

MASTERING MANAGEMENT: HOW TO GROOM THE LEADERS OF THE FUTURE

By **Michael Useem**

For management writer Peter Drucker, leadership is having followers who "do the right thing". For political historian James MacGregor Burns, leadership is a "calling". For US president Abraham Lincoln, leadership is appealing to the "better angels of our nature". Leadership is also a matter of making a difference. It entails changing a failed strategy or revamping a languishing organisation. It requires us to make an active choice among many plausible alternatives, and it depends on bringing others along, on mobilising them to get the job done.

Leadership is at its best when the vision is strategic, the voice persuasive and the results tangible.

In the study of leadership, an exact definition is not essential; but guiding concepts are needed. The concepts should be general enough to apply to many situations, but specific enough to have tangible implications for what we do. Four frameworks are particularly valuable for company leadership. Their focus is on the individual capacities that have the greatest impact in the broadest circumstances.

The three-part story

Leaders such as Martin Luther King, Margaret Thatcher, Pope John XXIII, Eleanor Roosevelt, Alfred Sloan and Nelson Mandela had an immense affect on society. Our experience in the present century will long reflect what they achieved in the past century. What is the common thread that explains their legacy?

For academic Howard Gardner, the answer lies in their consistent use of a three-part account. Whether with a few supporters or in front of a nation, great leaders consistently offer their vision of both what should be and how it should be achieved. Moreover, they always include a third element: all honour to the people who will build that future. Nelson Mandela, for instance, demonstrated this kind of leadership by declaring that the people of South Africa would create a multi-racial, democratic nation; they would do so through the peaceful transformation of South Africa; and both the black and white people of South Africa would get them there.

The teachable point of view

During nearly two decades at the helm of General Electric, Jack Welch has built one of the leading producers of everything from toaster ovens and jet engines to television programmes and financial services. He transformed a company worth Dollars 12bn in 1981 to one valued at Dollars 560bn today.

When asked to reveal the secret of his success, Welch says it is certainly not knowing which alloys to use in engines nor which shows to broadcast on Mondays. It is, rather, knowing how to pick the right leaders for making those products and then ensuring that the chosen ones master their growing responsibilities and changing markets. And for this, argues academic Noel Tichy, you must have a "teachable point of view", a message that defines what you want the company to achieve and how it will do so, and both must be conveyed in a form that others can readily learn and teach in turn.

The other intellect

Many managers will have known brilliant colleagues who had every answer but no respect. Cognitive intelligence is a prerequisite for most responsible positions, whether a Nasa flight director or an investment bank manager. What distinguishes those who move up to those positions is a capacity that writer Daniel Goleman has called emotional intelligence. It amounts to the following: if you are self-aware and self-regulating, empathetic and compassionate, and skilled at bringing out the best in people around you, you will hear what you need to know and inspire what they need to do.

The 70-per-cent solution

Some institutions are notorious for deplorable leadership; others are legendary for their excellence at the top. The US Marine Corps is renowned for its leadership abilities and offers insights into what is essential in business. The Marine Corps prepares its commanders to:

- seek a "70-per-cent" solution rather than a 100-per-cent consensus;
- avoid indecisiveness, a fatal flaw that is worse than no decision;
- clearly explain a decision's objectives and then allow subordinates to work out the details;
- tolerate and even encourage mistakes when they generate better performance next time;
- prepare everybody to lead, including those in the front line.

Business writer David Freedman and former McKinsey consultants Jon Katzenbach and Jason Santamaria argue that although companies march to different drummers, their leaders will do well to adapt the best of what the Marines have already discovered.

Leadership changes

Without John F. Kennedy's persuasively articulated vision, human beings would not have walked on the moon in 1969. A powerful vision is a precondition for leading a company

or country at any time. It is a persuasive picture of where you want to go, how you want to get there and why anybody should follow.

Herb Kelleher formed Southwest Airlines in 1971 to make flying affordable and the company profitable, and that vision has guided the company ever since. The airline still has some of the lowest ticket rates and highest profit rates in the business, reporting a net income of Dollars 474m in 1999 on revenue of Dollars 4.7bn.

Not only should chief executives articulate a strong vision, but they must do so in the face of new pressures: intensified competition and less time in which to achieve goals. Before AT&T's deregulation in 1984, for example, the chief executive was virtually assured of last year's earnings plus six per cent in the following year. The current chief executive, Michael Armstrong, is not even assured of his job next year. Professional investors and stock analysts are turning up the heat and the internet is requiring rapid-fire action. Wall Street and the City expect people at the top to understand where the market is going, pick a strategy for succeeding in it, and rally a reluctant workforce to master it. Michael Armstrong has to reduce costs and create innovation, but money managers and stock analysts also expect him to divine and shape his future better and faster than anybody else in business.

Vision and strategy are therefore essential, but they have been joined by new critical capabilities:

Leading out: As companies increasingly outsource services, use joint ventures and construct strategic alliances, they require managers who can lead out, not just down. In other words, the skill of sending work downward to subordinates is being supplemented by a talent for arranging work with partners. Such lateral leadership is essential for achieving results when you have no authority to guarantee them. And managers are requiring more of that every year: recent surveys of managers report annual outsourcing expenditures growing by 15 per cent or more.

Consider a senior US manager in a telecommunications company who was responsible for developing outsourcing contracts worth Dollars 1bn for information services. Company executives told him that cutting service costs and reducing management distraction were the purpose and left him to identify which services could be outsourced. He then had to contract the right outside partners to provide the services and convince sceptical internal managers that the deal would deliver what they wanted.

Lateral leadership requires strategic thinking to understand when and how to collaborate for competitive advantage; deal-making to secure the right arrangements with outside companies and ensure they provide quality service; partnership governing to oversee and develop the collaborative contract; and change management to spearhead new ways of doing business despite internal resistance.

Leading up: As companies have decentralised authority, they have put a premium on a manager's capacity to muster support from above as well as below. Managers must be able to lead their own bosses. If superiors lack data, managers should ensure they receive what's needed.

Consider a brokerage manager who could see the potential of the internet, but whose boss and board remained sceptical. He laboured to persuade them that online trading would come to dominate the trading market, even though it meant cannibalising their existing franchise and incurring momentary losses. He prevailed, and his company became one of the industry's largest.

Upward leadership depends upon followers who are ready to speak out, solve problems and fill the breach. But it must also be executed with subtlety and verve. If done in an unsubtle way, it may prove little more than a career-shortening move for those who try it. Yet the middle manager who fails to handle things firmly may never be noticed by the very senior managers who are most in need of help.

Moving fast: The widespread adoption of the web has increased the availability of information to buyers and sellers and reduced the costs of transactions between them. Whether building a new internet company or an online capacity in an established enterprise, acting decisively can be essential in quickly changing markets. So too is an ability to revamp the business model and redeploy assets to take advantage of competitive changes before others do.

Consider eBay, the world's largest online auction site. It was the first mover in its market, and when Amazon.com and others subsequently began competing in the auction market, chief executive Meg Whitman incorporated some of their features - such as password retrieval and fraud insurance - on eBay's website. She also added new features, such a way for buyers to look for items in their own city and to be notified when an item they desired became available for bid. EBay today has attracted 16m registered users and holds 90 per cent of the online auction market. Whitman's swift actions helped create a market valuation of Dollars 14bn.

How to build leadership

Some managers have a head start in acquiring leadership capacities, but everyone can improve. It is a learned capacity, albeit one that for many proves very difficult to master.

A first step for building leadership is to identify those whose leadership skills will need to be developed during the years ahead. Senior executives may decide it is only the managers of major operations who should be included, but they may conclude instead that it should be virtually everybody with responsibility. Middle managers will probably want to involve anyone reporting to them.

Managers can begin by engaging those closest to them in a leadership debate, and asking them to do the same with their associates. They can discuss their moments of both success and setback; ask them to synthesise lessons from their own leadership experiences; provide them with personal coaching and individual mentoring; and change the business culture so they can make decisions without acute fear of failure.

An explicit leadership development programme may also help. Abbott Laboratories, a Dollars 13bn revenue US healthcare manufacturer with 57,000 employees, brings groups of 35 high-performing, high-potential directors and vice presidents together for three weeks of leadership development over nine months. Participants examine the leader's role and responsibilities at Abbott, they consider alternative leadership approaches and they receive feedback on their own leadership style and impact.

DuPont, with revenue of Dollars 27bn and 94,000 employees, has created its own "knowledge intensity university", a set of programmes for training managers in how to identify expansion strategies, create a culture of urgency and allocate resources to encourage rapid growth.

One programme for top executives of product divisions and global businesses is designed to help them identify the best methods for bolstering business. A second programme for top management teams helps them specify, test and implement the best "growth engines" for business. Both programmes include week-long learning events with an intensive focus on strategic alliances, e-commerce and change leadership.

Ford Motor Company has annual sales of Dollars 162bn and employs 365,000 people. To accelerate the formation of its future leaders, it runs a "new business leader" programme for 2,000 managers every year. Participant teams identify ideas that could help transform the company's way of doing business, design a course of action for implementing the best proposals and develop a "teachable point of view" for advocating them.

Instilling leadership

One of the most effective ways of instilling leadership in such programmes is to examine what other leaders have done in times of crisis. By looking at others' experiences, managers can better anticipate what they should do when faced with leadership challenges. It teaches strategic thinking and how to act decisively.

It can be particularly powerful to walk historic battlefields or recall critical decisions. Jon Krakauer's *Into Thin Air*, for example, describes how two climbing groups, simultaneously nearing the summit of Everest, were hit by a violent storm. It is useful to ask what went right - and why so many things went so terribly wrong - for the leaders of the two teams as they desperately sought safety.

Eight climbers (including both team leaders) never found shelter. In asking how their decisions might have gone differently, how their leadership mattered, and what we might do to reach our own summits more safely, we can deepen our own commitment to preparing ahead and instilling responsibility for when it is really needed.

The British explorer Ernest Shackleton's journey to the Antarctic presents another useful illustration of leadership in a crisis. Shackleton set out in December 1914 with a team of 28. His ship became trapped in ice and although it appeared that everyone was doomed, Shackleton's exceptional perseverance, ingenuity and leadership led them all to be rescued 21 months later. In *Leading at the Edge*, Dennis Perkins suggests several enduring lessons to be taken from Shackleton's saga:

- Keep sight of the ultimate goal but focus on interim objectives. Shackleton was driven by the safety and survival of his men. When morale plummeted at one point, Shackleton organised a trek to cross 314 miles of ice floe to an old food cache. The trek failed, but the collective endeavour restored the crew's life-sustaining spirits.
- Engender optimism. As a way of maintaining morale, Shackleton openly planned the team's next expedition - to Alaska.
- Minimise your perquisites. Ten of the 28 castaways were forced to use inadequate sleeping bags after the ship sank. Shackleton assigned these bags by lottery, except for one that he assigned to himself.
- Risk nothing needlessly, bet everything when essential. When Shackleton's marooned crew finally reached an inhospitable island at the edge of the Antarctic, they stood on land for the first time in 497 days. Yet the island offered no respite. The nearest help, South Georgia Island, still lay 800 miles across one of the most daunting oceans in the world. With few navigational aids, Shackleton set out with five others in a 22-foot craft. Eighteen days later, in one of the greatest feats of steerage and survival ever, he landed their tiny boat on South Georgia.

Michael Useem is William and Jacalyn Egan Professor of Management at the Wharton School, University of Pennsylvania, and director of the Wharton Center for Leadership and Change.

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FINANCIAL TIMES