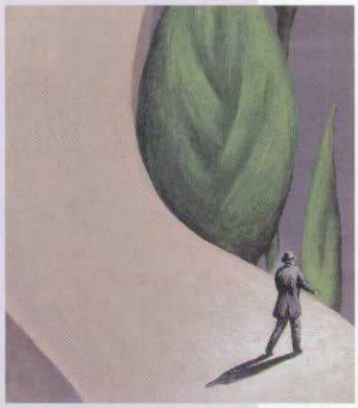
1990

What Leaders Really Do



They don't make plans; they don't solve problems; they don't even organize people. What leaders really do is prepare organizations for change and help them cope as they struggle through it.

The article reprinted here stands on its own, of course, but it can also be seen as a crucial contribution to a debate that began in 1977, when Harvard Business School professor Abraham Zaleznik published an HBR article with the deceptively mild title "Managers and Leaders: Are They Different?" The piece caused an uproar in business schools. It argued that the theoreticians of scientific management, with their organizational diagrams and time-and-motion studies, were missing half the picture – the half filled with inspiration, vision, and the full spectrum of human drives and desires. The study of leadership hasn't been the same since.

"What Leaders Really Do," first published in 1990, deepens and extends the insights of the 1977 article. Introducing one of those brand-new ideas that seems obvious once it's expressed, retired Harvard Business School professor John Kotter proposes that management and leadership are different but complementary, and that in a changing world, one cannot function without the other. He then enumerates and contrasts the primary tasks of the manager and the leader. His key point bears repeating: Managers promote stability while leaders press for change, and only organizations that embrace both sides of that contradiction can thrive in turbulent times.

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 overmanaged 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

Management is about coping with complexity. Leadership, by contrast, is about coping with change.

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 workforce 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 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 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.

*Now retired, **John P. Kotter** was a professor of organizational behavior at Harvard Business School in Boston. He is the author of such books as* The General Managers *(Free Press, 1986),* The Leadership Factor *(Free Press, 1988), and* A Force for Change: How Leadership Differs from Management *(Free Press, 1990).*

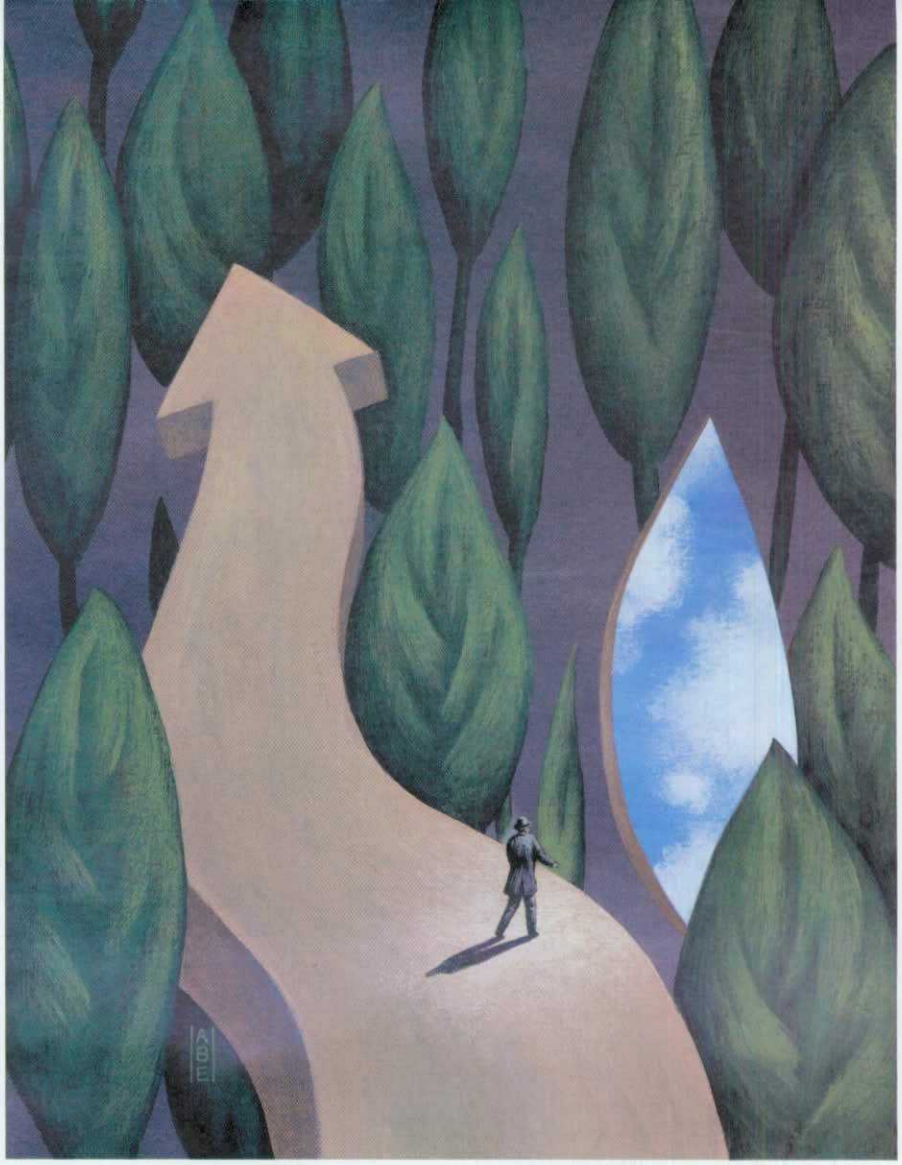


ILLUSTRATION: GEORGE ABE

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. 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 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.

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 were 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.

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.

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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.

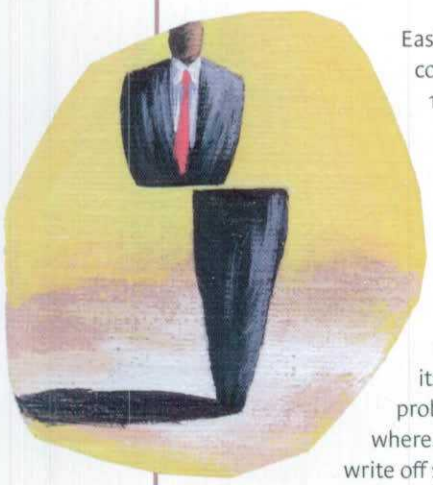
Trying to get people to comprehend a vision of an alternative future is also a communications challenge of a completely different magnitude from organizing them to fulfill a short-term plan. It's much like the difference between a football quarterback attempting to describe to his team the next two or 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.

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.

Motivation and inspiration energize people, not by pushing them in the right direction but by satisfying basic human needs.

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 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

MOTIVATING PEOPLE:
Richard Nicolosi at Procter & 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.

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.

Well-led businesses tend to recognize and reward people who successfully develop leaders.

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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ARTICLES

"The Ways Chief Executive Officers Lead"
Charles M. Farkas and Suzy Wetlaufer
Harvard Business Review, May–June 1996
Product No. 96303

CEOs inspire a variety of sentiments ranging from awe to wrath, but there's little debate over their importance in the business world. The authors conducted 160 interviews with executives around the world. Instead of finding 160 different approaches, they found five, each with a singular focus: strategy, people, expertise, controls, or change. Although approaches may vary, all leaders have three major functions to fulfill in an organization: direction setting, alignment, and motivation.

"The Manager's Job: Folklore and Fact"
Henry Mintzberg
Harvard Business Review, March–April 1990
Product No. 90210

In this HBR Classic, Mintzberg uses his and other research to debunk myths of the manager's role. Managerial work involves interpersonal roles, informational roles, and decisional roles, he notes. These in turn require specific skills – for example, developing peer relationships, carrying out negotiations, motivating subordinates, resolving conflicts, establishing information networks and disseminating information, making decisions with little or ambiguous information, and allocating resources. These skills are different from, but complementary to, the more concrete ones required of leaders.

BOOKS

Leading Change
John P. Kotter
Harvard Business School Press, 1996
Product No. 7471

Leadership is primarily about coping with change, and this book describes what a change initiative looks like. Kotter identifies eight errors common to transformation efforts and offers an eight-step process for overcoming them and successfully completing the transformation: establishing a greater sense of urgency, creating the guiding coalition, developing a vision and strategy, communicating the change vision, empowering others to act, creating short-term wins, consolidating gains and producing even more change, and institutionalizing new approaches in the future.

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