BUILDING AND MAINTAINING HEALTHY ORGANIZATIONS:
THE KEY TO FUTURE SUCCESS

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Editor

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DEPARTMENT OF COMMAND, LEADERSHIP, AND MANAGEMENT

The Department of Command, Leadership, and Management (DCLM) is one of three resident teaching departments of the United States Army War College. The Department develops and conducts an extensive curriculum of strategic-leadership instruction, as well as education in Joint, Department of Defense, and Army systems and processes. Ethics, leader development, force management, and defense budgeting are particular interests of the Department. The Department also conducts research and educational outreach to numerous government and private organizations.

Annually, DCLM hosts the Anton Myrer Leadership Symposium sponsored by Mrs. Anton Myrer to commemorate her late husband's superb novel on military leadership, *Once an Eagle*. Each symposium is on a special leadership topic; this book is the first product of these symposiums.

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PREFACE

The First Annual Anton Myrer Leadership Symposium, sponsored by the Department of Command, Leadership, and Management of the U.S. Army War College, was held at Carlisle Barracks, Pennsylvania, during the period January 26-28, 1999. The symposium series was named in honor of Anton Myrer, author of the classic military novel *Once An Eagle*, published in 1968. In this novel, Mr. Myrer examined contrasting senior leadership styles and philosophies in the context of interactions among national military power, foreign policy, and business. The association of his name with a symposium series devoted to leadership issues at the strategic and grand strategic levels is thus most fitting.

The theme of the inaugural symposium was "Building and Maintaining Healthy Organizations: The Key to Future Success." In recognition that there are certain commonalities among all organizational, institutional, and bureaucratic entities, whether civilian or military, the symposium construed the term "organization" in the broadest way. Obviously there are sharp cleavages among the purposes of various organizations—the U.S. Army, for example, deters or wages war, while a medical institution promotes human health. Yet, the principles for optimizing the organizational framework to serve these respective purposes are essentially the same, as would be the case regardless of the different purposes of any organizations compared.

The fact that similar principles tend to govern nearly all organizational dynamics allows organizations to learn from each other, even across distinct functional boundaries. The U.S. Army continues to draw ideas for budgeting, administration, and logistics from corporate America, while corporations are carefully watching the Army's efforts to achieve flatter organizations through information technology. To promote such cross-fertilization of ideas, the symposium included representation not only from the military, but from government, academe, and the business world as well.

Symposium discussions addressed four major thematic areas: establishing values-based organizations, creating a change-receptive organizational culture, attracting and retaining future leaders, and selecting and developing the best leaders. The present book is an outgrowth of the symposium, not as a record of presentations and discussion in the sense of traditional symposium proceedings, but rather as an anthology of essays devoted to the four thematic areas. Except for the introductory and concluding chapters, the essays were authored by especially selected officers of the U.S. Army War College Class of 1999. Each of these officers participated in a symposium discussion group devoted to one of the four symposium themes, and then explored the theme at length in an analytical essay. Thus each of the four essays is informed not only by symposium presentations and discussion in plenary sessions, but also by the ideas emerging in the specialized discussion group dedicated to a particular theme.

In today's world of giant bureaucracies and mega-conglomerates, the science of organizations becomes ever more important. The present book represents a modest effort to advance understanding of what must be done to make organizations healthy and successful, regardless of their purpose.

I would like to acknowledge the role of several individuals who contributed to the success of the symposium. First and foremost is Dr. Roderick R. "Rod" Magee, the symposium organizer and director, who was the driving force not only behind the symposium but also behind the present book. It was mainly owing to Dr. Magee's energy, vision, and administrative skills that the symposium series was conceived and launched so successfully. Thanks go also to my predecessor as head of the Department of Command, Leadership, and Management, Colonel Jan E. Callen, U.S. Army Retired, who provided the necessary impetus and leadership to bring the symposium to fruition. Colonel Thomas P. Gannon of this department helped importantly with both the symposium and the present book.

A particular debt of gratitude is owed to Mrs. Anton Myrer, who contributed to the U.S. Army War College Foundation, Inc. the republication rights to her husband's novel *Once An Eagle* in addition to a welcome monetary gift. This gift enabled the Foundation, directed by Colonel Stephen Riley, U.S. Army Retired, to underwrite nearly all the expenses incident to the symposium. I wish to thank Mrs. Myrer for her extraordinary generosity and Colonel Riley for his faithful and unstinting support.

Finally, I want to render warm thanks to all the symposium participants—the speakers, presenters, moderators, facilitators, and discussion group members—who, though too numerous to acknowledge here by name, are nonetheless remembered and appreciated for their indispensable contributions.

MICHAEL A. PEARSON
Colonel, Infantry
Chairman, Department of Command,
  Leadership, and Management

Chapter 1

THE ANATOMY OF A HEALTHY ORGANIZATION

John H. Woodyard

The clock has long since rolled over to a new year, a new century, and a new millennium, and, like moths to a flame, we are forever drawn to speculate and agonize about the future. Those organizations that do anticipate the future accurately, either by design or accident, can succeed spectacularly. Others, less prescient, nevertheless can succeed if they adapt quickly. Some will continue making buggy whips and wondering.

Organizations have long understood that their world is changing under their feet. Some 20 years ago a prestigious management consulting firm published a book titled, *The Managerial Challenge: A Psychological Approach to the Changing World of Management*.[1] In the chapter, "The Changing World of Management," the authors discussed how values were changing— primarily the shift from the classic work ethic to a quality-of-life ethic. They also stressed social responsibility. They touched on the use of computers. In retrospect, they were not wrong, but they failed to see so much—the changing demographics, the internet, and globalization. If *they* could not foretell the future, no one could have. But while we cannot predict the precise nature of coming change, we can do a far better job of preparing for it, channeling it, and accommodating to it.

As the ensuing chapters will describe, there are many truly new factors in the running of a healthy organization. These factors include the explosion of information spawned by the technology to communicate and store it; the use of robotics that is revolutionizing the traditional production line; and the shifting of demographics that has altered dramatically the composition of the labor pool. Advances in computer technology continue to make last year's hardware obsolescent. Globalization and the merger of corporate giants introduce another great uncertainty. The World Trade Organization, the European Union, the North American Free Trade Association, and the dynamics of globalization will inexorably move the world's nations toward freer trade. Although that is a healthy state in the aggregate, it will generate local disruptions in the form of lost industries, displaced workers, and the necessity for adaptation. American capitalism must continue to compete with foreign industries that are assisted directly or indirectly by a supportive government. However, that is hardly news. Boeing's domination of the global airliner market in spite of French subsidies to Airbus Industries speaks volumes for this country's ability to compete vigorously anywhere, anytime.[2]

The healthy organization in the 21st century must possess the capability of adapting rapidly to change as it occurs. A healthy organization must recognize the need to change, and it must possess the ability to change and to sustain change. Remaining closely attuned to in-process

change allows the organization to continually adjust so that change comes in an evolutionary fashion and not as a sudden upheaval. Such change can mean developing a new product, or it can mean just not getting left behind.

With these elements in mind, let us focus on a working definition of a healthy organization. The healthy organization is, first of all, successful in satisfying the terms of its reason for being, that is, success in making a profit (in the case of a business) or raising money (in the case of a charity), etc. But for our purposes, success alone does not necessarily mean good health. A diamond mine manned by brutalized slave labor or an inhumane sweatshop that manufactures dresses using child workers may be "successful," but hardly healthy. Health in our sense entails satisfying, or at least dealing fairly with, the entire universe of organizational shareholders—the owners, employees, customers, etc. For example, if an organization fails to retain and motivate its employees, it can hardly be considered healthy. Success also implies satisfying customers with a product delivered on time and manufactured to specifications. Success implies, as well, having created a good relationship with suppliers. The healthy organization capitalizes on its individual successes and builds on them to achieve continuing aggregate success.

The science of understanding an organization is ultimately an art. Recall Harry Truman's famous line about economists. "Send me a one-handed economist." "Why, Mr. President?" asked his aide. "Because they're always saying that on one hand the economy will do this, but on the other hand it might do that." Theorists and psychologists are similar to economists. They have to deal with too many uncontrollable variables when drawing conclusions. Organizational psychology is thus a soft science. Predictions regarding organizational behaviors should be couched in terms of probabilities of occurrence, or if that is not feasible then predictions should be understood to be provisional. An organizational leader must feel comfortable in an atmosphere of ambiguity and varying probabilities. He or she must have the wisdom to select the course of action with the highest probability of success, the courage to implement it, and the patience and persistence to keep the organization's feet to the fire until the new behaviors are instinctive. That is the hard part. Setting direction is relatively easy. But without strong leadership, enthusiasm may flag after several months, particularly if no tangible results show, and the organization may revert to its old ways. Leaders will always encounter a barrier of inertia in overcoming the status quo. Cynical managers and workers will slowly roll their eyes, sigh, and lend lukewarm support to "the fix of the day" until it, too, dies a slow death from starvation. Sound leadership not only can but must override these predictable responses.

In the present chapter, I shall aim to establish a broad practical context for the four subsequent chapters dealing with various aspects of building a healthy organization. While we must always proceed on the basis that sound theory necessarily precedes sound practice, those who have long made their living in the leadership echelons of large organizations will instinctively recognize that even the soundest theory must be tempered by such qualities as experience, common sense, pragmatism, flexibility, and a determination to find principled ways of getting the job done.

Chapter 2, written by David Brooks, argues that an organization must be informed by a sense of elevated values if it is to be truly healthy. Chapter 3, by Donald Bradshaw, discusses means

for generating a change-receptive organizational culture. These two chapters form a complementary pair, since values and culture are Siamese twins. You cannot discuss one without the other. Values affect culture. Culture affects values. All organizations, like people, possess some kind of value system. Problems arise when employees are barely aware that organizational values exist. However, Chapter 2 stresses the issue of ethical behavior in the workplace. Behaving truthfully and honestly is good, while the opposite is bad. Of course, no organization will proclaim an unethical value. This is where the behavioral manifestations of values become critical. Your observations of actual workplace behavior in an organization will reveal more of the organization's values than a glistening mission statement. An organization that proclaims its adherence to honesty and customer satisfaction, and yet retains personnel who are devious, dishonest, and disdainful of customer needs, displays its moral ambiguity.

It is easy to function ethically when little is at stake. Behaving ethically, when it interferes with the bottom line, is much more difficult. Ethical compromise for the sake of the bottom line is easy to rationalize. ("If we go down the tube, the whole community will suffer.") This is the real test. For instance, would the organization offer a bribe to a government official (probably in a foreign country) who can guarantee that the organization gets the contract? Taking the moral high ground (refusing to bribe) will surely open the door for a competitor (who will not hesitate to bribe) not only to get this contract, but also to get a foot in the door for future contracts in that country. Yet, in the long run, taking the moral high ground is not only the right thing to do, it is also the profitable thing to do. Unethical organizations do not realize that there is a pragmatic argument for morality. Being honest is good for the long-term success of business, because over time the straight-shooter and the rascal will both be found out.

Dishonesty hurts in other ways. Managers cannot make good decisions without good data. The manager who discourages adverse data and encourages or insists upon receiving only good news cannot make good decisions. Garbage in, garbage out. Moreover, customers and suppliers will not tolerate dishonesty. They too have deadlines and promises to keep. The organization that continually lies and deceives will not last. Promises not kept, quibbling, excuses, and outright lying will eventually catch up. It may take a while (honest people are inclined to believe that everyone else is honest), but in the long run, it is the kiss of death. No organization can or will be perfectly virtuous all of the time, but those that aim high all of the time will succeed most of the time.

Looking ahead, we see that the changing demographics of our labor and managerial force will dramatically affect values and culture. The coming retirement age of 70 implies an older work force. But the pool of younger workers is not as large as the aging baby boomer population. Will older workers by sheer dint of seniority stifle promotions? Women will continue to enter the labor pool, bringing with them the impact of maternity issues, day care issues, wage parity issues, resentment over the perceived glass ceiling, and perhaps a clash with the residual "macho" climate of a predominantly male labor force. Pour in a measure of Kosovars, Vietnamese, Koreans, Chinese, Hispanics, Middle Easterners, and African immigrants. Stir the pot a bit. The resulting ethnic mix will contain highly diverse value systems and many cultural idiosyncracies.[3] As such groups begin to permeate the labor pool, there will

be inevitable repercussions on organizational cultures and climates, for example, in the areas of language, dress, and work habits. The most successful leaders and managers will be those who remain aware of demographic trends, anticipate their potential effects, and develop sound policies and plans for assimilating the newcomers into their work force.

Serious conflicts arise when an organization's values conflict. All values are not of equal importance. An organization must be prepared to rank order its values. Doing so will ease the organization through decisionmaking. For instance, the norm of paying suppliers within 30 days may have to take precedence over a community service donation this quarter. The biggest challenge arises when the survival of the organization is at risk. If a temporary cash flow problem erupts because a big customer did not pay on time, will the organization pay its own suppliers late, or will it indulge in some creative accounting to keep the bottom line in the black?

The following true example of values in conflict illustrates the quandary organizations face as the marketplace changes. One of my former client corporations led its industry for years. It was a generous organization, providing quality cafeteria service at little cost to the employees at its corporate headquarters. Its pay scales topped the industry. Then along came a good competitor. Market share and profits began to dwindle. The company agonized over how to adjust. One factory, pressed by the corporation to produce a certain margin of profit, pulled it off successfully. One of its hourly supervisors explained to his superiors, "By merely meeting our customers' specifications for the product instead of exceeding them, we cut costs dramatically."

His remarks stunned the group. This company took great pride in exceeding customer expectations. But in reality, the customers did not really care. They thought it was comforting for this company to do so, but they did not buy more of the product just because it was a bit overbuilt. In other words, "good enough was good enough." That action changed culture, it changed values, and it improved profits. The next sound you will hear comes from all those perfectionists hyperventilating at my "heresy." But the hard reality is that even the most ethical organizations must vie for profit. Perfection (whatever that is) comes with a cost not always recoverable. Perfection may feel good, but it may improve neither productivity nor profitability.

Donald Bradshaw's illuminating comments in Chapter 3 regarding implementing change are worthy of reinforcing. Everything in this book is directly or indirectly about change—ceasing old activities, initiating new ones, and individual behavioral change. For true foundational change, cultural change must pave the way. Eventually change must be pragmatic. Change might involve, for instance, changing the organizational structure which could threaten bureaucratic or personal interests. The spirit maybe willing, but the flesh weak. Few members of an organization will disagree on the theoretical need to change. But unless there is an enthusiastic commitment to making the new behaviors succeed, the changes may die from neglect. Therefore, the senior leader must show enthusiasm, energy, and persistence in enforcing the new behaviors. But even with enthusiastic support the changes may not succeed. Management must prepare to cease an unproductive change quickly and try something else. Chapter 6 covers some of the specifics in greater detail.

Implementing change begins with preparing people for change. An organization cannot, on Friday, decide that on Monday it will reorganize from a traditional hierarchic structure to a product-line structure and expect its problems to instantly vanish. It must sell the change in advance, assuring all personnel that no one will suffer any loss of status, or drop in income, or any other undesirable outcome—or, if there are to be harmful effects, that there will be good faith efforts to mitigate or redress the harm. An organization must prepare its people with candor and honesty. Individuals must understand, for example, that they may need to learn some new skills (with management's help) or that they may need to take on more responsibility. One of the better ways of gaining support for any change is to reinforce the need to make a profit. All employees are capable of understanding the impact of competition and the need for their employer to make a profit—in particular when it impacts bonuses. A good manager will tell employees, "To stay competitive, we must reduce costs to improve profitability. I cannot promise you that a change will result in profit improvement. If something does not work, we try something else. What I do know is that the sure way to fail is to maintain the status quo and not experiment."

We earlier emphasized that the healthy company is adaptable. Adaptation may require cultural change, but culture is a very elusive term. Definitions abound (as we note from Edgar Schein's survey in his book *Organizational Culture and Leadership*), and they translate poorly into action.[4] But regardless of the precise definition selected, changing any form of culture would, in one way or another, entail codifying new methods, values, and possibly new goals, followed by appropriate actions and behaviors.[5] The change in values might involve moving from an expediency-based philosophy to one featuring two or three prime elevated principles. New actions might include changing the organization's structure from a centralized, hierarchic form to a decentralized, regionalized one. They might also include beefing up Research and Development, hiring five new graduates in computer science, reassigning three senior managers, and hiring replacements from the outside. Assuming management prepared the organization for change, this company will now begin to evolve into a different organization in consonance with its new foundational values. Managing cultural change, never easy, will be a major undertaking because many external forces will jerk the company in several directions at once. The competitive jolts of global economic integration and the impact of greater diversity of the labor force are only two examples.

A high degree of consensus is required to change an organization's culture, but in the real world such change will nearly always meet strong internal resistance. People will not accept change just because "management" says it is good for them. People will smell downsizing immediately and will raise the drawbridge. Changing the culture implies knowing what the current culture is and what it should be. Sometimes those are hard determinations to make. To harmonize the organization's energy and direction, start with the organization's mission (hopefully well articulated in a mission statement). A good mission statement will define in practical terms the future goals of the organization; e.g., to achieve a 40 percent market share in three years. A mission statement should also express the specific, near-term objectives of the organization, the accomplishment of which will contribute to achieving that 40 percent market share. For instance, increase sales in Texas by hiring an additional five sales reps.

A good mission statement will also express the standards descriptive of how the organization will function. I once participated in a meeting to develop an organizational mission statement with a CEO, his staff, and his principal subordinates. As we discussed the part expressing corporate values, the CEO laid down the law informally as follows: "We will be good neighbors and citizens of the community. We will make every effort to promote from within. We will pay our suppliers within 30 days. We will not drag out payments to make our bottom line look better. Many of our suppliers are small businesses who exist from month to month. I don't want to be a factor in sending one under because it couldn't pay its bills because we didn't pay ours. A good supplier is an asset we should protect." This CEO carefully avoided the classic clichés like "People are our most valuable asset." He realized that the first time he had to lay off people, the cynicism level would go off the scale, and management credibility would nose dive. Remember that for a corporation, making a profit *must* come first. For other kinds of organizations, staying within budget or remaining solvent comes first. People can play a close second, but if managers, out of the goodness of their hearts, do not lay off people as product demand drops, they had better have indulgent shareholders or a generous owner. Ultimately, managerial altruism will run out when there is no more money to meet a payroll. The company will fold, and then everyone loses. In articulating its value system, a company should not try to be all-inclusive. The average person cannot internalize much more than three or four values if that. A few basic values are sufficient.

A healthy organization must attract and retain future leaders, the topic of Chapter 4 by Jody Bradshaw. There, the focus is on leaders and the managerial class (or potential managerial class), not upon the labor force itself, since it is the leaders and managers who direct the efforts to produce healthy organizations. But it is useful to remind ourselves that the economic and social perspectives of the hourly wage earner and the salaried manager are quite different, as are their value systems. Many of the hourly employees may be hardworking immigrants whose greatest felt needs now are being well met merely by a decent, steady wage and a great democratic country to live in. Their ambitions may be modest in the beginning (compared to others), and they might be slow to comprehend the concept of employee empowerment and advancement. Many possess a natural deference to authority and cannot visualize themselves someday as a person with authority. This quality may disincline them from speaking up and offering suggestions. Tapping the native talent and ingenuity of such workers and capitalizing on it for the organization's betterment will present a stern but potentially rewarding challenge to managers.

Many Americans in the labor force possess a short-term focus. They live from paycheck to paycheck, feeling little concern with the future. Those in the labor force who possess a longer-term focus usually become supervisors or even managers. It might never occur to a 19-year-old welder that in 20 years he will still be welding. Even if he were to consider that possibility, he might regard that as an acceptable outcome. In a company I once consulted for I encountered a 28-year-old welder who decided suddenly to go to college to earn an engineering degree. In response to my question of what energized him to do that, he replied, "One day I looked around and saw 50-year-old welders doing the same thing they had been doing for years. That didn't appeal to me." But he was exceptional. We must face the fact that many people are content with

repetitive, production-line jobs. They become comfortable and secure in its predictability. They also take great pride in their skills honed over many years of practice, and they revel in the respect they achieve in the eyes of others for that skill.

Additionally, not every hourly wage earner aspires to set policy, determine strategy, or participate in any of the trendy empowerment opportunities to play manager. One intelligent pressman told me, "I come in. I put in my eight hours doing good work, and I walk out and return to my farm. I don't want to do management's job. Ask me about work, and I'll answer. But don't jerk me off the line to discuss the color in the men's washroom." It is critically important not to project one's own aspirations on everyone else. They may not share them. What would be boring to an aspiring manager could be very acceptable to others. Managerial and executive work simply does not attract the interest of all others—in particular those who need predictability in their lives. Besides, they sleep more soundly than managers do and have fewer ulcers. Therefore, in selecting hourly employees for promotion to supervisor, ask them first if they want to supervise (and why). Be prepared for a surprise. One individual I encountered accepted a supervisory position, but quit after a week. It seems he had given up his "good ol' boy" status and could not drink beer with his buddies after hours. The loss was not worth it.

In motivating employees to change, three steps are necessary. Tell him or her what the new behavior is. Then tell him or her why. Then make the change rewarding. Or, if necessary, make not changing unrewarding. Be sure that the reward is something the employee desires. Once again, do not assume that what rewards Person A will reward Person B. Retaining and motivating people may sometimes have to take a back seat to achieving production demands. An overzealous sales force may have sold more items than production can handle. This could compel the company to run three shifts, seven days a week, forcing its people into overtime during the summer. This is the time for that personal presence of the boss. The chain of command must mix with its personnel, explaining why the step is necessary and thanking everyone for his and her efforts. Although that is the right and best action under those circumstances, some employees will always grumble. If fights break out, if there are industrial accidents, if there is sabotage, if absenteeism increases, the organization is at the point of pushing too hard. It must relent and lighten the load. Americans work hard.

Among the obstacles to change is the issue of putting out fires. The hard reality of managerial and supervisory life is that there are not enough hours in the day to do everything. Time management is of critical importance. Leaders are often forced to delay pressing actions until the next day because they must douse today's fires. Few work the classic 40-hour workweek. Seventy-to-eighty hour workweeks are not unusual. Downsizing is partially to blame. Today's first-line supervisors often control as many as 40 people. That exceeds by far the classic span of control of seven. The demands on supervisors are too many for them to accomplish in one day and still stay close to their people. Regardless of what the organization chart shows, a phantom organization will arise, and the clever supervisor will assign one of his best hourly employees to routine, time-consuming administrative tasks, like gathering up time and attendance cards each morning or attending another safety meeting. That saves the

supervisor valuable time, but at the cost of taking a reliable worker off the production line. Like water seeking its own level, a new structure will slowly emerge. This is the process that starts hourly wage earners on the road to supervision.

Chapter 5, "Selecting and Developing the Best Leaders," by Michael Cody covers its topic thoroughly. One is struck by the almost superhuman organizational leaders implied by the long lists of traits, skills, qualities, and competencies demanded of them by the theoretical literature cited. This literature is useful because in the aggregate it defines the ideal leader or manager. We do need to know what to shoot for. But in the real world, rare is the leader who combines in one person the assertiveness, tough-mindedness, social skills, intelligence, experience, initiative, and imaginative spark necessary to pluck from the babble of futurist lore the one good idea whose time has come, and then convert that idea into a profitable product quickly. If the leader is the innovator, then he or she needs a strong number two to manage the day-to-day activities of the organization. Expecting one person to do the two jobs well is unrealistic—possible, but not likely.

Selection and development of leaders must occur within the framework of culture and values. It is absolutely essential that the CEO, with the advice of others, determine the criteria for critical positions. Behind these criteria are the questions, "Is this person someone who will mesh with our values? Will this person contribute to achieving our corporate goals?" The top leaders must seek these desiderata in terms of specific employee behavioral characteristics like creative, self-disciplined, intelligent, etc. Many of these qualities are not immediately obvious in an interview, and the presence or absence of them can be crucial. To assist in the interviewing, organizations often rely on consulting psychologists, many of whom use psychological testing. No process is perfect, but this approach substantially raises the probability of a first-time hit in choosing the right person for the particular job.

Interviewing prospective employees well is very time-consuming and energy-draining. A leader must always play a strong role in the interviewing process, but must husband scarce time well. Bringing in an expert to participate in the selection process provides an informed slant on the candidates, and it frees up some of the leader's time. Dreamers and other creative people come in many different packages. Not all are rumpled, shaggy-haired, and lost in thought. Some people think they are creative when in fact they are merely innovative—good at taking the existing circumstances and improving on them (for example, streamlining the production line by eliminating repetitive tasks). By way of contrast, a creator is one who can envisage something entirely new and different and bring it into being. For instance, think of the production manager of a filing cabinet manufacturer who foresees the demise of cabinets because of the growth of electronic filing. He urges the company to cease producing them, retool, and begin making a user-friendly office cubicle complete with an advanced modular computer desk that modifies easily to meet changing computer configurations. A prosaic example, but it emphasizes the radical departure from straitjacketed thinking that the organization may sorely need.

A facility for hiring the right people is only part of an organizational leader's professional repertoire. Another important aspect of his development is orienting new people to the

organization. Ideally, it should be through a systematic program designed to introduce newcomers to "how things are done around here." Acculturation begins at this time. For the first few weeks the process should be intense, but as the weeks go by, it can taper off gradually, but should not end entirely until the newcomer really learns the ropes.

To illustrate the sort of managerial involvement required, let us assume a young woman has been hired as a junior executive. Management must stay in contact sufficiently to ensure that she is fitting in, that she has all her questions answered, and that she is not misinterpreting what she hears. The mind-reading capability of new hires is notoriously poor. Do not assume, for example, that she knows running shoes are inappropriate on casual Friday. She needs to learn the customs and traditions of her organization. Coworkers must be careful in what they say to her. She may assume that the words, "Drop around anytime," are an invitation to visit and chat. Orientation must include the roles and responsibilities of her position, including measurable goals to which she will have had some input. Let her have *some* control. She ought to have input into decisions affecting her development. But she may have to pay her dues and do grunt work before she can move on to the next level. This may not set well with her youthful zeal, so she must decide if the benefits of following the development program are worth the time spent paying her dues. If not, she and the organization should part as friends.

This is also a good time to assess her skills and ambitions. If they meet the organization's needs for the foreseeable future, her training ought to follow a certain path. Should she lack some needed qualities and skills (like being more assertive), she ought to follow a different path, perhaps including on-site training or specialized courses. If she is unable or unwilling to behave more assertively, she may need to follow another developmental path where the quality of assertiveness is not critical for success. Another issue: she must play a strong role in the process. Things do fall through the crack, and if a promised seminar does not come to pass, she must exercise initiative and speak up. Management must constantly emphasize the importance of continuing education. Too often, continuing education and development consist of sending someone off to a seminar—any seminar—after which the person in charge smiles complacently and checks the box.

Cross-training is an excellent vehicle for preparing personnel for more responsible positions. In reality, however, many sections are reluctant to send a good junior executive to an unfamiliar section for several years. In the short term one section loses a good contributor, while the other section gains a novice who, regardless of basic abilities, will perform at less than optimum for a while. No one disagrees in theory that cross-training is vital, but when push comes to shove, the attitude will be "Let someone else do it." The impetus for cross-training must come from the top: it truly requires strict adherence to the principles of long-term growth and development. Successful development demands an integrated, organization-wide program heartily supported by all. This process may sound like ticket-punching. It is not. The difference is that good cross-training assignments include payback time. In other words, the junior executive may need 18 months to become productive in the new position. That is not the time for reassignment. The organization now must have use of the newly acquired skills in that position, say, for two years.

This allows the company to gain a return on its investment. Were this not to occur, the organization would forever be in turmoil with excessive turnover.

No healthy organization will stay mired in the status quo. An organization with a lock on a great product must remain sensitive to the stealthy march of obsolescence, which otherwise can reduce a hot item to a useless relic seemingly in the blink of an eye. The healthy organization will constantly ask itself, "How do we stay competitive throughout the next decade?" Pacific rim countries may pirate the technology and produce it cheaper. A U.S. competitor may develop a superior product. Therefore, R & D folks or some other creative person or group must constantly assess the marketplace to fathom what customer needs will be (more on this in Chapter 6).

Continuous market analysis is vital if the organization hopes to continue improving its product or lowering it's cost, or produce an entirely new product. It is in this area that leaders who are creative and able to visualize the future market are worth their weight in Beanie Babies. An organization should not ask itself, "Where do we *want* to be in 5 years." That does not go far enough. The better question is, "Where *can* we be in 5 years." The answer to the first question is usually, "To lead the industry in our product, to reduce costs, to broaden our markets, to grow the company by acquisitions, to increase sales and revenue." These are admirable, traditional, growth-oriented ambitions. But they do not address the ultimate critical issue—leading the market with an innovative and more competitive product. Doing that requires that some element in the organization accurately assess the future and convert that vision into a marketable product. We all nod sagely and agree. But face it; our track record for predicting the future and capitalizing upon it is poor. Such earth-moving events as the Iranian upheaval, the fall of the Soviet Union, the invasion of Kuwait, the phenomenal sustained growth of the U.S. economy, and the runaway U.S. stock market caught the best minds of the world off guard.

What then is a poor leader to do? First, he can take some comfort in the fact that he is not alone. Most are in the same boat. Their predictive skills are probably just fair, so failing to predict or anticipate change down to the last dot is not necessarily a kiss of death. A few managers will visualize the possible and then pounce. Some may simply stumble into it. They will be enormously successful. For the rest of us mortals, survival depends upon quick adaptation and jumping on the bandwagon. The ideal organization will possess the talent to adjust to the future rapidly. This implies an open mind, one that can readily gauge the possibilities of a new idea. Few organizations possess people with the inventive mind of a Bill Gates, but many have employees who can visualize some of the possibilities of a newly emergent gadget or process.

Adaptability in a leader implies a willingness to consider disagreeable or contrary data. Subordinates are naturally reluctant to report bad news, but the leader must insist upon receiving the unvarnished truth. As former Army Chief of Staff General Gordon Sullivan used to reiterate to his staff and commanders, "Disagreement is not disrespect." Likewise, management must not regard disagreement by subordinates as negative thinking or as thwarting teamwork.

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Management must also avoid heaping task after task upon the hapless subordinate while remaining insensitive to the resulting cumulative load. Management has an obligation to help subordinates and especially to help them prioritize their time. Worth repeating: time management is critical! For instance, the manager of several assembly lines needs to list all of his or her tasks and recommend to the boss a hierarchy of importance among them. It is critical that the boss not respond with the non sequitur, "Everything is number one priority." That is a dumb, illogical answer. The good executive should respond with something like this, "No matter what, spend at least 40 percent of your time in direct contact with your assembly line supervisors." Then he should look at the list and either approve of the ranking of tasks or reorder them to correlate with those of similarly placed managers.

Executives must also provide the assets for subordinates. This can be personnel, a budget increase, or new equipment. They should not burden subordinates with tasks but provide no resources, leaving them dangling with such empty reassurances as, "If you are a good leader, you will find a way." Such an attitude on the part of an organizational leader has set up many a fine subordinate for failure. Leadership and a can-do attitude can accomplish much, but they are not magic.

Beware of inane clichés uttered by highly respected executives and senior managers. Many such leaders feel a need to be profound, and their utterances are often sonorous semantic beauties, but shallow. (The famous maxims of Napoleon are sometimes profound, sometimes shallow, and often contradictory.) Try this one: "Take care of the little things and the big things will take care of themselves." Think about that. It says immerse yourself in detail. And worse, it says that the big issues will resolve themselves. Not only not so, but hell not so. Certainly leaders must check and follow up on orders in sufficient measure, but details are the responsibility of good subordinates.

Leaders must have a grasp of the big picture, and they should function as orchestrators, coordinating current operations and planning for the future. Another example: A former Army general was once fond of saying, "An organization does well those things the boss checks." Upon closer inspection, it is a terrible indictment of the chain of command—in particular of the noncommissioned officers. In any organization, be it the military or a factory, if it takes the presence of the big boss to personally assure quality control, then that boss needs new subordinate leaders. Yes, the considered presence of the boss is necessary to keep a finger on the pulse of the organization by chatting with subordinates and making them feel the impress of organizational leadership in its human ramifications, for example, recognizing individuals and expressing gratitude for their performance. But he should not squander his precious time doing the job of shop foremen and office supervisors.

In the following chapters, the authors make a convincing case that the healthy organization (1) is infused with ethical values; (2) possesses a culture conducive to organizational change; (3) maintains an environment congenial to leader retention; and (4) has successful programs for selecting and developing the best future leaders. Whether the reader is interested in leadership within a corporate setting, a military unit, an academic institution, or any other type of modern

organization, he or she will find that the authors have done a remarkable job of deploying the best thought of today's organizational practitioners and theorists alike.

Get aboard, the train is about to leave.

ENDNOTES - CHAPTER 1

1. Alan S. Penman et al., *The Managerial Challenge: A Psychological Approach to the Changing World of Management*, New York, NY: New American Library, 1979, pp. 235-246.

2. We should note, however, that the World Trade Organization recently ruled that tax incentives for U.S. corporations under the Foreign Sales Corporation amount to illegal subsidies. See "WTO Rules U.S. Tax Breaks Illegal," *The Sentinel* (Carlisle, PA), February 24, 2000, p. A3.

3. See, e.g., Lloyd J. Matthews and Tinaz Pavri, eds., *Population Diversity and the U.S. Army*, Carlisle Barracks, PA: U.S. Army War College, Strategic Studies Institute, June 1999.

4. Edgar H. Schein, *Organizational Culture and Leadership*, 2nd Edition, San Francisco: Jossey-Bass, 1992, pp. 8-10.

5. Donald Bradshaw, in Chapter 3, adopts Schein's definition of organizational culture: "A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems" (Schein, p. 12).

Chapter 2

VALUES-BASED ORGANIZATIONS

David R. Brooks

INTRODUCTION

Healthy organizations are those that achieve success over the long haul, however they might choose to define their success. It is important to specify that the success be maintained over a considerable period because it is not uncommon for basically unsound organizations to achieve impressive short-term results through practices that cannot be sustained indefinitely (for example, by expanding in size through borrowing-financed acquisitions faster than profits expand to underwrite the borrowing).

As we have seen, the present book undertakes to demonstrate that healthy organizations are most likely to result if (1) they are values-based; (2) they possess an organizational culture optimized for enduring success; (3) the internal organizational climate encourages the emergence of a pool of potential future leaders; and (4) leader selection and development procedures channel the most qualified personnel from this pool into the critical leadership, managerial, supervisory, and functional positions within the organizational hierarchy. The present chapter discusses what it means for an organization to be values-based.

The meaning of the term "value" in the context of organizational success can be quite elusive, as the most cursory glance at value theory will attest.[1] An informal yet useful definition is that of Harry Noyes: "Perhaps we can understand values better if we add an extra letter: 'valueds.' Values are those things that are valued by us."[2] Values are thus those things or qualities that people and organizations hold dear.

When we speak of an organization as being "based" on something, as in the term "values-based organization," we refer to the predominant quality that animates and motivates the organization in the performance of its designated role. Compare, for example, such other frequently mentioned bases for corporate operation as profit-motivated, success-motivated, fear-driven, survival-driven, customer-oriented, quality-based, product-driven, and so forth. `Obviously, we risk distortion in focusing on a single trait to characterize what makes a company tick, since in the real world an organization is propelled by a variety of incentives—not just one. For example, though a company might proclaim itself to be values-based, it must also be profit-oriented, at least in the long run. In a capitalist economy, no company can survive for long that is chronically in the red.

But given that any organization must aim to succeed in its role—to maintain profitability in the case of a business, to win or deter wars in the case of an army, to educate minds in the case of a college, to raise money beyond administrative expenses in the case of a charitable organization—there is always one from a broad range of distinctive approaches that an organization can choose to emphasize and attach paramount priority to in its strategy for success.

The particular approach we shall treat here is of course the one in which the organization casts its lot with humane values. *A values-based organization is one in which humane values—or valueds—permeate the collective organizational consciousness in such a way as to inform every individual or corporate act.*

To appreciate the potential implications of such a strategy, consider the range of responsibilities shouldered by any organization (we'll use an incorporated business as our example here, realizing that any large organization has analogous responsibilities). A corporation has responsibilities to a huge community of stakeholders—to its customers, who buy its products and expect quality for their money; to its shareholders, who have invested their money in the corporation and expect a return on their investment; to its employees, who invest their labor and expect a living in return; to its employee union, which expects it to adhere to all negotiated agreements; and to its creditors, suppliers, vendors, and distributors, who provide the wherewithal for doing business in a spirit of shared responsibility and mutual trust.

But the circle of responsibility is wider yet. The company has responsibilities to respected competitors, who join it in the business game, following the rules and contending fairly; to the local community, with which the corporation is bound up in a complex web of reciprocal benefits and obligations; to the state and federal governments, who expect tax payments in exchange for providing a sound business and security climate; and, on a loftier plane, to the natural environment and to the rest of humanity, since no man or business is an island in this increasingly interrelated world.

The one common denominator of the foregoing organizational responsibilities is that each ultimately entails human-to-human transactions. That being so, an organization can enormously leverage its success in meeting its responsibilities—thus laying the foundation for organizational success—by maximizing the quality of each of those innumerable human-to-human transactions, whether major or minor, that over time aggregate into its defining modus operandi for doing business. Values-based organizations operate on the assumption that success will be enhanced to the extent that its transactions are conducted according to the dictates of the full range of humane values—honesty, fairness, reliability, compassion, sympathy, understanding, cooperation, and, perhaps above all, empathy, the ability to enter another's sensibility to share that person's feelings and see things from his or her point of view.[3]

The organization must never allow itself to lose sight of its human dimension. It is our custom to adopt shorthand notation when speaking of the actions of institutions, peppering our conversation with such phrases as "The Navy announced the decommissioning of two carriers," "IBM laid off 4,000 workers," "The United Fund raised six million dollars." But in every case where we speak of an institutional act, even when the statutes allow us to depersonalize responsibility and ownership under the laws of incorporation, it remains that living, sentient, responsible human beings made the decisions and performed the acts that we unreflectively attribute to the institution itself. Thus no agent or agents of an organization can escape responsibility for an unfair or dishonest act in the workplace by claiming it was a "company decision."

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It is important to understand that while virtue is indeed its own reward, running a principled business also happens to be good business. The reason is quite simple: if a company invariably displays honesty, fairness, reliability, etc., in its dealings with customers, stockholders, employees, and the other stakeholders, then the stakeholders will respond with the needed cooperation and other acts of approval that add up to corporate success in every dimension. Humane values—or valueds—are not operationalized in a vacuum. They operate on people, the very people who must react favorably to their contacts with the organization if it is to achieve success.

In the dog-eat-dog competitive world we inhabit today, it may strike some readers as unduly quixotic to assume that virtue pays off in the marketplace. But in the long run it always does. Of course, in the short run an organization may take some hits for its principles. For example, Lands' End, the large catalogue clothing retailer based in Wisconsin, maintains an extraordinarily liberal policy on returns, accepting virtually all rejected merchandise on a no-questions-asked basis. No doubt some few customers abuse this policy to the company's momentary detriment. Over the long haul, however, the good will and confidence engendered by the liberal return policy enormously magnify the company's sales, thus far outweighing the relatively minuscule losses occasioned by questionable returns. It may take time for a principled organization to become broadly recognized as such, but once it does, clients will beat a path to its door.

It must be emphasized that values-based organizations operate in the same economic climate and face the same competitive forces that beset all similar organizations. Thus they are not immune to the necessity at times of taking harsh but realistic steps required for their successful adaptation and survival. Would a values-based company ever reduce its quarterly dividend paid to shareholders, or reduce the annual Christmas bonus customarily paid to employees, or institute greater efficiencies on the assembly line, or even lay off workers in a major downsizing? The answer is yes in all cases, if economic conditions, fiscal prudence, and market realities so dictate.

But the details of implementation would be values-based, contrived to minimize adverse monetary and morale consequences for the people affected. While downsizing can be one of the most devastating developments in the institutional world, the jarring sense of loss and dislocation can be greatly mitigated through such humane and enlightened steps as provision for early retirement, generous lump-sum severance payments, job placement counseling and assistance, funded retraining programs, and flexible provision for intra-organization job transfers.

Finally, we may note that not even values-based organizations are proof against failure. All other factors being equal, values-basing optimizes organizational performance within the operating domain that the organization can reasonably be expected to control. But no company can survive in the face of adverse macro forces, trends, and developments that it is powerless to deflect. The invention of the automobile put a severe crimp in the horse-drawn carriage industry. The arrival of the transistor put the kibosh on vacuum tube manufacturers. The steep rise in interest rates during the last years of the Carter Administration drove many real estate concerns to ruin by drying up the housing market. Nimble organizations can sometimes survive by switching product lines or finding ingenious means of adaptation, but there is no denying that even the most savvy organizations are masters of their fate only up to a point.

In the foregoing discussion, we have described values-based organizations in terms of humane values, those qualities such as compassion, sympathy, fairness, etc., that are particularly facilitate human-to-human interactions. Some organizational theorists come at it from a slightly different angle. Ken Blanchard and Michael O'Connor, for example, in their book *Managing by Values* emphasize "business values" like honesty, integrity, fairness, and cooperation, and they use the word "ethical" to describe management behavior based upon these "business values."[4] It is interesting to note, however, that honesty, integrity, fairness, and cooperation are all members of the cluster comprising what we earlier enumerated as the humane values. Moreover, as was so brilliantly demonstrated by Robert Pirsig in his cryptically titled 1974 bestseller *Zen and the Art of Motorcycle Maintenance: An Inquiry into Values*, even the so-called utilitarian values— quality, excellence, dependability, industriousness, attention to detail, perseverance, etc.— possess an essential moral dimension.[5] And this should not be surprising. Any slate of operational values chosen to facilitate the success of institutions must necessarily capitalize on the psychology of this peculiar breed of beings we call Homo sapiens, who differ from mere brutes in their possession of a moral sense.

In practice, most values-based organizations select a small group of core values rather than rely on a broad generic descriptor like "humane," "ethical," or "principled" to characterize their value system. These core values can be promulgated as lists or embedded in organizational codes, credos, or statements of principles.[6] Ford, for example, when it undertook to change its corporate culture in the early Eighties, developed a written statement of its mission, values, and guiding principles. Johnson & Johnson formulated a statement of its beliefs and values called "Our Credo" during the World War II years and has continued it to this day.[7] Disney emphasizes the values of wholesomeness and bringing happiness to people. Boeing puts a high premium upon product integrity and leading-edge aviation. IBM built its reputation by stressing service to the customer above all else. Hewlett-Packard regards respect for the individual as its core value.[8] Ben & Jerry's, the gourmet ice cream maker, features social activism as its paramount value.[9]

The uniformed services have jumped on the bandwagon with their own lists of core values. The Air Force, for example, currently embraces three—integrity, service, and excellence.[10] The four most popular core values, based on a review of the ethical codes of numerous companies and organizations, are trust, excellence, teamwork, and loyalty. Though there is no one "best" list, certainly these four values capture a central core of ethical elements applicable to almost any principled organization.

Core values will vary among organizations, however, because they reflect the differences among organizational movers and shakers as they attempt to optimize strategies for achieving organizational success. The personality, character, and style of the leadership will combine with such other determinants as organizational culture and climate as inputs to the process of deciding upon enduring values. But no set of core values will work if it fails to accord with the "valueds" of the organization's customer or client base. It is absolutely critical for organizational leaders to take account of customer or client values in deciding upon the core values that will guide the organization in its efforts to satisfy those whom it serves.

In the final analysis, however, selecting the particular values on which to base an organization's operations is the easy part, though obviously it must be done with care and wisdom (more on this later). Far more difficult are the questions of how to grow a values-based organization and how to maintain a values-based organization once it is established. We shall take up these questions in the balance of the chapter.

HOW TO GROW A VALUES-BASED ORGANIZATION

The ideal end-state to which all values-based organizations aspire is as follows: every employee or representative of the organization, from the most exalted rungs of organizational leadership down to the humblest levels of blue-collar endeavor, will have internalized an understanding of the company's values and will be actively guided by those values in every decision and transaction made on behalf of the organization. The goal here is for organizational values to so permeate the fabric of the organization that they are reflexively operationalized by all employees in the workplace. This is a tall order, and in practice of course it will never be achieved for all employees all the time. But it is the ideal that values-based organizations shoot for.

Molding human behavior according to a high ethical ideal is difficult in the best of circumstances—ask any preacher—but it is doubly difficult in a competitive environment, where compassionate, high-toned behavior is often counterintuitive. After all, in most contexts the successful organization is one that wins the contract in competitive bidding, that produces a better product, that provides better service, that improves its market share, that increases its profit margins—in short, one that "beats" the competition in a fair fight. When the competitive juices are flowing, it can be contrary to our natural impulses to attend overmuch to altruistic scruples, particularly when such scruples produce momentary reductions in one's competitive edge. Successful values-basing, therefore, depends on convincing employees that the key to significant long-term success is a willingness to make small short-term sacrifices on the altar of habitual values-based conduct. It may bother a company salesman to refer a customer with a lucrative order to a competitor when the supply of the salesman's own company is temporarily exhausted, but over time the reputation for unselfish service that the company cultivates through such transactions will more than repay it for any lost sales.

Now having a pretty good notion of the difficulty of the task ahead, let us move on to a discussion of concrete steps for implementing a values-based program. Absolutely the first and most essential step is to review the bidding on the organization's initial stab at setting down its core values. Proposed core values should be rechecked against the following criteria:

• *Must contain ethical content*. Core values deal with right behavior. They evoke such concerns as what is ethical, moral, proper, principled, or humane in conducting an organization's business. They do not deal with what is ethically neutral or merely expedient. As behavioral norms, permitting ethical judgments, core values suggest how employees *ought* to act.

• *Represent timeless principles rather than daily practices*. Core values focus on enduring values that remain relevant and binding despite the vicissitudes of time, season, fashion, and the marketplace—and despite the changes wrought by so-called "progress."

Disney, for example, clings with an almost religious fervor to the value of bringing untarnished joy to people's lives, yet it has continually changed its product line—from "cartoons to feature films, to the Mickey Mouse Club, to Disneyland, to videos."[11] Core values transcend the generations, speaking as forcefully to the grandmother as to the granddaughter.

• *Are means to an end rather than ends in themselves*. It would be inappropriate to select as core values those various ultimate goals that animate organizations at a deep unspoken level.[12] It is taken for granted that organizations want health and success. It is self-evident that corporations want profitability, growth, and survivability. It is taken for granted that the Navy wants victory in its battles. In contrast, core values are instrumental values, so-called because they are instruments for achieving the ultimate goals. Admittedly, in the daily business of living one can say that such qualities as honesty, fairness, and compassion are ends in themselves. But in an organizational setting, they also become means to an end, because they help the organization realize its raison d'être.

• *Tailored to the unique particularities of the organization*. Core values must be those which, if operationalized, provide the best chance of success for a specified organization. They should thus directly advance its mission or purpose. The Marine Corps would be ill-served by such core values as faith, hope, and charity. Seagram's Distilleries would probably want to think twice about embracing the values of temperance and sobriety. Even here, though, matters can get tricky. Witness the anti-smoking ads that cigarette manufacturers are currently directing at America's youth.

• *Confined to as few as possible*. Neither the public which reacts to an organization's declared values nor the employees who must implement them can deal usefully with a long list. Such lists simply can't be grasped whole and retained in the forefront of one's thoughts. If core values are to body forth the organization, they must be confined to the magic few. Witness West Point's value-laden motto, "Duty, Honor, Country." Contrast that distilled essence of sublime values with Levi Strauss's longish series, "New behaviors, diversity, recognition, ethical management practices, communications, empowerment."[13] Every element in Levi Strauss's list is doubtless commendable, but the combination does not roll off the tongue and quicken the pulse.

• *Reconciled to avoid mutual conflict*. Patrick O'Brian, that great master of sea yarns, once parodied the tendency of the British Admiralty to speak out of both sides of its mouth at once in the promulgation of orders to its ship captains: "*The captain* was to travel at a very great pace, but he was by no means to endanger his masts, yards, or sails; he was to shrink from no danger, but . . . he was on no account to incur any risk."[14] Sometimes organizations in their zeal to cover all bases recoil from the hard choices necessary in paring lists down to the few deserving highest priority. For example, it is not uncommon for companies that value ethnic and gender diversity on one hand, and globalization of business on the other, to encounter frustrating conflicts when they attempt to assign women or Jews to Middle Eastern countries. Of course, even with the best crafted sets of core values, organizations can never escape the possibility that sometime they will find themselves pursuing at once two mutually exclusive value-based initiatives. That is when they should call in Solomon. Meanwhile, it is best to avoid value sets that contain elements likely to prove incompatible.

Hewing to the foregoing criteria should go a long way toward assuring that the core values finally decided upon are optimized for organizational success. With the core values securely established, the organizational leadership is ready to proceed to the implementation of several concrete measures for creating a values-based organization.

• *Officers, supervisors, managers, and section chiefs representing every echelon—from top to bottom—must set the example in operationalizing the organization's core values*. The leadership can *proclaim* values until the dust settles upon eternity, but unless they *live* those values in contacts with subordinates and other stakeholders the values will never take hold throughout.

• *Advertise the core values as widely as possible*. Declaring the organizational values publicly creates a climate of expectancy. Then when the values are seen to be lived up to, they are confirmed and reinforced in the minds of the target audience. Core values can thus become a valuable tool both for enhancing the organization's reputation and for marketing. Values should be heavily featured in organizational promotional campaigns, using such mnemonic devices as striking logos, telling mottoes, and catchy slogans and jingles. Prudential Insurance's reputation for strength, solidity, and reliability has been immeasurably enhanced by its long-nurtured symbolic association with the Rock of Gibralter. For the principle to work, of course, the organization must deliver on the promises implicit in the values it declares. A company that ostentatiously proclaims excellence for its products but markets garbage will soon be found out and will suffer for its hypocrisy.

• *Employ a concerted, first-class communications campaign to convey information about organizational values, goals, purposes, missions, and beliefs to organizational members*. The organization's top leadership should become directly involved, enlisting the best minds and expending the necessary resources to get the word out. Multiple media should be employed—newsletters, pamphlets, magazines, videotapes, in-house television networks, e-mail, web pages, workshops, off-site indoctrination conferences, training courses, section meetings, and questionnaires.[15]

• *Elucidate values in terms of specific acts and modes of conduct demanded*. It is probably impossible to change the behavior of organizational members simply by prescribing abstract one-word values to them. They must also be told what behaviors are expected to evince those values. Bob Evans Restaurants stresses the values of friendliness and down-home ambience. But the clerk at the cash register receives specific instructions on how to embody these values. That's why he or she always smiles brightly and inquires, "Was everything all right?" or "How was your meal?"

• S*trategies for values indoctrination must be tailored to the particular groups of stakeholders*. In-house video programs might not reach creditors, vendors, suppliers, and distributors. Lofty pronouncements of corporate vision and destiny might be inappropriate for employees at the bottom end of the food chain. A successful values-based program must contain separate packages for each of the main stakeholder groups, differentiated as to both medium and message, so that they are fitting and effective for the individuals and groups that receive them.

With the gradual accomplishment of such measures as those above, an organization can have every expectation that it will one day enjoy the reputation and benefit of values-basing. It can take deserved pride in its new status and will doubtless want to celebrate. But after the toasts are offered and the shouting dies, the organization must turn to the far less exciting business of long-term maintenance. That is where the true challenges lie.

HOW TO MAINTAIN A VALUES-BASED ORGANIZATION

Major revampings of organizations are common to all fields of human endeavor. We see it in athletics, where a much sought-after new coach is hired to come in, clean house, turn the failed program around, and restore the team to the position of preeminence it enjoyed back in the glory days. We see it in the military, where a hotshot unit commander arrives like a whirlwind, shakes things up, puts his stamp on the operation, and then moves on to his next assignment, leaving behind a unit that may or may not be improved, but one that is certainly exhausted. And of course we see it in the corporate world, where the boy wonder with a reputation for ruthless pursuit of the bottom line comes in, quickly restores the floundering company to profitability, and then moves on, leaving a trail littered with the shattered dreams and aborted careers of those who stood in the way.

The clichéd scenarios above have several elements in common, one of which is the sense of drama and excitement attending participation in a major reorganization that promises to rescue an outfit from the doldrums and propel it to new heights of success. It is a heady experience to be part of such an effort, and the frequent adrenalin rushes are not soon to be forgotten. But through it all, an important caveat must be kept in mind: the greatest challenges lie not in changing organizations—the most mediocre officer given sufficient authority can make changes—but rather in making changes that are advantageous and then in making them stick. It is far tougher to attend this aspect of the problem because the thrill of innovation will have long since dissipated, and the job will never be finished. Maintaining is forever. The rest of the chapter will address methods of making the reforms stick.

It is tempting to advise leaders who have successfully implemented a program of values-basing to simply keep operating by the newly adopted methods. But that's begging the question, for how *does* the leader in fact assure that the newly adopted methods will be institutionalized for the long haul? Here following are several measures to make that happen.

• *In implementing a values-based program, patience is the watchword*. Reputations for values are not built in a day. It is a process of slow accretion and permeation as the word spreads out externally and sinks in internally. General Electric used to tell the world that progress was its most important product. Today, it instead spreads the message, "We bring good things to life." How many years, how many advertising dollars, has it taken for such words to become as familiar as a nursery rhyme in the popular consciousness? Few organizations will be able to disseminate its values as successfully as GE, of course, but even so they must first lay a proper basis and then allow time to do its work.

• *In personnel practices, the organization should recruit, select, hire, train, assign, and promote with its core values in mind*. When the personal values of employees are congruent

with their company's values, their personal lives are more fulfilled and they maintain a more positive outlook toward their jobs.[16] Of equal importance, they will be more disposed to continue implementing the company's values in the performance of their duties. A member of the Temperance Society would probably be a poor prospect to serve as treasurer of a bartenders' union. An avowed pacifist would be ill-suited as a combat infantryman. A rude, sarcastic shrew would be spectacularly maladapted as the head receptionist in a company that prides itself on sympathy and compassion.

• *Impress upon all stakeholders that values-basing is a permanent aspect of organizational activity, not a one-time fad or a series of intermittent buck-ups*. Values indoctrination must be continuous, like keeping the workplace coffee pot full, like opening and answering the mail, like counting the daily receipts. It must become as natural and inevitable as breathing. If values indoctrination and dissemination are not specifically systematized for the duration, the impetus will soon flag and the values will degrade to mere dead rhetoric.

• *Assign responsibility for values dissemination and indoctrination to a permanent staff entity endowed with appropriate resources, visibility, prestige, and clout*. After the initial hype and hoopla attending the kick-off of an organizational values program, life will return to normal, workers will go back to their computer terminals and in-boxes, and the movers and shakers will shift their attention to the next crisis of the day. The surest way to cause a once-promising values program to wither and die is failure to properly fix responsibility for its perpetuation as a vital force. Often, the best lodgment for such a staff function would be with the organizational information and public affairs chief, superintended by an officer at or near the top. Their mission would be values propagation. This mission would be accorded a degree of priority in the organizational scheme of things sufficient to put it right up there with marketing, quality control, personnel, and finance. The chief executive officer must resist at all costs the temptation to assign the values program to some obscure staff functionary as an extra duty or to diffuse responsibility among several staff sections with no one in effective overall charge. Divided responsibility is no responsibility.

• *Never stand pat*. Dull routine is the enemy of sustained success. The reason why so many great organizations of the past eventually fail is that they lose their sustaining spark. While enduring values never change, the techniques for packaging, propagating, and indoctrinating such values are infinitely dynamic. Those officers selected to be responsible for maintaining the values program must be imaginative people, forever on the lookout for better methods, improved approaches, and opportunities for renewal and revitalization.

CONCLUSION

Though perhaps new in name and concept, values-based organizations are not necessarily new in their recognition that principled business is also good business. There have always been occasional corporations and other organizations that were infused with an enlightened ethical consciousness by dint of the character and integrity of a strong leader who was able to impress his will to do what's right upon the entire organization. But such leaders are extremely rare. Moreover, with the exponential growth of giant global conglomerates, it has become virtually impossible for even the strongest leader acting alone to mold an ethical consciousness

throughout the organization by sheer force of will, even assisted by the full panoply of modern information technology.

Today, organizations cannot afford to depend on the accident of discovering transcendent leaders who can bully them into adopting a posture of ethical rectitude. Instead, they must embed permanent functional structures within the organization so that values-basing becomes fixed regardless of the individual personalities, preoccupations, and predispositions of senior officers who drift in and out of the organization over time. Though the vitality of a values-based program will always remain to some degree leader-dependent, the same can be said for marketing, product design, finance, and any of the other essential aspects of corporate endeavor. Thus, irrespective of who the leaders might be, values-basing must become both systematic and systemic, remaining in place and continuing to function long after the transient actors have had their hour upon the stage.

In extolling the advantages of values-basing as a contributor to organizational health, we have no intention of derogating organizations that have hitched their wagons to a different star. No organizational mode has a monopoly on virtue, and there are admittedly many good and decent people walking the halls of corporate power today who owing to the press of competitive circumstance rarely think beyond the bottom line. We claim only that the principle of always doing what's right, if methodically inculcated in the hearts and minds of an organization's members, will ultimately contribute in a major way to the organization's health, to its competitive edge, and thus to its long-term success.

ENDNOTES - CHAPTER 2

1. Robin M. Williams, for example, declares that "it is very doubtful that any one descriptive definition can do complete justice to the full range and diversity of recognizable value phenomena (*International Encyclopedia of the Social Sciences*, Vol. 16, New York: Macmillan & The Free Press, 1968, p. 283).

2. Harry F. Noyes III, "How the Army Can Reinforce the Teaching of Its Values," *ARMY* Magazine, December 1999, p. 10.

3. A complete list of candidate values would be highly subjective. For one fairly comprehensive list, see Ken Blanchard and Michael O'Connor, *Managing by Values*, San Francisco: Berrett-Koehler, 1997, p. 112.

4. Blanchard and O'Connor, pp. 23, 25.

5. Robert M. Pirsig, *Zen and the Art of Motorcycle Maintenance: An Inquiry into Values*, New York: William Morrow, 1974, passim.

6. For analytical clarity, it is important to distinguish between an organization's *espoused* (i.e. proclaimed, professed, declared) core values and its *operative* (i.e. de facto, actual, workplace) core values. The former are what it claims to have; the latter are what it in fact has. The former are what it broadcasts to the world; the latter are what it reflects at the work site. The ideal, of

course, is to bring espoused core values into identity with operative core values, so that there is no discrepancy. In practice, organizations are like individuals—they rarely live up to their ideals 100 percent. But we impute ethical worth only to the organization that makes a good-faith effort to deliver on its ethical proclamations.

7. U.S. General Accounting Office, *Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values*, Report to the Chairman, Committee on Governmental Affairs, U.S. Senate, GAO/NSIAD-92-105, Washington, D.C., February 1992, p. 9.

8. James C. Collins, "Change Is Good—But First Know What Should Never Change," *Fortune*, May 29, 1995, p. 141.

9. "Ice Cream Not Only Reason for Support," *The Sentinel* (Carlisle, PA), January 18, 2000, p. A5.

10. Lloyd J. Matthews, "The Evolution of American Military Ideals," *Military Review*, Vol. 78, January-February 1998, pp. 51-61.

11. Collins, p. 141.

12. These ultimate goals will be treated at greater length in Chapter 3, which discusses organizational culture. There, they are referred to as "basic underlying assumptions"—those "unconscious, taken-for-granted feelings, beliefs, perceptions, thoughts, ideals, principles, and foundational values that serve as the ultimate source of operative core values and behavior."

13. Robert Howard, "Values Make the Company: An Interview With Robert Haas," *Harvard Business Review*, September-October 1990, pp. 133-135.

14. Patrick O'Brian, *Master and Commander*, New York: W. W. Norton, 1990, p. 39.

15. GAO, *Organizational Culture*, pp. 9-10.

16. See Dennis T. Jaffe and Cynthia D. Scott, "How to Link Personal Values With Team Values," *Training and Development*, March 1998, p. 27; Timothy A. Judge and Robert D. Bretz, Jr., "Effects of Work Values on Job Choice Decisions," *Journal of Applied Psychology*, Vol. 77, June 1992, p. 261; and Bruce M. Meglino, Elizabeth C. Ravlin, and Cheryl L. Adkins, "A Work Values Approach to Corporate Culture: A Field Test of the Value Congruence Process and Its Relationship to Individual Outcomes," *Journal of Applied Psychology*, Vol. 74, July 1989, p. 424.

Chapter 3

CHANGING THE ORGANIZATIONAL CULTURE

Donald M. Bradshaw

The basic premise of this chapter is that if an organization's culture becomes change-resistant the culture will become dysfunctional, and if the culture becomes dysfunctional the organization itself will eventually become dysfunctional. We thus must learn something about the nature of change and the nature of organizational culture. Then we must learn how to assess organizational culture to discover the degree of its receptivity to change. Finally, assuming the culture has become change-resistant, we need to learn how to convert the culture to one that is change-receptive.

Change, change, change—all organizations face the necessity of change. Organizations are struggling with recurrent if not continuous change.[1] The forces driving organizational change are multiple and varied—new regulations, new technology, the Information Age transition, globalization of markets and competition, Generation X work force, customer demands for greater service and quality, the fall of communist and socialist regimes, the maturation of markets in developed countries, energy constraints, environmental and ecological pressures, work force diversity, and work force mobility, with an increase in temporary or short-term workers. For organizations, all the foregoing factors generate opportunities to exploit or hazards to avoid. The speed and volume of change are different for every organization. Authorities disagree concerning the velocity and cause of change, but no one denies that change is happening.[2] Alvin Toffler summarized this point well in his assertion that "change is not merely necessary to life. It is life."

Change can stimulate, enliven, and energize individuals and organizations, or disrupt, destabilize, and bankrupt them. What makes the difference? Why do some thrive, while others wither, with change? Certainly leaders have a crucial role to play in shaping an organization's reaction to change, for they set the tone as to whether change is to be a dreaded leap into the unknown or a positive next step in a long sequence of purposeful moves.[3] It is the leaders who determine whether change is viewed as a welcome opportunity for growth or a deeply resented disruption of comfortable routines.

Rosabeth Kanter describes three levels of change: change at the project level; change at the program level; and change in adeptness at change. Project changes are discrete, specific actions to address a particular localized problem or need. They are relatively small, short-term, and are generally confined to only a part of the organization.[4] Program changes involve interrelated projects, linked to other actions, with the goal of change throughout. The cumulative impact is organizational change.[5]

The third and highest level of change is to metamorphose into a change-adept organization. A change-adept organization is continuously improving and innovating, viewing change as an internal opportunity rather than an external threat. Investment in the creative capabilities of personnel, procedures, and processes are a key focus. The change-adept organization anticipates, creates, and responds effectively to change.[6]

Very similar in concept to a change-adept organization is what are called "learning organizations." They never settle on permanent solutions, but rather carve out new growth and learning day by day as they evolve. Though they operate smart today, they will operate still smarter tomorrow. They do not change by dramatic, widely spaced bounds, but rather by continual small shuffles. Feedback loops lead to continuing refinements, updatings, and midcourse corrections. They never achieve, nor seek to achieve, a fully realized end state because they are by definition dynamic and committed to the principle that learning is forever.[7] Thus a learning organization is a continually evolving entity by conscious and controlled design.

Also similar to change-adept organizations are what Robert Kriegel and David Brandt call "change-ready organizations," marked by an attitude open to new ideas, excitement rather than anxiety over change, a sense of challenge rather than threat in the face of transitions, and a commitment to change as ongoing process. Change-ready organizations take actions to anticipate and initiate change, challenge the status quo, create instead of react to change, and therefore lead rather than follow.[8] We can group all three types under the more general term "change-receptive" organizations.

ORGANIZATIONAL CLIMATE AND CULTURE

Change-adept organizations, learning organizations, and change-ready organizations are names for organizational cultures. Culture is a key determinant of an organization's propensity for change. An organization's culture has been described as either the key factor in success or "the 800-pound gorilla that impairs performance and stifles change."[9] Perhaps the most useful and illuminating definition of culture has been offered by Edger Schein. Organizational culture is

> a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.[10]

Culture thus contains the elements of socialization (what and how new members are taught), behaviors (how one thinks, perceives, and feels as well as how one acts), and diversity (cultural systems and subsystems within an organization).[11] A shorter, more informal definition might be simply, "How we do things around here." Culture is long-term.

Climate, a more transitory and confined phenomenon, may be defined as "the environmental stimuli rooted in the organization's value system, such as rewards and punishments, communications flow, and operations tempo, which determine individual and team perceptions

about the quality of working conditions."[12] Climate equals the aggregate influence of operating values, management techniques, leadership styles, policies, and priorities on work force motivation. If we add to organizational climate the accepted and traditional institutional values and societal norms as accrued over time, then we begin to glimpse the organizational culture. Thus if climate is how we *feel* about an organization, culture subsumes such feelings but goes beyond them to embrace how and why we *do* things in an organization.

Why is culture important? Schein states that we need to understand culture for four basic reasons. First, cultural analysis reveals what is going on within an organization's various subsystems, which can be an essential element of information within large organizations. Second, it is necessary to achieve an understanding of the influence of technology and technological change on an organization, both being decisive factors in our increasingly technology-driven world. Third, it allows, encourages, and defines management across national and ethnic boundaries, thus rendering the organization adaptive in a global setting. Lastly, organizational learning, development, and change will not be understood without considering culture as the underlying impediment or stimulant to necessary change.[13] Thus, achieving an understanding of culture and climate is a precondition for organizational health. The organization fashions its climate and culture to encourage and emphasize desired attitudes and behavior as the norm.

Culture can be analyzed at three different levels as follows: [14]

- *Basic Underlying Assumptions*. Unconscious, taken-for granted feelings, beliefs, perceptions, thoughts, ideals, principles, and foundational values that serve as the ultimate source of operative core values and behavior. Sometimes referred to as "deep values."

- *Operative Core Values*. De facto strategies, goals, philosophies, and values that employees consciously apply in their jobs, thus becoming the shaper of organizational behavior. Sometimes referred to as "workplace values."

- *Artifacts*. All physical manifestations of the organization, e.g., plant, equipment, processes, and products; employee jargon, demeanor, deportment, and dress; style, rituals, ceremonies, and oral mythology; and employee behavior. Sometimes referred to as "visible artifacts."

The most observable level is that of the artifacts of the culture. These are visible signs of the group such as jargon, personal grooming, manner of dress, deportment, demeanor, protocol, ceremonies, social activities, etc. Although artifacts are easy to observe they can be difficult to interpret, because the underlying purpose or meaning is not always apparent. For example, a military unit's guidon, or flag, is just cloth on a pole. But what the guidon represents is the unit's history, traditions, and the presence of the commander. The artifact—the guidon—has deep meaning not intuitively apparent to those uninformed about military culture.

The deepest and least visible level consists of the basic assumptions, the unconscious, taken-for-granted beliefs, perceptions, and feelings that are the organization's ultimate source of values and action. These assumptions lead to homogeneous behavior within the group, usually to the point that dissimilar behavior is viewed as rebellious and thus unacceptable. Thus a cultural blindness is created for an organization, meaning its members are unable to appreciate alternative cultural positions. Mavericks usually are not tolerated unless they possess transcendent compensatory skill—or are sons of the owner. Since basic assumptions are so deeply implanted, they are not often articulated and discussed. It requires keen insight and usually outside feedback to determine the deep assumptions. Analysis is resisted because it leads to increased anxiety and discomfort within the group. Challenging deeply held and internalized assumptions challenges the group's basic self-image, self-worth, and standing. Even more difficult than defining and clarifying the basic assumptions is changing them. Such change would require a long-term commitment, the confidence to challenge one's own and others' most deeply held beliefs, and enormous perseverance. Furthermore, it would require an understanding of how the basic assumptions arose in the first place and a willingness to institute a new learning process to institutionalize the new beliefs.[15]

There is an intermediate level of analysis, falling between artifacts and the basic assumptions, devoted to the values openly espoused by the organization, a subject discussed in Chapter 2. Careful assessment of the espoused values must be made to verify congruence with the basic underlying assumptions. Espoused values may be in conflict with each other, with underlying assumptions, and with observed behavior. Analysis and observation are required to confirm that what is assumed, what is said, and what is done are all consistent.[16] An example of inconsistency would arise if an organization declared its commitment to employees' development but included in the budget little or no funds to support any developmental training.

In their 1996 book *Hope Is not a Method*, General Gordon Sullivan and Colonel Michael Harper, both retired, describe the U.S. Army's struggle with the change from a Cold War military focused on the Soviet Union to the smaller army of the late 1990s capable of addressing threats anywhere on the spectrum of conflicts. A long-term challenge to shift the culture without destroying the organization required a top leadership commitment, featuring a broad-based adjustment throughout the organization (e.g., policies, assessment system, rewards, education), selection and indoctrination of new mid-level leaders, and repetitive indoctrination and communication. In fact, the culture change that General Sullivan initiated as the Army's Chief of Staff during the period 1991-1995 continues through today.[17]

Richard Pascale and his associates have developed four distinct indicators (or "vital signs," to use their medical analogy) for determining an organization's health (with significant implications, obviously, for the health of organizational culture). These vital signs are power, identity, conflict, and learning. Power refers to the level of employee empowerment. It can be assessed through questioning: Do employees believe they can influence organizational performance? Do they believe they can make things happen? Identity refers to the employees' commitment to the organization. Do they identify with the organization as a whole rather than their profession, working group, or unit? Conflict deals with how the organization handles strife,

discord, and disagreement. Do employees duck conflict, allowing it to fester, or do they confront and resolve it? Learning, the final vital sign, deals with the organization's method of dealing with new information, new technology, and a changing environment. Does the organization learn and adapt? How? How does it deal with new ideas?[18]

Peter Drucker uses still another approach to assessing an organization in order to inquire into its health. Essentially, it is a self-assessment test, consisting of five questions to be asked by management: What is our mission? Who is our customer? What does the customer value? What are our results? What is our plan?[19] Pascale's and Drucker's are only two among many good approaches to organizational self-assessment. The important thing is for management to select an approach that strikes it as reasonable, simple, doable, and adapted to the unique particularities of the organization. Above all, it must accurately reveal the fitness of the organization's culture.

Culture inculcates organizational norms and behaviors into new members, and reinforces them over time for all employees. Culture is thus a powerful force for either organizational uplift or decline. Culture can nurture new members; build cohesion and teamwork by establishing norms; sustain values, direction, and purpose; provide a code of conduct for employees; build loyalty; and assist in leader selection, development, and training. However, especially in an environment of needed change, these same inertial tendencies can hinder organizational improvement. For example, cohesion and loyalty may lead to concealing fellow worker's errors, retaining workers beyond effective or efficient production life, and refusal to adapt. Leaders selected by, trained in, and groomed for a single culture may find it hard to anticipate environmental changes and to innovate to meet future needs. Thus cultural inertia, while providing stability and comfort, can act as an impediment to needed change, especially when macro conditions and currents are themselves in flux. To maintain a healthy organization, the culture needs to be assessed, validated, and modified as required. Assessment needs to be ongoing, with conscious development of norms, policies, and models to strengthen the desired cultural elements, to remove the undesirable aspects, and to avoid complacency.[20]

The U.S. Army has developed a process called the After Action Review (AAR) to stimulate organizational learning and prevent stagnation. The AAR allows leaders and soldiers to review their performance both as individuals and as a unit. The review can be in a formal or informal setting, after a large training exercise, or after a small project. The AAR includes description by the unit members of what happened, relating actions to their results; alternative courses of action; and summary of learning points. There are embedded rules that make the process work. An understanding of the actions is built by tracing the outcomes that flow from those actions. All discussion must consist of straight talk and include input from all levels. All significant actions must be discussed, including those by the leaders. The focus is on future learning, development, and attainment of excellence, not just flogging personal errors. Failure is viewed as a window to learning and a stimulant to innovation. The status quo is viewed as today's level of performance; tomorrow is considered a chance to improve. There is ongoing discomfort with the status quo because improvement is always possible, because tomorrow the enemy—or the competition— will also have learned.[21] The same process as that embodied in the Army's After Action Review

can be employed by any organization to revivify its operations and stimulate learning. Organizations that allow themselves merely to continue rolling along should recall that the only direction in which something rolls easily is downhill. Any organization that fails to reassess itself continually will inevitably descend into mediocrity and possibly worse.

The first and foremost step that organizations must take in changing their organizational culture is to change the way they change. Formal mechanisms for orderly and purposeful change must be imbedded in the institutional modus operandi and anchored in the organizational culture itself.[22] The goal is to create an organization with which all members identify—one they are committed to maintain, improve, and take pride in. Thus motivated, former mere occupational timeservers metamorphose into committed members of a what becomes a purposeful, vibrant organization.[23] In sum, organizations must make an honest assessment of present culture, identify strong and weak points, clarify the desired end state, and change their culture accordingly—if they want to become or remain successful.

FOCUSING THE MICROSCOPE ON CHANGE-RECEPTIVE ORGANIZATION

Cultural change is a difficult process. It involves commitment, communication, work force modification, and sustained effort. The healthy organization must be able to remodel, regenerate, renovate, and occasionally reengineer, reinvent, or revolutionize itself. Massive changes are of course disruptive. Organizations thus need to stay abreast through ongoing evolution rather than sporadic revolutions. Revolutionary change, with reengineering, reinvention, and restructuring, usually becomes necessary in the case of massive, catastrophic organizational failure. Change, at whatever velocity, must be not merely a departure from the past, but an increased adaptation for the future.[24]

To stay abreast, thus avoiding the need for eventual revolutionary change, leaders should develop programs based upon answers to the following questions:

- *What is the key to our competitive success?* Remember that systems, processes, procedures, policies, and networks are means to the end and not the end itself. The end—which determines competitive success—is the product coupled with customer satisfaction and employee satisfaction.

- *What are the core capabilities or competencies required for success in the firm's competitive marketplace? What can we do to maintain an advantage in these core skills?* Invest (it is not an expense but an investment) in these core skills or in developing newly required ones.

- *Are the organization's policies for recruiting, selecting, paying, training, developing, and organizing the work force consistent with the core capabilities it needs to succeed in the marketplace?* Work force development policy must be congruent with skills required.

- *What really distinguishes the organization from those with which it competes—our*

culture, people, skills, product? Evaluate policies and procedures to determine if they enhance or degrade the organization's distinguishing characteristics.[25]

In the context of these questions, let us now return to the subject of change-receptive organizations for a deeper look. Michael Marquart, who focuses narrowly on the learning aspect, tells that a learning organization

> learns powerfully and collectively and is continually transforming itself to better collect, manage, and use knowledge for corporate success. It empowers people within and outside the company to learn as they work. Technology is utilized to optimize both learning and productivity.[26]

This definition breaks out into several specific characteristics:

- Learning occurs for the organization as a whole—the corporate climate encourages, rewards, and accelerates learning of both individuals and groups.

- Members recognize the critical importance of ongoing, organization-wide learning.

- Learning is a continuous process, integrated with work.

- There is a focus on innovation and systems thinking. Change is embraced, with surprises and failures viewed as opportunities to learn. Aspiration, reflection, and conceptualization characterize activities.

- People have continuous access to information and data instrumental to the company's success.

- Employees are driven by a desire for quality and improvement.

- Well-developed core competencies serve as the basis for new products and services.[27]

Change-receptive organizations preoccupied with achieving special skill in the change process are focused on the differences between the organization's current performance and its possibilities. The collective hopes, dreams, and aspirations of the organization—its personnel, its customers, and its network—define the possibilities. It is future-focused, striving for what might be or could be. This differs from the common reactive model based on comparing present performance with past performance and initiating change only when there has been a performance decrement. Military organizations have been accused of preparing to fight the last war—the reactive model. However, the U.S. Army as well as the other Services are striving to break from that historical model. The Army has created working groups, task forces, and even courses at its senior-level school (the U.S. Army War College) to develop the Army After Next (AAN). AAN focuses on the year 2020 and beyond, attempting to anticipate the types of warfare, the leaps in technology, and the global picture—and then develop the appropriate

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strategy, tactics, and organization to ensure success. AAN seeks to realize possibilities rather than stagnate in a successful present.

Furthermore, change-receptive organizations preoccupied with adeptness in change encourage broad participation, maintaining rapid feedback loops within and outside the organization. Innovation, learning, and collaboration with partners, allies, and others within the organization are key management concepts.[28] Rosabeth Kanter here sums up her view of such an organization:

> Change-adept organizations cultivate the imagination to innovate, the professionalism to perform, and the openness to collaborate. Their managers lead the fight against complacency, territoriality, and insularity. Their people serve as idea scouts in search of innovation, professionals in pursuit of ever-better skills, and ambassadors to their partners and communities.[29]

Such an organization has the concepts (technology and ideas), competency (flawless execution and value to the customers), and connections (partners, allies) necessary to effect the changeover into a healthy organization.[30]

Change-receptive organizations preoccupied with readiness for change delineate attitudes and action that lead an organization from change resistance to change preparedness. The underlying premise is that while good organizations and individuals react quickly to change, great organizations and individuals eagerly anticipate and create change.[31] Such an organization manifests openness and receptivity to new ideas, excitement (not anxiety) about change, a sense of challenge (not threat) when faced by transitions, and commitment to change as a process or journey—not a destination. This attitude is embodied in actions to challenge the status quo, anticipate changing customer needs and tastes, and lead the competition and industry.[32]

As mentioned earlier, change-receptive organizations, regardless of whether their particular preoccupation is with learning, adeptness, or readiness, generally converge into the same broad approach. The difference is the perspective. Learning organizations build from the basis of today, change-adept organizations focus on the future, and change-ready organizations bridge the present and the future by refusing to stand apart. The learning organization focuses more on organizational development, the change-adept model emphasizes individual professionalism to stimulate learning, and the change-ready model prepares for change and uses it as a creative process. Taken together, the three approaches to change-receptiveness in an organization contain all the ingredients for producing flexible, adaptive, purposefully evolving—thus healthy and successful—organizations.

LEADERSHIP FOR ORGANIZATIONAL CHANGE

Leadership in any organization is key, especially when change become necessary. The rhetoric of change-receptiveness is all quite impressive, but the unspoken assumption is that leaders are available with the savvy and drive needed to size up the problem and then implement

the optimum solution. In this section, we shall briefly discuss those qualities of leadership necessary to create an organizational culture facilitative of adaptive change, recognizing that the subject of organizational leadership will be entered in greater depth in Chapters 4 and 5. How do leaders cope? What skills, knowledge, and attitudes are required to lead change? How can a leader meet the challenges?

American companies spend over $34 billion yearly on organizational change, yet over 70 percent of such initiatives flop.[33] Why? The most frequently cited reason is failure to prepare employees to accept the conversion to change-receptive organizations, instead diving right into the process of wrenching change. People find change annoying, frustrating, threatening, confusing, and distressing.[34] These feelings and attitudes must be faced early in the game. Too often personnel feel that their leaders have fallen for the latest fad or are seeking the magic bullet that will solve all problems. Having seen such enthusiasms come and go many times before, company personnel are reluctant to put faith and effort into another transient, superficial reform. The result is the "kiss of yes," a lot of agreement without commitment or action.[35]

Leaders must pursue change with balance and judgement, avoiding unbridled enthusiasm and excessive hype. Leaders set the tone. They have the dual roles of meeting today's requirements while preparing for the future. Thus change must not come across as disruptive. Is to be viewed as a frightening leap into the unknown or the next positive step to build on the past and prepare for tomorrow? Leaders need to evoke openness to new ideas, excitement at the possibilities, commitment to the ongoing improvements and adaptations, anticipation of the challenges, and a determination to be proactive.[36] Leaders must ensure that the focus of change remains on what is *better* for the organization, not just what is *different.*

What are the skills, qualities, and attitudes of change leaders? Here are the most important ones:

- *Commitment to absolute excellence, not just comparative quality*. They set high standards.

- *Comfort with change, having confidence that uncertainties can be clarified*. They embrace change because they visualize the possibilities and opportunities inherent in change. This includes acknowledging the emotional issue of rising discomfort levels within the organization and then providing information, direction, and positive reinforcement.

- *Clarity of direction and a manifest commitment to a higher purpose for the organization*. This includes a long-term horizon and acknowledging the inevitable short-term setbacks. Employees, customers, and investors are made to understand and acknowledge the nature of and rationale for the impending changes.

- *Persuasiveness, persistence, and patience—nothing occurs overnight*. Leaders must

possess stick-with-itness, along with tact. They must trust both within and outside the organization. They must be willing to accept the costs and the adjustmental shocks to organizational culture and climate.

- *Thorough preparation for the struggles ahead*. Leaders develop and maintain an insight into organizational politics and how to play the game to the organization's advantage. Leaders must do their homework.

- *Participative management styles—active listening to encourage subordinates to take a proprietary interest in the organization's success and welfare*. Leaders pass to subordinates the accolades and rewards. They shift from controlling subordinates to mentoring and coaching them. Leaders serve as role models in accepting responsibility and personal accountability. They focus on the competencies of employees rather than job title. Boundaries fall, information transfer increases, and decision speed improves.

- *Commitment to multidisciplinary teaming, encouraging and capitalizing on diversity*. Leaders must seek multi-perspective input from customers, consumers, employees, and interest groups, making them partners rather than competitors. This teaming includes organizational partnerships and alliances. Such teaming, whether long- or short-term, has the goal of mutual development and creating value for all. The essential aspect is forming and reforming task partnerships with strategic focus and the ability to avoid competing agendas, unrealistic expectations, and ownership battles. The process can create gain despite a fluid environment with rapidly changing partners.

- *Global perspective using worldwide assets*. Avoid local stereotypes, while accessing knowledge and skills from a wide base to improve the organization. Create an international climate to encourage and develop ideas.

- *Understanding of knowledge networking, to include capture of business knowledge in a form accessible and usable by all sections of the organization (e.g., research and development, operations, logistics, personnel, etc.)*. Formal information capture includes all aspects— acquisition, classification, valuation, storage, access, use, improvement, and retirement of the information.

Efforts to implement fundamental change predictably evoke negative reactions from several quarters. The mark of a good change leader is to know and anticipate the typical negative reactions so that he can formulate appropriate responses. Here are several of the most common:[38]

- *Cold Feet at the Top*. After an initially strong favorable consensus, when implementation starts you find many senior leaders in disagreement about the impending change. You had the initial Kiss of Yes, but when time for commitment comes the inertia of the old, comfortable roles and methods manifests itself. This may be a confrontational, active resistance or a subtle passive-aggressive resistance (this too shall pass). Either must be identified,

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challenged, and overcome. Developing the required consensus on change includes answering, repetitively, the questions: Why change? What is the scope and scale of change? Who is accountable for the change? Continually repairing and maintaining the consensus for change is just as important as obtaining it in the first place.

- *Premature Declaration of Victory*. Initially the proposed change is broad but as implementation starts the scope narrows to build agreement, gain initial success, and build momentum. The scope then needs to reexpand in order to reach initial goals. The danger lies in remaining too narrow and never reexpanding the scope. Perseverance, continued assessment, and commitment to the long term are required. The tendency to declare early victory must be countered, for it confines change to only small or incomplete results.

- *Pressure to Think on a Small Scale*. Contrary to the conventional wisdom, the larger the scale of change the more likely it is to succeed. Small or incremental change requires repeated starts, entailing fights on many fronts, many distractions, and recurrent barriers that tend to stifle long-term change. Large-scale change also involves struggle, but the struggles are for the entire project rather than successive small pieces. So think big![39]

- *Ripple Effects of Change*. Any change in one area will result in changes in other areas such as training, organizational structure, job skills, hiring practices, marketing strategy, etc. Some of these changes are predictable; others will be unanticipated. But they all must be faced squarely and accommodated because they can arouse the emotions of powerful organizational constituencies. Failure to understand, plan for, and counter such reverberations will sabotage change.

- *Breakdown in Communications*. Any change requires communication, but the method and format of communication is critical. It is better to think in terms of conversation rather than communication. You must do more than broadcast information. Organizational change requires you to engage personnel in person-to-person conversations to influence them, polish their understanding, and assure that they buy in. This is two-way communication, not only transmitting your message but listening to their ideas and criticisms as well as surfacing and confronting the deeper emotional issues (office shuffle, reduction in turf or clout, rebuilding relationships, etc.).

- *Fear and Cynicism*. Organizational change can generate anxiety over job security, loss of prestige, potential inability to learn new skills, breaking out of comfortable mental models and habits, etc. Most employees have been down this road before. They are suspicious of slick presentations, fearing they hide a sinister underlying purpose (downsizing, geographic movement, etc.). They are dubious of the reality of true long-term changes. Honest, sincere, and informative conversations, truthfulness even if painful, and early successes to build momentum are important. Anticipate that a substantial number of personnel will take a "watch and wait" attitude. Learn who they are and then bring them into the effort.

GENERAL GUIDELINES FOR CHANGING ORGANIZATIONAL CULTURE

Now that we have learned something about change-receptive organizations and the type of leaders that will be required to generate an organizational culture conducive to change, let us turn more specifically to how such leaders should go about making the needed change in the organizational culture.

The first step, once it is determined that a fundamental change in organizational culture is required and that the desired culture is one of change-receptivity, is to make a comprehensive plan. Impetuous leaders are inclined to dive right in, extemporizing, improvising, working by trial and error. But when it comes to changing an organizational culture, the impetuous approach at best will entail greater time, expense, and wasted motion; at worst, it can produce outright failure. It is better to take a few extra months in the beginning to formulate a wise recipe for action. In the long run, the months devoted to planning will be more than compensated for by the efficiency that attends implementation of a well-thought-out program. While it is quite true that leaders should give their priority to outcomes rather than process, it is equally true that outcomes are likely to be poor if the planning process itself is neglected.

The plan should embrace the entire change sequence—that is, conceptualization; gaining approval and consensus from the leaders; gaining the participation, understanding, confidence, and support of the employees; winning over the other stakeholders; initial implementation; and long-term sustainment. It should contain an organizational vision, purpose, and statement of goals; describe the training and motivational programs for the various stakeholders; set forth in detail what it means to become a change-receptive organization; and define the mechanisms being imbedded in the organizational structure to assure that the spirit of change-receptivity ultimately pervades the entire organizational universe. The steps of the plan should be laid out in chronological order along with desired dates of completion, but they should be scheduled in flexible terms, allowing scope for adjustments as the unfolding situation dictates. Only when the plan is complete, refined, and sanctioned (to the degree possible) by the stakeholders should implementation commence.

During implementation and afterward, it is vital that communication of the vision to all employees become an ongoing process. This step is never finished. Chapter 2 discussed the development of a values-based organization; the vision must be consistent with and developed from the organizational values. A vision should be an imaginative re-creation of the organization in the future. It should be an elevated vision, connected to the organizational values and the best interests of all stakeholders. It should be feasible, that is, realistically accomplishable. It should be focused, clear enough to provide guidance as well as priorities in decisionmaking. It must be flexible, allowing scope for innovation and initiative. Finally, it must be easy to understand, lending itself to dissemination.[40] The vision goes beyond a statement of financial and material goals by incorporating the organization's purpose. The purpose is the glue that binds employees to the organization rather than to their boss, work unit, or position. It should aim to inspire loyalty on the part of customers, employees, stockholders and other stakeholders.[41]

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Once implementation has begun, it is time to begin walking the walk; that is, for leaders to exemplify the values proclaimed. This requires rectitude from leaders, truthful explanations of apparent discrepancies, and the alignment of organizational structures, policies, and procedures with the vision. Two specific areas to concentrate on are human resources and information management. These are vital elements in the development of organizational culture; if they are not handled properly, changes to the culture will not occur.[42] If incumbent junior leaders are not committed to change, they must either be won over or replaced with leaders who are.

The training program alluded to in the organizational plan deserves special comment. Changing the organizational culture into a change-receptive culture will require a massive training effort marked by the following characteristics:

- *Comprehensive*. Training must address the new organizational cultural artifacts, operative values, and basic assumptions. Then it must address the mechanisms that institutionalize the process of future change, the mechanisms that will perpetuate the culture of change-receptivity. If there are any aspects of the change implementation that touch upon the employee's personal security, benefits, retirement, office space, physical relocations, work rules, etc.—these must be presented with special care marked by sensitivity, candor, full explanation of why, and a good faith effort to mitigate or compensate when the news is bad.

- *Persuasive and Interesting*. The best principles of adult education must be applied to assure that personnel stay tuned in and that they actively learn. The reasons for change must be covered as well as the substance, since adults will insist on knowing the rationale behind the disruption. Use a variety of instructional methods (lectures, conferences, prior reading, off-site workshops, etc.) and a variety of communications media (video, film, e-mail, world wide web, brochures, etc.).

- *Repetitive and Prolonged*. Indoctrination must be repeated, in the same or different guises, over a protracted period. The trick is to continue the indoctrination until the requisite information has been internalized, but to stop or vary the routine before boredom and cynicism set in. Promulgation of change-receptivity should be closely coordinated with the organizational program of value indoctrination treated in Chapter 2.

CHANGING ORGANIZATIONAL CULTURE: CONCLUDING THOUGHTS

Alvin Toffler wisely reminds us that "if we do not learn from history, we shall be compelled to relive it. . . . But if we do not change the future," he even more wisely reminds us, "we shall be compelled to endure it. And that could be worse."[43] In few areas of human endeavor do Toffler's words have greater relevance than in the study of large organizations. Like a battleship at flank speed on the high seas, it takes a long time for an errant institutional behemoth to reverse course. The forces of inertia are simply too great. Therefore, if we are to alter the future path of a large organization, we must recognize first that it is going to take a lot of time, patience, and perseverance, and second that if we are to be successful we must overcome the forces of a huge and paralyzing inertia.

A good example offers itself in today's National Aeronautics and Space Administration, the sprawling federal agency responsible for America's jaunts into space. Despite its storied successes of the past, including lunar landings that awed the world, NASA gradually squandered its culture of excellence. The result has been a succession of embarrassing, sloppiness-induced space accidents, the most recent of which were the incineration of the Mars Climate Orbiter owing to a metrical conversion error in September 1999 and the loss of the Mars Polar Lander in December 1999. Informed observers of the situation at NASA attribute the agency's decline to gradual erosion of its culture—from the credo of quality and safety first to "faster, better, cheaper," and from an ethos of total candor to one of fear in bearing bad news to superiors.[44] If NASA cannot muster the means to restore the culture of quality and safety that it built so painstakingly over the early years, it will surely continue to experience spectacular reverses that could ultimately threaten its very existence.

As we learned earlier, culture manifests itself on three levels: basic underlying assumptions (deep values), operative core values (workplace values), and observable artifacts (which include behavior). Behavior is of course a reflection of workplace values and is susceptible to modification by the organization through a variety of well-known methods revolving around value-indoctrination and leadership. The goal is to persuade employees to internalize such values and consistently reflect them in their work. As for the values themselves, they are easy to proclaim, but, as we learned in Chapter 2, selecting the proper values to proclaim can be far from easy.

But by far the toughest of the cultural components to modify are the basic underlying assumptions—the deep values. These are those unarticulated and possibly unarticulatable presuppositions that silently guide, judge, sanction, and condition employee attitudes, perceptions, and values. Such wellsprings of thought and action have infiltrated so deeply with the passage of time that it is analytically difficult to bring them to light and identify them, much less to discover a quick means of replacing them with a more desirable foundation.

Familiar to us all is the image of the proud and smug but failing institution that regards the status quo as sacred, and that recoils fiercely against every serious proposed reform. Deep in its organizational consciousness is the mandate that what worked in the past can be made to work in the future—and that it must therefore never be willingly changed. Imagine the task facing even the most stalwart CEO who is hired by the board of directors and told to bring this dinosaur squirming and bellowing into the 21st century.

To radically alter the entrenched culture of such a proud old organization can become the work of years rather than months, but in a capitalist economy the luxury of years is seldom available. That is why so many organizations, staring bankruptcy in the face, finally in desperation bring in a hired gun, the ruthless turnaround specialist who rides roughshod, cleans house, smashes icons, spills blood—and just possibly restores the organization to solvency.

But such a cure, though it sometimes works, is inexpressibly cruel, inefficient, and problematic. It can hardly serve as a viable model for organizational change. Contrast this

model with the way it might have been had the organization recognized far earlier that its traditional way of doing things was being rendered obsolete by the accelerating forces of change in communications and information technology. Suppose a strong, enlightened new leader, while the organization was still robustly in the black but facing disturbing long-term negative trends, decided that if the organization continued to stand pat it would eventually decline and fail. On the positive side, he saw that if the organization institutionalized adaptive reforms to keep it abreast of developments it could remain vibrant indefinitely.

This leader decided to convert the organization from one that was change-resistant to one that was change-receptive. He recognized that if the organization was to become change-receptive, the culture itself would have to become conducive to that end. Therefore, the organizational culture—the organizational modus operandi writ large—would itself need to change. He prepared a plan and hired like-minded subordinate leaders to help him implement the plan. The plan prescribed an endeavor to address change at each of the three defining levels of organizational culture.

The leader also took steps to imbed within the organizational hierarchy a permanent functional staff element devoted to change. This element would have the mission of continuously monitoring developments and trends (within both the organization and the external environment); assessment of such for their potential effects on the organizational mission; preparation of recommendations or alternative courses of action to accommodate relevant developments and trends; transmission of these to appropriate offices for consideration; monitoring the results; and following up as necessary. The foregoing scheme constituted a self-corrective feedback loop that assured steady adjustments responsive to changed conditions affecting organizational success.

Responsibility for the staff element would be assigned to an officer near the top of the organizational hierarchy, one possessing the necessary authority. Such an arrangement assured that needed change was not only detected and welcomed, but that it was methodically implemented by a permanent staff element whose raison d'être was change itself. An appreciation of the successful application of this process would gradually seep into the organizational consciousness, thus reinforcing other initiatives to change the deep values of the organizational culture.

In sum, the new leader addressed all three aspects of organizational identity—the deep values, then the workplace values that are shaped by the deep values, and finally the behaviors that flow from workplace values—in short, the entire atmosphere that grows to envelop, nourish, guide, and body forth the organization itself. For organizational success today, it is incumbent upon leaders to understand the primacy of organizational culture, and then to understand how to achieve appropriate change in that culture so that it remains continuously attuned to the flux of events during the dynamic milieu now upon us.

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Chapter 4

MOTIVATING FUTURE LEADERS

Jody L. Bradshaw

INTRODUCTION

Who are the future leaders and what motivates them? Do future leaders look different than leaders today? Can leaders be motivated by extrinsic sources? Or do leaders by definition find their drive and meaning inside themselves? This chapter takes a look at who leaders are, what influences them, and how healthy organizations can motivate these future leaders. First, we'll review the larger context, featuring an organizational world in constant change at the beginning of the 21st century. This landscape challenges organizations to change and future leaders to tailor the expression of their leadership traits in a new way. Second, we'll look at the characteristics of future leaders; specifically the skills that will gain increased importance. Third, we'll address how a healthy organization can motivate and build future leaders. The future is now; future leaders work in today's organizations. Healthy organizations are already preparing and building the next generation of leaders.

CONTEXT: A CHANGING WORLD

What does the organizational landscape look like? What's just over the horizon? The world has changed and continues to change at a phenomenal rate. It's an exciting white-water river in which the organizational raft plunges forward, sometimes at breakneck speed and other times at a slower, smoother pace. The raft turns sharp corners, bounces off huge boulders, and steers around whirlpool currents. Even those who have been down the rapids several times can't predict perfectly how the run will go; various circumstances will have changed how the water flows. At the beginning of the 21st century, our white-water world changes all around us, all the time.

A few major changes have had the greatest impact on organizations. Technology, globalization, and changing demographics have already helped to create new types of organizations that were not even imagined a few years ago. The forces of change have created such a turbulent environment that many organizations simply could not change enough to survive.

Richard Oliver provides an overview of the historical ages, pointing out that change won't settle out soon. Each age's technology transforms everything that came before it. The age cycles get steeper and shorter. The Agrarian Age lasted centuries, while the Industrial Age continued for only 200 years. The Information Age is now just over 50 years old, having brought the world in some sense to the status of "global village." Oliver says the Information Age shows signs of nearing the mature phase of its life cycle. Rivalry is intensifying, competition is based

increasingly on price, and technological development is mainly in applications rather than new science. He tells us the world is about to enter the Bio-Material Age. The maturity of an age does not mean it disappears. We still need the output of the Agrarian and Industrial Ages; food and cars are a vital part of the world economy. But it does mean that the main engine of economic growth will change.[1] These changes will have enormous implications for businesses and other organizations.

THE INFORMATION EXPLOSION

Technology

Technology has transformed the world in totally unanticipated ways. It has facilitated the transfer of, and access to, information in such a way that people anywhere in the world can have the same information at the same time. In this interconnected world the spread of ideas no longer requires human travel; ideas circle the globe, with multiple stops, in an instant.

Oliver describes three technology fields that have helped create the global village. The first consists of "information management" technologies: computers, microprocessors, software, databases, and telecommunications. Also included are a host of digital electronic information technologies such as CD-ROM, video, sound and image technologies, digital video discs (DVD), on-line services, and network technologies (Internet and World Wide Web). The second field is "intelligent creation" technologies that are used in the creation and production of hard goods and service products. These consist of robotics-based fabrication, mass customization, virtual reality, parallel processing, and desktop manufacturing. The third field, somewhat overlooked, is "logistics" technology: transportation and the technology that orchestrates and enables the physical movement of products and services.[2]

Science is moving away from the linear world into a biologically based revolution where structure is founded on biological systems. Soon, our understanding of the basic building blocks of matter will greatly advance. Scientists envision whole intelligent systems existing at the chip level using the micro-miniaturization concepts of nano-technology. Biotechnology will transform current ideas of products and services. Changes wrought during the Information Age will seem primitive by comparison.

Knowledge

Knowledge, or intellectual capital, is the emerging currency today and will remain the chief legal tender in the future. Knowledge has replaced land and capital as the new economic resource, whether applied to goods or services. The ability of organizations and nations to compete depends on the mental fitness of the work force. Productivity becomes a function more of the cerebral processes of workers than of physical capacities.[3] Knowledge workers carry their tools in their heads.

Knowledge is different from other resources. It makes itself constantly obsolete, so that today's advanced knowledge is tomorrow's ignorance. As relevant knowledge changes, the world will continue to be highly turbulent and competitive, and prone to abrupt shifts. Likewise, the knowledge needs of organizations are likely to change continually. Knowledge needs can be served by people in and outside the organization; the workers could be contractors, experts, consultants, part-timers, or joint-venture partners. Their distinguishing characteristic will be their knowledge, not their company. Knowledge workers can be highly mobile, going where the need is.[4]

"Knowledge management" is now a familiar buzz term. In essence it is any practice that leverages and reuses information resources that already exist in the organization so that people will be able to seek out best practices rather than reinvent the wheel. If an organization is to learn lessons for the future, it must consciously and comprehensively gather, organize, analyze, and share its knowledge to further its goals.[5]

Since knowledge is the new resource, added value is created by developing and nurturing those who hold this intangible asset. One knowledge management authority asserts that during the past 20 years, in the spirit of efficiency, organizations have eliminated the opportunity for people to reflect and be creative.[6] With knowledge-intensive companies in the knowledge economy, feeding the brain is as important as exercising its power. Leaders of the future will need to address not only the fiscal value of knowledge itself but also the value of its human repositories.

GLOBALIZATION

Technology triggered globalization by blurring national boundaries and facilitating economic interdependence. Globalization changed every facet of business life—finance, manufacturing, marketing, management, politics, social action, communications, information management, travel, production of goods and services, and logistics. These changes occurred at an unsettling speed, while creating a new way of global thinking.[7] One of the key ideas embedded in the concept of globalization is that everything seems to happen at once and in a very personal way, no matter where in the world it occurs. Markets, suppliers, competitors, technology, and customers are constantly shifting. Things happen simultaneously, interdependently, and in force—in a word, chaotically. Business is no longer "just business." Many issues must be dealt with holistically, integrating economic, political, and cultural factors.[8]

The spread of ideas globally has created a significant power shift. Worldwide news is filled with dramatic moves toward democracy, political liberalization, and economic privatization and deregulation. The diminution of clout and relevance on the part of nation-states shows itself not only politically, but in international financial markets. Technology-enhanced globalization altered forever the norms of governmental power and regulation. Many governments are moving away from regulation of markets (particularly technology-oriented ones) with deregulatory actions and market liberalization. The United States deregulated transportation, telecommunications, and electrical power; the European Union (EU) eliminated restrictions on

domestic companies carrying telecommunication traffic. The World Trade Organization (WTO) is taking deregulatory initiatives worldwide to dismantle national barriers.[9]

With the age of multi-national corporations, no single transcendent world economic power exists, not even the United States. In the 1990s, about 88 percent of all American products had at least one foreign component.[10] Along with this, more countries have gained competitor status in the world market. The global marketplace has required more travel and transfer to other countries by leaders and managers. This has placed new demands on organizations to develop leaders who have increased skills in intercultural and interpersonal communication.[11] Globally savvy leaders are a competitive necessity. Nearly 80 percent of midsize and large companies send professionals abroad, and 45 percent plan to increase the number they have on assignment.[12]

Globalization created the development of a global consumer culture. Organizations must take a global approach to solving customer needs and sourcing capital, people, technologies, and ideas. Large and small companies must be run as transnational businesses. Even though their market may be local, regional, or national, their competition is global. In certain industries such as semiconductors, automobiles, commercial aircraft, telecommunications, computers, and consumer electronics, it is impossible to survive without scanning the world for customers, human resources, suppliers, and technology, as well as keeping an eye on competitors.[13]

According to Richard Oliver, in the globally driven economy of the future, customers will want five things: instant gratification; global best quality; products customized to their needs; responsive, anticipative service; and the global best price. Simply put, customers will want products and services that are smarter, better, cheaper, faster, smaller, and more elegant. Future global competition will both accelerate and depend upon worldwide information available only through technology.[14]

Global citizenship and social responsibility will become increasingly tied to organizational health. Organizations can no longer ignore the consequences of irresponsible business practices which negatively affect the environment or oppress a group of people. Because of globalization, information on how an organization does business around the world can become headline news; witness the adverse publicity received by a Kathy Lee-owned apparel business in the wake of charges that the business exploited overseas child labor. This growth of a world public conscience impacts on daily business decisions. Customer awareness and concern about global responsibility will continue to influence organizational actions.

The world is indeed characterized by global interdependence, but the global future is also marked by fragmentation. Despite copious electronic linkages, the world is far from a homogeneous community. While the global village is becoming a reality in an information sense, the world at this point lacks many true community characteristics. More constituent states have declared independence than ever before, fierce tribal rivalries have threatened domestic and international peace, ethnicity has replaced nationalism, special interests have torn apart communities, and more products and services have broken the marketplace into smaller segments. The future can thus be characterized by interdependent tension.

ORGANIZATIONAL CHANGE

Structural Transformation

Most organizations during the Industrial Age were characterized by a hierarchical chain of command and neatly compartmentalized functions easily diagrammed as boxes on a chart. Such traditional organizational structures were rigid and steeped in bureaucratic layers. Autocratic leadership was the norm, and workers were told what to do, how to do it, and when to do it, with little if any talk devoted to why to do it. Work was a driven necessity. Future leaders were expected to pay their dues with loyal service while being groomed to work their way up the corporate ladder.

As the Information Age took hold, networked technology and globalization began to revolutionize the way organizations were structured and run on a day-to-day basis. The speed of, and access to, interactive information created shifts that decentralized positional power. The networked reality triggered the flattening of traditional hierarchical structures, dispersing corporate information and control among many different stakeholders. Just as Industrial Age technologies had pushed organizations up at the centers, Information Age technologies pushed them out to the margins. This reshaping marked the transition toward decentralization of true corporate power.[15] The power is distributed to people vested at every level, to employees inside and customers outside the organization. With access to information only a keystroke away, power began to shift from those with titles of authority at the top levels to those with technology and the skills to use it.

Organizations began to take many different shapes to implement the new reality of global networks and decentralization of power. Some organizations adopted the "tangerine strategy" of breaking into component parts. Others, usually large organizations, attempted to accommodate the fast-changing scale and scope of the world marketplace by getting even larger. Still others tried to do both at once, organizing into smaller, stronger units within a confederation to provide the benefits of scope and scale. The result was that even the smallest market participant had increased power. These big-small company hybrids combined the financial clout and research and distribution capabilities of a large organization with the flexibility, speed, and customer focus of the smaller entrepreneur.[16]

"Dejobbing"

A more basic impact of the dramatic changes in organizations has to do with the nature of work and jobs. William Bridges calls the phenomenon "dejobbing." He says that traditional jobs are radically changing because of the emphasis placed on the distribution of work. Bridges asserts that the notion of the full-time, permanent job, and the narrow job description as a concise way of defining duties and responsibilities, is giving way to a more fluid emphasis simply on doing the work that needs doing. Work will continue to migrate away from fixed boxes that have always been called "jobs."[17]

Granted, there will always be some very specific duties that need clear job descriptions for safety or process reasons. Additionally, a job description is helpful when a new hire needs to learn the duties and responsibilities to work effectively and contribute. General functions, processes, attributes, and skills may fill a job description of the future. However, "jobs" are not the way work gets done. There are whole industries, such as consulting, in which job descriptions don't play any real role. Work gets done in a variety of ways; it can be by a full-time cross-functional team, a few part-time workers, an outsourced group of temporary contractors, or a self-employed professional. Many firms get most work done through alliances, joint ventures, minority participation, and very loose, informal agreements that would give the old-school lawyer a nightmare. The work gets done in different ways in different locations, all connected by technology.[18]

Downsizing and the Aftermath

Although technology drove initial changes in organizations, the bottom line drives the continued restructuring described as downsizing, rightsizing, and reengineering. Even organizations with record profits carry on the quest to become lean and mean. More than 3 million jobs have been eliminated each year since 1989, totaling 43 million jobs eliminated since 1979.[19] Unemployment has remained low, however, because of a booming economy and the creation of millions of new jobs incident to the maturation of the Information Age.

Unfortunately, many companies have found that the expected payoffs from downsizing (higher productivity, better stock performance, and more flexibility) have been sparse. What some organizations failed to plan for are the side effects of downsizing. Top management downsizing and reorganizations increase fear, distrust, and internal competitiveness. The loss of key talent and crucial skills disrupts the organizational memory and capacity. These factors together reduce cooperation and collaboration, which further undermines the organization's economic performance. Consequently, a first round of downsizing is generally followed by a second round a short time later: 67 percent of firms that cut jobs in a given year do so again the following year. Some think the downsizing trend is over, but organizations will continue to adjust as the Information Age is fully reflected across industries, meaning that downsizing can be expected to stick around.[20]

Throughout a downsized organization, remaining employees can experience serious motivational problems. They are burdened with new responsibilities and, at the same time, must cope with the uncertainty of further job cuts. Loyalty tends to dissipate and attitudes become negative. Surviving leaders may become abrasive, narcissistic, or depressed. Many blame themselves for the harm they have caused others. Ironically, downsizing organizations often unwittingly destroy the very qualities they need for competitive advantage, namely, their employees' trust and support.

To illustrate the impact of the various changes affecting organizations today, David Noer of the Center for Creative Leadership tells about an executive team reluctantly coming to terms with

the permanent shift to the new reality. The framework of their new reality consisted of six points expressed in terse, personal terms: (1) layoffs will continue; (2) even our own jobs aren't safe; (3) the old system is dead; (4) we are not happy campers; (5) we don't know how to manage anymore; and (6) we're out of glue. Noer points out that the old contract—"where individuals placed their self-esteem and sense of relevance in the organizational vault, while the organization responded by taking care of them over a life-time career"—is now gone.[21]

In a similar vein, James Kouzes and Barry Posner believe there's a new social contract on the table. Large organizations have shed jobs at record pace, the contingent work force is on the rise, and ad hoc project teams of specialists are recruited to produce a product or provide a service and then disband. Job security and loyalty are thus increasingly rare. By way of compensation, the new social contract that organizations can offer promises interesting work and greater employability in exchange for commitment to excellence.[22]

According to Charles Handy, the new language of organizations is changing from an engineering idiom oriented on structure to a language of politics. Key descriptive words are: options, not plans; networks instead of machines; the possible rather than the perfect; involvement over obedience. Even titles have changed; the term manager is being replaced with team leader, project coordinator, lead partner, facilitator, or chair. Handy believes that from this different perspective, the organizational work force of the future will be viewed as communities of individuals rather than mere human resources.[23]

Regardless, however, of the particular paradigm that serves as the model for new organizations, the old hierarchical organization as the norm is gone. The repercussions of such change have dramatically affected all organizations. Work force members can no longer depend on a job for life. Each organization will have to determine the right structure and process for accomplishing work at the different stages of its development.

GENERATIONAL DIFFERENCES

The 77 million Americans born between 1946 and 1960, form the largest, most influential generation of Americans in modern times. Baby Boomers occupy many of the top organizational leadership positions today; they have worked hard, deferred gratification, and made personal sacrifices to achieve success. They grew up in the Industrial Age during the peak of the Cold War. The organization with its traditional hierarchy offering lifetime employment and security was the familiar structure until recently. The swift momentum of the Information Age and globalization has forced Baby Boomers to adapt or be left behind.

On the other hand, Generation X, the following generation, is the group that rides the wave of the Information Age and plays a crucial transition role in organizations of the 21st century. Generation X (sometimes shortened to GenX or simply Xers) is the label given to the group of about 50 million Americans born between 1961 and 1981. They have been described in both positive and negative terms. Among those who have studied GenX are Jay Conger, Marilyn

Moats Kennedy, Claire Raines, and Bruce Tulgan.[24] Their descriptions of Xers vary slightly but in general converge on several common characteristics.

What are those characteristics? Who are they as leaders today and as future leaders? Xers are strivers for success and security. They are independent. They want to learn new skills, build valuable relationships, and tackle creative challenges. They want balance in their lives and are hopeful about the future. Moreover, Xers are individualistic and self-reliant. Many have grown up in dual-career parent or single parent homes where there was limited time available to spend with their mothers and fathers. Xers view themselves as autonomous free agents in control of their destiny. They are unimpressed by authority and like to know "why"—the reasons for things. They have a realistically optimistic approach to life which shows up in their financial savvy at a young age.

Xers like to learn new skills that will help them in the future. Self-building, skill-building, and just-in-time learning are enlisted in achieving their goals. They are extremely comfortable with technology and may get impatient with those who are less familiar with its capabilities. Xers see jobs as opportunities to acquire hot skills that will move them on to the next level of challenge. They expect to change jobs several times to maintain the momentum of opportunity.

Although independent, Xers still want to build meaningful relationships. They have a reluctance to commit blindly and must see the value in establishing a lasting relationship with a person or an organization. Loyalty to an organization is not etched in stone. Xers respect people for their competence rather than for their authority or position. Xers want trust, communication, feedback, understanding, and appreciation when committing to a relationship or participating in an organization in which they feel they can belong.

Xers want to tackle creative challenges. They can process information quickly and in a non-linear fashion. Flexible and adaptable, they are comfortable with change. Thinking outside the box comes easily. They like to be involved in a project where their individual contribution can make a difference. Xers have an entrepreneurial spirit that thrives in environments that encourage innovation. They use their bold creativity in all areas of their lives.

Xers want balance. Although they work very hard, it's not at the expense of their personal lives. Many reject the workaholic expectation and demand flexibility to do justice to all aspects of human endeavor. Xers want work to be enjoyable and fun. The balance they look for extends into the community as well. With their hopeful outlook for the future they see social responsibility as an important part of everyday life.

POPULATION DIVERSITY

Demographics could be the factor with the greatest impact on future organizations. The "demography is destiny" perspective alerts leaders to the challenge of how demographic shifts will help reshape the world. For years, the world has been warned of the effects of overpopulation. While it's true the world's total population is growing at a geometric rate, it's

the dispersion by location that creates concern. Underpopulation in developed countries—Japan, Europe, and North America—will be an extraordinary influence on business in the next 20 years. Therefore, the combination of global overpopulation with regional underpopulation will characterize the world's organizational context into the distant future.

Another paradoxical distortion is the fact that the world's population is getting older and younger at the same time. In general terms, populations in countries north of the equator are getting older while those south of the equator are getting younger. For developed countries the unprecedentedly low fertility rates are potentially disruptive of their societies. Without immigration, it takes an average Total Fertility Rate (TFR) of 2.1 children per woman to keep a population from declining in geometric progression. Today, however, fertility in Europe as a whole has fallen to 1.5 children per woman. At a recent U.N. meeting of experts, Italian demographer Antonio Golini kept repeating one word to describe the European situation—"unsustainable." Japan has an alarming proportion of elderly people who will need to be supported by the working age population. The Japanese TFR is down to 1.4, and most demographers there say it hasn't stopped falling. Japanese demographer Naohiro Ogawa says Japan's population will decline from the current 125 million to 61 million by 2060. In the United States, the TFR is 2.0, which means that even with moderate immigration rates, the population will barely sustain itself.[25]

The older population in developed countries has tremendous implications for the retirement age of workers. Peter Drucker asks, "How will you run a company in 15 years when the retirement age will be 75? From an average work life span of about 25 years only a century ago, we now need to keep people working 50 years so that they can support themselves and we can maintain a growing economy."[26] During the next decade, organizations will have to begin experimenting with means for addressing how best to use older (55 years and upward) workers.

Drucker also notes that the shift to a more senior worker participation level will create significant political and social change in developed countries. He points out that leaders usually see the economic implications, but fail to see the wide societal impact of the aging work force. The American Management Association observes that at the dawn of the 21st century, 25 percent of the U.S. population will be 65 years or older; in 2020 the majority of voters will be more than 65.[27] The impending societal changes could create waves of change in other areas as well.

The rapid demographic shifts also apply to ethnic composition. As the 21st century begins, the nonwhite ethnic and cultural groups in the United States will exceed one-third of all new entrants to the work force. During the first two decades of the 21st century, the face of American demographics will change markedly. The Hispanic population will grow to 17 percent from the 10 percent existing in 1995; African Americans will increase to 14 percent from 12 percent; and the Asian American population will rise to 7.5 percent from 3 percent. In the same period, the white population will decrease to 62 percent from 74 percent.[28]

The last half of the 20th century saw a dramatic change in the number of women working outside the home. From 1960 to 1992, the migration of women into the work force jumped from

31.5 percent of the total labor force to almost 60 percent.[29] In addition to diversity in age, race, ethnicity, and gender, organizations can expect increasing diversity of religious beliefs and practices, differences in lifestyles, and a greater number of people with physical disabilities entering the work force.

As mentioned previously, the type of work people do is changing. Drucker observes that today in developed countries the proportion of people who do manual work is down to between one in four or five people in the work force. Half the people in the world live in cities with populations over 100,000.[30] In the United States at the beginning of 1998, unemployment was at 4.7 percent, the lowest rate in nearly 25 years.[31] However, at the same time that overall employment rates soared, a severe labor shortage hampered high-tech industry. According to the Information Technology Association of America, there are already 190,000 unfilled high-tech jobs. In the next 10 years, an estimated net one million such jobs are expected to be created with virtually no increase in supply from indigenous sources.[32]

A large portion of the world's population is on the move at any single time. Causes for mobility range anywhere from globalization to political tension to natural disasters. Because of globalization, for example, nearly 60 million people are in motion due to transfer, displacement, or job migration. Increased mobility within and across boundaries both hastens and in turn results from the process of globalization.

CHARACTERISTICS REQUIRED OF FUTURE LEADERS

There are of course entire libraries on the subject of leadership, focused generally on efforts to identify attributes common to successful leaders of all ages. Our purpose in this section, however, is to isolate those additional special competencies that will be required of organizational leaders of the Information Age as it matures in the coming decades. These are competencies that grow out of and are peculiar to an organizational world marked by computer dominance, dynamic change, global economic integration, and a less hierarchical configuration. The competencies are described in the following eight bullets: [33]

• **Capacity for Maintaining a Broad Operational Focus.** Rather than the phased, sequential path of earlier organizations, where success was usually achieved linearly, one step at a time, organizational activity in our new century will be marked by multiple simultaneous but coordinated programs and initiatives. In the case of the newly emerging mega-conglomerates, dozens of former independent companies and corporations, featuring widely disparate services and product lines, are amalgamated under a single organizational banner. Leading such an effort can be thought of as orchestrating a six- or seven-ring circus. Or, better, think of the juggler who keeps several objects in the air at the same time, in contrast say with the sword swallower, who goes through his routine one trick at a time. One can't say that juggling is necessarily more challenging than sword swallowing, but certainly it places a premium upon a different kind of competency. So it is with tomorrow's organizational leader, whose mind must be capable of simultaneity of thought and comfortable with the idea of running several kinds of carefully dovetailed activities and sub-organizations concurrently in a vast four-dimensional universe.

Further, he must be able to devise command, control, and monitoring protocols for doing so successfully.

• **Knowing How to Lead in Change-Receptive Organizations.** Just as the organization will be in a perpetual learning mode rather than one that has settled on permanent solutions, so also will its various units and divisions be learning organizations, carving out new growth day by day as they evolve toward an ever-evolving ideal. Successful direction of such ever-changing organizations will require a repertoire of leadership approaches conceived specifically to assure that though the organization operates smart today, it operates still smarter tomorrow. The leader must embody in himself, and foster in his subordinate leaders, a determination to anticipate, welcome, and capitalize upon change; to innovate; to cut sufficient slack for subordinates to exercise initiative and develop fully; to exploit flux and uncertainty; to take smart risks but tolerate and learn from risk-taking gone awry; to operate as one internetted team rather than several discrete hierarchies; and always, regardless of obstacles, to contrive a way to achieve success.

• **Facility in Managing a Massive Avalanche of Data.** The term "information overload," already a clichè by the mid-1980s, suggests the clogging of data circuits and the inundation of in-boxes with information faster than it can be assimilated and put to use. Consider, then, the scale of the potential problem as we progress into the 21st century, when our capacity for data collection will have exploded according to geometrical progression. We run the real risk of allowing information to become our master instead of our servant. Fortunately, the problem is recognized, and there are some very smart people working on ways to capture the relevant data for the right employee in a timely manner and display it in a hospitable, useful way. Even so, there is no doubt that the organizational leader best adapted for the Information Age and its subsequent evolutions will be one with a retentive but discriminating mind, capable of extracting those useful nuggets of data from the stream that continuously assails his senses, and then exploiting them.

• **Alacrity in Responding to New Information and Changed Circumstances.** Business is flux. The purpose of remaining instantly abreast of the changing economic situation is to enable the leader to take informed initiatives more quickly than the competitor can generate informed reactions. The advantage that accrues from information is thus perishable. New developments must be capitalized upon before the competitor wakes up to them. This fact of economic life in the Information Age declares in favor of organizational leaders with nimble brains and quick mental reflexes. They can't procrastinate, hoping for the 100 percent solution.

• **Knack for Exercising Enlightened Control.** Ideally, in the digitized workplace of the 21st century, leaders at all echelons, from office to section to division and even higher, will have a common situational awareness. Thus, effectively, section leaders will see nearly all of what the CEO himself sees. This raises a vital issue of leadership style for the top leaders. Some reason that since the lower-echelon leader will possess so much greater situational awareness, he should be empowered with far greater latitude and independence. Armed as he is with all the facts he

needs, he should be given scope to exercise his initiative and Yankee ingenuity to the fullest, thus raising the concept of decentralization to new heights.

But one can reasonably argue the other way. The primary reason for decentralizing operational authority in the past was that only the lower-echelon manager knew the local situation and could remain abreast of fast-breaking events. Thus he needed to be empowered to act on his unique awareness, always in consonance with the organizational leader's general intent, so as to exploit any quick-developing opportunities. In the digitized workplace, however, the lower-echelon manager's situational awareness will no longer be unique. The leaders on up the chain will have the same complete picture. Thus, in this view, it could make sense for the top leaders to exercise tight centralized control, assuring that every subordinate element is blended into a scrupulously unified effort. Which of these two views will prevail? The jury is still out. Most likely, however, the proper course will vary according to circumstances. It may prove wise, for example, for a leader to exercise greater control during the early stage of an important program, but gradually relax that control as subordinate elements assimilate the requirements and become confident in striking out on their own.

In any event, the organizational leader of the Information Age must be versatile in his approach to empowerment philosophy; both in his own right and in the way he schools his subordinate leaders. He must be temperamentally able to adjust the way he does business in tune with evolving business and economic scenarios. The age of greatly enhanced organizational awareness at the top carries risks in that it could encourage the bad habits of leaders already given to over-control, but it offers great opportunity for the true entrepreneurial artist who can flexibly adapt his control techniques to the changing rhythms of business and other environmental factors.

- **Psychological and Physical Stamina.** As the organizational leader comes to rely ever more heavily on brilliant automated machines to supplement his eyes, ears, and brain, it strikes one as paradoxical to be told that he or she is going to have to be tougher mentally and physically. But such is true. The leader must find time and devise ways to stay in shape. For those brilliant machines never sleep. Competitors never sleep. Relevant stock market activity is always happening somewhere in the world. Some large conglomerates encompass a dozen time zones or more. There is always the potential for having to operate 24 hours a day through the entirety of a protracted business campaign. Jet lag has become a way of life for thousands of corporate leaders despite the marvels of modern communications. The senior leader who runs such a show must possess the physical stamina to stand up to the strain, and he must have the savvy to inspire his staff to do the same.

Information Age operations will also place a high premium upon psychological stamina. We have earlier noticed the grinding pressures entailed by superintending multiple simultaneous activities and the distractions of an unremitting stream of incoming data. Consider as well the effects of competitive, up-tempo operations. If an organization's information edge is to be capitalized on, then aggressive but informed business initiatives must be undertaken without let-up, always with the aim of remaining ahead of the power curve—and the competition. This all

sounds easy enough in theory, but in practice it will require senior organizational leaders who possess the mental staying power and implacable will to apply effort around the clock rather than just in short bursts after a good night's sleep. The Information Age business theater is no place for leaders with fragile psyches.

- **Hands-on Skill at the Computer Terminal Itself.** Unlike CEOs of the past, with their tribes of clerks, aides, staffers, and briefers to keep them abreast of events, the organizational leader of the 21st century must engage the flow of information with far less intermediation by assistants. Much of his picture of the competitive arena, his situational awareness, and the answers to his own queries for data will be conveyed to his eyes directly via images on the color monitor of his computer, either a PC at his office desk or a laptop while he is mobile. He must therefore be a hands-on man himself, totally computer fluent, and a bona fide member of the digiterati. To the organizational leader in the Information Age, the laptop computer, or an advanced evolution of it such as the palmheld or armheld, will be a natural extension of his fingers, hands—and brain—as compliantly docile and familiar to him as telephone, TV, and Powerpoint. Regardless of how or where he moves, armed only with his laptop, a data link, a cell phone, and the emerging wireless internet, he will have the universal domain of relevant information at his fingertips instantly. [34]

But he will need to do more than simply gather information from the computer. He must learn to think in alliance with the machine as it produces images that replicate the unfolding organizational dynamic. He must become so adept at the keyboard that he becomes the master rather than the slave of the computer's magic, fully able to exploit its capabilities, contrive new applications, and finally achieve a level of cognitive creativity that can only be described as intuitive. Those young aspiring future organizational leaders who are not already well on the road to attaining the degree of computer fluency described above, take notice!

- **Cultural Literacy.** Here we speak not of organizational culture, but rather of the customs, beliefs, social forms, and artifacts of racial, ethnic, religious, or national groups. Globalization will entail significant interactions by organizational leaders with members of foreign cultures. Such contacts may occur through mail, FAX, e-mail, and telephone, but a great deal of them, particularly during the negotiating phase of large commercial transactions, must occur in person—mano a mano. Thus there will be a premium not only upon interpersonal skills, but also upon intercultural finesse, without which even the most winning interpersonal skills can be nullified. Anyone who has done extensive business in the Middle East, for example, will understand how important it is to know and respect the region's customs and taboos that revolve around religion, food, drink, dress, deportment, and social intercourse.

Also under the rubric of cultural literacy we need to include language skills. Though English is rapidly becoming the lingua franca of the world's military, business, diplomatic, entertainment, and educational communities, it is by no means spoken universally. Moreover, even when one's organizational counterparts from a foreign culture do speak English; it is always an enormous boon to be able to handle the amenities in their tongue. Such gestures are greatly appreciated, and they often serve as a promising prelude to successful business negotiations.

Thus an organizational leader who possesses language competency and cultural awareness in areas of relevance to his own organization's operations will be at a huge advantage.

The final consideration under cultural literacy has to do with moral and ethical clarity. Perhaps no aspect of intercultural dealings between organizations is fraught with greater difficulty than that growing out of differences in ethical outlook. Whether baksheesh, cumshaw, and *la mordida* are viewed as deserved tips for service, as they are in much of the less developed world, or as petty extortion, as they are in the developed world, they often promote negative feelings on the part of those who have to pay them, since they effectively serve as an unofficial tax on the price of doing business in a foreign land. The bad feelings often express themselves as harsh charges of "rampant corruption," when in fact the condemned practices represent traditional and deeply imbedded cultural artifacts that are explicable and arguably defensible when examined through the lens of comparative cultural anthropology.[35] By bringing to bear analytical understanding, cultural literacy on the part of representatives of Western organizations who do business overseas will go a long way toward tempering negative feelings that would prove futile and counterproductive in any event.

The situation is quite different, however, when the principle of baksheesh is elevated from the petty domain of paying a customs clerk to perform his official duty by stamping one's passport, on one hand, all the way up to the make-or-break realm of winning a large contract with a national client, on the other. Here, legal considerations begin to overlay the ethical because U.S. law generally makes it a crime for American corporations to bribe foreign officials. In actual practice, the ethical and legal implications are often not clear-cut since the artful use of such intermediaries as "consultants," lobbyists, and other influence peddlers may fall short, or appear to fall short, of outright bribery.

On a purely ethical basis, it is hard to condemn U.S. businessmen for accommodating to a practice in which an entire foreign culture is complicit, so long as U.S. law is not violated. Completely apart from their own interest in profits, U.S. companies are strongly encouraged by both the administration and Congress to maximize sales of goods and services overseas as a means to create jobs at home and redress the perennial U.S. balance of payments problem. In negotiating the resulting legal and ethical labyrinth, the organizational leader must maintain crystal-clear ethical perceptivity so that he never fools himself. He (or she) must also work closely with company counsel so that the law, as well as organizational values, are respected.

Though the foregoing discussion has focused on cultural literacy as manifested in overseas operations, such literacy will stand senior leaders in good stead in domestic operations as well. The other chapters in the present book discuss at some length the implications for the American work force of the epoch-defining demographic ferment in progress in the United States today. Owing to immigration and a high fertility rate, the fastest-growing ethnic group is that of Hispanic origin. Hispanics are expected to comprise one quarter of the population by mid-century. Also experiencing rapid growth are the Asian and Pacific Islander populations.[36] To acquire such diversity in human capital can bring with it enormous advantages in terms of enriching the manpower pool, as the American immigrant experiences of the 19th and early 20th

century demonstrated. But the *process* of assimilating workers from foreign cultures into the American workplace can be difficult. The process will be greatly facilitated by managers and senior organizational leaders possessing a high degree of cultural literacy, to which we would certainly add such traits as tolerance, empathy, understanding, and goodwill.

THE ANATOMY OF MOTIVATION

What attracts talented future leaders to join an organization and stay? For years organizations have used primarily extrinsic motivators to retain prized performers. The assumption was that most potential leaders value money and power. Typical incentives included basic pay, profit-sharing, stock options, bonuses, and a full range of benefits, including health care and medical insurance, pension plan, paid vacation, and relocation expenses. Other traditional incentives had to do with prestige, power, and perks, e.g., a big office with windows, a company car, and the obvious approval of the boss. However, in the knowledge economy, it's not only the tangible package. While such compensation might attract a talented potential leader to join an organization, it won't keep him. Extrinsic incentives usually do not capture the soul of a person—his or her inner drive. Knowledge workers' efforts deal with intangibles—ideas, thoughts, and processes. Likewise, their motivation for work is often intangible and intrinsic. Therefore, organizations have found that internal motivators have come to play a predominant role in retaining talented people who can lead in the Information Age.

Intrinsic motivators tap into a person's reason for living and source of fulfillment. These incentives inspire people to do their best. Intrinsic motivators range from inspirational ideas to visible rewards that celebrate the joy of accomplishment. Organizations can appeal to a person's pride in achievement, serving others, or making the world a better place. Other intrinsic incentives might be the opportunity to be creative; tackle a challenge; direct a project; experience autonomy; start something new; learn; add to one's skill set; gain more responsibility; make an impact; receive recognition for a contribution or achievement; grow as a person; receive mentoring; be trusted; communicate with people; develop relationships; add value to a group; be part of a team; gain flexibility; balance work and family time; enjoy life; and have fun. These needs can have different priorities in a person's life at different times.

One of the best ways to know what motivates someone is to get to know the person. Needs vary based on many things, such as personality, background, life experience, current situation, and life goals, to name a few. Another way to learn what motivates people is to ask them. Ask about their hopes, dreams, wants, and needs. What are their hobbies? What do they get excited about? If they could do anything they wanted, what would it be? The answers to these questions will tell a great deal about what really motivates a person. Knowing this, senior leaders can then customize incentive packages and career professional development programs for young future leaders.

Ultimately, of course, people are motivated to do what they believe to be in their best interests. Savvy leaders of organizations have thus figured out ways to integrate intrinsic motivators across and throughout all parts of the organization. They have worked to dovetail the

needs of members with the organization's needs. Incentives are not a separate compartment or an afterthought. They are part of the whole character of the healthy organization. Individual incentives aggregate into organizational drive, motivation, and success.

AN ORGANIZATIONAL ENVIRONMENT CONDUCIVE TO LEADER RETENTION

An organizational environment most likely to prove congenial to future leaders, encouraging them to join and remain by allowing them to grow and flourish, would be marked by the following five characteristics: (1) purposeful core; (2) sense of community; (3) spirit of creativity; (4) capacity for performance; and (5) employee commitment. Let us examine each of these characteristics in turn.

Purposeful Core

Savvy Senior Leadership. The senior leader is responsible to ensure that members clearly understand several key things which embody the purpose of the organization: values, vision, mission, and culture. In other words, what is our business? Why and how do we do it? Leaders must play different roles in communicating purpose: *Teacher*—informing and educating organizational leaders so they can do their jobs autonomously; *Architect*—building the organization so it can achieve its goals; *Role Model*—showing others how to walk the walk; *Missionary*—continuously making the rounds explaining the business to everyone; *Maestro*—composing a score that all can follow and conducting diverse groups so as to blend harmoniously in producing a quality outcome; and *Coach*—spurring people on toward growth and best performance.

Above all, the leader's role must be personalized. The essence of who the leader is as a person must come through. Personalized leadership provides an important part of the glue that holds an organization together. Charles Handy says that "the glue is made up of a sense of common identity, linked to a common purpose, and fed by an infectious energy and urgency. Mere words cannot create this glue—it has to be lived."[37] The organization must be able to feel the leader's personal force, bending it toward a visible, unified purpose.

Values and Vision. The senior leader sets in place the values and vision. Chapter 2 has thoroughly looked at the importance of values-basing and the crucial role senior leaders play in establishing those values. Values articulate how the members of an organization intend to conduct themselves as they pursue the mission. Shared values can be powerful intrinsic motivators. James Kouzes and Barry Posner found that shared values foster strong feelings of personal effectiveness; promote higher levels of loyalty to the organization; facilitate consensus about key organizational goals; promote effective norms about working hard and caring; reduce levels of job stress and tension; generate pride in the organization; facilitate understanding about job expectations; and build teamwork and esprit de corps.[38]

Inextricably tied to values is the leader's vision for the organization. Vision looks beyond the horizon and imagines how things could be, ideally. It forms an image of the future an

organization seeks to create. It points people in a direction with transcendent purpose, beyond the here and now. Vision connects to the strategic plan for making the dream possible. People at Eastman Kodak saw firsthand how one leader's personalized vision made a difference throughout the organization. After George Fischer became chairman, a member commented that while Kodak had been engaged in quality improvement and efficiency efforts for years, Fischer was really serious about it. The language was the same, but the passion and dedication were new. This member reported that many employees became excited and energized by the new leadership's dedication.[39]

Mission. To be clear on purpose, it's essential to have a crystal-clear mission. One of the best ways for everyone to understand the mission is to have an effective mission statement that gives people a clear, compelling explanation of why the organization exists.[40] A powerful mission is both a "magnet and a motivator," instilling the passion and perseverance for the long task of realizing the vision.[41]

Peter Drucker asserts that a mission or purpose statement should be short enough to fit on a T-shirt. An example of such a mission statement is that of the International Red Cross—"To serve the most vulnerable"—and for a purpose statement that of the U.S. Military Academy at West Point—"To provide the nation with leaders of character who serve the common defense."[42] One young leader who joined Scitor, a systems engineering consulting firm in Sunnyvale, California, cited as his reason the mission—"To capitalize on the creativity of the individual." Another leader chose to work at Isaacson, Miller, and a small Boston-based headhunting firm, because of its unique mission: "We are vicariously saving the world through our clients."

"Mission-focused" is not a tired term if it really describes the action in an organization. A senior leader can mobilize people around the mission to make it a rallying point in a world characterized by uncertainty. Mission-focused coordination generates a force that transforms an organization into a place where people can express themselves in their work and find significance beyond their individual tasks. Through a consistent focus on the mission, a senior leader gives dispersed and diverse subordinate leaders a clear sense of direction and the opportunity to find coherent meaning in their work.

Of course, in a swiftly changing, borderless economy, the mission cannot be stagnant. It must be revisited often and refined if necessary. As an organization changes, an updated mission helps sort out new priorities, redirect efforts, and focus on what now matters most, allowing an organization to balance the pressures between the short term and long term.

Meaningful Work. With the world in flux and often seemingly in chaos, there has come a renewed search for meaning and a yearning for greater purpose in life. People openly discuss and welcome the values of spirituality, civility, and community. People worry about the legacy they will leave to future generations. People want their hard work to contribute to something with lasting value. They want to make a difference. In short, they want their work to have purpose.
The chairman of ServiceMaster, C. William Pollard, says that his company is built on the belief that work is more than a job or a means to earn a living. It aims instead for a transcendent

mission—a whole way of life. ServiceMaster's company objectives are simply stated: to honor God in all we do, to help people develop, to pursue excellence, and to grow profitably.[43] Though few missions are expressed in such elevated terms, it is not unusual to find a note of transcendence creeping into organizational missions and statements of purpose.

Work Environment. An organization's environment can either stifle enjoyment of work or energize people to work passionately to accomplish the mission. To be truly motivated, people should enjoy their work. As we have seen, future leaders are not satisfied with working just to make a living. Organizations must establish an environment where striving for and accomplishing goals can be exciting, leading to celebration, fun, and openness. Southwest Airlines' CEO Herb Kelleher says,

> We've always believed that business can and should be fun. . . . We try not to hire people who are humorless, self-centered, or complacent, so when they come to work we want them as unique individuals, not their corporate clones. They are what makes us different, and in most enterprises, different is better. . . . We're looking for people who on their own initiative want to be doing what they're doing because they consider it to be a worthy objective.[44]

Sense of Community

As the world becomes more interconnected yet depersonalized, people are looking for an aspect of "community" in their lives. Some find it where they live, but many want to find community at work, where they spend many of their waking hours. Gifford Pinchot defined community as a phenomenon that occurs most easily when free people with a sense of equal worth join together voluntarily for a common enterprise.[45] Although future leaders like their independence, they do have a strong desire for connections and opportunities to build meaningful relationships around shared goals. How can organizations demonstrate the feeling of community that will motivate future leaders to want to belong? They can do so through caring, collegiality, and collaboration.

Caring. For many years, organizations used the words "people are our greatest asset," "people first," or some version of the idea that people are the priority. During the decade of downsizing, many organizations seemed to forget that people actually are the most important source of competitive advantage. In the knowledge economy, organizations must put the slogans into practice. Without talented, creative people, knowledge organizations will not survive.

The current global technological environment, strongly influenced by the effects of organizational restructuring, has evoked a resurgent longing for a caring community. People need to see that leaders care and that organizations have systems that communicate a caring attitude. Kouzes and Posner call it "encouraging the heart." When members are faced with change, crisis, frustration, and exhaustion, a leader who performs genuine acts of caring can uplift human spirits and motivate people to carry on.

Encouragement can take various forms. One way is to celebrate victory. Some organizations have regularly scheduled recognition ceremonies that highlight the achievements of group members. Others have small, informal celebrations to personalize the victory. In the U.S. Army, when a crew of tankers working together achieves perfect scores in their gunnery competition, they receive immediate recognition on the firing range. One of their leaders presents awards for each individual, and for the group, in front of their peers.

Another manner of encouragement is through the personal touch of handwritten notes of thanks for specific actions or remembrance of birthdays and anniversaries with cards or a phone call. But recognition by peers is often more motivating than by supervisors. United Services Automobile Association (USAA) gives "Thank You" note stationery to its employees. They are encouraged to say thank you to each other for the help they receive at work. Yet another form of encouragement is simply to bring some fun into the workplace. It adds positive energy. Examples from actual organizations include a slide instead of a staircase; zany sports such as boxing matches with oversized gloves; allowance for quirky office space; unusual job titles; arcade type video games in break areas; small marching bands hired to play live music through the halls; dress-down days; cookouts; evenings of karaoke; and leaders serving pizza for lunch. Imagination is the only limit.

True concern can also be expressed by considering the need for balance between members' work and non-work life. Family-friendly policies and practices should become the norm rather than the exception. When the culture reinforces the reality that members have a life beyond work, future leaders can feel confident the organization is sincere about its commitment to work-family balance. Balance becomes a way of doing business, recognizable by all. Concern for employees' home life is good business. If things are hell at home for an employee, the organization itself will ultimately suffer for it.

Some companies give members the resources to help cope with non-duty demands on their time. 3-Com has dedicated space in the corporate office for all the personal errand work that every human being must attend to one way or the other. The company has leased space to a bank, laundromat, dry-cleaner, shoeshine stand, car repair outfit (in the employee garage), travel agency, and other services. Members may use time before, during, and after work to accomplish errands more efficiently.[46] Other organizations have medical clinics, barbers, beauty salons, and concierge services. Some even give free haircuts and nail care; others provide unlimited free coffee and soda at work. Again, provision of such services is good business. Employees overly hassled by the personal administrative and logistical demands of daily living need all the help they can get. By providing such help, organizations will be repaid a hundredfold in terms of employee gratitude, peace of mind, and focus on his or her job.

Some organizations show a particularly high commitment to family maintenance. Examples are on-site child care centers; financial aid to adoptive parents; money to start a college fund when a child is born or adopted; paid time off to spend in school classrooms with children or grandchildren; liberal family leave policies; coordinators for eldercare; flexible work hours; telecommuting; and four-day work weeks. Marriott Corporation and Cargill Inc., invite spouses

or partners to participate in executive development experiences where they discuss business strategies and the personal and family implications of executing the strategies. All of these instances recognize things that are important to organization members, but that were rarely acknowledged in traditional organizations.

Finally, in an age when individual loyalty to an organization appears on the wane, an organization can still demonstrate loyalty to members. Of FORTUNE's "100 Best Companies to Work For" in 1998, 18 had a no-layoff policy. Members are given a secure environment where the creative among them have the opportunity to exercise their imaginations and bring forth innovative ideas, unbothered by the specter of recurrent mass terminations.

Recruiting Talent. Former young leaders now matured into seasoned leaders will recall the manner in which they themselves were recruited when it comes time to decide whether to remain with their original organization. In the knowledge economy, competition is fierce for the best young leaders. Organizations must know how to attract and recruit whom they need. They must know the sources, how to select, and then how to acculturate their new members. When recruiting future leaders, it's important to achieve both fit and diversity. Organizations ought to be able to answer the following question positively: When customers look at our organization, can they find themselves? Frances Hesselbein advises that equal access, inclusiveness, and broad participation ought to be top priorities when hiring future leaders. She says:

> If we fail on the key challenge of equal access to opportunity, our efforts in every other realm may falter. It does little good to formulate a brilliant competitive strategy unless we include the people inside the organization who must carry it out and the people in the market place and the community who will benefit.[47]

Topflight organizations don't wait for a vacancy before recruiting new talent. Nor do they consider only those who have expressed interest in joining. Continuous scouring and recruitment rather than just-in-time hiring creates the competitive edge. One of the best ways to obtain talent is to recruit from inside the organization. Current members know the organization and have worked effectively in it. Recruiting from within also signals a commitment to internal developmental opportunities. This in itself can have a powerfully beneficial effect on retaining future leaders. In any event, a caring attitude should permeate all recruiting efforts.

If an organization must look outside for talent, then to compete for the best requires both passive and active recruitment. Passive recruiting uses unconventional means to interest would-be members. Cisco Systems, Inc., a high-tech company in Silicon Valley, set up a booth at the Santa Clara Home and Garden Show. Michael McNeal, director of corporate employment, believed people who could afford a home with a garden in that area were "on top of their professional game," quite possibly the kind of person the company was interested in or who knew someone who might be.[48] Another form of passive recruiting is for current members to pass names of prospective members to the organization's hirers; leads could come from contacts, customers, or friends. An additional passive recruiting tool is an organization's internet web-site.

Active recruiting of talent requires several key elements to ensure the right fit. The organization must create a profile of the ideal applicant by identifying traits, knowledge, skills, and experience needed. The organization has to develop an effective recruiting message highlighting features of the job that would attract the best talent. Recruiting messages can appeal to different motives: "Go with a Winner"; "Big Risk, Big Reward"; "You'll Never Be Bored"; "Save the World"; "Develop Skills"; and "Great Lifestyle." As long as the organization delivers on the successful recruiting message, it's more likely to retain the future leader it hires.

Next the organization must select the most suitable person. Traditional methods of resumé, interview, and references can be used, along with a combination of other practical methods. One example is to ask the prospective member to provide a verifiable, tangible sample of results accomplished in a previous experience. Or the individual could submit a proposal describing how he or she would apply skills to meet a specific need in the organization. It's important to see how the person puts skills into practice.

Orientation. Still on the subject of building a sense of community through caring, once the person is selected two things need to be done up front. First, the organization should provide the prospective member with an accurate job preview so that there's an understanding of the actual work. Second, once the new member is on board, an orientation should provide a warm welcome and introduction to the organization and its culture. The old adage "first impressions are lasting impressions" applies.

The U.S. Army runs orientation courses for all its future officer leaders. Right after commissioning as a second lieutenant, an officer is sent to a course of several months duration called Officer Basic Course. There the officer becomes integrated into the culture of the Army; acquires additional leadership skills; learns specific technical and tactical skills of his or her assigned career field such as air defense artillery, signal communications, or logistics; and shares the bonds of camaraderie with a group of peers. This orientation experience is common to all new lieutenants, both welcoming and socializing them into the Army culture.

For any organization, the first day of orientation is critical since it acts to point the new member toward his or her organizational future. The orientation can be short, consisting of a few days, or long, lasting several months. Examples of some effective orientation practices are assigning a sponsor (peer in the company) who is the new member's main close contact for understanding the organization; ensuring that the organizational history and big picture are presented; handing out a workbook of questions about the entire organization, with a deadline of two months to complete; conducting activities which create a bond between members starting at the same time; keeping up a high communication flow; assuring the new member of the organization's commitment to development of new skills; showing how the individual is valued and that the organization is glad to have a new team member; and incorporating the new member into existing groups.

Graceful Exit. Inevitably, people will leave an organization. Caring organizations can use a member's departure as an opportunity to extend goodwill or to keep the door open for possible future association. Organizations should conduct exit interviews with all members, from

corporate senior leader level to junior employee. Each member's viewpoint should be considered valuable. Organizations can use the information and perceptions gleaned from these interviews to improve policies, practices, and procedures. Some organizations send out post-exit questionnaires six months after members leave to gain a more seasoned perspective.

When a member leaves, an organization can maintain a continued relationship with the person. The organization keeps in touch and helps him when feasible. Companies that have continued such alumni affiliations report that the connection yields some of their best recruiters plus valued new customers. Many such alumni serve as ambassadors and advocates. Some have even returned to the company; they number among the most highly committed members. Gensler, a well-known design and architecture firm based in San Francisco, has a Boomerang Club, consisting of members who have returned to the company after spending time away.[49]

One episode of goodwill could have been a sad exit story but wasn't. When the Malden Mills factory in Lowell, Massachusetts, burned down during the Christmas holidays in 1995, the company continued to pay workers salaries and benefits until a new plant was built. When members went back to work, productivity reportedly improved 25 percent and quality defects dropped by two-thirds. The improvement was a result not only of the new facility and equipment, but also of the caring way members were treated in a crisis.

Maintaining Collegial Connections. In the organizational community, an atmosphere of trust should bind members together. Trust cannot be bought or mandated. Organizational trust is a competitive advantage in a world of adversarial competition. One of the best ways to create trust is for senior leaders to demonstrate trust of organizational members. Trust is a matter of predictability. It depends on people doing what they say. Shared values enhance trust. Trust touches on the emotions that tie people together in a spirit of camaraderie and community.

Two good techniques for building collegial connections are to treat talented future leaders as "volunteers" and "consultants" and to maintain frequent communications with them. Organizational leaders should pretend every member is working as a temporary volunteer. The leadership approach usually changes when this happens. Leaders should assume people are there because they want to be, not be cause they have to be. The truth is that the most talented future leaders are indeed volunteers in the sense that they are in high demand and can choose where they want to use their abilities. "Volunteers" demonstrate the paradox of freedom. Those who feel like they are not forced to stay voluntarily choose to stay and tend to be more productive, creative, and committed.

Knowledge workers like to be treated as professional partners and not merely as technical workers, or "techies." As professionals, they have studied and internalized a large body of knowledge and follow a code of conduct that transcends a particular company. They want to be respected for their expertise and supported in their applications of knowledge. They want to influence decisions that determine how their expertise is applied and how it contributes to achieving the organization's mission.[50]

In the knowledge economy, members should also be viewed by senior leaders as consultants. Such a stance by leaders is helpful because it acknowledges that the contribution shifts somewhat between employer and employee as to those who truly add value. When organizations offer opportunities, challenges, and growth, members contribute innovative performance. Member productivity adds to the organization's value. The win-win cycle has a powerful motivating effect.

Communicating with a "volunteer" or "consultant" is different than communicating with someone performing under compulsion. Several aspects of communication play an important role with volunteers: sharing, listening, persuading, and seeking and providing feedback. Leaders must candidly, openly, and frequently share information with members at all levels. They must focus not only on the "what" but the "why." Leaders should share information on how the company makes and loses money, upcoming products or services, and strategies for competing. When members have knowledge of the business, they can communicate goals to external stakeholders. The shared information is a resource. Conversely, when information is not shared, the result is mistrust, confusion, and a decline in confidence and commitment. Looked at another way, if knowledge is power, then sharing knowledge and information is a form of power sharing.

Organizational leaders use various means to share information. Lawrence Bossidy, chairman of Allied Signal, is widely known for his monthly two-page communiqués about various issues. These "Larry Letters" go to thousands of Allied Signal members, and are read by 99 percent of those who receive them. He also listens to members by holding breakfast meetings several times a month. Attendees are selected at random by computer. Effective senior leaders know that the best communication methods are personalized.

Herb Kelleher, CEO of Southwest Airlines, goes to Employees (always capitalized at Southwest) if they will not come to him. He says it enables him to listen better. At ServiceMaster, "active listening" is not just a term. In order to encourage all managers in the organization to listen, the chairman and CEO of ServiceMaster required them to do a day of work in the field, cleaning floors, walls, and toilets or serving food to customers. What they found was useful. Moreover, the signals their presence sent to employees and customers were doubly useful.[51]

Real listening promotes understanding and empathy. Learning what members and stakeholders value shows respect. Respect builds commitment because it engages emotional energy and attention. When organizational leaders listen and value member input, then members feel they are valued by the organization. When leaders implement the ideas provided by members, it encourages continued innovation and initiative. Listening, with subsequent action, builds trust.

Working with "volunteer" members means that organizational leaders should use persuasion rather than direct command.[52] It's much like talking with peers. Those who communicate persuasively find common ground among members' varied interests. They encounter different viewpoints, and come to understand different feelings and expectations. They frame their

position with an appeal to shared goals, incorporating shared values and beliefs delivered in shared language. Persuasion is important in organizations because it helps build bridges across the diverse pool of people composing organizational membership. It also enhances the effectiveness of cross-functional teams.

Persuasive leaders convince members of an organization to buy in to a solution or decision. Those in authority lead not by the power of their position but by the power of their ideas. Leaders develop positions backed up by evidence that members will find compelling. When members are convinced to take action rather than ordered to take action, commitment increases.

Another important part of communication is feedback. Future leaders are motivated by feedback on their performance. Bruce Tulgan recommends that feedback be FAST—Frequent, Accurate, Specific, and Timely.[53] Feedback should be Frequent, occurring every time a future leader completes a tangible result. It should be Accurate, based on factual evidence, not hearsay. Feedback that is Specific focuses on details and provides guidelines for improvement. Feedback that is Timely enables immediate benefits and assures the message doesn't get forgotten before it is sent.

Annual evaluations or reviews of work are not communication; they're merely documentation. Working relationships are built on day-to-day mutual exchanges. As future leaders invest their time, labor, and creativity, their leaders should provide feedback along the way. Feedback is viewed as an incentive, assisting future leaders in their pursuit of self-building. Organizations with leaders who provide FAST feedback are able to reach a new level of communication and productivity.

***Collaboration*.** Organizations should share ownership and encourage participation by many stakeholders to get work done. Collaboration, the final element in building a sense of community, is a matter of many members working together with flexibility in roles and structure. Collaboration resists creating competition between group members. Collaboration fosters high performance, particularly if the conditions are extremely challenging and urgent. The focus of collaborative organizations is not on outshowing others but in team productivity. The winning strategy is based on the "we, not I," philosophy. Consider such techniques as self-organizing structures, virtual workplace, teaming and distributed leadership, and partnership.

Self-Organizing Structures. Organizations performing knowledge work know it's difficult to compartmentalize knowledge. Therefore, knowledge work is often done by cross-functional teams. These teams are, by their very nature, inconstant in their shapes. Leadership passes back and forth from member to member as the project phases change. Different critical skills come to the fore. The resources needed to complete the project also change, so people come and go with each new need. With each change in membership, relationships subtly reconfigure themselves.[54]

All organizations go through various stages of a life cycle. As the life cycle progresses, the organization's leadership and structure should change. When an entrepreneurial company is

new, it is typically led by an energetic founder who has a clear and unique vision. It comes as close to self-organization as a company ever will. But as it matures, organizational efforts tend to become more diffuse, thus yielding less focus for member guidance. The company's effectiveness will diminish unless it is actively managed. In a high-performance organization, senior leaders must pay attention to the ebb and flow of the organizational life cycle. If this cycle is ignored, the results can detrimentally affect future leaders.[55]

The idea of self-organization changes the meaning of what an organization "should" look like. There is no "right" organizational structure. Each organization is different from every other organization. Also, each organization takes on different guises when looked at over a period of time. Organizational structure ought to be appropriate for a specific task, time, place, and culture.

Virtual Workplace. By the use of modern information and communications technology (e.g., e-mail, FAX, telephone, networked computers, and video teleconferencing), it is now technically feasible to replicate both perceptually and functionally a traditional collocated headquarters office complex through an arrangement of electronically linked individual offices and facilities that are in fact physically separated from each other by great distances. This system of remote or distributed office siting is known as the virtual workplace. More and more organizations are using it to increase ease and efficiency for knowledge workers. Such offices serve organizational and member needs alike. Companies such as Procter & Gamble, IBM, Hewlett-Packard, AT&T, and Compaq have partially or fully eliminated traditional offices for field sales and customer services. Other companies have eliminated offices for researchers, real estate managers, and accountants.[56] CEO Hatim Tyabji of VeriFone (makers of credit card "swipe" hardware for retailers) has banned secretaries and paper correspondence for all 2,500 members, including himself. VeriFone members conduct business through e-mail, 24 hours a day around the world.[57]

Many members of virtual organizations value the mobility, freedom, and autonomy that such technology provides. It increases flexibility, which enhances the opportunity for productivity. People appreciate home offices and not having to fight traffic and find a parking space. Organizations can recruit or retain high performers and future leaders by offering such inducements as telecommuting options or remote work sites. Virtual offices can reduce real estate costs; the requisite supporting hardware/software packages usually cost much less than real property or office space, with their attendant infrastructural costs.

However, virtuality requires increased attention to communication and caring. Face-to-face contact becomes more difficult. Leaders must develop methods to create connections among members dispersed across many boundaries, whether it's across town or around the world. They must find effective ways to transmit cultural values. They must ensure information flows through the entire organization, regardless of location. They must provide the right resources to ensure technical support for remote members. They must use virtuality as a tool to maintain connections with members, not sever connections.

Teams, Teamwork, and Distributed Leadership. Collaborative teams can leverage individual talents into collective achievements. Teams solve problems better than isolated individuals can. Teams often are accused of slow decisionmaking. But, in many cases the opposite is true. In high-demand situations, where solutions are not readily available, teams can set their own goals, use real-time information technology, and refine their methods as they work, and focus on and rapidly resolve an issue.

Organizational leaders recognize the opportunities and competitive advantage inherent in diversity in teams. Such teams bring people of diverse backgrounds, cultures, and interests together in ways that provide opportunities to contribute their best, achieve personal goals, and realize their full potential. Differences can strengthen the group. Specifically, age or experience diversity on a team can create a balance between vitality and stamina, on one hand, and experience and maturity on the other. In a global economy, national, cultural, and background differences can broaden customer bases and develop new markets.

Teams work only if there is teamwork. Teamwork results when members join efforts to reach a common goal. Each member must bring his or her individual skills, knowledge, and experience to the team project. Future leaders will work enthusiastically on a team project that will clearly further their goals. The mutuality of interests can enhance their professional portfolio while advancing the strategic aims of the organization.

Authority on a team is fluid and facilitates the project at hand. Future leaders respect authority based on credibility. Power based only on a title isn't effective in collaborative teams. Other kinds of power or authority can steer a team in the right direction at the right time. Expert power belongs to the one who has the most specialized, technical knowledge and skill at the moment. Relational power belongs to the person who nurtures others and is connected with people. Personal power belongs to the one with the intangible charisma and energy to inspire and motivate others.

Teams also need people who facilitate power in others; they possess deep knowledge of the organization and influence others to work in collaborative and innovative ways. Such members help determine how work actually gets done. In order for an organization to operate flexibly, power and authority must come from multiple ranks. This calls for capable leaders in every part of an organization.

Having leaders at every level serves as engines in the organization. Encouraging leadership at different levels fosters responsibility, independence, and interdependence. When people at all levels are involved in the organization's work, morale and motivation increase. The traditional hierarchical organization kept tight control and maintained authority through formal chains of command. Organizations today require more people, more of the time, to be independently engaged with the work where they are. The people closest to the work itself are an important leadership cadre.

Organizations should build dispersed and diverse leadership to unleash the power of shared responsibility. Ironically, the U.S. Army is an excellent example of distributed leadership. Most people think the Army is the ultimate hierarchical organization with strict chain of command authority. In the case of structure, that's true. But in the sense of everyday operations, the Army is one huge team of teams, with all recognizing the value of each person's current leadership capability and potential. The deep sense of teamwork and interdependence generates a feeling of camaraderie and belonging.

The Army intentionally trains and develops each soldier for future leadership. There are no career privates. As Kouzes and Posner tell us, it is far healthier and more productive to start with the assumption that it is possible for everyone to lead. When we liberate the leader in everyone, extraordinary things happen.[58] A lieutenant who enters the Army at age 22 finds that he or she is responsible for leading people who have more experience and more technical and tactical expertise. Effective lieutenants know how to let their team members lead and teach them.

The Army has leaders at every level who possess responsibility and accountability. A typical Army unit today consists of smaller groups dispersed across hundreds of miles, many times in different countries, far from higher headquarters. The smaller groups (companies, detachments, platoons, sections, or teams) are led by young, capable people: a 26-year-old captain, a 24-year-old lieutenant, or a 23-year-old sergeant. These young leaders are not specially selected because of unusual skills; they are the responsible and accountable leaders simply because they are assigned to that location and unit. They are connected to the large organization through communication and supply lines, yet they are still out there on their own in an operational sense.

Distributed leadership is essential in today's world. In a world that treads constantly along the edge of chaos, an organization needs to have every person available and ready to make intelligent decisions, because no one knows who will be called upon to make the key decisions when the moment of truth arrives. Organizations should prepare members well ahead of time and then trust and rely on them to make good decisions when the time comes. The Army depends and thrives on this principle of preparation and trust. It is the bedrock of Army teamwork.

Charles Handy provides an excellent description of teamwork and distributed leadership. He uses an example of a rowing crew, where "eight people going backward as fast as they can, without speaking to each other, are steered by the one person who can't row." The team is based on confidence in each other's competence. They are all committed to the same goal and so are determined to do their best. If asked, "Who's the leader?" the crew might respond, "It depends." During the race, the one in charge is the small coxswain at the back of the boat, the one not rowing. He or she is the task leader. But the one in front, the stroke, sets the pace and the standard for all to follow. When the crew is on land, the leader is the captain of the boat. He or she chooses the crew, is responsible for team discipline, and regulates the mood and motivation of the group. But on the river the captain is just another crewmember. There is also the coach, who is responsible for team training and development. When the coach is present, there is no

doubt about who is the leader. But essentially, the crew is a team of leaders. The role of the leader shifts around, depending on the crew's activity.[59] And so it must be with organizations.

Partnership. Leaders can profitably use the idea of partnership to drive their actions—inside and outside the organization. They create meaningful connections among seemingly disparate members of the global community. Rosabeth Moss Kanter says that "cosmopolitan leaders" destroy walls, build bridges, and pave the way. In her view, leaders must craft visions, inspire action, and empower others so that people of diverse functions, disciplines, and organizations will find common cause in goals that improve the entire industry, community, country, or world. They thus expand the pie for everyone, rather than pushing narrow parochial interests that pit group against group, wasting resources in a scramble for shrinking slices of the pie.[60] The concept of partnership can profitably be discussed under three rubrics: (1) stakeholders; (2) subsidiarity and intraprise; and (3) global citizens.

With regard to stakeholders, the interconnected global economy has changed how organizations view "interested parties." Traditional organizations of the past tended to be insular, frequently giving short shrift to associated organizations on whose work or support they depended. Today's organizations, however, must enlist support and assistance from all who make a project work. Teamwork goes far beyond the members of the organization itself; cooperation and ownership extend to every participating contributor, no matter how indirect the contribution. The synergy of interdependence enhances competitive advantage; it brings new energy, impact, and significance to an organization's work.

Chapter 2 introduced the concept of organizational stakeholders. Who are they? Inside the organization, they include the board of directors, executive leaders, managers, full-time employees, part-time employees, temporary employees, volunteers, and family members. Outside the organization, they include other public and private corporations, government agencies, social sector organizations, trade associations, competitors, special interest groups, clients, customers, investors, suppliers, consultants, vendors, contractors, news media, community leaders, friends, and citizens. The wise leader welcomes all stakeholders and includes them in the organizational "community."

How do organizations acknowledge stakeholders? Senior leaders build bridges to all stakeholders and between the stakeholders. They create alliances based on shared aspirations and interests. The essential component is finding common ground and persuasively communicating the advantage of partnership. The challenge is to maximize satisfaction of each stakeholder group, without sacrificing that of the others.

Some organizations, such as Powersoft, have set up departments to manage partnerships and network relationships. They intentionally cultivate a mind-set for managing and operating across traditional boundaries; it becomes part of their culture of global thinking. Strong organizations make room for partners so all can benefit together. The culture produces strong people who feel stronger when they connect than when they protect.[61]

Other forms of partnership are "subsidiarity" and "intraprise." The point of subsidiarity (a recent coinage for the organizational policy of not taking over the work of subsidiaries) is that a higher-level group should not assume responsibilities that could be more efficiently exercised by a lower-level group. Such a policy suggests that "stealing" other people's responsibilities is wrong because it ultimately de-skills them. Many traditional organizations made "stealing" a normal practice, justified by the need to avoid mistakes. This created a zero-defects culture and significantly hampered creativity and initiative. It is better to stick with decentralized operations, ensuring that subsidiary groups are competent to exercise the responsibility given to them, understand the organizational goals, and are committed to them. Subsidiaries need sufficient autonomy to maintain specialized skills and responsibly exercise creativity.[62]

A variation of subsidiarity is employed by Thermo Electron, maker of industrial and biomedical instruments, which started operations in the late 1950s. It later began to spin off core businesses one at a time, with the parent company retaining a majority interest in each. The changes relied on the benefits of self-organization. Each subsidiary's management team now owns part of the company it leads and is rewarded directly by the market. Employees can apply for positions anywhere within the Thermo Electron group. This helps talent flow to where it's most needed. The organization harnesses the power of bottom-up value creation in the modern economy. But it retains the advantages of a large corporation, leveraging research and development, offering future leaders developmental alternatives, and trading on the corporation's financial strength and experience. Thermo Electron combines the strengths of a self-organizing structure with some advantages of a more traditional corporate structure.[63]

As an alternative to outsourcing or losing talent to outside entrepreneurial opportunities, Gifford Pinchot advocates intraprise, a form of intracorporate enterprise or "free-market insourcing." Organizations can create the conditions for intraprise by providing organizational groups and individuals the freedom to capitalize on in-house entrepreneurial talents in whatever ways are of optimal value to the organization and be paid for doing so. The free-intraprise system is based on free choice between alternative suppliers. An advanced free-intraprise organization has a small hierarchy responsible to top leaders for accomplishing the mission. The main business buys the bulk of components and services that create value for customers (from both internal and external providers) and suppliers (both internal and external). Intraprise thus offers multiple developmental opportunities for future leaders.[64]

Still another form of partnership is to assume the role of global citizen. Global economic change has caused enormous social change. Society expects organizations to act like global citizens, accepting responsibility to help improve communities and the environment. Several forces have converged to shape business's new social imperative: consumer conscience, socially conscious investing, the global media (recall such publicized issues as global warming, sweatshop labor, rain forest destruction), special-interest activism, and rising popular expectations of corporate leadership. The public has transferred many of its expectations of leadership in solving social problems from government to business.

The challenges posed globally require organizational involvement. Leaders of the future see the interrelation of business and community. They look at schools, violence, and drugs as affecting those who will make up the future work force, and they see the urgent need of beneficent involvement. Future leaders seek to build a healthy community as energetically as they build healthy, productive business organizations. An organization cannot be truly successful if it fails the citizens of an ailing and suffering surrounding community.[65]

Therefore, organizations must "walk the talk" about broader community concern, just as individual leaders must. More and more, the corporate social identity is becoming as important as brand identity. Organizations will be audited socially just as they now are financially. Companies can hire specialized consultants to rate their social and environmental performance; in the future, stakeholders and activists will place all corporations under greater pressure to open their doors to these outside consultants. An organization can gain leverage now, by partnering with activists as advisors, rather than adversaries.

There are many ways for organizations to express their responsibilities as global citizens. Good works and financial gain must balance in a "double bottom line." Marjorie Kelly, editor of the Minneapolis-based *Business Ethics* magazine, says, "We're going through a mind-change. Most of us still carry around the subliminal idea that ruthless behavior beats the competition and good behavior is money out of pocket. But the data show that the traditional idea is wrong. Social responsibility makes sense in purely capitalistic terms."[66]

Ray Anderson, CEO of Interface, Inc., a billion-dollar international carpet manufacturer based in Atlanta, reported, "We've found a way to win in the marketplace." He believes it's a way "that doesn't come at the expense of our grandchildren or the earth, but at the expense of the inefficient competitor. . . . We're treating all fossil fuel energy as waste to be eliminated through efficiencies and shift to renewable energy." Anderson's crusade is one example among many that are proving a new rule in business: profits and social responsibility are becoming inseparable. The company has saved $40 million through measures such as recycling and cutting waste.[67]

Other organizational leaders have observed there are further benefits to social responsibility. Community service can reinforce values of an organization's service-oriented culture. Timberland's CEO says its strategy of "boots, brand, and beliefs" rests on a culture of service, one that engages the world and is an active, involved, supportive corporate neighbor to the community. Timberland offers members a set of beliefs that transcend the workplace. It pays all members for 40 hours a year of volunteer work. On Timberland's 25th anniversary, the entire company closed so members could work on community projects.

Community service can improve the future by organizational involvement with children. Many units in the U.S. Army are part of an Adopt-a-School program. Hundreds of soldiers support activities of schools through various forms of assistance. Soldiers serve as individual mentors to children. They meet periodically to establish a relationship of care and trust with the

young person. Powerfully touching instances of changed directions in young lives have resulted from this investment in the future as supported by the organization.

Another benefit of social responsibility is the development of an organization's future leaders. A number of companies (Helene Curtis, General Mills, and Federal Express) have found that development through service provides experiential learning opportunities for their talented young leaders. Community service can enhance skills in leadership, teamwork, listening, decisionmaking, mission and policy formulation, strategic planning, and resource allocation. It broadens one's perspective by exposure to and interaction with a wide range of people. It heightens one's awareness of needs within the community. Community service can be a distinctive motivator for future leaders and at the same time be an important investment in goodwill.

Let us turn now from techniques for engendering an organizational "Sense of Community" to those for developing a "Spirit of Creativity."

Spirit of Creativity

Giving people the capability and wherewithal to do their work is one of the most important determinants of job satisfaction. Individual capability is developed in many ways: selection and assignment; training and learning; autonomy and support; and a network of relationships. Individual capability and organizational capability are intertwined. Organizational capability is created when senior leaders devise and implement organizational processes to meet business goals. A key process in any healthy organization is training, educating, and developing people and their skills. Harley-Davidson's Rich Teerlink says, "We in top management are responsible for the operating environment that can allow continual learning."[68] The key concepts are culture of learning and developing new skills.

Culture of Learning. The term "learning organization" was popularized by Peter Senge in the early 1990s. The concept highlights the importance of building and maintaining a culture of learning where people can think, learn, and interact. In the knowledge economy, this is not a luxury, but a requirement. Talented people join organizations in order to learn as well as for the intellectual challenge of being explorers on the frontiers of the knowledge economy. To learn is to enhance capacity to produce intended outcomes.[69]

A learning organization must have an infrastructure that facilitates learning. Though this may seem obvious, it is not universally implemented. The infrastructure should be fluid enough to allow ideas to permeate through the organization, not getting stifled by boundaries. General Electric's Jack Welch says, "The assumption is that someone, somewhere has a better idea; learn it, and put it into action—fast."[70] To facilitate learning throughout the organization, leaders at different levels must teach, mentor, and implement. Key learning leaders are the internal networkers, who spread ideas and lessons learned, much like a seed-carrier. They move freely and have access to many parts of the organization. They find and connect people of like mind to link their learning efforts. Connecting people creates the spark that ignites further learning.

Future leaders thrive in an environment where learning is valued and built into the culture. W.L. Gore & Associates, manufacturer of Gore-Tex fabric, has among its small cluster of core values one which is centered on learning and growing: "Freedom to encourage, help, and allow other associates to grow in knowledge, skill, and scope of responsibility."[71] All 6,500 employees in 45 locations around the world are considered to be associates. This stated and practiced value is a foundation of the innovation that has characterized the company for the past 40 years.

Innovation is the means by which knowledge workers produce new wealth or a new dimension of performance. For example, Amazon.com changed bookselling dramatically with its online bookstore and the ability to capture marketing data from every customer. In fact, it set a new standard for retailing of any type.

There are different ways an organization can approach innovation: modify by building on a current line; experiment by combining different elements or technologies; conceive an ideal long-term solution; and explore by starting with totally new assumptions.[72] Starbucks, for example, took coffee out of the commodity category and turned it into a fashion statement supported by a loyal customer base.

Imbedding the process of innovation in an organization requires generating new ideas by inviting new voices, fresh insights, and different perspectives. This means reaching outside traditional inner circles to include every level inside the organization. It can also mean going outside the organization to various partners and stakeholders. Another useful practice is to reinforce foresight by scanning trends outside the particular industry—trends in lifestyle, geopolitics, workplace, environment, and technology. Another feature of innovation is what Peter Drucker calls the habit of "planned abandonment." This occurs when organizations assess results of a process or practice and abandon what does not work. They ask themselves, "If we weren't doing what we now do, would we want to start doing it?" If the answer is no then it might need to be discontinued.[73] Abandonment often precedes innovation. It's a hard call, one that is not made often. Many organizational cultures are not open enough for people to be able to say that something is not working. That would be an indication of failure.

But Peter Senge reminds us that the process of innovation is a process of failure. By nature, innovation is all about continual learning. People involved must have a love of risk and no fear of failure. Many companies have focused their innovation efforts and resources by launching their own internal ventures as intraprise start-up businesses. In a learning organization, where innovation is encouraged and rewarded, future leaders will know the organization can be the primary outlet and focal point for their creativity.

As a normal practice, innovation acts as an adaptive tool for an organization. Possessing the mindset of innovation and creativity, organizations can more confidently face uncertainty, build faith in their capabilities, and renew energy to achieve their goals. Change is not seen as a threat, but as an opportunity.

Organizations with a culture of knowledge have developed ways to capture knowledge; they prevent seepage out and facilitate sharing within. Knowledge management consists of creation, collection, storage, distribution, and application of compiled "know-what" and "know-how."[74] It leverages and reuses existent resources to share best practices and lessons learned. It employs networks of people and computers that create global, multimedia linkages.

The U.S. Army has been a leader in knowledge management through two processes that permeate every echelon. The first is a practice called the After Action Review (AAR). All types of units use this learning method for various activities. After any significant event or activity, the group of people involved will gather together to review what happened, why it happened, what should be retained, and what should be improved. This short AAR session is facilitated by a person who can draw out honest answers; it may or may not be the most senior person. The group consists of all ranks and levels; each has an equal voice and is expected to participate. The focus of the AAR is not on blame or praise, but on everyone learning from the event with an eye toward applying those lessons in the future. When new soldiers and leaders participate in their first AAR, they are often amazed at the learning that takes place and the resulting positive energy generated.

The second such practice is the "Lessons Learned" collection and distribution process. This exists at both the local level and centralized Army level. Each unit has its own way of collecting lessons learned. Many units write up their AARs in a format that readily identifies lessons learned; these are placed on the web for universal distribution so others can benefit. The Army created an organization named the Center for Army Lessons Learned—CALL—which collects lessons learned from major operations and training events all over the world, organizing them by theme or event. CALL publishes the results and places them on its web site for access.

Many other organizations are using knowledge management to leverage the intellectual capital of their members: General Electric's Crotonville Center specializes in creating and transferring knowledge; the Mutual Group enhances customer relationships and innovation through knowledge management strategies; Hewlett-Packard uses practical tools for capturing knowledge real-time during projects and disseminates that knowledge across organizational boundaries; City Year, a private sector domestic "Peace Corps" and model for America's national youth service program, keeps track of lessons drawn from experience in "what's worked" lists that are shared with everyone.

Developing New Skills. Highly skilled knowledge workers are an organization's main competitive advantage. Organizations from every sector worldwide are trying to find ways to develop people who will be able to succeed in the uncertain future. Development and training have taken on a new priority; it is no longer an expensive concern, it's a smart investment. Most organizations have developmental programs; some have their own schools and universities. For the generation of future leaders, developing skills is one of their primary interests when looking for an organization to join. They want opportunities at work to build skills, for now and the future.

Executive education, once relegated to the sidelines, is now at the forefront. Globalization has been the most powerful teacher, showing organizations that leaders have not learned everything they need for further advancement. Traditional methods used to train and educate leaders have not kept pace with the monumental changes in the world; on-the-job experiences and sporadic training do not produce the leadership needed today. Learning organizations have increasingly turned to customized, executive education programs to help them achieve their strategic objectives and augment executive skills.

Some organizations still do not make the important investment in in-house development. These organizations believe it's more expedient to raid the talent of a competitor. Or they may take the resigned view that the talent will leave anyway to seek other opportunities. Failure to develop people is a long-term losing strategy. It assures an organization of losing those with high potential to a higher bidder.

A development program sends several positive symbolic messages to members. It reinforces the principles of a learning organization—everyone can grow. It says that only the best is good enough for members who will lead in the future. It energizes progress and prevents stagnation. It equips members to take on more or different responsibilities. Developing new skills brings to the fore three steps: assessing and planning, developing people, and growing global leaders.

Assessing and Planning. Assessment is required to adequately determine development needs of a future leader for current and future responsibilities. This is best done in the partnering mode; the member does a self-assessment, and the supervisor also assesses the member's attributes, skills, and competencies. They then meet to discuss their perspectives and clarify the core competencies required to perform tasks and responsibilities. Now they are ready to define the key learning objectives and means for achieving the core competencies. The objectives should have milestones and deadlines for completion. It's also important to identify resources available to achieve the goals and objectives. The member is the one who "owns" the tailored plan. The supervisor facilitates and provides feedback along the way.

"Learning style" is a popular concept among organizations. How people learn is significant in the knowledge economy. Organizations should figure out what kinds of learners they have. Learning styles can cross generations; however, organizations have found increasingly that younger members prefer active, visual, fun methods as opposed to formal classroom lecture or reading. Assessing how members learn should be basic in organizations.

The "Learning Person" at Xerox Business Services said that his organization has 50 percent "action learners," those who learn by doing. Another 33 percent are "people learners," who learn best through conversation and exchanging ideas with others. Only 17 percent are "information learners," who read texts, listen to lectures, and learn through traditional school teaching methods. Organizations must customize the way they teach, train, conduct workshops, and hold meetings. If they want people to learn, they should start by learning how their people best learn.[75]

Ways to Develop People. There are many ways to develop skills in organizational members. Development can range from systematic and formal to open-ended and very informal, with variations in between. Members can have developmental experiences such as job assignments, task force memberships, apprenticeships, or job rotations; they learn from on-the-job experience. An example is the Japanese horizontal fast track as described by a Japanese manager: "We move the better people around the organization as fast as we can in their early years, exposing them to different areas, different groups, and different responsibilities. That gives them a chance to discover themselves and to demonstrate their strengths."[76]

Another way to develop is for members to attend deliberate training focused on a specific set of skills. Multiple formats exist, e.g., on-campus instruction; distance learning; video and Internet technologies; dispersed training for teams and work groups; and conferences. Skill-specific training works best when supervisors ensure training is more than an academic exercise. Training must be tied to business results, not theory. It must build the intellectual capital where it's needed. It must be practiced on the job when training is complete.

More recent is the idea that development occurs by using "just-in-time, just-enough" training. Dell University's Vice President, John Cone, explains the features: "It should be synchronous with work, come in small bites just big enough to complete a task, and happen fast." In other words, learning is driven by a need. When members need the new skill or knowledge, they are motivated to learn. Cone says, "Our challenge is to put the learner in charge of the process." This reduces "front-end" learning and makes learning continuous. Cone makes a clear distinction between three types of learning at Dell University. "Learning to know" is acquiring general knowledge about the company and its processes and systems. "Learning to do" is quickly acquiring and immediately applying specific skills to perform specific jobs. "Learning to know and do" is acquiring both a big-picture perspective and the pragmatic techniques needed to accomplish something.[77] Future leaders need development by learning both to know and to do.

Organizations can also use a very personal approach to development by ensuring that future leaders are mentored and coached. Leaders have the obligation to grow other leaders. Mentoring is one of the best ways to grow leaders. Young future leaders place a high value on forming mentor relationships with those seniors who have grown wise through experience. Mentors play many roles: facilitator of understanding one's self and the organization; appraiser by providing feedback about performance and reputation; forecaster of emerging trends that could affect the member; adviser to help identify goals and possible sources of support; enabler by arranging useful contacts and connecting the member with people and resources; teacher of skills; role model of character; and supporter by believing in and assisting the member.[78]

Mentors can accelerate the growth of future leaders by active involvement. The mentor may take on a high level of commitment, significant responsibility, and some risk. But as more future leaders move from organization to organization, development of lasting relationships becomes a unique value. Mentors can continue to play an important role in a future leader's career even if one or the other is working in a different organization.

The U.S. Army has a culture of leader development and training. Leader development takes the form of professional instruction in various institutional settings. Developmental work assignments also are used to build skills in officers. In addition, officers are expected to "self-build" by aggressively pursuing ongoing personal development.

The formal centralized training starts as soon as officers enter the Army. The Officer Basic Course orients newly commissioned officers to the Army and their leadership responsibilities. At the 4-to-7-year point, officers attend a course preparing them for direct leadership as company commander of a unit numbering up to 350 soldiers. They also attend a course that develops staff skills in human resources, training, operations, logistics, resource management, and military intelligence. At the 10-to-12-year point they may be selected to attend a 10-month course developing skills for service on staffs of large units such as divisions and corps. At the 16-year point they may be selected to attend a course that prepares them for organizational leadership as commander of a battalion containing up to 800 soldiers. At the 19-to-22-year point they may be selected to attend a 10-month course developing strategic leaders.

Between the courses described above, officers serve in a variety of developmental assignments, each with increasing responsibility. Upon assuming responsibility in each job, after their general duties and responsibilities are prescribed to them, they work out goals and objectives supported by an action plan. The plan talks about attribute and skill development goals as well as unit goals. The action plan delineates milestones to facilitate goal achievement. The plan is discussed with the officer's supervisor, agreed upon, and put into action. Throughout the assignment, the officer meets periodically with the supervisor for performance feedback and plan modification if needed.

During any job assignment in the Army, training is seen as the primary way to develop people or prepare for a mission. The Army's approach to training is constant. In fact some units see every event as a training opportunity. The Army likes to use a hands-on, total-participation method of training. If at all possible, training involves the most junior trainee in the activity. Doing is better than being shown; being shown is better than telling. Once the person undergoing training has mastered the task, the Army expects that person to be able to teach someone else, using its "leader at every level" structure.

Growing Global Leaders. Organizations today must make a deliberate effort to develop globally capable leaders. Jack Welch, CEO of General Electric, once commented: "The Jack Welch of the future cannot be like me. I spent my entire career in the United States. The next head of General Electric will be somebody who spent time in Bombay, in Hong Kong, in Buenos Aires. We have to send our best and brightest overseas and make sure they have the training that will allow them to be global leaders who will make GE flourish in the future."[79] Thus, in one generation, global savvy has become a requirement, not a luxury. Producing global leaders entails four steps: (1) selection; (2) training and preparation; (3) international experience; and (4) repatriation of international experience. [80]

With regard to selection, organizations should carefully choose the people in whom they invest. Candidates should have an aptitude and ability to adjust to different customs, perspectives, and business practices. They should be open to new cultures, have cultural sensitivity, and want the experience of living abroad. Organizations should evaluate people early in their careers so as to identify a potential pool of overseas assignees in whom to develop cross-cultural skills.

There are several successful ways to select future global leaders. Colgate-Palmolive often hires entry-level marketing candidates who already demonstrate global characteristics and capabilities. The company intentionally recruits newly minted undergraduates or MBAs who speak more than one language, have lived or worked abroad, or demonstrate an aptitude for global business. Other approaches include testing tools or personal observation. LG Group, a $70 billion Korean conglomerate, uses a formal assessment process. Early in their careers, candidates complete a 100-question, externally procured survey intended to rate their cross-cultural skills and preparation for global assignments. Taking a more personal assessment approach, the vice chairman of Huntsman Corporation, a private chemicals company in Salt Lake City with annual sales of $4.75 billion, takes potential candidates with him on international trips. During these trips, he accompanies them to local restaurants, shopping areas, and side streets while observing their behavior. He notices their curiosity and comfort level with new and different surroundings; he observes whether they attempt to communicate with the local people. Back in the United States he also observes how candidates act with international visitors during negotiations and in social settings.

The selection process should include a candidate's family. Though this may seem out of the normal bounds of assessing a leader's capability, in an international context family relationships have huge implications in some cultures. Is the candidate's family well suited for assignment? Are they supportive and resilient enough to accept and deal with the differences they may encounter living in another country? Many Western wives, for example, adapt poorly to living within conservative Muslim societies. Family difficulties could cause a leader to abort the development potential of an international assignment.

Finally, organizations should select leaders whose cultural aptitude meets or exceeds their technical skills. The candidate should be told explicitly the rationale for being assigned overseas—to transfer and generate knowledge, to develop global skills, or both. Organizations should resist using overseas postings as a reward, to fill an immediate business need, or to get someone out of the way.

Following selection of a global leader candidate, organizations must turn to training and preparation. First, a plan of development should be scripted. After LG Group in Korea makes its selections, the candidates and their managers discuss how specific training courses or future on-the-job experiences could help them enhance their strengths and repair weaknesses. From discussion, they generate a personalized plan and timetable. LG Group gives its candidates time to develop their skills; about 97 percent of them succeed in meeting the company's expectations.

A global training program should educate in topics such as international strategy and vision, worldwide organizational structure and design, management of change, cross-cultural communication, international business ethics, multicultural team leadership, conflict resolution, new market entry, dynamics of developing countries and markets, and managing in uncertainty. Training should build inquisitiveness, open-mindedness, and global awareness. Training should also encourage people to rearrange and stretch their minds. One practical way is to establish teams of individuals with diverse backgrounds and perspectives to work together closely on a project. Contrasting views and values can force members to think globally. Managed well, a culturally diverse team can also produce better business decisions. Potential global leaders can progress from membership in single-function, multicultural teams to leadership of multiple-function, multicultural teams.

When training is complete, organizations should prepare leaders for travel and assignment. Mikell Rigg McGuire, vice president of Franklin-Covey, deals with company operations in more than 60 countries. She recommends several ways to make such preparations, e.g., watching international news networks; reading international news magazines; collecting books and articles on the specific place; using internet assets for information; consulting company-compiled foreign area handbooks; and talking to friends who might know people in the country. The more information gained before actual travel the better.

The next step is to provide familiarization experience to the candidate in an overseas environment, this taking place well before the actual transfer itself. The best way to change fundamentally how people think about doing business globally is by having them travel and operate abroad for at least several months. Everyone has a mental map of the world, as well as assumptions about what people are like and how the world works. But mental maps are no substitute for actual experience and immersion in another culture. For the familiarization experience, organizations should send potential global leaders to travel in the "heart" of the country, to experience its culture, economy, political system, and market. To get the full cultural benefits, they should be uninsulated by the traditional corporate cocoon of generic western hotel, car and driver, staffers, and a choreographed itinerary. Efforts should be made to take detours and go off the beaten path; shop in local markets; and visit schools, homes, and cultural events to find out what local life is really like. While the leader is abroad, the organization should stay in active contact and provide responsive support.

While the familiarization experience is very useful, it is the actual lock-stock-and-barrel transfer overseas that makes the biggest impact. Colgate-Palmolive sends its promising talent on a series of developmental assignments lasting 6 to 18 months. This gives young leaders a broad range of international experience and costs less than sending high-level expatriates who usually have extensive benefits. In research gathered from 1994 to 1997, J. Stewart Black and Hal Gregerson found that 80 percent of global leaders identified living and working in a foreign country as the single most influential and powerful experience in their lives in developing global leadership capabilities.[81] Their findings were significant given the respondents' diverse nationalities, functional experiences, and company affiliations.

Finally, the precious overseas experience must be repatriated back to the organization and capitalized upon. Unfortunately, approximately 25 percent of U.S. expatriates who successfully complete an international assignment leave their company within a year, often to join a competitor. The turnover rate is double that of leaders who did not go abroad. Just as preparation is required before an overseas assignment, a deliberate repatriation program is also required for retention of global leaders. Once qualified by overseas experience, they become more valuable. Special effort and incentives may be required to keep them in the company orbit.

Repatriation is considered to be a time of major upheaval, professionally and personally, by two-thirds of expatriates. Organizations should provide returnees an adjustment time, assess the skills they have acquired abroad, provide career guidance, and enable them to put their international knowledge, skills, and experience to good use. The expatriate leaders and families should participate in a debriefing that captures lessons learned and addresses common repatriation issues such as difficulty communicating with colleagues who have not worked abroad and helping children fit in again with their peers.

To make the most of global insight and experience, Monsanto employs certain strategies to retain and better utilize potential global leaders after international assignments. They plan for repatriation three to six months in advance, and when the time arrives they provide a sponsor to help with placement and reentry. They locate a suitable position in the company before the expatriate's return. They allow some down time for repatriated members to put things in place at home. They provide repatriation training and facilitate the family's readjustment. They allow for reasonable autonomy in the first job following repatriation.

Global leaders need abundant talent, wide-ranging opportunity, and excellent training to succeed. To build global capability takes a strategic and systematic process. Organizations should monitor every step to maximize the investment. The best way to retain valuable repatriates is to acknowledge their value and to place them in responsible positions that exploit their newly acquired skills and experience.

Capacity for Performance

To survive, an organization must be productive; it must perform its mission. Peter Drucker, whose views we have had frequent occasion to cite, says that organizations exist to make people's strengths effective and their weaknesses irrelevant. Properly organized, people have the capacity for extraordinary performance.

Consistent excellence in accomplishing a mission starts with an organization treating its people well. The sections above have discussed the importance for an organization to act consistently on the principle that people are its most important asset. Organizations must trust in their people, secure in the realization that such trust will provide enormous payback in the form of increased motivation, greater creativity, and higher productivity. If organizations want to develop greater and enduring capacity, then the people have to be valued and encouraged. People who know their mission, understand the standards of performance, and have the

capabilities to do their work can perform well. Talented leaders on the rise prefer challenging environments where the standard is tough but achievable. Raising the bar on performance is a motivator if it stretches the member to fully use his or her competencies. Such challenge stimulates creativity and generates new ideas. It energizes all echelons.

Productivity is enhanced by accountability. A talented leader will respond when he or she has the responsibility. In organizations of teams, leaders are still accountable for results, even when they have little direct authority over the resources they need. This is the reality of the loosely interconnected environment. They obtain necessary resources through collaborative and interpersonal skills, built by practicing how to meet goals through other people. Competitive advantage increasingly depends not only on knowledge management capabilities but also on network relationships.

The global economy is insisting on quality as a requirement for every product or service. Jack Welch, General Electric's CEO, says that in the 21st century, "with quality permeating much of what we do all day, it will be . . . unthinkable to hire into a company, promote, or tolerate those who cannot, or will not, commit to this way of work. It is simply too important to our future."[82] So everyone at every level must imbed quality in all work.

Organizations that have a culture of freedom have found they can both attract talent and improve productivity. Such an organization can harness the natural spirit of freedom and fun and then focus that spirit where it can do the most good. The CEO of VeriFone says,

> We expect people at VeriFone to go above and beyond the call of duty—not because they are forced to, but because they want to. . . . We are also very clear about the quid pro quo of life at VeriFone. The quid pro quo, in return for all the freedom we offer, is a tremendous emphasis on accountability. We expect you to perform and we expect you to deliver the goods.[83]

Leaders of the future will be able to reach amazing goals in an environment of autonomy, enjoyment, and accountability.

Organizations know that performance and productivity influence compensation and benefits. As an incentive for productivity, many aspiring leaders would rather receive stock options and forgo a larger salary or cash bonus. They count on the stock options to be worth a great deal more later on. As an organization succeeds by their efforts, sharing in the economic gains accruing as successive targets are reached helps them stay motivated to reach increasingly difficult goals.

Employee Commitment

In an age of attenuating organizational loyalty, what keeps a member committed to an organization? Despite many doubts, commitment is a realistic goal. Everybody works for somebody or something and everybody works with someone else. The linkages may be tight or loose. Everyone still must decide who (what organization) to work with, as well as how strong the bonds of mutual commitment will be.

Members can feel committed to an organization for many reasons. It depends on what motivates them. However, certain member attitudes are absolutely necessary. For commitment, members must be imbued with confidence and passion. They must have confidence that their work—their contribution—makes a difference. Members must believe with passion that their interests align with the organization's purpose. They must feel that they belong. Organizations must actively provide the necessary grounds for member confidence plus the sense of belonging that inspires deep emotional attachment.

Members want to know that their work contributes to achieving the mission. They want to be instrumental in the achievement of greater things. The NASA team that landed the first men on the moon did not do it for the money. It was a labor of love, born of the fervent impulse to participate in a great historic endeavor. People who feel they are doing meaningful work become committed to the organization.

W. L. Gore & Associates included commitment as one of its four core values: "The ability to make one's own commitments and keep them." When a person is hired at Gore, it's for a particular commitment, not a job. That commitment could be any of a number of broad tasks. Gore doesn't narrowly define jobs with titles that limit people. Instead, Gore defines general expectations within functional areas. Then the sky becomes the limit of employees' achievement because their commitment is likely to be total. They, not the company, have determined their commitments, and that greatly magnifies their level of contribution.

Commitment requires an alignment of individual purpose with organizational mission. When these overlap, synergy results. People feel involved in the organization because their passion and work are in common. Passion is a powerful force, but when frustrated it can boomerang. An organization must uphold its ideals and values, focus on the mission, and deliver on promises. Thwarted expectations and broken trust create disappointment, leading to cynicism and bailout rather than confidence and constructive passion.[84]

When an organization provides the opportunity for hard work and shared enjoyment, cohesion and camaraderie result. Robert Reich says that "friendship and camaraderie are the basic adhesives of the human spirit."[85] Future leaders see work as a perfect place to form friendships. If an organization has members who enjoy work, like to work together, and perform well, a sense of cohesion results.

Respected membership in an extended organizational family is important in the current world of global information and constant flux. Rampant technology, with its focus on machine solutions, has led to depersonalization and lack of personal connection. Society is becoming a

vast lonely crowd. More people are searching for an idealized experience of community to regain a feeling of family, commitment, loyalty, and mutual pursuit of long-term goals.

Margaret Wheatley talks about the need for "sustainability" rather than the popular "employability" that describes what many young people have as a goal. Sustainability addresses an organization's endurance over time and the individual's secure place. It searches out the things that are worth sustaining long term. She points out that ad hoc and virtual organizations miss an important truth about people: an organization cannot mean something to its people if that organization has no life beyond the next project or contract. Short-term "employability" does not encourage devoted energy and lasting commitment.[86] Wheatley correctly concludes that commitment and loyalty are essential in human relationships. If organizations want a connected community of high performers, then enduring relationships of substance are required. The challenge for organizations is to engage people's loyalty and yet maintain flexibility. Organizations need to be creative in meeting this challenge.[87]

Thus, mere employability is not the answer. Employability encourages self-interest at the expense of the organization, which is made up of other people depending on each member's contribution. There is nothing wrong with a future leader wanting to gain skills, meet challenges, or enjoy work. But, it's best when he or she can join an organization that provides opportunity to achieve personal goals while at the same time contributing toward organizational purpose. People still like to belong to organizations with a sense of history and enduring identity, organizations that stand for something today—and tomorrow.

Even younger organizations can have a purpose beyond being an "employability" stepping stone. Edwin Booth, CEO of Job Boss Software in Minneapolis, says:

> My job is to make sure we have an environment in which people are genuinely convinced that they have the best opportunity to grow and develop, to increase their personal skills, to practice leadership, to be a member of a community, to be part of something bigger and more important than themselves, and to make a positive contribution. When you do that, your people are totally focused on doing what's best for the business and for the customer. In turn, our customers become raving fans, and our reputation spreads in the marketplace.[88]

CONCLUSION

This chapter has looked at how an organization can attract and retain future leaders in a dynamic world. In this age of information, organizations are competing for talented potential leaders who have many career options. Organizations must create an environment that wins them over initially and then keeps them won over. Are future leaders any different than leaders of the past? Yes. They will embody a combination of traditionally valued qualities along with future-specific desiderata that together make for something new in the way of character, competence, and conduct.

Organizations must create an environment that appeals to both the material and psychological drives of future leaders. A combination of intrinsic and extrinsic incentives can assist such leaders in their search for purpose, challenge, skill-building, lasting relationships, and a balanced life.

Values-based organizations have a huge advantage in luring and holding future leaders because they revolve around a core of principles, vision, mission, and honest, meaningful work. They create a caring community that connects people in a collaborative way. Add to values-basing the spirit of change-receptivity and perpetual learning, and one has the perfect organizational prescription for attracting and retaining future leaders. They facilitate career fulfillment through a creative pathway of learning and development. They enable leaderly performance by giving responsibility accompanied by accountability. These practices result in an organization blessed with committed members; people will know they belong and that their contribution is recognized and appreciated. The pathway to building healthier organizations is clear for all to see. We have only to master the will, the patience, and the savvy to take it. Jack Welch of General Electric summed it up best:

> Ten years from now, we want magazines to write about GE as a place where people have the freedom to be creative, a place that brings out the best in everybody, an open, fair place where people have a sense that what they do matters, and where that sense of accomplishment is rewarded in both the pocketbook and the soul. That will be our report card.[89]

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Chapter 5

SELECTING AND DEVELOPING THE BEST LEADERS

Michael H. Cody

It became clear to me at the age of 58, I would have to learn new tricks that were not taught in the military manuals or on the battlefield. In the position of Army Chief of Staff I am a political soldier and will have to put my training in rapping out orders and making snap decisions on the back burner, and have to learn the arts of persuasion and guile. I must become an expert in a whole new set of skills.

— General George C. Marshall

INTRODUCTION

The sobering words in the quotation above appear on the wall of every seminar room in the U.S. Army War College in Carlisle Barracks, Pennsylvania.[1] Upon his assignment as Chief of Staff of the United States Army in 1939, General Marshall found himself totally ill-prepared to meet the demands of his new position. Faced with the daunting task of modernizing an under-manned and poorly equipped Army during the tumultuous years leading up to World War II, General Marshall found his previous experience to be of little use. His efforts were hampered by a parsimonious congress, a totally inadequate budget, and a president uninterested in anything not related to domestic affairs. If Marshall was accurate in his self-assessment, then the skills required of him to be successful were totally foreign to his nature. The success of the Army in World War II stands as a testimonial to his ability to successfully acquire the necessary new skills.

Organizational leaders today are confronted with a competitive environment no less challenging than that faced by General Marshall. The boom in information and communication technologies places demands on today's business leaders not unlike those placed on senior leaders at historic junctures in the past. The ability of businesses to transit successfully to this new environment and maintain a competitive edge into the future will rest first with their ability to attract and retain high-potential junior and mid-level leaders, a subject treated in the previous chapter. The obvious follow-on to attracting and retaining these potential leaders is selecting the best of them and developing them into the organizational leaders of the future. The talented young leaders in organizations, like the students of the Army War College, are not likely to be as gifted in the art of self-assessment as General Marshall. As they move through the organization, gaining experience, adding new skills, and taking on higher responsibilities, they too will reach the point where the skills that made them outstanding performers in the past will no longer serve them well in their new positions. By the same token, future business success will depend upon how well an organization identifies and develops the most talented of its young leaders and then guides them into positions that best serve the company's needs and most closely fit the individual's strengths. Selecting and developing the most capable members of the team are

paramount requirements for the future success of any competitive organization. Unfortunately, identifying and subsequently developing today's mid-level leader for tomorrow's high-level position is a surprisingly complex task. That it is more than simply promoting successful executives to successively higher levels of responsibility is attested to by the frequent reports of people elevated to higher positions not living up to expectations generated by their glowing credentials and sterling past performance.

Fifty years after General Marshall was confronted with the complexities of his new position as Chief of Staff of the Army, another Army general found himself in a strikingly similar situation. General Colin Powell, Chairman of the Joint Chiefs of Staff under President George Bush and later President Bill Clinton, found himself responsible for all the military services at another historic juncture. During the period in which General Powell was the serving Chairman, he faced the gargantuan problem of downsizing the military at the very moment when the dissolution of the Soviet Union and the end of the Cold War were hurling America into an international arena that was far more ambiguous and in many respects just as threatening as that faced by Marshall. Newly elected President William Jefferson Clinton and a newly seated Republican Congress promised to focus on domestic issues, reduce the mountainous national deficit, and significantly decrease the post-Cold War defense budget. Unlike Marshall, who had to teach himself the skills demanded by his new position, General Powell was already a "political soldier" when he took up the reins, fully possessing the "guile" and "persuasiveness" required of the JCS Chairmanship. How he came to occupy a position for which he clearly possessed the set of necessary skills was no less serendipitous than Marshall finding himself as Army Chief of Staff.

The purpose of this chapter is to discuss the means by which an organization can, by conscious design, develop future executives who, in the mold of Colin Powell facing his moment of truth, already possess the prerequisite skills for successful leadership in the competitive global environment. This chapter will describe a process geared toward choosing and fashioning the best future leaders. Using the Army officer professional development system as an illustrative case study, we shall construct an improved leader selection and development model. While the Army has an officer professional education program of enormous merit, its means of identifying and cultivating the most talented of its young officers is not as effective as it could be. True, the Army has expended a great deal of effort in recent years to address many of the weaknesses of its system, but that system is still not optimal. By examining the Army system in depth, we can surface lessons for all organizational leaders bent upon having future executives groomed and ready when they themselves finally assume the mantle of responsibility at the top.

ORGANIZATIONAL ASSESSMENT

The process begins with initial assessments—first of the organization and then of the junior and mid-level managers themselves. The initial assessment of the organization is fundamental to the entire process, serving as the foundation upon which every other element of the model is constructed. Whether conducted by a single leader or a small group of leaders, this assessment focuses on the corporate vision, its goals and objectives, the values of the organization, the operating climate, and the organizational culture. The purpose of the assessment is to determine

whether the leader's theoretical view of what's important, on one hand, and his actual modus operandi, on the other, are consistent and mutually reinforcing. Additionally, the assessment should determine whether organizational procedures for providing customer support are in sync with the leader's views of what's important. These will hardly be simple tasks. It will be difficult, emotionally exhausting, and intellectually demanding work. But, for the leader wishing to identify and develop the potential Colin Powells in his organization, the payoff will be well worth the investment.

Corporate vision, goals, and objectives speak to the market strategy or direction in which the corporate leadership intends to take the organization in the future. Naturally, both a near-term and long-term view are required. Business trends, market analysis, and technological advances impacting on how business will be conducted in the future must also be considered in determining the direction in which the organization will head. Therefore, the leader skills and attributes requisite for future organizational success must be determined. This process can be described as the development of a business strategy. The direct result of this part of the organizational assessment should be a clear articulation of what is important for the present and future success of the organization. From the very beginning, this assessment will highlight the competing demands of successful accomplishment of today's requirements and the demands to prepare for success in tomorrow's environment. Development of a strategy to keep these two impulses in balance should be a by-product of this initial assessment.

In the process of selecting future leaders, a thorough and honest appraisal of the values that guide the organization, and the internal environment within which leaders operate, are of paramount importance. The values of the organization, both those that the corporate leadership considers to be its core values plus important subsidiary values, must be reviewed. Both the organizational culture and climate must be looked at to determine whether the operating rules and norms will actually facilitate the development of junior leaders with the requisite skills to lead the organization toward the attainment of its established goals and objectives. Much of what leaders learn as they grow in experience will be based on the failures and successes they amass over the years. The work environment and culture must encourage innovative risk-taking, while tolerating and compensating for mistakes made by developing leaders as they experiment with techniques and approaches suggested by the knowledge they acquire over time. Likewise, corporate values must support rather than undermine the developmental process and the attainment of the corporate vision.

The necessity to avoid a disconnect between promulgated values on one hand, and de facto values on the other, seems obvious. Yet, even organizations that take great pride in correlating values with purpose can sometimes develop blindspots. Consider the case of the U.S. Army.

In 1998, the Army published its seven core values on a plastic card, about the size of a credit card, and issued a smaller card designed to be slipped onto a key chain to every soldier in the Army. Although the cards are new, the core values have not changed essentially in many years. The seven values are loyalty, duty, respect, selfless service, honor, integrity, and personal courage. These same values expressed in slightly different wording, along with a few others, appear on the Army's individual performance appraisal form. Some of the other ideals that are

expressed as values are initiative, innovativeness, and adaptability. Supervisors are required to indicate whether the officers and noncommissioned officers being evaluated lived up to each of these values during the appraisal period. This is done by indicating "yes" or "no" after each value.

With rare exceptions, everyone receives all "yes" checks pro forma. Only rarely are comments made to highlight exceptional demonstration of the attributes associated with the values of any soldier. Appraisal comments focus rather on successful accomplishment of several important tasks, for example, exceptional training conducted or techniques used; having subordinates accomplish a myriad of routine, but important tasks; and conserving resources.

The performance appraisals are then sent to a central repository and stored until it is time to consider the individual for promotion to the next higher rank, at which point they are reviewed by a promotion board. Selections are made, soldiers get promoted, and life goes on. Interestingly enough, however, when the Army describes the leaders it needs to face the demands of the 21st century, it uses terms like bold, courageous, audacious, innovative, (mentally) agile, and independent. While these traits may appear on the Army's appraisal forms, they are not part of the criteria supervisors ordinarily use to evaluate performance. That is to say, some of the attributes suggested by the Army's promulgated core values run counter to the de facto culture operating within the Army. For example, take the value of innovation plus those that satellite off it such as risk-taking, audacity, courage, and boldness. Departing from the tried and proven solution to problems or recurring situations is in fact discouraged in a number of different ways by senior leaders, for lots of different reasons, despite the brave rhetoric to the contrary suggested on the appraisal forms. The message received by the junior officer is: don't take risks, don't depart from the norm, and don't dare be less than successful using a new approach.

The traditional verbiage found in most evaluation narrative comments gives high praise to those who follow the norm. Occasionally, some senior leader will comment on someone's successful attempt at innovation. But attempts at innovation deemed less than successful are often degraded under such rubrics as "irresponsible, " "maverick," "immature," "reckless," etc. The Army needs to make up its mind as to whether it wants responsible innovation and initiative, or whether it wants knee-jerk conformity. Then it needs to adjust its promulgated values accordingly. No system of leader identification and selection can be successful if the leader traits held up for emulation in the official literature are precisely opposite to the traits actually prized and rewarded in selections for promotion and higher schooling.

With the Army experience in mind, let us turn to the subject of leader performance appraisals and evaluations in an organizational setting. They must be reviewed to determine if they are in fact designed to identify those individuals with the attributes, knowledge, experience, and abilities actually desired in those leaders who are to hold positions of greater responsibility. Serious thought must be given to whether or not the existing tools are capable of measuring skills and abilities identified during the strategy development (vision, goals, and objectives) phase of the assessment. The review of the organization by this point should have produced insights into leader evaluation criteria that are possibly more informative and predictive of future success than mere individual mission accomplishment or task completion alone. Evaluating performance in a

present position for its own sake is a vastly different endeavor than assessing present performance as a predictor of success in a new position on down the road.

An evaluation or appraisal is a report on how well an individual has performed, measured against objective and subjective criteria. It may even be described as a report of how successful an individual has been in utilizing past job experiences, training, knowledge, and previously acquired skills and abilities in meeting the demands of his present position. In contrast, an *assessment* of an individual is a comparison of his present developmental level against the experience, training, knowledge, skills, and abilities required to be successful in another position.

To develop an individual for positions of increased responsibility and authority dictates that a comparison of the individual's current developmental level with the level of development required for success in the next higher position be conducted. The intent of an assessment of an individual's developmental level is to enable design of a program facilitating the acquisition of the new skills, training, and knowledge on the part of the junior leader prerequisite to assigning him to a position that will allow him to grow in experience and develop into a future leader. This process may require a reevaluation of how performance counseling is conducted in the organization, by whom, how often, and with what documentation. Establishing an individual assessment feedback mechanism *keyed to producing future leaders for higher positions* may require reorientation of existing counseling programs.

Existing training programs must be reviewed to determine if they facilitate the development of junior and mid-level managers by providing the information and skills needed for professional growth. Much of the current literature suggests that experiential learning is of greater value than formal or informal education programs, though these facilitate growth and development by assisting the individual in gleaning value from his experiences.[2] Whether the training is conducted in-house or whether it is out-sourced, it must occur prior to an individual's assignment to a position demanding new skills or acceptance of greater responsibility. Based on how the organization is structured, or how a leader can ascend up the corporate chain, a determination must be made on whether training is being provided at the appropriate transition points. The questions to be asked are: Are there sufficient opportunities to train leaders prior to assignment to the next level? Are they occurring at the appropriate times in the normal advancement scheme? And are the training programs providing the appropriate skills and information to prepare personnel to capitalize on the experiences to be gained from the new position?

The structure of the organization must be analyzed to determine which positions will provide the best opportunities for junior leaders to gain experiences and develop competencies needed to be competitive for advancement. Most businesses will have more talented junior and mid-level leaders than they will have career-enhancing positions. At least two things must occur. The first is to identify positions that provide the optimum opportunity to develop the skills and abilities most critical to success at higher levels. Such a determination may be based on such factors as the breadth of responsibilities or the magnitude of resources associated with the position. Second, other positions that can give clear indications of potential or provide valuable opportunities for growth and experience must be identified, even though they may not be as demanding as other "high profile" jobs at the same level. How these distinctions will be used to

facilitate the development of leaders will be discussed later in the chapter. Harper Moulton and Arthur Fickel identify critical development assignments by type, such as project and task force, staff, assistantship, and international, in addition to the developmental line assignments outlined above.[3]

To provide a concrete case study of a large organization's experience in cultivating future mid-level leaders, let us turn again to the U.S. Army. Several years ago, Army leaders determined that there were several positions deemed to be essential for the development of future battalion commanders. These positions were designated as "branch-qualifying" positions and made as prerequisite for promotion to the next higher rank. With few exceptions, officers of every branch had to serve as company or battery commanders as captains to be eligible for promotion to major, while majors had to serve either as a battalion executive officer or operations officer to be eligible for promotion to lieutenant colonel.

The two main consequences of this decision took several years to be felt. The first was that there were not enough positions for every captain to have the opportunity to be a commander or for every major to hold one of the two-battalion jobs. To increase the number of officers who got the opportunity to hold one of these branch-qualifying positions, officers were allowed to hold the qualifying position for only 12 months. Naturally, the turmoil within the organization occasioned by the frequent turnovers was enormous. Officers were being taken out of these key developmental positions before they had mastered the requirements of their position and long before they had an opportunity to observe their supervisors enough to gain insights into how to perform the duties of their bosses.

The second way the Army felt the consequences of the decision was through the large number of quality officers who were rendered ineligible for promotion because they had not had the opportunity to hold a branch-qualifying position. They were passed over for promotion and required to leave the service. This had a second order effect of creating a shortage of mid-grade officers.

Although the Army sought by this system to produce highly qualified officers who were well versed in the demands of their current rank and prepared to face the demands of the next higher rank, what they actually produced was great unit turmoil and disruption and officers less qualified for promotion. What the Army failed to realize was that not everyone wants to be a battalion commander and that there needed to be more than one way to ascend the ladder of rank. Accordingly, the Army decided to create multiple ways of being a successful career officer by increasing the number of career fields that could produce a successful career. These new career fields were based on the challenges that senior leaders believe will face the Army in the 21st century. The projected results: more officers in career fields they enjoy; less turbulence in the organization; greater proficiency in officers desiring to become battalion commanders; and a new definition of "success" with many more ways to achieve it.

The system of awards, recognition, and promotions must also be reviewed as a part of the organizational assessment as well. A determination must be made as to whether this system has remained synchronized with any newly developed or refined goals and objectives. It must also

be directly linked to those values that the organization has stated are essential to the manner in which it intends to operate. Special consideration must be given to the criteria upon which promotions will be made. Junior and mid-level leaders will strive to attain the jobs, training, and experience that the senior leaders indicate to them are important for advancement. They will seek to operationalize the values that the institution rewards through its system of awards, recognition, and promotion. It is therefore necessary to give serious consideration to what success will look like. As senior leaders establish near-term goals, objectives, production quotas, or any other type of benchmark for progress, it may be tempting simply to view reaching such markers as the definition of success. However, reinforcing these kinds of results through positive recognition may turn out to be counter-productive since performance potential in the next, i.e., higher, position is the paramount concern. Given the attributes and competencies outlined earlier in the assessment, the operational methods selected by the junior leaders and the manner in which they organize and expend resources may be better criteria upon which to base a definition of their success. What is important here is that however the organization decides to define success, it must be consistent with its long-term strategy, linked to the firm's values, and supportive of the development of the leader skills necessary to move the organization toward fulfillment of its strategy.

ASSESSMENT OF FUTURE LEADER POOL

Given that there are more talented people than there are positions to occupy, the simple act of assigning someone to a high-profile or career-enhancing position essentially determines who remains competitive for future promotions. This being so, such assignment decisions should be made by senior leaders, not personnel managers. This reality must be addressed openly and honestly with all personnel aspiring to climb the corporate ladder to become its leaders. The decisive and far-reaching implications of such assignments dictate that they be made only after extraordinarily careful deliberation at the top.

Once the organizational assessment has been completed, some type of assessment of the population of potential future leaders must be undertaken. The objective should be to assess each candidate's level of development. Following a look at the individuals who make up the pool of potential leaders, a look at the characteristics of the pool itself is necessary. For organizations with a pyramidal type of structure, the population may be defined in terms of the levels within the structure. For those that are more flat, the population may be analyzed in terms of groupings based on years with the firm, education and training received, or the breadth of responsibility associated with positions previously held. Whatever the means developed to group candidates, an assessment of the population of potential candidates will allow the organizational leadership to make judgments about group norms. Determining the group norms will facilitate a subsequent comparison of each individual's developmental level against that of the average member of the group.

The requisite skills or competencies suggested by the development of an organizational strategy and the values by which the firm intends to operate comprise the criteria by which the individual and group assessments can be made. Much of the current literature on developing future executives suggests groups of skills (often referred to as competencies) that many believe

form the core competencies to be demanded of leaders in the 21st century. Moulton and Fickel's list offers a good starting point for the individual and group assessment processes. They caution, however, that technical skill alone is useless. In their view, future executives must have the relevant technical skills *plus* the concomitant knowledge and attitudes enabling them to deal with the complex and ambiguous senior leader problems of the future.[4] With so much understood, the set of skills they suggest, by category, is as follows:

- **Environmental.** Global orientation, intercultural understanding, political sophistication, foreign language fluency.

- **Leadership.** Proactive leadership orientation, understanding of values and ethics, innovative and creative ability, motivating others through a sense of mission.

- **Managerial.** Integrative ability, technological literacy, breadth plus depth of knowledge, flexible and adaptive behavior.

- **Interpersonal.** Negotiation and communications skills, emotional and physical fitness.

- **Business Implementation.** Strategy formulation and policy development, functional sophistication, microeconomic literacy and appreciation.

By way of comparison, Daniel Goleman recommends "emotional intelligence" as being more instructive for identifying individuals with potential for high-ranking executive positions. In a 1998 article in the *Harvard Business Review*, he explains that emotional intelligence is comprised of these four components: self-awareness, self-regulation, motivation, and empathy in combination with social skill.[5]

In addition to looking at the candidates within broad categories, the organization must review their past assignments, their capacity to benefit from new experiences, and their desire to take on new responsibilities and new challenges. In the final analysis, development potential is a function of individual motivation, intelligence, receptivity, health, and attitudes.[6]

By studying individual assignment histories, senior leaders can make evaluations of the types of challenges each candidate has had to face and the types of experiences to which they've been exposed. With a determination of the individual's past performance, capacity to learn, and ability to face new and more demanding challenges, senior leaders can identify those junior and mid-level leaders who truly stand out above the rest. This group represents the population with the greatest promise of "high returns" on the investment of time, training, and developmental opportunities.

LEADER DEVELOPMENT MODEL

The leader development model is a means by which supervisors and senior leaders can assist subordinates to prepare for, meet, and learn from professionally developing challenges in the workplace. The individual and group assessments provide the entry point into the model. As

mentioned before, an individual's assignment history, training, past performance, and capacity and readiness for additional challenges form the start point. Two things must be added to the individual's past experience in particular positions in order to prepare him or her for a development opportunity. The first complement to experience is new knowledge. New knowledge may be gained by involving the individual in a formal training or educational program. It may also be gained through independent reading and self-directed study. The second complement is reflection. The opportunity for reflection is necessary for the individual to process the newly acquired information in light of past experience to form new ideas, conclusions, and theories about how to perform a task or meet a particular challenge.

At this point, the individual should be exposed to a task or challenge. The task may be in line with existing duties and responsibilities or it may be a task normally expected of someone of greater seniority or in a higher position. The outcome of the person's efforts must be assessed using the assessment approach described earlier. With the feedback from his recent performance, the person should be allowed the time to think about his successes and failures, and the things that went right or not quite right. As the person attempts to assimilate this new experience, incorporating it into his existing pool of knowledge and past experience, he must be provided with the support and feedback of a mentor. Through discussion and the interchange of ideas with an experienced, successful senior leader in the company, reinforced by additional reflection, the individual will develop new meanings from what he has learned. At this point the process repeats itself. The individual is exposed repeatedly to new and more complicated tasks. His performance is assessed and he is again allowed an opportunity to digest what he has learned. Throughout the entire process he is supported by a mentor and by his continuous self-directed study and reading program.

MEANS TO INFLUENCE MODEL EFFECTIVENESS

Supervisors and senior leaders can influence the manner in which the model functions both positively and negatively. The means by which the model can be influenced to operate more efficiently deal with selection issues and the mentoring processes. As mentioned previously, the number of talented individuals who comprise the population of potential future leaders is likely to exceed the number of highly developmental assignments or positions available. Although every position can be used to develop leaders to some extent, those positions that offer the greatest opportunities for challenge and consequent growth will probably be limited. Looking at an individual's capacity to learn, how far he or she has advanced in the developmental process, and the desire to confront greater challenges can be indicators of those individuals deserving to be placed in the best positions.

By virtue of the fact that assignment to these positions gives the occupant greater opportunities for growth and development, selection is a means to influence how the system works. Morgan McCall devotes an entire chapter of his book *High Flyers* to the importance of active succession planning.[7] Moulton and Fickel echo McCall's sentiment: "Executive succession cannot be left to chance on the assumption that the 'cream will rise to the top.'"[8] That only a small group of junior executives will have had the variety of experiences, mentoring, and training to be truly competitive for the top-level positions will be a reality obvious to everyone.

It is essential that members of this elite group achieve their status by merit and organizational design. Competition for entry into the group must be based on meritocratic and egalitarian principles applicable to everyone; the only limiting factors barring entry into the group being an individual's lack of aptitude, motivation, or ability.

The U.S. Army offers an instructive case study on the process of succession planning. Every Army officer attends the first three levels of military professional development education automatically, but selection for the fourth and fifth levels of education is very competitive. Generally, about 80 percent of the eligible majors (usually at the 11-year mark) and about 11 percent of the eligible lieutenant colonels are selected, respectively. About 11 to 12 percent of eligible lieutenant colonels are selected for battalion command and only about seven percent of eligible colonels are selected for brigade command. The continuing norm will be that very few lieutenant colonels become colonels who did not hold the position of battalion commander and receive a glowing appraisal. Likewise, very few colonels become generals who did not command brigades and receive a high rating.

If one were to apply Morgan McCall's test for developmental organizations to the Army, that institution would not be highly rated. The primary reason is that the Army uses what McCall calls "Corporate Darwinism" to determine who should be promoted.[9] Officers assigned to the best developmental positions, by and large, are there not to maximize their development but rather to prove themselves worthy of further promotion. Such proof lies in errorless performance. Of course, supervisors want them to be successful, but are not systemically obligated to assist them achieve success and help them acquire new skills, new knowledge, new and varied experiences, or broadened professional horizons.

Because of the Army's zero-defects mentality, officers occupying so-called developmental positions as commanders must concentrate single-mindedly on looking perfect in that position rather than devoting a significant share of their time and energy to preparations for higher positions. Recall our earlier point from organizational theory that performance at one level of the hierarchy is not necessarily a good predictor of performance at higher levels. The reason is quite simple: as a leader ascends from relatively lower levels of command requiring direct modes of leadership to higher levels of command requiring successively greater applications of indirect leadership, the prerequisite skills, aptitudes, personality traits, and experience perforce change substantially. The history of war is replete with examples of brilliant tacticians who failed abysmally at the operational or strategic level, and of outstanding brigade and division commanders who were total busts on taking over a corps.

The Army recognizes these realities in its historical readings and leadership doctrine, but turns a deaf ear to them in its de facto criteria for selecting officers for higher command. Here, the Army effectively declares that error-free performance at each level of command is the exclusive criterion for advancement to the next higher level, regardless of different qualifying prerequisites at the next level and regardless of the greater intrinsic potential of some candidates who were less competitive at the previous level. Unlike the leader development model proposed earlier in this chapter, the Army treats each command assignment as a make-or-break promotion wicket rather than a developmental opportunity, and it displays an unduly narrow conception of

command potential by failing to give due weight to the prerequisite qualifications unique to the next and higher levels.

Officer A, a soldier of modest endowments, may slightly outperform Officer B as a company or battalion commander. But Officer B's potential may be such that with reasonable development he could become an exemplary 3- or 4-star commander, far eclipsing Officer A and most of his other peers. The Army's present developmental system, however, is too blunt an instrument, insufficiently nuanced and discriminating to recognize and bring to fruition Officer B's potential. He would very likely be overlooked and passed by, much to the Army's detriment.

Indeed, had George C. Marshall begun his Army career in the late 20th century Army, it is arguable whether he would have survived long enough and risen high enough to develop into perhaps the greatest soldier-statesmen who ever donned the uniform. Early on, he demonstrated transcendent skills as a staff officer, and it was essentially these skills that propelled him upward through the ranks to that point in 1939 when he became Army Chief of Staff, only 3 years after gaining his first star. But today's promotion and assignment system, with its inflexible insistence upon visits to each of several ceremoniously delineated stations of the cross as preconditions for further advancement, would have made it extremely difficult for Marshall to continue to progress in rank while cultivating the broad politico-military competencies that were to equip him uniquely to build America's World War II Army, organize the allied victory, and conceive the nation's successful early Cold War strategy.

In sum, today's system for advancing officers, while eminently fair and impartial to be sure, is designed to reward those who extrapolate lower-level command skills rather than to develop those with high-level command potential. The embedded assumption is that if officers were paragons at lower levels, they will automatically be able to meet the demands of higher levels— no matter how different such demands might be from those encountered earlier.

This is not to say, of course, that it is impossible under the current system for an officer of strong high-level potential to receive the necessary nurturing and grooming. But when such occurs, it is more likely to be the result of accident rather than a deliberate volitional initiative on the part of the system. Take, for example, the case of General Colin Powell.

General Powell's career illustrates both the value of mentors and the necessity for seniors to step in and purposely orchestrate the development of promising leaders. Only thus can it be ensured that the Army realizes the maximum potential from its leadership pool. In his book, *My American Journey*, General Powell paints an eloquently inspirational picture of his life, but his description of the hit-or-miss manner by which he came to be assigned to some of the most developmental positions of his career is most disconcerting. After he received his MBA from George Washington University in 1971, Lieutenant Colonel Powell was due for a tour at the Pentagon. Slated initially for a computers and automation position in the office of the Assistant Vice Chief of Staff of the Army, he was serendipitously diverted to a different section by a colonel who didn't know him personally but who was impressed by his file. The new position happened to entail frequent contact with the Assistant Vice Chief of Staff of the Army, William DePuy. Later, Lieutenant Colonel Powell's assignment officer, without apparent involvement by

any senior leader, nominated him, along with several officers of his branch, for an intern program as a White House Fellow. Nominative requirements are quite common for various headquarters in the military, and Lieutenant Colonel Powell's assignment officer was simply meeting an administrative requirement with no real expectation that any of his nominees would be selected, and certainly with no grand prophetic vision of the fateful wheels he was setting in motion.

Powell was selected, however, after a highly competitive screening process. Once selected for the fellowship, Powell volunteered to work in the White House's Office of Management and Budget (OMB), based on an intuitive feeling that the real power in the Federal government resided with the people who had influence over the budget. He was selected to work in OMB where he was mentored by Mr. Frank Carlucci, the deputy to the director of OMB. The director at the time was Caspar Weinberger, a future Secretary of Defense, and the relationships that would eventually lead to General Powell's selection as the Chairman of the Joint Chiefs of Staff were established.[10] Yes, on one hand General Powell was obviously mentored and influenced by many outstanding senior leaders. But on the other hand, many of the career-clinching assignments that brought him into contact with such mentors, thus facilitating the development of the skills he later used as JCS Chairman, were more the result of chance and luck than of design.

Of course, no amount of mentoring, regardless of the name or position of the mentors, can be successful if the chemistry is not right. The quality of the mentor-junior leader relationship will have a direct effect on how well the system operates. This relationship must be sufficiently open, trusting, candid, and forthcoming to permit the mentored officer to translate new experiences and feedback from his performance in a developmental task into useful conclusions and ideas on how to manage resources and accomplish requirements successfully. Ideal mentoring provides support and assistance through sharing knowledge and experience of the organization and its power structure, plus perspective and counsel on career paths, on who the important people are and how to obtain exposure to them, on strategies for ongoing growth and development, and on an understanding of the informal organization which is so necessary to effective career management.[11]

The leader development model will be less than optimally effective if the mentor relationship, the organizational culture, and the operative corporate values are themselves sub-par. The mentor relationship, as we have just observed, will not be effective if feedback is not timely or is weak and unclear. Studies have indicated that this relationship is even more critical for minority groups and women who are serious about succeeding.[12] Not surprising to anyone who gives this finding a few minutes of serious thought, the political and emotional charge that attends potential mentor relationships with these groups often causes them to be the weakest in the organization.

The organizational culture is also critical. A culture that does not in actual practice encourage risk-taking, innovation, and experimentation or is intolerant of the resulting mistakes will limit how well the system works. Likewise, if the organizational values being reinforced through the developmental process are not the actual values that guide the day-to-day interactions within the firm, then the system will operate less effectively.

CONCLUSION

The ability of an organization to adapt and change to meet the demands of a dynamic but uncertain future is directly proportional to its ability to select and develop leaders with the analogous traits—adaptability, flexibility, nimbleness, and vision. The foregoing prescription applies to future leaders of all large organizations, whether civilian or military. Lieutenant General John Sanderson, chief of the Australian Army, has said:

> Leadership is closely tied up with both personal qualities and circumstances. Confidence in the individual who makes the decisions and gives the orders is of the essence—confidence that leaders know what they are doing, that they understand and are motivated by the interest of the team, and that they have the flexibility of mind to exploit fully all the talents of their subordinates. A natural affinity for people seems an important requirement.[13]

The task for any organization hoping to be successful in the future is to develop leaders who are committed to its vision and objectives and possess the talent and abilities to guide the organization towards their attainment.

Robert Fulner and Albert Vicere offer an excellent summary of the primary message of this chapter:

> We have concluded that executive education and leadership development are evolving towards a systems perspective, a recognition that training or education alone can not develop a leader, nor can assignments without adequate coaching and career plans, nor can experiences that are unrelated to corporate strategic objectives. Having the right people ready to assume new responsibilities at the right time requires the integration of all of the above activities into a leadership development system that provides momentum for the overall growth and development of the entire organization.[14]

The business of developing the leaders that will take an organization into the future is as critical as meeting tomorrow's production schedule, maintaining today's competitive advantage, or achieving next quarter's profit margin. It will not happen by accident, and it cannot happen at all without the dedicated commitment of the organization's senior leadership. A holistic approach to the problem must not only be undertaken in the near term, but must be supported and sustained throughout the life of the organization.

ENDNOTES - CHAPTER 5

1. American students attending the U.S. Army War College are primarily Army officers and Department of Defense civilian employees who have 20 to 24 years of service (DoD civilians have between 15 and 20 years), are between 40 and 44 years old, have achieved the rank of lieutenant colonel or colonel, and have successfully commanded at battalion level. For Army officers, both active duty and reserve, this represents the fifth and final level of professional military education. The course is also attended by officers of other U.S. services (Air Force, Navy, Marine, and Coast Guard) and a host of officers from countries all over the world.

2. Harper W. Moulton and Arthur A. Fickel, *Executive Development: Preparing for the 21ˢᵗ Century*, New York, NY: Oxford University Press, 1993, p. 20

3. Moulton and Fickel, p. 20.

4. Moulton and Fickel, p. 14.

5. Daniel Goleman, "What Makes a Leader?" *Harvard Business Review*, Vol. 76, November-December 1998, p. 94.

6. Moulton and Fickel, p. 18.

7. Morgan W. McCall, Jr., *High Flyers: Developing the Next Generation of Leaders*, Boston, MA: Harvard Business School Press, 1998, pp. 141-160.

8. Moulton and Fickel, p. 29.

9. McCall, p. 14.

10. Colin L. Powell, *My American Journey*, New York, NY: Ballantine Books, 1995, pp. 149-172.

11. Powell, p. 34.

12. Powell, p. 34.

13. Quoted in Hugh Smith, ed., *Preparing Future Leaders: Officer Education and Training for the Twenty-First Century*, University College: Australian Defense Studies Centre, 1998, p. 2.

14. Robert M. Fulner and Albert A. Vicere*, Executive Education and Leadership Development: The State of the Practice*, University Park, PA: Penn State Institute for the Study of Organizational Effectiveness, 1995, p. 27.

Chapter 6

NEW DIRECTIONS IN BUILDING ORGANIZATIONS:
QUO VADIS?

John H. Woodyard

Having assimilated the contents of the preceding five chapters, what do you do now? The authors have provided a rich blend of theoretical and practical information on building healthy organizations as well as institutionalizing the mechanisms of change so that the health can be maintained. It is time to translate this information into action. The issues of values, culture, and leader retention and development must be tackled and resolved. In Chapter 1, I made much of the point that in order to channel change wisely, organizational leaders must stay attuned to impending events. But this is easier said than done. Few of us are adept at tarot card interpretation. The best way to stay attuned to the future is to project forward from the present. This method will not uncover the unexpected breakthroughs, like commercialization of fusion power one day, but it is the best anyone can do.

Looking ahead at technology, we can expect that the explosion of computer and wireless technology applications in business management and production-line processes will continue. This means that computer literacy among organizational personnel must continue to rise. Specialized software is critical to project management. In particular, complex projects like massive construction efforts demand a degree of coordination, cost control, and personnel allocation impossible and unthinkable years ago. As expensive as some of these projects will be, without the assistance of both the hardware and software many such projects could never be undertaken at all. Man must still pour the concrete, but the software says when, where, and how many cubic yards.

Robotics technology will continue to expand. Microcircuitry and sensors give robotic devices a degree of small-scale accuracy within tolerances thought impossible a decade ago. Miniaturization and the use of electronic scanning devices assist in producing products of consistently higher quality. Greater use of automation in fabrication of products will create greater efficiencies. From these, industry can expect a continued rise in both quality and productivity. These technological advances will also allow command and control to be accomplished by fewer people. The control room of today's nuclear power plant may have as many as ten personnel working on shift. They monitor a large room full of state-of-the-art screens, gauges, alarm bells, telephones, instruction books, and even blackboards. Some in the industry predict that the control room of the future will consist of one person sitting in a booth with a parabolic screen to the front, side, and top. Rather than monitor personally dozens of variables in the operation, the screen will remain blank until an aberration occurs. A sensor will alert the operator, diagnose the problem, and recommend a solution. Incidentally, these industries experts also foresee problems with operator boredom and alertness, illustrating that

solutions to old problems often introduce new problems.

Technological advances will provide managers at all levels instant updates on the status of work, including costs, scheduling, deliveries, inventory, and shipping information. This allows managers to achieve a level of situational awareness never before dreamed of. If a critical parameter deviates from its norm, those in control will know instantly. They can then react much quicker than before. There are downsides to this. Chair-bound leaders with their feet propped up may never leave their offices, thus losing touch with the visceral rhythms of organizational life. That is not all. E-mail lends itself to abuse. Managers, hoping to justify their positions, deluge subordinates with petty demands. At some point, it no longer just annoys, but becomes a serious infringement on the subordinate's precious time. It can get worse with a zealous, uncontrolled staff, each member of which bombards the poor subordinate with requests for information.

The ubiquitous personal computer will encourage an overload of information. The human mind, as wonderful as it is, is limited in its capacity to absorb data. The perishability of knowledge will compound the problem. Constant updates will render yesterday's facts useless. Computers will allow the white-collar worker to work just as well from a remote site as in an office. This will be a boon to working mothers, the handicapped, and even foreigners working in their own home country. For those who crave sociability and companionship with coworkers, this isolation will be an unbearable curse. Two major corporations recently announced that they are issuing personal computers to their employees. A flight attendant said that now she can switch flights much more easily from her home. The future *is* sooner than you think.

Organizational leaders will need to come to terms with the idea of the distributed, work-at-home labor force. Think of the myriad implications of having workers you rarely or never meet, workers you interface with only through a computer. Growing reliance on a work-at-home labor force has mind-boggling implications for organizational culture. It will be extraordinarily difficult to socialize and acculturate work-at-homers, particularly if they are new employees, into a traditional old-school organizational culture. The office-mate bonding, the organizational coherency, the camaraderie, the group loyalty and esprit will all be difficult to engender using traditional means, and arguably impossible to engender using any means. The leader will face additional problems revolving around such thorny issues as how to control, monitor, and evaluate such employees. Remote-site employees could well be disadvantaged when it comes to rewards, ratings, and promotions—or conceivably they could be at an undeserved advantage in some cases. Many colleges and universities in the United States today have distance education programs presented by professors using home computers to students who are themselves at home. From this source we should soon be accumulating a sufficient residuum of experience to draw useful conclusions about building future organizations with a partial or majority off-site labor force.

How will globalization impact managers? First, they must be willing and able to serve overseas. This is something Americans have rarely done. True, the military and its families have

served overseas frequently, but they established their own golden ghettos of Americana in Japan, Korea, and Europe. Today's international managers must prepare to uproot their families and move into a foreign culture for many years. They must learn another language. Their children may have to attend a local school conducted in the local language. How will they adjust to couscous, sauerbraten, or kimchi? Suppose the manager's spouse has a responsible job in the United States? How are those two careers to be reconciled? American overseas managers may face significantly different management styles in addition to culture and value differences. Saving face is alive and well in the Orient. Not all Japanese firms adjust their styles to accommodate cultural differences, even when they locate a plant in the United States. One Japanese company had nine layers of management in the factory between CEO and worker. Another Japanese company put rural Americans in smocks and attempted early morning calisthenics. Many German companies are very authoritarian and do not encourage disagreement by subordinates. The British are the opposite, reveling in talking a problem to death.

Many foreigners harbor a deep-seated resentment and suspicion of everything American. And many are guilty of the N.I.H. Syndrome—an aversion to whatever is "not invented here." Many are inclined toward an egocentric view of their products. For our part, it is easy to snicker behind the foreigners' back and mumble that "they" do not understand our needs and culture ("That product will never fly in Tulsa"). All organizations must supplant nationalism with internationalism—focusing on what is best for the company's profits. An enormous advantage of globalization is the economic prosperity a Honda plant, say, can bring to a depressed area in the United States. The opportunity for exposure to a microcosm of an Asian culture for Americans working in such a plant is a definite plus. Familiarity will generate understanding, including the insight that we all share many of the same hopes, dreams, and aspirations. Keep in mind that adjusting to a European culture is adjusting to another Anglo-Saxon culture—probably. Thus European cultures will not strike us as being different from our own to the degree that Asian cultures will.

Americans are already neck-deep in the morass of changing demographics in the workplace. The current (and probably temporary) tight labor market allows members of Generation X to demand more time off, higher pay, and better benefits. Frequent job change is supplanting the old value of loyalty to the company. Working women bring to the workplace a fine work ethic and a desire to prove themselves. Many companies now provide on-site day care facilities as well as maternity leave. Those are pretty simple and straightforward issues compared to those that are just over the horizon. African-Americans, women, and the traditional American working man will be surprised at how much they have in common when organizations begin to assimilate the immigrant wave alluded to in Chapter 1. As bad as our history is regarding the treatment of minorities, the United States is light years ahead of much of the world in its attempts to treat minorities fairly. Arabs and Jews may not mix well in the Middle East, but they do not blow each other up in Sweetwater, Tennessee. The United States largely attracts those immigrants seeking a peaceful and stable domestic environment and economic opportunity. The ability and willingness of immigrants to assimilate into the American culture at large has been an oft-discussed issue in the popular press, but what has been less treated are the issues facing

organizational leaders in smoothing the way for the immigrants' successful assimilation into the workplace itself. Here, they can expect to encounter such potential problems as the newcomers' dress, hygiene, food preferences in the company cafeteria, religious holidays, prayer times, attitude toward women at the work site, work mores, English language competency, and attitude toward overseas assignments. The delicate balance between doing justice to the organization on one hand, and making enlightened concessions to the special cultural demands of newcomers on the other, may be difficult to achieve. Such managerial qualities as empathy, understanding, goodwill, patience, tact, tolerance, and a determination to work things out will be in great demand.

Leaders must also devote attention to the potential anxieties of American-born workers, who may face adjustmental strains themselves in coming to terms with the newcomers. The inevitable arrival of increased numbers of immigrant workers must be anticipated and planned for, to include appropriate training and attitude adjustment for managers and native-born workers alike. Moreover, especially tailored orientation programs including basic English instruction for the immigrant workers themselves will frequently be called for. This issue, the impact of the changing composition of the workplace, represents one of the greatest organizational unknowns for the next 50 years.

Impending changes—globalization, technological advances, and demographic flux—will affect an organization's internal make-up immensely. There are five principal internal components of an organization (depending on which expert you cite). First is strategy, encompassing the direction, purpose, and style of the organization. Second is structure. It consists of how you draw the boxes (the organization chart and the relationships it defines), setting forth roles, responsibilities, reporting relationships, and coordination requirements of the company. Processes are the third element. These include how the organization plans, how it communicates, how it solves problems, and how it adapts. The fourth element is personnel— already thoroughly discussed. The last element is the dominant coalition. This is where the de facto source of power lies. Is it the CEO? CEO and production manager? Or does the bean counter—the Chief Financial Officer—carry the weight? Organizations may form a dominant coalition and call it the "skunk works," consisting of the in-house genius and his staff of bright idea-hatchers. Or, as we will see later, the dominant coalition may be simply a pragmatic ad hoc committee.

If the organization changes, each of these five elements must also change. Organizational structures are changing throughout the United States right now. Reengineering is now a fairly precise science. Featherbedding is a relic of the old days. The organizations are flatter with fewer managers. Managers in a direct supervisory role today have enormous responsibilities, and their span of control would boggle the minds of their fathers. Senior management has delegated enormous power to them. Computers can assist in the control of work. They will enable supervisors to spot troubles immediately and take corrective action quickly. With greater decentralized control, they can resolve many of the issues without having to check with the big boss. Moreover, information processing is going to get a lot faster immediately. Advanced

Micro Devices is now producing its new Athlon chip which crunches information at 1,000 megahertz, or one billion bits of information per second. It is ten times faster than Intel's 100-megahertz Pentium chip, which came on the market only 6 years ago.[1]

Of course, all the news on the computer front is not necessarily good. Faster and increased computation creates a need for greater data storage capacity. Many corporations are finding their volume of computer-generated data is doubling every year, and in order to be responsive they are storing the data on hard-disk drives. By so doing, they can retrieve and analyze data instantly, identify market trends, provide improved customer service, refine manufacturing processes, monitor the solvency of retirement accounts, etc. But whether the hard-disk drive industry can continue to meet the demands for ever faster, ever more capacious, ever more economical data storage and retrieval is dubious. Engineers are finding intrinsic physical barriers to further progress along the familiar pathway. Whether alternative scientific approaches are discoverable within present cost ranges remains to be seen. In any event, the computer guru of 21st-century organizations will continue to increase in importance. On his or her shoulders will rest the responsibility for selecting, buying, and incorporating—at an affordable price—the computer technology without which no organization can compete and survive, let alone thrive.[2]

Another aspect of structural adaptation is the use of out-sourcing, the purchase of products or contracting for services, rather than satisfying such needs within the organization's own resources. Over the last 10 years management has used out-sourcing as a means of acquiring expert assistance without having to pay benefits and other overhead expenses. This technique is particularly attractive when the expertise is not needed full-time. For instance, many organizations maintain their own internal audit division. Its people conduct checks to determine the state of the organization's efficiency, adherence to policies, and even whether anyone has used unauthorized software in the company's computers. A small company might need the audit service only once or twice each year. In such a case, it is more efficient to hire an outsider rather than establish an internal audit unit which is either idle or doing busywork a good portion of the time. As we discussed in Chapter 1, the use of consultants, whatever their expertise, can bring in additional talent whenever needed. Agencies can provide temporary hires to fill many needs—from production line tasks to office help. However, some companies exploit their temporary help. They are kept on the payroll a little less than full time and work like anyone else, but are not paid a premium wage and not provided benefits.

An organization's internal processes—how they make decisions, how they solve problems, how they plan for the future, how well they communicate—must adapt continuously. Two factors loom large in the viewfinder. First, even if the organization has good data, it must make more rapid decisions, and it must make them with less assurance of success. Second, the technological revolution shortens the life expectancy of a product. The company must stress product improvement and new product development *all of the time.* An adaptable organization may find it advantageous to cut short the life of a product even though sales are decent—if they see it is obsolescent—and introduce a "new and improved" version. There will be no room in the adaptable organization for those who agonize and fret over the need to get "just a bit more

information" before taking the adaptive step. Remember General George Patton's admonition, "Never take counsel of your fears." In the 21st century, the bolder organizational leader will win far more often than the timid. "Prudent risk-taking," as the Army terms it, is becoming more and more indicated for civilian organizations as well.

This book has discussed the subject of personnel and personnel selection quite thoroughly. However, consider these additional thoughts. In a rapid, crisis-generated, turn-around situation, you may need a hard, demanding, even dictatorial leader. This person probably needs to come from outside the company because he or she will not, and should not, hold as sacred old (and hindering) ways of doing things in reviving the moribund organization. Moreover, the new leader may have to leave bloody bodies, another reason for not making do with a long-time incumbent, who will have formed sentimental attachments to some employees who have to go. This philosophy is contrary to our altruistic concept of managing change, but dire situations do call for dire action. If the company gets back on its feet but leaves a few survivors to view the carnage, another manager needs to take over—someone with a gentler hand who can lead the company in the new and presumably more successful direction.

More than anything else, the proper recruitment and assignment of personnel will determine the success of the organization. I once asked the most impressive candidate for a CEO position I ever interviewed the following question: "You are only 36 years old. You are already successfully running a two billion dollar organization, and here you are a leading candidate for a four and a half billion dollar company. How do you do it?" He replied, "I hire fantastic people and get out of their way." Although the answer sounds a bit flip and simplistic, earlier in the interview he had revealed a deep level of knowledge regarding the management and leadership process.

Many other famous leaders have expressed similar sentiments. General George Patton, for example, offered the following advice on leadership: "Never tell people how to do things. Tell them *what* to do and they will surprise you with their ingenuity."[3] This insight indirectly argues for a shrewdly "lazy" leader who will back off and let subordinates run with the ball. Even if the organization's structure has not been reengineered, even if old, unproductive cultural artifacts still impede the organization, a dynamic group of imaginative subordinates can still bring success to the organization. Nothing can prevail against them as long management has the good sense to stand out of the way. In contrast, a slick structure, streamlined processes, a beautiful mission statement, and robust internal and external communication cannot produce success if the personnel are mediocre.

Rounding out this discussion of personnel is a recommendation to include one other person in the skunk works alluded to earlier. This is the company maverick—the royal pain in the neck. This is the person who constantly complains, finds fault, and disagrees with "those idiots who

run this company." These are not fun people to be around. Yet many are intelligent and often see flaws in the organization others do not. Much of their criticism may be trivial, but there is a

likelihood that imbedded within the routine complaints is an important issue. A brilliant maverick, if handled right, can be worth his or her weight in Cisco Systems stock certificates.

Previous discussion on implementing change discussed change largely from a theoretical and philosophical viewpoint. It is now time to zero in on action. An organization seeking change would be well advised to form an informal group—call it the skunk works—to assess the present and to anticipate the future. This would be the dominant coalition. Assuming the organization is a business or corporation, members of this group should include the CEO, the chief financial officer, the human resources manager, the production manager, the sales manager, the in-house genius, and certain others selected for their wisdom or creativity including possibly the maverick discussed above. Include some hourly personnel also.

The CEO must energize this group. He or she must insist on regular meetings and that attendance be mandatory. This is tougher than it sounds. There are always meetings, and managers could spend all day in them. After a review of the organization's current goals and strategy, each individual must research "the world" to assess trends in technology, customer desires, the state of the global and local economies, and production innovations. Individuals must report back to the group on what they have learned. Before long the dominant coalition will have grown into a very knowledgeable skunk works. When they achieve that level of awareness, individuals like the chief financial officer can offer thoughtful input into personnel issues. This process will raise the collective IQ of the group exponentially.

In executing the demands of this group, each member needs to pick the brains of his or her own section or division. This step will serve two excellent purposes: first, obtaining more good input, and second, keeping subordinates informed. All personnel must thoroughly internalize the concept that change is a constant part of professional life and a matter of survival. All personnel must understand that some changes will not succeed and that the company will drop any unsuccessful changes. The CEO must sometimes function as a cheerleader. He or she needs to maintain a positive outlook and not let setbacks demoralize the group or dampen the sense of excitement and adventure.

The healthy organization makes a sufficient profit or accomplishes its mission—that is, it successfully realizes its raison d'etre. It must operate according to ethical values. It must anticipate the future. It must adapt quickly to a volatile world. It must invest in the finest technology. And above all, it must select, train, motivate, and retain the best people.

Nothing to it. A piece of cake.

ENDNOTES - CHAPTER 6

1. "Gigahertz Chip Arrives on Market," *The Sentinel* (Carlisle, PA), March 7, 2000, p. A5. But Intel's new Pentium III chip is equally powerful. See Rob Pegoraro, "1 GHz: That's the Speeding Ticket," *Washington Post,* March 31, 2000, pp. E1, E4.

2. Jon William Toigo, "Avoiding a Data Crunch," *Scientific American*, Vol. 282, No. 5, May 2000, pp. 58-74.

3. Robert Debs Heinl, ed., *Dictionary of Military and Naval Quotations*, Annapolis, MD: U.S. Naval Institute, 1966, p. 173.

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Jethro's Advice to Moses on Organization

Moreover thou shalt provide out of all the people able men, . . . men of truth, hating covetousness; and place such over them, to be rulers of thousands, and rulers of hundreds, rulers of fifties, and rulers of tens: and let them judge the people at all seasons: and it shall be, that every great matter they shall bring unto thee, but every small matter they shall judge: so it shall be easier for thyself, and they shall bear the burden with thee.

Exodus, XVIII, 21-22

U.S. ARMY WAR COLLEGE

Major General Robert R. Ivany
Commandant

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