

LEADERSHIP Excellence

DECEMBER 2006

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

Servant Leadership
**Moral
Authority**

Try Three Winning
Ways to Wow

Six Elements of Top
Performance

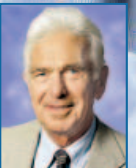
**Cure Team
Dysfunction**

Cultivate
**Innovation
Capability**

Tom Peters
Mr. Excellence

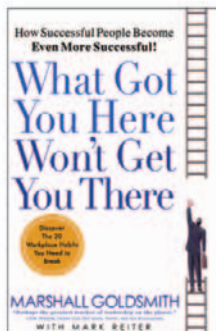
"Leadership Excellence is an exceptional way to learn and then apply the best and latest ideas in the field of leadership."

—WARREN BENNIS, AUTHOR AND
USC PROFESSOR OF MANAGEMENT



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Everyone is talking about Marshall Goldsmith and his new book *What Got You Here Won't Get You There.*



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

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

—Frances Hesselbein, winner of the Presidential Medal of Freedom

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

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

What Got You Here Won't Get You There

MARSHALL GOLDSMITH WITH MARK REITER

Available at bookstores nationwide in January

LEADERSHIP Excellence



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

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PUFFED-UP LEADER

Self-deluded, this leader is puffed up with pride and self-importance, as evidenced by his colorful clothing and accumulated baggage. He is fortunate, indeed, to be kept on a short leash by a responsible woman; otherwise, he might spin off into space and pop!

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Vital Messages

Leadership is not optional.



by Ken Shelton

FOR YEARS I HAVE FELT THAT *Leadership Excellence* is like a vital organ in the body—meaning, it's not optional! I know Tom Peters has the same feeling.

Three Great Events

This feeling was confirmed as I attended three recent events:

- *HR.com Conference, Employers of Excellence, held in October at the Red Rock Resort in Las Vegas.* This great 5th annual event featured an all-star line up of who's who presenters, including Patrick Lencioni, David Ulrich, Margaret Wheatley, Beverly Kaye, Lance Secretan, Libby Sartain, Marshall Goldsmith, Michael Winston, and Frances Hesselbein, among many others. I



Margaret Wheatley



Lance Secretan



Debbie McGrath

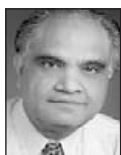
salute the amazing Debbie McGrath, CEO of HR.com, and her staff for delivering one of the best learning events of the year.

- *The IQPC Corporate University Week held in November in Orlando.* This 8th annual event featured dozens of CLO presenters and over 200 participants as well as the CUBIC (corporate university best in class) Awards. The conference addressed: launching your CU; maturing your CU and implementing best practices; assessment, evaluation, and ROI measurement; and learning delivery and management systems.

- *The HSM Performance Summit in Chicago.* This 4th annual event featured a well-known lineup of presenters who often appear in the pages of *Leadership Excellence*: Ken



Ken Blanchard



Ram Charan



Tom Peters

Blanchard, Ram Charan, Tom Peters, Hyrum Smith, and Tony Schwartz. I came away

with more powerful ideas for gaining extraordinary results through people and teams.

Articles from the presenters at these events will be featured in upcoming issues of *Leadership Excellence*.

Champions of Excellence

Wherever I travel, I find *champions of excellence*—professionals in the fields who are passionate advocates of this magazine because of how it helps them learn and apply great ideas to their life and business.

Each month in 2007, we want to make LE even more useful in five ways: by providing content that you can readily integrate into your development programs, offering custom e-editions, facilitating dialogue and communities of practice, providing closer connection between print and online editions, and adding special features that give you reasons to anticipate, read, and keep the magazine: directories, lists, rankings, surveys, or other value-added features.

In January, we'll start by recognizing the Leaders of the Year. We invite you to nominate your favorite leaders, based on six criteria: 1. Performed exceptionally well in

leadership role throughout 2006; 2. Inspired great performance from colleagues and coworkers and cultivated healthy relationships; 3. Displayed courage and wisdom in facing challenge, adversity, problems, and decisions; 4. Registered impressive results for the year and set the stage for sustained results, given the circumstances; 5. Was acknowledged within organization and industry as a person of vision, passion, purpose, direction, and integrity; 6. Created a culture and standard of excellence.

This will become an annual event. Again, your nominations are welcome in three categories: government/military, education/non-profit, and business/industry. Email me at kens@eep.com. Include your 100-word tribute and your leader's contact information. LE



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Contributing Editors:

Chip Bell, Dianna Booher, Kevin Cashman, Jim Loehr, Norm Smallwood, Joel Barker, Joseph Grenny, Jim Kouzes

Executive Excellence Publishing:

Ken Shelton, Editor-in-Chief, CEO
Dean Huffaker, Managing Editor
Rick Weiss, Creative Director
Geoff Pace, Sales Manager
Allan Jensen, Chief Information Officer
Sean Beck, Circulation Manager

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151 Main Street
Saymour, CT 06483
1-800-243-4246
www.greenwichworkshop.com



Full view of table of contents art.

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Ways to Wow

Try these three.



by Tom Peters

BEING THE BOSS ISN'T what it used to be. Mostly, that's a good thing. But it can be hard to give up the old habits of management by exhortation and by detailed plan. Managers tend to issue orders *ex cathedra*—orders like "Get more entrepreneurial," "Take risks," "Implement a zero-defects program," and "Empower people."

Stupid! Why? Ordering systematic change is a waste. Trying to order a new culture doesn't work. The boss who operates that way will find himself going nowhere fast—and maybe even backwards. Those clear orders will be executed by frustrated managers bent on preserving their disintegrating power base—they will quash innovation.

The goal of boss work must be this: Get people initiating, and then working on WOW projects! Projects that they put their heart and soul into! Projects that they will want to be remembered by! (Ask yourself: Do you want people working for you who don't want to be remembered by what they're doing right now?)

You, the boss, must turn your company into a place where amazing stuff is always percolating. Task One is gathering an awesome array of incredibly cool people who invest in, and commit to, and execute bold experiments that turn into WOW projects.

WOW projects have inspiring goals and objectives. They are projects that matter, make a difference, transform the enterprise, take your breath away, make you and others smile, and highlight why you are here on Earth.

Three Ways to Wow

We need heroes: exemplars of the exciting new way of doing things; we need demos and we need stories: riveting tales that fire the imagination of reluctant heroes-in-waiting. So, find heroes, do demos, and tell stories.

1. Find heroes: The lead-frog strategy. If you want to "leap-frog" change, then you need "lead frogs." So, troll through the ranks for would-be revolutionaries—people who have long

been itching to make things happen. (Or who are harboring success stories that they're afraid to go public with for fear of the old guard's wrath.) Given a chance, these lead frogs will leap over the fortress of inertia and mark out a visible path that others can follow.

Don't waste precious time on the reluctant ones—those other frogs who are too content, or too afraid, to stray from their preferred lily pad.

You mostly don't need to hire revolutionaries. Odds are high that you have them already: role models—existing people who actually exemplify a brash new way of doing things. They are lurking! Waiting to be discovered! Waiting to be listened to! Waiting to be



taken seriously! So, seek them out. Let 'em loose. Teach these lead-frog heroes a few manners. Make it clear as a bell to one and all that they are the new way!

Where do you find these lead frogs, these would-be revolutionaries, these diamonds-in-the-rough? You find them in your network. But that might not be quite enough. You might also need to follow the flypaper strategy: induce these heroes to come out of the woodwork by laying irresistible, sticky traps for them. Here, then, are some ways to add a little stickiness to your systematic pursuit of heroes.

- **Fair game.** Put on an idea fair, a bragfest, an internal trade show—a public and well-publicized occasion during which the lead frogs jump out of their pond and demonstrate their weird wares. Result: other freaks are inspired to show their true colors.

- **To catch a freak.** Start a monthly seminar series, but instead of inviting the

usual suspects—the gurus *du jour* (like me!)—invite a genuine freak from within your company to lead each seminar. Again: freaks attract other freaks. (Flypaper, remember!)

- **Just for fund.** Create a play fund, a bucket-o'-cash that your people can draw upon in small doses to pursue weird, wild, one-off projects. Show them the money—and see what happens. Define an area of need that is specific, but not too specific.

- **Time off for weird behavior.** How about setting up a special scholarship fund for radical sabbaticals? People could apply, much as they would for the grant fund, to spend six months with a cool customer or a scintillating supplier. Or maybe they would apply to work with a profound professor on a research project. Whatever. Call it *outside-the-company* thinking.

The lead-frog strategy works. The ultimate example (for me): the project that led to my writing *In Search of Excellence*. When I was at McKinsey & Co., I was handed the reins of a two-bit project on organization effectiveness. I didn't have much real power. But I did have a few ideas and a lot of passion. And by dint of that passion, I slowly attracted a passel of powerless youngsters to my cause. The ground was ripe for picking: McKinsey's *strategy-is-everything* emphasis had given rise to a crop of renegade youth—young-and-restless types. And so I searched high and low for them, using all of my friends' networks.

My search for excellence yielded a slew of insights into the art of lead-frog leadership: 1) Lead frogs are always with us; 2) Your job as boss: find 'em. Excite 'em. Offer 'em a revolutionary peer group—and don't give 'em too much visibility too soon or you'll scare 'em off; 3) After you articulate your point of view, your role becomes that of community organizer, cheerleader, provider of camouflage gear, and chronicler-in-chief; 4) Lead frogs tend to be relatively junior and formally powerless; 5) Powerless is cool because, for the heroes, powerless means *pissed off*, which means *prepared to go for it or go bust*.

2. The way of the demo. A demo is an early-stage WOW project. Demos are what your heroes—your lead frogs—will do once you give them a green light. (Or maybe they've already done a WOW project on the sly and your green light will give them permission to come out.) Demos are exciting experiments—under-the-radar, on-a-shoestring, in-the-trenches efforts that vividly exemplify a new way.

Demos are the true hard stuff that sells and compels. Demos are palpable proof that seriously cool change is not only possible—it's already under way! Demos are what you tell stories about.

3. The work of stories. The key to leadership is the effective communication of a story. That's *the* story, according to Harvard psychologist Howard Gardner. That's a strong statement: The story is your "single most powerful weapon"! I wholeheartedly agree. I've spent the last 30 years studying organizational change—which means that I've become a *de facto* anthropologist. And one thing you learn as a student of human culture is the often unsung power of storytelling. It is true in the bush, true in the boardroom, and true everywhere in between.

What, after all, do leaders really do? John Seely Brown, former head of Xerox's Palo Alto Research Center, said: "Leaders make meaning." And "meaning" consists of compelling stories! Coherent themes! Soaring messages! Those stories, themes, and messages are about WOW people (flesh-and-blood heroes) doing WOW projects (demos or projects done on the front lines).

As they make the rounds, effective leaders ask: "Got any good stories?" Stories animate our reasoning process; stories give us permission to act; stories are photographs of who we aspire to be; stories cause emotional responses; stories connect; stories are us.

Here are the steps I think you ought to take: 1) Chat up people; 2) Develop a list of potential heroes (lead frogs); 3) Hang out with those heroes-in-the-making and find out what they want to change, how they would change it—maybe what they've already done to change it on the sly; 4) Encourage them to go for it; 5) Protect them when their bosses seek revenge! 6) Turn the demos of the new heroes' best efforts into WOW stories; 7) Showcase those WOW stories. Incorporate them into your speeches, newsletters, and emails. Add your public stamp of approval; 8) Promote one or two of the most illustrious heroes by moving them three levels up at one jump—now the lead frog is the leap frog; 9) Treat that promotion as a Big Story—as a recruitment tool for getting the foot-draggers to sign up and come aboard, or at least get out of the way; 10) Keep the cycle going: more heroes, more demos, more stories. LE

Tom Peters is president of the Tom Peters Company and author of Leadership, from the Tom Peters Essentials series. Call 513-683-4702 or visit www.tompeters.com.

ACTION: Clear the way for your lead frogs!

Elements of Top Performance

Show strength in six areas.



by Ken Blanchard

WHAT ARE HIGH-performing organizations (HPOs), and what do they look like?

HPOs are enterprises that produce outstanding results with the highest level of human satisfaction. Because of their flexibility, nimbleness, and responsiveness, HPOs remain successful today, and poised to succeed in the future.

HPO SCORES Model

SCORES represents the six elements evident in every HPO:

S = Shared information and open communication. In HPOs, information needed to make informed decisions is readily available and openly communicated. Sharing information and facilitating open communication builds trust and encourages people to act like owners and make decisions aligned with the goals and values. Open communication and dialogue keeps the organization healthy, agile, flexible, and fluid.

C = Compelling vision. When everyone supports such a vision—including purpose, picture of the future, and values—it creates a deliberate, highly focused culture that drives the desired results. In HPOs, people are energized by, excited about, and dedicated to such a vision. They can describe the vision, are committed to it, and clearly see their role in supporting it. They have a noble sense of purpose that creates and focuses energy. Their personal values are aligned with the organization's values. They can describe what they intend to create. Everyone is in the same boat together moving full-steam ahead.

O = Ongoing learning. HPOs are focused on improving their capabilities through learning systems, building knowledge capital, and transferring learning.

R = Relentless focus on customer results. HPOs know their customers and measure their results accordingly. They passionately maintain the highest standards of quality and service from their customers' perspective using the cus-

tomers experience to identify their metrics.

E = Energizing systems and structures. Their systems, structures, processes, and practices are aligned to support the vision, strategic direction, and goals. Energizing systems and structures provide the platform for rapid response to obstacles and opportunities. The systems and structures help people do their jobs more easily.

S = Shared power and high involvement. In HPOs, power and decision-making are shared and distributed. Participation, collaboration, and teamwork are a way of life. When people feel valued and respected for their contributions, are allowed to make decisions that impact their lives, and have access to information to make good decisions, they function as valuable contributors to the purpose and vision. A sense of personal and collective power exists. When people are clear about goals and standards and have clear boundaries of autonomy, they act with commitment to accomplish results.

Leadership Is the Engine

If becoming an HPO is the destination, leadership is the engine. While the SCORES model describes the characteristics of an HPO, leadership moves people in that direction.

In HPOs, the role of formal leadership is radically different. HPOs do not rely on cultivating a great, charismatic leader, but on building a visionary organization that endures beyond the leader. The role of leadership shifts from privileged status and power for its own sake toward a more complex, participative, long-term process. Once leaders establish the vision, they assume the attitude and behavior of a servant leader.

In HPOs, leadership is evident at every level. Leaders embody a spirit of inquiry and discovery. They help others think systematically. They act as teachers and lifelong learners. They stand firm on values and focus energy on the bull's-eye of excellence.

In HPOs, leadership emerges everywhere. Individuals with expertise come forward as needed. HPOs do not depend on a few peak performers to guide and direct; rather, they have broadly developed leadership capabilities. This allows for self-management, ownership, and the power to act quickly as the situation requires. LE

Ken Blanchard is chief spiritual officer of the Ken Blanchard Companies and author of Leading at a Higher Level (Financial Times Prentice Hall). Visit www.kenblanchard.com.

ACTION: Nurture these six elements.

Servant Leadership

Use your voice to serve others.



by Stephen R. Covey

ORGANIZATIONS ARE founded to serve human needs. There is no other reason for their existence. Robert K. Greenleaf, founder of the servant leadership movement, noted: "The only authority deserving our allegiance is that which is freely granted by the led to the leader in proportion to the servant stature of the leader."

Greenleaf talks of the humility of servant leaders. If you are trying to serve purposes greater than your knowledge—greater than your comfort zone—this creates genuine humility and a desire to draw upon help from others. Successfully working with others makes your knowledge and abilities more productive and facilitates the creation of a complementary team of people who possess knowledge and abilities that can compensate for your weaknesses.

This awareness should increase your commitment to mentored learning in such areas as personal growth, relationships, and leadership. When information and knowledge are impregnated with worthy purposes and principles, you have wisdom.

Wisdom is the child of integrity—being integrated around principles—and integrity is the child of humility and courage. Humility is the mother of all the virtues because humility acknowledges that there are natural laws or principles that govern the universe. They are in charge. We are not. Pride teaches us that we are in charge. Humility teaches us to live by principles, because they ultimately govern the consequences of our actions. If humility is the mother, courage is the father of wisdom. To live by these principles when they are contrary to social mores, norms, and values takes enormous courage. Ambrose Redmoon said, "Courage is not the absence of fear, but rather the judgment that something else is more important than fear."

Integrity has two children—wisdom and the abundance mentality. Wisdom comes to people who educate and obey their conscience. The abundance mentality is cultivated because integrity

breeds inner security. If your sense of worth is not dependent upon external judgments and comparisons, you can be happy for the successes of others. But if your identity is based on comparisons, you simply can't be happy when others succeed because you operate out of an emotional deficiency.

Wisdom and an abundance mentality lead you believe in people, affirm their worth and potential, and think in terms of release rather than control. You then respect the power and capacity people have to choose; your motivation is internal; and you make no attempt to manage, control, or motivate others. You inspire rather than



require. You liberate rather than subjugate people. You don't think zero-sum; you think of third alternatives—higher middle-ways. You are filled with gratitude, reverence, and respect for all people. You see life as a cornucopia of resources, opportunity, and growth.

Moral Authority

Wisdom is the beneficial use of knowledge; wisdom is information and knowledge impregnated with higher purposes and principles. Wisdom teaches us to respect all people, to celebrate their differences, to be guided by a single ethic—service above self. Moral authority is primary greatness (character strengths); formal authority is secondary greatness (position, wealth, talent, reputation, popularity).

Moral authority is a paradox. Authority is commonly defined in terms of command, control, power, sway, rule, supremacy, domination, dominion, strength, might. The antonym is civility, servitude, weakness, and follower. Moral authority (primary greatness) is gaining influence by following principles. Moral dominion is achieved

through service, sacrifice, and contribution. Power and moral supremacy emerge from humility, where the greatest becomes the servant of all.

The top people of great organizations are servant-leaders. They are the most humble, reverent, open, teachable, respectful, and caring. Jim Collins, author of *Built to Last* and *Good to Great*, notes: "The most powerfully transformative executives (level-five leaders) possess a paradoxical mixture of personal humility and professional will. They are timid and ferocious. Shy and fearless, rare—and unstoppable. Good-to-great transformations don't happen without level-five leaders."

In *Leading Beyond the Walls*, Jim Collins writes: "Leaders must define the organization by reference to core values and purpose; build connection and commitment rooted in freedom of choice, rather than coercion and control; and accept that the exercise of true leadership is inversely proportional to the exercise of power." When people with the formal authority or position power (secondary greatness) refuse to use that authority and power except as a last resort, their moral authority tends to increase because they subordinate their ego and position power and use reasoning, persuasion, kindness, empathy, and trustworthiness instead.

When you borrow strength from position, you build weakness in yourself, because you are not developing moral authority; in others, because they become codependent with your use of formal authority; and in the quality of the relationship, because authentic openness and trust atrophy. Abraham Lincoln said, "The surest way to reveal one's character is not through adversity but by giving them power."

Leaders with high moral authority are often given formal authority—like Nelson Mandela, the father of the new South Africa. He once said, "At first, as a student, I wanted freedom only for myself. But I then slowly saw that not only was I not free, but my brothers and sisters were not free. That is when the hunger for my own freedom became the greater hunger for the freedom of my people. This desire for freedom of my people to live their lives with dignity and self-respect animated my life. I could not even enjoy the limited freedoms I was allowed when I knew my people were not free."

The inner drive to find your own voice and inspire others to find theirs is fueled by the purpose of serving human needs. Without meeting human needs, we don't expand our

freedom to choose. We grow more personally when we give ourselves to others. Our relationships improve when together we serve some human need.

Leaders who have formal authority and use it in principle-centered ways find their influence increasing exponentially. Why does moral authority exponentially increase the effectiveness of formal authority and power? Dependent people are super-sensitive to either throwing one's weight around or the use of patience, kindness, gentleness, empathy, and gentle persuasion. Such character strength activates the consciences and creates emotional identification with the leader and the cause or principles he or she stands for. Then when formal authority or positional power is also used, people follow for the right reasons, out of genuine commitment rather than out of fear.

This is the real key to leadership—combining high standards, strong values, and consistent discipline with unconditional love, deep empathy, and a lot of fun. This is why the greatest test of leadership—and the key to building a healthy, nurturing culture—is how we treat the ones who test us the most. In difficult times, we tend to revert back to the command-and-control model, because people fear for their security. But it will not optimize results.

As you expand your influence by inspiring others to find their voice, you increase your freedom and power of choice to solve challenges and serve human needs; you learn how leadership becomes a choice, not a position, so that leadership is widely distributed. While you manage or control things, you must lead people. You conquer yourself first by subordinating what you want now for what you want later.

If you follow principles that always point north (like a compass), you develop moral authority; people trust you, and if you respect them, see their worth and potential, and involve them, you can share a common vision. If, through your moral authority you earn formal authority or position, you can institutionalize these principles, leading to more freedom and power to expand your service. The leadership that inspires followership comes only when you put service above self.

Organizations are only sustainable when they serve human needs. Service above self is not about "what's in it for me," but about "what can I contribute?" **LE**

Stephen R. Covey is co-founder of FranklinCovey and author of The 8th Habit (Free Press). Call 801-377-9515 or visit www.franklincovey.com.

ACTION: Engage in servant leadership.

Team Dysfunction

Identify the causes and cure.



by Patrick Lencioni

LIKE IT OR NOT, ALL teams are potentially dysfunctional. This is inevitable because they are made up of fallible, imperfect human beings. Politics and confusion are more the rule than the exception. However, facing dysfunction and focusing on teamwork is critical at the top because the executive team sets the tone for how all employees work with one another.

A former client, founder of a billion-dollar company, said, "If you could get all your people rowing in the same direction, you could dominate any market, against any competition, any time."

Whenever I repeat this adage, people nod their heads, but in a desperate sort of way. They grasp the truth of it while surrendering to the impossibility of actually making it happen.

Fortunately, there is hope. The causes of dysfunction are identifiable and curable. However, they don't die easily. Making a team functional and cohesive requires levels of courage and discipline that many groups cannot muster.

To better understand the level of dysfunction you face, ask: Do team members openly and readily disclose their opinions? Are team meetings compelling and productive? Does the team come to decisions quickly and avoid getting bogged down by consensus? Do team members confront one another about their shortcomings? Do team members sacrifice their own interests for the good of the team?

Although even the best teams sometimes struggle with these issues, the finest leaders constantly work to ensure that their answers are "yes."

Five Dysfunctions

The first step toward reducing politics and confusion on your team is to address the five dysfunctions one by one.

1. Absence of trust. This occurs when team members are reluctant to be vulnerable with one another and

admit their mistakes, weaknesses, or need for help. Without a certain comfort level among team members, a foundation of trust is impossible.

2. Fear of conflict. Teams that lack trust won't engage in unfiltered, passionate debate about key issues, causing situations where team conflict can easily turn into veiled discussions and back-channel comments. Where team members do not openly air their opinions, inferior decisions result.

3. Lack of commitment. Without conflict, it is difficult for team members to commit to decisions, creating an environment where ambiguity prevails. Lack of direction and commitment can make people disgruntled.

4. Avoidance of accountability. When teams don't commit to a clear plan of action, even the most engaged individuals hesitate to call their peers on counterproductive actions and behaviors.

5. Inattention to results. Team members tend to put their own needs (ego, career, recognition) ahead of the goals of the team when individuals aren't held accountable. If a team has lost sight of the need for achievement, the business suffers.

Creating a functional, cohesive team is one of the few remaining competitive advantages available to leaders. Functional teams avoid wasting time talking about the wrong issues and revisiting the same topics. They also make higher quality decisions and accomplish more in less time and with less distraction and frustration.

Successful teamwork is about embracing common sense with uncommon discipline and persistence. Ironically, teams succeed because they are exceedingly human. By acknowledging the imperfections of their humanity, members of functional teams overcome the natural tendencies that make teamwork so elusive. **LE**

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

ACTION: Address your teams' dysfunctions.



Make Intangibles Tangible

Remove the mystery from the market cap.



by Dave Ulrich, Norm Smallwood, and Kurt Sandholtz

WHEN WE ASK CEOs, "What keeps you awake at night?" they often respond: "When I earn \$100 in profit, the market values it at about \$2,000. My competitor's \$100 is valued at \$4,000. If my P/E ratio stays at half of my competitor's, I'll never catch up. What do I have to do?"

It's a question many leaders ask, since today earnings account for just half of a firm's market value. The other half comes from the firm's intangibles—factors not directly related to physical assets. To increase the firm's market value, CEOs and CFOs must grapple with a set of variables whose very name—intangibles—suggests they can't be defined, much less managed. Leaders can, however, increase their market capitalization by taking four steps:

Four Steps

This framework is not a quick fix; the four steps require discipline, consistency, and sustained focus. The benefit, however, is shared commitment.

Step 1: Keep your promises. The foundation of intangible value is trust. This starts with keeping promises made to stakeholders. Accurate forecasts and reliable quarterly earnings are the table stakes. Keeping promises extends to meeting customer expectations for service, quality, and delivery; it includes following through on commitments to employees. Leaders who make and keep promises build credibility, confidence, and conviction.

Trust is easier to maintain than regain, so try these four tips:

- *Promise less, deliver more.* Unrealistic aspirations create enthusiasm in the short term and cynicism thereafter. Find the balance between optimism and self-deception; insist on a frank and rigorous examination of market and organization realities.

- *Be humble in public, confident in private.* Share public credit for successes and take responsibility for failures. Express faith that people can and will succeed.

- *Start small.* A simple change in the travel reimbursement policy can do wonders for rebuilding trust.

- *Anticipate and update.* Even conservative forecasts are subject to surprises. Inform investors of "new promises" before the grapevine takes over. Don't hide or defend your mistakes; show that you've learned.



Step 2: Create a clear, compelling strategy. When leaders at Coca-Cola learned that the average person drinks 64 ounces of liquid a day, their goal became to increase Coke's "share of stomach." Since colas weren't enough to gain stomach share, the company leveraged its marketing power to acquire and introduce new beverages: juices (Minute Maid, Fruitopia), coffee (Georgia, distributed in Japan), milk (Swerve), and water (Dasani).

Coke's strategy passes the clear-and-compelling test: it's easy for people to remember and act upon. Clear strategies portray a growth vision that excites and energizes and then lays out the path for realizing that growth.

Companies have three options: increase customer intimacy by capturing customer share (Coke); develop innovative products or services that appeal to different customers (Apple); or expand geographically and sell to new customers (Starbucks or Wal-Mart). Leaders can choose any of these options, but they must envision growth and then enable it. This gives customers and investors confidence—a key driver of intangible value.

Consider these ideas for action:

- *Get beyond analysis.* After a top consulting firm presented the results of a pricey strategic analysis, we asked the executives, "So, what's your strategy?" No one could answer. Analysis is a precursor to strategy, not the end product.

- *Prioritize.* We often ask executive teams to divide 20 points across three generic growth strategies (customer intimacy, product/service innovation, or geographic expansion), with 10 points going to one of the three. No company can be all things to all customers. Prioritize, and invest accordingly.

- *Capture the strategy with a story.* Stories are found in language (Coke's "share of stomach"), images (Nike's swoosh), and heroes (Marriott's celebration of "above and beyond" service). If the story is compelling, it adds enormous intangible value.

- *Translate the story into action.* One leader articulated a compelling strategy: leverage the firm's technology to generate 50 percent of revenues from products introduced the previous year. When we asked how he would make this happen, he wasn't sure. We helped him identify three decisions he needed to make in the next 30 days.

Step 3: Align technical competencies. In 1983, Isuzu Motors introduced the Impulse, a sporty hatchback that looked like a high-performance driving machine but still handled like a small truck. Isuzu couldn't escape its own core competencies in diesel-powered trucks; the Impulse was doomed, and Isuzu's intangible value diminished.

Technical competencies include the work processes that differentiate products and services. Such competencies need to be aligned with strategy; otherwise, the strategy fails, and customers and investors lose confidence.

Rate your alignment in four areas: Do you know your core technical competencies? Do you invest more in the areas that are core to your strategy? Do you reduce investments in functions that are over-resourced? Do you manage your core work differently from supporting functional work? In core areas, managers should be rewarded for building competitive advantage. Managers in non-core areas should ensure cost efficiencies.

Step 4: Enable capabilities. Capabilities represent the ways you apply people and processes to the tasks of competition. Capabilities are the social or cultural competencies that become your identity. They define what you are good at doing, and drive intangible value because they are hard to imitate.

You should cultivate seven basic

capabilities: 1) *Talent*: attracting, motivating, and retaining competent people (example: Goldman Sachs); 2) *Speed*: making important changes happen fast (example: Nokia); 3) *Shared mindset*: ensuring that customers and employees have positive experiences (example: Nordstrom); 4) *Accountability*: maintaining the discipline for high performance (example: Pepsico); 5) *Collaboration*: making the whole more than the parts through efficiency and leverage (example: Toyota); 6) *Learning*: generating ideas with impact, then generalizing them (example: Bain & Co.); and 7) *Leadership*: embedding branded leaders who deliver the right results in the right way (example: GE).

Auditing Your Intangibles

To build intangible value and your P/E ratio, first conduct an intangibles audit to identify how to have the greatest impact on the market valuation.

For example, in 2003, Intercontinental Hotels Group (IHG) was seen as a prime takeover candidate. Its costs were high and its P/E ratio low. IHG's senior team knew it had to make and keep financial promises. Cost-cutting efforts netted annual savings of \$100 million. Beyond this first step, customers and employees believed that IHG needed to focus on growth by creating stronger brand unity and improving its customer service.

The CEO then created a bold new growth strategy for the hotel group with a primary focus on customer intimacy and a secondary strategy of geographic expansion. They would strive for operational efficiencies, but invest in three core competencies: 1) point-of-contact service; 2) new distribution channels through a consolidated reservations system that covered all IHG properties, and 3) savvy brand standards that made their hotel brands part of a family of hospitality services. The capabilities that drove these changes were collaboration and speed of change. The turnaround was dramatic. In one year, IHG's share price increased 71 percent. The company survived a hostile takeover attempt, morale and confidence in the leadership soared, and the tangible and intangible factors created tremendous value.

This framework enables you to manage intangible assets. You can boost your intangible value, make your intangibles tangible, and delight customers, investors, and employees. **LE**

Dave Ulrich, Norm Smallwood and Kurt Sandholtz work together in the RBL Group. Visit www.rbl.net.

ACTION: Build and protect intangible value.

Humility Breeds Trust

Respect and return it to earn it.



by Janice Presser

SINCE SO MANY CEO failures are caused by failure to put the right people in the right job—and the related failure to fix people problems in time, the big question is, why do such smart people make such bad decisions?

One reason is approaching the problem and believing that you already know the solution. Starting with a full mind leaves no room for new perceptions. Performance is highly linked to how much trust is in the DNA of the culture. And we know more about how to destroy that trust than we know how to build it.

Most people's default is to trust others and to expect to be trusted. They assume that everyone is headed in the same direction, toward the achievement of the vision. Then they crash into someone who neither respects nor returns that trust. They have their first experience of disenchantment.

Sometimes it's the rigid, Machiavellian boss who promises you'll get to try your wings on an exciting project and then clips them mid-air. Sometimes it's the co-worker who has little original thinking but is happy to take credit for your work.

If you want to lead a trust-based organization, you should start by focusing on bottom-line results. If you believe the hype about leaders, you'll think that all it takes is a lot of charisma and a great story. That helps. But neither vision nor execution alone gives you bottom-line results—they require vision plus planning plus execution plus follow through.

You can't do all that yourself. No one can focus on all of these at the same time and accomplish anything. Teams can achieve what an individual cannot, but only if there is diversity of style and focus, and a leader

who realizes that no one can be everything. Humility will keep you from flying into the sun, unlike poor Icarus who was gifted with many qualities of leadership—save the humility that would have allowed him to listen to others who warned him that things were going to heat up far beyond his control.

Here are some suggestions for building your trust-based organization:

- **You don't have to be a member of a 12-step program to take a fearless inventory.** Is your default arrogance or humility? Do you know how you affect those who work with and for you?

- **Remember to balance the needs of the organization with the needs of the people.** You won't know what those needs are unless you know people as individuals and understand what motivates them. A good measure of your humility will be your lack of surprise when you realize that what motivates you most is not necessarily what motivates them most.

- **Understand that there is great value in the diversity of other people's styles and roles.** People who don't think the way you do are tremendously valuable to you in solving problems and coming up with innovative ideas. Listen carefully to all of them, and understand each point of view and carefully consider it even if, at first, you don't



agree with it. If you turn it down, do it with respect and gratitude for their act of trusting you with it.

- **Earn the best team you can get.** Engage them in your process—vision, execution, evaluation—and make it a living process. Set team goals that are challenging but attainable and lavishly reward the entire team for achieving them. Rewards can be non-financial and just as effective as long as they are oriented to what motivates each individual.

- **Remember your origins.** You were not born to lead at birth. Someone trusted you. Now it is your turn to trust and to be trustworthy. The further you get from your origins, the further from Earth you will fly until, like Icarus, you are left with no supports, and your fall is inevitable. **LE**

Janice Presser is CEO of The Gabriel Institute, a professional services company and originator of Role-Based Assessment. Email jpresser@thegabrielinstitute.com.

ACTION: Take inventory and find your humility.

Innovation Gap

What are you becoming?



by Gary Hamel

SINCE THERE IS NO continuity without constant renewal, most leaders affirm that innovation is a critical capability. Yet few can describe their innovation system. They freely admit that innovation is mostly rhetoric, not reality.

How do we explain this gap between word and deed? Many leaders are just paying lip service to innovation and have no intention of working hard on it. Nor do they have a clear, well-developed model of what innovation looks like as an organizational capability. Hence, they don't know how to build it.

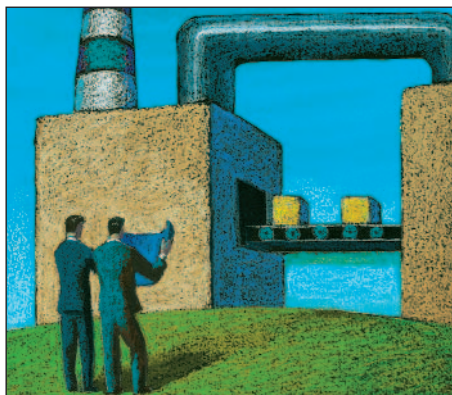
To make innovation a deep capability, you need to 1) enlarge your view of innovation beyond focusing just on products and services, and 2) imagine what could be and devote less time and energy to optimizing what you now have.

1. Enlarge your view. Many leaders assume that innovation equals new products—not pricing, not merchandising, advertising, or distribution. Gillette presents the classic example of innovation as product extension. Gillette used to make razors with one blade, then it made them with two blades, and then three blades. That is the typical view of innovation. And there's nothing wrong with it, except at some point adding another blade won't make much difference to how customers perceive the product. Moreover, this narrow view of innovation is unlikely to create new markets and new wealth. Only radical innovation leads to significant growth.

To create new markets and new wealth, managers need to think about innovation at the level of business concept—a framework for identifying how your business creates, delivers, and extracts value. Pioneers do not just make minor adjustments to established business concepts—they rethink them from the ground up to create new models. Dell, Starbucks, and Wal-Mart created an innovative business model. The greatest rewards

go to companies that create new business models and new sources of revenue based on changing technology, demographics, and consumer habits.

Unfortunately, few leaders think creatively about a new business concept. In fact, few can describe their current business concept. Can you? Try this exercise: How do you define your served market? What is your basic value proposition? How do you go to



market in terms of distribution? What are the core competencies you need to focus on? What choices have you made regarding how integrated (or not) you are? Most managers can't answer these questions clearly. And rarely do they look at these different elements as something that represents a designed choice that could be done differently. After a while, it's just "the way we do things around here." And often, these ways become rigid orthodoxies, never challenged, that stifle innovation.

True innovation is based on the recognition that a business concept represents a dozen or so design variables, all of which need to be revisited and challenged. A company that is not experimenting with new business concepts is living on borrowed time. Leaders who hope to bridge the gap between the rhetoric and reality of innovation need to define it as a capability-building problem that is systemic and requires the same energy, commitment, persistence, and investment that they brought to their other capability-building challenges, such as quality or customer service. In the long term the most important question for a company is not what you are, but what you are becoming.

2. Create a constituency for the future, for what could be. When it comes to the trade-off of optimizing what is there versus innovating and creating something new, most leaders opt for what is, few for what could be. Innovative leaders succeed despite the system. Major innovation often requires bending or breaking rules, going around people, and hiding expenses. Innovations are exceptions because the system is built for control, perpetuation, and efficiency.

Most leaders create roles or structures for product innovation: R&D is supposed to work with Marketing, and they're supposed to innovate. But when you have a specific innovation role or particular units that focus on innovation, you tend to end up with innovation ghettos. When innovation is compartmentalized, everyone assumes, "I don't have to think deeply, profoundly, and creatively about alternatives. I just do what I do every day because somebody else is worrying about where we go next." And if someone outside the innovation ghetto doesn't subscribe to that and produces an original idea, the fact that it doesn't come from the proper place means it's likely to be shot down.

In recent years, several companies have gone beyond R&D to set up dedicated structures for innovation—an incubator or a new venture division. However, these structures are usually kept separate from innovation in the core business—as if it's impossible or dangerous to innovate in the core business. In other organizations, innovation is a once-every-five-years special project. You take a team away, do some brainstorming, hire some consultants, and generate some new product alternatives. But these approaches put innovation into ghettos.

Radical innovation comes from generating a collective sense of destiny, from unleashing the imagination of people and teaching them how to see unconventional opportunities. A new sense of direction doesn't come from a few smart people who have all been in the company for 20 years, getting together and thinking about it. You have to dramatically increase the strategic variety, create thousands of new ideas out of which you can look for new themes and directions. And then the role of the leader is to be the editor—moving from being the creator of strategy to searching for the patterns in the streams of ideas that emerge.

At Nokia, for example, we got hundreds of people involved in imagining

what could be: What new needs can we serve? How can we use our competencies in different ways? How can we change the economics of the industry? Out of that came hundreds of ideas, and the work of leadership was not to generate the new thinking, but to look at all these ideas and find the themes that would give direction. Out of this thinking came a simple strategic architecture: humanize technology, create seamless solutions, and think of the phone as virtual presence.

Unleash the Passion

To get innovation, do three things:

1. Create a real constituency for what could be. Leaders need to unleash ideas, passion, and commitment. We have to move from innovations as exceptions; move beyond innovation as a specific role or structure, beyond innovation as a once-in-a-while project, to thinking about innovation as a deep capability.

2. Devote at least 2 percent of the labor hours to projects considered radical. Invite all of your people, within some risk parameters, to devote some portion of their time to something other than doing their job 3 percent better.

3. Create a marketplace for ideas. An entrepreneur with an idea in Silicon Valley can go to many different venture capitalists in search of funding. Yet inside most companies, you can only pitch your idea up your chain of command. One way to create a marketplace for ideas inside a company is to say to anyone who has a budget: "You can take 1 percent of your budget and play the role of angel investor for any project that interests you." What strangest innovation is the time and energy it takes for people to get small investment, to build a prototype, or take time off to talk to five smart people and develop their idea. Creating a marketplace for ideas lightens the burden.

The strategies and tactics that you've used in the past to drive share prices and earnings up have largely run out of steam or reached their natural limits. The free ride is gone. The shortcuts for creating the illusion of real growth are becoming unavailable: cost-cutting, creative accounting, M&A deals, share buybacks. What's left in our tool bag to sustain growth? Real innovation. **LE**

Gary Hamel is visiting professor of strategic and international management at the London Business School and chairman of Strategos. He has published articles in Harvard Business Review and Fortune, and is author of Competing for the Future and Leading the Revolution. Visit www.garyhamel.com.

Action: Get real innovation.

Build Trust

Take four steps.



by Robert Whipple

WITH SCANDALS STILL fresh in our minds, leadership has suffered a major loss of credibility. While high-profile cases focus on a breach of trust with external stakeholders, equally dangerous is the atrophy of internal trust.

Daily, the actions of leaders create or destroy trust. The battle for viability is conducted in the trenches of daily interactions. In low-trust organizations (LTOs), people's best efforts are wasted. Leaders must prevent this waste by reducing rumors, political infighting, lack of focus, and conflict. In high-trust organizations (HTOs), such problems fade as people focus more energy on serving customers and beating the competition. Satisfaction and inspiration replace drudgery and hostility.

HTOs gain a sustainable competitive advantage. Fortunately, there are effective and inexpensive ways to build trust by creating the right culture.

Trust between people can be compared to a bank account: actions consistent with shared values represent deposits, and inconsistent actions represent withdrawals. Every action, word, or decision between individuals either adds to or detracts from the balance. This sensitive system is affected even by thoughts and small gestures. Making small deposits is easy (by doing what you say, reinforcing well, and offering assistance), but large deposits are rare. Unfortunately, large withdrawals can be devastating. The balance can be wiped out with a single action. As a leader, you need to ensure that your actions are consistent with what constituents hear you say.

Problems arise when people interpret actions of leaders as incongruent. In LTOs, people are punished when they note an inconsistency. In HTOs, leaders reward people for pointing out gaffes because it allows correction, clarification, dialogue, and trust. Usually leaders hate to admit mis-

takes. They believe it weakens their ability to lead and become defensive when employees push back. This normally backfires and reduces trust.

To build a culture of trust, take four steps: 1) Identify your values along with a clear vision, behavior expectations, and strategic plan; 2) Encourage people to tell you when they believe your actions are incongruent with the foundation; 3) Reinforce them every time they do it, and make them glad they told you about it; 4) Take corrective action or help people think through the apparent paradox.

Each of us has a set of beliefs based on everything we have experienced in life. We own these views and believe they are right. When another person observes a situation and comes away with a different judgment, we think they must be wrong. One of two things can now occur:

First, the other person can say or do

nothing. This reaction often seems safer. People often remain silent in the face of an inconsistency out of insecurity and fear. They may have felt punished rather than reinforced for voicing a dissenting opinion in the past and don't feel safe to do it again. In this situation, trust goes down! The

person has less trust in me because I act in a manner inconsistent with our mutual values, behaviors, or vision. My trust in them also goes down because they remain silent.

Contrast that with a scenario where the other person verbalizes the problem immediately because it is safe to voice a contrary opinion. An environment of trust has been built over time. People know this input is welcome.

Here the outlook is brighter. We can have meaningful dialogue and even reverse our actions with such responses as: "You're right, I didn't think of it that way. I'll reverse my decision." Or, "I appreciate your pointing out the inconsistency. I still believe my decision was correct and can't reverse it. However, thank you for speaking up. Now I know there is an issue. Let me explain why I can't reverse the decision." Either way the trust goes up.

This approach provides you with a powerful correcting force. When people believe things aren't right or something is out of line, they'll tell you. **LE**

Bob Whipple is CEO of Leadergrow and author of The Trust Factor and Understanding E-Body Language. Call 585-392-7763 or email bwhipple@leadergrow.com.

Action: Proactively build a culture of trust.



Success Delusion

Don't think you don't need to change.



by Marshall Goldsmith

ALL OF US DELUDE OURSELVES about our achievements, status, and contributions. We overestimate our contribution, and take credit for successes that belong to others. We have an elevated opinion of our skills and our standing among our peers. We ignore our costly failures and exaggerate our impact on net profits.

These delusions are a direct result of success, not failure. We get positive reinforcement from our past successes, and we think that they portend great things in our future. This wacky delusional belief instills us with confidence, however unearned it may be. It erases doubt and blinds us to risks and challenges, which isn't all bad. If we had a complete grip on reality, we might be chronically depressed.

But our delusions become a liability when we need to change. When someone tries to make us change our ways, we first think the other party is confused or misinformed; second, we go into denial mode, thinking that the criticism does not apply to us; and third, we attack or discredit the other party: "Why is a smart guy like me, listening to a loser like you?" Those are just the surface responses. You get even more resistance to change when you add the positive interpretations that successful people assign to their past performance, their ability to influence their success, their optimistic belief that their success will continue, and their sense of control over their own destiny.

Four Beliefs Hold Us Back

Four beliefs that help us become successful can also make it tough for us to change. That's the paradox of success: The beliefs that got us *here* may hold us back in our quest to go *there*. Let's examine each belief:

Belief 1: I have succeeded. Successful people believe in their skills and talent. Their mantra is this: "I have succeeded. I have succeeded. I have succeeded." It's their way of telling themselves that they have the skills and talent to win and keep winning. They edit out their

screw-ups and failures and run the highlight reel of their successes. They focus on the positive, calling up images of performances where they dazzled everyone and came out on top. To them, the past is always prologue—and the past is always rose-colored. Successful people never drink from a glass that's half empty. When the team achieves great results, they tend to believe that their contribution was significant. This *I have succeeded* belief becomes an obstacle when behavioral change is needed.

Belief 2: I can succeed. This is another way of saying, "I am confident that



I can succeed." Successful people believe that they can make desirable things happen. They believe that through sheer force of personality, talent, or brainpower, they can steer a situation in their direction. They see opportunities where others see threats. They're not afraid of uncertainty or ambiguity. They want to take greater risks and achieve greater returns. They will always bet on themselves.

Successful people do not feel like victims of fate. They see success largely as a function of motivation and ability—not luck, random chance, or external factors. They carry this belief even when luck plays a critical role. They insist that their good fortune is a payoff for hard work. They believe that success is earned through their motivation and ability (even when it is not). They always link what they have done and how far they have come—even when no link exists. It's delusional. They assume: "I am successful. I behave this way. Therefore, I must be successful because I behave this way!" Sometimes they are successful in spite of this behavior.

Belief 3: I will succeed. This is another way of saying, "I have the

motivation to succeed—and I will succeed in the future. Successful people not only believe that they can manufacture success, they believe it's practically their due. As a result, they tend to pursue opportunities with an enthusiasm that others may find mystifying. If they set a goal and publicly announce it, they tend to do "whatever it takes" to achieve the goal. That's a good thing. But it can easily mutate into excessive optimism. It explains why successful people tend to be over-committed. It's difficult for an ambitious person with an *I will succeed* attitude to say no to desirable opportunities. Most executives are drowning in a sea of opportunity. Their *I will succeed* belief can sabotage their chances for success when it's time to change behavior.

Belief 4: I choose to succeed. Successful people believe that they are doing what they choose to do, because they choose to do it. They have a need for self-determination. The more successful we are, the more likely this is to be true. When we do what we choose to do, we are committed. When we do what we have to do, we are compliant.

I have now made peace with the fact that I cannot make people change. I can only help them get better at what they choose to change. Getting people who think "I have chosen to succeed" to say "and I choose to change" is not an easy transition. The more we believe that our behavior is a result of our own choices and commitments, the less likely we are to want to change our behavior.

Success Makes Us Superstitious

These four success beliefs—that we have the skills, confidence, motivation, and free choice to succeed—make us superstitious to some degree. And, the higher we climb the totem pole, the more superstitious we become.

Superstitious behavior comes from the mistaken belief that a specific activity that is followed by positive reinforcement is actually the cause of that positive reinforcement. The activity may be functional or not—it may affect someone or something else, or it may be self-contained and pointless—but if something good happens after we do it, then we make a connection and seek to repeat the activity. We repeat certain behaviors when we believe money and recognition will come our way because of it.

Superstition is merely the confusion of correlation and causality. We tend to repeat behavior that is followed by positive reinforcement. The more we achieve, the more reinforcement we

get. So, we wrongly assume, “I behave this way, and I achieve results. Therefore, I must be achieving results because I behave this way.” This belief is sometimes true, but not always. What got us here won’t necessarily get us there. Some success happens because of our behavior, and some success comes in spite of it.

Almost everyone I meet is successful because of doing many things right, and successful in spite of poor behavior. My challenge is helping leaders see the difference between *because-of* and *in-spite-of* behaviors, and avoid the superstition trap.

Pick a quirky or unattractive behavior that you do—something that annoys friends, family, or co-workers. Does this behavior help you achieve results? Or is it one of those *in-spite-of* behaviors?

We All Obey Natural Law

People will do something—including changing their behavior—only if it can be demonstrated that doing so is in their own best interests as defined by their own values. You can’t force people to work together. You can’t mandate synergy. You can’t manufacture harmony. You also can’t order people to change their thinking or behavior.

In order for me to get you to do what I want, I have to prove that doing so will benefit you in some way, now or later. Every choice, big or small, is a risk-reward decision where your bottom-line thinking is, “What’s in it for me?”

This natural law is the force that gets squabbling rivals to cooperate—it’s the only way each of them can get what they want. It’s the force at work when people swallow their pride and admit they were wrong. They’ll do it if it’s the only way to put the trouble behind them—and move on. It’s the reason people will turn down a better-paying job because they sense the new situation will not make them happier. Without this natural law, getting successful people to mend their ways would be impossible.

What keeps you coming back to work day after day? Is it money, power, status, or popularity—or is it something else? If you know what matters to you, it’s easier to commit to change. You’ll only change your ways when what you truly value is threatened. LE

Marshall Goldsmith is co-founder of Marshall Goldsmith Partners and author of *What Got You Here Won't Get You There* (Hyperion). Call 858-759-0950, email Marshall@MarshallGoldsmith.com, or visit www.MarshallGoldsmithLibrary.com.

ACTION: Choose to change.

Followers and Leaders

Navigation means negotiation.



by Eileen McDargh

MY HUSBAND AND I recently enjoyed our third adventure in canoeing the vast watershed of lakes and inlets that meanders between Minnesota and Canada. Each time we’ve come, I discover more leadership lessons from the simple act of paddling.

Our first day out we’re battling 30-knot headwinds across Lake Saganaga. I dig into the water, trying to add more power to each stroke. My husband controls the direction. At times I have to shout that we’re headed toward a submerged rock. I have the topographical map on my lap and am the first to spot where we need to go. Our progress is slow until we turn into a bay. Now the wind is at our back, and we surf into safety. The intense pressure is off.

I rest for a minute and think of the lessons I just learned.

Lesson 1: In crisis times (like strong headwinds), everyone must put their head down and do their job. Decisions are instant because there’s no time to hold lengthy meetings, decide by consensus, or conduct a 360-degree survey. The trick is to know when it is a real crisis and not a standard way of doing business. The latter will sap your strength and determination.

Lesson 2: Trust is a two-way street. But you don’t wait until a crisis to test trust. Trust builds over time. In the bow of the canoe, I am like a frontline employee, working hard to make headway. I am the one who sees problems with customers, defects with products, or ineffective operations. Thankfully, I have a leader who listens when I see trouble ahead. Communication has to be quick. The leader has to trust what I say and make a decision to respond.

How many times have I heard managers say, “I want no surprises,” yet, when an employee comes to them with information, it’s discarded? At the same time, what if I hollered “rock” when there wasn’t one? I too must speak the truth if I expect my voice to be heard. If we don’t listen to each other in calm water, we won’t respond in rough water.

Lesson 3: Rock not the boat...

unless! With a shallow draft, canoes are easy to tip over. Weight stays centered on the spine of the canoe...unless. There are times when body weight must be shifted to make a tight turn. Paradox? Yes and no? Intuition beats standard operating procedures every time.

Lesson 4: Downtime is essential.

Getting away from the headwinds and into shelter is an enormous relief. Do we create safe harbors for ourselves, our employees? A leader knows when folks need a break. People need to breathe!

Lesson 5: A great

leader makes the job look easy. My husband surely does. So by day two, I claim the leader’s role at the back of the canoe. I’m convinced I can take this position easily. Not. To my dismay, I discover I need skill in turning a canoe paddle into a rudder. It is not as easy as it looks. I can’t get

the motion right. I expend far too much energy with few results. I don’t have the know-how to quickly change the direction of the canoe. I need training and more experience. How often do we criticize leaders and think that we can do a better job? What looks simple is only made so by training and experience. If we want the title, we need to take the time to learn what it takes.

Lesson 6: At the end of the day, take time to celebrate success. How marvelous to pause, rest, and give each other a high five when we make it successfully to sunset. Too often we forget that celebration of success does not wait until the final goal is achieved. Rather, it is incremental success that spurs us on to the next effort. LE

Eileen McDargh, CSP, CPAE is a keynote speaker and expert in leadership and work/life balance. Leadership Excellence ranks her in the top 20 independent consultants in leadership development. Call 949-496-8640 or visit www.eileenmcdargh.com.

ACTION: Apply these six lessons to your team.

Taming Alpha Leaders

They are rarely good for the team.



by Kate Ludeman and Eddie Erlandson

MANY OF US HAVE BEEN ON A TEAM—one with lofty goals, talented and driven members, and limitless possibilities—that winds up a tug-of-war of wills between the dominating alpha males. The best decisions and ideas are not the ones that go forward, but the ones that get bulldozed through. Such dysfunctional teams are destructive. Charismatic and confident, alphas can inspire groups to reach new heights, but unrestrained, they can do serious damage with impatient, judgmental, and self-serving behavior.

The world abounds with alpha males and alpha females—powerhouses who take charge, produce astonishing results, and add enormous value. But many alpha executives also unwittingly leave a path of destruction in their wake.

We show alpha executives—and the people who work with them—how to leverage their strengths while curbing their destructive flip-side risks.

Best and Worst

The very traits that make alpha personality types magnets for success can be the biggest obstacles to teams realizing their full potential:

- **Alphas are usually high achievers with a sense of mission.** At their best, they mobilize energy and inspire everyone to march together and act in concert. At their worst, they focus on taking the hill and fail to get buy-in—they drive themselves and others to exhaustion.
- **They are self-confident, take-charge players.** Healthy alphas take command of meetings, stimulate bottom-line discussions, and drive the team to action. Unhealthy alphas out-talk others, take

up too much space, get impatient, and criticize leaders if decisions are delayed.

- **They're renowned for their strength of conviction.** On good days, they come across as believable, argue convincingly, and make it easy to follow their recommendations. On bad days, they get defensive when challenged, and create churn in meetings by arguing their points.

- **They can be persistent, tenacious, determined, and steadfast.** To their credit, they love big challenges, overcome obstacles, and take unpopular stands to get results. At times, though, they obliterate disagreement and think rules don't apply to them.

- **Most alphas are competitive and aggressive.** This conveys a strong desire to win, and pushes their teams to meet goals. This can also cause them to be overly competitive, and cause internal conflict instead of outward focus.

- **They're comfortable with conflict.** In positive scenarios, they surface differences, ensure debate, and drive resolution and closure. In negative ones, they fuel arguments, set up situations with winners and losers, and feed distrust.

- **Alphas are direct and forthright.** They can present authentic views and feelings, and create open relationships with team members. They can also criticize aggressively and call it candor, and overshadow those who are less assertive.

- **They're also praised as smart and innovative thinkers.** They often have different ideas. Sometimes, they generate more ideas than the team can act on, and inspire compliance instead of creativity.

How Can This Happen?

How can this happen in this day of increasing collaboration? The Alpha Male Syndrome has several factors:

- **Alpha males see themselves as high impact players** who influence others by driving and directing, not by collaborating and conferring. Their battlefield style might make sense during warfare, but military strategizing is actually a model of collaboration, as it must be in business.
- **Many alpha males were star players on sports teams**—a heady experience

that they try to recapture. Healthy alphas learn that true stars shine even brighter on a winning team; others hog the ball and put themselves above the team. By monopolizing the group's energy, alphas diminish the contributions of less assertive members.

Self-Assessments

If you're an alpha male, there are a few simple self-checks you can do:

- Commit to putting the needs of the team ahead of your personal ambition.
- Learn to collaborate instead of competing with your teammates.
- Use debates as a springboard for collective creativity rather than an arena for another contest.
- Honestly assess your impact on your teammates, especially in meetings.
- Encourage quieter members of the team to speak their minds.
- Open yourself to feedback and contrary opinions.
- Take responsibility for keeping meetings civil and productive.
- Harness the energy and intelligence of other alphas without letting them run roughshod over everyone.
- Recognize the value of revealing your imperfections and allow yourself to be vulnerable at appropriate times.
- Clear the air of anger, resentment, and hostility, and learn to resolve conflicts in a way that satisfies every party.

Working with Alphas

If you work for or with alphas and want to see your team live up to its potential, consider these points:

- Don't suppress your ideas; make sure what you want to say gets heard.
- Don't succumb to feeling like a victim of your alpha teammates.
- Take responsibility for making meetings work effectively, regardless of your position on the team.
- Cultivate trust between you and each of your teammates.
- If you feel ignored or overshadowed by strong alpha personalities, look inside for what's holding you back.

Alpha tendencies can be as much of a liability to a group's success as a boon. If channeled irresponsibly, their drive can alienate others, crippling potential synergy. In situations where 1 plus 1 could equal 3, they wind up with less than 2. Healthy alphas, on the other hand, can make magic happen. LE

Kate Ludeman, PhD, is CEO of Worth Ethic Corporation. Eddie Erlandson, MD, is a vascular surgeon and senior vice president of Worth Ethic. They are co-authors of the popular Harvard Business Review article, "Coaching the Alpha Male, Alpha Male Syndrome." Visit www.wortheithic.com.

ACTION: Tame your alpha leaders.

Leading with Questions

Help your people to discover the answers.



by Michael J. Marquardt

ASKING RATHER THAN telling, questions rather than answers, has become the key to leadership excellence. Peter Drucker noted that the leader of the past may have been a person who knew how to tell, but the leader of the future will know how to ask.

Over 2,000 years ago, Socrates realized that leading was more a matter of asking the right questions than of giving answers, and developed the dialectic—a method of questioning in order to get at the truth. Leading with questions is a modern dialectic, and questioning will become the essential means for leaders to enhance the capability of people to think and act critically.

Today's leaders face the challenge of leading in an answer-oriented, fix-it-quick world where more people clamor for fast answers. Responding to such pressures will cast them adrift, as they'll move away from long-term solutions toward real problems.

Statements alone do not lead to deep thinking; rather, questions ultimately lead to breakthroughs in productivity or innovation. The quiet distinctions and fresh perspectives gained by questions reveal new possibilities.

Too few leaders lead with questions. They tend to dictate or debate rather than inquire and dialogue. Most leaders are unaware of the amazing power of questions, and how they can generate short-term results and long-term learning. Most disasters share a common thread—the inability or unwillingness of the participants and leaders to raise questions about their concerns. Some group members may fear that only they have an isolated concern. Others feel that if they ask the question, it would be considered a dumb question—and they would be put down.

Several years ago, Michael Hammer examined why Wal-Mart overcame Sears, why Pan Am became extinct, and why Howard Johnson was beaten by McDonald's, Burger King, and KFC. These failures shared a common cause—leaders did not ask the probing

questions that might have led them to challenge their assumptions, refresh their strategies, and change their ways.

Power of Questions

Great leaders use questions to encourage full participation and teamwork, to spur innovation and out-of-the box thinking, to empower others, to build relationships with customers, to solve problems, and to change culture. Questions wake up people. They prompt new ideas. They show people new places, new ways of doing things. They help us become more confident communicators.

The questioner has two mind-sets: the learner and the judge.

- In the *learner mind-set*, the questioner



seeks to be responsive to circumstances. Thus, she is more likely to think objectively and strategically. The learner mind-set seeks and creates solutions, and relates to others in a win-win manner. Leaders with a learning mind-set tend to be more optimistic and presuppose new possibilities, a hopeful future, and sufficient resources. They exude optimism, possibilities, and hope. They're flexible, thoughtful, and accepting. They operate in a collaborative and innovative mode. They encourage people to be flexible, open to new possibilities, and less attached to their opinions and the need to be right. Such leaders strengthen people's awareness of their choices and responsibility for their thoughts, feelings, behaviors, and outcomes.

- The *judge mind-set* is reactive. It leads to over-emotional thinking and behavior. Leaders with the judge mind-set tend to be more automatic and absolute in their actions; they emphasize nega-

tivity, pessimism, stress, and limited possibilities. The focus is more on problems than on solutions. Judging questions are inflexible and judgmental. For the judge, questions are more likely to be reactive to the situation and lead to automatic reactions, limitations, and negativity. Judging questions result in win-lose relating as they often operate in an "attack or defend" paradigm. Such questioners often deny self-responsibility and search for other people or circumstances for blame. Leaders with the judging mentality believe they know the answers already anyway.

Despite questioning being a critical competency, few leaders practice the art of asking questions for three reasons: 1) a negative experience with asking or answering questions that has generated a fear and discomfort with inquiry; 2) a lack of skills in asking or answering questions based upon lack of experience and opportunity, lack of training, and limited or no models; and 3) cultures that discourage questions, especially those that challenge existing assumptions and policies.

Art of Asking Questions

A key for leaders in asking questions is contextual. What do I want my questions to accomplish? Avoid using disempowering questions—ones that are negative, put people into a defensive mode, and drain energy. The "what's wrong" questions threaten self-esteem and discourage honesty, creativity, and collaboration.

Empowering questions get people to think and discover answers, thus developing responsibility and transference of ownership for results. So instead of asking what went wrong, ask questions that focus on what has gone well, what could be done, how it could be improved. Focus on improvement and learning, not complaining and venting. By being open-minded, you encourage a broader range of response.

When asking questions, focus on the questioner and the question—not on other concerns. You can't listen and think of the next thing that you are going to ask or say. Ask questions that open new possibilities, explore perceptions and assumptions, and provide ways of evaluating the same data. You must be genuinely curious and not make people feel that they are being judged, interrogated, or manipulated.

Try to ask one question at a time. Don't overwhelm or confuse people by asking several questions at once. Allow for a response before asking the next question. Many of us tend to ask ques-

tions one after another for three reasons: 1) to maintain control of floor, 2) because we may not be sure when we may get the next chance to ask a question, 3) because we have not thought through the question, or want to control the response. Such a questioning approach leads to responses of poor quality. People may resist multiple questions. Impatient questioners ask flurries of questions with more a desire to control than to seek the truth.

Don't rush your responses. Allow for reflection time when formulating questions. Not all questions need to be answered immediately. Give people time to mull over your request for information and develop some ideas. Putting them under a tight deadline inhibits open-minded thinking. Time permitting, it's better to say, "Let's get together in a few days and bounce this around. In the meantime, give it some thought and make a few suggestions."

The quality of the response is affected not only by the content of the question, but also by its manner of delivery, especially its pace and timing. Try to maintain a steady pace. Do not let your eye contact waiver and don't be afraid of silence. Silence tells the other person that you expect her to respond and to continue. Providing time and silence allows the other person to dig deeper into her thought process to answer the question.

Leaders may feel compelled to give constructive feedback rather than ask positive questions. If constructive feedback is needed, ask people what they think should be worked on. People are usually aware of their shortcomings. You can then suggest working on the most beneficial one or two. This makes you a coach, not a judge.

When asking questions, don't shout. Often the softer the question, the more powerful it is. Use encouragers such as "I didn't know; tell me more."

Say "thank you" when you get a response. You'll likely get more and deeper answers the next time you ask. It is much harder to ask skillful questions than to give advice.

Leaders who are unaware of the potential of questions needlessly engage in a fractious, pressure-filled existence. Leaders who lead with questions will create a more humane workplace as well as a more successful business. Leaders who use questions truly empower people and change organizations. **LE**

Michael J. Marquardt is director of the Global Institute for Action Learning and a professor at George Washington University. Email mjmjq@aol.com.

ACTION: Ask more and better questions.

YES Lives in the Land of NO

Find a way to say yes.



by BJ Gallagher

THE LAND OF NO IS A discouraging place—populated by frowns, shrugs, scowls, and furrowed brows. Everyone is solemn, somber, and serious. If you have an idea, nay-sayers point out how "it will never work." If you seek opportunity, doors are politely but firmly shut in your face. If a project excites you, a wet blanket is dispatched. And should you should dream of new possibilities, several soldiers of stagnation trample your spirit.

Do you work in a negative workplace? Listen to the conversations of people in meetings, in the halls, or in the cafeteria. Do you hear: "That will never work." "We've tried that before." "They'll never let us do that." "Now is not the time." "It's too risky." "We can't do that." "We're too busy." "It'll never fly." "That's not the way we do things here." "We have other priorities." "We have no budget." "Yeah, but ..."

And let's not forget the non-verbal NOs—like rolling eyes, heavy sighs, tapping fingers on the desk, looking at watch, frowning, scowling, and looking exasperated. There are a million ways to say NO, sometimes without saying a word! In fact, it seems that some bosses automatically say NO to everything. It seems to be their knee-jerk reaction to any requests, new ideas, suggestions, and proposals.

Why all this nay-saying? Here are some reasons why managers say NO: NO perceived need, NO perceived benefits, NO clear understanding, NO time or resources to "experiment," NO involvement in the idea, NO credibility for the person with the idea, NO perceived freedom to fail, NO authority on the part of the decision-maker.

Why is the Land of NO a dangerous place? Many reasons—including the failure to innovate and create new products and services, poor morale as employees feel resigned to rejection, and lower productivity. After all,



what's the point of going the extra mile in such a negative culture? You need the creativity and ideas of all employees to be competitive. If your organization is the Land of NO, your best and brightest employees will likely leave. Talented, creative, energetic people won't work forever in the Land of NO. At the first positive opportunity, they'll be out the door.

If you're a leader, people look to you for guidance, support, inspiration, and courage. You play an important role in creating a Culture of YES. Here are some things you can do.

- **Start with yourself.** If you find more ways to say YES, your group or team will too. Be a positive role model—an example of the success that comes from saying YES.

- **Make sure you walk your talk when it comes to saying YES.** Don't tell people you welcome their ideas, then shoot them down when they come to you. If

you say you're open to new ideas, then be open.

- **Reward others who are positive influences in the Land of NO.** Tell them how much you admire and respect their can-do attitude. Express your appreciation for all the ways they say YES. Let them know how much you appreciate their contributions. Re-

ward them in every way you can—what gets rewarded is what gets done.

- **If you have to say NO, explain why.** Then point out what they need to do. Tell them what they can do to change their idea or approach to secure a YES.

- **Keep policies and procedures to a minimum.** Prevent them from piling up and forming barriers to saying YES. Make policies flexible enough to allow exceptions and bending the rules when the situation warrants. Review policies and procedures regularly. Question and challenge policies that don't make sense. Welcome input. It's hard to say YES if people are tied up in red tape.

- **Provide training on how and why you want people to say YES.** Teach them the skills they need to have; give them the information they need to make informed YESes. Equip them with all the tools they need to feel confident in saying YES.

Your mantra should be "Find a way to say YES." Live it every day. **LE**

BJ Gallagher is a management consultant and co-author of YES Lives in the Land of NO: A Tale of Triumph Over Negativity (Berrett-Koehler, 2006). Contact: FindingYES@aol.com or www.yeslivesinthelandofno.com.

ACTION: Find a way to say YES.

Leading Innovation

It begins with your climate.



by Joseph Giordano and Candis Cook

WHETHER YOU ARE LOOKING FOR ingenuity, creativity, innovation, or growth, the key is allowing people to experiment and surprise you with their results, solutions, options, and ideas. “Never tell people how to do things,” said George S. Patton, the great American General. “Tell them what to do and they will surprise you with their ingenuity.”

Many companies are embroiled in global battles and need to apply creativity and innovation cross-functionally and with a diverse people who cover many different thinking styles.

The tactical side of creativity and innovation—the *what* we are doing and *how* we are doing it—come as a result of how the leaders embrace and enable the climate, the thinking, and the actions or processes that are undertaken to activate the desired results.

1. Climate. The climate is a snapshot of how we treat ourselves, each other, and the ideas generated. Are we taking risks, remaining open-minded? Are we fostering a supportive environment? Leaders of innovation accommodate the emotional needs of communication. In many cultures, we engage in protectionist communication. We waste energy covering our tracks, making sure that we are seen as doing the right thing and heard when we feel we need to be heard. We waste energy on protecting ourselves when we are in a culture that we perceive as noncollaborative. Thus we have less time or energy to focus on work in the moment, to be available for new thoughts and ideas.

When the climate becomes more collaborative and supportive, most of our energy becomes available to focus on tasks, action, and growth. As we work in a collaborative and supportive climate, we trust ourselves more—we take chances and risk more, knowing that our colleagues will support us.

The leader’s role is to establish a climate of trust by understanding the subtleties that enable creativity and innovation—such as searching for meaning, paraphrasing, using language that supports beginning ideas, and applying developmental thinking rather than decision-making modes. As comfort grows among the team, more risk-taking will emerge—and it’s often the riskiest ideas that propel business forward. The trust increases, as does the opportunity to be creative and innovative.

2. Thinking. In innovation, the leaders’



role is to encourage and model a mindset to think differently about the problems, opportunities, and the solutions that are presented. At any given moment, we function in two distinct worlds: 1) an operational world where we are structured, precise, governed by rules and routine; 2) an experimental world where we allow ourselves to play with ideas, develop new thinking, and be approximate, speculative, and curious.

Often there is an ongoing tension within us and within teams between being safe and taking chances with our work. Leaders who encourage wishing, speculating, approximate thinking, and absurdity help people break out of ruts and old results. These thinking techniques help us cultivate newness and intrigue in our products. The aim is to make the unfamiliar familiar, the absurd have value, and to make connections from the seemingly irrelevant.

For example, during a problem-solving session, a senior executive said, “I wish we had our own country where we could make all the rules.” The ensuing work created one of the most successful advertising and mar-

keting campaigns, generating many times return on investment!

The ultimate solutions to problems are rational; the process for thinking of fresh solutions is not. Right-brain thinking processes allow the mind to diverge from the current point of understanding—the problem. Many great thinkers get as far away from the problem as possible to allow true breakthroughs to happen. Da Vinci, Einstein, Galileo, and Pinkerton would remove their task from their thoughts and playfully generate seemingly irrelevant material which they would connect back to their problem. This would allow them to experiment with fresh ideas and develop fresh solutions.

The visible use by leaders of methodologies for generating and capitalizing on innovative thinking ingrains them into the culture. Methods are systematic, but are far from rigid. They direct the creative and innovative process through phases and loops to produce innovative and feasible conclusions and actions.

3. Actions. A leader’s work is about helping sustain a high-performing team. Acting as a guide and coach, strong leaders draw out the ability to be innovative, tap creative thinking, and help the team turn fresh ideas into practical, workable results. Creative leaders resist succumbing to daily work pressures. They know when to be patient and delay decisions rather than staying within the confines of yes-and-no decision-making. Great leaders focus on building and sustaining alignment around the goals to enable experimentation. They focus on the *what* rather than the *how*.

A good start is to identify two or three highly visible, real-time projects that require the creativity of your team. Get sponsorship above and skills development below to support the project. Ideally, the opportunities are cross-functional and multi-leveled.

Often, there is no greater thinking to address a problem or opportunity than from those who are not connected to the problem. In fact, most breakthroughs come from those who offer seemingly irrelevant ideas.

The leader’s role is facilitative, managing the interactions and stimulating fresh thinking to bring new power and perspectives into the mix. Innovation for innovation’s sake is not the answer, but innovation with a purpose will drive results.

LE

Joseph S. Giordano is director of Learning and Development and Candis Cook is a partner with Synectics Inc. Email jgiordano@synectics.com or Ccook@synectics.com, or visit www.synecticsworld.com.

ACTION: Create the right climate.

Four Routes to Success

Purpose is always the starting point.



by **Nikos Mourkogiannis**

PURPOSE IS THE DRIVING force behind a company's capability to achieve enduring success. To become great, a company's guiding direction must be more than simply making money: it must have a purpose that appeals to the moral convictions of its key stakeholders, in particular the leadership team.

I'm not opposed to companies making profits. Indeed, this is the paradox of purpose. By aiming for something more than money, companies actually make more money, especially in the medium to long term.

Why is purpose so vital to achieving enduring success? Because purpose is founded on an individual's own ideas about what is right and worthwhile. Since these ideas are normally rooted in one or more moral traditions, they create the possibility of a shared purpose, linking the leadership team and the rest of the organization.

With a shared purpose comes a clear sense of direction, which boosts morale and helps leaders make difficult and radical decisions. It supports innovation, reduces risk aversion, motivates people to think in new ways, and encourages leaders to put ideas into practice. It also helps build and maintain relationships. If your customers share your purpose, like those who buy from Anita Roddick's The Body Shop, they are likely to prefer your products to those of a competitor. Today, the companies that generate the best ideas, build the strongest relationships, and hold on to their brightest stars will prosper and grow.

Four Competitive Purposes

A global company can base its purpose on four moral traditions: discovery, excellence, altruism, or heroism. These traditions link back to four of the greatest philosophers—Søren Kierkegaard, Aristotle, David Hume, and Friedrich Nietzsche—and produce organizations that stand the test of time because they are based on ideas that have stood the test of time.

1. Discovery appeals to the adventurer within us, the explorer who wants to race beyond knowledge. Discovery put men on the moon, America on the map, and the dot-coms in business. Discovery was the driving force behind Tom Watson of IBM, who plastered the slogan "THINK" around the offices. It is also the purpose of Sony, described by its founder as a "place of work where engineers can feel the joy of technological innovation."

Richard Branson, the creative spirit behind the Virgin Group, embodies



discovery: a means that allows him to understand the world better, and thus offer a distinctive new service. Branson is a modern-day explorer, who has broken records on sea and land, seeking to go faster and farther than anyone else.

2. Excellence appeals to the perfectionist within us, the artist whose exacting standards allow no compromise. Excellence has built great cathedrals and successful businesses. Excellent firms prefer to turn away customers rather than compromise their quality standards.

Warren Buffett has built an empire based on the highest principles of investment: He only buys shares in a company—or buys a whole company—if exacting criteria are fulfilled. His excellent Berkshire Hathaway has averaged over 20 percent annual ROI since 1965. Steve Jobs has been a symbol of excellence at Apple, NeXT, Pixar, and Apple again, and he will bring the same purpose to Disney. Jobs' commitment to excellence is obvious in the sleek, intuitive design of the iPod, but it can also be seen in the Apple I, which was originally envisaged inside a case made from koa, an exotic light-

colored wood from Hawaii.

3. Altruism appeals to the caring person within us, the philanthropist who strives for the good of all. Altruism lies behind major political movements, charities, and many businesses that exist to serve their customers. Altruism may take the form of helpful personal service, delivering products at affordable prices, or using technology to improve or save lives. Many businesses are animated by this ethic.

During its explosive growth Wal-Mart was animated by the character of its founder, Sam Walton, whose desire to get the best deal was based on his empathy with his customers.

4. Heroism appeals to the winner within us, the competitor who seeks to dominate his or her field and set the standards. Heroism resulted in many spectacular growth companies, from Standard Oil to Microsoft. Bill Gates' plan to put his operating system onto every desktop was a heroic obsession. It is not the specific goals that tap into human aspirations, but the ambition and daring evident in those goals.

The difference between heroism and excellence can be seen in the contrast between Microsoft and Apple. Apple engineers tinkered at perfection, while Microsoft was busy taking over the world. Henry Ford was the Bill Gates of his age, a man whose heroic purpose was to democratize the automobile, and who achieved this with a small team that shared that purpose.

There are other important purposes that a company can be based upon, such as religion and patriotism (nationalism). With its Christian principles, ServiceMaster celebrates the worth of each employee—its motto is "Honor God in All We Do."

Many major companies whose purpose has been based on patriotism are now seeking new purposes. Deutsche Bank, for example, having been the German bank, under the leadership of its Swiss CEO Dr Josef Ackermann, has become an international firm.

Purpose achieves powerful results. Purpose drives great companies and individuals. If you examine any story of enduring business success, you will find a moral foundation of purpose. Discovering an authentic purpose is the first step to setting organizations on their way to greatness. **LE**

Nikos Mourkogiannis lives in London and is a senior partner at Panthea, a global consulting firm. He is author of Purpose: The Starting Point of Great Companies (Palgrave Macmillan). Visit www.purposethebook.com.

ACTION: Set your course with purpose.

Brand from the Inside

Connect people to your business.



by Libby Sartain

WHILE MOST MARKET-ing initiatives are concerned with branding from the outside, my focus as the Chief People Person at Yahoo is to brand from the inside. The employer brand is comprised of what your business is at the core, what you promise your employees, and from their point of view, “what’s in it for me to work here?”

The brand is all about how a business builds and packages its identity, origins, and values, and what it promises to deliver in order to emotionally connect with its employees so they in turn deliver what the business promises to its customers.

Brands create emotional connections. They simplify value, influence customer choices at each touch point, define the customer experience, and connect people to a big idea. In effect, brands create advocates of customers and ambassadors of employees.

Eight Essentials

I see eight essentials for emotionally connecting people to your business.

1. Discover the power of employer branding. Think of what your favorite brands promise. What big ideas do they represent? How do they create a positive image of the business as a place to buy? How do brands create emotional connections with customers? How do customers perceive the authenticity of a brand and what the business stands for? How can a business maximize the brand loyalty of its customers? How does a customer brand (as a place to buy) connect to an employer brand (as a place to work)?

2. Commit to living the employer brand. Ask yourself: What do we promise to employees? What experience helps them deliver to customers? How do our employees influence each customer touch point? How does our business ensure on-brand behavior from employees? What does our business offer as a place to work? How do we emotionally connect with our employees? In order to answer the “What’s in it for me?” questions, we need to provide the people who work

for us: Purpose + Values + Rewards.

3. Diagnose your current employer brand. This diagnosis should assess what employer brand you have, how well your employer brand supports your business strategy and talent strategy, how well your people understand and believe in your customer brand, and how committed your employees are to deliver the brand to customers.

I suggest that you ask: How does our employer brand help or hurt us in our efforts to attract, retain, and engage employees? How invested are our employees in their roles to deliver our brand promise to customers? How well do they live the brand?

4. Prepare an employer brand team. You might start by asking: Who now is working on the employer brand? What business case do we need to build? What problem are we trying to solve?

Prepare a cross-functional employer brand team that includes people from Marketing so you know the customer brand promise and what employees must deliver; HR so you develop the details of “the deal” with employees; Operations so you deliver the brand to customers; and Communications so you connect the dots simply.

5. Create an employer brand promise. In this area, consider how your employer brand can meet needs, objectives, and standards; what customer brand, identity, values, and employee experience the employer brand is based on; and what the employer brand must achieve in terms of experience, values, and legacy.

You might ask: How do employees influence what customers observe about our brand and how they buy from us? What is the difference between an employee “doing a job” and an employee “delivering the brand”? What constitutes on-brand behavior at each customer touch point? What experience do we hope to create for our employees? How can we help our employees address “What’s in it for me?” so they can answer “Why do I want to work here?”

6. Apply the brand through every stage

of the employee-employer relationship.

The prospective employee hears the brand and joins the company. At work, the brand is reinforced in meetings, events, and training; in booklets, video, press, ads, direct mail, and campaigns. The leaders apply the brand through coaching, packaging, messaging, and management. Other stakeholders receive branded messages through various media. The brand is evident in changes, acquisitions, growth, competition, and the selection and succession of leaders. And the brand continues even when people leave, retire, or are terminated.

7. Market and shape messages in employee communications. Rethink your approach to communication. Provide a glimpse into the emotional relationship that can be established with your employees. Avoid the temptation to spin. Set a new voice and tone for employee communication. Position your senior leaders as the message. Train

managers and supervisors how to reinforce “What’s in it for me?” in every message so they connect the employer and customer brands.

8. Nurture to keep the employer brand alive. As you nurture the employer brand, your people go through five stages: 1) Passive: “I understand the

brand and know what it takes to deliver the brand.” 2) Informed: “I understand how I can contribute and know how to use the tools available to deliver the brand.” 3) Engaged: “I take proactive steps to make a difference when I deliver the brand.” 4) Active: “I know my role in delivering the brand and make a difference every day with every customer.” 5) Advocate: “I’m passionate about the brand and the company—I am the brand.”

Measure the employer and employee brands on both a functional and emotional scale: Do customers and employees know the brand, choose the brand, experience the reliability of the brand, and trust the brand? And do they know the meaning behind the brand, engage in the brand, remain loyal to the brand, and advocate for the brand?

The employer brand is authentic only if it reflects the business and represents the identity, mission, and values. That can only happen if building the employer brand starts from the inside.

LE

Libby Sartain is the Chief People Person at Yahoo. This article is adapted from her presentation at HR.com. Visit www.geocities.com/mslib5.

ACTION: Develop an employer brand.

Effective Partnering

Collaborate for advantage.



by **Stephen M. Dent**

IF YOU WANT YOUR STOCK to increase 300 percent over the next two-years, study Google. Although Google, the search engine company, has great technology, its culture and partnering attributes generate the wealth.

To compete effectively, your culture must be focused. Spending time dealing with internal strife and competing agendas reduces your ability to outmaneuver the competition, support your customers, generate new ideas, or explore opportunities.

We identify six effective partnering behaviors.

1. Self-disclosure and feedback. Communication skills are the hallmark of partnering excellence. The ability to state needs, offer feedback, and candidly express opinions is critical, not just for building on employees' technical competencies, but also for enhancing trust. Freedom of communication, combined with diversity of opinion, is a hotbed of insight and innovation.

2. Win-win orientation. This orientation enables team members to resolve differences effectively (without creating losers), to step beyond an emotional reaction to conflict, and to move toward understanding issues, information, and others' needs. They can then negotiate outcomes that are supported by everyone involved. A collaboration-based, problem-solving approach to resolving differences builds trust and results in better resolutions. Communication is key to attaining a win-win outcome, and knowing your own conflict-resolution style positions people to move beyond fight-or-flight responses.

3. Ability to trust. Trust is essential to using the win-win style effectively. How, for instance, could I believe that you'll look out after my best interests if I don't trust you? Trust is paramount to building great partnerships. Building trust involves talking, reaching agreement, and holding others accountable.



The win-win orientation provides the negotiating skills to achieve agreement.

4. Future orientation. We must break through old assumptions and paradigms of how things previously worked to a mind-set that challenges us to see things differently, to approach solutions using new perspectives. Future orientation requires us to put aside the past and concentrate on our potential and new opportunities. Getting caught up in the past creates complacency. Leaders with a past-orientation mind-set tend to build a cadre of workers who end up using a past orientation. Based on the leader's example, workers would see past orientation, rather than future orientation as a key to their success. This creates a self-fulfilling prophecy of repeated errors, reinforced by a past-oriented culture. When we are entrenched in a past-orientation perspective, we create resistance to any change that we perceive as a threat to our personal safety.

5. Comfortable with change. As situations evolve, change becomes inevitable. These dynamics challenge us to examine

our strategies for managing change events. How we react to change events impacts our own well-being and the trust that others place in us. People or organizations that resist change may create situations where they become irrelevant to others over time.

6. Comfort with interdependence. Teams having leaders and members who communicate openly and freely resolve differences in rewarding ways, trust each other's opinions and judgments, look for opportunities, accept change, and create an environment that supports teamwork and interdependence.

When you use these six attributes consistently, you create a culture based on a trust that values the free flow of ideas and reduces conflict to allow creativity and innovation to surface in profitable ways. All six partnering attributes reinforce each other.

Cultures that value the ideas and contributions of their people and understand that people are more clever and creative than any machine—especially when placed in a supportive, partnering environment—can dramatically impact the health of the business, and thus, the bottom line. **LE**

Stephen M. Dent is founder of Partnership Continuum, a leadership coach, and author of books, automated online assessments, and other tools that build effective relationships. Call 612-375-0323 or visit www.partneringintelligence.com.

ACTION: Create a culture of trust.

Prepared to Lead

Develop people to succeed.



by **Joseph R. McKinney**

AFTER A FEW WEEKS of Army Intelligence training, our son

Paul wrote and said they were starting to look for leaders, but "it is hard to lead when you know so little."

Leadership is a matter of preparation. Not everyone possesses the capacity to be a leader. Developing leadership capacity is an arduous yet rewarding process. What does it take to be a leader? I explain my approach with an acronym: PREPARED.

- **Personality.** Personality counts. We hire, promote, and fire individuals based on their personalities. The literature on leadership extols such personality traits and skills as self-confidence, intelligence, humility, knowledge, creativity, responsibility, ambition, social skills, assertiveness, conscientiousness, and cooperation. These traits and skills can be learned and improved. The best leaders promote a positive work environment, motivate employees, possess integrity, and are technically competent.

- **Research.** Effective leaders are rich consumers of research in their discipline or field. Gaps in knowledge must be filled through research, since leaders can't effectively carry out the vision without knowing what matters to the employees and customers. The best leaders synthesize their research and make informed choices based on it.

- **Expertise.** The best leaders possess professional expertise in the knowledge, skills, and dispositions relevant to their work. Expertise in any domain is achieved through hard work, engagement, and self-motivation. It takes about a decade to gain the information and patterns of knowledge needed to be an expert—10 years of active study, reflection, and practice. Expertise is a springboard to respect from colleagues and associates. All the toil and long hours of work pay big dividends because people listen to experts. Expertise assists the leader in building capacity by empowering others as well.

- **Problem-solving.** Think of the great people who have shaped our world with creative problem-solving: Einstein,

Edison, Franklin, Gandhi, Mozart, Gates, Mead, Woolfe, and Curie. Each of them identified different problems, and found original ways to solve the problem. Problems are usually resolved by combining research (searching the problem space) with expertise. Experts become natural problem-solvers. Their expertise allows for keen insight into novel and difficult challenges. An expert may reformulate a problem and a possible solution many times. The best leaders promote collaboration among employees in solving problems. The outcome is employee ownership of a problem and solution.

- **Assertive.** Every organization has values, purpose, or vision, and leaders are responsible to fulfill it. Effective leaders are motivating as well as sympathetic, yet assertive people who gain trust by being trustworthy. The time-honored values of the U.S. Army are relevant to the workplace: "I will always place the mission first. I will never accept defeat. I will never quit. I will never leave a fallen comrade." Such values are inspiring.

- **Risk.** Leaders understand the nature and role of risk and uncertainty. Events can reach a point of crisis that has huge consequences. A leader must be prepared with strategies to adapt the organization and their behavior in periods of crisis and uncertainty. Calm under pressure is the true measure of a leader. Survival could well be at stake.

- **Environment.** Over a career, we take on various jobs in different settings and situations. The best leaders understand the different contexts in which they work and lead—the traditions, rituals, social structures, reward systems, and diversity of the workplace. Only then can they emerge to influence behavior, values, and change.

- **Driven to success.** Leaders are high achievers. In *Good to Great*, Jim Collins finds that the greatest leaders are "fanatically driven" and resolved to produce results. These "Level 5 leaders" have an "incurable need" to succeed. Leaders set high standards, are driven to achieve by intrinsic need, and strive to become masters in their field.

The drive to succeed is realized through preparation. A leader's success, as measured by commitment, performance, and outcomes, depends on preparation. LE

Joseph R. McKinney is chairperson and professor of the department of Educational Leadership at Teachers College, Ball State University. Email jmckinne@bsu.edu.

ACTION: Prepare yourself in the eight dimensions.

Creativizers

Find and use them.



by Jeff DeGraff

INNOVATION HAS become the clearest pathway for growth, and yet innovation poses a challenge for leaders. It is perceived as high-risk, expensive, and tough to attain. A new product or disruptive technology is often seen as the only way to be innovative. But in reality, innovation comes in a range of sizes and scope, and significant growth can come from small incremental innovations.

Who do you need to hire to make innovation happen? In many cases, the most innovative people (creativizers) with the most innovative ideas are already employed by you. They just need to be found and utilized.

For example, at Zingerman's in Ann Arbor, Michigan, hailed by *Inc.* magazine as the "Coolest Small Company," a front-line employee, a dishwasher, contributed to a major innovative change. Aware that food costs

were high, he noted the excessive waste in uneaten French fries. The solution was to cut the serving size in half and offer free refills. This cut costs and raised customers' perception of value.

Zingerman's innovation is an exercise in learning and sharing knowledge to support common goals. Companies such as General Electric have institutionalized a practice and a system of learning that yields innovation on a big scale.

GE's motto, Imagination at Work, describes their "Imagination Breakthrough" culture. Aggressive growth targets (annual double-digit growth) means growing the company by an amount equal to the size of an average Fortune 500 company every year. To do this, GE enlists its best and brightest people to work on 'Imagination Breakthrough' teams. Once a strategic-growth opportunity is identified, sponsors are engaged, teams formed, and projects jumpstarted in weeks and funded depending upon their potential for bottom-line impact. These projects allow GE to learn and

share insights. GE is using its creativizers to grow the business, and develop winning teams and innovation practices.

Four Quadrants

Many types of people create unique forms of value. The Competing Values Framework (CVF) shows how natural tensions create growth when recognized and used to advantage. Using the CVF, leaders can evaluate which C-level employees should be facilitating innovation—the C-level titles refer to people with strengths in four quadrants: *Collaborate, Create, Compete, and Control.*

- In the *Collaborate* quadrant, people are customer-service focused, team-focused, and concerned with the welfare of the company. An innovation here might be a training program that boosts employee morale, reduces turnover, and makes the company a better place to work. These creativizers might be your best customer service reps.

- In the *Create* quadrant, creative people think big and think long term. This

is where breakthrough innovation occurs because the people are focused on building the best and most creative of something, no matter how long it takes. These creativizers are inquisitive-by-nature tinkers. They might be your creative geniuses.

- In the *Compete* quadrant, people are tough, fast moving, and focused on the next quarter's Street estimates.

Creativizers are looking for new things now that make money immediately. An innovation might be a tax savings that someone in accounting uncovers.

- In the *Control* quadrant, people are detail-oriented, concerned with processes and the ways in which things work. They want things to be done right, every time. An innovation might be a better manufacturing technique that reduces product error and customer recalls, while saving millions of dollars annually.

Most companies show evidence of each of the four quadrants within their ranks, although one quadrant usually stands out. The challenge for you, as a leader, is to determine what you have to work with to achieve the growth desired. Innovation has many different forms and people who can make it happen. LE

Jeff DeGraff is a managing partner of Competing Values, a consulting firm, and author of *Leading Innovation* (McGraw-Hill). Visit www.competingvalues.com.

ACTION: Identify your creativizers.



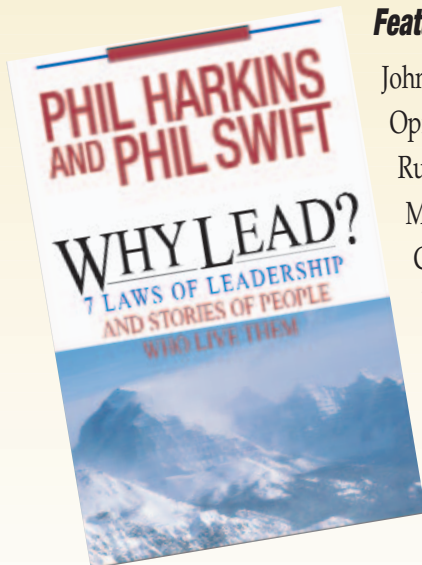
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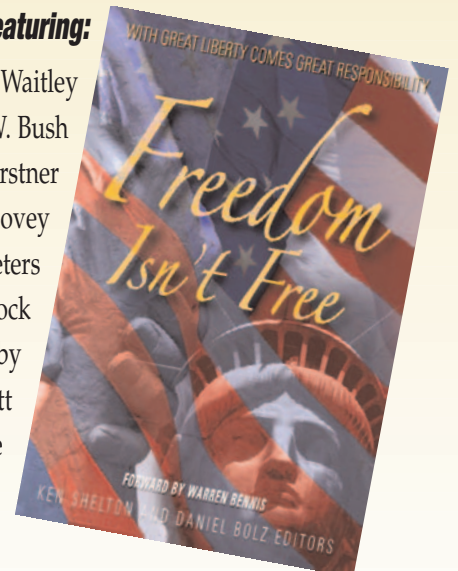


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