

# LEADERSHIP Excellence

*Warren Bennis* 

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

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## Line Management

*Zebras, like most line managers, are highly social. Some form family groups that remain together for a lifetime, even drinking together at sunset on the waterline. The challenge now is to reinvent management to gain a competitive advantage.*

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# Personal Side of Leadership

The top 100 minds on personal development.



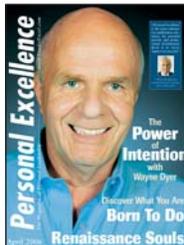
by Ken Shelton

Since 1995, we have published *Personal Excellence*, the magazine of life leadership; however, this is the first year, we have ranked the 100 top minds on the personal side of leadership, using eight criteria (see below) and a seven-dimension model: physical, mental, social/emotional, professional, financial, spiritual, service.

## Criteria for Ranking

What does it take today to be considered a top thought leader in the field of personal leadership development? As with *Leadership Excellence* (see our ranking of the top 100 thought leaders in team and organizational leadership development in the November issue of LE), the standards and expectations keep rising. The coaches and consultants, authors and speakers, mentors and gurus who make our *Personal Excellence 100* list today score well on the following eight criteria:

1. **Preparation:** Academic, professional, and life preparation.



Wayne Dyer



Laura Schlessinger

2. **Character:** values, ethics, beliefs, purpose, mission, integrity, walk the talk.

3. **Principles:** big message, point of view, tenets, main points.

4. **Personality:** charisma, style, originality, authenticity, one of a kind.

5. **Performance:** inspiring action, real-world performance, work ethic.

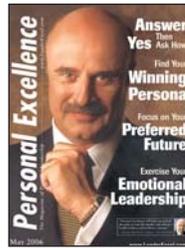
6. **Experience:** beyond local and regional, more national and international.

7. **Expression** substance and style in writing, speaking, coaching, consulting, mentoring, training, or teaching.

8. **Influence:** difference, results, change, transformation.



Oprah Winfrey



Dr. Phil

## The Excellence 100

For the past 13 years, we have published the best minds in the field of personal and professional development around a *Seven Dimension Model of Personal Excellence*. And soon, we will introduce our searchable archive of some 3,200 PE articles in the new *Personal Coach* CD and on-line access.

Here's our 2007 listing of the Top 100 thought leaders:

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# Reinventing Management

*Old models of managing people lag behind the times.*



by Gary Hamel and Lowell Bryan

**Y**OU'RE CHALLENGED TO CHANGE IN ways for which you have no precedent because your current decision-making practices, designs, and employee and customer relations can't guarantee your survival. Since old models of managing people and companies lag behind the need for collaboration and wealth creation, you must bring the same energy to innovative management that you bring to innovative products and services.

Only new approaches to managing people and organizing talent to maximize wealth creation will provide competitive advantage. As you discard management orthodoxy, you'll need to balance revolutionary thinking with practical experimentation to achieve innovative management.

As we help leaders innovate, we feel as if we're trying to teach dogs to walk on their hind legs. Sure, if we get the right people in the room, create the right incentives, and eliminate the distractions, we can spur innovation. But the moment we turn our backs, the dog is on all fours again.

Organizations lack innovation because management was designed to do things with replicability, at ever-increasing scale and efficiency. Now there's a new set of challenges: How do you build nimble organizations? How do you mobilize and monetize the imagination of all employees daily? How do you create engaging places to work? To meet these challenges, you need to reinvent management.

The Internet makes it possible to amplify and aggregate human capabilities in new ways, but most CEOs don't know how these developments change the way they must organize, lead, allocate resources, plan, hire, and motivate—the work of managing.

The old model was, "How do you get people to serve the organization's goals?" Today we have to ask, "How do you build organizations that merit

the gifts of creativity and passion and initiative?" You can't command those capabilities. Imagination and commitment are things that people choose to bring to work every day—or not.

The technology of management is changing radically for three reasons. First, powerful new tools for coordinating human effort are profoundly changing the work of management. Second, we face increasing demand for companies to be adaptable, innovative, and exciting places to work. Third, we face a revolution in expectations, as young employees—the first generation that has grown up on the Web—assume that your contribution should be judged simply on the merits of what you do, not on the basis of your title, credentials, or providence. They've drawn this lesson from their experience with the "thoughtocracy" of cyberspace.

The old management models are ineffective at organizing the thinking-intensive work of self-directed people who need to make subjective judgments based upon their special knowledge to create wealth. For such work, we need a model that uses hierarchical decision-making only for activities that need that authority, such as allocating resources, appointing people to jobs, or holding people accountable—yet enables self-directed professionals to collaborate to create value and profits.

Your biggest challenge will be attracting and retaining top talent, and then making profits off those people. Leading companies combine talent, technology, and organizational design to generate much higher profits per employee. So the trick becomes, "How do I hire talent that I can profit from?"

The secret is creating a culture in which you can steadily raise the returns on human capital. The combination of technology and talent is a powerful catalyst for value creation, but you must abandon the notion that strategy should be set at the top. In managing creative-thinking people, you have to separate the work of managing from the notion of managers as a distinct and privileged class. Highly talented people won't put up with an

overtly hierarchical management.

Increasingly, the work of management won't be done by managers—it will be pushed out to the periphery and embedded in systems. Thinking-intensive people are increasingly self-directed—or directed as much by their peers as they are by supervisors. The challenge is to enable such people to make thousands of individual decisions about how to live and work within the infrastructure you create. You've got to make it easy and natural for people to work alone and with others.

Many executives believe that while a few people may be clever and creative, most folks aren't (creative apartheid). Great companies, like Toyota, mobilize the intelligence of "ordinary" workers. Going forward, no company can afford to waste one iota of imagination and intellectual power.

You need to bring talent or knowledge marketplaces inside, build formal networks, introduce dynamic management principles, enable peer-based decision-making, and widely distribute the tools of creativity in order that ideas compete on equal footing, strategies are built

from the bottom up, and power is a function of competence and contribution.

To become management innovators, leaders must think explicitly about the orthodoxies—the habits, dogmas, and conceits—that bind their thinking. For example, many people believe that it takes a crisis to trigger change, and yet it's important to ask, "Is this a law of physics, or is crisis-driven change the consequence of what we designed into our management system years ago?" We argue it's the latter. In most companies, the authority to set strategy and direction is concentrated at the top. Hence, a few people at the top hold the capacity to change hostage to their own ability to adapt and to change. To change that reality, you have to change the distribution of power.

To get people to work differently, you may need to change the basic metric for performance. Should it be return on capital or profit per employee? Once you decide, you can launch initiatives aimed at achieving your goals. You need to stage-gate the initiatives to manage the risks of innovating. Risk stops innovation. CEOs can be terrified of disruption because it puts at risk the ability to meet quarterly earnings. You need a bridge so that people can be innovative and still keep their jobs.



If you take the principles of private equity, venture capital, and R&D and bring them inside the company to stage-gate your investments in innovation, you can learn what works and then scale it, without taking excessive risk. You can't see in advance the ultimate answer, because it lies in discovering the operating detail to make new ideas work. You can see the broad directions, but not how they work—or predict the consequences of the design decisions you make. You need to discover those through trial and error.

When it comes to reinventing management, you must set aggressive objectives. You can't tear up all the track at once and expose a company to an intolerable level of operational risk. Yet you must be as purposeful and creative in thinking about management systems and processes as you are in thinking about R&D or new products.

It's possible to experiment with management by setting clear boundaries around what risks you're willing to take and then challenging people to test new ideas within the boundaries.

To allocate resources wisely to create innovation and scale it to create wealth, you need "the voice of the user" front and center—the voice of those whose work is influenced by the core management processes. These people know which processes choke innovation, impede adaptability, and frustrate them. Yet, few leaders make innovation everyone's responsibility.

Leaders need to ask employees four questions: 1) How have you been trained as an innovator? 2) If you have a new idea, what must you go through to get experimental capital, say 20 percent of your time and \$5,000, to test it? 3) Are you measured on your innovation performance or your team's innovation, and does it influence your compensation? 4) Do the management processes help you work as an innovator or get in the way? You'll likely discover a big gap between the rhetoric and reality of innovation.

Principles of standardization, specialization, and hierarchy are inadequate to meet the challenges ahead. The ability to create wealth is being liberated from the inputs of labor and capital. Ideas are being monetized in new ways, and the world is richer in financial wealth and in more stimulating work and more valuable products. **LE**

Gary Hamel is coauthor with Bill Breen of *The Future of Management* (HBS Press), and Lowell L. Bryan is coauthor with Claudia I. Joyce of *Mobilizing Minds* (McGraw Hill). Visit [www.mckinsey.com](http://www.mckinsey.com).

**ACTION:** Engage in management innovation.

## Beyond Price

*Make it simpler and easier.*



by Clayton Christensen

APPLE HAS HAD A remarkable five-year run. Earlier this year, it shipped its 100 millionth iPod. Macintosh sales are surging. iTunes owns the online music market. Apple's foray into the mobile phone market has created hype. But now Amazon.com is opening its low-cost, on-line virtual music store, offering music with less restrictive copyright protection and lower prices than Apple's iTunes store. Should Apple shareholders worry?

Not much. *Lower prices don't translate to market success.* Amazon's offering will struggle unless it takes a more innovative approach to selling music. The songs sold on "AmazonMP3" have no Digital Rights Management (DRM), meaning consumers can do what they want with them: burn them onto CDs, use them on multiple computers, and put them on any device capable of playing audio files in the MP3 format. Most songs sold in Apple's store can be played only on Apple's music players or some computers. AmazonMP3 sells songs for \$0.89, 10 percent less than the \$0.99 price tag at Apple's iTunes store. On the flip side, Amazon offers limited selection, lacking part of Universal Music Group's catalog and the song catalog from Warner Music Group and Sony BMG.

A low-cost strategy is more likely to succeed when it: 1) targets customers who are overshot by the performance of existing products; 2) offers tradeoffs that appeal to those customers; and 3) enables the provider to prosper at these new, low prices. Amazon's approach doesn't meet these characteristics. There are no signals that suggest iTunes overshoots its customers. People seem happy to pay reasonable prices to obtain a great music selection that integrates seamlessly with their computer and music player.

Also, Amazon's offering is not so compelling. Its strategy is to have consumers pay a marginally lower price per song, but this price comes at the cost of less choice, worse integration, and an inferior interface.

At first glance, it seems Amazon at least has a differentiated business model that enables it to make good money at low price points. After all, key to Amazon's success over the past decade has been its low-cost business model, powered by Amazon's mastery of its supply chain. That model works brilliantly for *physical* products, but it doesn't naturally port to *virtual* products that don't require physical distribution and fulfillment. For these products, charging lower prices is simply a way to make less money.

Amazon could have chosen an all-you-can-eat subscription model or an offering of free music from no-name bands. It also could have tried to create novel revenue-sharing agreements with providers of MP3 players (rumors say that Amazon.com will produce its own e-reader for the digital book space). But Amazon's music model isn't unique.

Amazon.com's strategy of undercutting Apple isn't a recipe for disruptive success. It's simply charging less money for an inferior service. Amazon could stick at this long enough to suck all the profits out of music sales, which could hurt Apple's long-term profit potential as its devices commoditize. Our bet is that Amazon will find its results disappointing and re-trench.

*Price is important, but it isn't the only thing that matters.* If all else is equal, price is critical. But making things simpler and easier can earn price premiums.

Remember when Apple started selling songs via iTunes? Some pundits said it would flop because of all the free content available on the Web. That content was free, but the quality was variable. Many consumers were willing to pay modest prices for more convenient, reliable access to quality music.

*Don't assume the lowest price wins.* Look at performance dimensions such as functionality, reliability, and convenience. Assess whether customers will tolerate different trade-offs, whether a would-be disruptor provides "good enough" performance along critical performance dimensions, and whether the disruptor has a business model that makes lower prices attractive. If these conditions aren't met, a low-priced offering will still struggle. **LE**

Clayton Christensen is a Harvard Business School professor, author of *Strategy & Innovation* and founder of Innosight, a consulting and training company that creates new growth through innovation. Email [innovation@strategyandinnovation.com](mailto:innovation@strategyandinnovation.com).

**ACTION:** Reconsider your pricing strategy.



# Key Leader Characteristics

*Taken from the best companies to work for.*



by Hal Adler

LEADERS OFTEN ASK ME what they can do to create a *Great Place to Work*. Our model is recognized as the standard. We recognize companies for their achievements through our *Best Companies* lists; help leaders create and sustain great workplace cultures; and share resources and best practices.

Most leaders want to create a great place to work, and they then ask what they can do; however, this is the wrong question. Great workplaces and not-so-great workplaces have many of the same things in place. Town hall meetings, breakfast with the CEO, onsite day-care centers, subsidized food service, flexible schedules, work-life integration programs, and competitive benefits are all positive things. What sets the best companies apart, however, is *how* such practices are delivered, to what degree they build relationships, and to what degree they foster trust—the cornerstone of great workplace cultures.

## Four Characteristics

Leaders in the best workplaces execute policies and practices in a way that positively reinforces their unique culture. Great leaders at great workplaces share four characteristics:

**1. They have open channels of communication that lead to collaboration and inclusion.** These leaders are open with information, interested in learning what employees think, and incorporate their ideas into doing business. These leaders not only inform people about issues affecting them but involve them in decisions.

*Lincoln Industries*, a metal finishing company, has a monthly lunch roundtable. Senior leaders invite 25 people to join them in a meal and ask them questions. One young man asked the president about an upcoming acquisition. Informed and empowered, he left with a new understanding of the business strategy.

Since strong communication is two-way, listening to employees is as important as delivering timely messages. At *Nordstrom*, leaders take the

same approach to employees as they do to customer service. Befitting its non-bureaucratic culture (new employees are not given handbooks but instead told to do whatever it takes to please the customer), leaders address issues raised by employees and implement changes, just as they would customer complaints. By taking action on these ideas, they build trust.

**2. They move beyond the status quo.** We're often asked by leaders how their practices compare to the 100 Best. These companies offer a great benchmark, and we find that leaders within them take bold action in support of their people, raising the benchmark.

*Genentech* celebrates successes with grand parties. One celebration honoring the company's 30-year anniversary featured a who's who of popular (but



carefully selected) music acts that appealed to different demographics, sending the message that employees of all age groups are important and contribute to the company's success.

*Whole Foods* shares the salaries of all its employees in its *Salary Disclosure Report*. At *Whole Foods*, it is so important that people know they are paid fairly relative to their peers and management that they share the numbers. When done for the right reasons in the right way, this practice builds trust in leaders and in the system itself.

**3. They are very selective about what to measure and why.** Great leaders know what makes their unique culture tick and measure accordingly. A clear and accurate understanding of their culture allows them to choose and reward measures selectively.

At *Lincoln Industries*, employees are measured and rewarded for wellness. The top award consists of membership in the Platinum Club and a

chance to climb a 14,000 foot mountain in Colorado with company leaders. Having a healthy company is such an important goal for the leadership that it is measured, and people are held accountable to results. People there set annual health goals, agreed to in partnership with the company nurse and fitness director. If a person falls short of their health goals, it impacts their compensation, just as missing their sales goals might. People are held accountable to goals, but the company is there to help in every way possible.

At *Pfizer*, the ability to lead teams and build trust was such an important metric for CEO Henry McKinnell that he posted his performance review on the company intranet—including negatives, such as the need to coach his executives more, to work more closely with them on problem-solving, and to critique more constructively. He then posted a personal development plan designed to improve his weaknesses, graphically demonstrating the openness he wants from all his people.

**4. They are passionate about values and culture.** Values are tied to success measures, and the leaders are very familiar with the values. Their vigor for values and culture is contagious.

At *American Fidelity Assurance*, Bill Cameron, third-generation CEO of this privately held insurance firm, sees his primary responsibility as "keeper of the culture." Values such as *Always Fair, Flexible, and Future Oriented* are not merely spoken—they leap out at you in a tangible way. According to Bill, he is doing his job well if he can hire people who are smarter than he in their areas of expertise. This allows him to focus on assuring that AFA's culture—its most important competitive advantage—is thriving.

Servant leadership turns the hierarchical approach upside down. As a servant leader, you serve and work for those who report to you to assure their success. *TD Industries*, a mainstay in the 100 Best, embrace this approach. Every *partner* (employee) works in a cubicle, not an office, including CEO Jack Lowe, Jr. Partners are encouraged to go to anyone in the company to obtain any information they need.

In great organizations, leadership behaviors reinforce the values and cultural mores. Leaders build trust by modeling the four key characteristics. LE

*Hal Adler is President of Great Place to Work Institute, conducting research on the characteristics of great workplaces. Visit [www.greatplacetowork.com](http://www.greatplacetowork.com).*

**ACTION:** Cultivate these four characteristics.

# Lessons for Leaders

*From the highest mountains.*



by Eileen McDargh

WHEN I JOINED AN expedition through two remote provinces of the Indian Himalayas, I was constantly overtaken by ah-hah moments that held lessons for leaders.

Here are six principles:

**1. Watch for patterns—different trees grow at different elevations.** The apple trees of the Kullu Valley could not survive at Rohtang Pass. Nature allows for adaptation, to a point. As leaders, we must know where we belong, what adaptations we can make, and how to help people find the best match for their growth and abilities.

As the journey became more difficult, our wise guide Ankit Sood voiced his concern in a way that enabled us to gracefully examine our skill levels. Four of our party self-selected to not continue. That showed wisdom and courage, as they might have hurt themselves and the rest of the group. Ankit paved the way for that decision yet was prepared to take them to a lower elevation had they insisted on continuing.

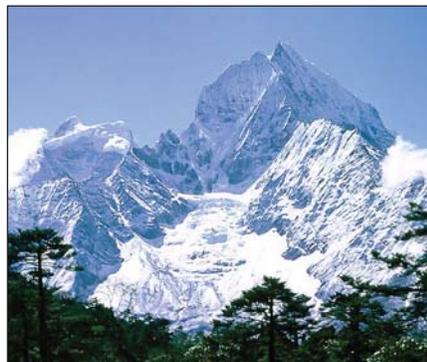
A leader gives followers a chance to evaluate their own performance but is also prepared to transfer or terminate an employee who is not doing the job at hand, damaging the morale and performance of a team.

**2. Expect the unexpected and deal with it.** Change is one thing. The unexpected adversity or opportunity is something else. Great leaders live in the present moment and make decisions based upon what is before them. As we climbed higher into Spiti, the remote Himalayan cold semi-desert region, Ankit learned that the Dali Lama would be teaching at a monastery in the village of Nako. To venture there meant changing plans on a dime, completing bureaucratic paperwork, and going through time-consuming check-points. However the chance to see a world leader in a special setting was an opportunity not to be missed.

In business, had 3M ignored an engineer's idea that a less-than-sticky glue could be useful, the world would

never have known Post-It-Notes. Had Larry Page and Sergey Brin ignored the unexpected response to their simple search engine methodology, the word *Google* would not have become a common word in our vocabulary.

**3. The more critical the effort, the more teamwork is required.** The rivers of the western Himalayas cascade from melting glaciers. At night, when the glaciers freeze, water level is reduced. The timing of a crossing is critical, as water rises along with the sun. Rocks and debris swirl into tumultuous rapids. Crossing alone can be suicidal. We created a human chain, grasping each other by wrists (not hands) and alternated smaller team members with larger ones. We succeeded, cold and battered, but safe.



How often do we encounter the leaders who insist on "going it alone" in a critical situation? To ask for help is perceived as a weakness. Yet, the strength of collective brains and brawn can produce a better result. There is strength in numbers and in knowing how to optimize the strengths of team members.

**4. Action is the antidote for anxiety.** We made it in time to cross the dangerous river that had claimed six lives. But other members of our expedition crew were not so lucky. Their pace had been slowed by rounding up pack horses. In horror, we watched these men try three times to cross, spinning against rapids and almost drowning. They had to stay on the rocks and wait until morning.

I could see the anxiety in the eyes of our leader. While we hiked ahead to make camp, he devised a plan. With another team member, he filled a water-proof barrel with food, warmer clothes, and a small tent. He hurled a

rope to the stranded crew, and together they created a pulley system for retrieving the barrel. While everyone was still concerned, taking action provided some comfort.

Hand-wringing accomplishes nothing. Action gives a level of control over what might seem uncontrollable. A leader helps people take that action.

**5. Everyone deserves to be welcomed home.** When the stranded crew appeared at day break, we cheered, sang and welcomed them "home". Their faces glowed with a sense that we weren't just customers to serve, managers to follow, but individuals who cared for their well-being. They redoubled their efforts to work for us.

We all want to be welcomed and cheered. Whether in the remote regions of India or in company meeting rooms, people deserve to feel that someone has seen their effort, hard work, and long hours. The degree of engagement and retention would increase exponentially if leaders welcomed people "home".

**6. Gratitude transcends latitudes.** Regardless of nationality or geography, people respond to expressions of gratitude. And the more personal the expression, the deeper the connection.

While it is customary to pool money and give a bonus to the crew, our expedition wanted to extend a more intimate thank-you. After all, these men had put our well-being ahead of their own. They paid attention to our personal needs, even found a way to bake a cake at 15,000 feet when they discovered that two of us had birthdays.

Our solution was to gift them with personal items we knew they could use, including my new boots, thermal jacket, ski hat, and my husband's favorite parka. Our party left gloves, socks, medicines, thermals, and bags of trail mix and jerky. And we gave money to have everything cleaned and restored.

When gratitude comes from the heart, is personal, unexpected, and out-of-the-ordinary, amazing linkages are created. The gifts showed that we had observed their life and their needs. Spontaneous appreciation that recognizes the uniqueness of an individual beats standard reward programs.

My expedition partners and I will continue our relationships. In effect, we have created a new company through collaboration, cooperation, and consideration. That's a final lesson. **LE**

*Eileen McDargh is ranked among LE's top 100 thought leaders. She is the author of, Gifts from the Mountain and Talk Ain't Cheap—It's Priceless. Visit [www.eileenmcdargh.com](http://www.eileenmcdargh.com).*

**ACTION:** Learn lessons from your expeditions.

# Judgment Calls

*It's make-or-break time.*



by Noel Tichy and Warren Bennis

**T**HE JUDGMENT CALLS MADE BY LEADERS and managers about people, strategy, and crisis situations are called into question every day. Yet there are few ground rules for leaders to help them exercise better judgment. We're trying to de-mystify the process and explore how and why having good judgment is the essence of leadership.

*The single most important activity leaders do is making good judgment calls in three domains:* 1) people (who is on or off your team); 2) strategy; and 3) crisis situations. It's important to have *Teachable Points of View* (TPOVs) when making judgment calls. Great leaders are also teachers, using TPOVs, and developing others to be leaders and teachers. They prepare for crises before knowing what will occur. They build aligned and trusted teams and have clear TPOVs and story lines. When a crisis arrives, leaders respond immediately, engage the appropriate people with the needed knowledge, and mobilize their teams for execution.

*Selecting a CEO is the most critical people judgment call.* We see some bad judgment calls in CEO succession, usually because there are no good candidates or no leadership bench strength, and this dearth may be the result of family nepotism, lack of a disciplined succession planning, board neglect, ignorance of the changing world, poor talent management, loose requirements, and ego issues.

General Electric is a great case study in judgment because GE is the world's most complex multi-business company and the top producer of leaders running other companies (Boeing, Honeywell, Intuit, Polaris, Chrysler, Pfizer, Home Depot and Amgen). GE also invests in developing leaders through its leadership center, has highly effective succession planning, and rewards the exercise of effective leadership.

*Wise leadership judgment can transform any organization.* New York City Mayor Michael Bloomberg and School

Chancellor Joel Klein transformed and revitalized the city's school system using good judgment. Bloomberg took his well-honed leadership judgment capability and applied it to the NYC school system. His first call was to frame and name the issue, which was a leadership problem that needed to be fixed. His TPOV included an assumption that performance depends on a good leader. He made a bold judgment call by recruiting Joel Klein, a non-educator, to be school chancellor. Klein in turn brought in Bob Knowling to head the Principals' Academy. Leadership judgment in public schools is about shaping the capacity for good judgment in children. The stakes are high. Today, a higher percentage of NYC high school students are graduating. Bloomberg, Klein, and Knowling are leaders who exercise exemplary judgment. Others include A.G. Lafley, who turned around P&G in a crisis and Jim McNerney who transformed both 3M and Boeing.

*Some leaders make better judgment calls than others.*

It's not how many calls they get right, or even the percentage of calls they get right, but how many of the important ones they get right. Good leaders not only make better calls, but they discern the important ones and get more of them right. They're better at seeing the need for a call, framing the issue, learning what's critical, and mobilizing and energizing the troops.

*Moreover, the best leaders have character, meaning they have a moral compass* for what they will and won't do—they know right from wrong, having worked those issues out long before facing tough judgment calls. Character also means putting the greater good of the organization, or of society, ahead of self-interest.

*The best judgments calls are well-informed, wise decisions that produce desired outcomes.* When leaders show consistently good judgment, little else matters. When they show poor judgment, nothing else matters. Of course, no leader makes the right call every time, but effective leaders make a high percentage of successful judgment calls, when it counts the most. And for leaders, the import and impact of those calls are magnified exponentially, because they influence the lives and livelihoods of others and often determine their career success and an organization's success or failure.

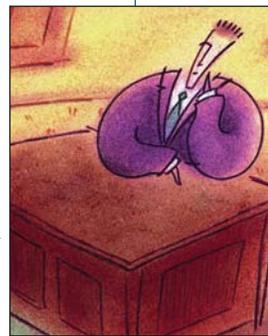
People judgments involve getting

the right people on your team and developing up-and-comers who show good judgment. It may be possible to repair the damage to a company or career that results from misjudgments about strategy or crises, but it's tough to recover from poor people judgment.

## Three-Phase Process

Leaders who regularly show good judgment aren't just having a series of terrific (or lucky) "aha" moments. Rather, they use a three phase process:

**1. Preparing for calls.** During preparation, leaders sense and frame the issues that demand judgment calls, and align their team members so that everyone sees why the call is important. Preparation incorporates three steps: 1) sense and identify the issue, which entails reading early signals; 2)



frame and name it, setting clear parameters and providing a context; and 3) mobilize and align key stakeholders, inviting their input and harnessing their energy. Wise leaders habitually sense, frame, and align so that they are prepared for the call, which can arise at any moment without

warning. This is vital in crisis situations; the likelihood of making a good call is vastly increased if the call is made in the context of a story line.

*Wise executives use story lines* to guide their calls and inform their actions. A story line describes a company's identity and direction and contains three elements: 1) an idea about how to make the organization successful; 2) an articulation and reinforcement of the values; and 3) a strategy for generating the energy needed to achieve goals. When the need for a judgment arises, leaders can match the possible consequences of a decision against the story line to get a clear picture of what to do. A story line helps you frame your choices and make key judgments. It also allows you to look for events that may be influenced by—or change—your story so that you can proactively make judgment calls.

*The redo loop comes when you discover that you can't mobilize and align the organization*—perhaps because you have not framed the issue correctly or compellingly. Rather than digging in their heels, good leaders set the context before pushing on to the call. They reconsider the parameters of the decision, re-label the problem, and redefine the goal in a way people accept.

**2. Making calls.** The call, the moment of the decision, is often as quick as the flip of a switch. Leaders usually consult with others, and then make the decision. At one instant, leaders haven't chosen a course of action, and by the next, they are in the execution phase. But this is exactly why good preparation and execution are vital. It's before and after the call that leaders can take a breath and garner support. There's a redo loop between the end of the preparation phase and the start of the call phase, when you may get another chance to mobilize and align if you've failed to do so. Most leaders struggle to take advantage of this opportunity. Once you make a tough call, it can feel irrelevant to go back and invite input. But that redo loop can make all the difference.

**3. Executing calls.** This means making the call happen. Once a call is made, a leader needs to mobilize resources, people, information, and technology to support it. At Yum Brands, which operates Taco Bell, KFC, and Pizza Hut, CEO David Novak made a judgment call to appeal to consumers' desire for choice by combining restaurants in single locations—two stores within a store. The goal was to increase volume. Consumers loved the idea of choice, but employees balked, because they prided themselves on the power of their individual brands. So, the strategic judgment initially failed, and Novak and his team had to pull back and adjust. His passion may have interfered with execution. He neglected the learn-and-adjust part of the phase. He now takes time to learn about people's interests and concerns, adjust his strategy, align the members of his leadership team, and accelerate the deployment of the multi-branding strategy. To make the call happen, leaders must learn and adjust along the way.

You can change course during execution if you are open to feedback and take advantage of "redo loops."

The best leaders get most of the important calls right. Enthusiasm, good intentions, hard work and smarts may help, but what people remember is the outcome. A good outcome is the product of a well-considered process, reflecting collective wisdom and a commitment to results. LE

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**ACTION:** Get the important calls right.

## Leadership Legacies

*How will you be remembered?*



by Jim Trinka

**P**EOPLE REMEMBER THEIR leaders: how they made them feel, positive changes they shepherded, or capabilities they developed. All leaders leave imprints—and some imprints are healthier than others. Effective leaders leave healthy, positive legacies.

We approach legacy through the prism of leadership, and leadership through the prism of learning. We focus on meaningful outcomes, accelerate strengths (rather than labor on weaknesses), and consider strategies for creating a leadership climate.

**Effective leaders never stop learning.** They continue learning, adapting, and seeking impact as they meet new people, opportunities, and dilemmas. While core values may remain steadfast and their leadership competencies may mature, great leaders seek opportunities to enhance their leadership impact and imprint—their legacy.

How do great leaders leave a positive legacy? The key resides in the learning process. Does your organization require transformation and flexibility now, or should you focus on developing others or embedding a new era of collaboration in the culture? Great leaders learn the solutions to these leadership dilemmas day-to-day.

### Four Key Actions

We see four crucial actions of leadership worthy of legacy reflection:

**1. Modeling transparency.** It's hard to keep secrets in organizations teeming with e-mail, Internet, unions, customer groups, and the press—and it's a bad idea anyway. People want to know what's happening at their work and why. It takes time to inform and provide rationale. However, trust, commitment, and better decision-making occur when leaders are open. Why is it so hard to model an open style of leadership? Most leaders don't trust their associates with full disclosure. Also, few leaders can share openly and manage the tense dialogue that goes

with communicating clearly while respecting the views of all.

**2. Developing leaders at all levels.** Leadership today is less about "you" as a leader and more about the "climate of leadership" you create. Such a climate is distinguished by a belief that everyone has leadership in them and a commitment to develop leaders at all levels. During his GE years, Jack Welch modeled this commitment by teaching at GE's Executive Development Center every two weeks for 16 years. David Novak, head of Yum! Brands, leads 10 weeks of leadership workshops worldwide to grow the business. Try spending 20 percent of your time on employee development activities. Look for teachable moments every day.

**3. Thinking differently.** When you became a manager, you likely asked, What's not working? What are our challenges and weaknesses? Even if you used a SWOT analysis of strengths, weaknesses, opportunities, and threats, you likely zeroed in on the problems and weaknesses. Today, leaders benefit from looking more at what works and finding ways to do more or leverage that success. This is about appreciating what's working well and helping people learn from those successes. Organizations that focus on problems will find more problems; organizations that discover what they are best at will find more that is good. Use the *appreciative inquiry* process to engage people around what works, cultivate a climate of acknowledgement of contributions, and build greater energy.

**4. Continuing to learn.** Leaders are learners. They seek new perspectives, investigating what makes others successful and reflecting on how they are leading. This goes beyond curiosity for hobby topics or literature of interest. This is about challenging themselves and others to continue reflecting, learning, and growing. An organization-wide commitment to learning is a worthy legacy. Is there an open climate of learning, dialogue about successes and failures, and non-finger-pointing autopsies of less-than-optimal outcomes?

As you practice these four actions, you proactively choose your path and recognize your passion, capabilities, and intended impact. LE

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**ACTION:** Engage in these four actions.



# Innovation Myths

*Seek to be customer-inspired.*



by Jim McNerney

**I**NVENTION IS NOT THE same as innovation. I see some myths about innovation—misperceptions that can trap even the brightest minds.

We love to invent things—and then innovate to make them better. That will never change. Invention and innovation are the engines behind growth.

**To invent means to find or discover.** Invention involves major discovery—those “eureka” moments or big, conceptual breakthroughs. In the 100-year history of aviation, there have been only a few major inventions—including the miracle of powered flight, the invention of the jet engine, the pressurized cabin, and supersonic flight. But there have been millions of important, noteworthy innovations.

**To innovate means to renew.** Innovation is vital to business success. It’s about taking what’s there and making it better—as quickly as possible. It takes advantage of anything that will delight or better satisfy a customer.

A few amazing individuals—like Steve Jobs, Bill Gates, and Thomas Edison—have excelled as both inventors, innovators, and as leaders—people with a gift for bringing out the best in others in service to the greater good.

Over the years, in my various jobs, I’ve thought about how people can best contribute creativity. That’s led me to the five great myths of innovation:

**Myth 1: The iconoclastic, crusading researcher, working out of a “skunk works” or bootlegging operation, is responsible for most innovation.** Fact 1: Innovation is a team sport, not a solo sport. It depends on a culture of technical sharing and openness to others. It takes people working together across different groups, disciplines, and organizational lines to make it happen. It also takes real leadership in charting the course and inspiring people to reach for the highest performance with a focus on integrity.

**Myth 2: It’s all about technology**—the techies are the only innovators. Fact 2: Innovation can and should occur in all areas. And it ought to be an everyday reality as well as a fun

part of everyone’s job. It’s not solely about technology; it’s about creating value for the customer in different ways. If you define innovation as finding a way to do a task better, so that the customer benefits, it becomes clear that innovation is part of everyone’s job.

**Myth 3: It has to change everything.** Fact 3: Always sweat the small stuff. Incremental doesn’t mean insignificant. Never-ending incremental improvements are needed to sustain current business and open new opportunities.

**Myth 4: Innovation is a matter of serendipity, accident, or luck**—the happy thought that comes to you when you least expect it. Fact 4: The “eureka” moment, while exciting, is rare. As Thomas Edison said, “Genius is 1 percent inspiration, 99 percent perspiration.” Even in the lab, innovation



should not be left to happenstance. The effectiveness and productivity of R&D efforts should be measured and managed to eliminate duplication of effort; to maximize returns; and to ensure the company pursues the right products, with the right partners, and does all other things it must do to maintain a customer-oriented perspective.

**Myth 5: Discipline and creativity can’t coexist;** hence, managers have to accept that the creative process is inherently mysterious and unmanageable. Fact 5: In business, you can’t have creativity without discipline because not all ideas are created equal. You need the rigor and discipline both to say *no* on some projects and to put the pedal to the metal on others. Not saying *no* is as frustrating to people doing the work as it is to people not getting the results. They want to be deployed onto something successful. As a project moves through marketing and manufacturing and into the field,

there is a need for discipline. At every stage, you must ask whether the project is on target to deliver a compelling value proposition to your customer and to your customer’s customers.

Sometimes a successful project can itself become a destructive myth. That happened at 3M with *Post-it Notes*. The legend around *Post-It Notes* incorporates most of the five myths. Happily, the leaders running 3M today have switched the emphasis from the individual to the team, made the team an all-inclusive concept, and moved to a disciplined focus on customer-inspired innovation. R&D was realigned, and the distance shortened between research and marketplace. A heightened focus on the customer does not inhibit the flow of ideas or creativity. Just the opposite: Through a more disciplined, customer-based approach, 3M raised the bar and growth rate.

**Much of the innovation at Boeing is customer-inspired.** Gone is the day when we put technology into a product just because we can. Gone is the day of the independent inventor. Gone is the day when most technical ideas and input come from inside the company. Today we manage inputs globally across boundaries and disciplines. The challenge is to manage information better and get more information to more people in a more usable form.

That requires exceptional teamwork—extending from supplier-partners to dealings with customers. That’s what you see with the Boeing 787 *Dreamliner*.

The 787 could not have happened if we didn’t start with the marketplace—including our customers and the people who finance the airplanes. Our sales and finance people did a great job of communicating their understanding of what their customers wanted to our engineers and leaders.

We could have built a bigger or faster airplane. Instead, we decided to use advances in technology to build an airplane that gives the airlines more of the things that they want so that they can give everyone who travels by air more of the things that we want—low fares, direct flights to our destinations, and relief from the fatigue of being crammed into a small space for hours.

As we work to convert our huge backlog—\$250 billion—into delivered product and growth, we’ll need the best inventors and innovators. **LE**

*Jim McNerney is CEO of Boeing. This article is adapted from his speech at the College of Engineering University of Michigan. Visit [www.boeing.com](http://www.boeing.com).*

**ACTION: Master the discipline of innovation.**

# The Buzz Factor

*Why some companies have soul.*



by John Izzo

SOME ORGANIZATIONS have a buzz about them. Their employees have a deep pride and passion for the organization and a strong motivation to help the enterprise succeed. They often provide superior service, are magnets for talent, have low turnover rates, and are consistently profitable.

Almost 15 years ago, we coined the idea of corporate soul—the idea that some workplaces have a palpable energy that translates into business success. We have all experienced such workplaces, whether at well-known brands such as Southwest Airlines and the Ritz Carlton or lesser-known buzz places scattered across many sectors. What creates a buzz workplace?

## Four Paths to Buzz or Soul

Here are four paths to soul or buzz:

**1. The Path of Self.** At buzz workplaces, the spirit is contagious, and leaders carry the virus. People respond to the passion of leaders. All great teachers and leaders have passion or enthusiasm. Buzz begins with leaders who are passionate about the enterprise. One buzz workplace is Umpqua Bank, one of the most respected banks in America. When Ray Davis became the CEO, they had only a few branches, but he had a simple vision to “become the world’s greatest bank.” Ray’s personal enthusiasm ignited the passion of others, and his vision created buzz. In a buzz workplace and culture, each individual is seen as critical to the success. Rather than a culture where the CEO is hero and takes all the credit, the culture emphasizes each person’s role. At Synovus Bank (a Fortune 100 best company), they teach a simple principle: 100 percent responsibility. Each person is responsible for the success of the Bank, and front-line people say, “I don’t want to mess up on my watch.”

**2. The Path of Craft.** At buzz workplaces, excellence is fostered. People love working in places with high expectations and where they know what is expected of them. This begins

with a vision of greatness. At Umpqua Bank, it was the “world’s greatest bank”; at the Ritz Carlton, it was the world’s “greatest service.” The bigger the dream, the more people are likely to get “buzzed.” Take Centegra Health, a hospital in rural Illinois. When Mike Eesley became the CEO, they created a vision to “be one of the most respected community hospitals in America with the service quality of the Ritz Carlton and the clinical quality of the Mayo Clinic.” Mike and his team focused on creating excellence and a culture where mediocrity was not tolerated. In three years, the staff became deeply passionate about Centegra, and they became one of the most respected hospitals in America. Part of “buzz” is recognizing that people want to be part of a “win-



ning team” where greatness is expected. The more we expect of people, the more they rise to the occasion. This is true for leaders and companies. When I ask people to identify the “best leader” they ever had, 95 percent of the time, they identify a “tough but fair” leader who challenged them to greater heights.

**3. The Path of Community.** People want to be on a winning team but people also need have a deep sense of belonging. Over time, I have discovered there are a few ways to create a sense of community that leads to Buzz. First, create a culture where people feel like owners. People feel like owners when they have the power to make decisions, when their ideas are sought and respected, and where they are treated like adults. At TD Industries in Dallas (a frequent top 10 company to work) they have a turnover rate that is

10 times lower than the industry average. One key is that leaders consistently seek the opinions of employees, beginning on day one when each person is told that as a new person “we want to hear your ideas.” At places like the Ritz Carlton, Nordstrom and Southwest, employees are given wide latitude to make decisions. At Westjet, the Southwest Airlines of Canada, employees are treated like owners and have great latitude to make decisions. If someone goes too far to help a customer, they get coached instead of scolded. When people have the power to be involved, they get buzzed; and when they lose that power, the buzz dies. Community is also about people feeling appreciated and known. There is a reason why studies show a strong connection between leader’s knowing what is happening in people’s lives and having “best” friends at work and high engagement. Buzz comes when leaders take the time to get to know people as individuals and when people become a kind of family to each other. The old advice about “not getting too close” to your employees is nonsense. A great predictor of buzz is whether people feel cared about, appreciated and feel like they have a say.

**4. The Path of Contribution.** Buzz workplaces are places where people see a higher purpose to their work. Leaders work hard to help people see the “higher purpose” of their work. At Westjet, leaders emphasize that low fares mean people can visit friends and family who they could not visit if not for Westjet. At the Ritz, they emphasize the guest who can have a memorable experience because of how associates act. At Medtronic, there is an annual event where staff meet and hear from patients whose lives their medical devices have saved. The more an organization helps people make a genuine connection between their job and something noble, the more people will engage at a deep level. This means celebrating the difference we make not just the dollars we earned.

## Profitable Buzz

Buzz workplaces like the Ritz, Southwest, Westjet, and Umpqua are often the most profitable businesses in their niche. Corporate soul is critical in determining long-term success. You can create Buzz by pursuing these four paths. **LE**

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**ACTION:** Create a Buzz workplace.

# Only People Change

Apply a systems approach.



by Lance Dublin

ORGANIZATIONS DO not change. People change: employees, managers, colleagues, partners, suppliers, customers—one at a time and then many. Change is hard, and necessary. Without change, people become stagnant and organizations die.

*Applying the discipline of change management boosts your odds of success.* Change management combines processes, activities, and approaches that enable you to manage people through the transition from the old to new way of doing things. Change management is about communication and exchange, dialogue and questions, leadership and support. Its focus is on attitudes and behaviors with the objective of winning the battle for the hearts and minds of people. Effective change management alone is insufficient to ensure success.

*Another important discipline is consumer marketing.* Its goal is to attract and retain customers, and, at its best, it is an ongoing process that builds mutually satisfying long-term relationships. Building a brand that represents the change and creating strong relationships in support of it are important for any successful consumer marketing program. Again, although necessary, effective change management and consumer marketing are insufficient to ensure success.

*The success of any change requires all people impacted to be informed and aware, involved and engaged.* It also requires the integration of the change. When done right, all stakeholders of the organization become fully committed to its ongoing success.

*Change implementation is an inclusive process- and system-based approach.* It draws upon both change management and consumer marketing concepts and practices. It applies principles of both cognitive and behavioral psychology. It not only ensures individuals think and act differently, but also develops and rein-

forces the new attitudes and behaviors necessary to sustain the change.

The *I<sup>3</sup> Change Implementation* model consists of three phases that form a continuous cycle:

**Phase 1. Inform to generate awareness.** Through information and messaging activities or marketing communications, people receive simple and clear answers to the what, why, how, who, and when questions. And, you begin to answer the “what’s in it for me” question as well. The goal is to ensure the messages you want to be heard are heard in ways they are recognized, recalled and remembered. Activities might include: newsletters, presentations, emails, web casts, voice-mails, documents, and speeches.

**Phase 2. Involve to generate involvement.** Just giving people answers to these questions is not enough. You must also change their attitudes and behaviors. Behavior change seldom happens based solely on someone passively receiving information or tokens. The key to this change is engaging everyone and paying attention to the key influencers. You want to

provide a first-hand experience of the change to give them a chance to experience it for themselves, to try it on, to ask questions, and form their own opinions. The goal is to have them internalize and personalize the benefits of the change; to have it become theirs. Activities might include: videos, department meetings, lunchroom fairs, hallway expos, and traveling road-shows.

**Phase 3. Integrate to generate commitment.** The long-term success of the change depends on it becoming part of the culture, fully integrated into the work-life of employees, supervisors, managers and executives. Identify the ongoing processes and systems, and any critical initiatives the change both impacts and supports, to ensure the change becomes accepted as the norm, critical to the success of individuals and the ongoing health and survival of the organization. Activities might include: integration with the performance management process, linkage to a new key business initiative, and integration with business processes.

Leading change takes hard work and a systems-based approach to change implementation to ensure success. **LE**

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**ACTION:** Use this three-phase change model.

# Collaborative Relations

Prepare for your turn at the top.



by Allan Cox

TODAY CEOs UNDERstand the need for collaboration—supplying the energy source for building trust and candor between their top team and the Board. To govern with distinction, Boards need exposure to the thinking of the top team. To produce the right outcomes, the top team needs engagement with a Board composed of wise heads and big hearts. It’s up to the CEO to convert concept to action and serve as alchemist to produce this bonding.

Outside Boards, no matter how accomplished, diverse and committed to their duties of *care* and *loyalty*, consist of part-timers. They come together four-to-six times a year, usually for one day’s onsite work, including Board committee responsibilities. Fortunately, many do their homework and come to meetings well prepared to engage in discussion and make decisions.

Many have also served as CEOs. They accept invitations to join Boards for various reasons: to reap honor and prestige, to gain insights that may benefit them, to protect and represent the interests of large investors in the company, to support the CEO as friend and advisor, to enjoy intellectual stimulation and confront the challenge of the business proposition, and to receive compensation in the form of fees for service and stock opportunities. Gone are the days of hiring based on titles, awards, and the old boy’s network. Board members take their responsibilities seriously and give ample, candid, trust-based feedback.

Gone also are the days when CEOs ruled by absolute control. Control blocks candor, good will and trust; breeds adversarial relationships; and adversaries breed conflict. Collaboration resolves conflict, builds respectful bonds, and breeds peak performance.

In the new era of higher standards for candor and accountability, you can’t neglect performance evaluation. Imagine how hard it is for board members to evaluate the performance of the board and each of its members. But Boards are improving in this area.

Here are my *eight rules of engagement* that can help open doors and lead to fruitful board relations:

1. **Engage in activities that can help you become a better collaborator** on your current job, which is always your main priority. This can be any activity that requires team effort, perhaps a building project or team sport.

2. **Volunteer to serve on task forces** or suggest creating one that might open a window of opportunity or shed light on a nettlesome issue, such as effective diversity hiring or alternatives for affordable housing. This interdisciplinary, cross-functional nature of a task force parallels board work.

3. **Think of your boss and her peers as your board**, your peers and/or the people who report to you as your team. Voila! You've created another situation that parallels board work, where you supply the energy source for two key groups, just like a CEO.

4. **Find some local government committee that needs new blood on its advisory board.** Perhaps your boss or head of external affairs could make some introductions. You might also consult [www.boardsource.org](http://www.boardsource.org).

5. **Follow press and news accounts of organizations whose boards show you how to do it and how not to do it** (Motorola and Qualcomm on the positive side; HP and NYSE on the negative—although HP CEO Mark Hurd deserves high praise for the way he rose above the fray). If you're a minority or a woman, follow the stories and careers of people who serve as role models.

6. **Observe your bosses' interactions with the board.** Listen for their comments about their exposure or presentations to the board. You can learn by asking, discreetly and diplomatically, "what's it really like in there? I'd love to be a fly on the wall."

7. **Volunteer your assistance to some executive by putting a report or presentation together for the board.** Even if you play a modest role in a routine project, you'll gain valuable exposure and learn a lot about the process.

8. **Know the names of your company's directors and follow their careers.** Most board members have held big jobs earlier and may well serve as directors of other companies too.

Today, opportunities abound for those wanting Board involvement. **LE**

Allan Cox, CEO of Allan Cox & Assoc., advisor to CEOs and author of seven books, including *Your Inner CEO: Unleash the Executive Within* (Career Press). Visit [www.yourinnerceo.com](http://www.yourinnerceo.com).

**Action:** Prepare for your turn at the top.

## Inside CEOs

What makes them tick?



by Stephen H. Baum

**I**S YOUR BOSS A "MASK?" Does he use intimidation, bluster, and pre-tension to drive the enterprise? Does she shy away from prudent risk, or go to the other extreme of ready, fire, aim?

Do you eagerly go the extra mile for the boss? Has the boss left a trail of damaged careers? Or is the boss a real leader, motivated by good purpose, has the appetite to lead and the confidence to embrace risk, decisive when needed and knows what to do and say to engage and inspire people?

What is inside the CEO? And what shaped, grew, and tempered what is inside? Several CEOs have told me their stories. Their journeys began with deep-seated motivations, such as to escape poverty or control their destiny.

Although some were late bloomers, many recalled testing their appetite to lead by taking charge in school. There were setbacks, recovery, learning, and trial again. They moved along a natural progression toward a preference to be in charge.

From their stories, *five components of a strong leadership core* emerge: 1)

*Character*—acting with integrity and good purpose for the enterprise and all stakeholders; 2) *Appetite to lead*—wanting to take charge for the right reasons; 3) *Confidence to embrace risks*—managing their emotional intelligence, taking self-doubt out of the assessment of risk, being resilient in setbacks; 4) *Capacity to be decisive*—high-speed critical thinking aided by a good memory for analogies and key facts and trustworthy sources; and 5) *Ability to engage and inspire followers*—deeds and words that engender belief in the vision, the leader, and opportunities for individuals.

A strong leadership core is built the same way as a strong physical core: *effort and experience over time develop strength, flexibility, balance, and resilience.* You have little idea at the outset what you can do. What you experience is in your muscle memory and mind.

Men and women who exhibit a strong core have experienced exceptional

personal growth. They have been buffeted and shaped by challenges. They are doing amazing things, carrying awesome responsibilities. I find that **10 archetypal experiences** shape a core of strong leadership: 1) *Swimming in water over your head* (high stakes personal risk with no preparation); 2) *Making the tough choice* (especially a moral choice or sacrifice of something valued); 3) *Selling something* (especially yourself or an intangible); 4) *Building a team* (finding, selecting, assembling, motivating, leading); 5) *Developing your crap detector* (who is telling the truth, who has hidden agenda); 6) *Parenting at work* (caring for your team members as if they were family, including tough love as needed); 7) *Developing character* that is first imprinted in childhood but gets real when tested and strengthened (or bent) by challenges; 8) *Learning from shaping experiences* in daily activities; 9) *Recovering and getting back up from a setback or failure* and dealing competitively with tough adversaries; and 10) *Being lifelong learners*—always looking for an edge, a way to perform better, asking two questions each morning: what must get done today, and who else can I get to do it?

**So, how can you be the go-to person?** Seize or create shaping experiences. Revisit your motivations for taking charge. Are they still relevant and powerful? Inventory your shaping experiences. What is your story? What has made you emotionally and mentally eager and ready for greater challenges? What shaping

experiences are you missing? Don't dismiss opportunities because they don't look good on your resume. Ask how they would change you, what you would master, whom you would meet. Seek shaping experiences and leadership opportunities. Assemble your own board of directors who hold you accountable for growth and open doors.

If you seek to grow bench strength, apply the principles in sourcing and recruiting to on-boarding, training, and career paths of high potentials. Ask: What shaping experiences and abilities do they bring? How has training and mentoring grown them? What positions offer opportunities for their growth?

People stay longer where they are growing. Leaders are grown by what they've tried, even if they fail. **LE**

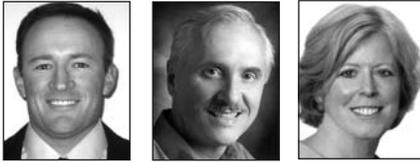
Stephen H. Baum is an advisor and coach to CEOs. Visit [www.stephenbaumleadership.com](http://www.stephenbaumleadership.com).

**ACTION:** Strengthen your leadership core.



# Ready for Take-Off

*Leading growth strategies.*



by Steven Barry, Louise Axon and Tom Atkinson

PICTURE YOURSELF IN THE COCKPIT OF a Boeing 747, preparing for takeoff, surrounded by levers, dials, dashboards, and flashing lights. You have an experienced co-pilot and crew, and a virtual team in the tower providing you guidance and flight orders. Before you is the runway, and a finite distance and time in which you need to get the plane off the ground. Many people depend on you. You ask, “Am I ready for this?”

Many leaders feel this way when asked to grow their business. Many feel they have inadequate preparation to lead growth, according to a study by The Forum Corp, looking at leadership imperatives that drive growth.

Growth is driven by certain practices and principles—whether you are leading growth organically, through strategic alliances, or through acquisitions. Each strategy calls for different approaches or levers. If you sit in the pilot’s seat, you need to know your unique strategy and capabilities to decide which levers to pull.

## *When the Growing Gets Tough ...*

The top two priorities of sustained and steady top- and bottom-line growth remain difficult to attain. Few companies outperform their peers in both revenue and profit. The failure to achieve such growth rarely lies in the creation or viability of the growth strategy. Rather, growth strategies fail when employees do not or cannot execute the plan. That begs two questions: Do certain leadership behaviors drive the execution of a growth strategy? Do these behaviors differ by strategy?

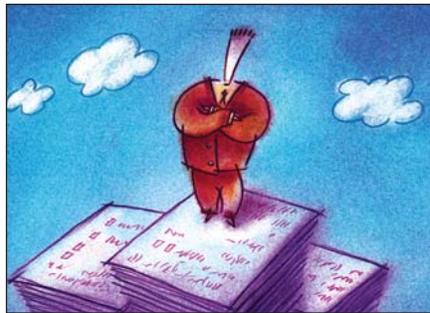
To learn more, we examined the leadership practices that business leaders often use to execute a growth strategy. We learned that many executives aiming to drive growth underestimate the leadership challenges involved, or they are unprepared to meet them. The consequences of this leadership

gap are enormous: missed opportunities, declining shareholder value, eroding customer relationships, and disillusioned people. For those who bridge the gap, the rewards are vast.

## *... the Tough Get Growing*

A critical few behaviors or practices drive growth. Several behaviors are unique in individual strategies; others are common to all strategies.

Common practices include: 1) establishing a climate of ownership and 2) understanding customers and their unmet needs. These practices differentiate top performers. So, growth leaders can add value by fostering a climate based on key drivers of employee ownership (rewards and recognition, connection, work/life balance, community, and opportunity) and by keeping focused on customers’ met and unmet needs.



Leaders add even more value when they understand the imperatives that drive growth in particular strategies.

**Organic growth** involves initiatives that focus on bringing innovation in the form of products and services, identifying opportunities for existing offerings in new markets, or generating additional revenue from current customers and existing offerings. It demands a superior focus on the customer. Organic-growth leaders are challenged to “cultivate a satisfied and loyal customer base” and “respond to customer pressure for improved products and services” that address unmet customer needs.

**Strategic alliances.** In this area, we considered growth through partnerships, joint ventures, and equity and non-equity alliances. Creating a strategic alliance can be a fast, effective way to innovate and enter new markets. However, to capture the competitive advantage that makes alliances attractive, leaders must move quickly, creating alignment and building relationships.

The leaders must align individuals and groups who see the world differently. High-performing leaders emphasize painting a broad vision over pursuing a detailed strategy; they champion both intra- and inter-organizational collaboration. And they let go of the “control mind-set,” engaging more in acts of influencing or relationship-building. Top performers focus more energy on the building blocks of relationships: building trust, modeling integrity, and building networks based on trust.

**Mergers and acquisitions.** Executives who lead M&As cite “retaining and engaging top talent from merged or acquired companies” as their top challenge. Top-performers practice certain behaviors associated with retaining and engaging talent (“recognizing and bridging differences in styles, values, processes, and cultures,” “taking time to listen to and coach others,” and “communicating a compelling vision”). Top performers are also more likely to adapt their strategy to the environment. One SVP of HR observed that successful acquisition leaders are “externally focused, adaptable, relationship-builders, and decision-makers.”

## *When Research Meets Reality*

Companies need to develop flexible leaders, adept at multiple growth strategies, to enhance their ability to grow. These leaders need to know their preferences, predilections, weaknesses, and strengths with regard to leading in different growth contexts. They may need to think and behave in different ways.

It’s difficult for leaders to shift between strategies. The behaviors and preferences leaders develop for one strategy may produce blind spots when implementing a different strategy. One strategy’s leadership imperatives may even conflict with those of another.

Take a moment to reflect:

- Are you prepared? Do your personal abilities match those required for leading your company’s growth strategy?
- Do the skill sets of your leaders match those required for leading your growth strategy? Do they conflict?
- Have your targeted hi-pos to serve as leaders? Are they equipped to lead growth by implementing your current strategy and other future strategies?

Leading growth is risky business. Flying so fast and high, can you afford not to prepare for leading growth? **LE**

*Steven Barry is a consultant in Thought Leadership; Louise Axon is VP of Thought Leadership; and Tom Atkinson is director of research with The Forum Corp. Visit [www.forum.com](http://www.forum.com).*

**ACTION:** Lead your growth strategy.

# Culture of Success

*Build it, and they will come.*



by J. Robert Beyster

WHEN I FOUNDED Science Applications Intl. Corp.

(SAIC) in 1969 with a handful of scientists and administrative staff, we had no business plan or blueprint for success. Instead, we took an approach very familiar to scientists and engineers—we experimented. During our early years, we tried several innovations, most of them homebrewed. While none of our ideas taken in isolation was truly new, each helped build a culture of success that resulted in an \$8 billion company with 44,000 employees worldwide.

I'm often asked: What was the secret sauce? We tried many different innovations. Some worked well; many didn't. However, if something did not work, we quickly tried another approach.

## Nine Keys

Nine concepts contribute to building a culture of success:

**1. Share your equity.** When I started SAIC, I owned 100 percent of the company. However, I saw the challenge of convincing scientists and engineers to leave the security of their government and aerospace employers to join me. I knew I'd have to do something dramatic to attract talented and highly motivated people. That something was enabling employees to become owners of SAIC through stock purchase programs. The more equity I shared, the more talented people we attracted, and the faster we grew. We built a culture rooted in the idea that those who contribute to the company should own it, and ownership should be commensurate with contribution and performance. My ownership share soon dropped to 10 percent; and when I retired, it was less than 2 percent. Today, 80 percent of the employees own company stock.

**2. Encourage widespread participation in decision-making.** For years, a poster hung over my desk: *None of us is as smart as all of us.* I had no illusion that the answer to the problems we faced could only be found in the executive suite. I expected everyone in the company to contribute their ideas to

improving SAIC products and services and to make decisions and solve problems to put their ideas into action at the lowest level possible, thus cutting red tape and providing customers with more responsive service. Our customers appreciated our responsiveness, sending more business our way.

**3. Let freedom ring (with strings attached).** One reason I founded SAIC was to have a good place to work. My dream was to be an open organization where people would be free to pursue work they were passionate about—to start, operate, control, and grow their business units and unleash their energy and creativity. This is exactly what happened. By allowing employees to pursue their passions, SAIC grew quickly. However, while we gave peo-



ple a high degree of freedom, we also expected them to be accountable for their own performance, and for the performance of their business units. Their stock ownership awards were dependent on that performance.

**4. Don't overplan the future.** I have never been a fan of long-term, strategic plans. These tend to constrain the actions of leaders rather than enable them. So, instead of taking time to create plans that directed initiatives years into the future, we encouraged SAIC to grow organically, following the interests and instincts of our entrepreneurial program managers. While we had an annual planning and budgeting process to ensure efficient use of resources, I always considered flexibility and initiative to be more important than slavish adherence to "the plan."

**5. Experiment constantly.** SAIC remains a company of scientists and engineers. Hence, one hallmark of the company was the willingness of our

people to constantly experiment with new entities, structures, and staff. To encourage experiments, managers were annually given control over pockets of money (*guidelines*) that they could use to pursue new contracts and invest in growth. The degree to which discretionary money and decision-making were delegated to managers was unprecedented in the defense industry and rare for any business.

**6. Organize for growth.** We bucked the traditional hierarchy, creating a decentralized model that was fast and flexible. Our central organization provided essential policy guidance to business units and exercised oversight and financial control, but otherwise kept out of the way. This approach allowed our motivated managers to build their businesses free of restraints that would have fettered their efforts, and enabled us to respond to customer needs and market shifts in near real time.

**7. Put your people first.** Few managers really put their people first. To me, the company existed to provide the resources needed to serve people and, if it wasn't doing this task, then every effort should be made to quickly correct this situation. During my years at the helm, I found that this basic formula worked very well: Hire smart people, encourage their entrepreneurial spirit, let them focus on customers, and reward them for their contributions.

**8. Make every employee a salesperson.** I knew that we needed people who could both do the work and sell the work. I shared equity with those who brought in new business. By enlisting the people who did the work in the selling process, we detected emerging customer needs, developed close relationships with customers, and minimized marketing expenses.

**9. Seek constant feedback.** We used different "lessons learned" processes to gather feedback from employees involved in new initiatives or complex programs. The result was our uncanny ability to bring important insights to light and record and distribute them widely for others to learn from. We used different formats and held frequent meetings to obtain feedback and learning lessons, and they became essential components in our culture of success.

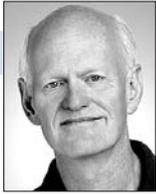
So, engage the hearts and minds of every employee in addressing the needs of customers and finding new and better ways of doing business. **LE**

J. Robert Beyster is founder of SAIC and author of *The SAIC Solution* (Wiley) with Peter Economy. Visit [www.beyster.com](http://www.beyster.com).

**ACTION:** Cultivate a culture of success.

# Achieving Goals

Turn plans into outcomes.



Marshall Goldsmith

**T**ODAY, SUSTAINING peak performance requires a commitment to developing leaders who develop other leaders—helping people set and achieve meaningful goals for personal change. Often, however, goals are not set in a way that ensures the follow-through needed to turn great plans into successful outcomes.

By understanding the dynamics of goal-setting and the challenges of goal achievement, you can better see why people often set great goals, then lose the motivation to achieve them. And you can help them stick with the plan and reach their desired targets.

Why do goal-setters often give up in their quest? Why do most New Year's resolutions fizzle by February? People give up on goals for six reasons:

**1. Ownership:** *I wasn't sure this idea for changing behavior would work in the first place. I tried it, and it was a waste of time.* A common mistake in leadership development (LD) is the roll-out of a program that promises, "This will make you better." If you hope to help your people develop as leaders, you need to communicate a clear message—ultimately, only *you* can make *you* better. The more leaders commit to coaching and behavioral change because they believe in the value of the process, the more likely the process is to work. The more people feel that the change is imposed upon them, the less likely the coaching is to work. In goal-setting, you need to ensure that the change objectives come from inside the person you are coaching—and are not just imposed. People being coached need to know that they are ultimately responsible for their behavior. Leaders need to communicate the same clear message.

**2. Time:** *I had no idea this process would take so long.* We underestimate the time needed to reach targets. Everything seems to take longer than we expect. When the time to achieve a goal starts exceeding our expectations, we're tempted to give up on the goal. Busy professionals can be impatient, especially when they make a change

but coworkers ignore their new behavior. We all tend to see people in a manner consistent with our stereotype—and we look for behavior that proves us correct. The long-term follow-up and involvement of coworkers tends to be highly correlated with positive change in the perceived effectiveness of leaders. This positive change in perception does not occur overnight. Harried executives assume that once they know what to do—and communicate this to others—their problems are solved. If only it were that simple! In helping others set goals, help them to be realistic about the time required to produce a positive, long-term change in behavior. Habits that take 30 years to develop won't go away in a week. And as they change a behavior, others may not recognize it for months. Ultimately, changed behavior will lead to changed perceptions and more effective relationships.

**3. Difficulty:** *This is harder than I thought it would be.* The optimism bias of goal-setters applies to difficulty. Not only do most achievements take longer—they also require more hard work! We want to believe that once we understand a concept, it will be easy to execute a plan and achieve results. If this were true, everyone who knows they should eat a healthy diet and exercise regularly would be in shape. Our challenge for getting in shape—and changing leadership behavior—is not *understanding*, it is *doing!* Long-term change in leadership effectiveness requires real effort. For example, it can be challenging for busy leaders to have the discipline to listen patiently while others say things they do not want to hear. While leaders may *understand* the need to change—and even *desire* to change—it is still hard to have the *discipline* to change. Real change requires real work.

**4. Distractions:** *I'd like to work toward my goal, but my company is facing a unique challenge right now.* Goal-setters tend to underestimate distractions and competing goals. You might tell the person, "I'm sure that some crisis will emerge next year!" The distraction or crisis may come from a problem, or

from an opportunity. It is hard to focus on long-term LD when the company is facing either a short-term financial crisis or a "once in a lifetime" short-term profit opportunity. Assume that unexpected distractions and competing goals will occur. Expect the unexpected. By planning for distractions, you are less likely to give up on the change when problems or opportunities appear.

**5. Rewards:** *Why am I working so hard at becoming a more effective leader? After all my effort, we still aren't making any more money!* People tend to become disappointed when achieving one goal doesn't translate into achieving other goals. There's a positive, long-term connection between a company's investment in LD and its long-term financial success, but no connection between investment in LD and greater short-term profits. Increasing leadership effectiveness is only one success factor. For example, a



company may have the wrong strategy or sell the wrong product. If a company is going down the wrong road, increasing people management skills will only help it get there faster. If managers think that improving leadership skills will lead to short-term profits, promotions, or recognition, they'll likely

be disappointed and give up when these benefits don't occur immediately. If they see personal change as a process that will help them become more effective over time—they'll likely pay the short-term price needed for long-term gain.

**6. Maintenance:** *I did get better when I was being coached, but I have let it slide since then.* Once a goal-setter has put in all the effort needed to achieve a goal, the reality of the work required to maintain changed behavior can be tough to face. This mind-set leads to the yo-yo effect. Leaders need to see that LD is a process—leaders can never "arrive." Leaders are always "getting there." Leadership involves relationships—when people change, relationships change—and maintaining any positive relationship requires ongoing effort over time.

Knowing these six roadblocks to goal achievement can help you to help others set goals and achieve them. **LE**

*Marshall Goldsmith helps successful leaders achieve positive, measurable change, and author of What Got You Here Won't Get You There. Visit [www.MarshallGoldsmithLibrary.com](http://www.MarshallGoldsmithLibrary.com).*

**ACTION:** See that real change requires real effort.

# Conflicts of Interest

*They affect judgment and breed ethical breeches.*



by Deepak Malhotra and Max Bazerman

WHEN PEOPLE TALK ABOUT *CONFLICTS of interest*, they assume that professionals actually consider these opposing forces (what's good for them versus their professional obligations). Take, for example, the old lawyer joke, "It's not whether you win or lose, it's how *long* you play the game." This implies that attorneys are primarily motivated to maximize their billable hours. However, when lawyers are paid by the hour, they may believe that their clients are best served by a time-intensive process, whereas lawyers whose clients pay them a percentage of a settlement may believe that their clients are best served by a quick agreement.

These beliefs are biased by circumstance. As Upton Sinclair stated, "It is difficult to get a man to understand something when his salary depends upon his not understanding it."

In buyer-seller negotiations, sellers often believe that they are selling a higher-quality product than the buyer thinks he is buying. In fact, buyers often believe that the goods offered by different sellers are indistinguishable, while sellers view their products as much better. Thus, when a salesperson says, "Sure, I benefit if you buy our product, but I believe it's the best product for you and your company," she may believe this. Yet the seller's conflict of interest (being honest vs. making the sale) can lead her to view the world through a biased lens and to believe that her product is the best option for you—even when it's not.

When a seller claims his products are the best on the market, and a prospective buyer believes that the products are the same, the buyer is likely to assume that the seller's statements indicate unethical behavior when, in fact, the seller is falling prey to the trap that Sinclair predicted.

*What sets negotiation geniuses apart?* They hone the mental habits

and strategies that achieve desired results in negotiation. They identify opportunities where others see no room for discussion. They discover the truth, even when the other side wants to conceal it. They negotiate successfully from a position of weakness. They defuse threats, ultimatums, lies, and other hardball tactics. They overcome resistance and sell proposals using proven influence tactics. They negotiate ethically and create trusting relationships—along with great deals. They recognize when the best move is to walk away. They employ talking points that work in the real world, even when the other side is hostile, unethical, or more powerful. They have an action plan for their negotiations. They know what to do and why, and build a reputation as negotiation geniuses.

## The Problem of Agents

Conflicts of interest often become most problematic when agents are involved—some other third party with a stake in the negotiation's outcome. Consider what happens when a real-estate agent advises you, the buyer, to raise your bid on a house even though your current bid is consistent with an assessment of the property's value. Is the agent thinking only of her own commission? We would argue that she is simply motivated to see the world in a way that maximizes her own returns.

The agent can quickly think of past situations in which a buyer preferred to overpay rather than risk losing a house, or bitterly regretted not heeding the agent's advice to overpay. It will be harder for her to recall times when this was the wrong advice, even though this happened more frequently.

When you plan to buy or sell a house, your agent will tell you that she is working in your best interest. But when we look at the situation objectively, it becomes clear that the agent's interests do not perfectly match those of her principal (buyer or seller). The buyer who wishes to pay as little as possible and who is in no hurry to buy may have to deal with a well-intentioned agent who is paid more when the selling price is high and wants to

close the deal quickly. Similarly, a seller may be in no rush to sell, yet her agent devotes considerable energy to persuading her that it is best to make a sale before the market cools down.

What can be done about this problem?

The common remedy to the failure of agents to act professionally is for governments to mandate disclosure. The reasoning is that, if consumers understand that their advisers and agents have a conflict of interest, they can take the steps necessary to protect themselves. Are such remedies effective? Perhaps not. Consider that, in most states, real-estate agents for buyers and sellers are required to have their customers sign a disclosure statement clarifying that the agent will earn a percentage of any sales transaction. Most people sign the disclosure form



and never again consider the actual conflict of interest between buyer and agent. Instead, they truly believe that their agent is providing objective advice.

Disclosure could *increase* the problems that result from conflicts of interest. When advisers are required to tell clients that they have a vested stake in having

them believe that a commodity has a high value, this disclosure leads advisers to feel *more* comfortable exaggerating their estimates. And, clients often believe their advisers are *more* trustworthy if they disclose. So, advisers would be more honest, and clients more cautious, if there had been *no* disclosure!

If disclosure won't resolve this dilemma, solicit advice from people who do not have a stake in the outcome and who do not profit from manipulating your behavior or decisions. Or, from outside sources, collect information that serves as a reality check. And, ask your agent to justify her analysis. Discover her criteria or procedure. She may trust her intuition, but you should not.

Most of us view conflicts of interest as a problem that must be remedied, since they contort people's judgments, but we have trouble believing that they affect our *own* judgments. Yet none of us is immune. You will likely behave similarly when you have conflicting motivations and interests. To avoid such unintended unethical behaviors, first recognize your own fallibility. **LE**

*Deepak Malhotra and Max H. Bazerman are leaders in executive education at Harvard Business School and coauthors of Negotiation Genius (Bantam Dell). Visit [www.harvard.edu](http://www.harvard.edu).*

**ACTION:** Beware conflicts of interest.

# Conversations

*They're catalysts for change.*



by Susan J. Bethanis

CONVERSATIONS PLAY a key role in defining the health and effectiveness of a workplace. They create and define culture, disperse knowledge, and help turn ideas into action. Far from mere idle chatter, conversations are mini-actions that occur daily—moving you forward or backward.

When you use conversations as a powerful medium for change, you boost your influence and motivation and generate sustainable change.

You may have been promoted to your position by minimizing chit-chat to do more work that has predictable, measurable outcomes. But you can achieve outcomes through conversations; workplace chatter doesn't have to be idle gossip. It can be put to work.

The stories people share in hallways are the living embodiment of the company's collective knowledge. People learn and create best through narrative, or the stories they hear and tell. Stories allow people to absorb information and project into the future. The ultimate story that you want people to share in conversation is your strategy: "where we came from," "where we are now," and "where we are going."

Sharing big-picture stories gets your people to think of ways of doing things and opens them up to new possibilities. Would you rather have people who respond like automatons to a top-down, pre-defined strategy or smart, idea-generating people who disperse key knowledge, enhancing a living, adaptive strategy? What your people talk about—and how they go about it—can create the future.

Besides reinforcing the company's mission, values, short-and-long-term goals, healthy, open, casual conversations can spark new and unique ideas. Through dialogue and conversation, a cross-pollination of concepts occurs, creating new knowledge. Today, new hires are valued for their intelligence and quick-thinking, and for their skills in performing particular jobs. You want to tap into that collective intelligence as much as possible, rather than compartmentalize it and shut it down.

## Informal Conversations

Informal conversations help create and define culture, and affect morale. Walk through your office and ask: Are office doors open or shut? Do people stick their heads up and chat or keep to themselves? Are people hanging out in the lounge areas and lunchrooms? Do people gather before and linger after meetings, or scurry back to workstations? Do people speak in hushed tones or do their voices carry? Do they stop talking when they see you coming, or invite you to join them?

The answers give you clues as to how welcome open discussion is in your culture, and whether the discussions are positive and enthusiastic about your goals, vision and mission, or if employees are disgruntled. If you can't sense what is talked about, ask direct reports to keep an ear out.

If much of the chatter is gossip or speculation about politics in the upper ranks, you need to make adjustments.

After evaluating the conversation culture, ask what changes need to occur. How can you better support spontaneous, creative conversations? Look first to the physical design. Do you have open space for gathering? How comfortable are your lounge areas? How formal are your conference rooms? Formal settings can inhibit spontaneous, playful discussions. So, have small tables and comfortable seating for smaller groups to gather around. Supplement white boards with white construction or drafting paper and have pens, chalk and crayons available for spontaneous writing and drawing. Add plants, fresh cut flowers and bright colors.

## Changing Conversations

Next, co-create with your people an intellectual and emotional culture that welcomes frank, open, honest discussion. We teach *In-the-Moment* coaching techniques to spark ideas in brief conversations. First, establish rapport by matching body language and tone, establishing common ground, allowing for sharing of personal experience, and just being friendly, even using a bit of

humor. Ask how the employee's day is going, what they're working on, where they went on their last vacation. Next, assess the situation by moving into inquiry: ask powerful, open-ended questions beginning with what, where, and how. When you understand the situation and can paraphrase it back, ask more pointed questions that reframe the situation and get your partner to think of it in a new way. Close by asking what the next steps will be.

Spend most of this conversation time in inquiry. You need to go slow to go fast. If you jump too quickly to an answer or conclusion, you'll miss the chance to hear and inspire your people's original ideas and solutions.

## Group Conversations

You need to make time for new ideas to arise. First, call for a round-table-style meeting. Instead of presenting information in a speech or presentation, open with a call to action: ask people for their participation and state that no idea will be dismissed.

Next, pose a few direct, provocative questions about the nature of your



business, its goals, values, vision, and strategy. Ask people what they think of the current mission and strategy, how they think the company is doing in meeting its goals, and what could be done better. Ask: "If we could do one thing differently, what would that be?" and "What might we could try that is outside our current strategy?"

Break into small stations and assign a "host" person to direct conversation and record comments. After 20 minutes, send group members to the next station, while the hosts stay and begin the next discussion, using the best ideas of the last group to spark ideas.

By encouraging your managers to hold coaching-style conversations with their people, you create a chain reaction of support for change. And by holding regular roundtable discussions, you can sustain those changes. Short term, you'll increase your influence and popularity and the motivation of your people. As open discussion spreads, you'll see greater retention and higher sales due to a more responsive strategy and a happier, more productive place to work. **LE**

Susan J. Bethanis is CEO of Mariposa Leadership and author of Leadership Chronicles of a Corporate Sage (Kaplan). Call 415-861-5900 or email [sueb@mariposaleadership.com](mailto:sueb@mariposaleadership.com) or visit [www.mariposaleadership.com](http://www.mariposaleadership.com).

**ACTION:** Try *in-the-moment* coaching.

# A Leader's Mood

*It's the performance switch.*



by Bruna Martinuzzi

**I**N DISCUSSING THE effect of a leader's mood on team performance, one person remarked: "I can't see how I am expected to be in a good mood for four quarters in a row."

As a leader, you can't afford to entertain this thought. The French concept of *Noblesse oblige* means that wealth, power and prestige come with certain social responsibilities—with privilege comes duty. It is a privilege to lead a team of people, but with it comes many responsibilities—and one is managing your moods.

About 25 percent of financial results (as measured by performance indicators like revenue growth, return on sales, efficiency and profitability) are determined by the climate or culture. Leaders set the climate: their actions and behaviors affect how employees perceive the climate. Leaders create the climate that determines people's moods—and their mood, in turn, affects their productivity and engagement.

## Afterglow or Aftermath?

Have you ever driven home with an internal glow, reliving a positive encounter with an upbeat and supportive boss, perhaps savoring a compliment that made you feel so great that you were eager to get back to the office to give that boss the best that you have to offer? That's the afterglow that lingers and gives you renewed energy to be more productive, to bring your finest talents to work.

Now, think about the reverse of the afterglow—the aftermath or bitter aftertaste. This emotional wake is what lingers with you after receiving acrid remarks from a leader in a negative mood. How does that affect your determination to overcome difficulties in a project, keep your heart engaged in the process, and give your best game?

The more upbeat, energetic, and enthusiastic the executive team, the more co-operatively they work together, and the better the business results.

Nowhere is a leader's mood more crucial than in the service industry where employees in a bad mood

adversely affect business. When managers are in an upbeat, positive mood, their moods spill over to their staff, positively affecting performance and sales. We can all take an inspiration from organizations that create a positive climate, which ensures a pleasant customer experience and repeat visits.

A leader's bad mood is a source of infection—an emotional contagion that spreads to units. We can learn from leadership in the military. Imagine the effect on troop morale and energy that an overwhelmed, anxious, worried, irate, or uncertain leader would have. Indecision is contagious—it transmits itself to others and becomes debilitating and habit-forming, as people take their cues from the leader's state of mind.

You might excuse a bad mood or rant by saying: "She can't control her temper, but she is so brilliant." Or, "He has an amazing mind, but shouts at people when stressed." Brilliance is no excuse for bad behavior. It sends a message of inconsistency—an undesirable trait.

I'm not advocating that leaders turn into shrink-wrapped models with false smiles and fake cheerfulness. People spot a non-genuine smile anyway and notice when a leader infantilizes them.

There are no easy answers to managing emotions in difficult circumstances. However, a leader's mood has the greatest impact on performance when it is upbeat—and in tune or in *resonance* with those around him. Good moods tend to galvanize good performance, but it doesn't make sense for a leader to be upbeat when sales are down. Your moods and behaviors should match the situation—with a healthy dose of *optimism*. Respect how other people feel—even if it is glum—and model what it looks like to move forward with *hope* and *humor*.

## Six Steps to Better Performance

Your moods and behaviors affect performance. You can cultivate emotionally intelligent leadership behaviors by following six suggestions:

**1. Model meeting behavior.** Examine

your behavior in meetings, since these are "cauldrons of emotion." Do you set a positive tone right from the start? Or do you impose your own "pace" based on how you feel at the moment? Aim for a calm, relaxed mood, and a consistent, positive approach.

**2. Look for good in others.** One of the central objectives of a leader is to make others aware of the greatness that lies in them. Be known as someone who is always on the lookout for what is right with people. It engenders good will and is good for business.

**3. Read the climate.** Can you accurately sense the emotional atmosphere of your unit or organization? Is it upbeat, energized, down, or dejected? Do people seem apprehensive and cautious in your presence? Does the climate change when you are away?

**4. Be pleasant and cooperative.** Cultivate a pleasant personality. Make this a priority. Be cooperative by sharing ideas and shortcuts. Your mood affects productivity.

**5. Be emotionally attractive.** Become an emotionally attractive, *resonant* leader by managing your emotions and those of others. When you create a positive emotional tone with mindfulness, hope, and compassion, you engage and inspire people.

**6. Manage the emotions of change.** How you manage emotions either helps or hinders the change process. If the resistance to change is emotional, it is hard to overcome. As the leader handling a change initiative, don't avoid the emotions that accompany the change. Set the mood and manage the emotions—or they'll manage you.

If you cringe at the notion of emotion, empathy, compassion, intuition, or emotional intelligence, you need to reconsider this mindset. Hone your intuitive ability, and listen to hunches that hint something in your behavior and actions on bad days is damaging others. As the leader, you have the switch that controls the intensity of engagement of the people who do the work. A leader's upbeat mood oxygenates the blood of followers—it's like a transfusion into corporate arteries. It's one of the most potent contributions you can make as a leader. **LE**

*Bruna Martinuzzi is the President of Clarion Enterprises, specializing in emotional intelligence and leadership training. Visit [www.increaseyouriq.com](http://www.increaseyouriq.com).*

**ACTION:** Takes the six steps to better performance.



# New Vision, New Year

Create a prosperous future.



by David McNally

**D**URING THE LAST WEEK of December, I reflect on all that happened during the year and envision what I would like to happen in the months to come. I forgive myself for resolutions not kept and acknowledge what was accomplished. I express gratitude for my blessings and show appreciation to those whose contribution to my life makes it worth living.

Professionally, I reflect on this compelling insight: People are never more engaged, involved, and active than when they are totally committed to achieving what they believe is meaningful and desirable. The reason? When we move purposefully, persistently toward what we wish to accomplish—we are immersed in the process of creation.

You and I are born to create—to bring into being something that has never existed before. Between the ages of one and five, children experience much joy and happiness because they are continually creating, learning, growing and achieving. Their curiosity is unparalleled. They are unrestricted in terms of possibilities. Their visions are unlimited.

So, with 2008 just ahead, I invite you to put on the unfettered imagination of a child, shake off the limitations that the past year imposed upon you and courageously admit to what you want for your life and work this year. Establish a vision worthy of your potential. Determine that it is time to be bold. Your new vision will be your declaration that you are in charge of your life and not a victim of your daily circumstances. Affirm that you are taking responsibility for your life.

With a vision, you look to the future with positive anticipation, not anxious apprehension. As you declare, "This is how I want my life to be," you are freeing yourself from the self-doubt that stops you from breaking

through into new realms of possibility. Creating a new vision is a courageous act, as the fear of failure is often an insurmountable obstacle. People who realize their dreams are not without fears, but they move forward in the face of fear. Obstacles lie in their path, too, but they understand that surmounting these obstacles is a part of the game and, part of the reward.

Here are three questions to get you started in clarifying your vision. What do I wish to accomplish professionally in next year? What do I wish to accomplish personally next year? How do I wish to feel, think, and act next year?

When asked, *If you had your life to live over again, what would you do differently?*, most people say, "I'd think about whether the choices and decisions I'm making in life are leading me to where I want to go."

Being busy is an insufficient excuse for failing to give careful thought to the business of life. Clear mission, vision and guiding philosophy and principles are the foundation of performance. Being clear about where you are going and what you are about dramatically enhances your level of personal fulfillment.

*What you are and where you are is the result of how you think and behave.* You will be what

you will be, and go where you go, because of your willingness to adapt, change, learn, and grow. Those who thrive, not just survive, have a purpose to inspire them and a vision to motivate them—a potent combination.

Competition in global economy is forcing us out of traditional, restrictive roles and limited definitions of who we are and what we can be. There is nowhere to hide. We are being pushed to grow, mature, and soar.

Job security, advancement, and rewards are now tied to the contribution each person makes to the growth and prosperity of their organization.

Maximizing contribution can only be done by fully utilizing our gifts, talents, skills, and abilities. Motivation, must be followed by focused, goal-oriented actions. We need to think and behave in ways that result in us becoming thrivers, not just survivors. **LE**

David McNally is a speaker and author of *Even Eagles Need a Push and The Eagle's Secret* and co-author of *Be Your Own Brand*. Visit [www.davidmcnally.com](http://www.davidmcnally.com), email [info@davidmcnally.com](mailto:info@davidmcnally.com), or call 1.800.228.1218 or 952.835.0300.

**ACTION:** Reflect on your vision or purpose.

# War for Leaders

Are you winning or losing?



by Alan Todd

**A**S RULES FOR SUCCESS are transformed by competition, the best practices in leadership development (LD) are becoming antiquated. To maintain competitive strength, you must leverage knowledge through strategic LD. Failure to respond to this need will cripple your ability to attract, retain, and develop top talent.

The models for selecting, developing, and retaining leaders need to be updated, since "thinking-intensive" organizations are more competitive and profitable. You will boost your revenue by effectively mobilizing knowledge, skills, and relationships to deliver superior service to customers.

## Real Leadership Challenges

In our Leadership 2012 study, we focused on trends and best practices for developing leadership talent. Current models for developing leaders are not delivering the talent to execute strategies. Of the organizations surveyed:

- 97 percent are concerned about current leadership bench strength or their ability to develop the leadership talent required to support growth objectives.
- 81 percent have concerns about the leadership bench strength and their ability to support growth initiatives.
- 69 percent are challenged to develop the leadership talent required to compete in emerging markets.
- 91 percent are challenged to identify high potentials early in their careers.
- While organizations say that developing talent is a key competency for their leaders, this topic receives the fourth lowest attention in LD programs.
- 68 percent said their firm's commitment to LD is either weak or not backed up by financial investment.

More leaders recognize the need to coach and mentor employees, but their actions do not match the rhetoric. Leaders often do not release people for stretch assignments or give them time to complete their development plans.

For example, only 32 percent say their leaders-as-teachers programs are highly effective. Cultural nuances can make a program effective in one organization, and a wasted effort in another.

The challenge to attract, grow, and retain good leaders will only become more difficult as the shortage in leadership talent becomes a reality.

HR, learning, and talent management professionals are concerned that they are not building a strong core of great leaders; programs and processes for developing leaders need improvements; and without change, shortages of leaders and other key talent may prevent them from achieving their goals.

### A Time for Change

As pressure mounts to attract and retain top talent, LD processes must be managed as an integrated set of activities. The “integrated supply chain” is a better model, as it streamlines the flow of information among the owners of the process steps and improves the efficiency for moving leadership talent through its development evolution.

Few companies offer transparency into leadership talent pools. In most cases, stand-alone systems monitor performance results, 360-degree assessments, work experiences, special skills and knowledge, formal training, task force assignments, engagement study results, development activities, and other variables that contribute to an in-depth profile of future leaders.

One key to developing leaders has little to do with formal training, more to do with challenging work experiences. Yet developmental tasks or positions are often assigned in an *ad hoc* manner based on what experiences managers think potential leaders need. There is little or no science behind how stretch and rotational assignments are used to round out a leader’s development.

To develop global leaders, try this:

- Create the structures, systems, and measurements to make fact-based decisions, and identify new metrics that can predict talent needs and estimate the value of talent.
- Include spouses or partners in the LD programs to strengthen their commitment to a future leader’s success.
- Leverage “soft skills” to create leaders who are committed to, and work toward, clearly defined company goals.
- Recognize that culture, personal ownership and job satisfaction are critical factors in developing and retaining innovative and competitive workers.

Implement these ideas to develop a strong leadership bench. **LE**

*Alan Todd is Chairman of the Board for Corporate University Xchange, a global learning and leadership research and consulting firm. Visit [www.corpu.com/leadership](http://www.corpu.com/leadership).*

**Action:** Develop a strong leadership bench.

## The FACT Model

*An alignment tool for leaders.*



by Lois J. Zachary and Lory A. Fischler

OUR EXPERIENCE REVEALS A CONSISTENT pattern that differentiates effective leaders who are adept at aligning people, process, and action. These leaders rely on four FACT practices.

**Feedback.** Agile leaders master the art of asking for, giving, receiving, accepting, and applying feedback to enhance performance. Employees are hungry for feedback about their performance and contribution. Feedback fosters ownership, nurtures commitment, and creates value. When leaders balance constructive and positive feedback, they accelerate performance and minimize negative outcomes. Regular, proactive feedback reveals options for improvement, creates self-accountability, and enables poor performers to honestly reflect on their contribution and commit to an action plan for improvement. To engage in constructive feedback, identify the issue; ask the other party for their point of view first; offer your observations and facts without judgment or assumptions; check for agreement; ask what they will do to correct the problem; offer suggestions; agree on an action plan; and end on a positive note.

**Accountability** leverages feedback by driving learning, performance, and behavior. Everyone needs to be held to same clearly articulated high standards. Recruitment and retention of top performers is the ultimate payoff. People who excel tend to resent working with others who aren’t held to the same standard. Accountability requires affirmative answers to these questions: Are goals set, communicated, and measured? Do people have the resources, tools, and ability to achieve the goals? Are measurements performed and communicated so that teams can adjust? What are the consequences for low performers who don’t step up? What happens to popular employees who don’t do the job? Is excellence recognized and rewarded?



To ensure accountability, set goals; clarify expectations; define roles and responsibilities; ensure sufficient skills, knowledge, and resources; monitor progress; measure results; improve processes; and reaffirm goals.

**Communication** drives the content, clarity, delivery, and timeliness of key information. Clear and consistent communication—from the broad messages delivered by upper management to the regular, routine interactions among employees—is vital to health and productivity. It builds confidence in leadership and promotes alignment. Regular, meaningful, and consistent communication reinforces the message to employees that their leaders care.

Effective communication requires a commitment to authenticity and honest feedback. Authenticity builds trust and reliability that contributes to productivity, since messages are clear. Effective communication is the art of exploring ideas and options, not debating and arguing, and identifying common ground rather than differences. Ideas are developed and minds are opened. All parties speak respectfully to each other without personal attacks, power

games, and intimidation. To communicate effectively, listen actively, clarify assumptions, be authentic, explore shared meaning, and speak respectfully.

**Trust.** Trust enables people to build and sustain relationships. With trust comes openness, introspection, candor, and vulnerability with others. Trust implies an assumption of good intention; hence, constructive feedback is received more positively. With trust, a team can move rapidly; they are more open to risk taking and more creative. They challenge each other’s thinking in a spirit of understanding and acceptance. Trust must be earned by sharing information. Information enables people to focus, think a situation through, solve problems rationally, and make better decisions. To build trust, start with small commitments; make promises you can keep; do what you say you will do; keep players in the loop; address problems as they arise; and don’t defend or blame.

As you apply these four principles, your efforts will be more aligned, and people more committed and engaged. **LE**

*Lois J. Zachary is president of Leadership Development Services and author of The Mentor’s Guide and Creating a Mentoring Culture. Lory A. Fischler is senior associate and co-author of Creating and Sustaining Collaborative Partnerships.*

**ACTION:** Use the FACT alignment model.

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