



Lead the Way

Joshua Kurlantzick

Searching for the path of the true leader? Look no further. Let us show you how to get there.

George Washington. Winston Churchill. Jeffrey Skilling. Don't laugh. Until the past year, many management consultants, executives and business journalists lionized Enron's former CEO as a paragon of leadership similar to our first president or Britain's WWII icon.

Today, Skilling is more often compared to Ivan Boesky or Charles Ponzi, and investors, creditors and politicians are screaming for his head. But management experts say the vociferous anger over Enron, Tyco and other corporate implosions masks a subtler yet more serious concern. Simply put, does this series of scandals indicate that corporate America--both small businesses and large corporations--has forgotten how to define and discover outstanding leaders? More broadly, have Americans in general lost sight of the qualities that make up the finest leaders?

Answering this question will help determine the fate of the small and large business worlds, which have lost the trust of many Americans. Discovering answers is not an impossible task; in fact, some management experts believe the scandals and economic downturn have provided a rare opportunity for America to redefine its views on leadership.

Turning on the Charm

Many executives believe businesses' current problems can be linked to one fatal flaw: the idea that charismatic leaders are best able to manage companies from Fortune 500 firms to mom-and-pop stores. Rakesh Khurana, an assistant professor at Harvard Business School who researches corporate leadership, believes Americans have always had a soft spot for charismatic leaders, a consequence of our founding ideology as a nation of rugged individuals. And he does not deny that charisma is a vital component of some leaders' personas, especially in professions like politics where public speaking is important.

"The aftermath of September 11 has shown that a president still has to be able to rally people," says Daniel Pink, author of *Free Agent Nation* (Warner Books) and former speechwriter for Al Gore. Pink notes that though President Bush is not considered a polished public speaker, many people nonetheless looked to him to deliver rousing oratory in the wake of the terrorist attacks.

Though charisma can be important, over the past decade too many businesses have sought out ultra-charismatic "superstar" leaders to the exclusion of other types of personalities. In fact, the rate at which U.S. companies replace their top leaders has skyrocketed since 1990, as firms search for supposed miracle workers from outside their organizations. In the early 1980s, several self-promoting saviors did rescue companies--Lee Iacocca at Chrysler, for example--and their successes led corporate boards and family businesses to overrate charisma. What's more Khurana says, some boards believed charismatic leaders were better-equipped to communicate the company's vision to impatient investors and the increasingly voracious business media.

Meanwhile, small and large companies began relying on executive search firms, a change that made it harder for leaders to advance from within companies.

Yet many leadership experts believe these supposed superstars often deliver poor leadership and weak long-term results. In a study of 1,435 companies' performance over four decades for *Good to Great* (HarperBusiness), author Jim Collins found none of the firms that did best changed leadership frequently or relied on charismatic saviors. Anecdotal evidence supports Collins' research. Michael Armstrong arrived as AT&T's chief executive in 1997 and quickly nabbed the covers of many business magazines before leaving his post in 2002. But despite making several high-profile acquisitions, Armstrong failed to improve AT&T's financial results during his tenure as CEO. At Enron and Tyco, charismatic leaders were able to use employees' reverence to amass enormous amounts of power, which they used primarily to enrich themselves.

The Leadership Connection

Given the excesses wrought by some of these supposed saviors, executives, small-business organizations and management experts are rethinking the nature of superior leadership.

This downturn "actually is the best time to rediscover what makes a great leader," says Subir Chowdhury, author of *The Power of Six Sigma* (Dearborn Trade), a bestselling book on leadership development. "Because the whole economy is weak, there is less short-term pressure on companies to perform, so companies can take time to reassess which aspects of leadership are more important to them." Indeed, many of America's most entrepreneurial companies, such as Microsoft, were started during recessions. Leaders had time to identify their core beliefs without having tons of cash thrown at them, a development that can cloud leaders' thinking.

Management experts are now examining leadership qualities other than charisma. "It is time to focus more on what I call, 'connective leaders,' leaders who do not demand that everyone adheres to their vision but can tolerate a diverse range of viewpoints," says Jean Lipman-Blumen, professor of organizational behavior at the Peter F. Drucker Graduate School of Management in Claremont, California.

"We are increasingly being confronted with a globalized environment where you have to work with a wider range of people and opinions," Lipman-Blumen explains. "Leaders who can connect to a broad group of folks will be the most successful."

According to Collins, such connective leaders are more likely to be self-effacing, empathetic corporate insiders. Many have risen through their organizations over long periods of time, marinating themselves in company culture and developing long-term relationships with employees. Unsurprisingly, says Kay Koplovitz, founder of USA Networks, a small business in New York City that blossomed into a major cable channel, "if you went through America's biggest companies and the most profitable small businesses, you would see most develop their leadership from within."

Though self-effacing chiefs may not seek the limelight, they are hardly shrinking violets. Collins argues that most of these connective leaders possess significant reserves of will, and they use this grit to make tough decisions. He notes several examples of this quiet/tough duality, including Abraham Lincoln, who was a shy but not a weak man--he unleashed the Union Army to hold the country together. Collins also cites Darwin E. Smith, former chief executive of paper products company Kimberly-Clark. Though reserved, Smith made crucial decisions, choosing to close down the company's profitable paper mills and focus more on Kimberly-Clark's consumer business. Though unpopular at first, this choice paid off, as paper milling became less profitable and

Kimberly-Clark grew to dominate the consumer sector. And Smith's reserved style allowed him to shine the spotlight away from himself and on his employees during these changes, earning their enduring respect.

Often, these leaders forged their grit and decision-making capability during what management guru Warren Bennis calls "crucible experiences," pivotal events that crystallize leaders' thinking and unleashing their abilities, making them realize they can rally people behind them. "Everyone has a crucible experience sometime in life, but only great leaders learn from them, rather than just having the experience and moving on," say Chowdhury. Often, these crucible experiences involve loss or suffering, the kind of event that helps leaders relate to employees. Collins notes that Ulysses S. Grant's own battles with alcoholism helped him understand some of his soldiers' personal failings, making him a fairer and more understanding leader. What's more, Grant's own problems and his willingness to acknowledge his weaknesses made him human to his soldiers.

Business schools are beginning to consider crucible experiences so important in shaping effective leaders that they are helping students face crucibles even before they graduate. Michael Useem, director of the Wharton Center for Leadership and Change, has begun taking MBA students on Himalayan treks, where the future entrepreneurs have the opportunity to push themselves to their physical and mental limits, making their senses more receptive to mini-crucible experiences. "Trekking near Everest and having to make decisions that could be life-or-death really drives home leadership concepts that can be hard to appreciate in class," says Useem.

These quieter, more connective leaders also may be more tolerant of failure, another factor crucial to successful leadership that's only now beginning to be discussed. "A great leader encourages his or her employees to innovate and to fail repeatedly so they will ultimately discover great things," says James Belasco, executive director of the Financial Times Knowledge Dialogue, an international panel of leadership experts. "He or she does that by readily admitting their own failures and talking about them openly."

Lipman-Blumen agrees: "In America, we love leaders who say 'I take responsibility for a failure; now let's move on.' but it's worthless to just move on." Instead, Lipman-Blumen says, successful leaders "talk about the failure and allow everyone to see they've made a mistake, and [they] learn from it."

Doing What's Right

No matter how outgoing or introverted they are, Useem says, in America's crowded and chaotic corporate climate, quality leaders also focus on "making their words stick"--not only delivering messages, but also ensuring they resonate with employees, especially on issues related to ethics. Using symbols can be crucial to making words stick and to defining corporate culture. After taking over Salomon Brothers in the early 1990s, a period when the financial firm was consumed by scandal, savvy investor Warren Buffett gathered Salomon employees together. Buffett announced he was appointing himself as chief compliance officer, gave all employees his home phone number, and told them to call if they saw examples of malfeasance at work. Buffett was not expecting hundreds of calls, but that statement signified he would make his words stick, and that ethics would be much more than just a corporate motto, explains Useem.

Creating an ethical, well-defined corporate culture also allows superior leaders to lure the types of employees who will perpetuate high ethical standards. "Everyone is cynical now about what corporate leaders say," says Chowdhury. "If you can make employees feel that they have a shared destiny in the company, you can get the best people, people who are coming because of the company's vision and who will share their innovations with the company." Indeed, a survey

conducted by research firm Robert Starch revealed more respondents would take a lesser-paying job at Ben & Jerry's, a company with an image of allowing employees to share in its destiny, over a higher-paying job at Procter & Gamble.

Looking Ahead

Though some executives and management experts think the current era offers a perfect chance to reassess leadership, many believe that nasty old traits still remain. "Despite all the problems and scandals, American leaders are still too reactive, not proactive enough," says Chowdhury. "When I counsel executives, too many say that they will deal with a problem or an ethical issue if it comes up, rather than putting control systems into place now."

Other experts argue that the myth of the charismatic leader continues to plague corporate America and the country in general. "Business is cyclical, and once the economy turns up again, we will probably see a celebration of overly aggressive leaders again," says Lipman-Blumen. Still others believe that, despite the downturn, too many leaders of small and large businesses do not tolerate failure or seek out mentors who could help them deal with failure. "Having a mentor is absolutely critical, because you need someone there, outside the main structure of your company, to listen to your problems and provide realistic advice," says Koplovitz.

But perhaps the biggest problem, many say, is that the wave of scandals has made Americans so cynical that promising executives do not receive the support they need to blossom into terrific leaders. "Americans now are more realistic about what leaders can do, which is good," says Chowdhury, "but if you lose your hope in leadership, then you will never have the popular support that really great leaders must draw on."