



Part 1: Introduction to Leadership

Chapter 1: What Does It Mean to Be a Leader?



..... **Chapter 1: What Does It Mean to Be a Leader?**



Your Leadership Challenge

After studying this chapter, you should be able to:

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

Chapter Outline

4	The Nature of Leadership	26	Organization of the Rest of the Book	<i>Leader's Bookshelf</i>
7	The New Reality for Today's Organizations		<i>In the Lead</i>	10 How the Mighty Fall
14	Leadership and the Wall Street Meltdown	13	Scotty Buete, University of Maryland Terrapins	14 Leadership and the Wall Street Meltdown
15	Comparing Management and Leadership	18	Jamie Dimon, JPMorgan Chase	<i>Leadership at Work</i>
19	Evolving Theories of Leadership		<i>Leader's Self-Insight</i>	28 Leadership Right–Wrong
22	Leadership Is Intentional	11	Your Learning Style: Using Multiple Intelligences	<i>Leadership Development: Cases for Analysis</i>
25	Learning the Art and Science of Leadership	16	Your Leadership Potential	29 Sales Engineering Division
		24	Are You on a Fast Track to Nowhere?	30 Studer International

The first thing Charles O. Holliday did when he landed in the United States after meeting with a major customer in Japan was call his top leadership team to an emergency meeting. It was early October 2008, and the DuPont Company CEO had a bad feeling. The Japanese executive Holliday had met with said he ordered all his managers to start conserving cash in case the spreading financial crisis affected his company's ability to raise capital. Holliday heard the wake-up call—the financial industry's problems were going to pervade every business in every industry and dramatically hurt DuPont's sales. Holliday took immediate steps to make sure everyone throughout DuPont got the message as well. Within a few weeks, every single employee had had a face-to-face meeting with a manager who explained the gathering financial storm, how it was affecting DuPont's business, what leaders were doing to cushion the company and its people, and what employees needed to be doing to help. After the meetings, leaders conducted polls to see how people were feeling. Were they scared? Energized? Confused? Were they ready to meet the challenges facing them?¹ Thanks to Holliday's ability to face reality and energize his leadership team and the entire organization, DuPont has weathered the recent global economic maelstrom better than many other companies.

Referring to the economic situation in March 2009, David Rothkopf wrote in *The Washington Post*, "This is not just a global economic crisis. It is a global leadership crisis."² Yet, as the example of Charles Holliday illustrates, there are leaders who have risen to the challenge. Holliday was set to retire at the end of



2008. He could have coasted through his last few months and left the problem for his successor, Ellen Kullman, to cope with on her own. But Holliday has long been recognized as a leader who understands the importance of doing the right thing rather than the easiest thing. “Just saying you’re ethical isn’t very useful,” Holliday once stated. “You have to earn trust by what you do every day.”³ In addition to group meetings, Holliday took the time to meet individually with each of the company’s top 14 executives to discuss the crisis and how to make sure DuPont would survive it and come out stronger on the other side.

Do you have the capacity and commitment required for taking a leadership role in your school, community, or workplace? What does it mean to be a leader? For many people, leadership stems from a desire to make a difference in the lives of others and the world. It means believing in yourself and those you work with, loving what you do, and infusing others with energy and enthusiasm to accomplish a vision for a better future. There are leaders making a difference every day, not only in businesses like DuPont but in nonprofit organizations, the military, educational systems and governmental agencies, sports teams and volunteer committees, big cities and small rural communities, as well.

When many people think of leaders, they recall great historical figures such as Abraham Lincoln, Napoleon, and Alexander the Great, or they think of “big names” in the news, such as U.S. President Barack Obama or former General Electric CEO Jack Welch, who still commands a spotlight years after his retirement. Yet there are leaders working in every organization, large and small. In fact, leadership is all around us every day, in all facets of our lives—our families, schools, communities, churches, social clubs, and volunteer organizations, as well as in the world of business, sports, and the military.

For example, Captain Chesley B. “Sully” Sullenberger made the news in January 2009 by successfully landing U.S. Airways flight 1549 on the Hudson River. He was called a hero for his leadership of the flight crew that saved the lives of 155 passengers and crew. But the 58-year-old Sullenberger had been quietly acting as a leader in anonymity for most of his adult life, first as an Air Force fighter pilot, where he attained the rank of captain, and later as a commercial pilot, flight instructor, safety consultant, volunteer committee officer, and accident investigator. His first public comment after the accident? “I know I can speak for the entire crew when I tell you we were simply doing the job we were trained to do.” One police officer on the scene of the accident said, “That guy is one cool customer. He... was behaving like it was just another day at the office.”⁴ The primary qualities that make a good leader are similar whether one is leading a flight crew, a military unit, a basketball team, a volunteer group, a small company, or a huge international corporation.

The Nature of Leadership

Before we can examine what makes an effective leader, we need to know what leadership means. Leadership has been a topic of interest to historians and philosophers since ancient times, but scientific studies began only in the twentieth century. Scholars and other writers have offered hundreds of definitions of the term *leadership*, and one authority on the subject has concluded that leadership “is one of the most observed and least understood phenomena on earth.”⁵ Defining leadership has been a complex and elusive problem largely because the nature of leadership itself is complex. Some have even suggested that leadership is nothing more than a romantic myth, perhaps based on the false hope that someone will come along and solve our problems by sheer force of will.⁶

There is some evidence that people do pin their hopes on leaders in ways that are not always realistic. Think about how some struggling companies recruit well-known, charismatic CEOs and invest tremendous hopes in them, only to find that their problems actually get worse.⁷ For example, Robert Nardelli was hailed as a brilliant leader when he took over as CEO of The Home Depot, and expectations were great. Nardelli's years as an executive working under Jack Welch at General Electric and his assertive, outgoing personality had given him celebrity status in the business world. Unfortunately, although Nardelli's leadership brought some quick gains, implementing many of his plans turned out to cause even more problems for the company. Unhappy shareholders, concerns over Nardelli's exorbitant pay package, and other issues led Nardelli and the board to mutually agree to his resignation.⁸ Whether Nardelli got more or less blame than he deserved for Home Depot's problems is debatable, but the example serves to illustrate the unrealistic expectations people often have of "larger-than-life" leaders.

Particularly when times are tough, people often look to a grand, heroic type of leader to alleviate fear and uncertainty. As Bill George, a professor at Harvard Business School and former chair and CEO of Medtronic, put it, people "fall into the trap of choosing leaders for their style rather than their substance, for their image instead of their integrity."⁹ In recent years, the romantic or heroic view of leadership has been challenged.¹⁰ Much progress has been made in understanding the essential nature of leadership as a real and powerful influence in organizations and societies.

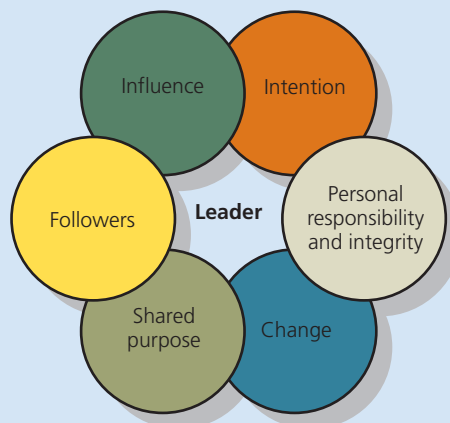
Definition of Leadership

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

Exhibit 1.1 summarizes the key elements in this definition. Leadership involves influence, it occurs among people, those people intentionally desire significant changes, and the changes reflect purposes shared by leaders and followers. *Influence* means that the relationship among people is not passive;

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

Exhibit 1.1 What Leadership Involves



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

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

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

Leadership and the Business of Living

Think for a moment about someone you personally have known that you would consider a leader—a grandparent, a supervisor, a coach, or even a fellow student. Perhaps you consider yourself a leader, or know that you want to be one. If we stop equating leadership with greatness and public visibility, it becomes easier to see our own opportunities for leadership and recognize the leadership of people we interact with every day. Leaders come in all shapes and sizes, and many true leaders are working behind the scenes. Leadership that has big outcomes often starts small.

- Wendy Kopp was a senior at Princeton University when she first came up with the idea of a sort of “Peace Corps for teachers,” a national organization that would recruit recent college graduates to commit to teach for two years at some of America’s toughest public schools. One of her Princeton professors admits he called her “deranged” when she proposed the idea to him. Yet, Teach for America, the organization Kopp started, became one of the most respected educational initiatives in the United States. In 2006, fully

10 percent of the graduating class of Yale University applied to participate in the program.¹⁴

- After Hurricane Katrina wiped out communities along the Gulf Coast in August 2005, official rescue and relief agencies were woefully slow to respond. In contrast, informal leaders in the community of Villa Platte quickly organized rescue and relief efforts around the slogan, *If not us, then who?* The community, made up of about 11,000 people with an average yearly income of only \$5,300, served 5,000 traumatized Katrina victims—rescuing people from rooftops, picking up the dead, transporting the injured to trauma centers, and inviting displaced people to stay in their homes.¹⁵
- Greg Mortenson had a vision that the best way to fight terrorism was by building secular schools and promoting education, especially for girls, in northern Pakistan and neighboring Afghanistan. He wrote nearly 600 letters and submitted 16 grant applications, but received only one favorable reply—a \$100 check from Tom Brokaw. Undeterred, Mortenson sold all his possessions and began appealing to everyday people. Schoolchildren donated hundreds of dollars in pennies, inspiring adults to donate as well. With the \$12,000 he eventually raised, Mortenson built his first school in Korphe in 1996. Today, he runs the Central Asia Institute (CAI), which as of 2008 had built 78 schools serving 33,000 students, as well as completed a number of other projects focused on providing potable water, vocational centers for women, and rural health camps. CAI has continued its “Pennies for Peace” project (<http://www.penniesforpeace.org>) to educate American children about the larger world and show them they can have a positive impact.¹⁶
- During his five years working as a car salesman, Robert Chambers was disgusted by how some dealers and finance institutions preyed on low-income customers. After he retired from a varied career, the 62-year-old electrical engineer decided to do something about it. He founded Bonnie CLAC (Car Loans and Counseling), which steers low-income people toward buying new, base-model cars at low prices and on good loan terms. With branches in New Hampshire, Vermont, and Maine, Bonnie CLAC has negotiated price and extended warranty deals with a dozen or so auto dealers and worked with banks to provide low interest rates. Bonnie CLAC guarantees the loan, and then works with clients to help them manage their finances.¹⁷



There are opportunities for leadership all around us that involve influence and change toward a desired goal or outcome. Without leadership, our families and communities, as well as our organizations, would fall apart.

The leaders of tomorrow’s organizations will come from anywhere and everywhere, just as they always have. You can start now, wherever you are, to practice leadership in your own life. Leadership is an everyday way of acting and thinking that has little to do with a title or formal position in an organization. As we will discuss in the following section, business leaders need to understand this tenet more than ever in the world of the twenty-first century.

Action Memo

As a leader, you can recognize opportunities for leadership and act to influence others and bring about changes for a better future.

The New Reality for Today’s Organizations

Globalization. Outsourcing. Shifting geopolitical forces. Advancing technologies. Virtual teams. E-business. People in organizations around the world are feeling the impact of these and other trends and are forced to adapt to new ways of

Exhibit 1.2 The New Reality for Leadership

OLD Paradigm	NEW Paradigm
Stability	Change and crisis management
Control	Empowerment
Competition	Collaboration
Uniformity	Diversity
Self-centered	Higher ethical purpose
Hero	Humble

working. Add to this the recent economic crisis, widespread ethical scandals, global health scares such as the “swine flu” outbreak, and the insecurity associated with war and terrorism, and leaders are facing challenges they couldn’t even imagine just a few years ago. In a survey by the Center for Creative Leadership, 84 percent of leaders surveyed say the definition of effective leadership changed significantly within the first few years of the twenty-first century.¹⁸

Some historians and other scholars believe our world is undergoing a transformation more profound and far-reaching than any experienced since the dawn of the modern age and the Industrial Revolution some 500 years ago. Rapid environmental changes are causing fundamental shifts that have a dramatic impact on organizations and present new challenges for leaders. These shifts represent a transition from a traditional to a new paradigm, as outlined in Exhibit 1.2.¹⁹ A **paradigm** is a shared mindset that represents a fundamental way of thinking about, perceiving, and understanding the world.

Although many leaders are still operating from an old-paradigm mindset, as outlined in the first column of Exhibit 1.2, they are increasingly ineffective. Successful leaders in the twenty-first century will respond to the new reality outlined in the second column of the exhibit.

From Stability to Change and Crisis Management

In the past, many leaders assumed that if they could just keep things running on a steady, even keel, the organization would be successful. Yet today’s world is in constant motion, and nothing seems certain anymore. If leaders still had an illusion of stability at the dawn of the twenty-first century, it is surely shattered by now. Consider the following recent events:

- The mortgage and finance industries in the United States suffered a meltdown of historic proportions. After surviving every crisis of the twentieth century, 85-year-old Bear Stearns crashed and disappeared almost overnight early in the twenty-first. Another Wall Street icon, Lehman Brothers, filed for Chapter 11 bankruptcy soon afterward. American International Group (AIG) had to be bailed out by the U.S. government, and Merrill Lynch was saved by becoming part of Bank of America.²⁰ In the year following these events, almost every firm in the financial services industry was shaken to its core.
- The price of oil skyrocketed in the spring and summer of 2008, catching most businesses as well as consumers by surprise. People altered their buying habits, travel routes, and vacation plans, creating even bigger headaches for organizations already struggling with higher costs. Retailers, airlines, auto makers, food processors, trucking companies, restaurants, school systems, car rental firms, and every other type of organization felt the pinch.

Paradigm

a shared mindset that represents a fundamental way of thinking about, perceiving, and understanding the world





Leader's Bookshelf

How the Mighty Fall—and Why Some Companies Never Give In

By Jim Collins

TURBULENT
TIMES

In late 2008, as Jim Collins watched one venerable company after another slide toward doom, he had already been thinking about how and why organizations tumble “from iconic to irrelevant.” The result of his thinking is *How the Mighty Fall*, based on substantial research that had begun years before the recent troubled times. “Every institution is vulnerable, no matter how great,” Collins writes.

The Silent Creep of Impending Doom

As this title of Collins' first chapter makes clear, it is easy for leaders to miss the signals that an organization is going downhill. By understanding five stages of decline, leaders can detect the seeds of decline before they take root, or increase their chances of avoiding a fall if decline has already begun.

- *Stage 1: Hubris Born of Success.* Leaders can become arrogant about their company's success, viewing it almost as an entitlement. “Luck and chance play a role in many success-

ful outcomes, and those who fail to acknowledge [that]—and thereby overestimate their own merit and capabilities—have succumbed to hubris.”

- *Stage 2: Undisciplined Pursuit of More.* Unchecked, hubris causes leaders to think they can accomplish anything, so they go for more growth, more power, more acclaim. They may leap into new areas where they truly *cannot* achieve success. *Overreaching* often describes how the mighty fall.
- *Stage 3: Denial of Risk and Peril.* At this stage, there are plenty of internal warning signs, but the company still looks good on the outside. Leaders discount negative data and amplify positive data. They refer to problems as temporary setbacks.
- *Stage 4: Grasping for Salvation.* Risks that go bad have now thrown the company into Stage 4, where decline becomes visible to everyone inside and outside the organization. Rather than “lurching for a quick salvation,” such as recruiting a charismatic new

CEO, wise leaders take the company back to the focus and discipline that led to success in the first place.

- *Stage 5: Capitulation to Irrelevance or Death.* Companies that linger in Stage 4, “repeatedly grasping for silver bullets,” continue to spiral downward. At Stage 5, leaders have abandoned all hope for saving the company.

Never Give In

Xerox, IBM, Merck, Texas Instruments, Nordstrom, Disney, and Nucor are examples of companies that have at some point taken a tremendous fall, yet recovered and grown stronger. In every case, Collins points out, “leaders emerged who broke the trajectory of decline and simply refused to give up. . . .” *How the Mighty Fall* describes each of the five stages and offers ideas for how leaders can take the right steps at each stage.

How the Mighty Fall, by Jim Collins, is published by HarperCollins.

- Following years of declining sales, slipping market share, and mounting costs, General Motors, one of the world's largest companies and long considered central to the U.S. economy, teetered on the brink of collapse and became the second-largest industrial bankruptcy in history.²¹
- China and India commerce. In the first decade of the twenty-first century, Chinese companies spent around \$115 billion on foreign acquisitions, including purchasing Canada's PetroKazakhstan, a 10 percent stake in U.S. based Morgan Stanley, and a 20 percent stake in South Africa's Standard Bank.²²

Most leaders, whether in business, politics, the military, education, social services, the arts, or the world of sports, recognize that trying to maintain stability in a world of such unexpected and far-reaching change is a losing battle. Today's best leaders accept the inevitability of change and crisis and recognize them as potential sources of energy and self-renewal. Rather than being laid low, they develop effective *crisis management* skills that help their organizations weather the storm and move toward something better. Leaders have to “wake

up every morning, go to work, and pave a path to the other side—and a better future.”²³ Every company is subject to periods of instability and crisis, and leaders are responsible for helping their organizations renew themselves. Even large successful organizations are subject to decline, and recent events have verified that they can fall hard and fast if leaders make mistakes. This chapter’s Leader’s Bookshelf on page 10 describes how leaders can help companies avoid the fate that has befallen icons such as Bear Stearns, Lehman Brothers, and General Motors.

From Control to Empowerment

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

Today, the old assumptions about the distribution of power are no longer valid. An emphasis on control and rigidity serves to squelch motivation, innovation, and morale rather than produce desired results. Effective leaders share power rather than hoard it and find ways to increase an organization’s brain-power by getting everyone in the organization involved and committed.

One reason for this is that the financial basis of today’s economy is becoming *information* rather than the tangible assets of land, buildings, and machines. This means human capital is becoming more important than financial capital, which increases the power of employees.²⁴ When all the organization needed was workers to run machines eight hours a day, traditional command-and-control systems generally worked quite well, but the organization received no benefit from employees’ minds. Now, success depends on the intellectual capacity of all employees. One of the leader’s most challenging jobs is to enable people to embrace and use their power effectively.²⁵

From Competition to Collaboration

Although some companies still encourage internal competition and aggressiveness, most successful organizations stress teamwork, compromise, and cooperation so that all employees can become the best they can be. Self-directed teams and other forms of horizontal collaboration are breaking down boundaries between departments and helping to spread knowledge and information throughout the organization.

There is also a growing trend toward increasing collaboration with other organizations so that companies think of themselves as teams that create value jointly rather than as autonomous entities in competition with all others.²⁶

A new form of global business is made up of networks of independent companies that share financial risks and leadership talents and provide access to one another’s technologies and markets.²⁷

Collaboration presents greater leadership challenges than did the old concept of competition. It is often more difficult to create an environment of teamwork and community that fosters collaboration and mutual support. Yet the call for empowerment, combined with an understanding of organizations as fluid, dynamic, interactive systems, makes the use of intimidation and manipulation obsolete as a means of motivating people toward goals.

Action Memo

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



Leader's Self-Insight 1.1

Your Learning Style: Using Multiple Intelligences

Multiple Intelligence theory suggests that there are several different ways of learning about things; hence there are multiple "intelligences," of which five are interpersonal (learn via interactions with others); intrapersonal (own inner states); logical-mathematical (rationality and logic); verbal-linguistic (words and language); and musical (sounds, tonal patterns, and rhythms). Most people prefer one or two of the intelligences as a way of learning, yet each person has the potential to develop skills in each of the intelligences.

The items below will help you identify the forms of intelligence that you tend to use or enjoy most, as well as the forms that you use less. Please check each item below as Mostly False or Mostly True for you.

	Mostly False	Mostly True
1. I like to work with and solve complex problems.	_____	_____
2. I recently wrote something that I am especially proud of.	_____	_____
3. I have three or more friends.	_____	_____
4. I like to learn about myself through personality tests.	_____	_____
5. I frequently listen to music on the radio or iPod-type player.	_____	_____
6. Math and science were among my favorite subjects.	_____	_____
7. Language and social studies were among my favorite subjects.	_____	_____
8. I am frequently involved in social activities.	_____	_____
9. I have or would like to attend personal growth seminars.	_____	_____
10. I notice if a melody is out of tune or off key.	_____	_____
11. I am good at problem-solving that requires logical thinking.	_____	_____
12. My conversations frequently include things I've read or heard about.	_____	_____

	Mostly False	Mostly True
13. When among strangers, I easily find someone to talk to.	_____	_____
14. I spend time alone meditating, reflecting, or thinking.	_____	_____
15. After hearing a tune once or twice, I am able to sing it back with some accuracy.	_____	_____

Scoring and Interpretation

Count the number of items checked Mostly True that represent each of the five intelligences as indicated below.

Questions 1, 6, 11, Logical-mathematical intelligence.

Mostly True = _____.

Questions 2, 7, 12, Verbal-linguistic intelligence.

Mostly True = _____.

Questions 3, 8, 13, Interpersonal intelligence.

Mostly True = _____.

Questions 4, 9, 14, Intrapersonal intelligence.

Mostly True = _____.

Questions 5, 10, 15, Musical intelligence.

Mostly True = _____.

Educational institutions tend to stress the logical-mathematical and verbal-linguistic forms of learning. How do your intelligences align with the changes taking place in the world? Would you rather rely on using one intelligence in-depth or develop multiple intelligences? Any intelligence above for which you received a score of three is a major source of learning for you, and a score of zero means you may not use it at all. How do your intelligences fit your career plans and your aspirations for the type of leader you want to be?

Source: Based on Kirsi Tirri, Petri Nokelainen, and Martin Ubani, "Conceptual Definition and Empirical Validation of the Spiritual Sensitivity Scale," *Journal of Empirical Theology* 19 (2006), pp. 37-62; and David Lazear, *Seven Ways of Knowing: Teaching for Multiple Intelligences* (Palatine, IL: IRI/Skylight Publishing, 1991).

From Uniformity to Diversity

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

Bringing diversity into the organization is the way to attract the best human talent and develop an organizational mindset broad enough to thrive in a multinational world. Two business school graduates in their twenties discovered the importance of diversity when they started a specialized advertising firm. They worked hard, and as the firm grew, they hired more people just like themselves—bright, young, intense college graduates who were committed and hard working. The firm grew to about 20 employees over two and a half years, but the expected profits never materialized. The two entrepreneurs could never get a handle on what was wrong, and the firm slid into bankruptcy. Convinced the idea was still valid, they started over, but with a new philosophy. They sought employees with different ages, ethnic backgrounds, and work experience. People had different styles, yet the organization seemed to work better. People played different roles, and the diverse experiences of the group enabled the firm to respond to unique situations and handle a variety of organizational and personal needs. The advertising firm is growing again, and this time it is also making a profit.

From Self-Centered to Higher Ethical Purpose

A seemingly endless series of corporate scandals and the shock of the Wall Street crisis have prompted a determined and conscious shift in leader mindset from a self-centered focus to emphasis on a higher ethical purpose. Public confidence in business leaders in particular is at an all-time low, but politics, sports, and non-profit organizations have also been affected.

Unfortunately, the old-paradigm emphasis on individual ability, success, and prosperity sometimes pushed people to cross the line, culminating in organizational corruption on a broad scale and ugly headlines exposing many organization leaders as unethical and self-serving rogues. More than half of Americans say they are not proud of the country's leaders in business, government, education, and other fields, according to a poll conducted for *U.S. News & World Report* and Harvard University's Center for Public Leadership. Only 39 percent believe most leaders have high ethical standards.²⁸

In the new paradigm, leaders emphasize accountability, integrity, and responsibility to something larger than individual self-interest, including employees, customers, the organization, and all stakeholders.²⁹ This chapter's *Consider This* box presents 10 commandments based on 1950s western film star Gene Autry's Cowboy Code that can be regarded as applicable to new paradigm leaders.

Marilyn Nelson, CEO of the Carlson Companies (Radisson Hotels, TGI Fridays, Regent Seven Seas Cruises), says being a true leader means you "have to subordinate your own emotions, your own desires, even make decisions on behalf of the whole that might conflict with what you would do on an individual basis."³⁰ A stunning example of this occurred in the spring of 2009 when a United States-flagged cargo ship, the *Maersk Alabama*, was seized and raided by Somali pirates. Captain Richard Phillips ordered crew members of the unarmed ship not to fight and gave himself up as a hostage to free the ship and crew.³¹



NOT FOR SALE



Consider **This!**

Should Leaders Live by the Cowboy Code?

1. A cowboy never takes unfair advantage—even of an enemy.
2. A cowboy never goes back on his word or betrays a trust.
3. A cowboy always tells the truth.
4. A cowboy is kind and gentle with children, the elderly, and animals.
5. A cowboy is free from racial or religious prejudice.
6. A cowboy is always helpful and lends a hand when anyone's in trouble.
7. A cowboy is a good worker.
8. A cowboy stays clean in thought, speech, action, and personal habits.
9. A cowboy respects womanhood, parents, and the laws of his nation.
10. A cowboy is a patriot to his country.

Source: Gene Autry's Cowboy Commandments are reported, with some variations in wording, in multiple sources.

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From Hero to Humble

A related shift is the move from the celebrity “leader-as-hero” to the hard-working behind-the-scenes leader who quietly builds a strong enduring company by supporting and developing others rather than touting his or her own abilities and successes.³²

Jim Collins, author of *Good to Great* and *How the Mighty Fall*, calls this new breed “Level 5 leaders.”³³ In contrast to the view of great leaders as larger-than-life personalities with strong egos and big ambitions, Level 5 leaders often seem shy and unpretentious and have no need to be in the limelight. They are more concerned with the success of the team or company than with their own success. For example, the coach of the University of Maryland soccer team discovered that the best team captains are typically the guys who don't call attention to themselves.

IN THE LEAD

Scotty Buete, University of Maryland Terrapins

As head coach of the University of Maryland Terrapins, or “Terps,” as they are known to fans, Sasho Cirovski led a bottom-ranked soccer team to six straight NCAA tournament showings. But then, something went wrong. Cirovski realized he was doing a good job of recruiting high-caliber talent, but he wasn't doing so well picking good team leaders.

Soccer is a game with no time-outs, so leadership on the field is crucial. Cirovski called on his brother, a human resources vice president for Cardinal Health Inc., for advice. His brother helped him administer a survey and analyze the results to identify “off the radar leaders.” His recommendation for team captain? Scotty Buete, a quiet sophomore that Cirovski had never even considered for a leadership role. Why? Buete seemed too shy, too unassuming, somehow too *small* to be a leader. “This was the same kid I had to . . . convince he was good enough to play at Maryland,” Cirovski recalls.

But it turned out that Buete was the player that other players turned to. The survey showed that Buete had the respect of almost everyone and exerted a tremendous influence on his teammates. Rather than calling attention to himself, Buete did whatever was needed for the good of the team. "Scotty was the glue, and I didn't see it," Cirovski says.³⁴

Scotty Buete, who remained an effective team leader of the Terps until graduation, reflects the humility of a Level 5 leader. These leaders are characterized by an almost complete lack of ego, coupled with a fierce resolve to do what is best for the organization. They accept full responsibility for mistakes, poor results, or failures, but they typically give credit for successes to other people. A corporate example is Reuben Mark, CEO of Colgate-Palmolive. Mark shuns personal publicity and turns down requests for media profiles because

Action Memo

As a leader, you can respond to the reality of change and crisis, the need for empowerment, collaboration, and diversity, and the importance of a higher, ethical purpose. You can channel your ambition toward achieving larger organizational goals rather than feeding your own ego.

he believes a personal profile takes credit for the efforts of his employees. At annual meetings, Mark pays tribute to employees around the world who make even seemingly minor contributions to innovation, market increases, or business operations.³⁵ Although most research regarding the new type of leader has been on corporate CEOs, it is important to remember that new-paradigm or Level 5 leaders are in all positions in all types of organizations.

Leadership and the Wall Street Meltdown

Unfortunately, humility and emphasis on a higher ethical purpose are qualities that some executives find difficult to attain and uphold. It wasn't so many years ago that a number of high-flying companies, including Enron, WorldCom, Tyco, and Arthur Andersen, came crashing down due to the unbridled greed, arrogance, irresponsibility, and deceptiveness of top executives. Did corporate leaders learn anything? Apparently some did not. The impact of those failures pales in comparison to what has occurred as a result of the recent Wall Street meltdown.

The mess started partly with loan originators like Washington Mutual, New Century Financial, and Countrywide that aggressively pushed subprime and low- or no-documentation loans to borrowers with low incomes and low credit scores. Companies such as Bear Stearns, Lehman Brothers, and Merrill Lynch got themselves into serious trouble by borrowing heavily to invest in these risky real estate assets, then packaged them into bond-like securities and sold them to investors as investments rated very safe. Leaders at these companies prided themselves on finding new and clever ways to package mortgage-related assets and earn lucrative fees. The business media and investment rating companies contributed to the calamity by blessing the investments, praising these companies and their leaders for their ingenuity and ambitious, aggressive business models.

Legal experts and government watchdogs are trying to sort out how much of the mess can be attributed to activities that were actually illegal but, the question of legality aside, the whole episode reflects a failure of responsible leadership. The media praise and the lure of big salaries and bigger bonuses caused executives in these companies to, at the least, suspend their judgment, and in many cases to make decisions and take action based on what best served their own self-interest rather than what was good for clients or the company. For instance, loan originators frequently made loans to people who obviously could not afford the home they were purchasing, or the payments on the loan, simply for the purpose of generating loan volume—thus grabbing as much of the pie as they could, with little concern for who might be hurt in the process. Similarly, executives at



companies that securitized and packaged the loans continued to pay themselves huge salaries and bonuses even as losses mounted into the billions. AIG, for instance, paid out around \$165 million in bonuses—with one executive receiving \$6.4 million and six others receiving more than \$4 million each—even after the company reported the largest quarterly loss in history and had accepted a \$170 billion bailout from the U.S. government.³⁶ Although a number of AIG executives who received bonuses later returned the money, the incident shed light on an organization where judgment and values were horribly out of whack.

“The current crisis was not caused by subprime mortgages, credit default swaps, or failed economic policies,” said Harvard’s Bill George. “The root cause is failed leadership.”³⁷ The Wall Street crisis has vaporized trillions of dollars in investment capital, ripped another trillion or so from taxpayers’ pockets, devastated trust funds and endowments, led to massive layoffs, and contributed to numerous small business failures. Yet despite the turmoil and confusion of these trying times, there are sensible, responsible, ethical leaders doing good things, and some of them will be profiled throughout this text. In addition, new leaders will emerge from the crisis who can look beyond the current situation and help people move to something new and better.

Comparing Management and Leadership

Management can be defined as the attainment of organizational goals in an effective and efficient manner through planning, organizing, staffing, directing, and controlling organizational resources. So, what is it that distinguishes the process of leadership from that of management? Managers and leaders are not inherently different types of people. There are managers at all hierarchical levels in today’s organizations who are also good leaders, and most people can develop the qualities needed for effective leadership. Both management and leadership are essential in organizations and must be integrated effectively to lead to high performance.³⁸ That is, leadership cannot replace management; it should be in addition to management.

Exhibit 1.3 compares management to leadership in five areas crucial to organizational performance—providing direction, aligning followers, building relationships, developing personal qualities, and creating leader outcomes.³⁹

Providing Direction

Both leadership and management are concerned with providing direction for the organization, but there are differences. Management focuses on establishing detailed plans and schedules for achieving specific results, then allocating resources to accomplish the plan. Leadership calls for creating a compelling vision of the future and developing farsighted strategies for producing the changes needed to achieve that vision. Whereas management calls for keeping an eye on the bottom line and short-term results, leadership means keeping an eye on the horizon and the long-term future.

A **vision** is a picture of an ambitious, desirable future for the organization or team.⁴⁰ It can be as lofty as Motorola’s aim to “become the premier company in the world” or as down-to-earth as the Swedish company IKEA’s simple vision “to provide affordable furniture for people with limited budgets.”

To be compelling for followers, the vision has to be one they can relate to and share. Consider that in *Fortune* magazine’s study of the “100 Best Companies to

Action Memo

You can evaluate your own leadership potential by completing the quiz in Leader’s Self-Insight 1.2.

Management

the attainment of organizational goals in an effective and efficient manner through planning, organizing, staffing, directing, and controlling organizational resources

Vision

a picture of an ambitious, desirable future for the organization or team

Exhibit 1.3 Comparing Management and Leadership

	Management	Leadership
Direction:	Planning and budgeting Keeping eye on bottom line	Creating vision and strategy Keeping eye on horizon
Alignment:	Organizing and staffing Directing and controlling Creating boundaries	Creating shared culture and values Helping others grow Reducing boundaries
Relationships:	Focusing on objects—producing/ selling goods and services Based on position power Acting as boss	Focusing on people—inspiring and motivating followers Based on personal power Acting as coach, facilitator, servant
Personal Qualities:	Emotional distance Expert mind Talking Conformity Insight into organization	Emotional connections (Heart) Open mind (Mindfulness) Listening (Communication) Nonconformity (Courage) Insight into self (Character)
Outcomes:	Maintains stability; creates culture of efficiency	Creates change and a culture of integrity

Source: Based on John P. Kotter, *A Force for Change: How Leadership Differs from Management* (New York: The Free Press, 1990).

Work for in America,” two of the recurring traits of great companies are a powerful, visionary leader and a sense of purpose beyond increasing shareholder value.⁴¹

Aligning Followers

Management entails organizing a structure to accomplish the plan; staffing the structure with employees; and developing policies, procedures, and systems to direct employees and monitor implementation of the plan. Leadership is concerned instead with communicating the vision and developing a shared culture and set of core values that can lead to the desired future state. Whereas the vision describes the destination, the culture and values help define the journey toward it. Leadership focuses on getting everyone lined up in the same direction.

Rather than simply directing and controlling employees to achieve specific results, leaders “align [people] with broader ideas of what the company should be and why.”⁴² Leaders encourage people to expand their minds and abilities and to assume responsibility for their own actions. Think about classes you have taken at your college or university. In some classes, the professor tells students exactly what to do and how to do it, and many students expect this kind of direction and control. Have you ever had a class where the instructor instead inspired and encouraged you and your classmates to find innovative ways to meet goals? The difference reflects a rational management versus a leadership approach.

Building Relationships

In terms of relationships, management focuses on objects such as machines and reports, on taking the steps needed to produce the organization’s goods and services. Leadership, on the other hand, focuses on motivating and inspiring people.



Leader's Self-Insight 1.2

Your Leadership Potential

Questions 1–6 below are about you right now. Questions 7–14 are about how you would like to be if you were the head of a major department at a corporation. Answer Mostly False or Mostly True to indicate whether the item describes you accurately, or whether you would strive to perform each activity as a department head.

Now

- | | Mostly
False | Mostly
True |
|---|-----------------|----------------|
| 1. When I have a number of tasks or homework assignments to do, I set priorities and organize the work to meet the deadlines. | _____ | _____ |
| 2. When I am involved in a serious disagreement, I hang in there and talk it out until it is completely resolved. | _____ | _____ |
| 3. I would rather sit in front of my computer than spend a lot of time with people. | _____ | _____ |
| 4. I reach out to include other people in activities or when there are discussions. | _____ | _____ |
| 5. I know my long-term vision for career, family, and other activities. | _____ | _____ |
| 6. When solving problems, I prefer analyzing things myself to working through them with a group of people. | _____ | _____ |

Head Of Major Department

- | | Mostly
False | Mostly
True |
|---|-----------------|----------------|
| 7. I would help subordinates clarify goals and how to reach them. | _____ | _____ |
| 8. I would give people a sense of long-term mission and higher purpose. | _____ | _____ |
| 9. I would make sure jobs get out on time. | _____ | _____ |
| 10. I would scout for new product or service opportunities. | _____ | _____ |

- | | Mostly
False | Mostly
True |
|--|-----------------|----------------|
| 11. I would give credit to people who do their jobs well. | _____ | _____ |
| 12. I would promote unconventional beliefs and values. | _____ | _____ |
| 13. I would establish procedures to help the department operate smoothly. | _____ | _____ |
| 14. I would verbalize the higher values that I and the organization stand for. | _____ | _____ |

Scoring and Interpretation

Count the number of Mostly True answers to even-numbered questions: _____. Count the number of Mostly True answers to odd-numbered questions: _____. Compare the two scores.

The even-numbered items represent behaviors and activities typical of leadership. Leaders are personally involved in shaping ideas, values, vision, and change. They often use an intuitive approach to develop fresh ideas and seek new directions for the department or organization. The odd-numbered items are considered more traditional management activities. Managers respond to organizational problems in an impersonal way, make rational decisions, and work for stability and efficiency.

If you answered yes to more even-numbered than odd-numbered items, you may have potential leadership qualities. If you answered yes to more odd-numbered items, you may have management qualities. Management qualities are an important foundation for new leaders because the organization first has to operate efficiently. Then leadership qualities can enhance performance. Both sets of qualities can be developed or improved with awareness and experience.

Sources: John P. Kotter, *Leading Change* (Boston, MA: Harvard Business School Press, 1996), p. 26; Joseph C. Rost, *Leadership for the Twenty-first Century* (Westport, CT: Praeger, 1993), p. 149; and Brian Dumaine, "The New Non-Manager Managers," *Fortune* (February 22, 1993), pp. 80–84.

Whereas the management relationship is based on position and formal authority, leadership is a relationship based on personal influence. For example, in an authority relationship, both people accept that a manager can tell a subordinate to be at work at 7:30 A.M. or her pay will be docked. Leadership, on the other hand, relies on influence, which is less likely to use coercion. The role of leadership is to attract and energize people, motivating them through personal identification with challenging jobs rather than rewards or punishments.⁴³ The differing source of power is one of the key distinctions between management and leadership. Take away a manager's formal position and will people choose to follow her? That is the mark of a leader.

Developing Personal Leadership Qualities

Leadership is more than a set of skills; it relies on a number of subtle personal qualities that are hard to see, but are very powerful. These include things like enthusiasm, integrity, courage, and humility. First of all, good leadership springs from a genuine caring for the work and a genuine concern for other people. The process of management generally encourages emotional distance, but leadership means being emotionally connected to others. Where there is leadership, people become part of a community and feel that they are contributing to something worthwhile. Whereas management means providing answers and solving problems, leadership requires the courage to admit mistakes and doubts, to listen, and to trust and learn from others.

Developing leadership qualities takes work. For leadership to happen, leaders may have to undergo a journey of self-discovery and personal understanding.⁴⁴ Leadership experts agree that a top characteristic of effective leaders is that they know who they are and what they stand for. In addition, leaders have the courage to act on their beliefs.

True leaders tend to have open minds that welcome new ideas rather than closed minds that criticize new ideas. Leaders listen and discern what people want and need more than they talk to give advice and orders. Leaders are willing to be nonconformists, to disagree and say no when it serves the larger good, and to accept nonconformity from others rather than try to squeeze everyone into the same mindset. Consider the following example.

Action Memo

As a leader, you can awaken your leadership qualities of enthusiasm, integrity, courage, and moral commitment. You can make emotional connections with followers to increase your leadership effectiveness.

IN THE LEAD

Jamie Dimon, JPMorgan Chase

Jamie Dimon, chairman and CEO of JPMorgan Chase, has been widely applauded for steering JPMorgan Chase away from the business of securitizing subprime mortgages, even as that business was booming, and for avoiding more exotic—and lucrative—financial instruments that eventually brought down companies such as Lehman Brothers and Merrill Lynch.

But Dimon is the first to admit that he has plenty of flaws and has made plenty of mistakes. He gives credit for the company's successes to his leadership team. "By its nature, business is a risk," says Dimon, "but risks have to be taken in the best interest of clients." When Dimon first became CEO of Bank One (later bought by JPMorgan), he realized the company was in trouble. The management team knew there were problems, but no one had taken action. Dimon cut perks like company cars and club memberships, and then asked managers how much they should get for their annual bonuses.



- Most thought a cut of 10 to 15 percent was reasonable. Dimon, though, suggested a
- bonus of \$0 and set an example by not accepting his own guaranteed bonus.
- Dimon is aware that being a leader in a huge, prestigious organization can breed
- arrogance and greed, so he is continually on guard against that trend. He sees his job
- as finding the right people and creating an environment in which the right decisions
- get made. He encourages people to speak up, to say what they think even if it isn't
- popular, to admit their mistakes, and to say *no*—even to the CEO—when no is the right
- answer. One new manager was shocked to see people openly debating and challeng-
- ing Dimon, questioning his decisions, and telling him he was wrong. “The best thing
- I can do for JPM is leave the place with high integrity, high-powered people who are
- always learning, always changing,” says Dimon. “That DNA will set the company forward
- for a hundred years.”⁴⁵

Even though JPMorgan Chase was not one of the companies devastated by the subprime mess, in a symbolic gesture, Dimon reportedly refused his 2008 bonus. “One of the truths,” he said about the crisis, “is that a lot of people were paid a lot of money at companies that blew up or failed.”⁴⁶

Creating Outcomes

The differences between management and leadership create two differing outcomes, as illustrated at the bottom of Exhibit 1.3. Management maintains a degree of stability, predictability, and order through a *culture of efficiency*. Leadership, on the other hand, creates change, often radical change, within a *culture of integrity* that helps the organization thrive over the long haul by promoting openness and honesty, positive relationships, and long-term innovation. Leadership facilitates the courage needed to make difficult and unconventional decisions that may sometimes hurt short-term results.

Evolving Theories of Leadership

To understand leadership as it is viewed and practiced today, it is important to recognize that the concept of leadership has changed over time. Leadership typically reflects the larger society, and theories have evolved as norms, attitudes, and understandings in the larger world have changed.

Historical Overview of Major Approaches

The various leadership theories can be categorized into six basic approaches, each of which is briefly described in this section. Many of these ideas are still applicable to leadership studies today and are discussed in various chapters of this text.

Great Man Theories This is the granddaddy of leadership concepts. The earliest studies of leadership adopted the belief that leaders (who were always thought of as male) were born with certain heroic leadership traits and natural abilities of power and influence. In organizations, social movements, religions, governments, and the military, leadership was conceptualized as a single “Great Man” who put everything together and influenced others to follow along based on the strength of inherited traits, qualities, and abilities.

Trait Theories Studies of these larger-than-life leaders spurred research into the various traits that defined a leader. Beginning in the 1920s, researchers looked to see if leaders had particular traits or characteristics, such as intelligence or

energy, that distinguished them from non-leaders and contributed to success. It was thought that if traits could be identified, leaders could be predicted, or perhaps even trained. Although research failed to produce a list of traits that would always guarantee leadership success, the interest in leadership characteristics has continued to the present day.

Behavior Theories The failure to identify a universal set of leadership traits led researchers in the early 1950s to begin looking at what a leader does, rather than who he or she is.⁴⁷ One line of research focused on what leaders actually do on the job, such as various management activities, roles, and responsibilities. These studies were soon expanded to try to determine how effective leaders differ in their behavior from ineffective ones. Researchers looked at how a leader behaved toward followers and how this correlated with leadership effectiveness or ineffectiveness. Chapter 2 discusses trait and behavior theories.

Contingency Theories Researchers next began to consider the contextual and situational variables that influence what leadership behaviors will be effective. The idea behind contingency theories is that leaders can analyze their situation and tailor their behavior to improve leadership effectiveness. Major situational variables are the characteristics of followers, characteristics of the work environment and follower tasks, and the external environment. Contingency theories, sometimes called *situational theories*, emphasize that leadership cannot be understood in a vacuum separate from various elements of the group or organizational situation. Chapter 3 covers contingency theories.

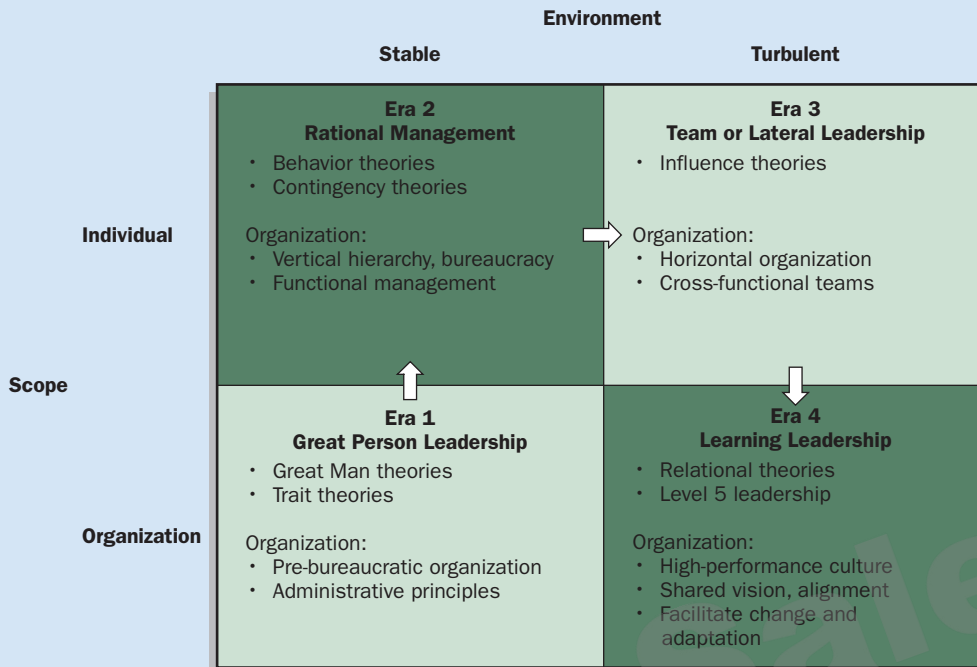
Influence Theories These theories examine influence processes between leaders and followers. One primary topic of study is *charismatic leadership* (Chapter 12), which refers to leadership influence based not on position or formal authority but, rather, on the qualities and charismatic personality of the leader. Related areas of study are *leadership vision* (Chapter 13) and *organizational culture* (Chapter 14). Leaders influence people to change by providing an inspiring vision of the future and shaping the culture and values needed to attain it. Several chapters of this text relate to the topic of influence because it is essential to understanding leadership.

Relational Theories Since the late 1970s, many ideas of leadership have focused on the relational aspect, that is, how leaders and followers interact and influence one another. Rather than being seen as something a leader does to a follower, leadership is viewed as a relational process that meaningfully engages all participants and enables each person to contribute to achieving the vision. Interpersonal relationships are seen as the most important facet of leadership effectiveness.⁴⁸ Two significant relational theories are *transformational leadership* (Chapter 12) and *servant leadership* (Chapter 6).

Other important relational topics covered in various chapters of the text include the personal qualities that leaders need to build effective relationships, such as emotional intelligence, a leader's mind, integrity and high moral standards, and personal courage. In addition, leaders build relationships through motivation and empowerment, leadership communication, team leadership, and embracing diversity.

A Model of Leadership Evolution

Exhibit 1.4 provides a framework for examining the evolution of leadership from the early Great Man theories to today's relational theories. Each cell in the model

Exhibit 1.4 Leadership Evolution

summarizes an era of leadership thinking that was dominant in its time but may be less appropriate for today's world.

Leadership Era 1 This era may be conceptualized as pre-industrial and pre-bureaucratic. Most organizations were small and were run by a single individual who many times hired workers because they were friends or relatives, not necessarily because of their skills or qualifications. The size and simplicity of organizations and the stable nature of the environment made it easy for a single person to understand the big picture, coordinate and control all activities, and keep things on track. This is the era of Great Man leadership and the emphasis on personal traits of leaders. A leader was conceptualized as a single hero who saw the big picture and how everything fit into a whole.

Leadership Era 2 In Era 2, we see the emergence of hierarchy and bureaucracy. Although the world remains stable, organizations have begun to grow so large that they require rules and standard procedures to ensure that activities are performed efficiently and effectively. Hierarchy of authority provides a sensible mechanism for supervision and control of workers, and decisions once based on rules of thumb or tradition are replaced with precise procedures. This era sees the rise of the “rational manager” who directs and controls others using an impersonal approach. Employees aren't expected to think for themselves; they are expected to do as they're told, follow rules and procedures, and accomplish specific tasks. The focus is on details rather than the big picture.

The rational manager was well-suited to a stable environment. The behavior and contingency theories worked here because leaders could analyze their

situation, develop careful plans, and control what happened. But rational management is no longer sufficient for leadership in today's world.

Leadership Era 3 This era represented a tremendous shock to managers in North America and Europe. Suddenly, the world was no longer stable, and the prized techniques of rational management were no longer successful. Beginning with the OPEC oil embargo of 1972 to 1973 and continuing with the severe global competition of the 1980s and early 1990s, many managers saw that environmental conditions had become chaotic. The Japanese began to dominate world

Action Memo

As a leader, you can use the leadership skills that fit the correct era for your organization. You can use influence and relational aspects as appropriate for your organization.

commerce with their ideas of team leadership and superb quality. This became an era of great confusion for leaders. They tried team-based approaches, downsizing, reengineering, quality programs, and empowerment as ways to improve performance and get more motivation and commitment from employees.

This is the era of the team leader and the change leader. Influence was important because of the need to change organizational structures and cultures. This era sees the emergence of knowledge work, an emphasis on horizontal collaboration, and a shift to influence theories. Rather than conceiving of leadership as one person always being firmly “in charge,” leadership is often shared among team leaders and members, shifting to the person with the most knowledge or expertise in the matter at hand.⁴⁹ Many leaders have become comfortable with ideas of team leadership, empowerment, diversity, and open communication.

Leadership Era 4 Enter the digital information age. It seems that everything is changing, and changing fast. Era 4 represents the **learning leader** who has made the leap to giving up control in the traditional sense. Leaders emphasize relationships and networks, and they influence others through vision and values rather than power and control. They are constantly experimenting, learning, and changing, in both their personal and professional lives, and they encourage the development and growth of others. Era 4 requires the full scope of leadership that goes far beyond rational management or even team leadership.

Implications The flow from Great Man leadership to rational management to team leadership to learning leadership illustrates trends in the larger world. The implication is that leadership reflects the era or context of the organization and society. Most of today's organizations and leaders are still struggling with the transition from a stable to a chaotic environment and the new skills and qualities needed in this circumstance. Thus, Era 3 issues of diversity, team leadership, empowerment, and horizontal relationships are increasingly relevant. In addition, many leaders are rapidly shifting into Era leadership by focusing on change management and facilitating a vision and values to encourage high performance and continuous adaptation. Era 3 and Era 4 leadership is what much of this book is about.

Leadership Is Intentional

Many leaders are caught in the transition between the practices and principles that defined the industrial era and the new reality of the twenty-first century. Attempts to achieve collaboration, empowerment, and diversity in organizations may fail

Learning leader

a leader who is open to learning and change and encourages the growth and development of others

because the beliefs and thought processes of leaders as well as employees are stuck in an old paradigm that values control, stability, and homogeneity. It is difficult for many leaders to let go of methods and practices that have made them and their organizations successful in the past. Yet leaders can make the leap to a new paradigm by intentionally practicing and applying new paradigm principles.

One of the most important aspects of shifting to the new paradigm of leadership is intentionally using human skills to build a culture of performance, trust, and collaboration. A few clues about the importance of acquiring new leadership skills were brought to light by the Center for Creative Leadership in Greensboro, North Carolina.⁵⁰ The study compared 21 derailed executives with 20 executives who successfully arrived at the top of a company. The derailed managers were successful people who were expected to go far, but they reached a plateau, were fired, or were forced to retire early. They were all bright, worked hard, and excelled in a technical area such as accounting or engineering.

The striking difference between the two groups was the ability to use human skills. Only 25 percent of the derailed group were described as being good with people, whereas 75 percent of those who arrived at the top had people skills. Exhibit 1.5 lists the top seven reasons for failure. Unsuccessful managers were insensitive to others, abrasive, cold, arrogant, untrustworthy, overly ambitious and selfish, unable to delegate or build teams, and unable to acquire appropriate staff to work for them.

Selena Lo learned the importance of human skills when she started her own company, Ruckus Wireless. Formerly, as a vice president at Alteon Web Systems, Lo's colleagues described her leadership style as "drive-by shootings." Her insensitive approach didn't derail her career only because her boss came along behind her and mopped up the damage. When she started her own company, however, Lo had a hard time getting good people to work for her. She intentionally embarked on the process of developing stronger human skills. She started listening to others, asking for their input and explaining her decisions, and giving people more autonomy to make their own choices. Although Lo hasn't lost her aggressive personality, she has tempered it with concern and respect for the people around her, helping her recruit talented employees.⁵¹

Action Memo

As a leader, you can cultivate your people skills to avoid executive derailment. You can treat others with kindness, interest, and respect and avoid overmanaging by selecting good followers and delegating effectively.

Exhibit 1.5 Top Seven Reasons for Executive Derailment

1. Acting with an insensitive, abrasive, intimidating, bullying style
2. Being cold, aloof, arrogant
3. Betraying personal trust
4. Being overly ambitious, self-centered, thinking of next job, playing politics
5. Having specific performance problems with the business
6. Overmanaging, being unable to delegate or build a team
7. Being unable to select good subordinates

Sources: Based on Morgan W. McCall, Jr., and Michael M. Lombardo, "Off the Track: Why and How Successful Executives Get Derailed" (Technical Report No. 21), (Greensboro, NC: Center for Creative Leadership, January 1983); and Carol Hymowitz, "Five Main Reasons Why Managers Fail," *The Wall Street Journal* (May 2, 1988).



Leader's Self-Insight 1.3

Are You on a Fast Track to Nowhere?

Many fast-trackers find themselves suddenly derailed and don't know why. Many times, a lack of people skills is to blame. To help you determine whether you need to work on your people skills, take the following quiz, answering each item as Mostly False or Mostly True. Think about a job or volunteer position you have now or have held in the past as you answer the following items.

People Skills

- | | Mostly
False | Mostly
True |
|---|-----------------|----------------|
| 1. Other people describe me as a real "people person." | _____ | _____ |
| 2. I spend a part of each day making small talk with coworkers (or teammates or classmates). | _____ | _____ |
| 3. I see some of my coworkers (or teammates or classmates) outside of work, and I know many of them socially. | _____ | _____ |
| 4. Because I have good work relationships, I often succeed where others fail. | _____ | _____ |

Working with Authority

- | | Mostly
False | Mostly
True |
|---|-----------------|----------------|
| 5. When I have a good reason for doing so, I will express a view that differs from that of leaders in the organization. | _____ | _____ |
| 6. If I see a leader making a decision that seems harmful to the organization, I speak up. | _____ | _____ |
| 7. People see me as someone who can independently assess an executive decision and, when appropriate, offer an alternative perspective. | _____ | _____ |

- | | Mostly
False | Mostly
True |
|--|-----------------|----------------|
| 8. When senior people ask for my opinion, they know that I'll respond with candor. | _____ | _____ |

Networking

- | | Mostly
False | Mostly
True |
|--|-----------------|----------------|
| 9. I spend at least part of each week networking with colleagues. | _____ | _____ |
| 10. I belong to organizations where I can make professional contacts. | _____ | _____ |
| 11. A few times each month, I am invited to join key members of my team or organization for lunch. | _____ | _____ |
| 12. I regularly interact with peers at other organizations. | _____ | _____ |

Scoring and Interpretation

Tally the number of "Mostly Trues" checked for each set of questions.

People Skills: _____; Working with Authority: _____;
Networking: _____

If you scored 4 in an area, you're right on track. Continue to act in the same way.

If your score is 2-3, you can fine-tune your skills in that area. Review the questions where you said Mostly False and work to add those abilities to your leadership skill set.

A score of 0-1 indicates that you're dangerously close to derailment. You should take the time to do an in-depth self-assessment and find ways to expand your interpersonal skills.

Source: Adapted from "Are You Knocking Out Your Own Career?" *Fast Company* (May 1999), p. 230, a quiz based on the research of Dr. Lois P. Frankel (see <http://www.drloisfrankel.com/>).

The inability to surround oneself with good people and help them learn and contribute can doom a top leader. The best leaders, at all levels, are those who are genuinely interested in other people and find ways to bring out the best in them.⁵² In addition, today's successful leaders intentionally value change over stability, empowerment over control, collaboration over competition, diversity over uniformity, and integrity over self-interest, as discussed

earlier. The industry of *executive coaching* emerged partly to help people through the transition to a new paradigm of leadership. Executive coaches encourage leaders to confront their own flaws and hang-ups that inhibit effective leadership, and then help them develop stronger emotional and interpersonal skills.

This brings up an interesting question: How do people become good leaders? As Kembrel Jones, associate dean of full-time MBA programs at Emory University's Goizueta Business School, said, "If the elements of leadership were easy . . . we wouldn't be seeing the problems we see today."⁵³ But can leadership be taught? Many people don't think so, because so much of leadership depends on self-discovery. But it can be learned.

Action Memo

Leader's Self-Insight 1.3 gives you a chance to test your people skills and see if there are areas you need to work on.

Learning the Art and Science of Leadership

As we have discussed in this chapter, the concept of leadership has evolved through many perspectives and continues to change. Today's reality is that the old ways no longer work, but the new ways are just emerging. Everywhere, we hear the cry for leadership as the world around us is rocked by massive and often painful events.

How can a book or a course on leadership help you to be a better leader? It is important to remember that leadership is both an art and a science. It is an art because many leadership skills and qualities cannot be learned from a textbook. Leadership takes practice and hands-on experience, as well as intense personal exploration and development. However, leadership is also a science because a growing body of knowledge and objective facts describes the leadership process and how to use leadership skills to attain organizational goals.

Knowing about leadership research helps people analyze situations from a variety of perspectives and learn how to be more effective as leaders. By exploring leadership in both business and society, students gain an understanding of the importance of leadership to an organization's success, as well as the difficulties and challenges involved in being a leader. Studying leadership can also lead to the discovery of abilities you never knew you had. When students in a leadership seminar at Wharton were asked to pick one leader to represent the class, one woman was surprised when she outpolled all other students. Her leadership was drawn out not in the practice of leadership in student government, volunteer activities, or athletics, but in a classroom setting.⁵⁴

Studying leadership gives you skills you can apply in the practice of leadership in your everyday life. Many people have never tried to be a leader because they have no understanding of what leaders actually do. The chapters in this book are designed to help you gain a firm knowledge of what leadership means and some of the skills and qualities that make a good leader. You can build competence in both the art and the science of leadership by completing the Self-Insight exercises throughout the book, by working on the activities and cases at the end of each chapter, and by applying the concepts you learn in class, in your relationships with others, in student groups, at work, and in voluntary organizations. Although this book and your instructors can guide you in your development, only you can apply the concepts and principles of leadership in your daily life. Kenneth Chenault, CEO of American Express, has a favorite saying: "Everyone can make

a conscious choice to be a leader.”⁵⁵ Learning to be a leader starts now, with you. Are you up to the challenge?

Organization of the Rest of the Book

The plan for this book reflects the shift to a new paradigm summarized in Exhibit 1.2 and the discussion of management versus leadership summarized in Exhibit 1.3. The framework in Exhibit 1.6 illustrates the organization of the book. Part 1 introduces leadership, its importance, and the transition to a new leadership paradigm. Part 2 explores basic research perspectives that evolved during a more stable time when rational management approaches were effective. These basic perspectives, including the Great Man and trait theories, behavior theories, and contingency theories, are relevant to dealing with specific tasks and individuals and are based on a premise that leaders can predict and control various aspects of the environment to keep the organization running smoothly.

Parts 3, 4, and 5 switch to leadership perspectives that reflect the paradigm shift to the turbulent, unpredictable nature of the environment and the need for fresh leader approaches. Part 3 focuses on the personal side of leadership and looks at some of the qualities and forces that are required to be effective in the new reality. These chapters emphasize the importance of self-awareness and self-understanding, the development of one’s own leadership mind and heart, moral leadership and courage, and appreciating the role of followership. Part 4 is about

Exhibit 1.6 Framework for the Book



building effective relationships, including motivating and empowering others, communicating as a leader, leading teams, embracing the diversity of today's world, and using power and influence.

Part 5 brings together all of these ideas to examine the leader as builder of a social architecture that can help an organization create a brighter future. These chapters deal with creating vision and strategic direction, aligning culture and values to achieve the vision, and leading change.

Taken together, the sections and chapters paint a complete portrait of the leadership experience as it has evolved to the present day and emphasize the new paradigm skills and qualities that are relevant from today and into the future. This book blends systematic research evidence with real-world experiences and impact.

Leadership Essentials

- This chapter introduced the concept of leadership and explained how individuals can grow as leaders. Leadership is defined as an influence relationship among leaders and followers who intend real changes and outcomes that reflect their shared purposes. Thus leadership involves people in a relationship, influence, change, a shared purpose, and taking personal responsibility to make things happen. Most of us are aware of famous leaders, but most leadership that changes the world starts small and may begin with personal frustrations about events that prompt people to initiate change and inspire others to follow them. Your leadership may be expressed in the classroom, at work, or in your neighborhood, religious community, or volunteer organizations.
- Concepts of leadership have evolved over time. Major research approaches include Great Man theories, trait theories, behavior theories, contingency theories, influence theories, and relational theories. Elements of all these approaches are still applicable to the study of leadership.
- The biggest challenge facing leaders today is the changing world that wants a new paradigm of leadership. The new reality involves the shift from stability to change and crisis management, from control to empowerment, from competition to collaboration, from uniformity to diversity, and from a self-centered focus to a higher ethical purpose. In addition, the concept of leader as hero is giving way to that of the humble leader who develops others and shares credit for accomplishments. These dramatic changes suggest that a philosophy based on control and personal ambition will probably fail in the new era. The challenge for leaders is to evolve to a new mindset that relies on human skills, integrity, and teamwork.
- The “soft” skills of leadership complement the “hard” skills of management, and both are needed to effectively guide organizations. Although leadership is often equated with good management, leadership and management are different processes. Management strives to maintain stability and improve efficiency. Leadership, on the other hand, is about creating a vision for the future, designing social architecture that shapes culture and values, inspiring and motivating followers, developing personal qualities, and creating change within a culture of integrity. Leadership can be integrated with management to achieve the greatest possible outcomes. Organizations need to be both

managed and led, particularly in today's turbulent environment. Many managers already have the qualities needed to be effective leaders, but they may not have gone through the process needed to bring these qualities to life. Leadership is an intentional act. It is important to remember that most people are not born with natural leadership skills and qualities, but leadership can be learned and developed.

Discussion Questions

1. Look through recent magazines and newspapers and identify one leader who seems to illustrate the “leader-as-hero” mindset and one who seems more typical of the humble Level 5 leader described in the text. Describe their differing characteristics. Which was easier to find?
2. What do you consider your own strengths and weaknesses for leadership? Discuss your answer with another student.
3. Of the elements in the leadership definition as illustrated in Exhibit 1.1, which is the easiest for you? Which is hardest? Explain.
4. How might the paradigm shift from competition to collaboration make the job of a leader more difficult? Could it also make the leader's job easier? Discuss.
5. Describe the best leader you have known. How did this leader acquire his or her capability?
6. Why do you think there are so few people who succeed at both management and leadership? Is it reasonable to believe someone can be good at both? Discuss.
7. Discuss some recent events and societal changes that might have contributed to a shift “from hero to humble.” Do you agree or disagree that humility is important for good leadership?
8. “Leadership is more concerned with people than is management.” Do you agree? Discuss.
9. What personal capacities should a person develop to be a good leader versus those developed to be a good manager?
10. Why is leadership considered both an art and a science?

Leadership at Work

LEADERSHIP RIGHT-WRONG

Leader Wrong: Think of a specific situation in which you were working with someone who was in a leadership position over you, and that person was doing something that was wrong for you. This person might have been a coach, teacher, team leader, employer, immediate boss, family member, or anyone who had a leadership position over you. “Wrong for you” means that person's behavior reduced your effectiveness, made you or your coworkers less productive, and was de-motivating to you or your colleagues. *Write a few words below that describe what the leader was doing that was wrong for you.*

Think of a second situation in which someone in a leadership position did something wrong for you. *Write a few words below that describe what the leader was doing that was wrong for you.*

Leader Right: Think of a specific situation in which you were working with someone who was in a leadership position over you, and that person was doing something that was *right* for you. This person might have been a coach, teacher, team leader, employer, immediate boss, family member, or anyone who had a leadership position over you. “Right for you” means that person’s behavior made you or your coworkers more productive, highly motivated you or others, and removed barriers to make you more successful. *Write a few words below that describe what the leader was doing that was right for you.*

Think of a second situation in which someone in a leadership position did something right for you. *Write a few words below that describe what the leader was doing that was right for you.*

The previous answers are data points that can help you understand the impact of leader behaviors. Analyze your four incidents—what are the underlying qualities of leadership that enable you to be an effective performer? Discuss your answers with another student. What leadership themes are present in the eight combined incidents? What do these responses tell you about the qualities you both want and don’t want in your leaders?

In Class: An interesting way to use this exercise in class is to have students write (five words maximum) their leader “rights” on one board and their leader “wrongs” on another board. The instructor can ask small groups to identify underlying themes in the collective set of leader data points on the boards to specify what makes an effective leader. After students establish four or five key themes, they can be challenged to identify the one key theme that distinguishes leaders who are effective from those who are not.

Source: Based on Melvin R. McKnight, “Organizational Behavior as a Phenomenological, Free-Will Centered Science,” Working Paper, College of Business Administration, Northern Arizona University, 1997.

Leadership Development: Cases for Analysis

SALES ENGINEERING DIVISION

When DGL International, a manufacturer of refinery equipment, brought in John Terrill to manage its Sales Engineering division, company executives informed him of the urgent situation. Sales Engineering, with 20 engineers, was the highest-paid, best-educated, and least-productive division in the company. The instructions to Terrill: Turn it around. Terrill called a meeting of the engineers. He showed great concern for their personal welfare and asked point blank: “What’s the problem? Why can’t we produce? Why does this division have such turnover?”

Without hesitation, employees launched a hail of complaints. “I was hired as an engineer, not a pencil pusher.” “We spend over half of our time writing asinine reports in triplicate for top management, and no one reads the reports.” “We have to account for every penny, which doesn’t give us time to work with customers or new developments.”

After a two-hour discussion, Terrill began to envision a future in which engineers were free to work with customers and join self-directed teams for product improvement. Terrill concluded he had to get top management off the engineers' backs. He promised the engineers, "My job is to stay out of your way so you can do your work, and I'll try to keep top management off your backs, too." He called for the day's reports and issued an order effective immediately that the originals be turned in daily to his office rather than mailed to headquarters. For three weeks, technical reports piled up on his desk. By month's end, the stack was nearly three feet high. During that time no one called for the reports. When other managers entered his office and saw the stack, they usually asked, "What's all this?" Terrill answered, "Technical reports." No one asked to read them.

Finally, at month's end, a secretary from finance called and asked for the monthly travel and expense report. Terrill responded, "Meet me in the president's office tomorrow morning."

The next morning the engineers cheered as Terrill walked through the department pushing a cart loaded with the enormous stack of reports. They knew the showdown had come.

Terrill entered the president's office and placed the stack of reports on his desk. The president and the other senior executives looked bewildered.

"This," Terrill announced, "is the reason for the lack of productivity in the Sales Engineering division. These are the reports your people require every month. The fact that they sat on my desk all month shows that no one reads this material. I suggest that the engineers' time could be used in a more productive manner, and that one brief monthly report from my office will satisfy the needs of the other departments."

QUESTIONS

1. Does John Terrill's leadership style fit the definition of leadership in Exhibit 1.1? Explain.
2. With respect to Exhibit 1.4, in what leadership era is Terrill? In what era is headquarters?
3. What approach would you have taken in this situation?

STUDER INTERNATIONAL

At 7:30 A.M., Dean Adams hit the snooze alarm for the third time, but he knew he could never go back to sleep. Rubbing his eyes and shaking off a headache, Adams first checked his BlackBerry and read an urgent message from his boss, explaining that Sue Chan, chief security analyst, had resigned this morning and needed to be replaced immediately. Frustrated, Adams lumbered toward the shower, hoping it would energize him to face another day. After last night's management meeting, which had ended after midnight, he was reeling from the news that his Wall Street employer, Studer International, was spiraling toward a financial meltdown.

Adams scratched his head and wondered, "How could one of the world's largest insurance companies plummet from being the gold standard in the industry to one struggling for survival?" At the end of 2007, Studer had \$100 billion in annual revenues, 65 million customers, and 96,000 employees in 130 countries. One year later and staggered by losses stemming from the credit crisis, Studer teetered on the brink of failure and was in need of emergency government assistance. Studer had been a victim of the meltdown in the credit markets. The collapse of this respected financial institution sent shock waves throughout the world's economy.

Within Studer's Manhattan office, Adams and his coworkers felt growing pressure to respond to this crisis quickly and ethically. But morale was sagging and decision making was stalled. New projects were on hold, revenues weren't coming in fast enough, and job cuts were imminent. Finger-pointing and resignations of key managers had become commonplace. Strong leadership was needed to guide employees to stay the course. Adams knew his first priority was to replace Sue Chan. When leaving the meeting last night, his boss had told him, "It's critical that we keep key managers in place as we weather this storm. If we lose any, be sure you replace them with ones who can handle the stress and can make tough, maybe even unpopular, decisions."

Working up a sweat as he rushed into his office, Adams began sorting through the day's priorities. His first task would be to consider internal candidates to replace Chan. He pondered the characteristics required of a chief securities analyst and scribbled them on a notepad: experienced in security and regulatory issues; strong decision-making skills; high ethical standards; able to make job cuts; comfortable slashing budgets; and respected for calm leadership. Adams immediately thought of Julie Cobb, a senior analyst who had been vocal about her desire to move up and had recently shown steady leadership as the organization started to crumble.

Cobb had worked her way up through the organization, becoming a respected expert in her field. She had developed a strong team of loyal employees and made training and job development a priority. She was likable, sensitive to her employees, and a consensus builder. While many managers within Studer had made questionable business decisions, Julie had held herself to a high ethical standard and created a culture of integrity. Cobb was focused on the future—a go-getter who knew how to get results.

With the future of the company at stake, however, Adams wondered if Cobb could handle the tough challenges ahead. Although he valued her team-building skills, she could be soft when it came to holding employees accountable. A large part of her motivation was to have people like her. When she reported a shortfall in earnings in the last company meeting and came under fire, she'd become defensive and didn't want to point fingers at employees who were to blame. In fact, Adams recalled another instance when Cobb recoiled at the thought of firing an employee who had developed a pattern of poor attendance while caring for her sick husband. She confessed a hesitation to confront poor performers and employees struggling to balance home and work life.

Adams stirred his morning coffee and wondered aloud, "Is Julie Cobb capable of balancing kindness and toughness during a crisis? Can I count on her to be decisive and focused on top- and bottom-line results? Is she too much of a people pleaser? Will it impact her ability to lead successfully?"

QUESTIONS

1. What leadership skills are necessary in a corporate environment characterized by instability and turmoil? Has Julie Cobb demonstrated any of these skills in her current position?
2. Would you promote someone into a key leadership position who is considered a "people pleaser"? Explain.
3. Leo Durocher, baseball manager from 1939 to 1972, once said, "Nice guys finish last." Apply that idea to leadership within an organization. Is it possible for a manager who demonstrates kindness and concern for employees to achieve both top-line (total sales) and bottom-line (profits) results simultaneously?

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Not For Sale

Not For Sale