Chapter 2.

Beyond Executive Management:
The Call For Leadership

Some men see things that are, and ask "Why?"
I see things that never were, and ask "Why not?"

Robert Kennedy

The Crisis Of Meaning

In many ways the crisis in business today is a crisis of meaning. People aren't sure of themselves because they no longer understand the why behind the what. They no longer have the sense that things are well defined and that hard work will lead to success. More and more people have feelings of doubt and uncertainty about the future of their organizations, and consequently about their own careers and futures. More and more organizations and their people are in a crisis of meaning.

In many ways also the crisis of meaning for business organizations mirrors a crisis of meaning for nations, which is confronting people in many countries. Visit any of the major developed countries in the world and chances are you'll see an unprecedented preoccupation with questions of national purpose, cultural values, and priorities. Leaders of these nations are beset on all sides by contradictory pressures, extremist agendas, and demands for solutions. They are asking themselves: who are we as a nation? What do we stand for? and What should be our focus and our priorities now?

And at a personal level, more and more people seem to be experiencing a parallel or derivative sense of uncertainty. Social and moral values are under debate. Social activism is on the rise; some issues are so divisive as to create intense animosity and even violence. Many people seem more focused on what divides them than on what they have in common. There is a profound need for a sense of common purpose, a commitment to a common cause.

Those who would aspire to leadership roles in this new environment must not underestimate the depth of this human need for meaning. It is a most fundamental human craving, an appetite that will not go away. In his book *Man's Search for Meaning,* psychologist Victor Frankl expressed the view that all human beings need a defining purpose for their lives, something to believe in, something to hope for, something to strive for. Those who lose it or never acquire it become dysfunctional at best and in some cases criminally maladjusted at worst.[1]

Frankl described his experiences in the Nazi concentration camps during the second war, in which he saw prisoners who he believed simply gave up and decided to die. Living under the most harsh and brutal conditions imaginable, those who had no higher purpose in life to cling to could not hold up under the stress. Those who, like himself, believed they would eventually return to something better after the camp experience was over, were usually able to survive, at least psychologically. For some people it was a religious belief. For others, it was a meaningful role in helping other people. In Frankl's case, it was the unshakable belief that he would be reunited with his wife and children after the war was over.

Indeed, Frankl was so convinced of the central role of meaning in human life that, after he regained his freedom and found his family again, he made that concept the driving idea behind his psychotherapy practice. He even named his newly created specialty *logotherapy,* after the Greek *logos,* which equates to the concept of "meaning." A *logotype,* or "logo," is a graphic symbol used by an enterprise to communicate its identity to others. Used in marketing and advertising, logos can be very effective. The best leaders use figurative logos in communicating meaning within the enterprise itself, as well as with the external world.[1]

We need a kind of logotherapy for organizations and the people living in them today. Perhaps it becomes a kind of *locoleadership* through meaning. We can no longer rely on the forces of our environment to supply the meaning for what we do in business. Two or three decades ago, the business environment was much more stable, slow-changing, and therefore more predictable than it is now. Chief executives mostly knew what to do, and people had much of their meaning defined for them by the flow of events around them. The old imperatives were: work hard, keep focused on doing the right things, do better each year, and grow incrementally.

The new imperatives are: rethink the basics, adapt to new ways of doing business, reinvent processes, and let go of the past. In the midst of this kind of ever-changing reality, it's no wonder that people hunger for stability, meaning, and truth in their lives. We human beings cannot function indefinitely in a state of alarm and confusion. If only for our own neurotic self-preservation, we will seek order and predictability in our lives, even if we have to create it artificially. People need a meaning for what they do, and many will follow dictators, demagogues, and even maniacs to get it.

But this crisis of meaning, at least in business, is as much an opportunity as a problem. Those leaders who can offer their people a valid, meaningful success proposition, and help them understand its value for them and the contribution they can make to it, have

the best chance of mobilizing their energies and channeling their commitment toward worthwhile goals.

This, more than anything else, is the challenge for today's executives: to create meaning. It is not always easy, but those who can do it skillfully are more likely to be able to steer their organizations through difficult times.

We are coming to a point in business thinking where even the concept of management is suspect, and the basic term itself is falling into disrepute. *Management,* in its traditional connotation, has always implied the control of the many by the few. It has signaled an autocratic, systematic, and intellectual thought process, not a human, dynamic, and personal one. Traditional B-school thinking has always viewed the manager as managing the organization, as if it were some kind of apparatus to be manipulated.

Dr. Warren Bennis, professor at the University of Southern California, asserts that "Today's employee is overmanaged and underled. We have too much management in our organizations today, and not enough leadership." As we move ahead into ever more turbulent times and face ever more complex and challenging problems, there will be a shift of emphasis in management thinking.

We must leave behind the traditional preoccupation with the organizational structure and its processes, and move toward a much more diversified thinking process that focuses on the creation of value, mobilizes collective intelligence, and projects a compelling concept of the meaning of the enterprise. And we have to learn how to enable the people of the enterprise to create unprecedented levels of value for the customer, the organization, and themselves.

The Hand At The Helm

Just as the need for meaning has never been greater in the business world than now, so has the need for strong leadership never been greater. It is no longer enough for executives to merely preside over their organizations; they must lead and guide them. And the kind of leadership now called for is also different from the past. Enterprises need high-powered thinkers at the helm now, people with strong conceptual and visionary skills. A person who can exhort people, prod them, and move them to do big things will not be successful if he or she can't figure out what the right big things are. The complex changes, issues, and problems confronting businesses now demand a high level of *visionary leadership.*

Secondly, the new pattern of leadership must be an *enabling* pattern, not a commanding one. A leader might be quite impressive in his or her ability to command respect and deference, give orders, and see that they are carried out. But the way to release and mobilize the human energy in today's complex organizations is by empowering people with ideas and information, not telling them what to do. This calls for *service leadership,* not command leadership.

And third, today's executive must focus unwaveringly on the critical success factor in business, namely, *customer value.* This requires personally talking to and learning from customers, encouraging others throughout the organization to do the same, and making a relentless effort to translate the customers' advice into action.

Business leaders today must have both the visionary capacity and the service philosophy to create the northbound train idea, help people choose to ride on the train, and help them make sure it succeeds in its journey.

Certainly we need a new commitment to leadership at all levels of the organization, but for the present discussion we must acknowledge the special needs for executive leadership.

In the new world of rapid change, uncertainty, and customer- focused competition, the executive must take on four critical roles, or key dimensions of his or her contribution, as illustrated in Figure 2-1:

1. ***A visionary*** who creates meaning by crafting the vision, mission, and direction that define the focus of the enterprise; clarifying and distilling its northbound train
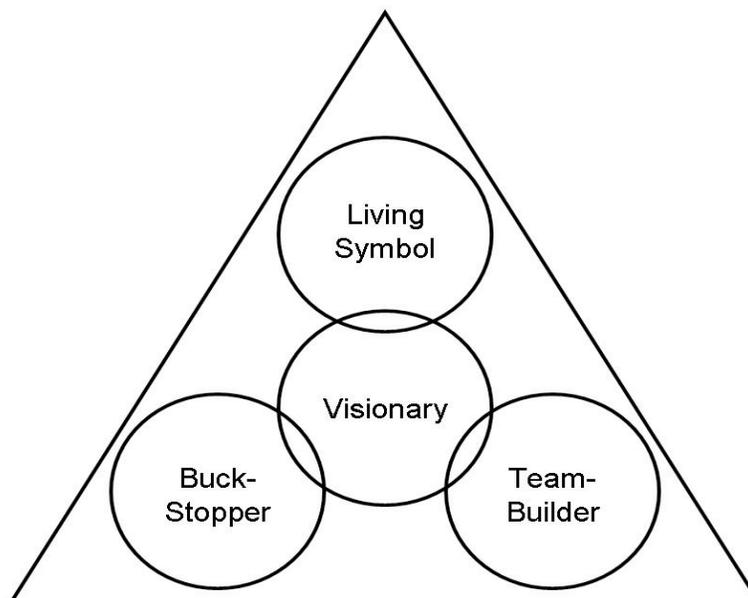

Figure 2-1. Executive Leadership

concept; continuously evolving, elaborating, and interpreting this meaning for the people of the organization.

2. ***A team-builder*** who puts the right people in the right places for the top-level

leadership team, welding them into a single-minded core of advocacy for the common cause, capitalizing on their individual strengths and resources, and continuously developing them as a team and as individual leaders who can serve the mandate required of them.

3. *A living symbol* who "walks the talk" in a highly visible way, demonstrating what is not necessarily a charismatic style of leadership but a constant and unrelenting pattern of reinforcing the northbound train concept at every opportunity. This involves simple, everyday actions and statements as well as ceremonial and celebratory actions that enable people to associate the leader inseparably with the success premise of the enterprise, so that seeing or hearing the leader automatically evokes in them powerful personal associations with the success concept. In this role the leader is, figuratively a "human logo."

4. *A buck-stopper* who faces the difficult issues, discerns the truth of the challenges presented by the environment, and makes the tough decisions and dramatic changes that have to be made. This must, of course, involve open-minded listening and collaboration with the leadership team, but ultimately it is the chief executive who must face the music and manage the organization's response to critical issues.

These critical roles apply just as well to all of the executives in the leadership team as to the chief executive. Each of them must be a visionary, a team-builder, a living symbol, and a buck-stopper for his or her own enterprise within the enterprise. All the while allowing for natural differences in personalities and personal styles of leadership, and not expecting any one executive to be a psychological clone of the chief, nevertheless it is important that all top-level leaders face up to these same four key roles. At lower levels of the organization, tactical leaders must focus more directly on carrying out the direction, in response to the kinds of leadership they receive from the top.

Think of these four roles in terms of the problems organizations tend to have when their executives fall short in meeting them. An organization without strong leadership begins to disintegrate psychologically and even spiritually. Depending on the nature of its operations, it begins to malfunction, wasting energy, talent, and costly resources. To use a term borrowed from the systems analysis field, it experiences an increase in *entropy* which is a measure of lost coherence, synergy, and internal energy efficiency. As entropy increases, the organization begins to fall apart.

In many ways, an organization with weak leadership tends to resemble a dysfunctional family, especially as time goes on and the leaders fail to meet its needs for meaning, direction, and focus. Just as children in parentless families squabble with one another, so do departments fall into political games and feuds. Just as the uproar of an alcoholic parent distorts and immobilizes family processes, so do executive rampages and palace wars create fear and self-defensive maneuvering among lower-level managers.

In a weakly led organization, the old addictions begin to resurface, with selfish, self-preserving behaviors displacing those of cooperation, generosity, camaraderie, and

altruism. People turn away from the enterprise as a source for their personal meaning and satisfaction, and turn inward toward their own self-interests. In advanced stages of dysfunctional leadership, there may even be an increase in dishonest, unethical behavior as people abandon any personal connections they may have had with the culture of the enterprise.

By contrast, consider the state of affairs when the chief executive and the members of the top team do indeed step up to the challenges of the four roles of visionary, team-builder, living symbol, and buck-stopper. They have a common cause in their minds and they carry that message all through the organization. They function effectively as a team, and they expect leaders at all levels to be team-builders as well. They show people, by every word and deed, that the northbound train idea is the way to success, and they symbolize by their behavior the vision and the values behind it. And they show that they are willing and able to face the difficult problems that confront the enterprise as it unfolds toward its vision of success.

People in a well-led organization tend to leave behind their old dysfunctional patterns and move toward involvement, commitment, cooperation, and a sense of shared fate. They accept and act upon the reality of their interdependence. Although even the healthiest cultures have a normal level of "politics," in a well-led enterprise the force of the vision and direction override the day-to-day frictions and collisions. People look to their leaders for answers and they look to the culture for at least some of their sense of psychological reward.

In the well-led organization there is a shared ethic of performance, a real desire to see the enterprise succeed, and a personal commitment to quality work. Whereas in the poorly-led organization people tend to move away and against one another and their leaders, in the well-led organization they tend to move with and toward them. They see their personal success as in some way connected to the success of the enterprise.

This, then, is the real strategic challenge. The power of the northbound train concept – he common cause – comes when the enterprise has a strong hand at the helm. Creating the northbound train concept and helping people live it is much more than an intellectual exercise. It requires the leaders of the enterprise to *deploy* the strategy, to build the infrastructure for implementing it, and to support the evolution of a healthy culture in which people succeed by committing their energies toward its success.

Service Leadership: To Lead Is To Serve

One of the Latin titles used to refer to the Pope is *servus sevorum* which means "the servant of servants." This point of view suggests that the role of anyone in a leadership role, whether it involves formal authority or not, is to lead by enabling others, not by trying to drive them.

In today's world, leaders are being called upon to provide a new kind of leadership: *service leadership* Gone are the days when a simple "command and control" pattern would work. The old military style of the "kick-in-the-rear" has outlived its time. It no

longer fits with contemporary social values, and it is no longer very effective. People in complex working situations need and expect positive personal relationships with their leaders, relationships that help them focus their energies, work at their best, surpass their expectations of themselves, and feel a sense of satisfaction in what they've contributed.

What is service leadership? It is *the capacity to lead with a service focus:*

- service to the customer,
- service to the organization, and
- service to the employees–those who do the work in
- achieving the objectives.

It means working with a spirit and a set of values that emphasize contributing something worthwhile. It means that the leader sees his or her role as enabling or helping others to accomplish something worthy, not just being in charge.

The service leader is willing to put empowerment above personal power; contribution above his or her own ego satisfaction; and the needs of the team above his or her own needs for credit and acclaim. Albert Schweitzer, the famous physician and humanitarian, said:

> ***There is no higher religion
> than serving others.***

Management consultant and author Peter Block advances the case for *stewardship* as a defining motif of service leadership in the new age.

According to Block:

> Stewardship means to hold in trust the well-being of some larger entity–our organization, our community, the earth itself. This . . . calls for placing service ahead of control, to no longer expect leaders to be in charge and out in front. Service is central to stewardship.
>
> We serve when we build capability in others by supporting ownership and choice at every level. When we act to create compliance in others, we are choosing self-interest over service, no matter what words we use to describe our actions. Service-givers who maintain dominance, aren't. Stewardship enables the use of power with grace.[2]

The attitudes of service leadership are very different from those traditionally inculcated into managers, particularly male managers. The "testosterone factor" typically conditions males to think in terms of authority, control, and compliance rather than in terms of ownership, empowerment, and enablement. It seems clear, however, that more and more managers, both male and female, are moving toward a broader and more versatile view of their roles, and are finding it comfortable to think in terms of leading

through service.

Scandinavian Airlines chief executive Jan Carlzon even goes so far as to talk about "management by love." In his view,

> "Most authoritarian organizations tend to manage by fear, at least in the sense of imposing rules and punishing those who violate them. I don't believe any organization can rise above the level of mediocrity by maintaining a culture of fear. When people know they are secure in their roles, that they have someone they can turn to for help and guidance, and that their leaders believe in them, they are much more likely to go beyond the bounds of the ordinary, take risks, and contribute more of their energies and talents to the success of the organization. I call this management by love."[3]

Customer-Focused Leadership: The Service Triangle

In the book *Service America! Doing Business in the New Economy,* Ron Zemke and I presented the "Service Triangle," illustrated in Figure 2-2, which is a pictorial model intended to show the importance of aligning the organization's Strategy, People, and Systems around the needs of its customers.[4] For some time we've been using this diagram in countless discussions, presentations, and writings about the management of service businesses.


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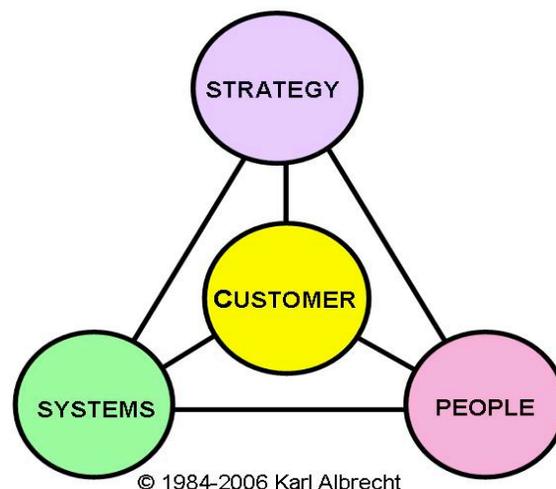
Figure 2-2. The Service Triangle.

People in business who are trying to focus their organizations on "quality" are rapidly coming to the realization that *customer focus* must be the keystone of any effort to improve the organization's way of doing things. Isolated "quality programs" that measure and count things for the sake of measuring and counting are going out of style fast. This is why the *customer* goes at the center of the service triangle.

They are also beginning to realize that, to be successful, any organization-wide focus on quality must be driven by the basic demands of the business strategy. What do we want to be, and how do we intend to do business? If the vision, mission, core values, and key competitive concept of the organization are not clear, a quality program will suffer from lack of focus and direction. This is why the element of *strategy* goes at the top of the service triangle.

Another important lesson of the traditional manufacturing-style approach to quality is that the effort needs to have an element of "heart" if it is to succeed. Too many quality efforts begin as administrative, analytical, mechanistic, control-oriented, dehumanized, standards-based management attempts to "tighten up" the organization rather than loosen it up and empower the people to make their own individual quality commitments. This is why the doctrinaire, mechanistic "TQM" systems are ultimately doomed to failure. And this is why the *people* are fundamental to, not an obstacle in the service triangle.

And the all-important *systems* go into the service triangle because they are the means for achieving the ends of superior customer value. All of the methods, procedures, equipment, machinery, tools, facilities, work processes, distribution systems, organizational structures, and information systems must work toward the ultimate purpose of creating or adding value–either for the external customers or for the internal customers who depend on support departments to achieve their missions.

The most important idea conveyed by the service triangle diagram is the *interplay* of these three organizational priorities and their impact on the customer's experience and perception of value. The strategy informs and enlightens the entire approach to the business, and consequently the organization's attitudes about what value is and what it looks like to the customer. The people need to understand the customer and the business strategy, because ultimately they are the ones who must make it into a reality.

The design of the systems must also reflect the business strategy. How should we be organized to create and deliver the kinds of value the customer seeks? We need *customer-friendly systems* in all areas of the operation, whether the customers are external or internal.

And, of course, the design of the systems must support the people who have to deliver value. They need information, resources, and methods–the ways and means for creating an outstanding customer experience.

Finally, all three of these components of quality impinge upon the customer's experience and lead him or her to form a judgment of the value we provide at the all-

important "moment of truth."

It is becoming obvious that the traditional distinction between so-called "manufacturing" organizations and "service" organizations is now obsolete, and eventually may exist only in the minds of economists. In fact, they both have the same issues when it comes to quality. The only difference is in the relative balance of tangible value and intangible value they respectively deliver.

As more and more executives come to understand the importance of a strategy-based, customer-value–centered approach to the success of their organizations, they are less confused by arbitrary distinctions such as "product," "quality," and "service." They begin to understand that the real issue is neither quality nor service, but *superior customer value.* And their job is to help the people of the organization create and deliver that value. The best way they can make their own contribution is by using their leadership abilities to align the Strategy, People, and Systems around the needs of their customers.

Mobilizing Intelligence: Collective Smartness Or Dumbness?

The highest recorded human IQ score, if I recall correctly, was somewhere in the neighborhood of 200. At that level, the scoring system tends to fall apart, and the actual number means less than the phenomenon itself.

Organizations have IQ's, do they not? Did you ever wonder what the highest organizational IQ might be? Indeed, what is organizational IQ? How does an organization manifest its collective intelligence?

Some years ago, in a book titled *Brain Power,* I modestly drafted Albrecht's Law of Collective Stupidity:

Intelligent people, when assembled into an organization,
will tend toward collective stupidity.

Surely we all wonder from time to time whether it's possible for an organization to stop making the same mistakes over and over, and to use the collective knowledge, know-how, and wisdom it has. Yet we still see collective dumbness demonstrated repeatedly in everyday organizational life.

Case in point: I recently called a hospital in the state of Kansas to inquire about the status of a patient, who was the husband of one of my associates, supposedly there for an emergency hip surgery. The person who answered the telephone transferred me to another person, who consulted her computer and informed me that there was no such person in the hospital. I asked her to double- check. She did, and assured me they had no patient by that name. I was a bit confused, but had to assume I was mistaken about his whereabouts.

That evening, I was able to reach my associate at the home of some friends, and learned that her husband had been undergoing surgery in that hospital at the very moment I was being told he wasn't there. Is this a case of collective dumbness? And isn't it fairly typical of many organizations?

But there's an even worse version of collective dumbness, one which is much more profound and pernicious in its implications for organizational success or failure. It is the deliberate "dumbing down" of the workforce through traditional management techniques that have been accepted and glorified for four or five decades. While the Japanese are working hard at finding ways to leverage individual intelligence for collective good, many Western managers, academics, and management consultants are still working hard at figuring out how to *exclude* individual brain power from organizational processes. This is what Swedish managers refer to in American management practices as "the systematic stupification of the worker."

A worse case in point: in a recent article explaining the merits of a quality management technique called ISO 9000 certification, a consultant admonished his readers with something like the following:

> The ultimate test of the effectiveness of your documentation of the work processes is that, hypothetically, you could remove every one of the workers from the organization, bring in a completely new group of workers, and they would be able to operate the organization using the manuals you have created.

Have you ever seen an organization do such a thing? Can you think of a case in which it would be a desirable thing to do? Does it strike you that the author of the article has become so enamored of the process that he has lost sight of the ultimate organizational resource, which is its collective knowledge? He seems to believe that the competitive know-how of the organization resides in a huge shelf-full of manuals rather than in the heads, hearts, hands, and instincts of the people of the organization. Does he propose to replace the executives and managers too, as a litmus test of the manuals? Does the test also apply to quality consultants?

In *Gulliver's Travels*, Lemuel Gulliver visited a strange land populated by a society of astronomers, who spent their days engrossed in calculating the daily movements of the heavenly bodies. After having done this diligently for many generations, they had come to believe that, if they didn't perform their calculations every day, the heavenly bodies would no longer move. I think we're seeing, in certain areas of management theory (and, unfortunately, in practice as well), a mindset like that of Gulliver's astronomers.

Some of the most extreme practices of TQM, ISO 9000, and other "McManagement" approaches represent, in the words of one of my associates, "Frederick Taylor gone berserk."[5] Many jobs are so narrowly designed and over-controlled that the employee cannot possibly deploy the wealth of practical knowledge, life experience, and common

sense he or she brings to the job. Too many managers and quality practitioners fail to grasp that the real competitive know-how of an organization is implicit in the collective understanding of its people, not explicit in a room full of manuals.

Let's consider the prospect of organizational collective intelligence, and see what kind of an attitude transplant is necessary on the part of the "astronomers." Let's suppose a typical organization or unit has 100 employees, and that each of them has approximately the average IQ score of 100 points. Multiplying 100 IQ points by 100 people, we get a total of 10,000 IQ points. The critical question is, how many of these IQ points is our organization actually using? Bear in mind that we've already paid for them, whether we use them or not. When the employee shows up for work, we've already purchased his or her 100 or so IQ points, or at least we have an option on them. By the end of each day, we have either exercised the option or we've let it expire. That day will never come again, and the option on that day's IQ points is gone forever.

In his insightful book *Managing on the Edge,* Richard Pascale passes on a statement from a Japanese executive that is chilling in its directness and clarity. It is a statement made by Konosuke Matsushita, founder of the huge firm Matsushita Electric, to his competitors and executive counterparts in the West:

> We are going to win and the industrial West is going to lose out; there's not much you can do about it because the reasons for your failure are within yourselves. Your firms are built on the Taylor model. Even worse, so are your heads. With your bosses doing the thinking while the workers wield the screwdrivers, you're convinced deep down that this is the right way to run a business. For you, the essence of management is getting the ideas out of the heads of the bosses and into the hands of the labor.

> We are beyond your mindset. Business, we know, is now so complex and difficult, the survival of firms so hazardous in an environment increasingly unpredictable, competitive, and fraught with danger, that their continued existence depends on the day-to-day mobilization of every ounce of intelligence.[6]

While managers in America and other Western countries are busy figuring out how to standardize workers along with everything else in the organization, the Japanese are figuring out how to exercise the option on the IQ points. Just imagine the possibilities, if we could learn how to do it. Instead of starting with 10,000 IQ points and whittling them down to a few thousand or a few hundred by robotizing and standardizing the employees, suppose we can exercise the option on all 10,000 points. Suppose we can even go further, and create synergy by inviting people to contribute their best ideas and inventions as well as their basic job knowledge. Suppose we can multiply the 10,000 IQ points a hundred-fold. We would have a collective organizational IQ of a million.

In a business environment where cost-cutting, downsizing, and process re-design are coming to the point of diminishing returns, and yet profit margins are still being squeezed brutally, we must find new ways to make our organizations more effective and

more competitive. Ultimately, even the most doctrinaire "B-school" thinker will have to face the fact that the only remaining variable resource we can really exploit is the gray matter.

As we move beyond intermediate concepts such as "quality," "service," and "management," we are coming to see more and more clearly that *value creation* is the higher premise for organizational effectiveness, and that collective intelligence is essential to achieving it.

It is now time to get down to cases, and move forward with the task of really defining the northbound train. We need to find a means and an approach that will enable us to work through the challenging questions facing any business enterprise, and to develop a strategic success model. This is the goal and the process of the following chapters.
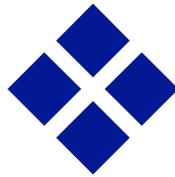
Chapter Notes:

1. Frankl, Victor. *Man's Search for Meaning: An Introduction to Logotherapy*. (Boston: Beacon Press, 1992).

2. Block, Peter. Stewardship: *Choosing Service Over Self- Interest.* San Francisco, Berrett-Koehler, 1992.

3. Speech given in Sao Paulo, Brazil, October 1999.

4. Albrecht, Karl and Ron Zemke. *Service America! Doing Business in the New Economy.* Homewood, IL: Irwin Professional Publishing, 1985.

5. See Frederick Taylor's brief book *The Principles of Scientific Management,* originally published in 1911 by Harper & Row, and currently in print through W.W. Norton & Company, New York. Taylor is credited (especially by Peter Drucker) with leading the breakthrough in management thinking based on standardizing, encoding, and teaching efficient work practices. At the same time, he is vilified by others as having committed generations of managers to the mindless robotization of workers by eliminating originality and discretion in their work. Both camps are right to some extent.

6. Pascale, Richard, *Managing on the Edge: How successful Companies Use Conflict for Competitive Advantage* (New York: Simon and Schuster, 1990), p.51.