What Makes a Leader?

by Daniel Goleman

EVERY BUSINESSPERSON KNOWS a story about a highly intelligent, highly skilled executive who was promoted into a leadership position only to fail at the job. And they also know a story about someone with solid—but not extraordinary—intellectual abilities and technical skills who was promoted into a similar position and then soared.

Such anecdotes support the widespread belief that identifying individuals with the "right stuff" to be leaders is more art than science. After all, the personal styles of superb leaders vary: Some leaders are subdued and analytical; others shout their manifestos from the mountaintops. And just as important, different situations call for different types of leadership. Most mergers need a sensitive negotiator at the helm, whereas many turnarounds require a more forceful authority.

I have found, however, that the most effective leaders are alike in one crucial way: They all have a high degree of what has come to be known as *emotional intelligence*. It's not that IQ and technical skills are irrelevant. They do matter, but mainly as "threshold capabilities"; that is, they are the entry-level requirements for executive positions. But my research, along with other recent studies, clearly shows that emotional intelligence is the sine qua non of leadership. Without it, a person can have the best training in the world, an incisive, analytical mind, and an endless supply of smart ideas, but he still won't make a great leader.

In the course of the past year, my colleagues and I have focused on how emotional intelligence operates at work. We have examined the relationship between emotional intelligence and effective performance, especially in leaders. And we have observed how emotional intelligence shows itself on the job. How can you tell if someone has high emotional intelligence, for example, and how can you recognize it in yourself? In the following pages, we'll explore these questions, taking each of the components of emotional intelligence—self-awareness, self-regulation, motivation, empathy, and social skill—in turn.

Evaluating Emotional Intelligence

Most large companies today have employed trained psychologists to develop what are known as "competency models" to aid them in identifying, training, and promoting likely stars in the leadership firmament. The psychologists have also developed such models for lower-level positions. And in recent years, I have analyzed competency models from 188 companies, most of which were large and global and included the likes of Lucent Technologies, British Airways, and Credit Suisse.

In carrying out this work, my objective was to determine which personal capabilities drove outstanding performance within these organizations, and to what degree they did so. I grouped capabilities into three categories: purely technical skills like accounting and business planning; cognitive abilities like analytical reasoning; and competencies demonstrating emotional intelligence, such as the ability to work with others and effectiveness in leading change.

To create some of the competency models, psychologists asked senior managers at the companies to identify the capabilities that typified the organization's most outstanding leaders. To create other models, the psychologists used objective criteria, such as a division's profitability, to differentiate the star performers at senior levels within their organizations from the average ones. Those

Idea in Brief

What distinguishes great leaders from merely good ones? It isn't IQ or technical skills, says Daniel Goleman. It's **emotional intelligence:** a group of five skills that enable the best leaders to maximize their own *and* their followers' performance. When senior managers at one company had a critical mass of EI capabilities, their divisions outperformed yearly earnings goals by 20%.

The EI skills are:

- *Self-awareness*—knowing one's strengths, weaknesses, drives, values, and impact on others
- *Self-regulation*—controlling or redirecting disruptive impulses and moods
- *Motivation*—relishing achievement for its own sake
- *Empathy*—understanding other people's emotional makeup
- *Social skill*—building rapport with others to move them in desired directions

We're each born with certain levels of EI skills. But we can strengthen these abilities through persistence, practice, and feedback from colleagues or coaches.

individuals were then extensively interviewed and tested, and their capabilities were compared. This process resulted in the creation of lists of ingredients for highly effective leaders. The lists ranged in length from seven to 15 items and included such ingredients as initiative and strategic vision.

When I analyzed all this data, I found dramatic results. To be sure, intellect was a driver of outstanding performance. Cognitive skills such as big-picture thinking and long-term vision were particularly important. But when I calculated the ratio of technical skills, IQ, and emotional intelligence as ingredients of excellent performance, emotional intelligence proved to be twice as important as the others for jobs at all levels.

Moreover, my analysis showed that emotional intelligence played an increasingly important role at the highest levels of the company, where differences in technical skills are of negligible importance. In other words, the higher the rank of a person considered to be a star performer, the more emotional intelligence capabilities showed up as the reason for his or her effectiveness. When I compared star performers with average ones in senior leadership positions, nearly

Idea in Practice

Understanding EI'S Components

EI Component	Definition	Hallmarks	Example
Self-awareness	Knowing one's emotions, strengths, weaknesses, drives, values, and goals—and their impact on others	• Self-confidence • Realistic self-assessment • Self-deprecating sense of humor • Thirst for constructive criticism	A manager knows tight deadlines bring out the worst in him. So he plans his time to get work done well in advance.
Self-regulation	Controlling or redirecting disruptive emotions and impulses	• Trustworthiness • Integrity • Comfort with ambiguity and change	When a team botches a presentation, its leader resists the urge to scream. Instead, she considers possible reasons for the failure, explains the consequences to her team, and explores solutions with them.
Motivation	Being driven to achieve for the sake of achievement	• A passion for the work itself and for new challenges • Unflagging energy to improve • Optimism in the face of failure	A portfolio manager at an investment company sees his fund tumble for three consecutive quarters. Major clients defect. Instead of blaming external circumstances, she decides to learn from the experience—and engineers a turnaround.
Empathy	Considering others' feelings, especially when making decisions	• Expertise in attracting and retaining talent • Ability to develop others • Sensitivity to cross-cultural differences	An American consultant and her team pitch a project to a potential client in Japan. Her team interprets the client's silence as disapproval, and prepares to leave. The consultant reads the client's body language and senses interest. She continues the meeting, and her team gets the job.
Social Skill	Managing relationships to move people in desired directions	• Effectiveness in leading change • Persuasiveness • Extensive networking • Expertise in building and leading teams	A manager wants his company to adopt a better Internet strategy. He finds kindred spirits and assembles a de facto team to create a prototype Web site. He persuades allies in other divisions to fund the company's participation in a relevant convention. His company forms an Internet division—and puts him in charge of it.

Strengthening Your EI

Use practice and feedback from others to strengthen specific EI skills.

Example: An executive learned from others that she lacked empathy, especially the ability to listen. She wanted to fix the problem, so she asked a coach to tell her when she exhibited poor listening skills. She then role-played incidents to practice giving better responses; for example, not interrupting. She also began observing executives skilled at listening—and imitated their behavior.

The five components of emotional intelligence at work

	Definition	Hallmarks
Self-awareness	The ability to recognize and understand your moods, emotions, and drives, as well as their effect on others	Self-confidence Realistic self-assessment Self-deprecating sense of humor
Self-Regulation	The ability to control or redirect disruptive impulses and moods The propensity to suspend judgment—to think before acting	Trustworthiness and integrity Comfort with ambiguity Openness to change
Motivation	A passion to work for reasons that go beyond money or status A propensity to pursue goals with energy and persistence	Strong drive to achieve Optimism, even in the face of failure Organizational commitment
Empathy	The ability to understand the emotional makeup of other people Skill in treating people according to their emotional reactions	Expertise in building and retaining talent Cross-cultural sensitivity Service to clients and customers
Social Skill	Proficiency in managing relationships and building networks An ability to find common ground and build rapport	Effectiveness in leading change Persuasiveness Expertise in building and leading teams

90% of the difference in their profiles was attributable to emotional intelligence factors rather than cognitive abilities.

Other researchers have confirmed that emotional intelligence not only distinguishes outstanding leaders but can also be linked to strong performance. The findings of the late David McClelland, the renowned researcher in human and organizational behavior, are a good example. In a 1996 study of a global food and beverage company, McClelland found that when senior managers had a critical mass of emotional intelligence capabilities, their divisions outperformed yearly earnings goals by 20%. Meanwhile, division leaders without that critical mass underperformed by almost the same amount. McClelland's findings, interestingly, held as true in the company's U.S. divisions as in its divisions in Asia and Europe.

In short, the numbers are beginning to tell us a persuasive story about the link between a company's success and the emotional intelligence of its leaders. And just as important, research is also demonstrating that people can, if they take the right approach, develop their emotional intelligence. (See the sidebar "Can Emotional Intelligence Be Learned?")

Self-Awareness

Self-awareness is the first component of emotional intelligence—which makes sense when one considers that the Delphic oracle gave the advice to "know thyself" thousands of years ago. Self-awareness means having a deep understanding of one's emotions, strengths, weaknesses, needs, and drives. People with strong self-awareness are neither overly critical nor unrealistically hopeful. Rather, they are honest—with themselves and with others.

People who have a high degree of self-awareness recognize how their feelings affect them, other people, and their job performance. Thus, a self-aware person who knows that tight deadlines bring out the worst in him plans his time carefully and gets his work done well in advance. Another person with high self-awareness will be able to work with a demanding client. She will understand the client's impact on her moods and the deeper reasons for her frustration. "Their

Can Emotional Intelligence Be Learned?

FOR AGES, PEOPLE HAVE DEBATED if leaders are born or made. So too goes the debate about emotional intelligence. Are people born with certain levels of empathy, for example, or do they acquire empathy as a result of life's experiences? The answer is both. Scientific inquiry strongly suggests that there is a genetic component to emotional intelligence. Psychological and developmental research indicates that nurture plays a role as well. How much of each perhaps will never be known, but research and practice clearly demonstrate that emotional intelligence can be learned.

One thing is certain: Emotional intelligence increases with age. There is an old-fashioned word for the phenomenon: maturity. Yet even with maturity, some people still need training to enhance their emotional intelligence. Unfortunately, far too many training programs that intend to build leadership skills—including emotional intelligence—are a waste of time and money. The problem is simple: They focus on the wrong part of the brain.

Emotional intelligence is born largely in the neurotransmitters of the brain's limbic system, which governs feelings, impulses, and drives. Research indicates that the limbic system learns best through motivation, extended practice, and feedback. Compare this with the kind of learning that goes on in the neocortex, which governs analytical and technical ability. The neocortex grasps concepts and logic. It is the part of the brain that figures out how to use a computer or make a sales call by reading a book. Not surprisingly—but mistakenly—it is also the part of the brain targeted by most training programs aimed at enhancing emotional intelligence. When such programs take, in effect, a neocortical approach, my research with the Consortium for Research on Emotional Intelligence in Organizations has shown they can even have a *negative* impact on people's job performance.

To enhance emotional intelligence, organizations must refocus their training to include the limbic system. They must help people break old behavioral habits and establish new ones. That not only takes much more time than conventional training programs, it also requires an individualized approach.

Imagine an executive who is thought to be low on empathy by her colleagues. Part of that deficit shows itself as an inability to listen; she interrupts people and doesn't pay close attention to what they're saying. To fix the problem, the executive needs to be motivated to change, and then she needs practice and feedback from others in the company. A colleague or coach could be tapped to let the executive know when she has been observed failing to listen. She would then have to replay the incident and give a better response; that is, demonstrate her ability to absorb what others are saying. And the executive could be directed to observe certain executives who listen well and to mimic their behavior.

With persistence and practice, such a process can lead to lasting results. I know one Wall Street executive who sought to improve his empathy—specifically his ability to read people's reactions and see their perspectives. Before beginning his quest, the executive's subordinates were terrified of working with him. People even went so far as to hide bad news from him. Naturally, he was shocked when finally confronted with these facts. He went home and told his family—but they only confirmed what he had heard at work. When their opinions on any given subject did not mesh with his, they, too, were frightened of him.

Enlisting the help of a coach, the executive went to work to heighten his empathy through practice and feedback. His first step was to take a vacation to a foreign country where he did not speak the language. While there, he monitored his reactions to the unfamiliar and his openness to people who were different from him. When he returned home, humbled by his week abroad, the executive asked his coach to shadow him for parts of the day, several times a week, to critique how he treated people with new or different perspectives. At the same time, he consciously used on-the-job interactions as opportunities to practice "hearing" ideas that differed from his. Finally, the executive had himself videotaped in meetings and asked those who worked for and with him to critique his ability to acknowledge and understand the feelings of others. It took several months, but the executive's emotional intelligence did ultimately rise, and the improvement was reflected in his overall performance on the job.

It's important to emphasize that building one's emotional intelligence cannot—will not—happen without sincere desire and concerted effort. A brief seminar won't help; nor can one buy a how-to manual. It is much harder to learn to empathize—to internalize empathy as a natural response to people—than it is to become adept at regression analysis. But it can be done. "Nothing great was ever achieved without enthusiasm," wrote Ralph Waldo Emerson. If your goal is to become a real leader, these words can serve as a guidepost in your efforts to develop high emotional intelligence.

trivial demands take us away from the real work that needs to be done," she might explain. And she will go one step further and turn her anger into something constructive.

Self-awareness extends to a person's understanding of his or her values and goals. Someone who is highly self-aware knows where he is headed and why; so, for example, he will be able to be firm in turning down a job offer that is tempting financially but does not fit with his principles or long-term goals. A person who lacks self-awareness is apt to make decisions that bring on inner turmoil by treading on buried values. "The money looked good so I signed on," someone might say two years into a job, "but the work means so little to me that I'm constantly bored." The decisions of self-aware people mesh with their values; consequently, they often find work to be energizing.

How can one recognize self-awareness? First and foremost, it shows itself as candor and an ability to assess oneself realistically. People with high self-awareness are able to speak accurately and openly—although not necessarily effusively or confessionally—about their emotions and the impact they have on their work. For instance, one manager I know of was skeptical about a new personal-shopper service that her company, a major department-store chain, was about to introduce. Without prompting from her team or her boss, she offered them an explanation: "It's hard for me to get behind the rollout of this service," she admitted, "because I really wanted to run the project, but I wasn't selected. Bear with me while I deal with that." The manager did indeed examine her feelings; a week later, she was supporting the project fully.

Such self-knowledge often shows itself in the hiring process. Ask a candidate to describe a time he got carried away by his feelings and did something he later regretted. Self-aware candidates will be frank in admitting to failure—and will often tell their tales with a smile. One of the hallmarks of self-awareness is a self-deprecating sense of humor.

Self-awareness can also be identified during performance reviews. Self-aware people know—and are comfortable talking about—their limitations and strengths, and they often demonstrate a thirst for constructive criticism. By contrast, people with low self-awareness interpret the message that they need to improve as a threat or a sign of failure.

Self-aware people can also be recognized by their self-confidence. They have a firm grasp of their capabilities and are less likely to set themselves up to fail by, for example, overstretching on assignments. They know, too, when to ask for help. And the risks they take on the job are calculated. They won't ask for a challenge that they know they can't handle alone. They'll play to their strengths.

Consider the actions of a midlevel employee who was invited to sit in on a strategy meeting with her company's top executives. Although she was the most junior person in the room, she did not sit there quietly, listening in awestruck or fearful silence. She knew she had a head for clear logic and the skill to present ideas persuasively, and she offered cogent suggestions about the company's strategy. At the same time, her self-awareness stopped her from wandering into territory where she knew she was weak.

Despite the value of having self-aware people in the workplace, my research indicates that senior executives don't often give self-awareness the credit it deserves when they look for potential leaders. Many executives mistake candor about feelings for "wimpiness" and fail to give due respect to employees who openly acknowledge their shortcomings. Such people are too readily dismissed as "not tough enough" to lead others.

In fact, the opposite is true. In the first place, people generally admire and respect candor. Furthermore, leaders are constantly required to make judgment calls that require a candid assessment of capabilities—their own and those of others. Do we have the management expertise to acquire a competitor? Can we launch a new product within six months? People who assess themselves honestly—that is, self-aware people—are well suited to do the same for the organizations they run.

Self-Regulation

Biological impulses drive our emotions. We cannot do away with them—but we can do much to manage them. Self-regulation, which is like an ongoing inner conversation, is the component of emotional intelligence that frees us from being prisoners of our feelings. People engaged in such a conversation feel bad moods and emotional impulses just as everyone else does, but they find ways to control them and even to channel them in useful ways.

Imagine an executive who has just watched a team of his employees present a botched analysis to the company's board of directors. In the gloom that follows, the executive might find himself tempted to pound on the table in anger or kick over a chair. He could leap up and scream at the group. Or he might maintain a grim silence, glaring at everyone before stalking off.

But if he had a gift for self-regulation, he would choose a different approach. He would pick his words carefully, acknowledging the team's poor performance without rushing to any hasty judgment. He would then step back to consider the reasons for the failure. Are they personal—a lack of effort? Are there any mitigating factors? What was his role in the debacle? After considering these questions, he would call the team together, lay out the incident's consequences, and offer his feelings about it. He would then present his analysis of the problem and a well-considered solution.

Why does self-regulation matter so much for leaders? First of all, people who are in control of their feelings and impulses—that is, people who are reasonable—are able to create an environment of trust and fairness. In such an environment, politics and infighting are sharply reduced and productivity is high. Talented people flock to the organization and aren't tempted to leave. And self-regulation has a trickle-down effect. No one wants to be known as a hothead when the boss is known for her calm approach. Fewer bad moods at the top mean fewer throughout the organization.

Second, self-regulation is important for competitive reasons. Everyone knows that business today is rife with ambiguity and change. Companies merge and break apart regularly. Technology transforms work at a dizzying pace. People who have mastered their emotions are able to roll with the changes. When a new program is announced, they don't panic; instead, they are able to suspend judgment, seek out information, and listen to the executives as they explain the new program. As the initiative moves forward, these people are able to move with it.

Sometimes they even lead the way. Consider the case of a manager at a large manufacturing company. Like her colleagues, she had used a certain software program for five years. The program drove how she collected and reported data and how she thought about the company's strategy. One day, senior executives announced that a new program was to be installed that would radically change how information was gathered and assessed within the organization. While many people in the company complained bitterly about how disruptive the change would be, the manager mulled over the reasons for the new program and was convinced of its potential to improve performance. She eagerly attended training sessions—some of her colleagues refused to do so—and was eventually promoted to run several divisions, in part because she used the new technology so effectively.

I want to push the importance of self-regulation to leadership even further and make the case that it enhances integrity, which is not only a personal virtue but also an organizational strength. Many of the bad things that happen in companies are a function of impulsive behavior. People rarely plan to exaggerate profits, pad expense accounts, dip into the till, or abuse power for selfish ends. Instead, an opportunity presents itself, and people with low impulse control just say yes.

By contrast, consider the behavior of the senior executive at a large food company. The executive was scrupulously honest in his negotiations with local distributors. He would routinely lay out his cost structure in detail, thereby giving the distributors a realistic understanding of the company's pricing. This approach meant the executive couldn't always drive a hard bargain. Now, on occasion, he felt the urge to increase profits by withholding information about the company's costs. But he challenged that impulse—he saw that it made more sense in the long run to counteract it. His emotional self-regulation paid off in strong, lasting relationships with distributors that benefited the company more than any short-term financial gains would have.

The signs of emotional self-regulation, therefore, are easy to see: a propensity for reflection and thoughtfulness; comfort with ambiguity and change; and integrity—an ability to say no to impulsive urges.

Like self-awareness, self-regulation often does not get its due. People who can master their emotions are sometimes seen as cold fish—their considered responses are taken as a lack of passion. People with fiery temperaments are frequently thought of as "classic" leaders—their outbursts are considered hallmarks of charisma and power. But when such people make it to the top, their impulsiveness often works against them. In my research, extreme displays of negative emotion have never emerged as a driver of good leadership.

Motivation

If there is one trait that virtually all effective leaders have, it is motivation. They are driven to achieve beyond expectations—their own and everyone else's. The key word here is *achieve*. Plenty of people are motivated by external factors, such as a big salary or the status that comes from having an impressive title or being part of a prestigious company. By contrast, those with leadership potential are motivated by a deeply embedded desire to achieve for the sake of achievement.

If you are looking for leaders, how can you identify people who are motivated by the drive to achieve rather than by external rewards? The first sign is a passion for the work itself—such people seek out creative challenges, love to learn, and take great pride in a job well done. They also display an unflagging energy to do things better. People with such energy often seem restless with the status quo. They are persistent with their questions about why things are done one way rather than another; they are eager to explore new approaches to their work.

A cosmetics company manager, for example, was frustrated that he had to wait two weeks to get sales results from people in the field. He finally tracked down an automated phone system that would beep each of his salespeople at 5 pm every day. An automated message then prompted them to punch in their numbers—how many calls and sales they had made that day. The system shortened the feedback time on sales results from weeks to hours.

That story illustrates two other common traits of people who are driven to achieve. They are forever raising the performance bar, and

they like to keep score. Take the performance bar first. During performance reviews, people with high levels of motivation might ask to be "stretched" by their superiors. Of course, an employee who combines self-awareness with internal motivation will recognize her limits—but she won't settle for objectives that seem too easy to fulfill.

And it follows naturally that people who are driven to do better also want a way of tracking progress—their own, their team's, and their company's. Whereas people with low achievement motivation are often fuzzy about results, those with high achievement motivation often keep score by tracking such hard measures as profitability or market share. I know of a money manager who starts and ends his day on the Internet, gauging the performance of his stock fund against four industry-set benchmarks.

Interestingly, people with high motivation remain optimistic even when the score is against them. In such cases, self-regulation combines with achievement motivation to overcome the frustration and depression that come after a setback or failure. Take the case of another portfolio manager at a large investment company. After several successful years, her fund tumbled for three consecutive quarters, leading three large institutional clients to shift their business elsewhere.

Some executives would have blamed the nosedive on circumstances outside their control; others might have seen the setback as evidence of personal failure. This portfolio manager, however, saw an opportunity to prove she could lead a turnaround. Two years later, when she was promoted to a very senior level in the company, she described the experience as "the best thing that ever happened to me; I learned so much from it."

Executives trying to recognize high levels of achievement motivation in their people can look for one last piece of evidence: commitment to the organization. When people love their jobs for the work itself, they often feel committed to the organizations that make that work possible. Committed employees are likely to stay with an organization even when they are pursued by headhunters waving money.

It's not difficult to understand how and why a motivation to achieve translates into strong leadership. If you set the performance bar high for yourself, you will do the same for the organization when you are in a position to do so. Likewise, a drive to surpass goals and an interest in keeping score can be contagious. Leaders with these traits can often build a team of managers around them with the same traits. And of course, optimism and organizational commitment are fundamental to leadership—just try to imagine running a company without them.

Empathy

Of all the dimensions of emotional intelligence, empathy is the most easily recognized. We have all felt the empathy of a sensitive teacher or friend; we have all been struck by its absence in an unfeeling coach or boss. But when it comes to business, we rarely hear people praised, let alone rewarded, for their empathy. The very word seems unbusinesslike, out of place amid the tough realities of the marketplace.

But empathy doesn't mean a kind of "I'm OK, you're OK" mushiness. For a leader, that is, it doesn't mean adopting other people's emotions as one's own and trying to please everybody. That would be a nightmare—it would make action impossible. Rather, empathy means thoughtfully considering employees' feelings—along with other factors—in the process of making intelligent decisions.

For an example of empathy in action, consider what happened when two giant brokerage companies merged, creating redundant jobs in all their divisions. One division manager called his people together and gave a gloomy speech that emphasized the number of people who would soon be fired. The manager of another division gave his people a different kind of speech. He was up-front about his own worry and confusion, and he promised to keep people informed and to treat everyone fairly.

The difference between these two managers was empathy. The first manager was too worried about his own fate to consider the feelings of his anxiety-stricken colleagues. The second knew

intuitively what his people were feeling, and he acknowledged their fears with his words. Is it any surprise that the first manager saw his division sink as many demoralized people, especially the most talented, departed? By contrast, the second manager continued to be a strong leader, his best people stayed, and his division remained as productive as ever.

Empathy is particularly important today as a component of leadership for at least three reasons: the increasing use of teams; the rapid pace of globalization; and the growing need to retain talent.

Consider the challenge of leading a team. As anyone who has ever been a part of one can attest, teams are cauldrons of bubbling emotions. They are often charged with reaching a consensus—which is hard enough with two people and much more difficult as the numbers increase. Even in groups with as few as four or five members, alliances form and clashing agendas get set. A team's leader must be able to sense and understand the viewpoints of everyone around the table.

That's exactly what a marketing manager at a large information technology company was able to do when she was appointed to lead a troubled team. The group was in turmoil, overloaded by work and missing deadlines. Tensions were high among the members. Tinkering with procedures was not enough to bring the group together and make it an effective part of the company.

So the manager took several steps. In a series of one-on-one sessions, she took the time to listen to everyone in the group—what was frustrating them, how they rated their colleagues, whether they felt they had been ignored. And then she directed the team in a way that brought it together: She encouraged people to speak more openly about their frustrations, and she helped people raise constructive complaints during meetings. In short, her empathy allowed her to understand her team's emotional makeup. The result was not just heightened collaboration among members but also added business, as the team was called on for help by a wider range of internal clients.

Globalization is another reason for the rising importance of empathy for business leaders. Cross-cultural dialogue can easily lead to miscues and misunderstandings. Empathy is an antidote. People who have it are attuned to subtleties in body language; they can hear the message beneath the words being spoken. Beyond that, they have a deep understanding of both the existence and the importance of cultural and ethnic differences.

Consider the case of an American consultant whose team had just pitched a project to a potential Japanese client. In its dealings with Americans, the team was accustomed to being bombarded with questions after such a proposal, but this time it was greeted with a long silence. Other members of the team, taking the silence as disapproval, were ready to pack and leave. The lead consultant gestured them to stop. Although he was not particularly familiar with Japanese culture, he read the client's face and posture and sensed not rejection but interest—even deep consideration. He was right: When the client finally spoke, it was to give the consulting firm the job.

Finally, empathy plays a key role in the retention of talent, particularly in today's information economy. Leaders have always needed empathy to develop and keep good people, but today the stakes are higher. When good people leave, they take the company's knowledge with them.

That's where coaching and mentoring come in. It has repeatedly been shown that coaching and mentoring pay off not just in better performance but also in increased job satisfaction and decreased turnover. But what makes coaching and mentoring work best is the nature of the relationship. Outstanding coaches and mentors get inside the heads of the people they are helping. They sense how to give effective feedback. They know when to push for better performance and when to hold back. In the way they motivate their protégés, they demonstrate empathy in action.

In what is probably sounding like a refrain, let me repeat that empathy doesn't get much respect in business. People wonder how leaders can make hard decisions if they are "feeling" for all the people who will be affected. But leaders with empathy do more than sympathize with people around them: They use their knowledge to improve their companies in subtle but important ways.

Social Skill

The first three components of emotional intelligence are self-management skills. The last two, empathy and social skill, concern a person's ability to manage relationships with others. As a component of emotional intelligence, social skill is not as simple as it sounds. It's not just a matter of friendliness, although people with high levels of social skill are rarely mean-spirited. Social skill, rather, is friendliness with a purpose: moving people in the direction you desire, whether that's agreement on a new marketing strategy or enthusiasm about a new product.

Socially skilled people tend to have a wide circle of acquaintances, and they have a knack for finding common ground with people of all kinds—a knack for building rapport. That doesn't mean they socialize continually; it means they work according to the assumption that nothing important gets done alone. Such people have a network in place when the time for action comes.

Social skill is the culmination of the other dimensions of emotional intelligence. People tend to be very effective at managing relationships when they can understand and control their own emotions and can empathize with the feelings of others. Even motivation contributes to social skill. Remember that people who are driven to achieve tend to be optimistic, even in the face of setbacks or failure. When people are upbeat, their "glow" is cast upon conversations and other social encounters. They are popular, and for good reason.

Because it is the outcome of the other dimensions of emotional intelligence, social skill is recognizable on the job in many ways that will by now sound familiar. Socially skilled people, for instance, are adept at managing teams—that's their empathy at work. Likewise, they are expert persuaders—a manifestation of self-awareness, self-regulation, and empathy combined. Given those skills, good persuaders know when to make an emotional plea, for instance, and when an appeal to reason will work better. And motivation, when publicly visible, makes such people excellent collaborators; their passion for the work spreads to others, and they are driven to find solutions.

But sometimes social skill shows itself in ways the other emotional intelligence components do not. For instance, socially skilled people may at times appear not to be working while at work. They seem to be idly schmoozing—chatting in the hallways with colleagues or joking around with people who are not even connected to their "real" jobs. Socially skilled people, however, don't think it makes sense to arbitrarily limit the scope of their relationships. They build bonds widely because they know that in these fluid times, they may need help someday from people they are just getting to know today.

For example, consider the case of an executive in the strategy department of a global computer manufacturer. By 1993, he was convinced that the company's future lay with the Internet. Over the course of the next year, he found kindred spirits and used his social skill to stitch together a virtual community that cut across levels, divisions, and nations. He then used this de facto team to put up a corporate Web site, among the first by a major company. And, on his own initiative, with no budget or formal status, he signed up the company to participate in an annual Internet industry convention. Calling on his allies and persuading various divisions to donate funds, he recruited more than 50 people from a dozen different units to represent the company at the convention.

Management took notice: Within a year of the conference, the executive's team formed the basis for the company's first Internet division, and he was formally put in charge of it. To get there, the executive had ignored conventional boundaries, forging and maintaining connections with people in every corner of the organization.

Is social skill considered a key leadership capability in most companies? The answer is yes, especially when compared with the other components of emotional intelligence. People seem to know intuitively that leaders need to manage relationships effectively; no leader is an island. After all, the leader's task is to get work done through other people, and social skill makes that possible. A leader who cannot express her empathy may as well not have it at all. And a leader's motivation will be useless if he cannot communicate his passion to the organization. Social skill allows leaders to put their emotional intelligence to work.

It would be foolish to assert that good-old-fashioned IQ and technical ability are not important ingredients in strong leadership. But the recipe would not be complete without emotional intelligence. It was once thought that the components of emotional intelligence were "nice to have" in business leaders. But now we know that, for the sake of performance, these are ingredients that leaders "need to have."

It is fortunate, then, that emotional intelligence can be learned. The process is not easy. It takes time and, most of all, commitment. But the benefits that come from having a well-developed emotional intelligence, both for the individual and for the organization, make it worth the effort.

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which can be neither shared nor delegated. But they have authority only because they have the trust of the organization. This means that they think of the needs and the opportunities of the organization before they think of their own needs and opportunities. This one may sound simple; it isn't, but it needs to be strictly observed.

We've just reviewed eight practices of effective executives. I'm going to throw in one final, bonus practice. This one's so important that I'll elevate it to the level of a rule: *Listen first, speak last.*

Effective executives differ widely in their personalities, strengths, weaknesses, values, and beliefs. All they have in common is that they get the right things done. Some are born effective. But the demand is much too great to be satisfied by extraordinary talent. Effectiveness is a discipline. And, like every discipline, effectiveness *can* be learned and *must* be earned.

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What Leaders Really Do

by John P. Kotter

LEADERSHIP IS DIFFERENT FROM MANAGEMENT, but not for the reasons most people think. Leadership isn't mystical and mysterious. It has nothing to do with having "charisma" or other exotic personality traits. It is not the province of a chosen few. Nor is leadership necessarily better than management or a replacement for it.

Rather, leadership and management are two distinctive and complementary systems of action. Each has its own function and characteristic activities. Both are necessary for success in an increasingly complex and volatile business environment.

Most U.S. corporations today are over-managed and underled. They need to develop their capacity to exercise leadership. Successful corporations don't wait for leaders to come along. They actively seek out people with leadership potential and expose them to career experiences designed to develop that potential. Indeed, with careful selection, nurturing, and encouragement, dozens of people can play important leadership roles in a business organization.

But while improving their ability to lead, companies should remember that strong leadership with weak management is no better, and is sometimes actually worse, than the reverse. The real challenge is to combine strong leadership and strong management and use each to balance the other.

Of course, not everyone can be good at both leading and managing. Some people have the capacity to become excellent managers but not strong leaders. Others have great leadership potential but, for a variety of reasons, have great difficulty becoming strong managers. Smart companies value both kinds of people and work hard to make them a part of the team.

But when it comes to preparing people for executive jobs, such companies rightly ignore the recent literature that says people cannot manage *and* lead. They try to develop leader-managers. Once companies understand the fundamental difference between leadership and management, they can begin to groom their top people to provide both.

The Difference Between Management and Leadership

Management is about coping with complexity. Its practices and procedures are largely a response to one of the most significant developments of the twentieth century: the emergence of large organizations. Without good management, complex enterprises tend to become chaotic in ways that threaten their very existence. Good management brings a degree of order and consistency to key dimensions like the quality and profitability of products.

Leadership, by contrast, is about coping with change. Part of the reason it has become so important in recent years is that the business world has become more competitive and more volatile. Faster technological change, greater international competition, the deregulation of markets, overcapacity in capital-intensive industries, an unstable oil cartel, raiders with junk bonds, and the changing demographics of the work-force are among the many factors that have contributed to this shift. The net result is that doing what was done yesterday, or doing it 5% better, is no longer a formula for success. Major changes are more and more necessary to survive and compete effectively in this new environment. More change always demands more leadership.

Consider a simple military analogy: A peacetime army can usually survive with good administration and management up and down

Idea in Brief

The most pernicious half-truth about leadership is that it's just a matter of charisma and vision—you either have it or you don't. The fact of the matter is that leadership skills are not innate. They can be acquired, and honed. But first you have to appreciate how they differ from management skills.

Management is about coping with *complexity*; it brings order and predictability to a situation. But that's no longer enough—to succeed, companies must be able to adapt to change. Leadership, then, is about learning how to cope with rapid *change*.

How does this distinction play out?

- Management involves planning and budgeting. Leadership involves setting direction.
- Management involves organizing and staffing. Leadership involves aligning people.
- Management provides control and solves problems. Leadership provides motivation.

the hierarchy, coupled with good leadership concentrated at the very top. A wartime army, however, needs competent leadership at all levels. No one yet has figured out how to manage people effectively into battle; they must be led.

These two different functions—coping with complexity and coping with change—shape the characteristic activities of management and leadership. Each system of action involves deciding what needs to be done, creating networks of people and relationships that can accomplish an agenda, and then trying to ensure that those people actually do the job. But each accomplishes these three tasks in different ways.

Companies manage complexity first by *planning and budgeting*—setting targets or goals for the future (typically for the next month or year), establishing detailed steps for achieving those targets, and then allocating resources to accomplish those plans. By contrast, leading an organization to constructive change begins by *setting a direction*—developing a vision of the future (often the distant future) along with strategies for producing the changes needed to achieve that vision.

Management develops the capacity to achieve its plan by *organizing and staffing*—creating an organizational structure and set of jobs for accomplishing plan requirements, staffing the jobs

Idea in Practice

Management and leadership both involve deciding what needs to be done, creating networks of people to accomplish the agenda, and ensuring that the work actually gets done. Their work is complementary, but each system of action goes about the tasks in different ways.

1. Planning and budgeting versus setting direction. The aim of management is predictability—orderly results. Leadership's function is to produce change. Setting the direction of that change, therefore, is essential work. There's nothing mystical about this work, but it is more inductive than planning and budgeting. It involves the search for patterns and relationships. And it doesn't produce detailed plans; instead, direction-setting results in visions and the overarching strategies for realizing them.

> ***Example:*** In mature industries, increased competition usually dampens growth. But at American Express, Lou Gerstner bucked this trend, successfully crafting a vision of a dynamic enterprise.
>
> The new direction he set wasn't a mere attention-grabbing scheme—it was the result of asking fundamental questions about market and competitive forces.

2. Organizing and staffing versus aligning people. Managers look for the right fit between people and jobs. This is essentially a design problem: setting up systems to ensure that plans are implemented precisely and efficiently. Leaders, however, look for the right fit between people and the vision. This is more of a communication problem. It involves getting a large number of people, inside and outside the company, first to believe in an alternative future—and then to take initiative based on that shared vision.

3. Controlling activities and solving problems versus motivating and inspiring. Management strives to make it easy for people to complete routine jobs day after day. But since high energy is essential to overcoming the barriers to change, leaders attempt to touch people at their deepest levels—by stirring in them a sense of belonging, idealism, and self-esteem.

> ***Example:*** At Procter & Gamble's paper products division, Richard Nicolosi underscored the message that "each of us is a leader" by pushing responsibility down to newly formed teams. An entrepreneurial attitude took root, and profits rebounded.

with qualified individuals, communicating the plan to those people, delegating responsibility for carrying out the plan, and devising systems to monitor implementation. The equivalent leadership activity, however, is *aligning people*. This means communicating the new direction to those who can create coalitions that understand the vision and are committed to its achievement.

Finally, management ensures plan accomplishment by *controlling and problem solving*—monitoring results versus the plan in some detail, both formally and informally, by means of reports, meetings, and other tools; identifying deviations; and then planning and organizing to solve the problems. But for leadership, achieving a vision requires *motivating and inspiring*—keeping people moving in the right direction, despite major obstacles to change, by appealing to basic but often untapped human needs, values, and emotions.

A closer examination of each of these activities will help clarify the skills leaders need.

Setting a Direction Versus Planning and Budgeting

Since the function of leadership is to produce change, setting the direction of that change is fundamental to leadership. Setting direction is never the same as planning or even long-term planning, although people often confuse the two. Planning is a management process, deductive in nature and designed to produce orderly results, not change. Setting a direction is more inductive. Leaders gather a broad range of data and look for patterns, relationships, and linkages that help explain things. What's more, the direction-setting aspect of leadership does not produce plans; it creates vision and strategies. These describe a business, technology, or corporate culture in terms of what it should become over the long term and articulate a feasible way of achieving this goal.

Most discussions of vision have a tendency to degenerate into the mystical. The implication is that a vision is something mysterious that mere mortals, even talented ones, could never hope to have. But developing good business direction isn't magic. It is a tough, sometimes exhausting process of gathering and analyzing information.

Aligning People: Chuck Trowbridge and Bob Crandall at Eastman Kodak

EASTMAN KODAK ENTERED THE copy business in the early 1970s, concentrating on technically sophisticated machines that sold, on average, for about $60,000 each. Over the next decade, this business grew to nearly $1 billion in revenues. But costs were high, profits were hard to find, and problems were nearly everywhere. In 1984, Kodak had to write off $40 million in inventory. Most people at the company knew there were problems, but they couldn't agree on how to solve them. So in his first two months as general manager of the new copy products group, established in 1984, Chuck Trowbridge met with nearly every key person inside his group, as well as with people elsewhere at Kodak who could be important to the copier business. An especially crucial area was the engineering and manufacturing organization, headed by Bob Crandall.

Trowbridge and Crandall's vision for engineering and manufacturing was simple: to become a world-class manufacturing operation and to create a less bureaucratic and more decentralized organization. Still, this message was difficult to convey because it was such a radical departure from previous communications, not only in the copy products group but throughout most of Kodak. So Crandall set up dozens of vehicles to emphasize the new direction and align people to it: weekly meetings with his own 12 direct reports; monthly "copy product forums" in which a different employee from each of his departments would meet with him as a group; discussions of recent improvements and new projects to achieve still better results; and quarterly "State of the Department" meetings, where his managers met with everybody in their own departments.

Once a month, Crandall and all those who reported to him would also meet with 80 to 100 people from some area of his organization to discuss anything they wanted. To align his biggest supplier—the Kodak Apparatus Division, which supplied one-third of the parts used in design and manufacturing—he and his managers met with the top management of that group over lunch every Thursday. Later, he created a format called "business meetings," where his managers meet with 12 to 20 people on a specific topic, such as inventory or master scheduling. The goal: to get all of his 1,500 employees in at least one of these focused business meetings each year.

Trowbridge and Crandall also enlisted written communication in their cause. A four- to eight-page "Copy Products Journal" was sent to employees once a month. A program called "Dialog Letters" gave employees the opportunity to anonymously ask questions of Crandall and his top managers and be guaranteed a reply. But the most visible and powerful written communications were the charts. In a main hallway near the cafeteria, these huge charts vividly reported the quality, cost, and delivery results for each product, measured against difficult targets. A hundred smaller versions of these charts were scattered throughout the manufacturing area, reporting quality levels and costs for specific work groups.

Results of this intensive alignment process began to appear within six months, and still more surfaced after a year. These successes made the message more credible and helped get more people on board. Between 1984 and 1988, quality on one of the main product lines increased nearly 100-fold. Defects per unit went from 30 to 0.3. Over a three-year period, costs on another product line went down nearly 24%. Deliveries on schedule increased from 82% in 1985 to 95% in 1987. Inventory levels dropped by over 50% between 1984 and 1988, even though the volume of products was increasing. And productivity, measured in units per manufacturing employee, more than doubled between 1985 and 1988.

People who articulate such visions aren't magicians but broad-based strategic thinkers who are willing to take risks.

Nor do visions and strategies have to be brilliantly innovative; in fact, some of the best are not. Effective business visions regularly have an almost mundane quality, usually consisting of ideas that are already well known. The particular combination or patterning of the ideas may be new, but sometimes even that is not the case.

For example, when CEO Jan Carlzon articulated his vision to make Scandinavian Airlines System (SAS) the best airline in the world for the frequent business traveler, he was not saying anything that everyone in the airline industry didn't already know. Business travelers fly more consistently than other market segments and are generally willing to pay higher fares. Thus, focusing on business customers offers an airline the possibility of high margins, steady business, and

Setting a Direction: Lou Gerstner at American Express

WHEN LOU GERSTNER BECAME PRESIDENT of the Travel Related Services (TRS) arm at American Express in 1979, the unit was facing one of its biggest challenges in AmEx's 130-year history. Hundreds of banks offering or planning to introduce credit cards through Visa and MasterCard that would compete with the American Express card. And more than two dozen financial service firms were coming into the traveler's checks business. In a mature marketplace, this increase in competition usually reduces margins and prohibits growth.

But that was not how Gerstner saw the business. Before joining American Express, he had spent five years as a consultant to TRS, analyzing the money-losing travel division and the increasingly competitive card operation. Gerstner and his team asked fundamental questions about the economics, market, and competition and developed a deep understanding of the business. In the process, he began to craft a vision of TRS that looked nothing like a 130-year-old company in a mature industry.

Gerstner thought TRS had the potential to become a dynamic and growing enterprise, despite the onslaught of Visa and MasterCard competition from thousands of banks. The key was to focus on the global marketplace and, specifically, on the relatively affluent customer American Express had been traditionally serving with top-of-the-line products. By further segmenting this market, aggressively developing a broad range of new products and services, and investing to increase productivity and to lower costs, TRS could provide the best service possible to customers who had enough discretionary income to buy many more services from TRS than they had in the past.

Within a week of his appointment, Gerstner brought together the people running the card organization and questioned all the principles by which they conducted their business. In particular, he challenged two widely shared beliefs—that the division should have only one product, the green card, and that this product was limited in potential for growth and innovation.

Gerstner also moved quickly to develop a more entrepreneurial culture, to hire and train people who would thrive in it, and to clearly communicate to them the overall direction. He and other top managers rewarded intelligent risk taking. To make entrepreneurship easier, they discouraged unnecessary bureaucracy. They also upgraded hiring standards and created the TRS Graduate Management Program, which offered high-potential young people special training, an enriched set of experiences, and an unusual degree of exposure to people in top management. To encourage risk taking among all TRS employees, Gerstner also established something called the Great Performers program to recognize and reward truly exceptional customer service, a central tenet in the organization's vision.

These incentives led quickly to new markets, products, and services. TRS expanded its overseas presence dramatically. By 1988, AmEx cards were issued in 29 currencies (as opposed to only 11 a decade earlier). The unit also focused aggressively on two market segments that had historically received little attention: college students and women. In 1981, TRS combined its card and travel-service capabilities to offer corporate clients a unified system to monitor and control travel expenses. And by 1988, AmEx had grown to become the fifth largest direct-mail merchant in the United States.

Other new products and services included 90-day insurance on all purchases made with the AmEx card, a Platinum American Express card, and a revolving credit card known as Optima. In 1988, the company also switched to image-processing technology for billing, producing a more convenient monthly statement for customers and reducing billing costs by 25%.

As a result of these innovations, TRS's net income increased a phenomenal 500% between 1978 and 1987—a compounded annual rate of about 18%. The business outperformed many so-called high-tech/high-growth companies. With a 1988 return on equity of 28%, it also outperformed most low-growth but high-profit businesses.

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considerable growth. But in an industry known more for bureaucracy than vision, no company had ever put these simple ideas together and dedicated itself to implementing them. SAS did, and it worked.

What's crucial about a vision is not its originality but how well it serves the interests of important constituencies—customers, stockholders, employees—and how easily it can be translated into a realistic competitive strategy. Bad visions tend to ignore the legitimate needs and rights of important constituencies—favoring, say, employees over customers or stockholders. Or they are strategically unsound. When a company that has never been better than a weak competitor in an industry suddenly starts talking about becoming number one, that is a pipe dream, not a vision.

One of the most frequent mistakes that overmanaged and underled corporations make is to embrace long-term planning as a panacea for their lack of direction and inability to adapt to an increasingly competitive and dynamic business environment. But such an approach misinterprets the nature of direction setting and can never work.

Long-term planning is always time consuming. Whenever something unexpected happens, plans have to be redone. In a dynamic business environment, the unexpected often becomes the norm, and long-term planning can become an extraordinarily burdensome activity. That is why most successful corporations limit the time frame of their planning activities. Indeed, some even consider "long-term planning" a contradiction in terms.

In a company without direction, even short-term planning can become a black hole capable of absorbing an infinite amount of time and energy. With no vision and strategy to provide constraints around the planning process or to guide it, every eventuality deserves a plan. Under these circumstances, contingency planning can go on forever, draining time and attention from far more essential activities, yet without ever providing the clear sense of direction that a company desperately needs. After awhile, managers inevitably become cynical, and the planning process can degenerate into a highly politicized game.

Planning works best not as a substitute for direction setting but as a complement to it. A competent planning process serves as a useful reality check on direction-setting activities. Likewise, a competent direction-setting process provides a focus in which planning can then be realistically carried out. It helps clarify what kind of planning is essential and what kind is irrelevant.

Aligning People Versus Organizing and Staffing

A central feature of modern organizations is interdependence, where no one has complete autonomy, where most employees are

tied to many others by their work, technology, management systems, and hierarchy. These linkages present a special challenge when organizations attempt to change. Unless many individuals line up and move together in the same direction, people will tend to fall all over one another. To executives who are overeducated in management and undereducated in leadership, the idea of getting people moving in the same direction appears to be an organizational problem. What executives need to do, however, is not organize people but align them.

Managers "organize" to create human systems that can implement plans as precisely and efficiently as possible. Typically, this requires a number of potentially complex decisions. A company must choose a structure of jobs and reporting relationships, staff it with individuals suited to the jobs, provide training for those who need it, communicate plans to the workforce, and decide how much authority to delegate and to whom. Economic incentives also need to be constructed to accomplish the plan, as well as systems to monitor its implementation. These organizational judgments are much like architectural decisions. It's a question of fit within a particular context.

Aligning is different. It is more of a communications challenge than a design problem. Aligning invariably involves talking to many more individuals than organizing does. The target population can involve not only a manager's subordinates but also bosses, peers, staff in other parts of the organization, as well as suppliers, government officials, and even customers. Anyone who can help implement the vision and strategies or who can block implementation is relevant.

Trying to get people to comprehend a vision of an alternative future is also a communications challenge of a completely different magnitude from organizing them to fulfill a short-term plan. It's much like the difference between a football quarterback attempting to describe to his team the next two or three plays versus his trying to explain to them a totally new approach to the game to be used in the second half of the season.

Whether delivered with many words or a few carefully chosen symbols, such messages are not necessarily accepted just because they are understood. Another big challenge in leadership efforts is credibility—getting people to believe the message. Many things contribute to credibility: the track record of the person delivering the message, the content of the message itself, the communicator's reputation for integrity and trustworthiness, and the consistency between words and deeds.

Finally, aligning leads to empowerment in a way that organizing rarely does. One of the reasons some organizations have difficulty adjusting to rapid changes in markets or technology is that so many people in those companies feel relatively powerless. They have learned from experience that even if they correctly perceive important external changes and then initiate appropriate actions, they are vulnerable to someone higher up who does not like what they have done. Reprimands can take many different forms: "That's against policy," or "We can't afford it," or "Shut up and do as you're told."

Alignment helps overcome this problem by empowering people in at least two ways. First, when a clear sense of direction has been communicated throughout an organization, lower-level employees can initiate actions without the same degree of vulnerability. As long as their behavior is consistent with the vision, superiors will have more difficulty reprimanding them. Second, because everyone is aiming at the same target, the probability is less that one person's initiative will be stalled when it comes into conflict with someone else's.

Motivating People Versus Controlling and Problem Solving

Since change is the function of leadership, being able to generate highly energized behavior is important for coping with the inevitable barriers to change. Just as direction setting identifies an appropriate path for movement and just as effective alignment gets people moving down that path, successful motivation ensures that they will have the energy to overcome obstacles.

According to the logic of management, control mechanisms compare system behavior with the plan and take action when a deviation is detected. In a well-managed factory, for example, this

means the planning process establishes sensible quality targets, the organizing process builds an organization that can achieve those targets, and a control process makes sure that quality lapses are spotted immediately, not in 30 or 60 days, and corrected.

For some of the same reasons that control is so central to management, highly motivated or inspired behavior is almost irrelevant. Managerial processes must be as close as possible to fail-safe and risk free. That means they cannot be dependent on the unusual or hard to obtain. The whole purpose of systems and structures is to help normal people who behave in normal ways to complete routine jobs successfully, day after day. It's not exciting or glamorous. But that's management.

Leadership is different. Achieving grand visions always requires a burst of energy. Motivation and inspiration energize people, not by pushing them in the right direction as control mechanisms do but by satisfying basic human needs for achievement, a sense of belonging, recognition, self-esteem, a feeling of control over one's life, and the ability to live up to one's ideals. Such feelings touch us deeply and elicit a powerful response.

Good leaders motivate people in a variety of ways. First, they always articulate the organization's vision in a manner that stresses the values of the audience they are addressing. This makes the work important to those individuals. Leaders also regularly involve people in deciding how to achieve the organization's vision (or the part most relevant to a particular individual). This gives people a sense of control. Another important motivational technique is to support employee efforts to realize the vision by providing coaching, feedback, and role modeling, thereby helping people grow professionally and enhancing their self-esteem. Finally, good leaders recognize and reward success, which not only gives people a sense of accomplishment but also makes them feel like they belong to an organization that cares about them. When all this is done, the work itself becomes intrinsically motivating.

The more that change characterizes the business environment, the more that leaders must motivate people to provide leadership as well. When this works, it tends to reproduce leadership across the

Motivating People: Richard Nicolosi at Procter and Gamble

FOR ABOUT 20 YEARS AFTER ITS FOUNDING in 1956, Procter & Gamble's paper products division had experienced little competition for its high-quality, reasonably priced, and well-marketed consumer goods. By the late 1970s, however, the market position of the division had changed. New competitive thrusts hurt P&G badly. For example, industry analysts estimate that the company's market share for disposable diapers fell from 75% in the mid-1970s to 52% in 1984.

That year, Richard Nicolosi came to paper products as the associate general manager, after three years in P&G's smaller and faster moving soft-drink business. He found a heavily bureaucratic and centralized organization that was overly preoccupied with internal functional goals and projects. Almost all information about customers came through highly quantitative market research. The technical people were rewarded for cost savings, the commercial people focused on volume and share, and the two groups were nearly at war with each other.

During the late summer of 1984, top management announced that Nicolosi would become the head of paper products in October, and by August he was unofficially running the division. Immediately he began to stress the need for the division to become more creative and market driven, instead of just trying to be a low-cost producer. "I had to make it very clear," Nicolosi later reported, "that the rules of the game had changed."

The new direction included a much greater stress on teamwork and multiple leadership roles. Nicolosi pushed a strategy of using groups to manage the division and its specific products. In October, he and his team designated themselves as the paper division "board" and began meeting first monthly and then weekly. In November, they established "category teams" to manage their major brand groups (like diapers, tissues, towels) and started pushing responsibility down to these teams. "Shun the incremental," Nicolosi stressed, "and go for the leap."

In December, Nicolosi selectively involved himself in more detail in certain activities. He met with the advertising agency and got to know key creative people. He asked the marketing manager of diapers to report directly to him, eliminating a layer in the hierarchy. He talked more to the people who were working on new product development projects.

In January 1985, the board announced a new organizational structure that included not only category teams but also new-brand business teams. By the spring, the board was ready to plan an important motivational event to communicate the new paper products vision to as many people as possible. On June 4, 1985, all the Cincinnati-based personnel in paper plus sales district managers and paper plant managers—several thousand people in all—met in the local Masonic Temple. Nicolosi and other board members described their vision of an organization where "each of us is a leader." The event was videotaped, and an edited version was sent to all sales offices and plants for everyone to see.

All these activities helped create an entrepreneurial environment where large numbers of people were motivated to realize the new vision. Most innovations came from people dealing with new products. Ultra Pampers, first introduced in February 1985, took the market share of the entire Pampers product line from 40% to 58% and profitability from break-even to positive. And within only a few months of the introduction of Luvs Delux in May 1987, market share for the overall brand grew by 150%.

Other employee initiatives were oriented more toward a functional area, and some came from the bottom of the hierarchy. In the spring of 1986, a few of the division's secretaries, feeling empowered by the new culture, developed a secretaries network. This association established subcommittees on training, on rewards and recognition, and on the "secretary of the future." Echoing the sentiments of many of her peers, one paper products secretary said: "I don't see why we, too, can't contribute to the division's new direction."

By the end of 1988, revenues at the paper products division were up 40% over a four-year period. Profits were up 68%. And this happened despite the fact that the competition continued to get tougher.

entire organization, with people occupying multiple leadership roles throughout the hierarchy. This is highly valuable, because coping with change in any complex business demands initiatives from a multitude of people. Nothing less will work.

Of course, leadership from many sources does not necessarily converge. To the contrary, it can easily conflict. For multiple leadership roles to work together, people's actions must be carefully coordinated by mechanisms that differ from those coordinating traditional management roles.

Strong networks of informal relationships—the kind found in companies with healthy cultures—help coordinate leadership activities in much the same way that formal structure coordinates managerial activities. The key difference is that informal networks can deal with the greater demands for coordination associated with nonroutine activities and change. The multitude of communication channels and the trust among the individuals connected by those channels allow for an ongoing process of accommodation and adaptation. When conflicts arise among roles, those same relationships help resolve the conflicts. Perhaps most important, this process of dialogue and accommodation can produce visions that are linked and compatible instead of remote and competitive. All this requires a great deal more communication than is needed to coordinate managerial roles, but unlike formal structure, strong informal networks can handle it.

Informal relations of some sort exist in all corporations. But too often these networks are either very weak—some people are well connected but most are not—or they are highly fragmented—a strong network exists inside the marketing group and inside R&D but not across the two departments. Such networks do not support multiple leadership initiatives well. In fact, extensive informal networks are so important that if they do not exist, creating them has to be the focus of activity early in a major leadership initiative.

Creating a Culture of Leadership

Despite the increasing importance of leadership to business success, the on-the-job experiences of most people actually seem to

undermine the development of the attributes needed for leadership. Nevertheless, some companies have consistently demonstrated an ability to develop people into outstanding leader-managers. Recruiting people with leadership potential is only the first step. Equally important is managing their career patterns. Individuals who are effective in large leadership roles often share a number of career experiences.

Perhaps the most typical and most important is significant challenge early in a career. Leaders almost always have had opportunities during their twenties and thirties to actually try to lead, to take a risk, and to learn from both triumphs and failures. Such learning seems essential in developing a wide range of leadership skills and perspectives. These opportunities also teach people something about both the difficulty of leadership and its potential for producing change.

Later in their careers, something equally important happens that has to do with broadening. People who provide effective leadership in important jobs always have a chance, before they get into those jobs, to grow beyond the narrow base that characterizes most managerial careers. This is usually the result of lateral career moves or of early promotions to unusually broad job assignments. Sometimes other vehicles help, like special task-force assignments or a lengthy general management course. Whatever the case, the breadth of knowledge developed in this way seems to be helpful in all aspects of leadership. So does the network of relationships that is often acquired both inside and outside the company. When enough people get opportunities like this, the relationships that are built also help create the strong informal networks needed to support multiple leadership initiatives.

Corporations that do a better-than-average job of developing leaders put an emphasis on creating challenging opportunities for relatively young employees. In many businesses, decentralization is the key. By definition, it pushes responsibility lower in an organization and in the process creates more challenging jobs at lower levels. Johnson & Johnson, 3M, Hewlett-Packard, General Electric, and many other well-known companies have used that approach quite successfully. Some of those same companies also create as many small units as possible so there are a lot of challenging lower-level general management jobs available.

Sometimes these businesses develop additional challenging opportunities by stressing growth through new products or services. Over the years, 3M has had a policy that at least 25% of its revenue should come from products introduced within the last five years. That encourages small new ventures, which in turn offer hundreds of opportunities to test and stretch young people with leadership potential.

Such practices can, almost by themselves, prepare people for small- and medium-sized leadership jobs. But developing people for important leadership positions requires more work on the part of senior executives, often over a long period of time. That work begins with efforts to spot people with great leadership potential early in their careers and to identify what will be needed to stretch and develop them.

Again, there is nothing magic about this process. The methods successful companies use are surprisingly straightforward. They go out of their way to make young employees and people at lower levels in their organizations visible to senior management. Senior managers then judge for themselves who has potential and what the development needs of those people are. Executives also discuss their tentative conclusions among themselves to draw more accurate judgments.

Armed with a clear sense of who has considerable leadership potential and what skills they need to develop, executives in these companies then spend time planning for that development. Sometimes that is done as part of a formal succession planning or high-potential development process; often it is more informal. In either case, the key ingredient appears to be an intelligent assessment of what feasible development opportunities fit each candidate's needs.

To encourage managers to participate in these activities, well-led businesses tend to recognize and reward people who successfully develop leaders. This is rarely done as part of a formal compensation or bonus formula, simply because it is so difficult to measure such

achievements with precision. But it does become a factor in decisions about promotion, especially to the most senior levels, and that seems to make a big difference. When told that future promotions will depend to some degree on their ability to nurture leaders, even people who say that leadership cannot be developed somehow find ways to do it.

Such strategies help create a corporate culture where people value strong leadership and strive to create it. Just as we need more people to provide leadership in the complex organizations that dominate our world today, we also need more people to develop the cultures that will create that leadership. Institutionalizing a leadership-centered culture is the ultimate act of leadership.

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Level 5. Even those of us on the research team who identified Level 5 do not know whether we will succeed in evolving to its heights. And yet all of us who worked on the finding have been inspired by the idea of trying to move toward Level 5. Darwin Smith, Colman Mockler, Alan Wurtzel, and all the other Level 5 leaders we learned about have become role models for us. Whether or not we make it to Level 5, it is worth trying. For like all basic truths about what is best in human beings, when we catch a glimpse of that truth, we know that our own lives and all that we touch will be the better for making the effort to get there.

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Seven Transformations of Leadership

by David Rooke and William R. Torbert

MOST DEVELOPMENTAL PSYCHOLOGISTS agree that what differentiates leaders is not so much their philosophy of leadership, their personality, or their style of management. Rather, it's their internal "action logic"—how they interpret their surroundings and react when their power or safety is challenged. Relatively few leaders, however, try to understand their own action logic, and fewer still have explored the possibility of changing it.

They should, because we've found that leaders who do undertake a voyage of personal understanding and development can transform not only their own capabilities but also those of their companies. In our close collaboration with psychologist Susanne Cook-Greuter—and our 25 years of extensive survey-based consulting at companies such as Deutsche Bank, Harvard Pilgrim Health Care, Hewlett-Packard, NSA, Trillium Asset Management, Aviva, and Volvo—we've worked with thousands of executives as they've tried to develop their leadership skills. The good news is that leaders who make an effort to understand their own action logic can improve their ability to lead. But to do that, it's important first to understand what kind of leader you already are.

The Seven Action Logics

Our research is based on a sentence-completion survey tool called the Leadership Development Profile. Using this tool, participants are asked to complete 36 sentences that begin with phrases such as "A good leader . . . ," to which responses vary widely:

". . . cracks the whip."

". . . realizes that it's important to achieve good performance from subordinates."

". . . juggles competing forces and takes responsibility for her decisions."

By asking participants to complete sentences of this type, it's possible for highly trained evaluators to paint a picture of how participants interpret their own actions and the world around them; these "pictures" show which one of seven developmental action logics—Opportunist, Diplomat, Expert, Achiever, Individualist, Strategist, or Alchemist—currently functions as a leader's dominant way of thinking. Leaders can move through these categories as their abilities grow, so taking the Leadership Development Profile again several years later can reveal whether a leader's action logic has evolved.

Over the past 25 years, we and other researchers have administered the sentence-completion survey to thousands of managers and professionals, most between the ages of 25 and 55, at hundreds of American and European companies (as well as nonprofits and governmental agencies) in diverse industries. What we found is that the levels of corporate and individual performance vary according to action logic. Notably, we found that the three types of leaders associated with below-average corporate performance (Opportunists, Diplomats, and Experts) accounted for 55% of our sample. They were significantly less effective at implementing organizational strategies than the 30% of the sample who measured as Achievers. Moreover, only the final 15% of managers in the sample (Individualists, Strategists, and Alchemists) showed the consistent capacity to innovate and to successfully transform their organizations.

Idea in Brief

Every company needs transformational leaders—those who spearhead changes that elevate profitability, expand market share, and change the rules of the game in their industry. But few executives understand the unique strengths needed to become such a leader. Result? They miss the opportunity to develop those strengths. They and their firms lose out.

How to avoid this scenario? Recognize that great leaders are differentiated not by their personality or philosophy but by their **action logic**—how they interpret their own and others' behavior and how they maintain power or protect against threats.

Some leaders rely on action logics that hinder organizational performance. Opportunists, for example, believe in winning any way possible, and often exploit others to score personal gains. Few people follow them for long. Other types prove potent change agents. In particular, Strategists believe that every aspect of their organization is open to discussion and transformation. Their action logic enables them to challenge perceptions that constrain their organizations and to overcome resistance to change. They create compelling, shared visions and lead the pragmatic initiatives needed to realize those visions.

Though Strategists are rare, you *can* develop their defining strengths. How? Diagnose your current action logic and work to upgrade it. The payoff? You help your company execute the changes it needs to excel.

To understand how leaders fall into such distinct categories and corporate performance, let's look in more detail at each leadership style in turn, starting with the least productive (and least complex).

The Opportunist

Our most comforting finding was that only 5% of the leaders in our sample were characterized by mistrust, egocentrism, and manipulativeness. We call these leaders Opportunists, a title that reflects their tendency to focus on personal wins and see the world and other

Idea in Practice

Seven Types of Action Logic

Type	Characteristics	Strengths	Weaknesses
Opportunist	*Wins any way possible.* Self-oriented; manipulative; "might makes right."	Good in emergencies and in pursuing sales.	Few people want to follow them for the long term.
Diplomat	*Avoids conflict.* Wants to belong; obeys group norms; doesn't rock the boat.	Supportive glue on teams.	Can't provide painful feedback or make the hard decisions needed to improve performance.
Expert	*Rules by logic and expertise.* Uses hard data to gain consensus and buy-in.	Good individual contributor.	Lacks emotional intelligence; lacks respect for those with less expertise.
Achiever	*Meets strategic goals.* Promotes teamwork; juggles managerial duties and responds to market demands to achieve goals.	Well suited to managerial work.	Inhibits thinking outside the box.
Individualist	*Operates in unconventional ways.* Ignores rules he/she regards as irrelevant.	Effective in venture and consulting roles.	Irritates colleagues and bosses by ignoring key organizational processes and people.
Strategist	*Generates organizational and personal change.* Highly collaborative; weaves visions with pragmatic, timely initiatives; challenges existing assumptions.	Generates transformations over the short and long term.	None
Alchemist	*Generates social transformations (e.g., Nelson Mandela).* Reinvents organizations in historically significant ways.	Leads societywide change.	None

Changing Your Action Logic Type

To change your action logic type, experiment with new interpersonal behaviors, forge new kinds of relationships, and seize advantage of work opportunities. For example:

To advance from. . .	Take these steps
Expert to Achiever	Focus more on delivering results than on perfecting your knowledge: • Become aware of differences between your assumptions and those of others. For example, practice new conversational strategies such as "You may be right, but I'd like to understand what leads you to believe that." • Participate in training programs on topics such as effective delegation and leading high-performing teams
Achiever to Individualist	Instead of accepting goals as givens to be achieved: • Reflect on the worth of the goals themselves, with the aim of improving future goals • Use annual leadership development planning to thoughtfully set the highest-impact goals
Individualist to Strategist	Engage in peer-to-peer development: • Establish mutual mentoring with members of your professional network (board members, top managers, industry leaders) who can challenge your assumptions and practices, as well as those of your company and industry. ***Example:*** One CEO of a dental hygiene company envisioned introducing affordable dental hygiene in developing countries. He explored the idea with colleagues across the country, eventually proposing an educational and charitable venture that his parent company agreed to fund. He was promoted to a new vice presidency for international ventures within the parent company.

people as opportunities to be exploited. Their approach to the outside world is largely determined by their perception of control—in other words, how they will react to an event depends primarily on whether or not they think they can direct the outcome. They treat other people as objects or as competitors who are also out for themselves.

Opportunists tend to regard their bad behavior as legitimate in the cut and thrust of an eye-for-an-eye world. They reject feedback, externalize blame, and retaliate harshly. One can see this action logic in the early work of Larry Ellison (now CEO of Oracle). Ellison describes his managerial style at the start of his career as "management by ridicule." "You've got to be good at intellectual intimidation and rhetorical bullying," he once told Matthew Symonds of the *Economist*. "I'd excuse my behavior by telling myself I was just having 'an open and honest debate.' The fact is, I just didn't know any better."

Few Opportunists remain managers for long, unless they transform to more effective action logics (as Ellison has done). Their constant firefighting, their style of self-aggrandizement, and their frequent rule breaking is the antithesis of the kind of leader people want to work with for the long term. If you have worked for an Opportunist, you will almost certainly remember it as a difficult time. By the same token, corporate environments that breed opportunism seldom endure, although Opportunists often survive longer than they should because they provide an exciting environment in which younger executives, especially, can take risks. As one ex-Enron senior staffer said, "Before the fall, those were such exciting years. We felt we could do anything, pull off everything, write our own rules. The pace was wild, and we all just rode it." Of course, Enron's shareholders and pensioners would reasonably feel that they were paying too heavily for that staffer's adventure.

The Diplomat

The Diplomat makes sense of the world around him in a more benign way than the Opportunist does, but this action logic can also have extremely negative repercussions if the leader is a senior manager.

Loyally serving the group, the Diplomat seeks to please higher-status colleagues while avoiding conflict. This action logic is focused on gaining control of one's own behavior—more than on gaining control of external events or other people. According to the Diplomat's action logic, a leader gains more enduring acceptance and influence by cooperating with group norms and by performing his daily roles well.

In a support role or a team context, this type of executive has much to offer. Diplomats provide social glue to their colleagues and ensure that attention is paid to the needs of others, which is probably why the great majority of Diplomats work at the most junior rungs of management, in jobs such as frontline supervisor, customer service representative, or nurse practitioner. Indeed, research into 497 managers in different industries showed that 80% of all Diplomats were at junior levels. By contrast, 80% of all Strategists were at senior levels, suggesting that managers who grow into more effective action logics—like that of the Strategist—have a greater chance of being promoted.

Diplomats are much more problematic in top leadership roles because they try to ignore conflict. They tend to be overly polite and friendly and find it virtually impossible to give challenging feedback to others. Initiating change, with its inevitable conflicts, represents a grave threat to the Diplomat, and he will avoid it if at all possible, even to the point of self-destruction.

Consider one Diplomat who became the interim CEO of an organization when his predecessor died suddenly from an aneurysm. When the board split on the selection of a permanent successor, it asked the Diplomat to carry on. Our Diplomat relished his role as a ceremonial figurehead and was a sought-after speaker at public events. Unfortunately, he found the more conflictual requirements of the job less to his liking. He failed, for instance, to replace a number of senior managers who had serious ongoing performance issues and were resisting the change program his predecessor had initiated. Because the changes were controversial, the Diplomat avoided meetings, even planning business trips for the times when the senior team would meet. The team members were so frustrated by the Diplomat's attitude that they eventually resigned en masse. He "resolved" this

Seven Ways of Leading

DIFFERENT LEADERS exhibit different kinds of action logic—ways in which they interpret their surroundings and react when their power or safety is challenged. In our research of thousands of leaders, we observed seven types of action logics. The least effective for organizational leadership are the Opportunist and Diplomat; the most effective, the Strategist and Alchemist. Knowing your own action logic can be the first step toward developing a more effective leadership style. If you recognize yourself as an Individualist, for example, you can work, through both formal and informal measures, to develop the strengths and characteristics of a Strategist.

Action Logic	Characteristics	Strengths	% of research sample profiling at this action logic
Opportunist	*Wins any way possible.* Self-oriented; manipulative; "might makes right."	Good in emergencies and in sales opportunities.	5%
Diplomat	*Avoids overt conflict.* Wants to belong; obeys group norms; rarely rocks the boat.	Good as supportive glue within an office; helps bring people together.	12%
Expert	*Rules by logic and expertise.* Seeks rational efficiency.	Good as an individual contributor.	38%
Achiever	*Meets strategic goals.* Effectively achieves goals through teams; juggles managerial duties and market demands.	Well suited to managerial roles; action and goal oriented.	30%
Individualist	*Interweaves competing personal and company action logics.* Creates unique structures to resolve gaps between strategy and performance.	Effective in venture and consulting roles.	10%
Strategist	*Generates organizational and personal transformations.* Exercises the power of mutual inquiry, vigilance, and vulnerability for both the short and long term.	Effective as a transformational leader.	4%
Alchemist	*Generates social transformations.* Integrates material, spiritual, and societal transformation.	Good at leading society-wide transformations.	1%

crisis by thanking the team publicly for its contribution and appointing new team members. Eventually, in the face of mounting losses arising from this poor management, the board decided to demote the Diplomat to his former role as vice president.

The Expert

The largest category of leader is that of Experts, who account for 38% of all professionals in our sample. In contrast to Opportunists,

who focus on trying to control the world around them, and Diplomats, who concentrate on controlling their own behavior, Experts try to exercise control by perfecting their knowledge, both in their professional and personal lives. Exercising watertight thinking is extremely important to Experts. Not surprisingly, many accountants, investment analysts, marketing researchers, software engineers, and consultants operate from the Expert action logic. Secure in their expertise, they present hard data and logic in their efforts to gain consensus and buy-in for their proposals.

Experts are great individual contributors because of their pursuit of continuous improvement, efficiency, and perfection. But as managers, they can be problematic because they are so completely sure they are right. When subordinates talk about a my-way-or-the-highway type of boss, they are probably talking about someone operating from an Expert action logic. Experts tend to view collaboration as a waste of time ("Not all meetings are a waste of time—some are canceled!"), and they will frequently treat the opinions of people less expert than themselves with contempt. Emotional intelligence is neither desired nor appreciated. As Sun Microsystems' CEO Scott McNealy put it: "I don't do feelings; I'll leave that to Barry Manilow."

It comes as no surprise, then, that after unsuccessfully pleading with him to scale back in the face of growing losses during the dot-com debacle of 2001 and 2002, nearly a dozen members of McNealy's senior management team left.

The Achiever

For those who hope someday to work for a manager who both challenges and supports them and creates a positive team and interdepartmental atmosphere, the good news is that a large proportion, 30%, of the managers in our research measured as Achievers. While these leaders create a positive work environment and focus their efforts on deliverables, the downside is that their style often inhibits thinking outside the box.

Achievers have a more complex and integrated understanding of the world than do managers who display the three previous action logics we've described. They're open to feedback and realize that many of the ambiguities and conflicts of everyday life are due to differences in interpretation and ways of relating. They know that creatively transforming or resolving clashes requires sensitivity to relationships and the ability to influence others in positive ways. Achievers can also reliably lead a team to implement new strategies over a one- to three-year period, balancing immediate and long-term objectives. One study of ophthalmologists in private practice

showed that those who scored as Achievers had lower staff turnover, delegated more responsibility, and had practices that earned at least twice the gross annual revenues of those run by Experts.

Achievers often find themselves clashing with Experts. The Expert subordinate, in particular, finds the Achiever leader hard to take because he cannot deny the reality of the Achiever's success even though he feels superior. Consider Hewlett-Packard, where the research engineers tend to score as Experts and the lab managers as higher-level Achievers. At one project meeting, a lab manager—a decided Achiever—slammed her coffee cup on the table and exclaimed, "I *know* we can get 18 features into this, but the customers want delivery some time this century, and the main eight features will do." "Philistine!" snorted one engineer, an Expert. But this kind of conflict isn't always destructive. In fact, it provides much of the fuel that has ignited—and sustained—the competitiveness of many of the country's most successful corporations.

The Individualist

The Individualist action logic recognizes that neither it nor any of the other action logics are "natural"; all are constructions of oneself and the world. This seemingly abstract idea enables the 10% of Individualist leaders to contribute unique practical value to their organizations; they put personalities and ways of relating into perspective and communicate well with people who have other action logics.

What sets Individualists apart from Achievers is their awareness of a possible conflict between their principles and their actions, or between the organization's values and its implementation of those values. This conflict becomes the source of tension, creativity, and a growing desire for further development.

Individualists also tend to ignore rules they regard as irrelevant, which often makes them a source of irritation to both colleagues and bosses. "So, what do you think?" one of our clients asked us as he was debating whether to let go of one of his star performers, a woman who had been measured as an Individualist. Sharon (not her real name) had been asked to set up an offshore shared service function in the Czech Republic in order to provide IT support to two separate and internally competitive divisions operating there. She formed a highly cohesive team within budget and so far ahead of schedule that she quipped that she was "delivering services before Group Business Risk had delivered its report saying it can't be done."

The trouble was that Sharon had a reputation within the wider organization as a wild card. Although she showed great political savvy when it came to her individual projects, she put many people's noses out of joint in the larger organization because of her unique, unconventional ways of operating. Eventually, the CEO was called in (not for the first time) to resolve a problem created by her failure to acknowledge key organizational processes and people who weren't on her team.

Many of the dynamics created by different action logics are illustrated by this story and its outcome. The CEO, whose own action logic was that of an Achiever, did not see how he could challenge Sharon to develop and move beyond creating such problems. Although ambivalent about her, he decided to retain her because she was delivering and because the organization had recently lost several capable, if unconventional, managers.

So Sharon stayed, but only for a while. Eventually, she left the company to set up an offshoring consultancy. When we examine in the second half of this article how to help executives transform their leadership action logics, we'll return to this story to see how both Sharon and the CEO might have succeeded in transforming theirs.

The Strategist

Strategists account for just 4% of leaders. What sets them apart from Individualists is their focus on organizational constraints and perceptions, which they treat as discussable and transformable. Whereas the Individualist masters communication with colleagues who have different action logics, the Strategist masters the second-order organizational impact of actions and agreements. The Strategist is also adept at creating shared visions across different action logics—visions that encourage both personal and organizational

transformations. According to the Strategist's action logic, organizational and social change is an iterative developmental process that requires awareness and close leadership attention.

Strategists deal with conflict more comfortably than do those with other action logics, and they're better at handling people's instinctive resistance to change. As a result, Strategists are highly effective change agents. We found confirmation of this in our recent study of ten CEOs in six different industries. All of their organizations had the stated objective of transforming themselves and had engaged consultants to help with the process. Each CEO filled out a Leadership Development Profile, which showed that five of them were Strategists and the other five fell into other action logics. The Strategists succeeded in generating one or more organizational transformations over a four-year period; their companies' profitability, market share, and reputation all improved. By contrast, only two of the other five CEOs succeeded in transforming their organizations—despite help from consultants, who themselves profiled as Strategists.

Strategists are fascinated with three distinct levels of social interplay: personal relationships, organizational relations, and national and international developments. Consider Joan Bavaria, a CEO who, back in 1985, measured as a Strategist. Bavaria created one of the first socially responsible investment funds, a new subdivision of the investments industry, which by the end of 2001 managed more than $3 trillion in funds. In 1982, Bavaria founded Trillium Asset Management, a worker-owned company, which she still heads. She also cowrote the CERES Environmental Principles, which dozens of major companies have signed. In the late 1990s, CERES, working with the United Nations, created the Global Reporting Initiative, which supports financial, social, and environmental transparency and accountability worldwide.

Here we see the Strategist action logic at work. Bavaria saw a unique moment in which to make ethical investing a viable business, then established Trillium to execute her plan. Strategists typically have socially conscious business ideas that are carried out in a highly collaborative manner. They seek to weave together idealist visions with pragmatic, timely initiatives and principled actions. Bavaria worked beyond the boundaries of her own organization to influence the socially responsible investment industry as a whole and later made the development of social and environmental accountability standards an international endeavor by involving the United Nations. Many Achievers will use their influence to successfully promote their own companies. The Strategist works to create ethical principles and practices beyond the interests of herself or her organization.

The Alchemist

The final leadership action logic for which we have data and experience is the Alchemist. Our studies of the few leaders we have identified as Alchemists suggest that what sets them apart from Strategists is their ability to renew or even reinvent themselves and their organizations in historically significant ways. Whereas the Strategist will move from one engagement to another, the Alchemist has an extraordinary capacity to deal simultaneously with many situations at multiple levels. The Alchemist can talk with both kings and commoners. He can deal with immediate priorities yet never lose sight of long-term goals.

Alchemists constitute 1% of our sample, which indicates how rare it is to find them in business or anywhere else. Through an extensive search process, we found six Alchemists who were willing to participate in an up-close study of their daily actions. Though this is obviously a very small number that cannot statistically justify generalization, it's worth noting that all six Alchemists shared certain characteristics. On a daily basis, all were engaged in multiple organizations and found time to deal with issues raised by each. However, they were not in a constant rush—nor did they devote hours on end to a single activity. Alchemists are typically charismatic and extremely aware individuals who live by high moral standards. They focus intensely on the truth. Perhaps most important, they're able to catch unique moments in the history of their organizations, creating symbols and metaphors that speak to people's hearts and minds. In one conservative financial services company in the UK, a recently appointed CEO turned up for work in a tracksuit instead of his usual pinstripes but said nothing about it to anyone. People wondered whether this was a new dress code. Weeks later, the CEO spoke publicly about his attire and the need to be unconventional and to move with greater agility and speed.

A more celebrated example of an Alchemist is Nelson Mandela. Although we never formally profiled Mandela, he exemplifies the Alchemist action logic. In 1995, Mandela symbolized the unity of a new South Africa when he attended the Rugby World Cup game in which the Springboks, the South African national team, were playing. Rugby had been the bastion of white supremacy, but Mandela attended the game. He walked on to the pitch wearing the Springboks' jersey so hated by black South Africans, at the same time giving the clenched fist salute of the ANC, thereby appealing, almost impossibly, both to black and white South Africans. As Tokyo Sexwale, ANC activist and premier of South Africa's Gauteng province, said of him: "Only Mandela could wear an enemy jersey. Only Mandela would go down there and be associated with the Springboks . . . All the years in the underground, in the trenches, denial, self-denial, away from home, prison, it was worth it. That's all we wanted to see."

Evolving as a Leader

The most remarkable—and encouraging—finding from our research is that leaders can transform from one action logic to another. We have, in fact, documented a number of leaders who have succeeded in transforming themselves from Experts into Achievers, from Achievers into Individualists, and from Individualists into Strategists.

Take the case of Jenny, one of our clients, who initially measured as an Expert. She became disillusioned with her role in her company's PR department and resigned in order to, as she said, "sort out what I really want to do." Six months later, she joined a different company in a similar role, and two years after that we profiled her again and she still measured as an Expert. Her decision to resign from the first company, take a "sabbatical," and then join the second company had made no difference to her action logic. At that point, Jenny chose to join a group of peer leaders committed to examining their current leadership patterns and to experimenting with new ways of acting. This group favored the Strategist perspective (and the founder of the group was profiled as an Alchemist), which in the end helped Jenny's development. She learned that her habit of consistently taking a critical position, which she considered "usefully objective," isolated her and generated distrust. As a result of the peer group's feedback, she started a series of small and private experiments, such as asking questions rather than criticizing. She realized that instead of seeing the faults in others, she had to be clear about what *she* could contribute and, in doing so, started the move from an Expert to an Achiever. Spiritually, Jenny learned that she needed an ongoing community of inquiry at the center of her life and found a spiritual home for continuing reflection in Quaker meetings, which later supported (and indeed signaled) her transition from an Achiever to an Individualist.

Two years later, Jenny left the second job to start her own company, at which point she began profiling as a Strategist. This was a highly unusual movement of three action logics in such a short time. We have had only two other instances in which a leader has transformed twice in less than four years.

As Jenny's case illustrates, there are a number of personal changes that can support leadership transformation. Jenny experienced loss of faith in the system and feelings of boredom, irritability, burnout, depression, and even anger. She began to ask herself existential questions. But another indication of a leader's readiness to transform is an increasing attraction to the qualities she begins to intuit in people with more effective action logics. Jenny, as we saw, was drawn to and benefited hugely from her Strategist peer group as well as from a mentor who exhibited the Alchemist action logic. This search for new perspectives often manifests itself in personal transformations: The ready-to-transform leader starts developing new relationships. She may also explore new forms of spiritual practice or new forms of centering and self-expression, such as playing a musical instrument or doing tai chi.

External events can also trigger and support transformation. A promotion, for example, may give a leader the opportunity to expand his or her range of capabilities. Earlier, we cited the frustration of Expert research engineers at Hewlett-Packard with the product and delivery attitude of Achiever lab managers. Within a year of one engineer's promotion to lab manager, a role that required coordination of others and cooperation across departments, the former Expert was profiling as an Achiever. Although he initially took some heat ("Sellout!") from his former buddies, his new Achiever awareness meant that he was more focused on customers' needs and clearer about delivery schedules. For the first time, he understood the dance between engineers trying to perfect the technology and managers trying to deliver on budget and on schedule.

Changes to a manager's work practices and environment can also facilitate transformation. At one company we studied, leaders changed from Achievers to Individualists partly because of simple organizational and process changes. At the company's senior manager meetings, for example, executives other than the CEO had the chance to lead the meetings; these opportunities, which were supported by new spirit of openness, feedback, and frank debate, fostered professional growth among many of the company's leaders.

Planned and structured development interventions are another means of supporting leadership transformation. We worked with a leading oil and gas exploration company on developing the already high-level capabilities of a pool of future senior managers; the managers were profiled and then interviewed by two consultants who explored each manager's action logic and how it constrained and enabled him or her to perform current and recent roles. Challenges were discussed as well as a view of the individual's potential and a possible developmental plan. After the exercise, several managers, whose Individualist and Strategist capabilities had not been fully understood by the company, were appreciated and engaged differently in their roles. What's more, the organization's own definition of leadership talent was reframed to include the capabilities of the Individualist and Strategist action logics. This in turn demanded that the company radically revisit its competency framework to incorporate such expectations as "sees issues from multiple perspectives" and "creates deep change without formal power."

Now that we've looked generally at some of the changes and interventions that can support leadership development, let's turn to some specifics about how the most common transformations are apt to take place.

From Expert to Achiever

This transformation is the most commonly observed and practiced among businesspeople and by those in management and executive education. For the past generation or more, the training departments of large companies have been supporting the development of managers from Experts into Achievers by running programs with titles like "Management by Objectives," "Effective Delegation," and "Managing People for Results." These programs typically emphasize getting results through flexible strategies rather than through one right method used in one right way.

Observant leaders and executive coaches can also formulate well-structured exercises and questions related to everyday work to help Experts become aware of the different assumptions they and others may be making. These efforts can help Experts practice new conversational strategies such as, "You may be right, but I'd like to understand what leads you to believe that." In addition, those wishing to push Experts to the next level should consider rewarding Achiever competencies like timely delivery of results, the ability to manage for performance, and the ability to implement strategic priorities.

Within business education, MBA programs are apt to encourage the development of the more pragmatic Achievers by frustrating the perfectionist Experts. The heavy workloads, use of multidisciplinary and ambiguous case studies, and teamwork requirements all promote the development of Achievers. By contrast, MSc programs, in particular disciplines such as finance or marketing research, tend to reinforce the Expert perspective.

Still, the transition from Expert to Achiever remains one of the most painful bottlenecks in most organizations. We've all heard the eternal lament of engineers, lawyers, and other professionals whose Expert success has saddled them with managerial duties, only to estrange them from the work they love. Their challenge becomes working as highly effective Achievers who can continue to use their in-depth expertise to succeed as leaders and managers.

From Achiever to Individualist

Although organizations and business schools have been relatively successful in developing leaders to the Achiever action logic, they have, with few exceptions, a dismal record in recognizing, supporting, and *actively* developing leaders to the Individualist and Strategist action logics, let alone to the Alchemist logic. This is not surprising. In many organizations, the Achiever, with his drive and focus on the endgame, is seen as the finish line for development: "This is a competitive industry—we need to keep a sharp focus on the bottom line."

The development of leaders beyond the Achiever action logic requires a very different tack from that necessary to bring about the Expert-to-Achiever transformation. Interventions must encourage self-awareness on the part of the evolving leader as well as a greater awareness of other worldviews. In both business and personal relationships, speaking and listening must come to be experienced not as necessary, taken-for-granted ways of communicating predetermined ideas but as intrinsically forward-thinking, creative actions. Achievers use inquiry to determine whether they (and the teams and organization to which they belong) are accomplishing their goals and how they might accomplish them more effectively. The developing Individualist, however, begins to inquire about and reflect on the goals themselves—with the aim of improving future goals. Annual development plans that set new goals, are generated through probing and trusting conversation, are actively supported through executive coaching, and are carefully reviewed at the end of the cycle can be critical enablers at this point. Yet few boards and CEOs appreciate how valuable this time investment can be, and it is all too easily sacrificed in the face of short-term objectives, which can seem more pressing to leaders whose action logics are less developed.

Let's go back to the case of Sharon, the Individualist we described earlier whose Achiever CEO wasn't able to manage her. How might a coach or consultant have helped the CEO feel less threatened by Sharon and more capable of supporting her development while also being more open to his own needs and potential? One way would have been to try role-playing, asking the CEO to play Sharon while the coach or consultant enacts the CEO role. The role-playing might have gone as follows:

"Sharon, I want to talk with you about your future here at our company. Your completion of the Czech project under budget and ahead of time is one more sign that you have the initiative, creativity, and determination to make the senior team here. At the same time, I've had to pick up a number of pieces after you that I shouldn't have had to. I'd like to brainstorm together about how you can approach future projects in a way that eliminates this hassle and gets key players on your side. Then, we can chat several times over the next year as you begin to apply whatever new principles we come up with. Does this seem like a good use of our time, or do you have a different perspective on the issue?"

Note that the consultant in the CEO's role offers clear praise, a clear description of a limitation, a proposed path forward, and an inquiry that empowers the CEO (playing Sharon) to reframe the dilemma if he wishes. Thus, instead of giving the CEO one-way advice about what he should do, the coach enacts a dialogic scenario with him, illustrating a new kind of practice and letting the CEO judge whether the enacted relationship is a positive one. The point is not so much to teach the CEO a new conversational repertoire but to make him more comfortable with how the Individualist sees and makes sense of the world around her and what feedback may motivate her to commit to further learning. Such specific experiments with new ways of listening and talking can gradually dissolve the fears associated with transformational learning.

To Strategist and Beyond

Leaders who are moving toward the Strategist and Alchemist action logics are no longer primarily seeking personal skills that will make them more effective within existing organizational systems. They will already have mastered many of those skills. Rather, they are exploring the disciplines and commitments entailed in creating projects, teams, networks, strategic alliances, and whole organizations on the basis of collaborative inquiry. It is this ongoing practice of reframing inquiry that makes them and their corporations so successful.

The path toward the Strategist and Alchemist action logics is qualitatively different from other leadership development processes. For a start, emergent Strategists and Alchemists are no longer seeking mentors to help them sharpen existing skills and to guide them toward influential networks (although they may seek spiritual and ethical guidance from mentors). Instead, they are seeking to engage in mutual mentoring with peers who are already part of their networks (such as board members, top managers, or leaders within a scientific discipline). The objective of this senior-peer mentoring is not, in conventional terms, to increase the chances of success but to create a sustainable community of people who can challenge the emergent leader's assumptions and practices and those of his company, industry, or other area of activity.

We witnessed just this kind of peer-to-peer development when one senior client became concerned that he, his company, and the industry as a whole were operating at the Achiever level. This concern, of course, was itself a sign of his readiness to transform beyond that logic. This executive—the CEO of a dental hygiene company—and his company were among the most successful of the parent company's subsidiaries. However, realizing that he and those around him had been keeping their heads down, he chose to initiate a research project—on introducing affordable dental hygiene in developing countries—that was decidedly out of the box for him and for the corporation.

The CEO's timing was right for such an initiative, and he used the opportunity to engage in collaborative inquiry with colleagues across the country. Eventually, he proposed an educational and charitable venture, which the parent company funded. The executive was promoted to a new vice presidency for international ventures within the parent company—a role he exercised with an increased sense of collaboration and a greater feeling of social responsibility for his company in emerging markets.

Formal education and development processes can also guide individuals toward a Strategist action logic. Programs in which participants act as leaders and challenge their conventional assumptions about leading and organizing are very effective. Such programs will be either long term (one or two years) or repeated, intense experiences that nurture the moment-to-moment awareness of participants, always providing the shock of dissonance that stimulates them to reexamine their worldviews. Path-breaking programs of this type can be found at a few universities and consultancies around the globe. Bath University in the UK, for instance, sponsors a two-year master's degree in responsibility and business practice in which students work together during six one-week get-togethers. These programs involve small-learning teams, autobiographical writing, psychodrama, deep experiences in nature, and a yearlong business project that involves action and reflection. Interestingly, many people who attend these programs report that these experiences have had the transformative power of a life-altering event, such as a career or existential crisis or a new marriage.

Leadership Teams and Leadership Cultures Within Organizations

So far, our discussion has focused on the leadership styles of individuals. But we have found that our categories of leadership styles can be used to describe teams and organizations as well. Here we will talk briefly about the action logics of teams.

Over the long term, the most effective teams are those with a Strategist culture, in which the group sees business challenges as opportunities for growth and learning on the part of both individuals and the organization. A leadership team at one of the companies

we worked with decided to invite managers from across departments to participate in time-to-market new product teams. Seen as a risky distraction, few managers volunteered, except for some Individualists and budding Strategists. However, senior management provided sufficient support and feedback to ensure the teams' early success. Soon, the first participants were promoted and leading their own cross-departmental teams. The Achievers in the organization, seeing that others were being promoted, started volunteering for these teams. Gradually, more people within the organization were experiencing shared leadership, mutual testing of one another's assumptions and practices, and individual challenges that contributed to their development as leaders.

Sadly, few companies use teams in this way. Most senior manager teams operate at the Achiever action logic—they prefer unambiguous targets and deadlines, and working with clear strategies, tactics, and plans, often against tight deadlines. They thrive in a climate of adversity ("When the going gets tough, the tough get going") and derive great pleasure from pulling together and delivering. Typically, the team's leaders and several other members will be Achievers, with several Experts and perhaps one or two Individualists or Strategists (who typically feel ignored). Such Achiever teams are often impatient at slowing down to reflect, are apt to dismiss questions about goals and assumptions as "endless philosophizing," and typically respond with hostile humor to creative exercises, calling them "off-the-wall" diversions. These behaviors will ultimately limit an Achiever team's success.

The situation is worse at large, mature companies where senior management teams operate as Experts. Here, vice presidents see themselves as chiefs and their "teams" as an information-reporting formality. Team life is bereft of shared problem-solving, decision-making, or strategy-formulating efforts. Senior teams limited by the Diplomat action logic are even less functional. They are characterized by strong status differences, undiscussable norms, and ritual "court" ceremonies that are carefully stage-managed.

Individualist teams, which are more likely to be found in creative, consulting, and nonprofit organizations, are relatively rare and very different from Achiever, Expert, and Diplomat teams. In contrast to Achiever teams, they may be strongly reflective; in fact, excessive time may be spent reviewing goals, assumptions, and work practices. Because individual concerns and input are very important to these teams, rapid decision making may be difficult.

But like individual people, teams can change their style. For instance, we've seen Strategist CEOs help Individualist senior teams balance action and inquiry and so transform into Strategist teams. Another example is an Achiever senior team in a financial services company we worked with that was emerging from two years of harsh cost cutting during a market downturn. To adapt to a changing and growing financial services market, the company needed to become significantly more visionary and innovative and learn how to engage its workforce. To lead this transformation, the team had to start with itself. We worked with it to help team members understand the constraints of the Achiever orientation, which required a number of interventions over time. We began by working to improve the way the team discussed issues and by coaching individual members, including the CEO. As the team evolved, it became apparent that its composition needed to change: Two senior executives, who had initially seemed ideally suited to the group because of their achievements, had to be replaced when it became clear that they were unwilling to engage and experiment with the new approach.

During this reorientation, which lasted slightly more than two years, the team became an Individualist group with emergent Strategist capabilities. The CEO, who had profiled at Achiever/Individualist, now profiled as a Strategist, and most other team members showed one developmental move forward. The impact of this was also felt in the team's and organization's ethos: Once functionally divided, the team learned to accept and integrate the diverse opinions of its members. Employee surveys reported increased engagement across the company. Outsiders began seeing the company as ahead of the curve, which meant the organization was better able

to attract top talent. In the third year, bottom- and top-line results were well ahead of industry competitors.

The leader's voyage of development is not an easy one. Some people change little in their lifetimes; some change substantially. Despite the undeniably crucial role of genetics, human nature is not fixed. Those who are willing to work at developing themselves and becoming more self-aware can almost certainly evolve over time into truly transformational leaders. Few may become Alchemists, but many will have the desire and potential to become Individualists and Strategists. Corporations that help their executives and leadership teams examine their action logics can reap rich rewards.

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