

YOUR LEADERSHIP CHALLENGE

After studying this chapter, you should be able to:

- Understand the full meaning of leadership and see the leadership potential in yourself and others.
- Recognize and facilitate the six fundamental transformations in today's organizations and leaders.
- Identify the primary reasons for leadership derailment and the new paradigm skills that can help you avoid it.
- Recognize the traditional functions of management and the fundamental differences between leadership and management.
- Appreciate the crucial importance of providing direction, alignment, relationships, personal qualities, and outcomes.
- Explain how leadership has evolved and how historical approaches apply to the practice of leadership today.

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As a young politician, Abraham Lincoln once provoked an opponent to tears by using his expert communication skills to mimic and ridicule his rival. Soon afterward, the man who would later become the 16th president of the United States felt disappointed and ashamed of his own behavior and sought out his opponent to offer an apology. Lincoln took this as a valuable lesson about channeling his emotions, practicing empathy, and using his abilities to promote good. From then on, Lincoln applied his superb leadership and communication skills to serve the higher interests of the American people rather than his own goals and ego.

Interest in Abraham Lincoln's leadership swelled with the release of Steven Spielberg's 2012 historical film *Lincoln*, which was a huge critical and commercial success, grossing more than \$250 million at the box office and garnering 12 Academy Award nominations. "Lincoln's presidency is a big, well-lit classroom for business leaders seeking to build successful, enduring organizations," said Howard Schultz, CEO of Starbucks. In this era of disconnected and morally bankrupt leaders, it is no wonder the skills, strengths, and character of Lincoln have struck a chord. His ability to control his emotions and stay committed to a vision even under intense hardship, his commitment to go into the field and establish connections with soldiers and the general public, and his willingness to listen to different points of view

and to share credit for successes and take blame for failures all tap into a deep longing within people for genuine leadership.¹

The public trust in leaders may be at an all-time low. Referring to the dire economic situation that followed the ethical and financial problems in the mortgage and finance industries, David Rothkopf wrote in the *Washington Post*, "This is not just a global economic crisis. It is a global leadership crisis."²

THE NEED FOR LEADERSHIP

Many of us think of leadership in a way similar to what U.S. Supreme Court Justice Potter Stewart said about obscenity in reviewing a 1964 pornography case: we may not be able to define it but "we know it when we see it."³ People can clearly see leadership in Abraham Lincoln, but many are having a hard time seeing it in current political, business, military, and even religious leaders. General David Petraeus, one of the most decorated military leaders of his generation, stepped down as director of the Central Intelligence Agency after the FBI inadvertently discovered he had an extramarital affair with his biographer and began investigating for potential leaks of classified information. The British Broadcasting Corporation (BBC) was tarnished by allegations that managers covered up years of sexual abuse by a well-known reporter.⁴ Senator Chuck Grassley recently probed the financial records of six well-known televangelists, including Creflo Dollar and Kenneth Copeland, after reports that tax-exempt donations were financing lavish lifestyles for the religious leaders, including mansions, Rolls Royce cars, and private jets.⁵ Nearly every month brings a new report of a business leader somewhere lying to, misleading, or cheating employees, customers, or the government. No wonder survey after survey shows that confidence in leaders is sinking and suspicion and distrust are rising.⁶

Yet there are good leaders working in every organization, large and small. In fact, quality leadership is all around us every day, in all facets of our lives—our families, schools, communities, social clubs, and volunteer organizations, as well as in the world of business, sports, religion, government, and the military. Without good leadership, our institutions and society would fall apart.

Before we can examine what makes an effective leader, we need to know what leadership means. Scholars and other writers have offered hundreds of definitions of the term *leadership*, prompting James McGregor Burns to conclude that leadership "is one of the most observed and least understood phenomena on earth."⁷ Defining leadership has been a complex and elusive problem largely because the nature of leadership itself is complex. Some have even suggested that leadership is nothing more than a romantic myth, perhaps based on the false hope that someone will come along and solve our problems by sheer force of will.⁸

There is some evidence that people do pin their hopes on leaders in ways that are not always realistic. Think about how some struggling companies recruit well-known, charismatic CEOs and invest tremendous hopes in them, only to find that their problems actually get worse.⁹ For example, Yahoo hired former Autodesk CEO Carol Bartz in 2009 with high hopes that the star leader could turn the struggling company around, only to ask her to leave a couple of years later as Yahoo's fortunes continued to slide. In mid-2012, Yahoo hired former Google executive Marissa Mayer as the fifth CEO in five years.

Particularly when times are tough, people often look to a grand, charismatic type of leader to alleviate fear and uncertainty. Think of how Barack Obama sailed

to the U.S. presidency in 2008 based largely on his charisma and the ability to make people feel hopeful in a time of uncertainty. In recent years, the romantic or heroic view of leadership has been challenged.¹⁰ Much progress has been made in understanding the essential nature of leadership as a real and powerful influence in organizations and societies.

Leadership Defined

Leadership studies are an evolving discipline, and the concept of leadership will continue to develop. For the purpose of this book, we will focus on a single definition that delineates the essential elements of the leadership process: **Leadership** is an influence relationship among leaders and followers who intend real changes and outcomes that reflect their shared purposes.¹¹

Exhibit 1.1 summarizes the key elements in this definition. Leadership involves influence; it occurs among people; those people intentionally desire significant changes; and the changes reflect purposes shared by leaders and followers. *Influence* means that the relationship among people is not passive; however, also inherent in this definition is the concept that influence is multidirectional and noncoercive. The basic cultural values in North America make it easiest to think of leadership as something a leader does to a follower.¹² However, leadership is reciprocal. In most organizations, superiors influence subordinates, but subordinates also influence superiors. The people involved in the relationship want substantive *changes*—leadership involves creating change, not maintaining the status quo. In addition, the changes sought are not dictated by leaders but reflect *purposes* that leaders and followers share. Moreover, change is toward an outcome that both the leader and the followers want, a desired future or shared purpose that motivates them toward this more preferable outcome. An important aspect of leadership is influencing others to come together around a common vision. Thus, leadership involves the influence of people to bring about change toward a desirable future.

Also, leadership is a *people* activity and is distinct from administrative paperwork or planning activities. Leadership occurs *among* people; it is not something



Leadership

an influence relationship among leaders and followers who intend real changes and outcomes that reflect their shared purposes

EXHIBIT 1.1 What Leadership Involves



done to people. Since leadership involves people, there must be *followers*. An individual performer who achieves excellence as a scientist, musician, athlete, or woodcarver may be a leader in her field of expertise but is not a leader as defined in this book unless followers are involved. Followers are an important part of the leadership process, and all leaders are sometimes followers as well. Good leaders know how to follow, and they set an example for others. The issue of *intention* or will means that people—leader and followers—are actively involved in the pursuit of change. Each person takes personal responsibility to achieve the desired future.

One stereotype is that leaders are somehow different, that they are above others; however, in reality, the qualities needed for effective leadership are the same as those needed to be an effective follower.¹³ Effective followers think for themselves and carry out assignments with energy and enthusiasm. They are committed to something outside their own self-interest, and they have the courage to stand up for what they believe. Good followers are not “yes people” who blindly follow a leader. Effective leaders and effective followers may sometimes be the same people, playing different roles at different times. At its best, leadership is shared among leaders and followers, with everyone fully engaged and accepting higher levels of responsibility.

Everyday Leadership

Using this definition of leadership makes clear that leadership can come from anyone. When we stop equating leadership with greatness and public visibility, it becomes easier to see our own opportunities for leadership and recognize the leadership of people we interact with every day. Leaders come in all shapes and sizes, and many true leaders are working behind the scenes. Leadership that has big outcomes often starts small.

- Clinical psychologist Barbara Van Dahlen was working primarily with children in the Washington, D.C., area when she became concerned about the effects of the wars in Iraq and Afghanistan on the mental health of U.S. soldiers, veterans, and their families. Van Dahlen founded Give an Hour in 2005 to provide free services that give help and hope to returning service members. The organization now has a national network of more than 6,100 mental health professionals who volunteer their time. Give an Hour also works with other organizations, such as Bare the Burden, a nonprofit organization that creates an online community for veterans to heal by connecting with others.¹⁴
- During his five years working as a car salesman, Robert Chambers was disgusted by how some dealers and finance institutions preyed on low-income customers. After he retired from a varied career, the 62-year-old electrical engineer decided to do something about it. He founded More Than Wheels, which helps low-income people buy new, base-model cars at low prices and on good loan terms. With branches in New Hampshire, Vermont, and Maine, More Than Wheels has negotiated price and extended warranty deals with a dozen or so auto dealers and worked with banks to provide low interest rates. More Than Wheels guarantees the loan and then works with clients to help them manage their finances, improve their credit score, and improve their future.¹⁵
- Wendy Kopp was a senior at Princeton University when she first came up with the idea of a sort of “Peace Corps for teachers,” a national organization that would recruit recent college graduates to commit to teach for two years at some of America’s toughest public schools. One of her Princeton professors admits he called her “deranged” when she proposed the idea to him. Yet Teach for



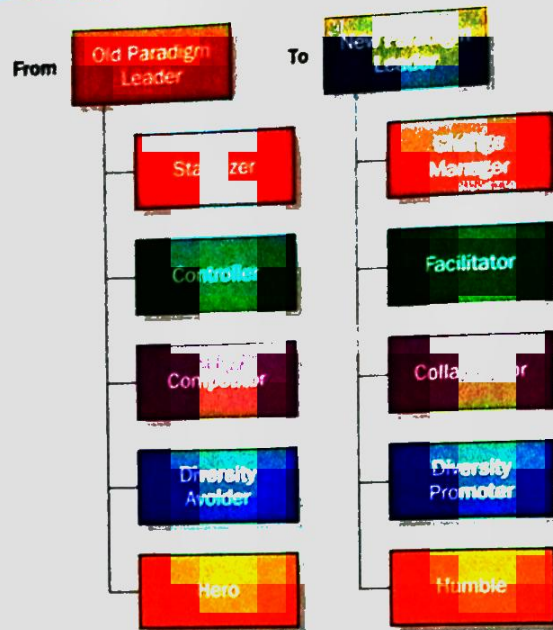
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EXHIBIT 1.2 The New Reality for Leaders



Tokyo Electric Power Company (Tepco) were criticized for failing to act quickly enough to cool the reactors at Fukushima. Trying to protect their investment, they hesitated to use seawater, which they knew could damage the reactors, leading to the second-largest nuclear disaster in history.²⁰

- The Arab Spring, a revolutionary wave of protests in the Arab world that began in late 2010, has created a tumultuous environment for businesses operating in the region as well as heightened uncertainty and instability for companies around the world.²¹ Instability remains elevated throughout the Arab world, causing problems for both local and foreign organizations.
- In the European Union (EU), Spain, Ireland, and particularly Greece have all had trouble paying their debts, leading to a possible breakup of the euro system (the single currency adopted by EU countries). Leaders of multinational firms doing business in EU countries had to brace for the worst and take steps to protect themselves, as well as consider what they would do in the event that a return to national currencies required a rethinking of everything from how to expand operations to how to pick suppliers or pay employees.²²
- Meanwhile, the United States has faced its own debt crisis, and the fallout from the meltdown in the mortgage and housing industries has continued. Although the economy has improved, it remains a largely “jobless recovery,” with people struggling to find work and pay their bills. Companies are struggling too, and upheld by the Supreme Court as constitutional in 2012), which requires that companies provide health insurance for employees or pay penalties, has increased the complexity.²³

Most leaders, whether in business, politics, the military, education, social services, the arts, or the world of sports, recognize that trying to maintain stability in a world of such unexpected and far-reaching change is a losing battle. “You have to be able to react very quickly,” said Ellen Kullman, CEO of DuPont, referring to the impact of events such as the Japanese tsunami and the EU financial crisis. “And the world is so connected that the feedback loops are more intense.”²⁴

Today’s best leaders accept the inevitability of change and crisis and tap into them as potential sources of energy and self-renewal. Adaptability is the watchword of the day. The Leader’s Bookshelf on page 11 argues that organizational success results from leaders who can remain calm, focused, and disciplined in the face of uncertainty and inevitable change.

From Controller to Facilitator

Leaders in powerful positions once believed strict control was needed for the organization to function efficiently and effectively. Rigid organizational hierarchies, structured jobs and work processes, and detailed, inviolate procedures let everyone know that those at the top had power and those at the bottom had none.

Today, the old assumptions about the distribution of power are no longer valid. An emphasis on control and rigidity serves to squelch motivation, innovation, and morale rather than produce desired results. Effective leaders share power rather than hoard it and find ways to increase an organization’s brainpower by getting everyone in the organization involved and committed. Rather than being a controller, the leader is a facilitator who helps people do and be their best by removing obstacles to performance, getting people what they need, providing learning opportunities, and offering support and feedback.

One reason for this is that the financial basis of today’s economy is becoming *information* rather than the tangible assets of land, buildings, and machines. This means human capital is becoming more important than financial capital, which increases the power of employees. “Ideas are now more important than materials,” as Israeli president Shimon Peres puts it.²⁵ When all the organization needed was workers to run machines eight hours a day, traditional command-and-control systems generally worked quite well, but success today depends on the intellectual capacity of all employees. One of the leader’s most challenging jobs is to enable people to embrace and use their power effectively.²⁶ When he took over as CEO of India’s HCL Technologies in 2005, Vineet Nayar (currently vice chairman and joint managing director) took a huge risk that proved to be a highly effective route to true employee empowerment.

IN THE LEAD

Vineet Nayar, HCL Technologies

HCL Technologies is a leading global IT services and software development company and India’s fourth largest IT services exporter. When Vineet Nayar became CEO in 2005, HCL was losing ground—and some of its best employees—to competitors. Nayar recalls that HCL “was in a tough spot and we had to do something fast or we were in danger of being out of the race altogether.”

What Nayar did was revolutionary: He organized the company on the principle of “employees first, customers second” (EFCS). He had to start by building trust. He decided to

share financial information with everyone in the company. Then, he took a bold step by creating an open online forum where employees could post questions and leaders would answer. This could expose weaknesses and problems that anyone—including outside customers and competitors—could see. Indeed it did. “It was clogged with complaints,” Nayar says. “It hurt.” But interesting things began to happen. People were overjoyed that leaders were willing to acknowledge the problems. Some employees took this a step further and felt empowered to offer solutions. The site ultimately was the beginning of a transfer of the power and responsibility for solving problems from top executives to employees themselves. In the new HCL, the job of leaders became to serve the employees.

Guided by the EFCS philosophy, HCL’s revenues have grown by over 3.6 times and net income has increased by 91 percent since 2005. During 2008–2009, at the height of the global recession, HCL became the fastest-growing IT services company in the world. Employees helped make that happen, too. When the company needed to cut expenses by \$100 million due to the recession, managers let employees come up with ideas for cutting costs without issuing massive layoffs.²⁷

From Competitor to Collaborator

Social media has “put connectivity on steroids,” blurring and sometimes obliterating boundaries within and between organizations.²⁸ In a hyperconnected, networked age, collaboration becomes more important than competition. Successful leaders harness and make the most of ideas, talent, and resources from across boundaries of all kinds. Although some companies still encourage internal competition and aggressiveness, most successful leaders stress teamwork, compromise, and cooperation. Self-directed teams and other forms of horizontal collaboration spread knowledge and information throughout the organization.

Effective leaders also work collaboratively with suppliers, customers, governments, universities, and other organizations. There is a growing trend within companies to think of themselves as teams that create value jointly rather than as autonomous entities in competition with all others.

Collaboration presents greater leadership challenges than did the old concept of competition. Leaders first have to develop their own collaborative mindset and then create an environment of teamwork and community that fosters collaboration and mutual support. They learn to keep the lines of communication open and use influence rather than wielding their authority to quell harmful politicking, get buy-in on important matters, and move things forward.²⁹

From Diversity Avider to Diversity Promoter

Many of today’s organizations were built on assumptions of uniformity, separation, and specialization. People who think alike, act alike, and have similar job skills are grouped into a department, such as accounting or manufacturing, separate from other departments. Homogenous groups find it easy to get along, communicate, and understand one another. The uniform thinking that arises, however, can be a disaster in a world becoming more multinational and diverse.

Bringing diversity into the organization is the way to attract the best human talent and develop an organizational mindset broad enough to thrive in a multinational world. Carlos Ghosn, CEO of Nissan, says one reason his company has been able to cope with change and crises better than some of its competitors is its highly

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Go to Leader’s Self-Insight 1.1 to learn about your own “intelligence” for dealing with collaboration and with the other new realities facing leaders.