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IMPROVING THE PRACTICE OF MANAGEMENT

The "Bottom Line" of leaderful practice

By Joe Raelin

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The "Bottom Line" of leaderful practice

What makes a leader the most? This author argues that it is a compassionate approach, a "leaderful practice" that exhibits humility and seeks to serve others rather than power for its own sake. As a result, people learn to count on others because they have learned that each member, even the weakest, will be kept in mind when decisions are made.

By Joe Raelin

Joe Raelin holds the Asa S. Knowles Chair of Practice-Oriented Education at Northeastern University. He is author of *Creating Leaderful Organizations: How to Bring Out Leadership in Everyone* (Berrett-Koehler, 2003), from which portions of this article have been drawn.

The 21st-century organization needs to unlock the capacity of all its people to contribute. We can no longer rely on a coterie of subordinates awaiting their marching orders from detached bosses who share the illusion that they alone can fix all the organization's problems. We need organizations that can empower every capable and willing employee to assume leadership in the moment, in their relationships with peers, team members, customers, suppliers and other organizational partners.

Organizations today may have no choice in the matter because they are staffed by increasingly diverse and skilled people, and are operating in a turbulent environment. In fact, bureaucracy itself is gradually breaking down as information is reorganized in the form of distributed knowledge in order to facilitate decision making. All workers are being given the tools they need not only to run their own immediate work function but also to see how their function connects to the rest of the organization. People have access to information that was once the exclusive domain of top management, and as workers become more connected to one another, the

entire enterprise becomes much more interdependent. For example, people who work in sales are now being encouraged to communicate customer preferences to systems designers, and nurses and dietitians are being assigned to the same team. Expertise has become as much a function of cross-functional units operating together as intelligence belonging to one individual.

In this environment, individual workers may possess knowledge that far exceeds that of their superiors. For example, the military's use of new digital technology such as unmanned spy planes and robotic sensors has the effect of pushing information down the line to the lowest-ranking troops. The strategy, though, can only succeed if officers in the field can act on the available information without waiting for orders from headquarters.

Leadership in this more expansive view extends beyond the confines of the chief executive suite. Operating as part of self-directed teams or as individual contributors, employees become leaders if they have the relevant responsibility and expertise. As Bill Gore, founder of W.L. Gore, the maker of Gore-Tex, said, "Leadership is defined by what you do, not who you are."

The art and science of leaderful practice

The practice of involving everyone in leadership is so distinct from the conventional view of leadership that I have given it a new name, "leaderful practice." It is based on what I refer to as "the four c's": collective, concurrent, collaborative and compassionate.

Collective leadership means that everyone in the organization can serve as a leader; it is not dependent on any one individual to take over. In **concurrent** leadership, not only can many members serve as leaders, but they can do so at the same time. No one, including

the supervisor, needs to stand down when others are making a leadership contribution. **Collaborative** leadership means that everyone is in control of, and can speak for, the entire team. All members engage in a mutual dialogue to determine what needs to be done and how to do it, and together they pitch in to accomplish the work. Finally, in **compassionate** leadership,

to exceed their IPO prices was their inability to engage employees in corporate goals and provide a satisfying work environment. A Gallup survey found that the most "engaged" workplaces (those that involved people in doing quality work, fulfilling their talent, demonstrating compassion and commitment to employees' growth), compared with the least engaged, were 50 per cent more

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members commit to preserving the dignity of every single member of the team, meaning that they consider each individual whenever any decision is made or any action taken.

Since leaderful practice is a new concept, there are no studies linking it to bottom-line results. However, there is an abundance of research on related social experiments in teams and organizations. For example, studies of participative management in all its forms-job enrichment, total quality management, empowerment, organizational learning, and so on-have revealed impressive economic results when the practice is properly implemented. ("When implemented properly" simply means that any leaderful approach needs to take into consideration the ability and willingness of the workforce, the nature of the product or service, the strategic orientation of the organization, and existing cultural values.)

Still, if leadership practice is to withstand the scrutiny of the competitive world, it requires a bottom-line analysis. In addition to its promise of building capacity and igniting the natural talent in people, it needs to prove that it can contribute to the productiveness and growth of the organization.

Direct and indirect effects

People who are given the chance to fulfill their potential are often inclined to dedicate some of that potential to their organization, which in turn has a positive effect on the bottom line. A study at Cap Gemini Ernst & Young's Center for Business Innovation found that a principal reason for new companies failing

likely to have lower turnover, 56 per cent more likely to have higher-than-average customer loyalty, 38 per cent more likely to have above-average productivity, and 27 per cent more likely to report higher profitability.

A study by Kravetz and Associates found that Forbes 500 companies that engaged in what they called "progressive" human resource practices (such as participative management, decentralized structures, employee development) achieved superior bottom-line results compared with non-progressive counterparts: sales growth and profits were higher by \$190 billion and \$56 billion, respectively. The study also asserted that 80 per cent of the progressiveness factors involved no cost; rather, they entailed only a corporate focus on people-oriented leadership. When the chips are down-your company is blindsided by a competitor, a new technology, a sudden shift in market preferences, or even a crisis or tragedy-it is imperative to have an engaged community in which members practically volunteer their services.

How do we create a climate that turns everyone into leaders? Organizations and their leaders can start by paying attention to critical democratic processes-how openly do people dialogue with one another? can workers challenge their superiors without adverse repercussions? are they allowed to make understandable mistakes? Leaderful practice recognizes that the means of accomplishment should be stressed as much as the ends. Otherwise, we risk the enduring health of the enterprise for a short-term gain.

We should also acknowledge that any set of leaderful processes may only indirectly affect the bottom line.

For example, encouraging individual ownership of work output may well cause people to feel better about their jobs. This in turn may reduce turnover and absenteeism, reducing costs while improving performance and productivity. Similarly, if leaderful conditions mean that the people who implement decisions have access to all the relevant, available knowledge, then decision making as a whole should become more effective.

Here are some of the important intervening factors that can be directly affected by leaderful practice:

- **Quality** Leaderful conditions can lead to pride in one's craftsmanship.
- **Innovation** Creative problem-solving processes and solutions can improve quality.
- **Change** Trust and support increase the adaptability of the community and reduce resistance.
- **Flexibility** People feel challenged when they try out new ideas and methods.
- **Learning** Members of the organization look to continuously improve their performance.
- **Supervision** Greater use of self-management leads to reduced need for direct supervision.
- **Resiliency** Leaderful individuals persist, even when faced with adversity.
- **Proactivity** When operating proactively, people tend to anticipate problems and are inclined to act independently and interdependently.
- **Patience** After an initial learning period, the rate of output should increase.
- **Commitment** Increased commitment is likely to lead to greater attraction and retention of employees.

Data also show both a perceived and real direct link between participative programs and bottom-line results. For example, two studies of Fortune 1000 firms by Edward Lawler and his associates found that employee involvement not only produced better operating results

for the sponsoring organizations but increased their industry reputations. Employee involvement was defined broadly by these studies as involving all levels of employees in the organization in four key features: power, information, knowledge and rewards. The factor that is most consistent with leaderful practice is power, since it entails consciously bringing employees into the process of managerial decision making, rather than making decisions within the confines of the executive suite. Here's how former U.S. President Richard Nixon characterized it:

I would not think of making a decision by going around the table and then deciding on the basis of how everyone felt. Of course, I like to hear from everyone, but then I go off alone and decide. The decisions that are important must be made alone.

Leaderful practice calls for participation in leadership and decision making at all levels, and in multiple decision processes. Furthermore, its effectiveness will be enhanced as its reach is extended. Achieving bottom-line results may require more than simply consulting with employees on possible solutions to a problem. Involving employees in the planning, design and evaluation of an intervention is a start, but they also need to participate in the implementation.

The benefits of leaderful practice will likely be cumulative, as willing and able individuals concurrently and collectively participate in all phases of leadership.

Beyond the bottom line

While leaderful practice has great potential to affect the bottom line, there is also an ethical perspective to consider—that is, allowing people to share in the leadership of their communities is simply the right thing to do. It is inherently human to wish to affect the endeavours to which we dedicate our time and commitment. Leaderful practice inspires genuineness among community members, enabling them to bring their whole person to work. Employees don't need to fragment their work and their personal selves. This is especially important because many of our social relationships are formed at work, and people want these relationships to be genuine. Genuineness can contribute to worker satisfaction and retention. A 1999 study of

over 6,000 workers by Randstad North America, for example, found that the top reason employees gave for staying with their current company was affection for their co-workers (71 per cent).

People want to be genuine within their own community. Unfortunately, some of the current guidance

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on leadership supports role-taking behaviour. *Discovering the Leader in You*, by Robert J. Lee and Sara N. King, warns prospective leaders that they are no longer "one of the gang." The authors caution leaders to be prepared to lose their long-lasting, genuinely comfortable relationships, and to expect a feeling of "aloneness." They say that the higher individuals climb in an organization, the more they need to tightly control their feelings and words. "You may want to relax and joke around...but relaxation becomes a scarce commodity. You must be more conscious of your image. A show of anxiety might easily spread anxiety among your direct reports."

Executive Leadership, by Joseph Olmstead, focuses on subordinates, who are advised to be guarded because of their inferior ranking in the organization. He advises them to make themselves heard, particularly when plans are in the idea phase, but also to "suffer silence when the executive's decisions go counter to [their] idea of what is operationally correct or personally desirable." According to Olmstead, subordinates who want to criticize should be "critical in a deferential way, even though the actual feeling may be deep resentment." This strikes me as contrary to the sense of integrity and genuineness that leaderful behaviour calls for. Although it is reasonable to ask that subordinates be fair and understanding, perhaps even that they be polite, it is unreasonable to ask them to be deferential in the face of decisions to which they are opposed. Surely we don't need organizations filled with subordinates who spend time suppressing their deeply held opinions and carrying around their deeply felt resentments.

Not only do we want the members of our community

to express themselves, but we want them to *be* themselves. Work can be both fun and personally enlightening. Herb Kelleher, former head of Southwest Airlines, said he hopes that when people think back about their time at work, "they say that Southwest Airlines was one of the finest experiences they ever had; that it helped them grow beyond anything they thought

possible." As people feel more authentic, they feel more liberated to be all that they can be. Or, as Gilbert Fairholm, author of *Perspectives on Leadership*, puts it, people become "thinking contributors, not just physical extensions of the managers' capacities, ideas and creativity."

We can all benefit from spending more time getting to know our colleagues compassionately and understanding who they are beyond the organizational role they may play. Max De Pree, the former CEO of Herman Miller, tells this story about his father, the founder of the company: D.J. De Pree would visit the family of any key employee who passed away. When the millwright died, De Pree called on his widow, who read to him some of her husband's poetry. De Pree left the house wondering whether this man was a poet who did millwright's work, or a millwright who happened to write poetry.

Unfortunately, the ethic of authenticity and compassion inspired by leaderful practice is likely to meet resistance because of the expectations of both managers and employees. For example, there is often an expectation that anyone who assumes a leadership position has to behave differently. In the knowledge era, however, this is no longer useful or necessary. Perhaps we first need to acknowledge that good leaders can also be genuine.

Authentic behaviour can have a dramatic effect on an organization. *In To the Desert and Back: The Story of One of the Most Dramatic Business Transformations on Record*, Phil Mirvis, Karen Ayas and George Ross illustrate how Tex Gunning, former chairman of Van

den Bergh Netherlands, a foods division of Unilever, began the transformation that moved his company out of near bankruptcy. At a retreat with 200 senior managers, Gunning spoke from the heart about the death of his father, his abusive family, the highs and lows of his schooling, and his career. After his story, one of the attendees shouted out, "Thank you for sharing that, Tex. It's good to know you better." The managers then shared their own life stories with one another. Another attendee summed up the experience of authentic dialogue this way:

For me, the experience represented a major turnaround...the way leaders and then all the people of Van den Bergh showed something personal about themselves. The example showed that I am more than just a 'working' person in the company. The 'whole' person would be welcomed.

As a collective and compassionate approach, leaderful practice expresses a humility that seeks to serve others and does not seek power for its own sake. People learn to count on others because they have learned that each member, even the weakest, will be kept in mind when decisions are made. Most of us respond to those who are trustful and who display their humanness. Those who try to sway others with glib speeches are eventually exposed. People don't need a speechwriter when they are speaking from the heart.

Kevin Cashman's book *Leadership from the Inside Out* provides a great example of someone who engendered trust in people. When Ken Melrose took over as president of near-bankrupt Toro Company in 1981, the company's headcount was slashed from 4,200 employees to 1,800. Melrose was the only member of the management team who had not been terminated. Needless to say, morale was at an all-time low. Melrose decided to address the remaining employees as a group. Here's how he put it:

"We're in a very severe crisis, and you're wondering what went wrong. Well, management has let you down, and the entire management team is gone except for me. If you have to blame someone, then blame me. If you want to be part of the solution, then join me, and we'll bring this company back from

the ashes."

Melrose's personal appeal to his community (calling it a speech would devalue it) led to a cultural transformation at Toro. In four years, the company returned to solid health, in large measure due to Ken Melrose's leaderful practice. His is a compelling example of how leaderful practice can improve the overall health of an organization and the people who work in it. ■