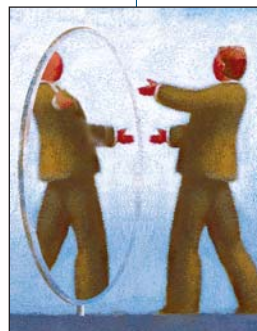
• Leaders who learn to bring their core talents, core values and core purpose to awareness experience dramatic increases in energy and effectiveness.

• Leaders who integrate personal power and results power with relational power accelerate their effectiveness.

• Leaders who achieve congruence—alignment of their real values and their actions—are more energetic, resilient, effective and interpersonally connected.

• Transforming LD programs from a series of fragmented, content-driven events to an integrated, inside-out/outside-in growth process enhances team and organizational excellence.

Leadership from the Inside Out involves clarifying your identity, purpose, and vision so that your life is dedicated to a more intentional manner of living and leading. This inner mastery directs your diverse intentions and aspirations into a purposeful focus. As you move to a more fulfilled manner of living and leading, a focus on purpose replaces your single-minded focus on external success. This purposeful intention and action serves as the energetic, inspired basis for leadership effectiveness. **LE**

Kevin Cashman is president of LeaderSource, part of Korn/Ferry International, and author of Leadership From the Inside Out *(2ⁿᵈ edition, Berrett-Koehler). Visit www.LeaderSource.com.*

ACTION: Keep connected to your inner core.

Position vs. Contribution

How some people lead without a title.

by Jack Zenger

IMAGINE YOU'RE NEW and you want to know how things get done. Who drives important decisions? Who implements new directions? Who might obstruct important changes? You might review the formal organization chart. This spells out who reports to whom, who is in charge of what activities and which functional areas people inhabit.

There's just one problem. Everyone knows this isn't how things *really* work. The *actual* structure—the one that best describes the flow of actions, decisions, and relationships—is not accurately reflected on the org chart. This "informal" structure can't be easily mapped, but is critical to understanding how careers progress. In fact, the best way to detect the difference between the formal and informal organization is to examine the disparity between an individual's contribution and their position.

People's behavior is often not aligned with the position they occupy. Their contribution may extend far beyond their formal position—or their position may outdistance their actual contribution.

This leads to four axioms: 1. The formal and informal organizations are not the same. 2. Organizations function well when people's contribution exceeds or matches their formal position. 3. Organizations suffer when an individual's contribution falls short of what is expected for that position, especially when the person occupies a position of power and responsibility. 4. People's contribution is not limited by their position.

The Dual Impact

The implications of this mismatch between formal position and contribution can be viewed from two points:

1. The organization's perspective. Clearly the organization has a great deal at stake. The efficiency and long-term health depends on how its leaders perform. When people's contributions don't measure up to the expectations of their position, capability is compromised. This happens when people remain in the same position for a long time but don't progress. More is expected as a person's salary and seniority rise, but the person's performance stays stagnant. This also happens when the organization moves people into new positions where they're expected to excel; yet their performance falls short of requirement.

2. The individual's perspective. When position and contribution do not match, people want to know how they can continue to manage their careers and maximize their contribution—even when they don't have complete control over their position. Leadership can and does occur at all levels. There is often no direct correlation between the ability to lead or exert influence and one's position in the formal chain of command. This fact has enormous career implications.

Stages of Career Evolution

Careers evolve through four stages:

1. Apprentice (neophyte, rookie, new-hire). They: Understand that others know a great deal about what you are doing. Allow work to be monitored carefully. Figure out how things work. Assist others with their assignments. Take assignments that are part of larger efforts. Earn the support and trust of superiors. Tackle a steep learning curve. Take on work that is detailed and routine. Accept supervision. Develop listening skills.

2. Professional (independent, journeyman). They: Require self-reliance and self-confidence. Accept responsibility for an outcome. Work with minimal direction. Produce results without being told how to get there. Manage time and meet deadlines. Work as team players. Offer help and asks for assistance as needed. Communicate willingly with other team members. Develop increasing technical competence. Show initiative and creativity.

3. Mentor (coach, internal consultant, lead, idea generator). They: Initiate interactions with others. Enjoy teaching and encouraging others. Influence others by sharing information. Coach others to help them learn the ropes. Show interest in others' careers. Help others succeed. Enjoy contributing through others. Share recognition and glory with others. Let others do the technical tasks. Possess strong interpersonal skills. Build extensive networks. Nurture ideas. Develop broader skills.

4. Visionary (pathfinder, statesman, sponsor, strategist). They: See the organization as a total system. Take a long-term view when making decisions. Scan the competitive landscape to keep pace. Help set the direction. Represent the organization to the outside world. Champion changes in systems, processes, or customer selection. Develop others. Weigh in on critical decisions and difficult issues. Identify opportunities for new products or markets. Build long-term capability. Communicate skillfully about the vision and values. Actively recruit key people to join.

These career stages relate to contribution, not formal positions. People's career progress does not have to be defined only by their advancement up the ladder of authority. Instead, their career progress can be mapped by how they move through stages. However, people's activities may span more than one stage, and *position and contribution can be widely separated.* Formal positions can be vastly different from a person's career stage. Some people who function in Stage 4 roles have no formal position. They generate ideas. They are visionaries who conceive a new business or identify a new market. They work behind the scenes to make things happen. They may sponsor new people who do not report to them.

Conversely, people with senior positions may have many people reporting to them, but do not step up to the formal requirements of their position—they continue to operate from Stage 2.

People who want upward mobility tend to focus on positions, promotions, and titles. They have little or no control over those decisions; however, they have great control over their contributions.

At any stage of your career, you can look ahead, practice new skills, and make new contributions in advance of what is expected from your position. These efforts will best propel you and your organization to success. **LE**

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ACTION: Contribute beyond your position.

Call for Talent

What's the best solution?

by Dave Ulrich

*T*ALENT. WE KNOW *IT* matters. Some go to war for *it*. Sports teams draft for *it*. Actors audition to show they have *it*. Others consider *it* the ultimate solution and try to manage *it*. Agents contract for *it*. Some are endowed with it. Others strive diligently to earn *it*. All try to grow *it*.

Talent is evolving into a science for HR professionals and a passion for line managers. Many programs are created to attract, retain, and upgrade talent. Yet, we can easily get lost in the myriad of promises, programs, and processes and lose sight of the basics.

I offer a deceptively simple formula for talent that can help you turn your talent aspirations into actions: *Talent = Competence, Commitment, and Contribution*. In this equation, the three terms are multiplicative, not additive.

Competence means that individuals have the knowledge, skills, and values required for today's and tomorrow's jobs: *right skills, right place, right job.* Competence clearly matters, as incompetence leads to poor decision making, botched execution, low sales, and poor service.

Commitment. Without commitment, competence is discounted. Competent people who are not committed are smart, but don't work very hard. Engaged or committed employees work hard, put in their time, and do what they are asked to do. In the last decade, commitment and competence have been the bailiwicks for talent.

Contribution. The next generation of employees may be competent and committed, but unless they are making a real contribution and finding meaning and purpose in their work, their interest diminishes and their talent wanes. Contribution occurs when people feel that their personal needs are being met through their work. Competence deals with the head (*being able*), commitment with the hands and feet (*being there*), and contribution with the heart (*simply being*).

If any of the three elements is missing, the other two can't replace it. A low score in competence won't ensure talent, even when people are engaged. Talented people must have skills, wills, and purposes; they must be capable, committed, and contributing. Leaders can engage their managers to identify and improve all three dimensions to respond to the call for talent.

Creating Competence

Here's how you create competence:

1. Set and articulate standards. Identify competencies required to deliver future work. The best competence standards come from turning future customer expectations into present employee requirements. You can ask: What social and technical competencies do we have? What changes face us and what are our strategic responses? Given these changes and choices, what technical and social competencies must employees demonstrate? By asking these questions, you help create a point of view on competencies that leads to a set of standards. When managers build competence models based on future customer expectations, they direct employee attention to what they should know and do. The simplest test of the competence standard is to ask target or key customers, "If our employees lived up to these standards, would this inspire confidence from you in our firm?" When customers answer *yes*, the competence model is right.

2. Assess individuals and teams. Assess people on how well they meet standards. Most talent assessments evaluate both results and behaviors. Talented employees deliver results in the right way (as defined by competence standards). These behaviors may be self-assessed by the employee (a 180), assessed by other employees—peers, managers, subordinates (a 360), and evaluated by those outside the organization—suppliers, customers, investors, community leaders, and other stakeholders (a 720). This assessment lets people know what to do to improve and provides input about how to design and deliver HR practices to upgrade talent.

3. Investing in talent improvement. You can fill talent gaps or upgrade talent by making HR investments in six areas: 1) *Buying*—recruiting, sourcing, securing new talent; 2) *Building*—helping people grow through training, on the job, or life experiences; 3) *Borrowing* —bringing knowledge in through advisors or partners; 4) *Bounding*: promoting the right people into key jobs; 5) *Bouncing*: removing poor performers; and 6) *Binding*: retaining top talent. When you create choices in these six areas, you help individuals and the organization invest in future talent.

4. Follow up and track competence. Use measures to track how well individuals are developing their skills and how well the organization develops its talent bench. People can be tracked on their understanding of their next career step and their capacity to do it. Leaders can track the extent to which back-ups are in place for key positions and how well they produce great talent.

Strengthening Commitment

Commitment means that employees are willing to give their discretionary energy to the firm's success. This discretionary energy is generally conceived as an employee value proposition: employees who give value to their organization should get value back. The ability to give value comes when employees deliver results in the right way.

Employees are more committed when their leaders provide: 1) *Vision*—a sense of direction or purpose; 2) *Opportunity*—an ability to grow, develop, and learn; 3) *Incentives* —a fair wage or salary for work done; 4) *Impact*—an ability to see the outcome or effects; 5) *Community*—peers, bosses, and leaders who build a sense of community; 6) *Communication*—knowing what is happening and why; and 7) *Entrepreneurship* or flexibility—having choice in terms and conditions.

With these seven dimensions, people have *VOI²C²E*. They show their engagement by being at work on time, working hard, and doing what's expected.

You best strengthen contribution by helping people answer six questions:

• Who am I? How does my identity meld with the company reputation?

• Where am I going and why? Can the organization help me reach goals?

• Who do I travel with? How does the firm build a community of support?

• How well do I practice spiritual disciplines? Do leaders practice humility, service, forgiveness, gratitude?

• What challenges do I enjoy? Do I find energizing challenges at work?

• How well can I access resources to manage health, space, and finances?

Start using the simple talent formula of *competence*, *commitment* and *contribution* to lead and manage your talent. **LE**

Dave Ulrich is cofounder of the RBL Group, a leadership consultancy and coauthor of Leadership Brand *(HBS Press). Visit www.bigspeak.com.*

ACTION: Apply this talent formula.

Possibilities

Converse about them.
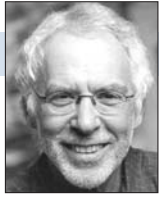
by Peter Block

CERTAIN CONVERSAtions have more power than others. Explanations, for example, have no power; in fact, many of your explanations about your life and work are fiction—stories that you manufacture to ease the pain. But, explanations treat the story as if it's true: "Let me explain why I feel that way, what got me here, why my history predicts my future." Let go of explanations.

10 Powerful Conversations

I invite you to have any of these 10 powerful conversations, since these have the power to create an alternative future:

1. Conversation of possibilities. This asks, "What's the possibility I came here to live into or to create?" Possibilities have to be unreachable. If you only set goals, you worship too small a god in your life: to be efficient, to make a living, to have a relationship. Carl Jung says that what's true in the morning is a lie in the afternoon. What's true in the first half of your life is a lie in the second half of your life.

2. Conversation of ownership. Take whatever you're complaining about and ask, "What have I helped do to create that situation? What's my contribution to the problem?" It means I'm an owner. Whatever I complain about, let me turn that question and say, "How have I created that thing?" It's a conversation of ownership.

3. Conversation of commitment. This asks, what's the promise I'm willing to make with no expectation of return? Most people barter: What's in it for me? The cost of patriarchy is entitlement. If you find people entitled, it's not who they are; it's their response to a high-control world that has something in mind for them, and their contribution to that is the wish for safety and protection. *I want my Mommy, Daddy, boss, mentor, executive coach, financial counselor, or personal trainer.* So we see this professionalization of care and love. To create a culture of engagement, make promises to each other and sit in witness of peer promises.

4. Conversation of gifts. Most of your life is organized around deficien-

cies. If you're deficiency-minded, you may work on the same deficiencies all your life, with marginal effectiveness. So, how effective is deficiency work? Why do we still work on weaknesses and give lectures on feedback? Why package disappointment in the label of feedback? People ask me, "Peter, would you like some feedback?" I say, "No!" because I know that they're mad at me. Nobody expresses or introduces love by saying, "Would you like some feedback?" They just give it to you.

5. Conversation of vision. I like the notion: *without a vision, the people perish*; but usually that means somebody else's vision. So why not ask each individual, "What are you here to create? What's the vision you have?" Now people get nervous: "Suppose we don't have agreeable, compatible visions," but I've never heard a vision that wasn't embraceable.

6. Conversation of imagination. The future is caused by imagination. An imagination of the life causes a leading of the life. I like the language of possibility—the possibility I'm living into. If I hold a possibility, or a future, of the way I want the world to be, I bring that into the room with me every time I show up. I don't have to work on it—the possibility works on me. So I can get off my list of resolutions. I have no faith in resolutions. The lists I make are only things I don't care about. If I care about something, I don't have to write it down. So, I create a possibility, and we're here to support each other in living out each other's possibility.

7. Conversation of action. Go public with the action you intend to take. It doesn't count if it's not expressed. It's a daydream if it's kept silent. And so you say, "I bring people together to publicly share their possibility, or the future they want to create, and the act of sharing it brings it into being. It is an action step." We have a small notion of what constitutes action. We think if you don't build something or tear it down or spend money or save money or order somebody around, you haven't done anything. But if you leave a meeting with a new thought or clarity about the future you're trying to create—that's an action step.

8. Conversation of community. The possibility you hold grows out of your woundedness. It's not by accident that this is the world you want to create. Now the wound doesn't go away, but

it loses its power. And so only an isolated person would imagine the possibility of community. Some people are born into community; they're extroverted, they've had context, they know where they're from, they know who they are; they never come up with that as a possibility, because they're living it. What would it be like if I was not only committed to your success, but dependent on it? Cooperation would soar, and we would realize that for me to succeed, you don't have to fail.

9. Conversation of accountability. I don't have to make a list or remind myself, I just have to go public with it. Going public means that two other people have to hear it. As soon as I tell two other people, I'm accountable. If I tell five other people I'm very accountable. If I stand up in this room and say it, then I'm in real trouble. And the reason is because if you say it to the world, you can't control the response. There's something about the verbalization of possibility that brings it into being, makes it powerful, makes us accountable.

10. Conversation of how best to help others. People want to be helpful to each other, but that can be a huge problem because *help* is often just a subtle form of *control*. People want to give advice to each other. They want to tell you what they did when they were at your stage of life. They have an answer for you, and they call it generosity; but it feels like control. What would happen if you had one simple intention—to bring the gifts of the margin into the center?

Servant-leadership is an abundance paradigm. Why let the economy of scarcity define the nature of your relationships? Substitute *curiosity* for *advice*. Ask the person, "Why does that matter to you? What meaning does that have for you? What's at stake for you?" You say, "I came to serve you by valuing meaning over speed, meaning over efficiency, meaning over problem-solving."

Have One Conversation

If you hold any of these conversations wholeheartedly, you don't need to do all the others. They all lead to the same center, the same spirit and source.

Possibility, ownership, commitment, and gifts conversations all express our willingness to be accountable for creating a future distinct from the past. **LE**

Peter Block is a partner in Designed Learning and author of Community. *Visit www.designedlearning.com.*

ACTION: Converse about possibilities.

Situational Leadership

Adapt your style to their development level.

by Ken Blanchard

I WISH I COULD TELL YOU there's a single solution to managing people—or one best leadership style. Regrettably, that's not the case. There is, however, a practical, easy-to-understand approach—*Situational Leadership*.

Effective leaders adapt their style according to the development level of the people they are managing.

In Situational Leadership, there are four leadership styles representing different combinations of directive and supportive behaviors.

• *Directive* behavior is defined as the extent to which you engage in one-way communication; spell out the person's role; tell the person what to do, where to do it, when to do it, and how to do it; and then oversee performance. Three words define directive behavior: *structure*, *control*, and *supervise*.

• *Supportive* behavior is the extent to which you engage in two-way communication, listen, provide support and encouragement, facilitate interaction, and involve people in decision-making. Three words define supportive behavior: *praise*, *listen* and *facilitate*.

Four Styles

The degree of direction or support you provide depends on the development level of the person for the task. There are four development levels:

Style 1. Directing. High-directive/low-supportive leader behavior is *Directing*. You define the roles of people and tell them what, how, when, and where to do various tasks. You initiate problem-solving and decision-making. You announce solutions and decisions and supervise implementation. You set goals, develop action plans, provide direction, set time-lines, and closely supervise people when they are inexperienced or incompetent with a task, even if committed.

Poor results tell you to focus on developing your team members' competence, confidence, and motivation.

To improve your use of this style, you may want to be more specific about what each team member's job is and what a "good job" looks like.

2. Coaching. High-directive/high-supportive behavior is *Coaching*. In this style, you still provide direction, but you also hear the person's feelings, ideas and suggestions. You increase two-way communications but maintain control over decision-making.

Coaching is for low-to-moderate development level. People who have some competence but lack commitment to take responsibility need both direction and support. Thus, a coaching style—one that provides directive behavior (because of their lack of competence) but also supportive behavior to build confidence and enthusiasm—is most effective. Coaches both direct and support their people. This style builds confidence and motivation in people, while keeping responsibility for decision-making with the leader.
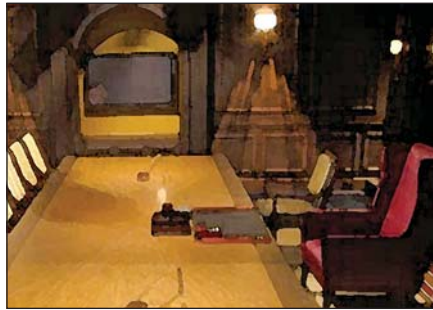
To improve your use of this style, you may want to ask for input on goals and plans with competent team members and praise progress.

3. Supporting. High-supportive/low-directive behavior is *Supporting*. In this style, your role is to provide recognition and to actively listen and facilitate problem-solving and decision-making. As competence rises, most people question whether they can perform the task on their own. Here a Supporting style is appropriate. People need to be heard and encouraged.

Supporting is for moderate-to-high development level. These people are competent but have variable commitment toward the task. You need to practice two-way communication and active listening and to support people's efforts to use their skills. You listen, facilitate, and shift some control for day-to-day decision-making and problem-solving to team members. You provide support and encouragement when they lack confidence or

motivation on a given task.

To improve your use of this style, you may ask more questions, praise performance, or encourage your team members to solve their own problems.

4. Delegating. Low-supportive/low-directive behavior is *Delegating*. You allow people greater autonomy, since they have the competence, commitment and confidence to do the task. People at this level are competent and motivated to take responsibility. Thus, a low-profile delegating style—one that provides little direction and support—is likely to be effective. Even though you may still identify the problem, you delegate the responsibility for carrying out plans to experienced followers. They are permitted to "run the show" and decide on how, when, and where tasks are to be accomplished.

Empower competent and confident team members to manage their own performance. Collaboratively set goals and then delegate day-to-day decision-making to experienced team members.

To improve your use of this style, you may ask your team members to tell you what resources they need to excel and then secure those resources.

When to Use Each Style

The right style is primarily a function of the degree of difficulty of the task and the developmental level of the person doing the task.

Developmental level is the degree of *competence* and *commitment* a person has to perform a task without supervision. *Competence* is a function of knowledge and skills which can be gained from education, training, or experience. *Commitment* is a combination of confidence (self-assuredness) and motivation (interest and enthusiasm).

The factor that triggers a change in style is performance. Improvements in performance shift the leadership style. Effective managers adapt their style to match development levels and meet changing demands. Over time individuals and teams develop their own patterns of behavior and ways of operating; these constitute the norms, customs, traditions, and mores of the culture.

You may use one leadership style for the team, but a different style when dealing one-on-one, since individuals are at different levels of development. Shifting forward and backward in style makes Situational Leadership a dynamic developmental model.   **LE**

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ACTION: Practice situational leadership.

Authentic Leaders

They are centered on principles.

by Stephen R. Covey

AUTHENTIC LEADERS humbly recognize that while they may be in charge, principles ultimately govern. I don't talk much about *ethics* and *values* because to me those words imply situational behaviors, subjective beliefs, social mores, cultural norms, or relative truths. I prefer to talk about universal principles and natural laws.

You may think that it's just a matter of semantics—that when most people talk about *values* they really mean these universal *principles*. But I see a clear difference: All people and organizations are driven by what they value, but they aren't necessarily ethical or principle-centered.

The Humility of Principles

As a leader, you may control your actions, but not the consequences of your actions. Those are controlled by principles, by natural laws.

Building character and culture is a function of aligning your beliefs and behaviors with principles that are external, objective, and self-evident. They operate regardless of your awareness of them, or obedience to them.

If your style is not in alignment with these principles, I suggest that you trade a value-based map for a principle-centered compass and willingly subordinate your values to true-north principles and align your roles and goals, plans, and activities with them.

But doing so often takes a crisis: a downsizing, firing, failed relationship, lost account, financial problem, or health concern. In the absence of such a catalytic crisis, you tend to live in numbed complacency—so busy doing good, easy, or routine things that you don't stop to ask yourself if you are doing what really matters. The *good*, then, becomes the enemy of the *best*.

Humility is the *mother* of all virtues: the humble in spirit progress and are blessed because they willingly submit to higher powers and try to live in harmony with natural laws and universal principles. *Courage* is the *father* of all virtues: we need great courage to lead our lives by correct principles and to have integrity in moments of choice.

When you set up your self-generated or socially-validated value systems and then develop your mission and goals based on what you value, you tend to become a law unto yourself, proud and independent. Pride hopes to impress; humility seeks to bless.

Nothing sinks leaders faster than arrogance. Arrogance shouts "I know best." In the uniform of arrogance, you fumble and falter—pride comes and goes before the fall. Dressed in humility, you make progress. As the character Indiana Jones learned in *The Last Crusade*, "The penitent man will pass."

In pride, you often sow one thing and expect to reap another. Your paradigms—and the processes and habits

that grow out of them—never produce the results you expect because they are based on illusions, advertising slogans, program-of-the-month training, and personality-based success strategies. How do you align your leadership with true-north, governing principles?

Four Human Endowments

Four unique endowments help you to transform your mechanical, efficiency clock into a moral, effective compass.

• *Self-awareness* enables you to examine your paradigms, to look at your glasses as well as through them, to think about your thoughts, to become aware of the social and psychic programs that are in you, and to exercise choice between stimulus and response. Self-aware, you can take responsibility for reprogramming or rescripting yourself out of the reactive mode. You can nurture self-awareness by keeping a journal. Keeping a journal—a daily in-depth analysis and evaluation of your experiences—is a high-leverage activity

that increases self-awareness and enhances all the endowments.

• *Conscience* puts you in touch with something within you deeper than your thoughts and something outside you more reliable than your values. It connects you with the wisdom of the ages and the wisdom of the heart. It's an internal guidance system that enables you to sense when you act in a way that's contrary to your deepest values and true-north principles. Conscience is universal. What is most personal is most general. No matter what your religion, culture, or background, your mission statement deals with the same needs—to live (physical and financial), to love (social), to learn (educational), and to leave a legacy (spiritual).

You can educate your conscience by learning, listening, and responding. To hear the conscience clearly often requires you to be reflective or meditative to sharpen your sensitivity to that quiet inner voice that teaches you of true-north principles and your own degree of congruency with them.

• *Independent will* is your capacity to act, the power to transcend your paradigms, to swim upstream, to re-write your scripts, to act based on principles rather than reacting based on emotions, moods, or circumstances. While environmental or genetic influences may be powerful, they do not control you. You are not a victim. You are not the product of your past. You are the product of your choices. You are response-able, able to choose your response.

You can nurture independent will by making and keeping promises. By doing so, you make a deposit in your personal integrity account—the amount of trust you have in yourself, in your ability to walk your talk.

• *Creative imagination* empowers you to create beyond your present reality. It enables you to write a mission statement, set goals, plan for the future, or visualize yourself living your mission, even in challenging circumstances. Memory is limited and finite; it deals with the past. Imagination is infinite; it deals with the present and future, with potentiality, vision, mission and goals. When your willpower is matched with imagination, you are more effective.

Those who accept the risks of leadership must have changeless principles within them. This provides bedrock security from which they can deal effectively with changing conditions. **LE**

ACTION: Practice principle-centered leadership.