

THE ART OF LEADERSHIP

The Human Side Of Enterprise

Performex

110 Newport Center Drive, Suite 200
Newport Beach, CA 92660
(949) 759-1928

www.performex.com

performex@performex.com

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THE ART OF LEADERSHIP--THE HUMAN SIDE OF ENTERPRISE

Since work patterns are undergoing a slow but steady shift to the knowledge worker, supervision, while lagging behind, nevertheless must change to reflect this new reality. Interactive leadership is a required skill for creating commitment in the emerging network organization. It implies a genuine concern for people. When all rhetoric and preoccupation with leadership traits are boiled down, leadership is just about one thing—establishing an *emotional connection with people*. Two skill sets foster this. The first is an ability to create a shared vision between what the organization requires and what employees want out of the work experience. The second is the ability to get people working together by resolving conflicts and finding the acceptable middle ground. Underlying both abilities is the skill to communicate effectively. With good communication, employees work in a system of both freedom and control.

FREEDOM AND CONTROL -- STRANGE BEDFELLOWS

A firm's performance management structure actually creates the conditions for empowering employees, but that empowerment requires leaders to lead well. Leaders get people to follow them because people want to; people are motivated because they feel they are supported and respected. A blend of management and leadership produces better results than either could alone. Strong leadership encourages freedom of creativity within the structural bounds of the performance management system. Leadership coupled with a system of performance and process management is crucial to the long-term success of any organization.

Analogies in nature give a clue to understanding this apparently paradoxical approach. Take the quartz crystal, for example. Its structure is the same around the world, yet no two quartz crystals are identical in color, shape, or size. Nature abhors sameness; it loves creativity, differences, and innovation. Just as it does with people, plants, stars, and even grains of sand, nature gives quartz crystals unlimited opportunities for individuality and creativity within a clearly defined molecular structure.

Organizations need to do the same with their systems to manage and lead people. They need not to tell people how to do their work, but instead provide them with vision, clearly defined boundaries (business DNA), and then allow creativity to flow. Organizations must precisely define desired results, delegate authority, and then give people freedom within boundaries to obtain results. Typical top-down organizations tend to stifle rather than promote innovation because they install policies and procedures to produce work in a standardized way. They centralize creativity rather than opening up the creative potential of workers at lower levels. Organizations that balance management-leadership practices release worker creativity and demonstrate that workers truly are an organization's most valuable asset.

An interest in worker creativity has been around for a long time. In 1982, John Naisbitt in his book *Megatrends* coined the phrase "high tech-high touch." It recognized that as automation and technology accelerate, people need more interaction and involvement in their work. Two decades earlier, in 1960, Douglas McGregor wrote *The Human Side of Enterprise*, a seminal book on the importance of people and the need to recognize them as a human asset. Although Naisbitt, McGregor, and others have been talking about the human side of enterprise for some time, only just now are firms viewing their employees not as replaceable parts in a mechanized organization, but as knowledge workers with a lot to contribute.

As firms become large and complex and attempt to move out of their corridor of crisis, *management* practices coupled with *interactive leadership* become increasingly important. People often use these terms interchangeably in business, top executives, and the media, but each has its own definition. Distinguishing between the two clarifies how each supports the other.

LEADERSHIP IS NOT MANAGEMENT—MANAGEMENT IS NOT LEADERSHIP

Managers *predict* the future; leaders *create* it. Management is about process; leadership is about people. Management controls results through people; leadership motivates them by satisfying evolving human needs. While there are differences between them, these two concepts and their constellations of abilities are not polar opposites. Firms need both to function. As in the quartz crystal analogy above, firms need both structure and freedom to produce creativity and innovation in today's network organizations. Both leadership and management skills can be learned, both evolve as the organization itself evolves. Chapter 11 discusses the delegation skills most crucial to any managerial position. Below is a discussion of the evolution of leadership skills and both are vital to any organization that intends to succeed in the 21st century.

Differing leadership skills, not management techniques, are needed at different stages of a firm's growth. Chapter 5 summarizes the required skills as an organization evolves through its evolutionary stages. Look again at Figure 8. It depicts the gradual shift from entrepreneurial to alliance-oriented leadership. Interestingly, the style of leadership in the first phase is similar to the leadership style of the last phase. Both phases require highly interactive styles.

The directive leader of the past was a doer. Getting results—i.e. making money and ensuring shareholder value—was the requirement for success. These often larger than life titans of industry were directive decision-makers and were operationally savvy.

Tomorrow's leaders are predicted to be of a different cut. They are not as involved in the day-to-day operating details, but rather focus their attention on ensuring “the right people are talking to one another about the right things and have the right tools to what they decide needs doing.”¹

The shift in leadership for firms going through the corridor of crisis is from a focus on efficiency to one on effectiveness. This means that when an infrastructure of good management controls are in place to align vision and purpose, then attention needs to be paid to how to make the firm more effective, i.e. make sure it's doing the *right* things.

That takes leadership. An impressive study created through hundreds of interviews by Anderson Consulting called “The Evolving Role of Executive Leadership” tried to create a profile of the global leader of the future.² Their conclusion was that vision, values, and setting priorities top the list, but emerging requirements called for building alliances with other organizations, building partnerships across the company, and treating people with respect.

The leader who fails to recognize the differences between leadership—qualitative skills—and management, and thus never learns to use them in parallel, may never give the outstanding performance he or she is capable of giving. Simply put, managers typically excel at planning, organizing, delegating, and reviewing. They focus on "what is" and rely on financials, hard numbers, facts, rules, schedules, and experience as the basis of decision-making. Good management controls complexity; effective leadership produces change. Leaders visualize larger possibilities for their organizations, emphasizing "what could be" and relying on the present for help in making future-oriented decisions. They inspire others through their own high commitment to their beliefs, encourage others through coaching-mentoring, and communicate with others constantly, enrolling others in a shared vision. Another way to describe this distinction are that *things* are managed, but *people* are led; managers are concerned with doing things *efficiently* and well while leaders look into the future, doing the right things that enable their firms to be more *effective*.

Obviously, the ideal is a *combination* of both, or a management-leader. These individuals are practical and risk takers, analytical and intuitive, planners, and visionaries. In any phase of organization evolution, management-leadership requires high physical contact with people and high participation. It also requires good skills of influencing people. To influence others, management leaders must find a shared vision existing of first, mutual respect, and support for other people’s views.

THE EMERGENCE OF THE MANAGEMENT-LEADER

As we’ve discussed in Section II above, it makes economic sense today to be people-centered, with leadership being a key underpinning of commitment, but this was not

always the case. It is much easier now to look back and understand that Henry Ford's notion of mass production was a soul-ignoring *efficiency* model employing standardized techniques. Alfred Sloan, who took over General Motors in 1923, did for upper management what Ford did on the shop floor. Sloan formalized management techniques into a set of machine-like processes to achieve reliability, decision-making consistency, and control in the management of GM.

An article in *The Economist* succinctly states, "For Sloan, top managers had three clearly defined jobs: to determine a firm's *strategy*, to design its *structure*, and to select its information and control *systems*." ³ People, however, were left out of the design criterion. This business strategy helped companies build multinational organizations, it created global empires, and it established the American model as the one to emulate. While it worked for decades, Jack Welch, chairman of General Electric, argues, "It was right for the 1970's, a growing handicap in the 1980's, and it would have been a ticket to the bone-yard in the 1990's." ⁴

In a series of three *HBR* articles, Christopher Bartlett of Harvard Business School and Sumantra Ghoshal of London Business School track this change. They document the role shift of top management from being the company's chief strategist, its structural architect, and the developer of its information and control systems to being the developer of people. ⁵ The first shift they document is from a top-down functional structure to cross-functional business processes that attempt to manage the white spaces between functions and divisions. The functional model of management, they argue, fragments companies' resources and creates vertical communication channels hampering the development of cross-functional relationships. The bottom line is that the whole of the top-down organization is often less than the sum of its functional parts. Furthermore, this model of management kept the responsibility for entrepreneurship with top managers. This shift from functional structure to crossfunctional processes, as described in Chapter 9, facilitated the emergence of the horizontal corporation. The shift is dealing a blow to hierarchy, bureaucracy, and the white spaces of yesterday.

Moving from vertical structures to business processes is a big leap. It is a leap from corporate control systems to letting people make operating decisions. This is the second

major tectonic shift Bartlett and Ghoshal chronicle. It is the movement towards the people side of work. This trend has been underway for the last ten years but is forecast to mature in the 21st century. Bartlett and Ghoshal see this shift as a more personalized approach that encourages a diversity of views and stimulates employees to develop their own ideas. They see companies building operating philosophies that replace a top down management style with what they describe as “the individualized corporation,”⁶ a corporation built on the pillars of purpose and process but also including a people element. It is a shift from strategy to building corporate purpose, from framing structure to developing organizational processes, and from systems designed to control human nature to ones that create environments that enable people to take initiative, to cooperate, and to learn. The most basic task of post-industrial managers, they argue, is to unleash the human spirit, to recapture those valuable human traits that too long have been suppressed by a machine mentality of organization. Simply put, the shifting role of top management in the 21st century is towards more leadership.

The Management-Leadership Links

In Chapter 10, we identified questions for which all employees want answers. Figure 16 places these questions into two spheres—those related to a concern for *people*, and therefore falling under the province of *leadership*, and those related to a concern for production, and falling under the province of *management*. The bottom category is labeled concern for production, the second and top constellation of questions deal with people as human beings.

As Chapter 10 explains, questions dealing with management and production identify how the firm links individual and team goals to corporate direction. Further, they serve as a framework for defining accountability, assessing performance, measuring results, providing performance feedback, addressing corrective action, uncovering personal development needs, and linking performance to the organization’s pay and reward system. Those questions answered through leadership show just how crucial emotional conditions, clear communication, mutual respect, and motivation are to employees’ job satisfaction. Figure 12.1 demonstrates the need for a management-leadership balance between the needs of businesses and of the people who work in them.

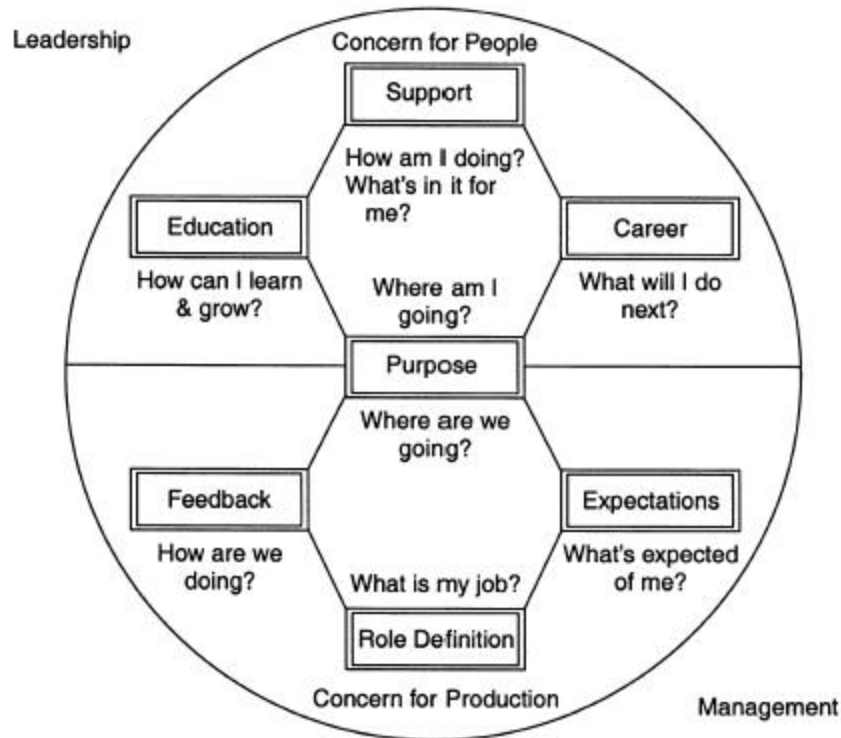


Figure 12.1 Concern for production and concern for people

To describe the importance of leadership in the traditional management centered organization McGregor articulated his Theory Y. It urges an integration of company and individual goals in a shared vision of purpose. McGregor says leaders need to “seek that degree of integration in which the individual can achieve his goals *best* by directing his efforts towards the success of the organization.”⁷ Therefore, the first requirement of a leader is getting this alignment. It starts with a clear vision of the firm’s purpose. A leader is the drum major, the conductor of an orchestra, the person who keeps a vision out in front of employees. People want to be about good things. They want to believe that the work they do has some meaning, some purpose beyond just giving them a paycheck. Leaders help to remind people what they are about. In the process, they answer the most basic question—where am I going?—while relying on management’s structural answer to the question where are we going?

Global firms who make *Fortune’s* list of the 100 most admired companies are people-centered and answer these questions well. Almost all admired companies address the

human side of enterprise. If companies expect truly exceptional results, their leaders must be willing to embark on a journey to secure an alignment between individual aspirations and company goals. As Figure 16 depicts, getting such alignment starts with clarifying *purpose* from two very different points of view.

Why Aren't Leaders Better at Being Leaders?

Leaders' most common failing is not understanding how they must use management and leadership together. When called upon to be a manager-leader, executives often assume that "the challenges of leadership are rational and tactical, rather than emotional and conversational."⁸ They act as a manager and assume that if they just pull the right levers the organization will move in the right direction. The technique may have worked for them in the past, but it becomes a liability as the firm matures. Failing leaders also often frame their communications within marketplace logic. Unfortunately, people don't tend to resonate with marketplace logic; they listen for personal significance and an emotional connection.

A Personal and Emotional Connection. A review of the research literature reveals that the underlying theme running through all the discussions around leadership boil down to creating an emotional connection with people. This requirement is in stark contrast to the command-and-control paradigm where managers were told not to get too personal, too involved with their employees, as doing so would reduce their effectiveness. People who become great interactive leaders understand intuitively that running a business is not a series of mechanical tasks but a set of human interactions. For them, leadership is a supremely human activity where an emotional connection is created, trust is fostered, and loyalty is strong. Leaders understand and resonate with the emotional needs and desires of people who follow them.

There is no single set of characteristics that describe a good leader. They come in all sizes and shapes, have different backgrounds and personalities, and emerge when the situation calls for them. In fact, leadership is not the property of an individual but is a complex relationship between leaders, the needs of followers, the organizational purpose, and the external environment.

Like many political and religious leaders, corporate leaders need to emotionally invest in people by supporting, nurturing, coaching, and respecting people's uniqueness and diversity. One hallmark of a corporate leader is belonging to a people-oriented company that shuns hiring a huge base of contingent or part-time labor. While contingent and part-time labor may be an economic fad, people-oriented companies realize they cannot build a strong corporate culture when people are just passing through and are not attached psychologically to the company's goals. They view people as a capital asset. Levi-Strauss, Gillette, Southwest Airlines, and PepsiCo use this human-asset approach.⁹ Others falling into this category may total only 10% to 12% of all companies in the U.S., but they are out there. Studies from Jeffrey Pfeffer's book, *The Human Equation: Building Profits by Putting People First*, indicates that people-oriented companies do 30 to 40 % better financially than their competitors.¹⁰ Companies falling into this group emphasize teamwork, decision-making at lower levels, and developing other leaders, but always on a solid foundation of performance management.

Communicating by Walking Around and Differing. Leaders create a shared vision and an emotional connection with people by communicating. From his classic study, *What Effective General Managers Really Do*, originally published in 1982 and updated in 1999, John H. Kotter of the Harvard Business School finds a consistent theme in how leaders communicate. Those who limit their interactions to orderly management meetings and formal reviews of performance often cut themselves off from the very data and relationships they need in order to inspire people.

Leaders need flexible agendas and broad networks of relationships. These networks allow them to have quick and pointed conversations that give them influence well beyond their formal chain of command. Kotter suggests that seemingly wasteful activities like chatting in hallways and having impromptu meetings are, in fact, quiet efficient.¹¹ This approach sounds a lot like what *directive leaders* do as described in Chapter 1. This is true, but interactive leaders have a different agenda—they have a genuine concern for people, not just for production. Leaders like to stir the pot, rely on personal networks, build small relationships, and create growing pockets of trust. As we explained in a previous chapter, for example, General Electric's Jack Welch spends more than "50 percent of his time on

people issues and considers his greatest achievement the care and feeding of talent.”¹² He urges corporate executives to adopt the people-oriented model of managing people. “Above all else...good leaders are open. They go up, down, and around their organization to reach people...It is all about human beings coming to see and accept things through a constant interactive process aimed at consensus.”¹³

For any leader, three communication tools are essential: listening to others, supporting different points of view, and creating dialogue to see how each point of view helps achieve a common goal.

Much of the literature on leadership identifies *listening* as a key leader characteristic. This listening is empathic. The listener listens to understand from the speaker’s point of view. It is what natural leaders do instinctually and what others can learn.

Supporting is a hard concept for some to understand. People usually think that supporting another’s point of view means agreeing with it. This is not the case. Supporting means acknowledging the specific merits of others’ ideas. A mind-set acknowledges that each person is right from his or her point of view. Supporting means accepting differing views and allowing the disparity between opposite points of view to build creative tension so people can constructively differ.

To move people forward, *dialogue* has to be resolved. When people support each other’s views by constructively differing, they avoid the polarizing effects of arguing, saying “I’m right and you’re wrong.” When people differ, both people need to assume the other person has a valid point, and is right from their point of view. However, through discussion, options for action can be examined against how they help achieve the common goal.

Rather than resolving tension by coming to a decision quickly, this process of communication allows people to experience both sides (or even more) of an issue. It teaches people to allow opposite points of view to exist with equal dignity and worth. The energy of the tension opens up the space for mutual respect and dialogue. A culture without such creative tension tends to let economic rationalism rule. A concern for production can then override people and their ideas. However, leaders must keep in mind that the opposite is also true. When companies let an over riding concern for people

dominate their thinking they can dangerously let management's eye off of business. The Levi-Strauss example at the end of this chapter illustrates that when this happens someone else can quietly steal the company's market share.

LEADERS AT ALL LEVELS

There are three basic levels of leaders.

Executive leaders (CEOs) are responsible for articulating the vision and direction of the firm. CEOs make speeches and reorganize but have very little impact on the day-to-day operation of any kind of business. This is the job of *line-leaders*.

Line leaders are the lynch pins connecting lower levels to the top. They have a great deal of influence on what is important. They can act as filters or amplify the message executive leaders want communicated. Through their actions and even their non-verbal behavior they communicate what they think is important. They can kill any change program or they can take a leadership position and promote change. Unfortunately, this group of leaders can possess a mindset conditioned by years of adversarial relationships and can be wary of using interactive leadership techniques. Change programs often fail because of this group's lack of effective leadership skills.

Network-leaders are the third type. They are the invisible force behind how the firm really operates. Whether union representatives or a covey of technical experts, these individuals create a web of relationships and alliances that penetrate departmental walls. Often they represent communities having similar interests. They typically come together voluntarily, drawn by a common social and professional force. There are no bosses, diverse agendas, and no expected results. The egalitarian nature of these groups promotes openness to exchange knowledge, to listen, and to support disagreement. These natural work groupings with their network-leaders need identification and their networks formalized. Accepting and legitimizing these communities of interest is formalizing the informal organization. This is where "tribal knowledge" is created. In order to promote new leaders, change, and innovation, these communities must be strengthened to leverage the benefits in today's network organization.

WOMEN RISING IN PEOPLE CENTERED CULTURES

The need for leaders at all levels is being aided by the increasing filled by women. Faith Popcorn of BrainReserve tracks business and personal trends for Fortune 500 companies. In the 1996 book *Clicking*, she and Lys Marigold identify one of these trends to be the growing importance of women in business. They label this trend Female Think.¹⁴ In business, it manifests itself as a change from traditional, goal-oriented, and hierarchical models of interaction to more caring and familial ones. Since women tend to think differently than men, they interact with employees differently, in what has been called a more people-centered way.

Researchers Raquel and Ruben Gur at the University of Pennsylvania have concluded that the typical female manages information, emotions, and relationships differently than the typical male.¹⁵ Their research concludes, “Where crossfunctional collaboration is the medium for managing innovations, then individuals most comfortable with facilitating discussion and smoothing conflicts may be [women].” The Gur’s peer-review research suggests that because female managers typically display those virtues best, project team leadership will shift more and more to women. When this prediction is coupled with the fact that for the first time—as we leave the 20th century behind—women between the ages of 25 and 35 will have more education than their male counterparts, it appears that women may just have the right skills for the evolving New Economy.¹⁶

Similarly, in her book *The Female Advantage*, Sally Helgesen’s findings reveal that organizations run by women do not take the form of the traditional hierarchical pyramid, but more closely resemble a web, where leaders reach out, not down, to form an interrelating matrix built around a central purpose.¹⁷ A later book, *The Web Of Inclusion*, takes her spider web analogy further and gives the reader a glimpse of the postindustrial organization: it is fluid, technology-driven, based on creativity and relationships.¹⁸ As an analogy, webs of inclusion perfectly mesh with the ever-changing demands of the information age, diversity, and strategic alliances. Women, more so than men, seem to function well in this environment. The women Helgesen studied in her research “had built profoundly integrated and organic organizations, in which the focus was on nurturing good relationships; and in which the niceties of hierarchical rank and

distinction played little part; and in which lines of communication were multiplicitous, open, and diffuse.”¹⁹

One of the nation’s leading experts on the subject of women in business is Judith Rosner, faculty member at the Graduate School of Management, University of California, Irvine. Her 1990 *HBR* article “Ways Women Lead” suggests is that generally men view job performance as a series of individual transactions with subordinates, with rewards given for good work and punishment meted out for substandard performance.²⁰ Women, on the other hand, encourage employees to align their self-interests by identifying with the group. In exchange, these leaders share power, encourage participation, and allow for what employees want out of the job. This people-centered way favored by women stems from a belief that allowing employees to contribute and to feel important is a win-win situation.

New studies find that women managers outshine their male counterparts in almost every management performance measure.²¹ A recent *Business Week* article documents that out of 31 measures of performance, women ranked higher on 28 of them. The researchers weren’t looking to ferret out gender differences. While gender differences were small, and men sometimes got higher scores in some critical areas, such as strategic planning and technical problem solving, “female executives were judged more effective than their male counterparts.”²² The researchers stumbled on this finding while compiling hundreds of routine corporate performance appraisals.

One of the reasons women are better leaders is that the essence of what women leaders do is to interact with people. They do all the things that good leaders do, men or women, but women seem to actively work harder to make their interactions with associates positive for everyone involved. More specifically, they share power and information, enhance other people’s self-worth by listening, and get others excited about the task at hand. These characteristics sound a lot like “participative management,” or McGregor’s Theory Y.

Women at the Top

The number of women in business, especially at the top, is exploding. In the next few years, according to the U.S. Department of Labor, half of all business will have a female

owner.²³ Most women-based businesses are small sized, where women's people-centered leadership is not only appropriate, it is a significant factor in attracting and retaining key employees, with the economy strong and unemployment low. It is also appropriate because, as noted in Chapter 1, entrepreneurs use their natural leadership to build the business.

A positive sign that women are making it to the top with their interactive leadership style is the outside selection of Carleton "Cindy" Fiorina for the top job at high-tech firm Hewlett-Packard Co. A least two out of the four finalists for the top job at HP were women. In other words, not only was a women chosen, but the odds favored that result. Among the candidates, she had the clearest grasp of the "HP Way"—referring to the company's value system and its emphasis on the people side of business. She joins an elite group of women heading Fortune 500 companies. This is a first, since the biggest and best known high-tech firms—such as IBM, AOL, Intel, and Microsoft—are run by men.²⁴

Two of the most important factors propelling women into positions of corporate power are the two giant forces that are shaping the economy itself—rapid technological change and the shift to the horizontal corporation. The resulting organizational structure favors workers who excel at influencing others and are team players.

CO-LEADERS: THE POWER OF GREAT PARTNERSHIPS

In large complex organizations, one person may not have the requisite skills to be both a professional manager and an inspiring leader. In such a difficult role, manager-leaders tend to leave their leadership skills aside. Kotter, in fact claims, "Most U.S. corporations today are over-managed and under-led."²⁵ But the opposite is also true. Being overled and undermanaged is just as dangerous—as Apple Computer found out under its founder Steve Jobs. Because the abilities to lead and manage are so different, aptitude for both roles is rarely found in one larger-than-life individual. Jack Welch, Chairman of General Electric is the poster boy of this dual role. Another corporate chief falling into this category is Sam Walton of Wal-Mart. Both Welch and Walton excel at being leaders and managers. But because their kind is so hard to find, corporate America is witnessing the emergence of co-leaders. In this new model, the boss and subordinate act more like peers.

With leadership partners, one often excels as the interactive leader; the other's focus is management. Bennis and Heenan, in their book *Co-Leaders: The Power of Great Partnerships*, make the point that power sharing can work if the chemistry is right.²⁶ From Abbott and Costello to the short-lived duo of Orvitz and Eisner, or the long-term relationship between Bill Gates and Steve Ballmer, differing skills and a willingness to share power are fundamental to any such successful partnership.

Remaking Microsoft

Chapter 3 describes Microsoft as an example of a company smart enough to reinvent itself, jump the curve, and realize its need for co-leaders at the top. As we've described, Microsoft had hit its own corridor of crisis. Steve A. Ballmer, the new president, was convinced he had to reinvent the company.²⁷ Ballmer and his boss, Chairman Bill Gates, have come up with a sweeping overhaul of the thinking and structure of Microsoft. This is leadership at its best. The Internet changed everything for Microsoft must. They had to take a leadership position and jump the technological curve or face the prospects organizational decline. Their "DNA Strategy" as it is called, sets a new direction and organization structure for the firm.²⁸

Gates and Ballmer realized that they themselves were the bottleneck. Decisions large and small were being funneled to the top. Typical of this centralized control was a practice of reviewing key features of soon to be released software and the response records from the company's customer support lines. This undermined the confidence of managers below—they didn't feel as though they were in control of their own destiny. To achieve the new vision, Microsoft is decentralizing into eight separate entities.

The roles at the top change too. While Gates envisions the technology of the future, Ballmer's job is tending to the performance management of the business. He is the nuts and bolts guy; Gates is the leader. That is not to say that Ballmer's job isn't leadership. Microsoft of the future will need many leaders as it manages its network of internal groups and external alliances. As Ballmer says, "I have to grow from being a leader to being a leader of leaders"²⁹ as he manages the business.

The Larry and Ray Show

When it comes to famous co-leaders, the Larry and Ray show certainly qualifies. It has been around longer than Gates and Ballmer. Larry Ellinson and Ray Lane together ran Oracle Corp., the world's second-largest software company, for many years. Ellinson is a promoter of grand new strategies, the consummate leader. Lane looked after day-to-day operations while he painstakingly built the organization. He was Mr. Process. While Ellinson tries to change the computing world, Lane's focus was on changing Oracle. As Bill Marshall, an Oracle Consulting manager, says, "As a combination, they're much stronger than they are as individuals."³⁰ Both Oracle and Microsoft provide examples of the interesting openness in high-tech companies to share power.

The Two-Headed Manager

A very young Internet consultancy uses a CO CEO approach. Neither have anything in common with the other, yet that helps explain why it works. Sapient's Jerry Greenberg is Mr. Outside. He heads up sales and marketing. He facilitates board meeting, talks to Wall Street—traditional CEO stuff. On the other hand, Stuart Moore is Mr. Inside. His focus is how to make the firm a great place to work, and hiring talent. He is the one that can dialogue with the techies in their own language and relate to their needs—COO stuff.³¹

Is This Marriage Working?

While co-leaders are often complementary, power sharing can get sticky. Ray Lane and Ellinson parted company in 2000 when Ellinson wanted to improve operations, cut costs, and fatten the bottom line. Co-leadership is often structured out of a merger. When Weill of Travelers and Reed of Citicorp finally put their merger together, they were appointed CO-CEO's. A 1999 *Business Week* article entitled "Is This Marriage Working" pointed out the tension paradox created at the top of Citigroup. Both Weill and Reed are good at what they do, but couldn't share power. Even though joint leadership appeared to be the best solution, old-line managers had too much difficulty with the new arrangement. Eventually Weill got the top job and Reed quit.

However, the time-honored notion that all great organizations are the lengthened shadows of a great man or women is ending. It will be the maturity of partnerships like that of Gates & Ballmer, the co-stewardship of Greenberg & Moore, or the hundreds of alliances

being formed around the world that determine if teamwork at the top is viewed as a key component of corporate strategy. Neither flipping a coin nor selecting one CEO over the other is a viable solution. Can organizations expect teamwork at lower levels if the very concepts of teamwork aren't practiced at the top?

Integration Needs to Replace Either/or Thinking

One of the reasons for the emergence of co-leaders and power sharing is a reduction in either/or thinking. When picking an operating philosophy—the balance between a concern for production and a concern for people—there is a tendency among business people to fall into the trap of relying on one approach at the expense of the other. The dilemmas of bigger or smaller, controlling vs. delegating, planning or spontaneous creativity, leading with vision or encouraging entrepreneurship, being self sufficient or out-sourcing, downsizing or building trust with employees—are typical of those facing management-leaders. As more and more successfully co-lead companies are established, the drawbacks of either/or thinking are becoming clearer.

For example, Levi Strauss & Co. fell into either/or thinking and lost its way in the late-90s. Family heir Robert Haas' decision in the mid-90s to focus on touch-feely people techniques at the expense of hard nosed performance requirements led the once ever-cool Levi's jean manufacture to lose half its men's market share. No question, Levi Strauss was renowned as one of the best places to work. It made *Fortune's* top ten lists many times, but in an editorial, *Fortune* editors laid much of the blame for loss of market share on Haas for mismanagement. Haas, they said, lost sight of Levi's main management goal: "to sell as many jeans as possible by keeping brand fresh." ³²

Either/or thinking creates an unbalance. Purpose (maintaining or increasing market share) can't take a back seat to people (and their needs). Both requirements must be fulfilled at the same time. While this creates tension, resolving what appear to be mutually exclusive approaches precipitates a new set of solutions. High-performance organizations—whether they have co-leaders or larger-than-life individuals like Jack Welch—seem to deftly balance the tension between pairs of opposites. The good ones allow these tensions to exist. They understand that tensions generated by work-related differences are the source of creative ideas that add value. Instead of arguing which ways are best, successful

companies and their management-leaders strive to integrate different points of view. They use their pragmatism and influencing skills to defuse polarization.

MANAGING INTELLECTUAL CAPITAL

The other skill management-leaders will need to master is effectively utilizing intellectual capital. As we discussed earlier, today's worker is no different from his or her counterpart of 50 years ago. He or she wants the same things out of a job; the only problem is that 50 years ago the perception of work was radically different than it is today. However, over this half-century, survey results about what motivates workers and what makes a company a great place to work have been very consistent. Time and time again, the results come back that challenging work and opportunity to continually grow in the job are what produce job satisfaction. Pay and employee benefits are fundamental to job satisfaction, but they are not key motivators. So, what's the great workplace secret?

CREATING SELF-ORGANIZING NETWORKS

Developing human capital—and converting it into useful products and services—is fast becoming the critical executive skill of the age. A developed human capital yields a professional intellect that creates most of the value in the new economy, in service and manufacturing industries alike. But few managers have systematic answers to even these basic questions: What is professional intellect? How can we develop it? How can we leverage it? This chapter has provided answers to these questions. Managers that understand these answers know that the secret to a great workplace is to create self-organizing networks.

These networks draw on all aspects of a knowledge worker's activity. According to James Brian Quinn, the first author to write about intellectual capital, an organization's knowledge workers operate on four levels within a networked organization: tribal knowledge, advanced technical skills, an understanding of business process, and self-motivated creativity.³³ Tribal knowledge speaks to how things are done in the organization, how people are expected to relate and communicate to one another, and ways developed to get the work out the door. Doing a job well means that technical skills must be constantly upgraded. Investing in formal technical skill development is good both for the firm and for the individual. Knowledge workers know this for it is what

creates their value. Understanding end-to-end business processes provides the rationale for why work needs to be done in a certain sequence. Having this macro view provides knowledge workers with the big picture and demonstrates how their job contributes to the customer satisfaction. Finally, when decision-making authority is coupled with peer collaboration, managers find an increase in self-motivated creativity.

Quinn and his co-authors argue that organizations that nurture self-motivated creativity are more likely to thrive in the face of today's rapid changes. They illustrate how organizations as diverse as Merrill Lynch and NovaCare have leveraged professional intellect by providing analytic software tools, incentive systems, and organizational redesigns. The authors contend that organizations can tailor themselves to the particular way their professional intellect creates value by creating self-organizing networks.

When a few technical experts team up to meet a specific challenge, they create a temporary team. These webs of inclusion tap the talent and the knowledge scattered around the company. For example, when major oil companies have an exploration problem and knowledge is dispersed among many specialists scattered around the world, like British Petroleum they assemble a virtual team. Because telecommunications and Intranets are widely available throughout the world, communication in real time to help workers share their knowledge. The more technical experts assembled for a discussion the better. As Quinn et.al. claim, "A basic tenet of communications theory states that a network's potential benefits grow exponentially as the nodes it can successfully interconnect expand numerically." ³⁴

Managing intellectual capital requires a long view. It takes leaders with a vision about what the future holds. Managing a network organization, where knowledge is a strategic advantage, means that how workers are viewed and how they are developed will be the key to long-term corporate success.

SUMMARY

Running a business well, like any other human activity, requires a balance between two different and often contradictory approaches: management and leadership.

In ever more turbulent environments, executive leadership matters more than ever before. Speed, flexibility, and the ability to manage discontinuous change require excellent leadership skills. Leadership's job is to articulate vision. Leaders need to communicate a shared picture of the future that fosters genuine commitment and motivation. Leadership must be augmented through attention to details on roles, performance measures, reviews, but always with an eye on strategy. Management charts a course for control, stability, and practicality; with the other eye on the day-to-day operations, the customer, and market share. Balancing these two requirements is what the management-leader is asked to do.

Interactive leadership relies heavily on communication skills. It is about creating the space for dialogue and thinking together for the common good. It requires a level of maturity in which you + me = let us work together. By listening, supporting, and encouraging people to differ, leaders ensure a constant dialogue over future directions and resolving the tensions between competing and often opposing ideas. These leaders have a sensitivity to others and respect their ideas, feelings, and emotions.

Interactive leadership is all about creating *an emotional connection with people*. One of the reasons why women are finding their way into more and more leadership jobs is that they tend to know better how to create webs of inclusion and environments for open communication. While these skills may come more naturally to women, they may be the most important ingredients for success in the 21st century as male dominated organizations struggle to find a new "touch stone" to release the talent locked within their diverse workforce.

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