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The Leadership Quotient

by Brendan Coffey
May 2007



 **Is it vision, charisma, passion or bottom-line results that make a great business leader? Whatever you believe, the definition is changing.**

A rising star at the age of just 24, Kay Cannon seemed destined for rapid promotion up the ranks of her company. She had just directed the turnaround of her firm's largest contract, which had been left in peril by a predecessor. Her work in saving that contract in turn propelled her company to record profits.

Personal success was at hand, except for one problem: The members of her team despised her leadership and told her superior so in a letter, leaving her shocked and humiliated.

By most measures, Cannon had the training and business tools to be a leader, but she admits today that she lacked the intangibles to be truly successful at it. As Cannon learned, making the transition from someone who can execute an assignment well to one who can effectively lead is a business dilemma countless executives face.

For many in the hard-driving business world, riling employees like Cannon did is just part of the job. After all, the past generation of business demonstrates that it's the bottom line that counts. However, Cannon took the criticism to heart, and now, some three decades later, she coaches executives to be better leaders (see sidebar). In fact, executives and academics alike say that what's needed to be a great leader is changing, as the dynamics of running a global business force a rethinking of traditional leadership structures.

"The great leaders of the past tended to be command-and-control artists, and they could manage large numbers of people," says Jim Schroer, chief executive of Carlson Marketing Group, a \$1 billion (sales) arm of privately held Carlson Companies.

Schroer should know about leaders—he was the lieutenant of current IBM chairman Lou Gerstner after the

famed 1989 leveraged buyout of RJR Nabisco. Schroer also led global marketing efforts for Chrysler during its most recent turnaround under German ownership. Even with his experience in businesses where that traditional model worked exceptionally well, Schroer contends that what it takes to be a good leader is changing. "That command-and-control model is creaky at best, and is going away in a hurry."

Age of the imperial corporate leader ends

The current idea of what a business leader should be came into vogue in the late 1970s thanks in large part to Lee Iacocca, according to Anthony Mayo, director of the Leadership Initiative at Harvard University Business School. Iacocca is famous for his turnaround of automaker Chrysler, which, when he took over in 1978, was hemorrhaging money and on the verge of bankruptcy. Iacocca slashed thousands of jobs, shuttered the European division and, most famously, secured loan guarantees from the U.S. Congress that allowed the company to stay afloat. To the average American, he is best known as the star of commercials selling the compact cars and minivans that led to the Lazarus-like revival of the automaker in the early 1980s. Iacocca was "the first celebrity CEO," says Mayo. And that, he suggests, is the problem bedeviling corporate leadership today.

Iacocca (whose book 'Where Have All the Leaders Gone?' is due for release this spring) himself isn't the problem. It's the cult of the CEO leader that has grown up from his image, explains Mayo: "There became this phenomenon where a leader was someone who could come in and shake things up and turn things around." In the transitioning American economy of the 1980s, this spawned the general-type leader who used ruthlessness to get results on the bottom line, leading to a string of celebrity executives who were sometimes loved and sometimes loathed (often at the same time), like Gerstner, "Chainsaw" Al Dunlap and Michael Eisner. In 1997 alone, Eisner took compensation of \$570 million from Walt Disney, an amount equal to nearly one-third of the company's net income in a year when hundreds of employees were laid off.

Yet the age of the imperial corporate executive is ending, not just because of regulatory and shareholder backlash, but due to a more basic reality: It is becoming harder to lead, because it is getting harder to attract and keep the best employees. The U.S. labor department forecasts a shortage of 10 million skilled workers by 2010. Even India, that bastion of outsourcing, is projected to have its own shortage of skilled workers by the same date. "We are at the beginning stages of the most severe shortage of skilled labor in history. Plain and simple," says Roger Herman, chief executive of the Herman Group, a business workforce consulting group. If the first step to being a good leader is being able to get people to follow, that becomes increasingly difficult as it becomes easier for employees to find other jobs.

Today's qualities of a great leader

Anyone who has worked for anyone else knows the traits of a leader they despise. The most common include lying, taking credit for someone else's work and being unclear about expectations. People also have a great deal of ideas about what a good leader should possess.

Barry Z. Posner, dean of the Santa Clara University School of Business, has based his research over the past 25 years on studying those qualities. He has found four leadership characteristics are consistently cited by people across cultures, professions and economic conditions: a leader should be honest, competent, forward-looking and inspiring. "It's hard to imagine any of us being willing to follow someone if we thought there weren't honest or competent, or if they were negative about what we were doing and where we were going."

In fact, Posner says that people often mistake leadership as connected to being the highest-ranking in the room or the smartest person in a group. Effective leadership stems from two factors. One, says Posner, is passion, that willingness to do something about an issue or challenge and the will to make some sacrifice, be it extra hours in the office or something more. In tandem must come great self-awareness—knowing what you don't know, and the humility to realize you can't lead alone. "Where you get into trouble is acting as if you know things you don't," he adds.

Harvard's Anthony Mayo has looked for what makes a great leader by finding out who it is business leaders admire. His institute polled 7,000 American executives to find out which 20th-century business leaders they admire most, coauthoring the results in the book *In Their Time: The Greatest Business Leaders of the 20th*

Century (Harvard Business School Press, 2005). The most admired executive was Wal-Mart founder Sam Walton, who, through homespun charisma and prudent risk-taking, tapped a market opportunity — mass merchandising to rural customers — previously thought impossible. “We discovered that people who were successful over a long period of time were contextually intelligent,” explains Mayo. “They understood the context of their time, how to grow a business, find a new market opportunity and see some possibility others thought was dormant or dying.”

One error executives (and those who hire them) make is trying to find one leadership model to perfect and use in any situation. Mayo points to recently resigned Home Depot CEO Bob Nardelli as one example of this. Hired from the ranks of General Electric, Nardelli applied the more autocratic practices he learned at GE to a company where such a style didn't make sense, and may very well have harmed the business, Mayo contends. On the other hand, Apple's Steve Jobs could be viewed as a contextually intelligent CEO, first as an entrepreneur founding the computer-maker, evolving into a builder while making Pixar a film powerhouse, then shifting into a turnaround artist after returning to Apple in 1996. Yet success is never guaranteed. Jobs was the focus of an inquiry into the possible backdating of Apple stock options, though he has since been exonerated.

Nature or nurture?

Learning what makes a good leader is easier than becoming one. Some believe leaders are simply born, while others believe anyone can be a leader—but expert consensus is that the truth lies somewhere in between.

“Leadership is a skill, and some people have more natural talent and ability for the thing called leadership, just as they have more natural ability for athletics, mathematics or painting,” argues Santa Clara's Posner. To him, recognizing that leadership comes naturally debunks the idea that only some people are leaders, and also opens up the possibility that anyone can be a leader of some sort at any moment. “But,” he adds, “It doesn't make a difference what skill you have if you don't have the motivation to do something about it.”

Elliott Gerson, executive vice president of seminars and public programs at the leadership think tank Aspen Institute, agrees that leadership is mix of a innate instinct and a learned set of skills. Part of becoming a good leader is working on one's own leadership qualities, which he contends are “the same today as they were 1,000 years ago.”

Leaders need to make an effort to construct and know their own ethical framework in order to navigate the often murky waters of corporate life to make the best business decision, and also the best decision in the larger context of one's self and society. Gerson, who also heads the American arm of the Rhodes Scholars program, suggests four writings as a starting place for executives to begin to understand their own decision-making and goals: Aristotle's *Nicomachean Ethic*, Machiavelli's *The Prince*, John Adams' “Federalist No. 10” and Dr. Martin Luther King, Jr.'s “Letter from a Birmingham Jail.” In addition to generating questions about one's own values, these four pieces should bring executives to an understanding often overlooked in today's competitive world: People can reasonably have differing ethics and objectives than our own. It is how executives deal with that reality that defines them as good or poor leaders.

Yet while many of the same characteristics of ancient times are needed for great leaders today, the changing nature of business and the demands it places on midlevel executives is making it harder to develop good leaders, argues Kevan Hall, CEO of Global Integration, a UK-based consulting firm specializing in improving multinational corporations, and author of the recently published *Speed Lead: Faster, Simpler Ways to Manage People, Projects and Teams in Complex Companies* (Nicholas Brealey Publishing, 2007).

“A lot of people were trained in a one-nation or one-location company in which teamwork was a really good way of getting things done. Now, in multinational companies, you try to get things done by audio conferences and emails and flying to face-to-face meetings. It becomes a very inefficient way of getting things done,” Hall argues. To Hall, the emphasis on teamwork has led to midlevel executives traveling too much and working odd hours in “an epidemic of cooperation.” He contends that teamwork has taken the place of trust in everyone to do their job, while grappling with cultural miscues, time differences and differing expectations subtly undermines trust and leads to micromanagement.

Some companies recognize the trust dilemma in leaders. Intel, through its well-regarded Organization Development Team, runs training programs that include everything from team rock-climbing to exercises on

how to be sincere in a business environment in order to generate trusted and trusting leaders. While some may view these programs as a waste of time, they seem to work. A 2004 University of Nebraska study vetting and reexamining 26,000 leadership studies from the prior 100 years covering educational, military and industrial fields determined that leadership training does have an effect, although which methods are most effective is still to be examined.

Simple, constructive employee interaction

More often than in organized courses, trust and effective leadership is developed from within. Tom Schmitt, president and CEO of FedEx Global Supply Chain Services and senior VP of FedEx Solutions, sees effective leadership as a virtuous cycle. In a typical day, he figures he has 100 instances of interaction with others, ranging from 80 emails to six appointments, with phone calls in between. With each interaction, he says, you should try to add value to the interaction.

If, for instance, you are asked about something not in your field of expertise, suggest someone who may know, rather than simply saying it's not your area. The trick, he says, is "caring enough about the person who wrote you the email or the people who spend most of their days on a project to make the extra bit of effort." Schmitt, who recently detailed his philosophy in his book *Simple Solutions: Harness the Power of Passion and Simplicity to Get Results* (Wiley, 2006), credits this extra effort with much of his success in building the FedEx Solutions division from scratch.

One extra effort Schmitt makes is calling each of his 550 employees on their birthday. "It's hokey, but when I call them, it's not to sing them 'Happy Birthday,' but to ask what the biggest single thing is they are working on and what their headaches are. It gives me a collective pulse of what's going on, and makes them feel I care enough about what is going on," he explains. "It takes just five minutes to have that conversation."

Schmitt's philosophy has also been informed by that of his boss, FedEx founder Fred Smith, who preaches treating employees with respect and extra effort, and they will in turn treat customers with respect and extra effort.

Carlson's Schroer is an advocate of seeking out constructive interaction with employees, too. When he took over as CEO of Carlson Marketing in 2005, he dedicated much of his first 100 days to meeting with employees in "Coffee with Jim" sessions, where he largely asked questions and listened to employee concerns. It had the dual effect of teaching him the ins and outs of much of the business, along with creating a level of trust with employees. "I really don't believe that trust can be created any other way than face to face," Schroer says.

Failure to gain the trust of stakeholders in the company — shareholders, employees, suppliers, customers and board members — has torpedoed many otherwise capable executives, Schroer adds, citing Jacques Nassar, the deposed CEO of Ford Motor. Eminently capable (and greatly admired by Schroer), Nassar failed to gain the trust of the majority shareholding Ford family in his strategic vision, and he was forced out.

Leadership success, and the trust it involves, also means allowing others the space to lead, says British CEO Hall. He argues that current corporate thinking about leadership essentially defines the role of subordinates as unthinking automatons. "If a leader sets the tone, agenda and everything else, what is left for followers to do? Give [followers] space to figure things out for themselves, don't be afraid to be wrong occasionally and change your mind."



*A journalist with years of experience writing about those who lead and follow,
BRENDAN COFFEY has perfected getting out of the way.*

Hiring an executive coach

The reality is that very few people are born leaders with the right set of tools for their position. An increasing number of professionals are turning to a seemingly unlikely source to spruce up their leadership skills—coaches. “Working with a coach is not a sign of weakness, it’s about enhancing the success you already have,” says Kay Cannon, president of the International Coach Federation (ICF) and a 25-year executive coaching veteran.

Exactly how many people use coaches isn’t well known, but it’s clear enough executives are turning to them to make it a \$1-billion-a-year business. Estimates are rough, but five years ago, Harvard estimated there were 10,000 professional coaches. Today, the ICF has 11,000 members across 82 nations, and it is just one of dozens of coaching associations in existence.

Executives often turn to coaches for one of two reasons: either to draw out leadership skills in themselves, or to overcome stress, the primary obstacle to their success. Typically, coaching charges start at \$250 an hour, often going higher, and some require a retainer that includes scheduling meetings or phone sessions at the client’s desire. Most will ask for a commitment of six months, averaging two to three sessions a month to start.

Since coaching is an unregulated profession, it requires some due diligence to find an appropriate match. The best route often is to ask someone who has used a coach for a recommendation. Executives can also use referral services offered by numerous coaching associations. When mulling a specific person, it’s important to find out her credentials, such as if she is a member of a coaching association—and, if so, what that means. At the ICF, for instance, a Mastered Certified Coach must have 200 hours of coach-specific training and 2,500 hours of coaching experience.

Indications are that coaches are being increasingly embraced by corporations. A 2005 survey by Right Management found that 54 percent of 328 organizations polled provide coaching to employees, primarily to sharpen the leadership skills of high-potential individuals. Some companies retain platoons of coaches on staff, like IBM, which has some 60 certified coaches on staff, according to Harvard Management Update.

— B.C.