

BILL GEORGE

BESTSELLING AUTHOR OF TRUE NORTH

LEAD TRUE

AUTHENTIC LEADERSHIP
REDISCOVERED



LEAD TRUE

Authentic Leadership Rediscovered

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**YOUR TRUE NORTH –
WHICH IS UNIQUE TO
YOU – IS THE INTERNAL
COMPASS THAT GUIDES
YOU SUCCESSFULLY
THROUGH LIFE.**



INTRODUCTION

WHY DISCOVERING YOUR TRUE NORTH MATTERS

Have you discovered your True North?

This may be the most important task of your life. Your True North – which is unique to you – is the internal compass that guides you successfully through life, representing who you are at your deepest level. It is based on your beliefs, your most cherished values, your passions and motivations, and the sources of true fulfillment in your life.

For many years Stanford's application for its Graduate School of Business had just one question: "What matters most to you in your life, and why?" This is a good place to start the process of discovering your True North.

Then take a few minutes and write down your answer to the question, "What is my True North?"

Whether you are 25 or 65, I suspect you will find this is a difficult question to answer. You may start with a superficial response that encompasses your family, your career, and your desire "to make a difference in the world." But push beyond this. Seek an answer that goes to the core of your being – of who you are, not what you are in the world. This requires deep introspection, reflection and discern-

ment. It is only through such a rigorous process of self-analysis that you can discover your True North.

Until you discover your True North, it is easy to feel adrift, buffeted by swirling winds going in multiple directions, and trapped in trying to adapt to the prevailing pressures in the world around you. You are unmoored, uncertain which way to turn and to whom you should listen. You strive to get ahead and strive for certain goals, and yet you lack a deeper sense of satisfaction and fulfillment.

At some point you may “hit the wall,” fearful of derailing but determined to work even harder, yet unable to go forward. You may feel as if you are trapped like a hamster in a cage, going round and round, faster and faster, but never advancing. You may be having a crucible experience that, as painful as it is, forces you to stop, pull back, and rethink your life.

Dante opened his classic masterpiece, *The Divine Comedy*, with these words: “In the middle of the road of my life, I awoke in a dark wood where the true way was wholly lost.” Have you ever felt this way? I know I did in my early 40’s as a Honeywell executive, working harder and harder but without any sense of purpose, fulfillment or meaning. That’s when a period of discernment led me to Medtronic’s doorstep, and opened up the best 13 years of my career.

When you are prepared to pause and reassess your life, it is a sign you are ready to discover your True North. You have learned that trying to please the external forces around you is a fool’s errand because you haven’t answered these fundamental questions.

Set aside some time in your life for a period of introspection, reflec-

tion and discernment. Consult with the people closest to you, those who know you the best, and whose support and opinion you value. From this process, which may take weeks, months or even a year or more, your True North emerges. You know what you believe, your core values are solidified, and your direction becomes clear. You now know how to Lead True.

You have discovered your True North. It will guide you the rest of your life, wherever your path may take you.

Note to Readers: If you have not yet read *Discover Your True North*, I encourage you to do so as you read the articles that follow. The book will give you a context for the views expressed in these articles and the basis for my perspective on people and issues. The easiest and least expensive way to purchase is through www.amazon.com or <https://amzn.to/2ucE8Yf>

DIGGING DEEPER INTO AUTHENTIC LEADERSHIP

In the fifteen years since I wrote *Authentic Leadership* in 2003, leadership practitioners and scholars have shifted their thinking about what constitutes a great leader to authentic leadership.

When I wrote my first book, it never occurred to me that the notion of being authentic would create so much controversy. To me, authenticity – being genuine and true to yourself – was a straightforward idea that is easier to articulate than to practice. But being an authentic leader in the real world was a more complex undertaking. That’s why I defined authentic leadership as:

- Understanding your purpose
- Practicing solid values
- Leading with heart
- Establishing connected relationships
- Demonstrating self-discipline

This approach to leadership – which was quite new in 2003 – formed a sharp contrast with the prevailing leadership approaches at that time which centered around leadership style, charisma, and competency models. These existing theories concentrated on the leader’s external appearances, whereas authenticity focused on the leader within.

Over the last fifteen years authenticity has emerged as “the gold stan-

dard” that business organizations are looking for in their leaders. But being authentic in business is much easier said than done, as leaders have to confront a wide array of circumstances in their dealings that may cause them to pull back from being genuine and showing their true selves to the world.

It is clear that being an authentic leader is a topic that deserves much more in-depth exploration into how people lead authentically. That is the purpose of the articles that follow – to probe more deeply into the challenges that authentic leaders face in developing themselves, bringing their leadership to the workplace, leading globally, and engaging in important public issues.

In this book I have included the best articles I have written on this subject, most of them in the last three years. They are grouped by the natural flow leaders face in developing themselves through their public challenges. Part I examines the essence of becoming an authentic leader, focusing on the inner journey all leaders must take. Part II goes deeper into the “I to We” journey of shifting from self-focus to others-focus in leading and empowering people.

The articles in Part III concentrate on bringing authentic leadership to the workplace, and the challenges that leaders face – from creating innovative organizations to coping with short-term pressures. We examine two cases of great companies that lost their way – General Electric and Wells Fargo, and examine how companies cope with crises, contrasting Facebook’s Mark Zuckerberg with Starbucks’ Howard Schultz and Kevin Johnson. The section closes with a profile of Unilever’s Paul Polman, analyzing the reasons for his success in the past ten years.

As all companies are becoming global in their businesses, Part IV articles look at the complexities of being authentic in a global context, and how that differs from operating in your home country. In Part V, the final section, we explore the ways in which authentic leaders are tackling larger societal issues that impact them and their companies, as they take greater responsibility for the environment in which they operate.

Taken as a whole, the articles contained in this book will give you greater clarity on how you can develop as an authentic leader, become more effective in leading within your organization, and address the issues you will face as an authentic leader.

If you take them to heart, you will be able to Lead True – true to your genuine self – and you will be able to stay on course of your True North.

PART I

A HUMAN-CENTERED APPROACH TO LEADERSHIP DEVELOPMENT



PART I

A HUMAN CENTERED APPROACH TO LEADERSHIP DEVELOPMENT

My 2007 book, *True North*, showed people how they could develop themselves as authentic leaders. Whereas *Authentic Leadership* was based on my personal experiences in leading, *True North* was built on field research drawn from in-person interviews with 125 leaders. With 3,000 pages of transcripts, it remains as the largest in-depth study of leaders ever conducted based on first person interviews.

Having examined literature containing more than 1,000 studies of leaders, most of which employed third person observations and questionnaires, our research team hoped that learning directly from these leaders about what was important to them and how they had developed would give us much richer insights than prior studies. Indeed, this proved to be the case. We discovered the paramount importance of leaders' life stories and the crucibles they had faced. We also learned from them how people develop as authentic leaders.

Our research revealed that leadership is indeed a fully human endeavor. My thinking is built upon the pioneering work of Abraham Maslow, Carl Rogers, Douglas McGregor, Daniel Goleman and Warren Bennis.

True North assembled this developmental process in an original approach that enables people to develop themselves as authentic leaders.

In order to see how leadership has changed in the past decade, we initiated research in 2014 that focused on 47 new leaders who were more global and diverse than the original cohort. We also followed up on 90 leaders featured in True North to see how they have fared since their 2005-06 interviews. With only a couple of exceptions, we learned these leaders had remained true to their authentic selves, and had performed very well in myriad roles.

This research led to my next book, *Discover Your True North*, which profiles 101 leaders and describes how they developed. It also draws heavily upon classroom experiences in the Authentic Leadership Development courses at Harvard Business School, where more than 10,000 MBAs and executives have participated in this developmental process.

Most significantly, we learned that authentic leaders are constantly growing and learning from their leadership experiences. By taking on new challenges, they become more effective as leaders. When they find themselves in entirely new situations, authentic leaders draw upon their true selves, what they have learned in past life experiences, especially their crucibles, and they learn from their new colleagues. This enables them to become more effective as leaders. This approach parallels Stanford's Carol Dweck's "growth mindset."

If you want to be an authentic leader and have a meaningful life, you need to do the difficult inner work to develop yourself, have a strong moral compass based on your beliefs and values, and work on problems that matter to you.

When you look back on your life it may not be perfect, but it will be authentically yours.

AUTHENTIC LEADERSHIP REDISCOVERED

Bill's Commentary: I wrote this article out of concern that some academic authors were distorting the definition and meaning of authentic leadership, and to clarify what I meant by authentic leadership. Being an authentic leader is vastly more complex than behaving authentically because it involves turning your authenticity into an approach to leadership that inspires and empowers other people to perform at the highest level.

“Authenticity has become the gold standard for leadership”

— *Harvard Business Review*, January 2015

In the last 10 years, authenticity has become the gold standard of leadership. This is a sea change from 2003 when I wrote *Authentic Leadership*. Back then, many people asked what it meant to be authentic. *Authentic Leadership* was intended as a clarion call to the new generation to learn from negative examples like Enron, WorldCom and Tyco. In it, I defined authentic leaders as genuine, moral and character-based leaders:

“People of the highest integrity, committed to building enduring organizations ... who have a deep sense of purpose and are true to their core values, who have the courage to build their companies to meet the needs of all their stakeholders, and who recognize the importance

of their service to society.”

Authentic leaders demonstrate these five qualities:

- 1. Understanding their purpose**
- 2. Practicing solid values**
- 3. Leading with heart**
- 4. Establishing connected relationships**
- 5. Demonstrating self-discipline**

The following year the Gallup Institute and Professor Bruce Avolio, a distinguished leadership scholar at the University of Nebraska Lincoln, organized a definitive conference on authentic leadership in which the importance of leaders’ life stories became paramount.

In spite of widespread acceptance of authentic leadership—or perhaps because of it—several authors have recently challenged the value of being authentic, claiming it is an excuse for being locked into a rigid view of one’s leadership, being rude and insensitive, refusing to change, or not adapting to one’s style to the situation. These arguments appear to demonstrate a fundamental misunderstanding of what constitutes an authentic leader.

Recommendations that leaders should accept narcissism, embrace their inner jerk, or focus on themselves will not work in the long run.

In light of this public discussion, it’s important to rediscover authentic leadership as well as examine some of the recent mischaracterizations of it.

Authentic leadership is built on your character, not your style. My mentor Warren Bennis said, “Leadership is character. It is not just a superficial question of style. It has to do with who we are as human beings and the forces that shaped us.”

Style is the outward manifestation of one’s authentic leadership, not one’s inner self. To become authentic leaders, people must adopt flexible styles that fit the situation and the capabilities of their teammates. At times, authentic leaders are coaches and mentors, inspiring others and empowering them to lead through the most important tasks without a great deal of supervision. At other times, authentic leaders must make very difficult decisions, terminating people and going against the will of the majority, as required to meet the situational imperative. These difficult actions can be taken while still retaining their authenticity.

Authentic leaders are real and genuine. You cannot “fake it till you make it” by putting on a show as a leader or being a chameleon in your style. People sense very quickly who is authentic and who is not. Some leaders may pull it off for a while, but ultimately they will not gain the trust of their teammates, especially when dealing with difficult situations. The widespread adoption of LinkedIn, Google and increasingly networked communities means that every leader has the informal equivalent of a “Yelp” score that will come to light. If people see their leaders as trustworthy and willing to learn, followers will respond very positively to requests for help in getting through difficult times.

Authentic leaders are constantly growing. They do not have a rigid view of themselves and their leadership. Becoming authentic is a developmental state that enables leaders to progress through multiple

roles, as they learn and grow from their experiences. Like superior performances in athletics or music, becoming an authentic leader requires years of practice in challenging situations.

Authentic leaders match their behavior to their context, an essential part of emotional intelligence (EQ). They do not burst out with whatever they may be thinking or feeling. Rather, they exhibit self-monitoring, understand how they are being perceived, and use emotional intelligence (EQ) to communicate effectively.

Authentic leaders are not perfect, nor do they try to be. They make mistakes, but they are willing to admit their errors and learn from them. They know how to ask others for help. But neither are authentic leaders too modest. It takes a great deal of self-confidence to lead through very difficult situations.

Authentic leaders are sensitive to the needs of others. One author has postulated, and I paraphrase, “What if your real self is a jerk?”. People are not born as jerks, nor does this behavior reflect their authentic selves. Rather, these individuals likely had very negative experiences early in their lives that cause them to have difficulty in managing their anger, in part because they feel like victims or feel inadequate.

Situations like these indicate the importance of processing one’s crucibles: people need not feel like victims or stuff their experiences deep inside themselves. Rather, by understanding themselves and reframing their experiences, they can find the pearl inside that represents their authentic selves. That’s why exploring who they are and getting honest feedback from their colleagues are essential elements of becoming authentic leaders. That’s what Starbucks’ Howard Schultz did in coping with the severe challenges of his youth. It is also what

made the difference for Steve Jobs when he returned to Apple nine years after his 1986 termination.

For all these reasons, authentic leaders constitute the vast majority of people chosen today for key roles in business and nonprofits. Their emergence as the predominant way of leading has resulted from all we have discovered about leadership in the past decade.

The original article was published on November 10, 2015 in HBS Working Knowledge.

THE TRUTH ABOUT AUTHENTIC LEADERS

Bill's Commentary: As the academic debates over authentic leadership continued in 2016, I decided that further clarification of its true meaning was required. In this article, I provide readers with a five-step approach to developing as an authentic leader based on current research findings.

The debate over which form of leadership works best seems settled, in my view. Most leading companies globally are focusing on developing “authentic leaders” within their ranks. Executive courses at Harvard Business School in authentic leadership development are oversubscribed and expanding every year. As the Harvard Business Review declared in January 2015, “Authenticity has emerged as the gold standard for leadership.”

In 2003, my book *Authentic Leadership* proposed a new kind of leader, whose character was the ingredient that mattered most—more than characteristics or style. I also challenged older models of leadership, including the “great man theory” and competency-based leadership models. Previous generations of business people spent more time trying to “market” themselves as leaders, rather than undertaking the transformative work that leadership development requires.

Critiques of authenticity

But recently leading scholars at Insead, Stanford, and Wharton chal-

lenged the concept of authentic leadership. Like all movements—Harvard University Professor Michael Porter’s famous five forces of strategy comes to mind—growing acceptance of an idea often attracts contrarian critiques from academics, which ultimately are healthy in clarifying our understanding.

In Leadership BS, Stanford’s Jeff Pfeffer says, “the last thing a leader needs to be at crucial moments is authentic.” Insead’s Herminia Ibarra adds, “We have to find a way to fake it till we become it.” The most recent salvo comes from Wharton’s Adam Grant, who wrote in the June 5 New York Times, “Be yourself’ is actually terrible advice... Nobody wants to see your true self.”

“AUTHENTIC LEADERS MONITOR THEIR WORDS AND BEHAVIORS CAREFULLY TO BE ATTUNED TO THEIR AUDIENCES AND TO ENROLL THEIR COLLEAGUES AND TEAMMATES”

While these writings have garnered plenty of press attention, their critiques of authentic leaders reflect a fundamental misunderstanding of authenticity. Webster defines authenticity as “real or genuine; not copied or false; true and accurate.” It comes from the Greek word for author, which led author Warren Bennis to say, “You are the author of your life.”

Ibarra postulates two types of authentic leaders: “low self-monitors” and “high self-monitors.” Low self-monitors tend to say whatever comes to mind, whereas high self-monitors watch carefully what they say for its impact on others. This distinction creates a false dichotomy because low self-monitoring is the opposite of being authentic, and is a sign of immaturity and insensitivity to the feelings of others. Lead-

ers who do this, such as telling a colleague, “I’d like to go to bed with you,” as Grant proposes, are anything but authentic.

Authentic leaders monitor their words and behaviors carefully to be attuned to their audiences and to enroll their colleagues and teammates. They do so because they are sensitive to the impact their words and actions have on others, not because they are “messaging” the right talking points.

Ibarra’s second critique of authentic leaders is that they are often locked into a rigid sense of themselves, much like their immature teenage selves. This is the antithesis of authentic leaders, who are constantly developing themselves to increase self-awareness and improve relationships with others. They don’t hide behind their flaws; instead, they seek to understand them. This lifelong developmental process is similar to what musicians and athletes go through in improving their capabilities.

How leaders develop their authenticity

Rather than trying to redefine what it means to be authentic, research and leadership development programs should focus on how leaders develop their authenticity. Being authentic as a leader is hard work and takes years of experience in leadership roles. No one can be authentic without fail; everyone behaves inauthentically at times, saying and doing things they will come to regret. The key is to have the self awareness to recognize these times and listen to close colleagues who point them out.

The essence of authentic leadership is emotional intelligence, or EQ,

as articulated by Daniel Goleman. People with high IQs and low EQs can hardly be called authentic leaders. In contrast to IQ, which basically does not change in one's adult lifetime, EQ can be developed. The first and most important step on this journey is gaining self awareness.

In preparing to write *Discover Your True North*, my research team and I conducted in-depth interviews with 172 authentic leaders. This research highlighted the vital role of self awareness in leadership development. Here are some recommended steps people undertake to develop a deeper understanding of themselves in order to become authentic leaders:

Explore their life stories and their crucibles in order to understand who they are. As my HBS colleague Lakshmi Ramarajan says, the process of learning, growing, and developing an integrated self is a process of construction and meaning-making. As leaders explore their life stories and crucibles, and process their experiences, they develop deeper understanding of themselves and feel increasingly comfortable being authentic. This is a lifelong journey in which we are always discovering the next layer, much like peeling an onion. As leaders discover their truth – their True North – they gain confidence and resilience to face difficult situations.

Engage in reflection and introspective practices by taking time every day to step back from the 24/7 world, turn off all electronics, and reflect on what is most important to them. This can be done through introspective practices that are growing rapidly in popularity, such as meditation, mindfulness, prayer, long walks to clear one's mind, or simply sitting quietly and reflecting. The key here is set aside preoccupation with task lists, iPhones, and the latest news in order to reflect

privately. In this way the urgent does not take precedence over the important in one's life, and leaders examine how they are living their lives and engaging with the world around them.

Seeking honest feedback from colleagues, friends, and subordinates about themselves and their leadership. One of the hardest things for leaders to do is to understand how other people see them, which is often quite different than how they want to be seen. To gain greater understanding of how they are coming across, authentic leaders obtain real-time feedback by listening to their "truth tellers," who give them candid critiques about their leadership. Those that surround themselves with loyal sycophants, who only tell them how well they are doing rather than being brutally honest, risk going off track. Leaders also gather feedback through regular 360 degree reviews from peers and subordinates. The qualitative comments shared in 360 reviews can be of great benefit if leaders take them to heart, and genuinely try to change.

Understand their leadership purpose so they can align people around a common purpose. Purpose defines the unique gifts people bring to leadership challenges, through which they can align others with their purposes in order to create positive impact. This is far more important than focusing entirely on achieving success in metrics like money, fame and power, yet ultimately produces sustained success in those metrics as well.

Become skilled at tailoring their style to their audiences, imperatives of the situation, and readiness of their teammates to accept different approaches. There are times when leaders have to make difficult decisions that are sure to displease people, and they'll need to give tough

feedback. At other times they need to be inspiring, good coaches, and consensus builders. These flexible styles aren't inauthentic if they come from a genuinely authentic place. In this sense leaders' styles become the outward manifestation of their authenticity. As leaders gain experience and develop greater self awareness, they become more skillful in adapting their style, without compromising their character.

What is needed now is a deeper understanding of how leaders become authentic, as they navigate the practical dilemmas and paradoxes they face. For example, Karissa Thacker's recent book *The Art of Authenticity* takes authenticity to a deeper level by exploring topics like relational transparency and honest conversations, making peace with paradox, and seeking the truth.

My colleagues at HBS are working on the challenges of being authentic, such as how and when to be vulnerable, cognitive distortions, making meaning of who we are by integrating the constructed self with the true self—or True North—and going from purpose to impact. These are fertile areas for research by academics and incompany leadership experts.

Rather than creating false postulations about authentic leaders, we need to focus on how we can enable leaders to become more authentic, and give them the tools to do so. In this way authentic leaders will be able to create better lives for everyone they serve.

The original article was published on July 6, 2016 in HBS Working Knowledge.

YOU WON'T MAKE IT IF YOU FAKE IT

Bill's Commentary: Another false notion popularized in recent years is "faking it till you make it." This premise of this flawed idea is to behave externally in a certain way in order to impress people - even if that is in direct contravention to your authentic self. As the proposal goes, if you behave this way, eventually you will become that person. What the idea failed to recognize is that this approach attempted to get people to behave in inauthentic ways and assumed that they could fool other people. Of course, people could see right through their behaviors and were not so easily fooled. As a result, this constrained their ability to develop authentically and harmed their capacity to lead others.

In the following article, I draw a comparison of the authenticity of Facebook's Sheryl Sandburg to the "faking it" approach of Theranos' Elizabeth Holmes. At the time, this drew a strong rebuke from Theranos' public relations team. Ultimately, the critique proved to be accurate as Holmes was forced to acknowledge that her company had indeed been using false test data to persuade people of an unproven blood testing approach that had to be withdrawn. As this is written, she has been indicted on fraud charges by the U.S. Attorney's office in San Francisco.

The cover of last January's Harvard Business Review featured the subhead, "When it's OK to fake it till you make it."

“Faking it” is the antithesis of authentic leadership.

Following this advice is the most likely path to failure as a leader. You cannot act like a leader until you go through the hard steps of developing yourself from within.

With the visible failures of leaders who tried to fake it, people have developed sensitive “sniff tests” and can quickly identify who is authentic and who is not. If you fake leadership, people will be unwilling to follow your lead and will resent your attempts to exert power over them.

Developing as a leader is hard work. It is similar to the rigorous training and required experience that surgeons, musicians, or athletes must go through before excelling in their fields. Can you imagine doing brain surgery without proper training? Or playing the cello at Carnegie Hall or tennis at Wimbledon without years of training and practice?

Just as you cannot learn these skills solely in the classroom, leaders must undertake rigorous personal development and have multiple leadership experiences to prepare for major leadership assignments. Through these processes, they learn about themselves and how to lead diverse people through complex challenges.

Look at the sad case of Theranos CEO Elizabeth Holmes. She is a talented person who rose to fame too quickly, until Theranos was challenged by a Wall Street Journal investigation. On the surface, Holmes’ story seemed to be the perfect narrative. The would-be Silicon Valley entrepreneur dropped out of Stanford at the age of 19 to found Theranos, a company attempting to replace blood-testing draws with single drops from the finger. Holmes’ rapid rise to fame put her on

a fast track to success, with high expectations and intense pressures. Yet she hadn't had adequate leadership experience challenging and leading people through difficult business problems.

Holmes created a \$9 billion valuation on paper by selling venture capitalists on her idea and raising \$400 million. She assembled a celebrity board, convinced Safeway to spend \$350 million to build clinics in its supermarkets, and signed partnerships with Cleveland Clinic and Walgreens. She attracted celebrity media attention with headlines like "Queen Elizabeth: Mystique of Theranos Founder Grows." She received prestigious accolades, being named Presidential Ambassador for Global Entrepreneurship, youngest winner of the Horatio Alger Award, and one of Time's 100 Most Influential People (2015).

Then it all came crashing down.

On October 16, The Wall Street Journal reported that the data Theranos submitted were insufficient to prove the accuracy of many of its tests. In spite of her seeking media visibility, Holmes did not offer comments for this article. Five days later, she said the company was in a "pause period." Subsequently, Walgreens halted expansion of its Theranos bloodtesting centers, and in early November, Safeway announced dissolution of its partnership.

A famous quote says: "You can fool all the people some of the time, and some of the people all the time, but you cannot fool all the people all the time." Maybe the "fake it till you make it" leadership approach will work for a while, but eventually it will catch up with you.

Contrast the 'fake it' approach with that of Facebook COO Sheryl Sandberg, an open and transparent authentic leader whom I profile

in Discover Your True North. Unlike the “rocket ship” career ladder Holmes pursued, Sandberg’s career path took on the shape of a “jungle gym” that she described in Lean In. “I could never have connected the dots from where I started to where I am today,” she wrote.

After graduating from Harvard Business School, Sandberg worked as a management consultant at McKinsey and for Treasury Secretary Larry Summers for six years before joining Google at 32. When she and Facebook CEO Mark Zuckerberg began working together in 2007, Sandberg requested that Zuckerberg provide her with weekly feedback.

After the tragic death last spring of her husband Dave Goldberg, Sandberg shared a touching Facebook post, hoping her story would help others. She wrote, “I realized that to restore that closeness with my colleagues, I needed to let them in. That meant being more open and vulnerable than I ever wanted to be.”

It takes immense bravery to be so honest and open with the world, but realizing that others accept and love you for who you are liberates you as an authentic leader.

I strongly support young leaders like Larry Page and Zuckerberg who start their own businesses. You can get started with little management experience, but to sustain success, it is essential to surround yourself with more experienced leaders as Zuckerberg found with Sandberg. Google founders Page and Sergey Brin followed a similar course by recruiting Eric Schmidt as CEO. It is also important to seek out wise mentors, as Zuckerberg did with Washington Post CEO Donald Graham and venture capitalist Marc Andreessen.

That’s what I learned to do as the 27-year-old general manager of

**“I REALIZED THAT TO RESTORE
CLOSENESS WITH MY COLLEAGUES, I
NEEDED TO LET THEM IN. THAT MEANT
BEING MORE OPEN AND VULNERABLE
THAN I EVER WANTED TO BE.”**

- SHERYL SANDBERG, COO FACEBOOK



Litton Industries' microwave oven division. I recruited an experienced team of appliance industry veterans, including the marketing and sales head who was twice my age and earned twice my salary. Had I tried to fake my leadership and knowledge of the appliance industry, I surely would have failed.

In the research for *Discover Your True North*, we interviewed 170 leaders from 23 to 93 years old. Not one of them talked about faking it to get ahead. What stood out for every one of them was how hard they had worked to develop themselves, and the painful lessons they learned from their mistakes and failures. Through those very difficult experiences they developed the self-awareness, confidence, courage and resilience to persevere through the most difficult challenges, and imbue their colleagues with confidence in their leadership and ability to succeed.

In contrast, leaders who are faking it only fool themselves, as others see through them and are pained by their acting. Sometimes this approach impresses their bosses, which may be good for a promotion or two, but eventually falls apart when they are unable to win support from peers and subordinates.

All leaders are human, subject to frailties and mistakes, but inauthentic leaders are often afraid to face their failures and may try to hide them or blame others. Holmes appears to have talent, ambition, and intellect, but these qualities, unbalanced by authenticity, may have magnified her difficulties.

Authentic leaders are real and genuine. They acknowledge their shortcomings and admit their errors, which enables them to connect with others and inspire teammates. Their leadership is built on their

character and values, as they embrace the vital experiences that shape them, and are comfortable in their skin.

That's why Sheryl Sandberg has been so successful, a great partner for Mark Zuckerberg, and wise adviser to millions who have read *Lean In*. Leaders like Sandberg understand they won't make it if they fake it, but they will succeed by being authentic.

The original article was published on December 8, 2015 in HBS Working Knowledge.

WHY LEADERS LOSE THEIR WAY

Bill's Commentary: Losing your way is a very common phenomenon for people in their late thirties and early forties, although many experience it much earlier in life. After achieving great success – at least in the eyes of the world – many leaders encounter difficult times that cause them to ask themselves what they are doing and why. It brings to mind a song from the 1970s that asked, “What’s it all about, Alfie? Is it just for the moment we live?” Often, the process of losing their way causes leaders to change paths to one that nurtures them and enables them to flourish by using their authentic gifts.

Have you ever felt you were losing your way? Cut adrift on a raging sea?

I know I have. When I was reaching the top of Honeywell, I was working 24/7. Having succeeded in turning around a series of troubled businesses, I was tasked with even more turnarounds. On the outside I appeared energized and confident. On the inside I was deeply unhappy but too driven to admit it. In truth, I was losing sight of my True North – more interested in becoming CEO than being a values-centered leader. Driving home one day I had “a flash in the mirror” and saw the real me. It wasn’t pretty.

That day, I felt like Dante who began the Divine Comedy, “In the middle of the road of my life, I awoke in a dark wood where the true way was wholly lost.” Thanks to that mirror, and the help of my wife and support team, I woke up and decided to rethink my life and

career. This self-examination led me to Medtronic and the best 13 years of my professional life.

My personal experience suggests you can get back on track of your True North IF you recognize the signals before it's too late.

In *Discover Your True North*, I describe five behaviors that can cause you to lose your way: Imposters, Rationalizers, Glory Seekers, Loners, and Shooting Stars. Let's examine each of them:

Imposters

Imposters try to reach the top by pretending to be leaders. They are good at office politics — too good. Aggression and paranoia become their hallmarks, and they'll attempt to eliminate anyone blocking their path. Outwardly, they follow the adage, "You have to fake it to make it." Inside, they are driven by the fear they aren't good enough and someone will unmask them as imposters. They rarely ask for help or admit, "I don't know."

Bob Nardelli had a highly successful career at General Electric, becoming one of three candidates to succeed the legendary Jack Welch. Disappointed he wasn't chosen as CEO, he moved to retailer Home Depot, lured by an enormous compensation package. Failing to spend time listening to store managers and customers, he never grasped the retail business. Instead, he centralized decision-making and reduced instore support for customers. He terminated 70 of 71 vice presidents, replacing them with many exmilitary officers willing to follow headquarters orders. As Home Depot steadily lost retail market share, its board replaced Nardelli with veteran Frank Blake,

who restored the company and put it on a sustainable growth path.

Rationalizers

Rationalizers are skillful in blaming others or external factors for their problems. Often they aren't willing to face reality, admit their mistakes, or see that their distorted view of the world puts their organizations in jeopardy.

As CEO of General Motors, Rick Waggoner never could face the reality that his company's drastic decline in market share – from 50% to 18% of the U.S. market – resulted from making cars and trucks that didn't measure up to GM's competitors. Instead, he blamed high gasoline prices, government regulations, and GM's unions. Unwilling to look himself in the mirror, he eventually led GM into bankruptcy.

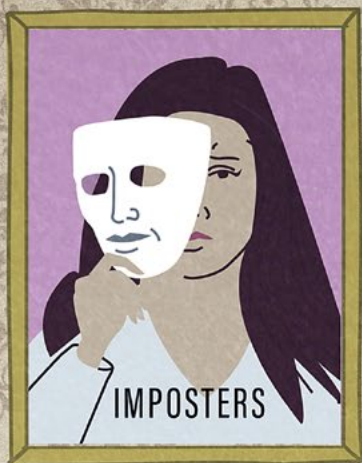
Glory Seekers

Glory Seekers are so hungry for fame and public adulation that they deviate from their values just to get ahead.

Lance Armstrong created a great narrative for his success: seven-time winner of the Tour de France, cancer survivor, and philanthropist with his Livestrong campaign. An extraordinary cyclist, he elected instead to cheat, using illegal performance enhancing drugs to win races. Ultimately, Armstrong lost all his Tour de France titles when he was found guilty of doping.

Loners

All leaders experience loneliness in their careers, often when they reach



their peak. People in high-pressure positions often retreat to their offices rather than listening to subordinates and trusted confidants. That's when they are prone to make big mistakes.

As CEO of Lehman Brothers, Richard Fuld refused to listen to his team members or outside confidants. Treasury Secretary Hank Paulson warned him forty times that Lehman was deeply overleveraged and need to raise capital. When Paulson asked the major banks to develop plans to salvage Lehman, Fuld stayed in his office, in denial about his firm's troubles. When Lehman declared bankruptcy three days later, employees lost their jobs, customers lost their holdings, and shareholders lost their investments. As a result, the financial markets plunged into crisis and the entire country had to pay for Fuld's solipsism.

Shooting Stars

Shooting stars are so focused in climbing the career ladder that they have no time for their families and friends. They crave success and get lost in unsustainable frenzy of work. They leap from job to job without learning from their mistakes or gaining self-awareness. Ultimately, they cannot sustain the pace, as even the most energetic people run out of steam. When they crash, they come down fast.

Silicon Valley shooting star Mark Pincus initially soared with gaming company Zynga. But the company's faddish products were unsustainable. As he reflected later, "I did every horrible thing in the book, just to get immediate revenues." Because its leaders failed to create sustainable business models, Zynga's star came crashing down.

If you are aware of your vulnerabilities and stay laser focused on

your True North, you won't fall into these traps. If you develop self-awareness, build your support team, and follow your values, you can stay on track and avoid these pitfalls.

The original article was published on August 24, 2015 in the Huffington Post.

WHAT PRINCE HARRY'S GRIEF OVER PRINCESS DIANA CAN TEACH EVERY LEADER

Bill's Commentary: Prince Harry's story reminds us that we cannot bury our crucible by keeping the pain suppressed. Instead, we must face it head on and reframe it as a growth experience. Doing so strips away all our defenses and takes us to our deepest place where we realize who we truly are and what is most important in our lives.

Prince Harry recently shared the poignant story of his near breakdown over his mother Diana's death. For 20 years he attempted to bury his grief, using honorable military service and wild partying to avoid thinking about his loss. But that only led him astray. While the public tried to escape the searing memories, Prince Harry enlisted in the British Army, where he served for 10 years, including two tours in Afghanistan. But he also embarrassed the royal family with well publicized drinking, partying, and a viral Las Vegas binger that included nude photos of the prince.

Thanks to advice from Prince William, he sought professional counseling and is now on the road to recovery. Like others who experience crucibles, Prince Harry tried to avoid thinking about his loss – but his active mind kept bringing it back all the time. His story reminds us all to cope with our crucibles, fully process grief to make sense of it before turning it into personal growth and flourishing.

Needless to say, Prince Harry is not alone. After the publication of *True North* in 2007, I received a moving letter from Pedro Algorta, one of 16 survivors of the airplane crash in the Andes Mountains chronicled by Piers Paul Read in his book and movie, *Alive*. Pedro and his colleagues spent 70 days in the mountains struggling to stay alive without food or water. For 35 years, Pedro buried his crucible. At Stanford Business School, he didn't tell anyone about his ordeal. But the experiences kept coming back. By processing them, he discovered his *True North* and embarked on a new career of sharing his story and helping others grow from their crucibles.

Pedro cites three ways to deal with his severe trials, of which I recommend the last one:

- Be the victim by living your life looking backward, with anger and blame about what happened to you.
- Live your life as if nothing happened, while the memories and pain remain buried inside you.
- Use the event to transform your wound into a pearl.

The sad thing about being the victim is you never feel you can trust others and lead a normal life. Burying your crucible doesn't work either, as it will constantly resurface, often in the least appropriate ways. Reframing the event to turn its pain into a growth experience can show you the way to your life's purpose, and enable you to use your hardships to help others.

Take Harvard student Taylor Carol who was diagnosed with terminal cancer at age 11 and was told he had only two weeks to live. He survived a horrendous series of treatments, and missed four years of

education. Told by a guidance counselor he should skip high school and instead gain a graduate equivalent degree, he insisted he wanted to attend Harvard. Now 21 years old, he graduates from Harvard this month. Asked how his battle with terminal cancer affected him, he said, “After beating cancer, I resolved to use my singing, my words, and every ounce of my life force to glorify God. I aspire to change the world with my words and voice by pursuing my career as a singer/songwriter.”

It doesn't take a crucible as extreme as Taylor's or Prince Harry's or Pedro's to have a dramatic impact on your life. We all have our crucibles – at least one struggle in life illustrated by the metaphor of a hot container. In reality, the severe trials in our lives may emanate from what seems to be rather trivial experiences. Years ago, one of my students shared in her paper how a seemingly minor moment had haunted her. In 9th grade, a boy looked at her, rolled his eyes and sneered, making her feel like a loser.

She described how she tried to seduce people by trading her authenticity for a cheerful veneer in order to gain others' approval. She became increasingly depressed. One day she put a gun in her mouth and was ready to pull the trigger when her mother walked into her bedroom and saw to her horror what was happening. Years of therapy enabled her to grow from this experience and ultimately led to a sense of wellbeing.

Another student, who was from Europe, shared with me that being sexually abused by a priest as a young teen cost him 15 years of his life. He got involved with drugs and alcohol to bury his shame. By joining Alcoholics Anonymous (AA), he was able to give up both alcohol and drugs and recognize he wasn't at fault for what had hap-

pened. This led to a productive career track and a fulfilling marriage.

My own early crucible was less dramatic, but it played a formative role in my life. When I was 10, my father told me he wanted me to become the leader he had failed to be. I bought into this expectation and joined numerous organizations. I ran for office seven times in high school and college, and lost all seven. Seeing myself as a loser, I was crushed when some seniors at Georgia Tech told me, “Bill, no one is ever going to want to work with you, much less be led by you, because you are moving so fast you never take time for other people.”

Their feedback enabled me to realize I was seeking titles to gain people’s esteem rather than helping other people. After taking time for self-reflection and gaining honest feedback, I was able to change my relationships and help other people and later was selected for many leadership roles in college and graduate school.

Understanding yourself at a deeper level requires the courage to face life’s difficulties and discover your True North. Knowing that gives you the courage to navigate successfully life’s greatest challenges.

Don’t bury your crucible. Face it head on. See what you can learn from it and let it guide you to a more fulfilling life.

The original article was published on May 9, 2017 in Fortune Magazine.

COURAGE: THE DEFINING CHARACTERISTIC OF GREAT LEADERS

Bill's Commentary: This is the article I wish I had written for Discover Your True North. In recent years I have witnessed a number of leaders fail due to a lack of courage. Why do leaders who seemingly have every quality required for success, ultimately fail to act at the moment of truth? Most likely they have a fear of failure that overrides their courage. In contrast, like the leaders profiled in this article, leaders with courage change the world for the better.

“ Courage is the most important of all the virtues, because without courage you can't practice any other virtue consistently.”

- *Maya Angelou*

Courage is the quality that distinguishes great leaders from excellent managers.

Over the past decade, I have worked with and studied more than 200 CEOs of major companies through board service, consulting, and research as a member of Harvard Business School's faculty. I've found the defining characteristic of the best ones is courage to make bold moves that transform their businesses.

Courageous leaders take risks that go against the grain of their orga-

nizations. They make decisions with the potential for revolutionary change in their markets. Their boldness inspires their teams, energizes customers, and positions their companies as leaders in societal change.

The dictionary definition of courage is “the quality of mind or spirit that enables a person to face difficulty, danger, pain, etc., without fear.” Courageous leaders lead with principles—their True North—that guide them when pressure mounts. They don’t shirk bold actions because they fear failure. They don’t need external adulation, nor do they shrink from facing criticism.

Courage is neither an intellectual quality, nor can it be taught in the classroom. It can only be gained through multiple experiences involving personal risk-taking. Courage comes from the heart. As Buddhist monk Thich Nhat Hanh once said, “The longest journey you will ever take is the 18 inches from your head to your heart.”

It takes bold decisions to build great global companies. If businesses are managed without courageous leadership, then R&D programs, product pipelines, investments in emerging markets, and employees’ commitment to the company’s mission all wither. These organizations can slip into malaise and may eventually fail, even if their leaders can move on to avoid being held accountable.

Why do some leaders lack courage? Many CEOs focus too much on managing to hit their numbers. They avoid making risky decisions that may make them look bad in the eyes of peers and external critics. Often, they eschew major decisions because they fear failure. I know, because it happened to me.

In my first year as CEO of Medtronic, I passed up the opportunity to

buy a rapidly growing angioplasty company because it faced patent and pricing risks. While those risks proved valid, Boston Scientific bought the company instead, transforming both enterprises and creating a formidable competitor for Medtronic. I didn't have the courage to accept short-term risk to create long-term gain. It took Medtronic two decades of expensive research and development programs and additional acquisitions to become the leader in this field.

Let's look at some recent examples of courageous leaders whose actions transformed their companies:

Alan Mulally

When Mulally arrived at Ford, he found a depleted organization losing \$18 billion that year and unwilling to address its fundamental issues. To retool Ford's entire product line and automate its factories, Mulally borrowed \$23.5 billion, convincing the Ford family to pledge its stock and the famous Ford Blue Oval as collateral. His bold move paid off. Unlike its Detroit competitors, Ford avoided bankruptcy, regained market share, and returned to profitability.

Mary Barra

In contrast to Mulally, General Motors CEO Rick Wagoner and his predecessors refused to transform GM's product line, even as the company's North American market share slid from 50 percent in the 1970s to 18 percent. When the automobile market collapsed in late 2008, Wagoner was forced to ask President George W. Bush to bail the company out. Even so, GM declared bankruptcy months later.

Mary Barra, GM's CEO since 2014, demonstrates the difference courage can make. Immediately after her appointment, she testified before a hostile Senate investigating committee about deaths from failed ignition switches on Chevrolet Camaros. Rather than make excuses, Barra took responsibility for the problems and went further to attribute them to "GM's cultural problems." Three years later, she is well on her way to transforming GM's moribund, finance driven culture into a dynamic, accountable organization focused on building quality vehicles worldwide.

Paul Polman

When Polman became Unilever's CEO in early 2009, he immediately began transforming the company, declaring bold goals to double revenues and generate 70 percent from emerging markets. He aligned 175,000 employees around sustainability, publishing the Unilever Sustainable Living Plan with well-defined metrics the following year. Polman's efforts in his first eight years returned 214 percent to Unilever shareholders. Nevertheless, Kraft Heinz, owned by Brazilian private equity firm 3G, made a hostile bid to acquire Unilever on February 17, 2017. Polman immediately wheeled into action, convincing KHC to drop its bid two days later. Then he announced seven bold moves to enhance shareholder value without compromising the company's ambitious long term plans.

In comparison, Kraft CEO Irene Rosenfeld quickly capitulated when confronted by activist Nelson Peltz in 2012. He wanted to split Kraft's global business by spinning off its North American grocery products unit, which Rosenfeld wound up leading as an international business

renamed Mondelez. Without the ability to access global markets, the old Kraft went into a period of decline, making it vulnerable to 3G's 2015 takeover; meanwhile, Mondelez is adrift with declining revenues and earnings.

Indra Nooyi

Named CEO of PepsiCo in 2006, Nooyi foresaw the coming shift among consumers, especially the millennial generation, to healthier foods and beverages. She immediately introduced PepsiCo's strategy "Performance with Purpose," that focuses on complementing the company's core soft drink and snack business with healthy foods and beverages. In 2013, PepsiCo was challenged by activist Peltz to split the company, but Nooyi steadfastly refused. Instead, she restructured her leadership team to deliver strong near-term performance while continuing to invest in her transformation strategy.

Nooyi's archrival, Coca-Cola CEO Muhtar Kent, decided instead to concentrate on sugar based soft drinks while ignoring these obvious trends. As a result, Coca-Cola's performance has consistently lagged PepsiCo's. Since 2011, PepsiCo stock is up 70 percent, while Coca-Cola's has increased only 15 percent.

The courage cohort

There are literally thousands of competent managers who can run organizations efficiently using predetermined operating plans, but few with the courage to transform entire enterprises.

The courage cohort includes Delta's Richard Anderson, Starbucks'

Howard Schultz, Xerox's Anne Mulcahy and Ursula Burns, Nestlé's Peter Brabeck-Letmathe, Novartis' Dan Vasella, Tesla's Elon Musk, Amazon's Jeff Bezos, Merck's Ken Frazier, and Alibaba's Jack Ma. They join the growing list of authentic leaders that have made courageous decisions to build great global companies.

Boards of directors need to examine their leaders carefully to determine if they have the courage to navigate their organizations through turbulent times while enduring hardship, risk, and criticism to ensure they are building sustainable enterprises.

With more courageous leaders like those cited above, the business world will be able to create enormous value for all its stakeholders.

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PART 2

YOUR JOURNEY FROM I TO WE



PART 2

YOUR JOURNEY FROM I TO WE

The hardest journey that every leader makes is moving from being an “I” leader to a “We” leader.

That seems obvious, so why is it so difficult? Throughout the first three decades of our lives we are judged by and rewarded for our individual performance: on tests in school, in sports, in volunteer capacities, and in our first jobs where we are individual contributors. When we succeed, we are praised by our parents, teachers, bosses and often our peers. In return for our individual efforts, we get grades, SAT scores, awards, trophies, and scholarships. This recognition serves to reinforce our belief that we can succeed on our own.

Once we are asked to take on the task of leading others, we realize that our challenge is to inspire, challenge and empower others to work together as a team to achieve outstanding results. Rather than trying to be the stars we once were, we have to become coaches that get the best from their people instead of being the role models of how to do it. When our subordinates or colleagues fall short of our expectations, the temptation is to step in and use our individual skills to do it for them. That’s when we revert to being “I” leaders once again.

Instead, we need to go through a cognitive reframing that enables us

recognizes that the team can outperform any individual contributor, and that achieving challenging goals requires a diverse set of abilities to succeed. As we do so, we are on our way to becoming “We” leaders.

YOUR JOURNEY FROM I TO WE

Bill's Commentary: I first learned the idea of being a servant-leader from Robert Greenleaf when we invited him to Harvard Business School during my MBA program in the 1960s. I realized both the wisdom and the truth of his ideas but also that I was behaving much more as an individual contributor and "wannabe" leader than a true servant leader. It took me many years to incorporate Greenleaf's ideas into my actual practice of leadership.

Are you the hero of your own journey? Or are you a servant leader who empowers others?

All of us start out in this world as individual contributors. In our early years we are measured by our grades, test scores, and solo accomplishments. As we enter the world of work, many of us envision ourselves in the hero's image who can change the world. This is a perfectly natural embarkation point for leaders. Today's leaders like Facebook's Mark Zuckerberg and Google's Larry Page have their own change-the-world narrative, yet as they matured, both have become outstanding leaders of others.

As we take on leadership responsibilities, our orientation must change. As GE's Jamie Irick said in *Discover Your True North*, "If you want to be a leader, you've got to flip the switch and understand it's about serving the folks on your team. This is a very simple concept, but one many people overlook. The sooner people realize it, the faster they become leaders."

Irick captured the essence of servant leadership that Robert Greenleaf, father of servant leadership, described back in 1970:

A servant leader focuses primarily on the growth and wellbeing of people and the communities to which they belong. The servant leader shares power, puts the needs of others first, and helps people develop and perform.

We call this journey the “I to We” transformation, because it requires that you shift your focus from your success to the success of others. In our classes for MBAs and executives at Harvard Business School, we realize this transformation is the most important one leaders experience.

Some leaders never get there, as they envision amassing legions of followers whose roles are to support them. If you fall into that trap, you will never engender great loyalty or commitment from your teammates, nor will you become an authentic leader.

Nonetheless, some fear that focusing on others may sidetrack them from reaching their personal goals. However, the opposite is true: As a leader, you can only achieve great things by being a servant leader.

Research has demonstrated conclusively that “others-focused” leaders lead more effective teams. As Wharton psychologist Adam Grant explains, “They do so by bringing out the best in others.” As a result, those that focus on empowering other leaders rise to the top of their profession.

When leaders stop focusing on their needs, they are more effective in developing other leaders. By overcoming their need to control everything, they learn people are more interested in working with

them. A light bulb turns on as they recognize the unlimited potential of empowered leaders working together toward a shared purpose.

At the core of these two approaches is the leader's belief: "I" leaders believe they have the answers, and the best results will be achieved if others follow their direction. "We" leaders, on the other hand, believe that superior results result from teams of people exploring possibilities, debating options, and agreeing upon a course of action. Underlying their approach is the belief that "people support what they help create."

It took me a long time to learn this. In my early leadership roles, I had a clear vision of what needed to be done. I spelled it out clearly to my team and invited them to challenge it, spending most of my time selling others on my ideas. When you're the boss, you can be quite "persuasive!" As one confidant said to me, "Bill, you're not getting the best out of your team because you're so forceful that you shut out their ideas." Advice well taken. After that, I tried my best to draw out others before asserting my opinions.

Making the transformation from I to we requires introspection and cognitive reframing of how you see your role as a leader, and how much you respect others' ideas and their willing commitment. For some leaders this requires a midcareer crucible.

Steve Jobs faced such a time when he was fired by the Apple board. During his early years, Jobs was the classic "I" leader. Wildly charismatic and visionary, he bullied, cajoled, inspired, and ultimately exhausted everyone around him. The board determined the company simply couldn't handle his domineering, though brilliant, approach. He went on a journey to rethink his life and leadership. As he said,

I didn't see it then, but getting fired from Apple was the best thing that ever happened to me. The heaviness of being successful was replaced by the lightness of being a beginner again, less sure about everything. It freed me to enter one of the most creative periods of my life.

As part of his journey, he purchased an animated movie company, which he renamed Pixar. There, he teamed up with two great innovation leaders, Ed Catmull and John Lassiter. From this experience, Jobs grew from a great innovator to a great innovation leader. That paved the way for him to return to Apple as much more of a “We” leader who knew how to use the talents of his teammates.

Where are you in your journey? Have you become a “We” leader? Or do you shift back into an “I” mode under pressure? How has this affected the results your team accomplishes?

As you make this transformation, you are growing into a “leader of leaders” who has unlimited potential to lead others to achieve great things. In so doing, you become a servant leader. Isn't this what leadership is all about?

The original article was published on September 16, 2015 in the Huffington Post.

SELF AWARENESS: KEY TO SUSTAINABLE LEADERSHIP

Bill's Commentary: As psychologist Daniel Goleman says, emotional intelligence (EQ) is the differentiating factor in leadership. The essence of EQ is self-awareness. Intuitively, we know this to be true. What we don't know – or at least, until recently – is how leaders develop their self-awareness. I have seen many leaders pretend to be self-aware, completely unaware of how clueless they are coming across to others. Before they can develop their self-awareness, leaders must recognize their deficiencies in self-awareness. This article presents a framework for improving your self-awareness, but the burden is on you to undertake this difficult process.

In 2007, Arianna Huffington's career was on a rapid upward trajectory. After building the Huffington Post as the leading online global newspaper, Time chose her as one of the world's 100 Most Influential People. Then she had a wakeup call. One day she found herself lying on the floor of her home office in a pool of blood.

She had collapsed from exhaustion.

The gravity of her collapse forced Huffington to confront her lifestyle. As she explained, "I was working 18 hours a day, seven days a week. By traditional measures of money and power, I was highly successful, but by any sane definition I was not living a successful life. Something had to change radically."

For Huffington, this moment of crisis pushed her to reflect on her life. As her self-awareness deepened, she made important life changes: focusing on her personal health, meditating daily and committing to time for herself.

The charge, “Know thyself,” is centuries old, but for today’s leaders, it has never been more important. Research from psychologist Daniel Goleman shows that self-awareness is crucial for all levels of success. As he outlines in *Emotional Intelligence*, above an IQ of 120, EQ (Emotional Intelligence) becomes the more important predictor of successful leaders. Developing self-awareness is the first step to develop your EQ.

My grandfather — an old Dutchman who came to America in 1876 — had a worn wooden plaque that read, “We grow too soon old, and too late wise.” As a young man, I rejected this notion as I lacked the self-awareness to understand my limitations, blind spots, and inexperience.

Over the years, its truth has come back to me many times.

When *True North* was published in 2007, we understood the importance of self-awareness, but were not clear about how to improve our awareness. As demonstrated in my follow-on book, *Discover Your True North*, we have learned a great deal since then about how to gain self-awareness.

Crises like Huffington’s can force you to reassess your life to gain self-awareness and discover your True North. But you can avoid these crises by developing self-awareness now. After in depth interviews with 172 world leaders and classroom discussions with 6,000 executives

and MBAs in Authentic Leadership Development (ALD) at Harvard Business School, we've learned three essential steps to building your self-awareness:

- 1. Probing deeply into your life story and framing your crucible**
- 2. Creating a daily practice of introspection and reflection**
- 3. Receiving intimate feedback from people you trust**

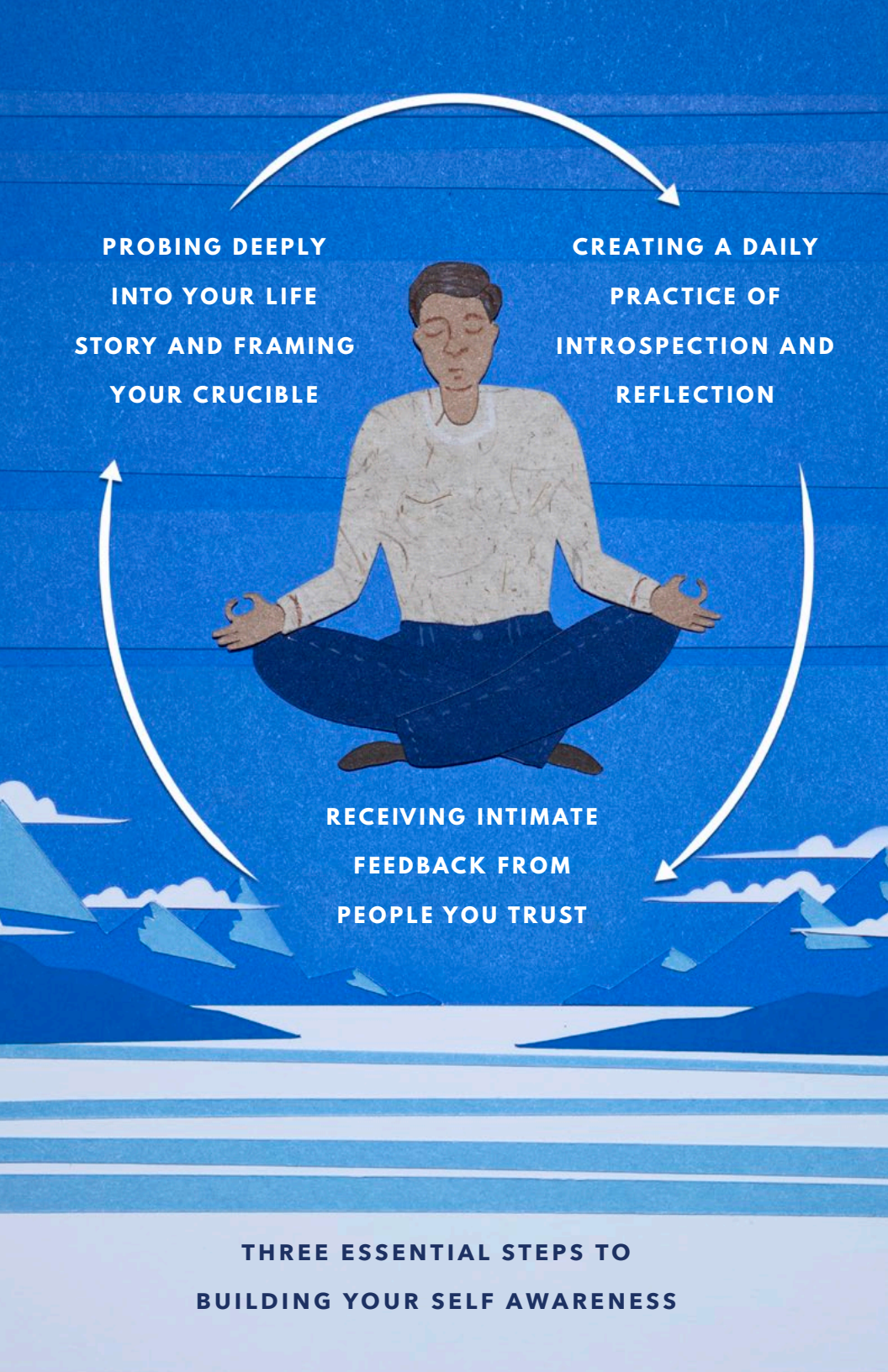
Understanding your life story and framing your crucible

Your journey to self-awareness begins with understanding your life story and framing your crucibles. All of us face times of crisis, pain, disappointment, or rejection during our lives. Many respond by developing false selves and building protective layers to protect themselves from pain or facing their reality. In doing so, they grow farther from their true selves and building on their life stories.

Reflecting on the life you've lived helps you to discover your True North – the beliefs, values and principles that are most important to you. Discover Your True North asks readers to consider these questions:

- Looking at your early life story, what people, events, and experiences have had the greatest impact in shaping the person you have become?
- In which experiences did you find the greatest passion for leading?
- How do you frame your crucibles and setbacks in your life?

These questions are starting points to become aware. As you under-

An illustration of a man with dark hair, wearing a light-colored sweater and dark pants, sitting in a lotus position with his eyes closed and hands in a mudra. He is centered against a background of a blue sky with horizontal stripes and a landscape of blue mountains and a light blue body of water at the bottom. Three white curved arrows form a circular path around the man. The top arrow points from the left text to the right text. The right arrow points from the right text to the bottom text. The left arrow points from the bottom text back to the left text.

**PROBING DEEPLY
INTO YOUR LIFE
STORY AND FRAMING
YOUR CRUCIBLE**

**CREATING A DAILY
PRACTICE OF
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FEEDBACK FROM
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**THREE ESSENTIAL STEPS TO
BUILDING YOUR SELF AWARENESS**

stand your life story, the reasons for your current actions become clear. Digging into your crucible is especially important: Do you see yourself as a victim? Do you repress the experience? Or can you reframe hardship to help find your deeper values?

Create a daily habit of self-reflection

Next, you should develop a daily practice of setting aside at least twenty minutes to reflect on your life. This practice enables you to focus on the important things in your life, not just the immediate. Reflection takes many forms. Some keep a journal, some pray, and others take a long walk or jog. Personally, I use daily meditation as my mindful habit. By centering into myself, I am able to focus my attention on what's really important, and develop an inner sense of wellbeing.

Seek Honest Feedback

Nearly all of us have traits, habits, and tendencies that others see in us, but we are unable to see in ourselves. We call these “blind spots.” Do you see yourself as others see you? If not, your blind spots can be addressed by receiving honest feedback from people you trust.

To obtain honest feedback, you must surround yourself with truth tellers. Then you must continuously others for feedback. As you do, you'll become more self-aware.

Although a traumatic event can cause you to become self-aware, my advice is not to wait until that happens — start developing your self-awareness now. As you follow these three practices, you will find you are more comfortable being open, transparent, and even vulnerable.

As you do, you will become a more authentic leader.

The original article was published on September 8, 2015 in the Huffington Post.

DISCERNING THE PURPOSE OF YOUR LEADERSHIP

When I first started writing about leadership, I believed that articulating the purpose of your leadership was the first step. Subsequently, I was surprised just how hard this was to do for most leaders. As I interviewed more people about their leadership, I realized that discovering your purpose first requires a deep understanding of your life story, your motivations and passions, and your True North, coupled with experience in leadership roles. Only then are leaders ready to undertake the difficult process of discerning the purpose of their leadership.

During this process they have to confront themselves about what is most important in their lives: success or significance? Are they pursuing their own career goals, or attempting to have a greater impact as leaders who make a difference in the world?

Most leaders I have observed are highly motivated – even driven – individuals, but driven toward what? For what purpose? Are you climbing the ladder of success, striving ever harder to reach the top? That's what I was doing in my 40s. The closer I came to the top, the harder I worked to get there. That was, until I saw that ugly flash in the mirror that forced me to ask myself the question, "What would I do when I got there?" Many leaders reach the top, accompanied with all the accoutrements that success brings. There, they find they have a hollow place inside that is questioning whether this is what they want to do with their lives.

There is another option: discard the “ladder theory” of leadership, and focus instead on how you can have a significant impact on the world through your leadership. Then you will recognize the purpose of your leadership and can focus your energies on achieving it. As you do, you will develop a deep inner satisfaction of making the world – your world, at the very least – a better place for everyone you impact through your leadership.

The articles that follow address both aspects of these questions, careerism versus leadership and success versus significance. After reading them, take time to reflect on these questions for yourself, starting with the questions, “What is most important in your life?” and “What is the unique legacy you will leave the world?”

THE SURPRISING DIFFERENCE BETWEEN CAREERISM AND LEADERSHIP

Bill's Commentary: Early in our careers most of us, myself included, try to figure out how we can get ahead in leadership roles. Many of us aspire to reach the top. But for what purpose? Until we understand the purpose of our leadership, we are simply pursuing our selfish desires to reap the rewards that come with leadership without first understanding the price we must pay. The most important element of leadership is having a clear purpose that makes your work meaningful. Otherwise, we may just be going through the motions as we get caught up in our daily tasks without any clarity about why we are leading. When you discern your leadership purpose, as Merck's Ken Frazier has, you will inspire others to join you in fulfilling a greater calling. Ultimately, this is what leadership is all about.

Ask yourself whether you are leading with purpose or just trying to get ahead? Do you actually believe in something larger than your compensation, your career trajectory or your next success?

I often tell young leaders, if their work has no meaning or satisfaction, they are better off quitting and sitting on the beach until they decide what they want to do.

Many people's work is completely disconnected from their values and their purpose. This lack of purpose isn't something to deal with by

working with a nonprofit in your spare time. If you don't take action to address this disconnect, it can become like an insidious cancer that eats at your soul. In the long run, a lack of purpose can lead to burnout, poor decision-making, and even moral derailment.

Understanding Your Purpose

Your purpose is the genuine deeper meaning in your work. It reflects why you do what you do. Understanding your purpose is essential to becoming a better leader. People who lead with a sense of purpose that is aligned with their company's purpose make better long-term decisions and are more authentic.

But this is not as easy as it sounds. Discerning your purpose takes a combination of introspection and real world experiences before you can determine where you want to devote your energies.

The first step to knowing your purpose is to understand your life story. We all face times of crisis, pain or rejection in our lives. Reflecting on the life you've lived helps you to discover your True North – the beliefs, values and principles most important to you.

Before you take on a leadership role, ask yourself: "What motivates me to lead this organization?" If the honest answers are simply power, prestige and money, you are at risk of being trapped by external gratification as your source of fulfillment.

This never works. Why? Simply, you can never have enough money, fame or recognition. When you give someone else the power to decide if you're successful (whether it's the Forbes 400 list or an invitation to Davos), you lose. If you allow some external force to define your

success, you have essentially abdicated your soul.

There is a deep voice inside you that yearns to bring your unique gifts to this world. If you neglect that voice, you create deep misalignments that eventually will surface.

Purpose at Work

Ken Frazier traveled a unique road en route to becoming CEO of Merck, the leading pharmaceutical research company. Born before the 1863 Emancipation Proclamation, Frazier's grandfather was a slave in South Carolina. He sent his son, Frazier's father, to live in Philadelphia. With no formal education, Frazier's father became a janitor, yet taught himself to read, reading two newspapers a day. In spite of his limited opportunities, he had a profound influence on Frazier's life.

After his mother died when he was 12, Frazier and his sisters had to fend for themselves after school, avoiding the gangs that dominated the streets outside his house. "I learned very early from my father that one has to be one's own person and not go along with the crowd," Frazier says. His father asked him, "Kenny, how are you going to carry on your grandfather's narrative of being free and your own person? You better do what you know is right, and not be fixated on what other people think of you."

While studying at Penn State on scholarship, Frazier decided he wanted "to become a great lawyer like Thurgood Marshall, affecting social change." At Harvard Law School, he was acutely aware he wasn't from the same social class as his classmates. He wryly notes, "Lloyd Blankfein [CEO of Goldman Sachs] and I were the only students

who ‘were not of the manor born.’”

Shortly after he joined Merck, Frazier took on the extremely difficult task of defending Merck from over 40,000 lawsuits filed after the pain drug Vioxx was withdrawn from the market due to alleged cardiovascular problems. Frazier did so successfully, catapulting him into the CEO’s chair where he faced a greater challenge: short-term shareholders pressured him to cut back Merck’s research as several of its competitors were doing. Frazier stayed the course, committing to spend a minimum of \$8 billion per year on research in order to pursue cures for devastating diseases like cancer and Alzheimer’s.

Reflecting on his sense of purpose, Frazier explains, “Merck’s purpose is aligned with my personal sense of who I want to be and what I hope to contribute to the world. At Merck, you have the opportunity to make tangible contributions to humanity. There’s a yearning in all of us to leave something meaningful behind, because we know we have a short time on earth. Merck gives me the chance to leave something to people 20, 50 or even 100 years from now because we did the right things today.”

Asked what his father would say about his remarkable success, Frazier says modestly, “He’d say, ‘The boy did what he was supposed to do.’”

Turning Purpose Into Action

Your leadership purpose is not meaningful until it is applied to solving problems you encounter in the real world. When you align your personal purpose with an organization’s mission, you unlock the full potential of people in the organization.

That's what I tried to do at Medtronic where we connected employees' True North with the company mission of "restoring health, alleviating pain and extending life." My successors, especially current CEO Omar Ishrak, have pursued this mission with vigor, contributing to the 100 times increase in the company's market value over the past 26 years. More importantly, the number of people each year restored to full health has grown from 300,000 to 15 million.

As long as you focus on your True North, understand your purpose and use it to make a difference in the world, you can leave a legacy that inspires those who follow.

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WHAT'S YOUR LIFE GOAL? SUCCESS OR SIGNIFICANCE?

Bill's Commentary: As you think about the purpose of your leadership, focus on your ultimate reason for leading. Is it achieving success as measured by the external world, or do you want to lead a life of significance, based on what's most important to you and those closest to you? It is your choice. If your decision is to meet the external world's expectations, you may find the world is a very cruel place that praises you one day and tears you apart the next. But if you are true to your beliefs and your values, ultimately you will achieve not only significance but the success that goes with it. And you can be proud to look yourself in the mirror and feel a deep sense of satisfaction.

“ “Open your eyes, look within. Are you satisfied
with the life you're living? —*Bob Marley*

In my forties, I was unhappy with my career and where it was heading. Driving home on a beautiful fall afternoon, I looked in the rearview mirror and saw a miserable person—me. On the surface, I appeared to be confident and successful, but inside I was deeply unhappy.

For 20 years, I had been a successful executive on a fast track to the top, or so I hoped. I was getting closer to that goal, as I took on responsibility for Honeywell's most challenging businesses. At the

time, I was on my third set of turnarounds, responsible for three groups, nine divisions, and 18,000 employees. Yet I began to wonder if Honeywell was the right place for me.

As president of Space and Aviation Systems, my team and I uncovered losses exceeding \$500 million that had not been recognized or accounted for properly. Presenting this news to Honeywell's board caused a great deal of concern. As I said to myself repeatedly, "I didn't create this mess. I'm just the guy who has to fix it." I always saw myself as a builder, not a turnaround expert, but I did what needed to be done to restore Honeywell's businesses to long-term health.

But on that autumn day, I realized I wasn't passionate about Honeywell's businesses. Even worse, I was becoming more concerned about becoming CEO than being a leader who could make a positive impact on the world. I faced the reality that Honeywell was changing me more than I was changing it—and I didn't like the changes I saw in myself.

David Brooks' *The Road to Character* challenges us to consider our resume virtues against our eulogy virtues. Resume virtues are what we write about ourselves to measure up to the world's expectations. Eulogy virtues are what others say about us at our funeral: what kind of person we were and how we cared for others.

Many of us focus on resume virtues because they're easy to measure and give us superficial self-esteem. Earning a lot of money, receiving promotions and prestigious titles, and having power over others are easy ways to gauge success. But more difficult tasks—like making a positive difference in the lives of others or becoming the type of person you want to be—have few measurable benchmarks.

When I was at Honeywell, I had all the trappings of success, but my life lacked the significance I yearned for. That day I recognized I needed to get back to what I call my True North. Your True North, which is derived from your beliefs, values, and the principles you use to lead others, is your internal compass. It's unique to you and it represents who you are at your deepest level.

With my wife Penny's encouragement and support from my men's group, I reopened job discussions with medical device company Medtronic, which was at the time a much smaller company but one with a passion to help millions of people live a full, healthy life. After having interviews with the CEO, the founder, and board members, I accepted Medtronic's offer and became president and chief operating officer at the company. Two years later, I was elected CEO.

At Medtronic, I found a place—or it found me—that let me focus on significance over success. Medtronic's mission inspired me from the moment its founder Earl Bakken described it to me. When I arrived in 1989, Medtronic helped restore someone to health once every 100 seconds. By the time I completed my tenure in 2002, that figure had fallen to five seconds. Today it is down to less than one second, with 60 million new patients every year. That's a much more meaningful metric than a stock price.

What's significant in your life may change over time. After retiring from Medtronic in my late 50s, my purpose changed from leading large organizations to helping other people lead authentically by discovering their True North. Teaching authentic leadership at Harvard Business School the past 15 years, I receive a modest salary and have no positional power, yet I find great significance in the work I am do-

ing. As one friend told me, “Bill, you seem to take vicarious pleasure in the accomplishments of others.” Indeed, I do.

While helping people lead authentically is my mission, it doesn’t impede other areas of deep importance to me. My family, friends, colleagues, and mentees provide consistent sources of significance. In 1975, I began a men’s group with three close friends after a weekend retreat, and four others soon joined us. Forty years later, we’re still meeting weekly to discuss our spiritual beliefs, our aspirations, career challenges, marriage and family problems, and the process of personal development.

How will you measure your life? That’s the title of my HBS colleague Clay Christensen’s latest book. Are you striving so hard to find success that you’re playing the world’s game rather than fulfilling your core desires? If so, I encourage you to pull back and reflect on your life. Go on a spiritual retreat or start a journal. Better yet, engage a mentor, therapist, or close friend to dig deep into what’s most important to you.

This is hard work, as you peel back the layers of your inner self and learn to accept yourself fully, weaknesses and all. It means digging deeply into past wounds, failures, and disappointments, and discovering what you learned about yourself that can guide you going forward. To get started, think about the end of your life and hypothesize your granddaughter asking you, “What did you do to make a difference in the world?” What will you tell her?

The time to start acting on that is now, not then. Life beckons you. Don’t wait until it’s too late. You may discover that what’s missing in your life is not success, but significance. We only go around once in life, and we need to grab for all the joy, fulfillment and significance

that life has to offer.

The original article was published on April 27, 2016 in Fortune Magazine.

ARE LEADERS LOSING THEIR HUMILITY?

Bill's Commentary: I wrote the following article over concerns about "the Trump effect" on business leaders. Would a braggart President with no sense of humility pull business leaders in that direction? If he did, it would undo much of the progress that has been made in the past fifteen years since we recognized the flaws in venerating charismatic leaders and the virtues of leaders with a deep sense of personal humility. Two years later I am pleased to see that the great business leaders of today are maintaining their humility, if not increasing it. But the warnings to all those who are striving for increased leadership roles are still valid. Rather than getting caught up in the cable TV and social media versions of leaders, it is better to follow Jim Collins' advice about Level 5 leaders (equivalent to authentic leaders) – by pairing ambition for the organization with a deep sense of personal humility.

Listening to the media these days one would think that our leaders have lost all sense of humility, if indeed they ever had it.

Donald Trump brags that he used a \$1 million inheritance to create a \$10 billion net worth. CEOs like Valeant's Mike Pearson hype their quarterly results by focusing only on the positive aspects, only to see their company's stock prices collapse at a later date. Activist investors like Carl Icahn and Nelson Peltz act like they understand complex businesses better than experienced leaders with decades of experi-

ences. Then they use media appearances and public pronouncements to bully CEOs and their boards into “quick fix” solutions.

Whatever happened to humility as a virtue for leaders?

In his 2005 Harvard Business Review article, author Jim Collins postulated a higher level of leader characterized by humility and fierce resolve. This indeed corresponds with my experience: the finest leaders are keenly aware of their limitations and the importance of teams around them in creating their success.

They know they stand on the shoulders of giants who built their institutions. Their job is to build teams of leaders capable of taking their organization to higher levels in order to cope with today’s fierce demands. They exhibit humility in their actions and interactions, yet are passionately committed to the success of their enterprises.

The word humility is often misunderstood. Dictionaries define it as “a modest opinion of one’s own importance,” “the quality of not thinking you are better than other people,” and “self-restraint from excessive vanity.” It is certainly not false modesty or disavowing one’s accomplishments.

Humility derives from an inner sense of self-worth. Humble leaders are grounded by their beliefs, their values, and the principles by which they lead. Ultimately, they know to lead is to serve their customers, employees, investors, communities, and ultimately, society through their work.

Humility is an essential quality for authentic leaders. People trust them because they know they are genuine, honest, and sincere. Lacking those qualities, people live in fear and doubt – not exactly the ingredients to

bring out the best in people. In difficult times, people rely on humble leaders even more to get them through crises.

Every day leaders are closely scrutinized for their words and their actions, as they become role models for people inside and outside their organizations. In contrast, leaders who brag and tout their achievements often do so from a deep sense of insecurity. Outwardly, they act like bullies and try to intimidate people, but inside they feel like imposters who may be unmasked at any time.

This is not to suggest that humble leaders are soft, weak, or unwilling to take tough actions such as terminating poor performers or laying people off. They do so with clarity about the impact of their actions, not for themselves but for the greater good of their organizations.

For much of my life, no one would have considered me humble. To the contrary, I felt the need to push myself forward through my accomplishments, to be recognized for my achievements, and to express confidence that I could solve any problem presented to me. In part, these characteristics stemmed from fear of being rejected by others or bullied by powerful personalities. In my early years it was hard to admit my mistakes without rationalizing them or to say simply, “I don’t know.”

As my inner confidence grew, I no longer needed to have all the answers or try to impress others with what I had done. I freely admitted my mistakes, and learned that doing so enabled others to acknowledge their errors. I recognized vulnerability is power, not trying to appear invulnerable. As I did so, people gained greater confidence in my leadership and expressed increased desire to join me in common pursuits.

I still don't like bullies, and want to challenge them, rather than let them get away with intimidating others. When I witness them trying to overpower others, I defend people against them. At least now I confront them with facts and rational arguments, not emotional responses.

Ultimately, we connect with others not through our words, our intellect, or having the right answer, but through our hearts – our humility in the challenges we face, missteps we have made, our weaknesses, and our acceptance of not knowing. As the Bible says, “With pride comes disgrace, but with humility comes wisdom” (Proverbs 11:2). This is the wisdom of experience tempered by judgment.

The original article was published on March 8, 2016 in the Huffington Post.

VULNERABILITY IS POWER

Bill's Commentary: I first heard the concept that "vulnerability is power" from John Hope Bryant, who was a student of mine in the World Economic Forum's Young Global Leaders program at Harvard. Bryant asked me to write the Foreword for his first book, *Love Leadership*, which argues that openly sharing your vulnerabilities with others gives others the freedom to open up and share their weaknesses and fears with you. Since I started practicing this degree of openness fifteen years ago, I have become more comfortable in being fully authentic and not having to wear a mask. Besides, if people do not like and respect you for being real, are they the people you want to associate with?

“To show your weakness is to make yourself vulnerable, to make yourself vulnerable is to show your strength” — *Criss Jami*

Imagine a moment when you felt fully comfortable with others. You weren't guarding what you said. You weren't monitoring how others perceived you. And you shared life stories you rarely do.

You were vulnerable, and you were perfectly authentic with others, and you were accepted by them — and that gave you a deep sense of wellbeing.

For many of us, we achieve this level of vulnerability only with our closest family and friends. Even then, we rarely expose our deepest

secrets, as we hide behind masks, excuses, and obfuscations.

For many years of my career, I lacked the confidence to share my weaknesses, fears, and vulnerabilities. I thought I had to be perfect and not show vulnerability. It wasn't until I had a crucible in my forties and realized I was losing sight of my True North of helping others by trying too hard to succeed. When I opened up and let go of my insecurities, I felt more comfortable in my skin and had a stronger sense of wellbeing, and my relationships with colleagues improved.

A year after I joined Medtronic, I faced a test of my willingness to admit my mistakes. I reorganized the company around three global regions and appointed an experienced executive from a subsidiary company as president of Europe. Several colleagues were wary of him due to his aggressiveness but I felt he was exactly what we needed.

Six months later our general counsel informed me that our auditors had uncovered a bribery fund he had been running in the European subsidiary by funneling money from secret Swiss bank accounts to Italian physicians. We terminated him immediately and reported the issue to U.S. and European authorities. That turned out to be the easy part.

It was much more difficult to explain to our board of directors and executive team that I had made the mistake by failing to investigate his values. Because I admitted my mistakes and acted vulnerably, the board supported me fully, and respected me more because I took full responsibility rather than blaming him.

In his book *Love Leadership*, John Hope Bryant, who was homeless for six months as a teenager, proclaims, "Vulnerability is power." When I share this idea with executives in my classroom, a look of

apprehension comes over their faces. Yet, by being vulnerable you can connect authentically with others. By being open, you retain the power, rather than acting in fear of being unmasked and exposed. As Bryant says, “Vulnerability is the key to freedom.”

Bryant backs it up with his life story and personal experiences of being vulnerable. He grew up in a poor family in the rough neighborhood of South Central Los Angeles. After his parents divorced when he was five, Bryant’s life was like a roller coaster. He had a strong work ethic and an entrepreneurial spark that resulted in some early business successes but by his late teens, he was struggling. As he told me, “I faked it, acting like a big cheese, wearing sunglasses at night to feel important. It was just low self-esteem. Then I came up short one too many times, lost an investor’s money and couldn’t pay him back, and wound up homeless.”

Bryant has learned that acknowledging his life experiences to others has given him power and intense healing. As he shared in *Discover Your True North*, “If I don’t feel comfortable in my skin, I am unwilling to be vulnerable. To heal, you’ve got to get over the fear of just being yourself.”

Bryant’s vulnerability is his power. In my classroom he openly described the pain he experienced in being homeless. He comes across as less than perfect, which makes him more sympathetic, authentic, and persuasive. Others connect with him, as evidenced by former president Bill Clinton, former ambassador Andrew Young, and Fortune 500 CEOs who are partnering with Bryant’s organization, Operation Hope.

What would it mean if we were willing to be vulnerable and expose our full selves to the world by just being our authentic selves? No

more false layers of protection. At first, it might be scary, but as we realize that people accept and love us for who we really are, it would be liberating: I can be who I am.

The more often we can achieve this vulnerability, the greater our sense of wellbeing. To begin, try opening up with your close friends and family by telling them a single insecurity, memory, or loss that you haven't shared before.

In the beginning of this post, I asked you to imagine a moment when you were perfectly comfortable with others. Now, imagine the opposite. Perhaps it was a high-risk, high impact moment: a job interview, a board meeting, or a tense argument with a loved one. In that moment, think of how difficult it was to share how you felt. But when you did, it was liberating.

As you grow more comfortable, share these stories with more people around you. At first, you may feel uneasy until you recognize that they accept you as you are. As you open yourself, others will open up as well, thus beginning a virtuous circle of vulnerability.

Embrace those moments to share and be vulnerable. Now you have the power, and no one can take it from you.

The original article was published on November 24, 2015 in The Huffington Post.

OVERCOMING THE LONELINESS OF LEADERSHIP

Bill's Commentary: In having confidential discussions with many leaders and CEOs in the past decade, I have learned from them just how lonely life is at the top when you have no one to talk to about the most difficult decisions you must make. On the other hand, the worst things leaders facing dilemmas can do is to retreat inside themselves and not seek out the counsel of others they trust. This is why all leaders need a support group around them that they can talk to in challenging times. The time to form your support group is now, when things are going well and before you may be facing a crisis or hard times.

“If you want to go fast, go alone. If you want to go far, go together.” – *African Proverb*

Who can you turn to when life gets tough? Who do you have... when you're alone?

Over the past 20 years, Americans have faced a crisis of community. As Robert Putnam documented in his famous book, *Bowling Alone: America's Declining Social Capital*, we're spending less and less time with each other. As technology connects us, it changes the types of relationships we have. We have more "friends" than ever, but we lack the deep bonding we yearn for.

The problem isn't just anecdotal. In 2014, the National Science Foundation reported in its General Social Survey that an unprecedented number of Americans are lonely. Almost one fourth of respondents reported having “no one with whom they can talk about their personal troubles or triumphs.”

One solution is developing a support group – a group of people that you meet with regularly to reflect, share, and support each other. We know these groups are important, but it's difficult to change how we behave. As CEO Tad Piper explained in *Discover Your True North*, “Many of us find excuses—I'm too busy . . . The payoff isn't clear . . . I'll do it next year—to avoid building the types of relationships these groups engender.”

If you look at the psychological research, however, the payoff is clear. Developing a strong support network makes you happier, more productive, and better prepared to face the world.

Emotionally, having a strong support network changes how you feel. As the Mayo Clinic recently reported, deep personal connections help decrease stress, anxiety, and the risk of depression. Having close relationships changes your fundamental biology. In 2006, the *Journal of Behavioral medicine* reported that social support is linked to a lower rate of mortality and an improvement in the immune system.

Having a consistent group also helps you reflect on yourself. In preparing for the unexpected in life, leadership expert Warren Bennis says, “Have some group that will tell you the truth and to whom you can tell the truth... All you can do is make sure there's some way of understanding reality beyond what you know yourself.” A strong support group allows you see yourself more clearly. The members

provide feedback, perspective, and (at times) the difficult truth you need to hear.

Finally, your support group helps you develop a feeling of belonging. As Brené Brown at the University of Houston put it, “A deep sense of love and belonging is an irreducible need of all people. We are biologically, cognitively, physically, and spiritually wired to love, to be loved, and to belong. When those needs are not met, we don’t function as we were meant to.”

Developing a consistent group of peers you can be vulnerable with is essential in this process. At various times your support group – something I call a True North Group – will function as a nurturer, a grounding rod, a truth teller, and a mirror. At other times the group functions as a challenger or an inspirer. When people are wracked with self doubts, it helps build their courage and ability to cope.”

We do not succeed on their own. Our collective loneliness has been well documented, but the remedies have not. Authentic leaders build close relationships with people who will counsel them in times of uncertainty, be there in times of difficulty, and celebrate with them in times of success.

How strong is your support group? Who do you have... when you’re alone?

The original article was published on October 30, 2015 in Psychology Today.

MINDFUL LEADERSHIP: COMPASSION, CONTEMPLATION AND MEDITATION DEVELOP EFFECTIVE LEADERS

Bill's Commentary: Western interest in mindfulness and meditation has grown exponentially in the past decade. Much of this has been triggered by Jon Kabat-Zinn's Mindfulness-based Stress Reduction (MBSR) seminars and the work of the Mind & Life Institute, the Dalai Lama's research initiative in the West to prove scientifically the stress-reducing benefits of meditation. Dr. Richard Davidson's Center for Investigating Healthy Minds at the University of Wisconsin (Madison) has shown how meditation actually changes the brain to reduce anger and increase tranquility and calmness. As a result, mindfulness has gone mainstream in the eyes of millions of people, and many organizations are creating work environments that encourage their employees to adopt mindfulness practices. Leadership scholars and practitioners are recognizing just how valuable mindfulness and meditation practices can be for leaders at all levels, especially those in highly stressful positions. In my case forty years of meditating have enabled me to become calmer, more focused, more compassionate, and more creative while improving my overall health.

The highly visible corporate leadership failures of recent years have deeply shaken public confidence in business leaders. All too often these leaders have placed self-interest ahead of the wellbeing of their

organizations. After the companies got in trouble, their leaders then refused to take responsibility for the harm caused to the people they served. The problems at British Petroleum, Hewlett-Packard, and failed Wall Street firms, along with the actions of dozens of leaders who failed in the post Enron era, are glaring examples of these lapses in leadership.

As a result, there has been a widespread loss of trust in business and political leaders in the past decade. Reactions to these issues range from anger and despair to more generalized suspicion of institutions and their leaders. The Harvard Center for Public Leadership 2009 National Leadership Index revealed that 69 percent of those surveyed believe there is a leadership crisis in the U.S., with politicians, media, finance, and business leaders getting the lowest ratings. European studies report similar results.

“In the past two decades far too many leaders have been selected more for charisma than character, for style over substance, and for image rather than integrity.”

Once lost, trust is very hard to regain. The root cause of the problem rests not with having strong leaders, but in choosing the wrong leaders for the wrong reasons. In the past two decades far too many leaders have been selected more for charisma than character, for style over substance, and for image rather than integrity. If charisma, style and image are the selection criteria, why are we surprised when leaders turn out to lack character, substance and integrity?

Leadership's lost decade

The past ten years have seen so many leadership letdowns that this period can appropriately be characterized as “Leadership’s Lost Decade.” Failed leadership led to the dot.com collapse of 2002, resulted in hundreds of leaders acknowledging accounting misstatements following the bankruptcies of Enron and WorldCom, and caused the meltdown of global financial markets in 2008 that triggered the Great Recession and the ongoing jobs crisis.

These failures—which destroyed so many strong organizations—occurred because leaders focused on short-term results and rewards while placing their personal needs ahead of the organizations and institutions they were charged with leading. Since retiring from Medtronic in 2002, I have been studying where these leaders of my generation went astray and what will be required to develop better leaders in the future.

In examining these failures, I cannot identify a single leader who failed due to lack of intelligence (IQ). On the contrary, the unsuccessful leaders I have observed in person or through their words and deeds appear to have failed due to low levels of emotional intelligence (EQ).

Many failed leaders seem to lack an awareness of themselves and their actions. Often they do not have a deep understanding of their motivations, and they have not fully accepted their crucibles – fears and failures emanating from earlier experiences, many of which date back to childhood. These characteristics often cause leaders to lose sight of their values, especially when they are under pressure to sustain their success. In other cases, leaders who lack self-awareness get seduced by success and its rewards – money, power, and recognition.

A new generation of authentic leaders

Authentic leaders are genuine in their intentions and understand the purpose of their leadership is serving their customers, employees and investors, not their self-interest. They must practice their values consistently, balance their extrinsic and intrinsic motivations, build trustworthy relationships, and operate with high levels of personal discipline.

The emergence of a new generation of authentic leaders must happen at all levels of organizations to rebuild confidence in corporations. In the 21st century, leaders need to empower other people to lead, rather than controlling them through hierarchies. Leaders need to inspire those around them, giving them the confidence they need to step up to leadership challenges throughout the organization.

Being authentic also requires high levels of emotional intelligence, as described by Daniel Goleman in his book by that name. The central element of EQ is self-awareness – a deep sense of oneself and one's impact on others. In my experience most leaders struggle for many years to develop this level of self awareness, myself included. All too often they are distracted by their desire to achieve success in the eyes of others and the recognition that comes with it.

Developing mindfulness

To gain a deeper understanding of how people become self-aware, I have been examining the concept of mindfulness, which Buddhists have developed through the practice of meditation. Mindfulness – the awareness of one's mental processes and the understanding of how one's mind works – offers leaders a path to address challenges and

adversity in a nonjudgmental, nonthreatening way. It is a logical step in the process of gaining self-awareness that needs to be integrated with actual experience in leading in challenging situations and gaining awareness through feedback and group support.

Mindfulness enables leaders to be fully present, aware of themselves and their impact on other people, and sensitive to their reactions to stressful situations. Leaders who are mindful tend to be more effective in understanding and relating to others, and motivating them toward shared goals.

I have meditated regularly for more than thirty years, not as a religious or spiritual practice, but as a personal discipline to relieve stress. Meditation has been the single most important thing I have done to improve my leadership. It has helped me become more self-aware and more compassionate toward myself and others. It has also enabled me to remain calm and clearthinking in the face of pressure and uncertainty.

Meditation enables people to be more aware of their circumstances, less reactive to stress, more compassionate, and better equipped to approach challenging issues in a calm, thoughtful manner. In addition to meditation, many people increase their mindfulness through prayer, introspective discussions, yoga, therapy, and reflective exercises.

New neurological research on the impact of meditation on the brain demonstrates that it can reshape the part of the brain that impacts emotional intelligence, much more so than can be done for the hard-wired elements of the brain that determine IQ. *Driven to Lead*, a new book by Harvard Professor emeritus Paul Lawrence, discusses how the mind can be remodeled for leadership.

**"MEDITATION HAS BEEN THE SINGLE
MOST IMPORTANT THING I HAVE
DONE TO IMPROVE MY LEADERSHIP."**

- BILL GEORGE



Lawrence starts with Charles Darwin's original theory that "It is not the strongest species that survives, nor the most intelligent, but the most adaptive to change."⁴ He extends this theory in what he terms "renewed Darwin" to the development of the mind's leadership qualities. Developing clarity through mindfulness enables leaders to integrate their four drives – security, material acquisition, bonding with others, and the search for meaning – into an integrated decision making process.

Mindful leadership: A new way to sustain effective leadership

To gain a deeper understanding of how meditation works, I have had the privilege of several interactions with the Dalai Lama and have developed a relationship with Yongey Mingyur Rinpoche, a leading Tibetan Buddhist meditation master. Both of them want to offer meditation to those in the West, not as a religious belief, but as a secular practice that can positively impact our lives and contribute to a more peaceful world.

While participating with the Dalai Lama at the Mind & Life XX Conference on "Compassion and Altruism in Economic Systems" in Zurich this past April, Mingyur Rinpoche and I explored how we could combine the Buddhist notion of mindfulness meditation and authentic leadership to develop "mindful leaders."

Mindful leadership is a secular idea that enables people to sustain effective leadership throughout their lifetimes. It enables them to be fully present, aware of themselves and their impact on other people, and focused on achieving the goals of their organizations. Mindful

leadership aims to develop self-aware and compassionate leaders by combining Western understanding of authentic leadership with Eastern wisdom about the mind, developed from practices that have been used for thousands of years.

To engage in a deeper exploration of these ideas Mingyur Rinpoche and I jointly led the Mindful Leadership conference on August 13-14, 2010 in Minneapolis. The event brought together 400 participants to examine how mindfulness can contribute to sustaining effective leadership and to explore the relationship of self-awareness and self-compassion to leadership development. To our knowledge, this was the first time a Buddhist Rinpoche and a leadership professor joined forces to explore how Eastern teaching can inform Western thinking about leadership, and vice versa.

Gaining self-awareness and self-compassion

For leaders to become self-aware, they need to understand their life stories and the impact of their crucibles, and reflect on how their life stories and crucibles contribute to their motivations and their behaviors. Leaders who do not take time for introspection and reflection on their life stories, crucibles and experiences are more vulnerable to being seduced by external rewards, such as power, money, and recognition. These leaders also may feel a need to appear so perfect to others that they cannot admit vulnerabilities and acknowledge their mistakes.

In the process of becoming more self-aware, leaders learn to accept their weaknesses, failures, and vulnerabilities, just as they appreciate their strengths and successes. In so doing, they gain compassion for themselves and the ability to relate to the world around them in

authentic ways. This frees them from the need to adopt pretenses to impress other people. In understanding themselves and who they are at a deeper level, people learn how to reframe their failures and negative experiences into positive growth opportunities.

Leaders with low EQ often lack compassion for themselves. Without self-compassion, it is difficult to feel compassion and empathy for others. Many people appear to be highly compassionate toward people they care about or who are close to them, but then express disdain, rejection and hostility for people whose beliefs and characteristics are different than their own. These leaders have a tendency to use or manipulate other people, particularly those with less perceived power. As a result, they are unable to establish authentic relationships that can be sustained over time.

Leaders that lack self-awareness also often lack the ability to self regulate. Some leaders exhibit high levels of self-control and self-discipline in normal times. When they are under pressure or feel vulnerable, they revert to their worst traits, such as emotional outbursts or excessive use of power and control. Others move in the opposite direction, feeling immobilized or withdrawing just when their leadership is needed most.

Leaders who develop self-awareness and self-compassion are better able to cope with high levels of stress and pressure. They maintain the capacity to empower people to perform at a very high level even under very difficult circumstances. Authentic leaders never let their organizations lose sight of a shared sense of purpose and common values. With the unity that results from this alignment and consistency, organizations are able to take on very challenging goals, overcome great difficulties and adverse circumstances, and achieve exceptional

results on a sustainable basis.

The final step in gaining self-awareness requires going beyond the introspection and reflection that mindfulness meditation brings. True self-awareness—and mindful leadership—happens by gaining shared awareness through a personal support group. Having both practiced meditation and participated in a support group, I have personally experienced the highly beneficial impact that the combination of these two practices have had on my leadership effectiveness.

I am fortunate to have two such groups in my life. One of these groups consists of eight men who meet weekly to discuss the essential questions of life, as well as the challenges we are facing. The group was especially helpful to me when I was considering leaving Honeywell to join Medtronic back in 1989, and also when my wife Penny was diagnosed with breast cancer in 1996. The second group is a couples group, consisting of four couples, which meets monthly and engages in important questions that we are facing in our lives and our families.

These support groups provide a safe place for sharing our deepest concerns and most personal questions. They offer the vital link between our personal lives and introspective practices and the much larger organizations that all of us work in and live with every day. Their honest feedback provides a sense of shared awareness that deepens and enriches our self-awareness and helps us stay on track.

Concluding thoughts

Mindful leadership is an emerging idea in the early stages of development and validation. It offers the promise of using long-established

practices from Eastern traditions like Buddhism in a secular manner to develop higher levels of self-awareness and self-compassion. In turn, the greater level of calm, clarity, and tranquility of mindful leaders will lead to more effective leadership and to developing more authentic organizations.

Mindful leadership will help the new generation of authentic leaders to restore trust in their leadership and to build sustainable organizations known for their harmony. Its ultimate goal is to create a more harmonious and peaceful world for all to live in.

The original article was published on October 16, 2010 in The European Financial Review.

PART 3

BRINGING AUTHENTIC LEADERSHIP TO THE WORKPLACE



BRINGING AUTHENTIC LEADERSHIP TO THE WORKPLACE

As the desire for authenticity in leaders has grown, so have the expectations for leaders in the workplace. In the following articles, I explore how leaders can become more empowering, more collaborative and more positive in their leadership style. Then I examine two of the challenges leaders face: creating innovative organizations and coping with short-term pressures from their shareholders. I close this section with cautionary articles about several leaders and their organizations – Jeff Immelt of General Electric, John Stumpf of Wells Fargo, Facebook’s Mark Zuckerberg and Ford’s Jim Hackett – that led great companies into difficulties, and an uplifting one of Unilever’s Paul Polman and how his long-term, multi-stakeholder strategies and commitment to Unilever’s True North of sustainability enabled the company to rise above the pack of many notable competitors. Taken as a whole, these articles not only show what it takes to be a great leader today but also demonstrate just how difficult the task of leadership is to sustain great companies over long periods of time.

ARE YOU AN EMPOWERING LEADER?

Bill's Commentary: While the political world is still dominated by power-based leaders, the business community has made a dramatic shift to leaders who empower people in their organizations to achieve great things and give them the freedom and support to strive for them. Thus, the charisma and outward appearance of strength has been replaced by the inner confidence to trust your teammates and guide them with a gentle touch. The positive impact of empowering leaders is reflected in employee satisfaction surveys and the shift by boards of directions to promote from within rather than constantly looking outside for leaders. As a result, companies overall are performing much better in the past decade, as evidenced by the long-term growth in stock prices based on earnings and returns. These trends are being driven by the Millennials and Gen Xers who don't want to work in power-based organizations but instead are seeking empowering organizations, as well as their own leadership styles which tend to be much more empowering.

“Where is the spiritual value in rowing? The losing of self entirely to the cooperative effort of the crew.” — *George Yeoman Pocock, boat builder, 1936 Olympic gold medal winner*

Stepping into a Zappos call center is like walking into a circus. Phones

ring, voices rise, and laughter bounces around the room. If you closed your eyes, you'd think you'd entered a loud family reunion, not a billion dollar company.

Zappos employees work in a fiercely proud culture. Only 16 years after founding Zappos, CEO Tony Hsieh has made the online shoe retailer into one of best places to work in the world. Zappos employees not only love their work, they care deeply about others in the community.

How did Hsieh do it? By empowering his employees to lead.

In *Eyewitness to Power*, David Gergen writes, “At the heart of leadership is the leader’s relationship with followers. People will entrust their hopes and dreams to another person only if they think the other is a reliable vessel.”

There was a time when leaders thought their role was to exert power over others. No longer. Today’s best leaders — people like Ford’s Alan Mulally, General Motors’ Mary Barra, and Google’s Larry Page — recognize their leadership is most effective when they empower others to step up and lead. That’s exactly what the new generation of Gen X and Millennials expect from their leaders, and they respond with great performance.

Tony Hsieh focuses on relationships first and business second. In good times and bad, Hsieh’s communications are authentic, funny, and informal. He speaks directly and personally to his colleagues. As Hsieh says “if you get the culture right, most of the other stuff...will just happen naturally.”

Hsieh reflects traits of an “empowering leader.” These leaders have discovered that helping people find purpose delivers superior results

than forcing subordinates to be loyal followers. By giving others the latitude to lead, they expand their own potential impact.

So, how can you empower others? In *Discover Your True North*, I profile five things great leaders do.

1. Treat Others as Equals

2. Listen Actively

3. Learn From People

4. Share Life Stories

5. Align Around the Mission

Treat Others as Equals

We respect people who treat us as equals. Warren Buffett, for example, gives equal attention to every person he meets. He has the same sandwich and Cherry Coke combination with a group of wide-eyed students as he does with his close friend Bill Gates. Buffett does not rely upon his image to make people feel he is important or powerful. He genuinely respects others, and they respect him as much for those qualities as for his investment prowess. By being authentic in his interactions, Buffett empowers people to lead in their own authentic way.

Listen Actively

We are grateful when people genuinely listen to us. Active listening is one of the most important abilities of empowering leaders, because

people sense such individuals are genuinely interested in them and not just trying to get something. The leadership scholar Warren Bennis was an example of a world-class listener. He patiently listened as you explained your ideas and then thoughtfully contributed astute observations that came from a deep well of wisdom and experience.

Learn from People

We feel respected when others believe they can learn from us or ask for our advice. The best advice I ever got about teaching came from my Harvard Business School (HBS) colleague Paul Marshall, who was one of HBS's greatest teachers. He told me, "Bill, don't ever set foot in an HBS classroom unless you genuinely want to learn from the students." I have taken his advice into every class I have taught for the past 12 years, telling MBA students and executives, "I feel certain I will learn a lot more from you than you do from me." The students find that hard to believe at first, but they soon see how their feedback helps me understand how today's leaders and MBA students think.

Share Life Stories

When leaders are willing to be open and share their personal stories and vulnerabilities, people feel empowered to share their own stories and uncertainties in return. On Thanksgiving eve in 1996, I sent an email to all Medtronic employees, expressing my gratitude for the support Penny and I received following her ordeal with breast cancer and chemotherapy. We were overwhelmed by the number of people who spontaneously shared their stories with us.

Align Around the Mission

The most empowering condition of all is when the entire organization aligns with its mission, and people's passions and purpose synchronize with each other. It is not easy to get to this position, especially if the organization has a significant number of cynics or disgruntled people. Nonetheless, it is worth whatever effort it takes to create an aligned environment, including removal of those who don't support the mission.

Leaders of every organization have an important responsibility to articulate how their company contributes to humankind. At Medtronic, our mission was to restore people to full health and wellness. At Disney, it's to make people happy. At every company, the business can play a powerful role in improving the lives of its stakeholders – customers, employees, suppliers, and community.

With leadership comes responsibility. As Clayton Christensen wrote, “No other occupation offers as many ways to help others learn and grow, take responsibility and be recognized for achievement.”

It's time to lead authentically. You can do so by focusing on empowering others. A team of empowered leaders all rowing in the same direction is hard to beat.

The original article was published on October 6, 2015 in the Huffington Post.

THE NEW LEADERS: COLLABORATIVE, NOT COMMANDING

Bill's Commentary: The "kissing cousin" of empowerment is collaboration. Just as they see the value in empowering leaders, companies are also shifting sharply to collaborative leaders who can bring people together from diverse backgrounds to achieve their goals. Instead of internal competition of the type promoted in the 20th century by Jack Welch, companies today see that getting people to collaborate across organization and geographic boundaries is far more effective. There's another reason why this is the case. Most of the easy problems have been solved; the complexities of operating in a global world demand a range of capabilities, knowledge, experience and insight to solve them. This type of problem solving requires diverse teams rather than star performers.

A revolution is reshaping America's bustling companies. Authentic leaders focused on customers are replacing the old guard of hierarchical leaders who concentrated on serving short-term shareholders. The old "command-and-control" style is being replaced with an empowering, collaborative style.

During the last half of the 20th century, business leadership became an elite profession, dominated by leaders who ruled their enterprises top down. Influenced by two World Wars and the Depression, orga-

nizational hierarchies were structured like military models.

Their leaders used multilayered structures to establish control through rules and processes. People climbed hierarchies in search of power, status, money and perquisites. As stock holding periods dropped from eight years to six months, hierarchical leaders focused on generating short-term results, often to the exclusion of long term growth.

In the past decade it all blew up, from the ethical scandals exposed by Enron and WorldCom to the Wall Street meltdown. As a result, people lost trust in business leaders to build sustainable institutions instead of serving themselves and short-term shareholders.

In my 1960s class at Harvard Business School our professor cited the Department of Defense and Catholic Church as the most iconic organizations. Business followed their lead, as General Electric, General Motors, AT&T and Sears became their role models.

By century's end, the latter three were in long-term decline, while Jack Welch revolutionized GE. Hundreds of other organizations like Kodak, Motorola and Westinghouse followed similar patterns of self-destruction. The hierarchical model simply wasn't working.

In retrospect, it seems obvious people weren't responding to "top down" leadership. Why not?

The craftsman-apprentice model has been replaced by learning organizations, filled with workers with greater knowledge than their bosses. Young people are unwilling to spend ten years waiting for their chance to lead; instead, they want opportunities now, or they move on.

People are looking for more than money, as few are willing to spend

their lives in unfulfilling jobs, just for the compensation. Rather, they seek genuine satisfaction and meaning from their work.

To lead in this new century, we need authentic leaders who align people around mission and values, empower leaders at all levels, focus on serving customers, and collaborate throughout the organization, in order to achieve superior performance.

Aligning

The leader's most difficult task is to align people around the organization's mission and shared values. Gaining alignment takes regular engagement with employees at all levels. It is especially difficult in far-flung global organizations where local employees may be more loyal to native cultures than their employers, especially regarding business practices and customer relationships.

Global organizations thought they could solve this problem with rule-books, training programs and compliance systems, and were shocked when people deviated. Aligned employees committed to the mission and values, and want to be part of something greater than themselves, form an enduring organization that is resilient through crises.

Empowering

Hierarchical leaders exert power over others and delegate limited amounts. These days that isn't leadership at all. Authentic leaders recognize they need leaders at all levels, especially on the front lines, where people must lead effectively without direct reports.

The leader's job is to empower people at all levels to step up and lead.

Empowered leaders need sophisticated accountability systems with closed-loop management to ensure commitments are met.

Serving

Leaders' first obligation is not to their shareholders, but rather to their customers. Any organization that does not provide its customers with superior value relative to competitors will find itself going out of business. Employees are much more motivated to provide customers with superior products and services than to increase stock prices.

Collaborating

The challenging problems businesses face these days are too complex to be solved by individuals or single organizations. Collaboration—within the organization and with customers, suppliers, and even competitors—is required to achieve lasting solutions. Leaders must foster this collaborative spirit by eliminating internal politics and parochialism and focusing on cooperation internally to be competitive externally.

The ultimate measure of 21st century leaders is superior results. In today's business world, organizations filled with aligned, empowered and collaborative employees focused on serving customers will outperform a hierarchical organization every time. Topdown leaders may achieve near-term results, but only authentic leaders can galvanize the entire organization to sustain long-term performance.

Examples abound of organizations – Unilever, IBM, Novartis, Microsoft, Intel, General Mills, and PepsiCo, to name a few – demonstrating that 21st century leadership creates lasting shareholder value. Authentic

leaders like IBM's Sam Palmisano, Microsoft's Satya Nadella, PepsiCo's Indra Nooyi, and General Motors' Mary Barra have become the new role models for modern corporations.

We need them to rebuild the trust that has been lost and to validate that capitalism is still the best economic system.

The original article was published in the Wall Street Journal on March 19, 2010.

IT'S TIME FOR BOOMERS TO LET MILLENNIALS START LEADING THE WAY

Bill's Commentary: Since this article was written, millennials are stepping into leadership roles in all aspects of our society, including politics. This is a welcome trend as their commitment to leading with purpose, collaboration, and empowerment of all people regardless of their differences is leading to healthier workplaces and more authentic leaders.

If baby boomers are the “Me” generation, then millennials are fast emerging as the “We” generation. With a focus on service, global leadership, diversity, and emotional intelligence, they are taking on leadership roles faster than any cohort since the Greatest Generation.

During the past 12 years, I've taught more than a thousand millennials at Harvard Business School, spending countless hours to help them understand their aspirations and motivations. To attract the best talent and motivate millennial workers, boomer-run businesses need to understand them and create opportunities for them to lead now, so the baton can be passed.

In putting together my new book, *Discover Your True North*, I learned even more about this generation. Here are four key lessons I picked up along the way, along with four star millennials who embrace each one.

Millennials are committed to serving others rather than pursuing

their own self-interests. Many are looking for opportunities to serve in immediate ways and help solve social problems.

Look at Seth Moulton, one of the youngest U.S. Congressmen at 36 years old. In his Harvard commencement address, he challenged his peers to commit to service. But it wasn't just lip service: After graduation in 2001, Moulton joined the Marine Corps and served four tours of duty in Iraq—the last as special assistant to Gen. David Petraeus during the Iraq surge. Seven years later, he upset a long-standing Massachusetts incumbent after trailing by 32 points the summer before the election. In his victory speech, he talked of Congress' misunderstanding of the military and lack of support for veterans, declaring, "I am going to Washington to change that."

Millennials' perspective is more global than any other generation. They engage deeply in global issues, especially in developing countries.

As a teenager, Abby Falik traveled to Indonesia and was overwhelmed by the extreme poverty there. She then spent a summer teaching in Nicaragua and took a year off from college to return to build a library, an experience she said "broke me down." Falik then created non-profit Global Citizen Year (GCY) in 2008 to create a bridge year between high school and college for high-potential leaders who want to do service work abroad. Thus far, GCY has sent 500 students to live in developing countries and has secured donors including the Arnhold Foundation and money manager Shelby Davis, who have each contributed a million dollars or more.

Millennials celebrate diversity. They welcome people of different ethnicities, religions, genders, national origins, and sexual orientations, recognizing that these differences enrich their lives.

In 2009, Brian Elliott founded Friendfactor, a non-profit organization that recruits straight people as visible allies to their LGBT colleagues in their workplaces and campus communities. The group's flagship program, the Friendfactor MBA Ally Challenge, tries to get business schools to engage as many students as possible in building LGBT-friendly campus cultures. Since 2012, Friendfactor says the Challenge has included 23 MBA programs and more than 11,000 students, and improved the schools' cultures with 50% more LGBT students feeling comfortable being out to everyone on campus.

Millennials rely heavily on emotional intelligence (EQ). The old notion of leaders as the smartest guys in the room has been replaced by authentic leaders with high EQs. Millennials yearn to see their leaders as authentic people, with whom they can relate on a personal basis.

Tracy Britt Cool, a mentee of Warren Buffett, exemplifies the importance of EQ. Britt, who grew up working long hours on her family farm, stood out in my MBA classes with her insights into the human dimension of business problems. Upon meeting in 2009, she and Buffett connected instantly, as he sensed her talent and integrity, and she immediately accepted his offer to join Berkshire-Hathaway (BRK-A, -0.64%). Five years later, Britt oversees investments worth billions, sits on the board of Kraft Heinz, and is CEO of Berkshire company The Pampered Chef.

With all the differences emerging among millennials, it remains to be seen whether they will stay committed to serving others into their middle years, or fall prey to using their newfound power for their own benefit. The boomers of the "Me" generation were kids of the Kennedy era, who were equally idealistic in the 1960s, only to have

their idealism squelched by the Vietnam War and their desires for increased financial stature.

Will the millennials face a similar fate? Only time will tell. Nevertheless, it's time to give them the opportunities they seek to lead now. They will change the face of America and of our business, non-profit, and government organizations.

That will be good for all of us.

This issue was originally published in Fortune on September 9, 2015.

THE MASSIVE DIFFERENCE BETWEEN NEGATIVE AND POSITIVE LEADERSHIP

Bill's Commentary: These days we are hearing a great deal of negative things about business leaders and the negative atmosphere that many they create among their employees. I believe this is counterproductive and gives license to many toxic middle managers. That's why I wrote this article featuring Ford CEO Alan Mulally's positive approach to leading his team through a crisis. As Alan says, no matter how dire the circumstances, "there is always a way forward." Great leaders work with their teams to create these ways forward, and people in their organizations respond with great results.

Weak leaders focus on all the things that are going wrong. Great ones bring out the best in us.

Much that is written about leaders these days seems to be negative: they are incompetent, arrogant, unethical, greedy, the list goes on and on.

No doubt, there is a great deal of anger and cynicism from employees, shareholders, and voters. When things go wrong in our lives, we are quick to place the blame for our ills on our leaders, and we often expect our leaders to fix things.

Are we justified in doing so? Or are we externalizing our problems by blaming those in charge? Is it time to accept responsibility for our lives and take action to make things better?

We live in an imperfect world, filled with violence, income inequality, a lack of jobs, corruption, ill health, and defective products. As much as we would like to eradicate these ills, there are no easy solutions that leaders can apply to make such problems disappear.

Meanwhile, political leaders are fanning the flames of anger and distrust in order to gain popular support. Their words are intensified by the 24-hour news cycle, with every outlet looking to gain viewers by highlighting the urgency of these ills.

This atmosphere brings out the worst in us. All we are doing is further dividing the country between rich and poor, conservatives and liberals, free traders and protectionists, hawks and doves. The next American president will be no more able to eliminate these problems than the last two have been. And blaming the media doesn't solve anything because their incentive structure is built on giving people stories they want to grow the size of their audience.

In business, activist investors assault corporate boards with simplistic, short-term solutions to break up companies, leverage their balance sheets, or buy back stock by cutting investment required for their strategic success. These investors can find something to criticize at every company. And shareholders often give them the benefit of the doubt in order to see near-term bumps in stock prices.

But toxic leadership comes at a great cost. Such leaders create environments that bring out the worst in people and drag everyone down. Like malignant tumors, negative attitudes spread throughout organizations until everyone is playing "the blame game" and avoiding responsibility for the problems they create. Once this happens, organizations are on a path to self-destruction, creating in their wake enormous harm

for employees and shareholders alike. At this point, the organization is no longer able to sustain itself and begins to unravel. That's what happened to Sears, General Motors, Lehman Brothers, Kodak, and other victims of politics, cynicism, and short-term thinking.

Enter Positive Leadership

Authentic leaders, by contrast, try to bring out the best in people. They aim to see others' potential, to empower people to take responsibility for their actions, and to work together to make things better for all people. That's what great political leaders like Ronald Reagan, Franklin D. Roosevelt, and Nelson Mandela have done in years past. It is what today's leaders in business, health care, nonprofits, academia, and yes – in politics – need to do to bring us together to make life better for all people and to ameliorate our ills.

Sustainable, meaningful progress of any kind comes with a multitude of trials and tribulations. Yet the best leaders find ways to celebrate the incremental victories. As I highlight in my latest book, *Discover Your True North*, recent scientific research shows that positive approaches to empower people is a must-have leadership trait. By and large, the leaders I know are doing just that. They are doing their best to encourage people to grow, contribute, and live happy and meaningful lives. To use the words of author Adam Grant, they are “givers,” not “takers.”

This approach is consistent with the positive psychology movement pioneered by psychologist Martin Seligman. The three aims of positive psychology are:

1. Building human strength

2. Making the lives of people fulfilling

3. Nurturing the talent that resides in all of us

In his book *Focus*, Daniel Goleman describes multiple experiments that demonstrate the impact of positive interactions with employees. One experiment showed employees perceived negative feedback more favorably when it was delivered in warm, supportive tones. When good news or positive feedback was delivered in negative tones, employees left the discussions feeling poorly, instead of feeling elated by their successes. Seligman's research shows a 3:1 "positive-to-negative" statements ratio is necessary for healthy professional relationships.

When organizations hit roadblocks, people naturally get upset, and often their anger shows, but that doesn't resolve anything. As Positive Intelligence author Shirzad Chamine says, there is an inner, often unconscious dialogue going on between your "sage" and your "saboteurs." As leaders recognize this dialogue, they will be alert to avoiding negative responses that sabotage healthy relationships. By inquiring rather than directing, leaders can find opportunities within the challenges their organizations face. They also can build better relationships with colleagues who count on them to help solve problems.

Alan Mulally's Positive Transformation at Ford

Navigating severe challenges requires strong, courageous, and authentic leaders. That's what Alan Mulally offered at Ford Motor. On his first day as Ford's CEO in 2006, Mulally asked to tour Ford's famous Rouge plant where Henry Ford created the Model T. Mulally was informed

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**- ALAN MULALLY, FORMER PRESIDENT AND
CEO OF THE FORD MOTOR COMPANY**



by one of his top executives, “Our leaders don’t talk directly to factory employees.” Ignoring that advice, he went to the plant immediately to talk to frontline workers.

Mulally also set up mandatory weekly management meetings he called the business process review (BPR) for his top executives to get to the root cause of Ford’s long-standing problems. He quickly discovered that Ford’s challenges went way beyond financial losses: the culture at Ford was broken and in need of massive transformation. He observed, “Ford had been going out of business for 40 years, and no one would face that reality.”

In response, Mulally developed One Ford, an initiative based on “focus, teamwork and a single global approach, aligning employee efforts toward a common definition of success.” He started by redesigning internal meetings. As described in Bryce Hoffman’s *American Icon*, meetings had become “arenas for mortal combat” in which employees practiced self-preservation, trying to identify flaws in each other’s plans instead of recommending solutions to their problems.

Mulally reframed these meetings from negative to positive, fostering a safe environment where people had open and honest discussions without fear of blame. Instead of attacking executives for the issues they brought to the table, Mulally encouraged collaborative approaches to problem solving. He noted, “If you have a common purpose and an environment in which people want to help others succeed, the problems will be fixed quickly.”

Mulally introduced a “traffic light” system to weekly BPRs in which executives indicated progress on key initiatives as green, yellow, or red. After four meetings in which all programs were labeled green,

Mulally confronted his team, “We are going to lose \$18 billion this year, so is there anything that’s not going well?” His question was met with stony silence.

The following week, Ford’s North American President, Mark Fields, showed a red indicator that a new vehicle launch would be delayed. Other executives assumed Fields would be fired over the bad news. Instead, Mulally began clapping and said, “Mark, that is great visibility.” He asked the group, “What can we do to help Mark out?” As he frequently told his leaders, “You have a problem; you are not the problem.”

Mulally describes his leadership style as “positive leadership—conveying the idea that there is always a way forward.” He says a critical part of positive leadership is “reinforcing the idea that everyone is included. When people feel accountable and included, it is more fun. It is just more rewarding to do things in a supportive environment.”

With determination and positive leadership, Mulally created a culture of effective problem solving and teamwork. As a result, his team kept Ford out of bankruptcy, reversed market share losses with improved auto designs and quality, brought jobs back to the U.S. from overseas plants, and restored the company’s profitability by becoming cost competitive with foreign producers.

Weak leaders focus on all the things that are going wrong. Great leaders like Mulally bring out the best in us. The most effective leaders apply the principles of positive psychology, ensuring their interactions with employees contain a healthy balance of positive and constructive feedback. They maintain an optimistic outlook despite the setbacks, reinforcing that there is a hopeful way forward.

The original article was published on March 21, 2016 in Fortune Magazine.

THE VITAL ROLE OF INNOVATION LEADERS

In working with both innovative and un-innovative companies, I have found many that want to be more innovative, but don't create any genuine innovations. The difference between the two is not the lack of innovators. Rather, it is the absence of innovation leaders that create the atmosphere that enables innovation to flourish rather than being snuffed out.

Innovation leaders behave very differently than innovators, as they recognize their role is not to create the innovations, but rather to create an environment in which innovation can flourish, rather than being suppressed by multiple forces at work in large, bureaucratic organizations. Included among these are short-term pressures, budget cuts that attack the highest risk projects first, negative career impacts on innovators whose innovations fail, bureaucratic middle managers and human resource people who are uncomfortable with mavericks that stretch the rules as so many innovators do, executives that rail against innovative projects that are "losing" money, and perhaps more significantly, innovations that threaten the company's core businesses. Offsetting these powerful forces requires top executives strong enough and sufficiently determined to support their innovators. At the same time, these innovation leaders need to spend a disproportionate share of their time reviewing the innovations, encouraging the innovators and inspiring them.

The two articles that follow focus on two extremely innovative com-

panies in different fields – Google in high tech and Disney in entertainment – as well as two exceptional innovation leaders, Google’s Larry Page and Disney’s Bob Iger.

THE WORLD'S MOST INNOVATIVE COMPANY

Bill's Commentary: What makes Google the world's most innovative company? Three things stand out: First, Google is led by true innovation leaders like Chairman Eric Schmidt, CEO Larry Page, and co-founder Sergey Brin. Second, it takes a "bottom up" approach to innovation, giving its creative people the freedom to innovate in large ways and small. Third, it provides both time and resources for its people to innovate, not constraining them with quarterly earnings targets. Ultimately, these three things contribute to an atmosphere of innovation, reinforced by physical facilities that stimulate the creative process.

“If your goals are ambitious enough, even failure will be a good achievement.” – *“Laszlo Block,”*
Google's Senior VP of People Operations

Two weeks ago I spent a day at the world's most innovative company: Google. It felt more like a college campus than a multibillion dollar company. Yet behind the gyms, mindfulness classes, and gourmet free food, there are 20,000 engineers working furiously. Their goal: breakthrough products that transform the world.

To understand what makes Google so innovative, I studied two “insider's books:” Laszlo Bock's *Work Rules* and Chairman Eric Schmidt's and Jonathan Rosenberg's *How Google Works*. Nevertheless, it is still

very difficult to figure out how Google actually works. The reason? While many companies proclaim they are egalitarian and work from the “bottom up,” Google actually does. Gmail, for example, began with a “spare time” project that led to the ubiquitous electronic mailing system many of us use.

Unlike Steve Jobs’ Apple, where the legendary founder had his hands on every product, Google CEO Larry Page and cofounder Sergei Brin give their technical teams wide latitude to experiment. This is how Google is able to attract such brilliant innovation leaders as Arthur Levinson, former CEO of Genentech, who is leading an initiative to combat aging. Understanding Google became even more difficult this fall when it morphed into Alphabet, the holding company that not only includes Google itself, but all its remarkably creative entities like selfdriving cars and Google glass.

Beginning as a research project in 1996, Google has rapidly changed the world. Since developing the most successful search algorithm, PageRank, the company has expanded far beyond web search. Since going public in 2004, Google digitized millions of books with Google Books, mapped the world with Google Maps, and generated the first mass-produced, wearable technology – Google Glass.

History demonstrates that companies become less innovative as they grow, as size and creativity are inversely proportional. Not so with Google. So what is its secret?

In “8 Pillars of Innovation”, YouTube CEO Susan Wojcicki gives eight ways Google stays innovative. These include the mission, idea generation and willingness to fail. One pillar she overlooked, however, was “Develop Innovation Leaders.” These days there are thousands

of creative innovators all over the world, but effective innovation leaders like Page and Facebook's Mark Zuckerberg are very rare. Yet without highly skilled innovation leaders throughout its organization, Google would never have produced so many innovative products and have so many more in its pipeline.

Take one of Google's most innovative practices: its policy of giving 20% free time to engineers to work on independent projects. Initiated in 2004, the policy has begun innovations such as Gmail, Google News, and Ad Sense, but not without controversy. It is difficult for any company to justify time for employees to work on small, side projects when the mainstream development projects are all-consuming. Without support of Google's top leadership, the policy would never have succeeded.

Ironically, Google has a history of underplaying the importance of leadership. In 2001, Page and Brin experimented with a completely flat organization, but the experiment only lasted a few months. Without clear leadership, it was difficult to communicate vision, handle logistics, and foster career development. Shortly thereafter, Schmidt became CEO, a position he held for a decade.

Since then, Google has recognized the importance of developing and hiring innovation leaders. In 2009, Google launched Project Oxygen – a three-year project to understand how the best managers at Google work. Implicit in this project was the understanding that great innovation leaders are required to drive great change. In order for Google to innovate as it has, it required the best minds in the world, and superb innovation leaders with the wisdom to know autonomy with respected inputs and challenges is required to inspire and retain

high-powered innovators.

That's also why Google became the holding company Alphabet – a loosely knit collection of interdependent units that can attract and empower more innovation leaders. As Bock argues in *Work Rules*, “Micromanagement is mismanagement.” Its collection of innovation organizations provides the freedom to innovate without near-term financial constraints. The new structure is designed to enable Google to retain such established innovation leaders as Google's new CEO Sundar Pichai, Calico's Levinson, Google X's Astro Teller, Sidewalk Labs' Dan Doctoroff, and venture capital leader Bill Maris.

These innovation leaders possess very different characteristics than most traditional leaders of large enterprises:

They are “We” leaders, not “I” leaders. They align their teams around an inspiring mission and set of values. They have high levels of emotional intelligence (EQ) combined with high IQs. They possess passion, compassion and courage. They are skilled at drawing out the best talents of innovators. They inspire, empower, support and protect their innovators and mavericks. They focus on bold long-term visions and aren't deflected by short-term pressures. They are superb collaborators with other teams and other leaders.

Google's model for nurturing innovation leaders may well become the gold standard for other organizations eager to create innovation breakthroughs, without the constant pressure of shareholders for immediate results.

At the very least, in itself it is a breakthrough.

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Huffington Post.

THE LEADERSHIP QUALITY THAT SEPARATES DISNEY'S BOB IGER FROM HIS PEERS

Bill's Commentary: Disney is another incredibly creative organization that has become much more so under the leadership of CEO Bob Iger. One of Iger's great gifts is that he does not see himself as the innovator, but rather empowers his people to do extraordinarily innovative things. Pixar is a classic case in point as innovative leaders Ed Catmull and John Lasseter have not only created most of the best-selling animated films of all time, but at Iger's request, reinvested the Disney Studios. Innovation leadership has seven essential elements: how many of these qualities do you have?

Iger places faith in his creative directors and allows them to propose original ideas.

In 2015, Bob Iger, CEO of Disney, told his top 400 executives, "The riskiest thing Disney can do is maintain the status quo." Iger knows that simply leveraging the traditional Disney brands like Mickey Mouse and adding theme parks is insufficient to sustain the company's growth.

As organizations grow, their capacity for innovation tends to stagnate—as my Harvard Business School colleague Clay Christensen explained in *The Innovator's Dilemma*. Iger would not consider himself an innovator in the class of Walt Disney or Steve Jobs, but he is a master at identifying, motivating, and supporting creative leaders.

Why are there so many innovators, but so few innovation leaders?

Today, there are tens of thousands of innovators, but few outstanding innovation leaders. Those companies with innovation leaders at their helm, like Google, Apple, Amazon, Gilead, Disney, 3M, Tesla, and my former company Medtronic, have sustained their growth and performed exceptionally well. Meanwhile, one-time innovation pioneers that lost their mojo (such as Hewlett-Packard) have stagnated.

Startups, smaller companies, and academic institutions currently drive most of our nation's innovation. It doesn't have to be this way. Companies like Google GOOGL 0.59%, 3M, Disney, and Apple show that corporations can stay creative even as they grow large. Many people call these companies "experts on innovation," but the truth is a bit more nuanced. These organizations don't just develop innovative ideas; they develop innovation leaders.

Before Iger became CEO of Disney, his predecessor used a disciplined, "factory like" process to produce films. Business development teams came up with ideas and then handed them to directors. Iger rearranged the process, placing faith in his creative directors and enabling them to propose original ideas.

Iger isn't the only leader at Disney inspiring creativity. Disney subsidiary Pixar has two of the world's finest innovation leaders in Ed Catmull and John Lasseter. Thanks to their leadership, Pixar has created the 12 most successful animated films of all time, including the 2016 Oscar winner, "Inside Out." After he was fired from Apple AAPL 1.03%, Steve Jobs bought controlling interest in Pixar, and he learned firsthand from Catmull and Lasseter how to lead innovators. This experience paved the way for Jobs' string of successes when he

returned to Apple in 1997.

During a corporate board trip I took in 2013 to Pixar with Iger, Catmull, and Lasseter and learned firsthand why they are so successful. We visited their teams—the first-line innovators that create Pixar films – and saw how these innovation leaders interacted with them. Catmull said that as part of the merger, Iger asked him and Lasseter to take over Disney Studios because it had become bureaucratic and slow moving. In turn, they revived its fortunes – a success which was evident in the popular 2013 film, “Frozen.” Iger didn’t stop with Pixar. He later bought Lucasfilm and Marvel Entertainment, and retained their innovation leaders.

Examining Alphabet (née Google), we see the same caliber of leaders. The former CEOs of Nest, Genentech, and Bloomberg all work for Alphabet. They operate within a common corporate framework because CEO Larry Page, who is himself a great innovation leader, gives them the latitude, resources, and teams to engage in highly risky projects.

So, what are the key qualities of innovation leaders? What makes them so effective at bringing out the creativity in others? After all, the characteristics of great innovation leaders are dramatically different from traditional business managers. The following seven elements are the key ingredients to innovation leadership.

Passion for innovation

Innovation leaders not only have to appreciate the benefits of innovation, they need a deep passion for innovations that benefit customers. Just approving funds for innovation is insufficient. Leaders

must make innovation an essential part of the company's culture and growth strategy.

A long-term perspective

Most investors think three years is “long-term,” but that won't yield genuine innovation. Major innovations can change entire markets as the iPod and iTunes did, but they take time to perfect products and gain adoption by mainstream users. Thus innovation leaders are sometimes willing to sacrifice near term financial results to seize longer-term opportunities.

Companies like Apple and Alphabet find ways to shield their leaders from the day-to-day demands of investors. Google's “X” runs the moonshot projects of Alphabet, which include driverless cars, drone delivery, and robotics. The division doesn't measure its success by dollars created. Instead, it focuses on “speed of failure.” By changing the metrics of success, Page and cofounder Sergey Brin are able to balance fiscal discipline with the need to give innovation leaders a safe space to incubate new ideas.

The courage to fail and learn from failure

The risks of innovation are well known, but many leaders aren't willing to be associated with its failures. However, there is a great deal to be learned from why an innovation has failed, as this enhanced understanding can lead to the greatest breakthroughs. At Medtronic MDT 1.23%, our failures with implantable defibrillators in the 1980s led to far more sophisticated approaches to treating heart disease in the 1990s.

Deep engagement with the innovators

Innovation leaders must be highly engaged with their teams, asking questions, probing for potential problems, and looking for ways to accelerate projects and broaden their impact. That's what HP's founders Bill Hewlett and David Packard did by wandering around HP's labs and challenging innovators. My HBS colleague Amy Edmondson says groups where members can air wild ideas are “psychologically safe.” In such settings, participants feel respected even when their ideas are rejected, and they don't fear airing opposing views. The more failed ideas that come up, the more likely the group will land on a successful one.

Willingness to tolerate mavericks and protect them from middle management

The best innovators are rule-breakers who don't fit the corporate mold. These people are often threatening to middle managers, many of whom adhere to standard practices. That's why innovation leaders must protect their mavericks' projects, budgets, and careers rather than forcing them into traditional management positions.

Opening up time for creativity and brainstorming

Innovation leaders understand how to give their people the time to think—the difference between “maker time” and “manager time.” As Paul Graham wrote, managers break up their time into 30 to 60-minute chunks, feeling satisfied with tight schedules of meetings throughout the day. For makers, this is disruptive, because it is impossible to generate the time and freedom to be creative. Innovative thinkers need

a few consecutive hours to enter “flow” – a mental state in which people are fully immersed in the creative process. Innovation leaders fit meetings around the needs of their creative teams. For instance, Steve Jobs held three-hour meetings on marketing – an unusual amount of time in a CEO’s schedule.

Being self-aware and mindful

The best innovation leaders understand the importance of self-awareness. Without knowing their limitations, they’ll be unable to bring out the strengths of those around them. Honest feedback is often hard to get because many people tell leaders what they want to hear rather than the unvarnished truth. For this reason, many leaders use 360-feedback from their peers and subordinates.

Mindful practices such as daily meditation, prayer, journaling, or jogging also helps leaders to be more creative and open to new ideas. For Iger, this means waking up every morning at 4:30 a.m. to be alone. For Jobs, this meant Zen Buddhist meditation. As I have learned from my personal practice of meditation, mindfulness helps me reflect on myself and my ability to lead others. Many of my strongest ideas have come from meditation.

Innovation leaders don’t create innovations themselves, but they are effective at leading creative people. While many companies claim they are innovative, few successfully develop leaders who understand how to lead creative teams. Many large companies often stifle innovation leaders. Short-term pressures, zero-sum success, and an unhealthy focus on the status quo all prevent innovation leaders from emerging.

Iger calls creativity “the heart and soul of Disney,” but, in truth, innovation leaders are at the core of every creative company. Without their leadership, companies begin to manage for short-term results and eventually decline. To stay ahead of their competitors, companies must have innovation leaders who inspire the creativity of others.

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DEALING WITH SHORT-TERM PRESSURES

Today's corporate leaders are under greater pressure than ever before. Short-term shareholders insist that companies hit their quarterly expectations, and their stock prices are severely punished if they don't. Activist investors take stakes in their companies and pressure their boards for restructuring and improved performance. Meanwhile, today's investors hold for shorter and shorter periods and are less concerned with revenue and earnings growth than they are with returning cash to shareholders.

BlackRock CEO Larry Fink writes an annual letter to the CEOs of America's 500 large public corporations warning them not to succumb to these pressures. In his January 2018 letter, he challenged CEOs to ensure that their companies had a clear sense of mission and purpose that serves society, not just their shareholders. This is an extremely powerful statement from the world's largest fund manager with \$5 trillion of assets under management. To quote Fink,

“Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees,

customers, and the communities in which they operate.

Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders. It will succumb to short-term pressures to distribute earnings, and, in the process, sacrifice investments in employee development, innovation, and capital expenditures that are necessary for long-term growth. It will remain exposed to activist campaigns that articulate a clearer goal, even if that goal serves only the shortest and narrowest of objectives. And ultimately, that company will provide subpar returns to the investors who depend on it to finance their retirement, home purchases, or higher education.

The second article in this sub-section focuses on Unilever CEO Paul Polman as he coped with a hostile takeover offer from Kraft Heinz (KHC), a subsidiary of 3G, Brazil's largest private equity firm. This battle was significant because Polman has been the world's leading advocate for sustainability, using Unilever as a role model of a corporation that created shareholder value through its sense of purpose. In contrast, KHC's philosophy is one of deep cost-cutting to generate large, immediate cash returns to shareholders. In a real sense, this battle reflects the differing philosophies of BlackRock's Fink and activist investors on Wall Street.

The third article, written in 2004, shortly after I retired from Medtronic, illustrates the pitfalls of an organization that had become so mission-driven it had lost sight of performance disciplines required to serve customers as well as shareholders. In it I argue that there is no conflict between fulfilling your company's mission and creating sustainable

shareholder value; in fact, without performance discipline the mission cannot be fulfilled not can shareholder value be created.

ARE COMPANIES SUCCUMBING TO SHAREHOLDER PRESSURES?

Bill's Commentary: Blackrock CEO Larry Fink has been quite outspoken about companies that focus on meeting the demands of short-term investors with financial engineering ploys like stock buybacks, while neglecting the need to build for the long-term and maintaining solid balance sheets and liquidity that can withstand any downturn. It is a tragedy when even iconic companies like General Electric under the leadership of CEO Jeff Immelt succumb to these pressures. While the jury is still out on whether GE can recover in its current conglomerate form, its trajectory is similar to other iconic companies like Kodak, Sears Roebuck, K-Mart, RCA, Westinghouse, Motorola, and Zenith that are no longer viable. This leads to the long-debated question, is the purpose of a company to make money for its shareholders or to create value for all its stakeholders? I clearly am in the latter camp, so it is very rewarding to see so many CEOs today recognizing that their responsibilities go far beyond their shareholders, including their responsibilities to the societies in which they operate.

Are companies and their boards succumbing to short-term pressures from shareholders?

That's the concern of Larry Fink, CEO of Blackrock, the world's largest fund manager with \$4 trillion in assets under management. Fink personally wrote to all CEOs in the S&P 500 index last spring

to warn them about trying to return money to investors through so-called “shareholder friendly” steps like increasing dividends and buying back stock. Fink believes pressure from activist investors is harming long-term shareholder value, despite stock price increases that often follow.

The pressures today have never been greater on chief executives and boards to produce short-term results and maximize shareholder value. The paradox of these pressures is that they may actually destroy long-term shareholder value if they force executives to cut R&D, capital spending, new ventures and expansion in emerging markets, thus constraining future growth potential.

What is missing in the faux debate about “shareholders versus stakeholders” is a deeper understanding of how shareholder value is created. It is not just by cutting costs, as steadily declining revenues spell doom as they did for Sears and Kodak. Rather sustainable shareholder value – which I believe should be the goal of every company – comes from serving society through great products and services that in turn meet customer needs and create profitability, cash flow for ongoing investments and shareholder value. As Infosys Founder Narayana Murthy argued, “You cannot sustain long-term shareholder value without creating sustainable value for your customers.”

The responsibility of corporate leaders is to achieve their short-term objectives while investing for future growth. It is not an either-or trade off. But those who make their quarterly numbers by cutting future investments or financial engineering are headed for trouble. Investors can always sell their stock before the long-term consequences are apparent, but corporate leaders are responsible for ensuring their

firm's viability for the long-term.

Look at what happened to General Motors under former CEO Rick Wagoner and his predecessors, who consistently opted for short-term profits over product improvements and quality. Over forty years GM's U.S. market share eroded from 52% to 18%, and the firm wound up in bankruptcy when the global recession hit in late 2008. Contrast that with Ford's Alan Mulally who borrowed \$23.5 billion in 2006 to invest in retooling Ford's entire product line and had sufficient reserves to withstand the 2008-09 market downturn — consequently, Ford continues to thrive.

In recent years short-term traders and hedge funds have steadily gained power. These active investors, earning high fees and taking 20% of gains, have had a powerful impact on capitalism. For the past five years, however, they have struggled to justify their high fees because they have been unable to consistently outperform index funds, so increasingly they focus on driving short-term gains rather than investing for long-term returns.

These trends are raising questions about the ultimate purpose of business: is it solely to meet shareholder's near term expectations or do companies have larger obligations to serve society and all their stakeholders, including shareholders?

Public companies get significant privileges as limited liability corporations because they are chartered to serve society. If they do not honor their obligations to individual countries, they may be forced to depart, or have their freedom constrained by laws like Dodd-Frank imposed on financial institutions. Unfortunately, current pressures in the financial system may be forcing companies to view themselves as

extractors instead of beneficiaries of society.

As my HBS colleague Michael Porter argued in his 2011 HBR article, “Creating Shared Value,” when businesses focus on both societal benefit and economic profit, they do the most good through the business model itself. General Electric’s EcoImagination line, for example, develops energy efficient products like traditional light bulbs that are growing rapidly and have positive externalities in saving energy.

Instead of including society as one of its many stakeholders, World Economic Forum President Klaus Schwab argues that companies should view themselves as stakeholders in society. When the world we live in improves — education expands, violence decreases, or global warming slows — everyone wins, especially shareholders. Walmart, for example, cut greenhouse gas emissions in 2009 by reducing packaging and decreasing truck routes by 100 million miles, and it saved \$200 million.

As Porter observed, “The new thinking reveals that congruence between societal progress and productivity in the value chain is far greater than traditionally believed. Few companies have reaped the full productivity benefits in areas such as health, safety, environmental performance.”

A pioneer in the sustainability movement, Unilever CEO Paul Polman summed up this new mission of business, “It’s not enough anymore to say you contribute to a better world. Instead of thinking how you can use society to be successful, you have to start thinking how you can contribute to society and the environment to be successful.” Polman concluded by saying, “Unilever’s purpose is having a sustainable business model that is put at the service of the greater good. It is as

simple as that.”

What if all companies reframed their purpose along these lines? Think of the impact that global companies and local enterprises could have on addressing the world’s most pressing problems.

The original article was published on September 22, 2015 in The Huffington Post.

THE BATTLE FOR THE SOUL OF CAPITALISM

Bill's Commentary: The bid by Brazil's 3G Capital to take over the venerable London-based Unilever and consolidate it under the management of Kraft Heinz was quickly aborted after Unilever's CEO Paul Polman, backed by his board of directors, firmly rejected the offer, not even leaving a crack open for further negotiations. Yet this brief event and Unilever's subsequent actions capture perfectly the battle for the soul of capitalism between the long-term investors and short-term traders. While Polman's arguments for long-term building of Unilever around its mission of sustainability carried the day in this case, there are still too many examples like DuPont where the short-term pressures prevail.

It takes many years to build a great company with sustainable growth in shareholder value, but it can all be destroyed by short-term thinking, as we have witnessed in the case of Sears/K-Mart, Kodak, Wells Fargo, General Motors (pre-bankruptcy) and far too many others. Yet activist investors can serve a useful purpose in pressuring complacent managements like those at General Electric and Procter & Gamble to improve their results and modernize their business models.

The 3G-Unilever battle also illustrates why companies need to focus on meaningful ways to improve shareholder returns while they are growing – which is precisely what Polman did in his April 2017 announced actions.

Last month's quickly aborted bid by Kraft Heinz (KHC) to take over Unilever brought into sharp relief the ongoing war between two different philosophies of capitalism. On one side Unilever CEO Paul Polman champions sustainable growth in earnings to raise long-term shareholder value. On the other side KHC and its Brazilian owner 3G advocate maximizing short-term earnings to increase near-term valuation.

Long-term investors' perspective

CEOs of companies aiming for sustainable growth in shareholder value know they must achieve short-term results while they continue to invest in R&D, capital expenditures, global expansion, and people development to sustain their growth. During economic downturns, this can be a difficult balancing act, but nothing less is required.

These long-term value creators use compound growth in revenues, earnings per share, and return on capital invested as measures of longer-term performance. The great value creators of recent decades like Berkshire Hathaway, Johnson & Johnson, and Disney have mastered the ability to achieve these long-term metrics as well as their near-term goals, thereby sustaining growth in shareholder value.

But this doesn't protect them from activist investors seeking immediate returns.

Traders' perspective

Traders seek immediate gains in stock values to demonstrate above market returns to their investors, with little regard to the long-term

future of the companies.

In recent years, fund managers have shifted their focus to cash flow available for shareholder distribution, either through dividends or repurchase of shares, with growing pressure on companies to increase share buybacks. However, there is scant evidence that buybacks produce sustainable increases in shareholder value.

Corporate leaders are thus faced with ongoing tradeoffs between using their cash flow for internal expansion and acquisitions versus increasing dividends and buybacks

Latest battle: AngloDutch Unilever versus Brazilian 3G

Last month's proposed takeover of London-based Unilever by Brazilian private equity firm 3G provided a real-time example of how these conflicting objectives collide.

Unilever's roots date to 1872 with the founding of Margarine Unie and 1885 founding of Lever Brothers. Their 1930 merger as Unilever created the first modern multinational company with equal roots in Britain and the Netherlands. When Dutchman Paul Polman took the helm in early 2009, he declared bold goals to double Unilever's size from 40 billion Euros to 80 billion by 2020, and generate 70 percent of revenues from emerging markets.

Polman has transformed Unilever into a growth-oriented global competitor that has more deeply penetrated emerging markets than any other consumer products company. To date, Unilever has made significant progress toward Polman's goals, with 2016 revenues of 53 billion Euros, including 57 percent from emerging markets. He takes

justifiable pride that Unilever has increased its dividends 8 percent per annum for the past 36 years. Polman has used “sustainability” as the company’s unifying force, introducing the Unilever Sustainable Living Plan in 2010 with dozens of metrics to measure progress. For his advocacy of environmental sustainability, Polman received the UN’s “Champion of the Earth Award.”

Yet, some investors worry that Polman’s commitment of Unilever resources to sustainability is detracting from its financial performance.

Unilever’s track record attests to Polman’s success: in his eight years as CEO, Unilever’s revenues have grown 32 percent, averaging 3.8 percent the past four years, making it one of the top performers in consumer products. Its stock price is up 144 percent, with a total return to shareholders of 214 percent.

3G attacks

3G is the brainchild of Jorge Paulo Lemann, a former investment banker who built Brazil’s “Goldman Sachs.” 3G’s playbook is to buy moribund companies in need of shaking up, cut operating expenses 30-40 percent, including longer-term investments, replace the entire management team with hungry young Brazilian managers, and rapidly increase earnings and cash flow. With its aggressive, “take no prisoners” style, 3G uses the cash it generates to pay down debt and buy additional companies. 3G has successfully applied this formula to the retail, beer and fast food industries.

In 2013 3G saw the opportunity to shake up old-line food companies whose iconic products were out of favor with Millennials. It purchased

Pittsburg-based Heinz with Warren Buffett's Berkshire Hathaway as coinvestor, and immediately applied its costcutting formula. Initial success led 3G to buy a failing Kraft Foods in 2015 and merge it with Heinz as Kraft Heinz (KHC).

Since then, revenues have fallen by 45 percent per year, raising questions about whether KHC can sustainably grow earnings without further investment or acquisitions. Most security analysts predicted 3G would tack on additional acquisitions, with food company targets like Mondelez, Campbell Soup or General Mills. Few suspected KHC would attempt to take over a top performer like Unilever, whose business is 60 percent personal care and home care.

KHC launched its attack by offering \$50 per share, 18 percent above Unilever's stock price. This was equivalent to its price last fall before it fell in sync with the weakening Euro, making KHC's lowball offer easy for Unilever's board to reject. According to British press reports, KHC's executives were taken aback by the ferocity of CEO Paul Polman's rebuff, along with its cold reception from the British government.

“Those of us who believe capitalism is a great long-term value creator must care about the fate of great companies that are role models for the way capitalism should work.”

Consequently, KHC withdrew its offer just 50 hours after the takeover was launched. Many suspect that Buffett, who has always opposed hostile offers, told Lehman he wasn't willing to fund a war between Unilever and 3G. Although the war ended as quickly as it began, it sent shock waves through Unilever's organization and the British

investing community.

. . . and Unilever responds

In response, Unilever's leaders mobilized, recognizing KHC's offer was "a shot across the bow," and the battle is far from over. Immediately following KHC's withdrawal, Polman met with his board and announced that Unilever will undergo a complete assessment by April of its product portfolio, cost structure and balance sheet in order to enhance near-term shareholder returns.

It is likely that Unilever will consider leveraging up its balance sheet and announcing stock buybacks rather than letting an aggressor buy the company using its own balance sheet. More cost reductions may be in order going forward if the softness in the consumer packaged goods market continues. Also on the docket is the analysis of Unilever's vast product portfolio, which may trigger the sale of declining brands and categories, or even breaking the company in two by spinning off its foods business.

Reflections on this battle

Nevertheless, the question remains: why did 3G choose to attack 145-year old Unilever, a top performing company with aggressive leaders that are creating great value for shareholders as well as customers, employees and society at large through sustainability initiatives?

3G's attack on Unilever raises important concerns about these competing models of capitalism. Those of us who believe capitalism is a great long-term value creator must care about the fate of great

companies that are role models for the way capitalism should work.

Sustainable enterprises that prosper for many decades – Procter & Gamble, IBM, Ford, and Exxon, just to name a few – have created enormous value for everyone involved, from employees to shareholders. If a top performer like Unilever can be attacked, then no company is safe from hostile takeover.

The larger issue at stake here is not just the fate of a single company, but the fate of capitalism itself. In a world increasingly concerned with disparities between the haves and have-nots, the voters that chose Brexit and elected President Trump are expressing deep feelings of powerlessness in a world dominated by wealthy elites. Unconstrained capitalism focusing strictly on short-term gains can cause great harm to employees, communities and the greater needs of society. In this case capitalism will face the wrath of democratic nations as their citizens demand significant constraints on all companies that limit their freedom to operate.

If this happens, we will all be worse off.

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WAKING UP A SLEEPING COMPANY

One of the greatest challenges for the values-centered culture is to produce top performance and succeed in the market against “win at any cost” competitors. Values are only one part of an organization’s culture; the other half is its operating norms—the way in which day-to-day business is conducted. Practicing solid values does not guarantee results unless a passionate commitment to performance standards is incorporated into the organization’s norms.

The question is, do the organization’s norms drive performance or do they undermine it? The latter is what I found at Medtronic when I joined the company. The company’s long history of success had led to a soft underbelly that manifested itself in a lack of discipline. The company was extremely values-centered, but its internal norms of consensus decision-making, conflict avoidance, and lack of personal accountability all undermined the company’s performance. For all its strengths, it was my impression that Medtronic’s culture was too Minnesota Nice. I realized that these aspects of Medtronic’s culture had to change if we were going to be an effective competitor and realize our vision of being the global leader in medical technology.

The challenge we faced was changing a successful culture without diminishing its positive attributes. Cultural change is never an easy task, and far more cultural change efforts ultimately fail than succeed. Transforming a healthy culture is even more difficult than changing an unhealthy one. Many people will not understand why change is

necessary when the company has been successful. The leader has to be patient, communicative, and diligent in insisting on changes at all levels, or the organization—like the proverbial willow tree—will snap back to its previous mode of operation as soon as the pressure is off.

In Medtronic's case the challenge was especially acute because the company had such a positive culture and strong set of values. As the newcomer leading these changes, I recognized that many people in the organization, especially those who had spent their entire careers at Medtronic, would feel uncomfortable with the changes I was proposing. Many of our leaders seemed quite comfortable with the culture just the way it was.

To link the cultural changes to our mission, I framed them in terms of helping patients and winning in the marketplace. In truth, we had no choice but to make the Medtronic culture more performance-oriented if we were going to fulfill our mission. Otherwise, we would lose out to more aggressive competitors and never earn the right to serve those patients.

In addressing the issue of Medtronic's performance standards, I found that goals and deadlines were routinely set, missed, and then simply adjusted. Poor performance was rationalized by excuses. Even incentive payments were adjusted upward to reflect these excuses. As a result, sales targets were missed, new products delayed, expense budgets overrun, all with no direct consequences for the individuals in charge. The organization tended to diffuse responsibility for performance, making it difficult to find out who was responsible. When individuals failed, they were rarely removed from their jobs. Instead, others shielded them from responsibility. The organization often rewarded

loyalty instead of performance.

The lack of performance standards related directly to the organization's inability to deal with conflict. Many managers could not abide open conflict in meetings. Disagreements over issues were frequently interpreted as personal attacks. Many people believed it was obligatory that everyone agree before a decision was taken, not just have their point of view heard. As a consequence, decisions were not taken in a timely manner, and conflicts were dealt with indirectly.

To address these issues, we installed a system of closed-loop performance management. In the future, we had to agree on very challenging goals and hold people to their commitments, making schedules, managing within budgets, and achieving sales and profit goals. Surprising as it may seem, this had not been done before. This meant changing attitudes of key people in the organization, raising the performance standards, and replacing those managers who weren't prepared to measure up. This took several years and a number of managerial changes. Eventually, most people realized how important these cultural improvements were to the company's success and embraced them enthusiastically.

Raising The Bar

Medtronic has always had dedicated employees, but the organization often rewarded loyalty instead of performance. Whereas the quality of the first-line employees was exceptional, serious gaps in management capability developed over the years. Many managers were unable to grow at the rate of expansion of the business; their jobs expanded, but their work habits remained the same.

Medtronic's mission inspired me from the moment its founder Earl Bakken described it to me. When I arrived in 1989, Medtronic helped restore someone to health once every 100 seconds. By the time I completed my tenure in 2002, that figure had fallen to five seconds. Today it is down to less than one second, with 60 million new patients every year. That's a much more meaningful metric than a stock price.

300,000
LIVES RESTORED

6 MILLION
LIVES RESTORED

60 MILLION
LIVES RESTORED

1989

2002

2018



Leadership, Motivation and Incentives

These characteristics, residing deep in the culture, affected customer responsiveness, fiscal discipline, quality of managers, and interpersonal interactions. Unless we changed, Medtronic could not be an effective competitor.

Often growth organizations fail to take a tough-minded approach in assessing their management talent. They limit their future growth by failing to have the depth and breadth of talent required to take advantage of opportunities. Eventually, these organizations lose their competitive edge. A good example is Apple Computer. During the 1980s Apple experienced explosive growth, thanks to the success of the Macintosh computer, but was unable to build its management rapidly enough to keep up. As a result, the company turned to a series of outsiders to fill the ranks of its management, none of whom seemed to understand the computer business or Apple's unique culture. In spite of its ongoing innovations, the Apple of the 1980s was not able to arrest its steady loss of market share.

Creating the Cultural Changes

In transforming Medtronic's culture, we decided not to hire cultural change consultants. Instead, I modeled constructive conflict myself by creating a more challenging atmosphere in our executive meetings. This meant asking probing questions, insisting that managers present each situation in objective terms rather than sugarcoating things with a positive spin designed solely to garner approval. I had learned from my days in the Defense Department during the Vietnam War the perils of well-rehearsed, positive presentations that avoid the

essential realities.

My approach led to criticism from some managers. They saw me as too aggressive, too challenging, and too involved in their businesses. After one such session, a senior manager asked, “Is there anything you won’t get involved in?” I felt I had to get deep into the businesses to create the necessary changes in behavior. Creating a more challenging environment was natural for me and fit my leadership style. However, it was far less comfortable for managers who were unaccustomed to being questioned.

In those days I talked a great deal about empowerment. One day a mid-level manager confronted me, saying it was not very empowering for me to challenge his plans. Several weeks later he came back to me and said, “Now we understand you better. When you talk about empowerment, you really mean ‘empowerment with responsibility.’” To which I responded, “Is there any other kind?”

In an organization that has a strong culture and a history of success, the pressure to maintain the existing culture and adopt your predecessor’s style can be irresistible. But as Jack Welch recognized when he became CEO of GE, it is often necessary to evolve a successful company’s culture to prepare for a more challenging environment. That does not have to be at the expense of its values. As this story illustrates, it is possible to bring your own personality to the leadership post and still be true to the company’s history and ideals.

The extraordinary results achieved by Medtronic in the past fifteen years shows that an organization can be both values-centered and performance-driven. The key is aligning the organization’s values and performance objectives. Working in complementary fashion,

practicing values and driving for performance reinforce each other and enable the creation of a great company.

The original article was published in HBS Working Knowledge on April 12, 2004.

THE TRAGIC HISTORY OF GE'S DISASTROUS DECLINE

Bill's Commentary: The demise of General Electric (GE) is undoubtedly the biggest single corporate failure – excluding the 2008 meltdown of the banks – to date in the 21st century. Business scholars will be examining GE for the next decade to determine how it all went so wrong, in spite of former CEO Jeff Immelt's rosy forecasts.

Throughout the 20th century GE was a role model for corporate leadership and organization – the pacesetter that other companies followed for the next decade. In his two decades at the helm from 1981-2001, CEO Jack Welch not only was named “Manager of the Century” but was followed throughout the world for his wisdom and ideas on leadership. The succession process that winnowed candidates from twenty-five to three superstars produced 43-year-old Jeff Immelt as his successor. The GE board gave him sixteen years – a time frame unheard of in corporate world today – to remake GE, while its shareholder value declined 60%. In 2017, Immelt abruptly resigned and John Flannery was named CEO. Thus far, Flannery has been saddled with cleaning up the messes he inherited from Immelt while trying to keep GE afloat and figuring out what business it is in.

GE's 2017 produced some shocking results, including a \$6.2 billion deficit in its insurance reserves on units spun off in 2010, a \$7.5 billion write down from tax law changes, and an SEC investigation into its accounting practices. Investors worry that GE will be forced

to eliminate its dividend due to negative cash flows, and Flannery acknowledged he was considering breaking up the company into much smaller units. Most recently, Flannery announced that GE was spinning off its entire health care business – the group that Immelt ran so successfully – and its industrial and oil and gas businesses,

GE, once heralded as America's most iconic company, is struggling for its very soul. GE's deepest problem today is that it doesn't seem to know what business it is in. The jury is still out on current CEO John Flannery, but so far, he appears to be a pure financial manager who lacks vision, strategy, and passion to rebuild GE to its former status.

Throughout the twentieth century, business schools heralded General Electric (GE) as America's most iconic company. It set the standards in leadership, organization, and effective management processes. The company delivered remarkable results over its storied history, evidenced by its stature as the only original component of the Dow Jones industrial average still on the list.

Today GE is becoming a shadow of its former self.

On November 13, new CEO John Flannery announced the shrinking of GE's holdings to three businesses – aviation, health care and energy and power – while shedding such legacy businesses as lighting and locomotives. Flannery also declared a 50 percent dividend cut, only the third in GE's history – this one coming when the economy is strong. Even by spinning off \$20 billion in assets, GE apparently can't move fast enough to preserve the dividends that millions of

retired Americans depend upon to maintain their standard of living. In describing these dramatic cutbacks, Flannery failed to shed any light on the end of GE's tunnel. Disappointed investors drove GE stock down an additional 13 percent in the two succeeding days, bringing the cumulative decline to 40 percent since Flannery was announced on June 12, 2017 as successor to former CEO Jeff Immelt. Credit activist investor Nelson Peltz and his partner Ed Garden (now a GE board member) for blowing the whistle earlier this year, accelerating the CEO transition from Immelt to Flannery.

The legacy of Jack Welch

The contrast of GE circa 2017 with “The House that Jack (Welch) Built” could not be greater. Since its peak in 2000, GE's \$410 billion market capitalization has shrunk to \$156 billion, down \$254 billion (62 percent). During his twenty years at the helm, Welch increased GE's market value twenty-eight times, making GE America's most valuable corporation. He expanded GE through internal growth and acquisitions, especially in GE Capital, as GE hit every quarter while investing for the long-term. For these results Fortune Magazine named him “Manager of the Century.”

Welch followed a long line of fabled CEOs that includes Charles Coffin (1892-1922), Ralph Cordiner (1950-1963), and Reginald Jones (1972-1981). He moved aggressively as soon as he took over in 1981 to remake GE with his own imprint – even though it meant undoing predecessor Jones's legacy. Recognizing GE needed to be much leaner and faster-moving to compete globally in the 21st Century, Welch slashed its bloated corporate staff, cut several layers of management,

and radically changed GE's cumbersome processes to accelerate decision making – enabling GE to move in front of major global competitors like Siemens, Phillips and Mitsubishi.

Under his leadership, GE was recognized for its disciplined execution, Six Sigma quality and cost control, and leadership excellence at all levels, built around its inhouse training center at Crotonville. GE was known as a leadership factory that developed great leaders for its own ranks and beyond – training the CEOs of Honeywell, Boeing, ABB, Medtronic, and numerous other companies. Myriad business school cases were written to document the underlying reasons for GE's success. Welch immortalized his accomplishments in his books, *Jack: Straight from the Gut* and *Winning*.

Welch is not without his critics, especially after the recent declines. Numerous observers correctly criticize the dependence he created on GE Capital, which accounted for nearly half of GE's business by the end of his reign. But Welch left GE with a strong balance sheet and abundant cash flow to adapt to any difficulties encountered.

The Immelt years

The task to correct GE's over-reliance on GE Capital fell to Immelt. He understood the issues, but failed to act in his first seven years – violating Welch's maxim that new CEOs are judged by their decisions in their first ninety days. When financial markets crashed in 2008, GE's balance sheet and cash flow were so drained that Immelt had to phone President George W. Bush and ask for a line of credit to keep the company afloat.

1981-2001

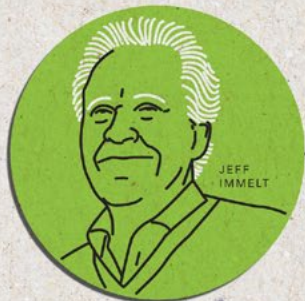
GE stock performance
under Jack Welch goes
up 2,791%



2001-2017

CEO Jeff Immelt

The GE board gave him sixteen years,
a time frame unheard of in corporate
world today – to remake GE, while its
shareholder value
declined 36%.



Early 2017

Credit activist investor Nelson
Peltz blows the whistle
accelerating the CEO transi-
tion from Immelt to Flannery.



June 12, 2017

John Flannery was
announced on as successor
CEO Jeff Immelt.



November 13, 2017

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holdings to three businesses
while shedding legacy businesses.

Flannery also declared a
50% dividend cut.

November 15, 2017

Disappointed investors
drove GE stock down further, bringing
the cumulative
decline to 67%



Yet Immelt still hesitated, not completing the final sale of GE Capital to Wells Fargo until 2016, fifteen years after Welch retired. What other CEO gets fifteen years to make desperately needed changes? How did GE invest the proceeds? By buying back \$50 billion in stock at high prices, thus diminishing its balance sheet just as its competitors were bulging with cash.

Where was the GE board during these long years of value destruction? Was it asleep, or did management fail to shed light on its difficulties? Now Flannery is remaking the GE board, cutting it from 18 to 12 members, and adding three new board members with industry expertise. The sighs of “finally,” are drowned out by the cries of, “what took so long?”

What business is GE in?

GE’s deep problem today is that it doesn’t know what business it is in. There is no central purpose that unites its disparate businesses, or enables them to be greater than the sum of its parts. Even GE’s three remaining businesses – aviation, health care, and energy and power – bear little relationship to each other. As CNBC’s Steve Liesmann noted after Flannery’s announcements, why not go all the way and split GE into three separate companies, thereby eliminating the corporate staff and associated corporate costs?

Barring a strategy for revitalization and dominance of its global markets, GE is destined to become an industrial holding company that buys and sells businesses during market cycles and whose only mission is making money. Surely that will not inspire its customers, employees or shareholders. Meanwhile, GE may fall further behind competitors

with clarity of mission and strategy like Boeing, Honeywell, United Technologies, and Johnson & Johnson.

If anyone ever needed convincing that leadership matters, GE's example provides the proof. Welch was an exceptional leader whose track record is not diminished by the company's steady decline after he retired. Immelt was a talented manager who erred by emulating his predecessor's style when he should have emulated his urgency. In his early years Immelt lacked the courage to make bold moves, and the discipline to achieve consistent execution.

In fairness to Flannery, the jury is still out as he gets started. Thus far, he has given every indication that he is a pure financial manager who lacks vision, strategy, and passion to rebuild GE as a mission-driven, valuescentered company. While Flannery may achieve modest improvement in GE's numbers, he has not demonstrated he can restore its soul.

The original article was published on CNBC on November 17, 2017.

HOW WELLS FARGO COULD HAVE SAVED ITS HARD- EARNED REPUTATION

Bill's Commentary: The shocking fraud at Wells Fargo surprised everyone, including me. Wells had long been considered America's best-run, top-performing commercial bank. It sailed through the 2008-09 global financial crisis with only minor damage, and it courageously agreed to take over a failing Wachovia Bank and straighten it out, a challenging task which it did quite well. To learn that Wells created 2.1 million fraudulent consumer accounts shocked not only its customers but the entire nation, leading to the termination of CEO John Stumpf and its chief of consumer banking. Stumpf's successor, Tim Sloan, has done a credible job of cleaning up the mess he inherited, while uncovering an additional 1.2 million fraudulent consumer accounts, and restoring the Wells' financial strength and its customer franchise. Meanwhile, Stumpf seems to be in denial that he did anything wrong.

What happened here? In my view Stumpf is a victim of his own hubris – extreme self-confidence in Wells' superiority – coupled with his failure to stay close to his organization and the vital details. Instead of owning the fraudulent culture he created with extreme pressure, he blamed first-line employees for the bank's problems. Now Sloan and a new leadership team takes on the task of restoring this great franchise.

The bank should have looked to Johnson & Johnson and GM for

inspiration.

With Wells Fargo's flagrant mishandling of its fraudulent account crisis—and the ensuing “retirement” of CEO John Stumpf—we can add one more name to the list of major companies that have severely damaged their reputations by mishandling crisis situations. Wells Fargo joins Samsung, Volkswagen, Mylan, Valeant, and Toyota as once-great companies that failed to step up at the moment of truth.

Wells Fargo is a great organization that no doubt will learn from this experience and overcome these problems, as has Toyota, but the damage to its reputation will last for a long time. These companies spent decades building reputations for integrity and customer service and billions on corporate advertising, public relations, and customer and employee surveys. Yet when confronted with crises that tested their integrity and character, their leaders turned to partial truths.

Everyone instinctively recognizes this kind of corporate dissembling. CEOs speak, but they don't disclose substantive facts. They testify before Congress, but the words are carefully crafted by outside lawyers and public relations specialists. Worst of all, these leaders retreat from openly discussing the challenges with their employees. The self-confident CEOs, who once “seemed everywhere” when they were touting their companies' success, seemed to disappear just when the public insists they step forward.

In behaving this way, CEOs such as Stumpf, Samsung's Lee JaeYong, Volkswagen's Martin Winterkorn, Mylan's Heather Bresch, Valeant's Mike Pearson, and Toyota's Akio Toyoda destroyed their credibility with all the constituents who once believed in them.

Indeed, in facing the revelation of Wells Fargo's creation of 2 million phony customer accounts, Stumpf completely mishandled the situation. Just two months before the bank agreed to pay a \$185 million fine, Stumpf praised consumer banking chief Carrie Tolstedt as "a standard-bearer of our culture" and "a champion for our customers." At the time, Tolstedt was retiring, walking away with a \$124 million payout.

When the fine was announced, Stumpf turned him blame not on Tolstedt, but instead on 5,300 terminated employees, saying, "If they're not going to do the thing that we ask them to do—put customers first, honor our vision and values—I don't want them here."

Does anyone really believe that more than 5,000 low level bank employees schemed to destroy Wells' culture without any direction from the head of the consumer banking unit?

Similarly, should the public believe Volkswagen USA CEO Martin Horn's assertion that Volkswagen's fraudulent emissions tests were the work of "two rogue engineers?" Or that Mylan wasn't making an enormous profit on sales of its EpiPens?

Responding to growing pressure from Wall Street to increase their stock prices, these leaders created high pressure environments focused on short-term performance. The CEOs enjoyed the largest fruits of these rewards with millions in bonuses and stock options. Often employees have no choice but to comply or lose their jobs.

The bank should have looked to Johnson & Johnson and GM for inspiration. With Wells Fargo's flagrant mishandling of its fraudulent account crisis—and the ensuing "retirement" of CEO John Stumpf—

we can add one more name to the list of major companies that have severely damaged their reputations by mishandling crisis situations. Wells Fargo joins Samsung, Volkswagen, Mylan, Valeant, and Toyota as once-great companies that failed to step up at the moment of truth.

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Does anyone really believe that more than 5,000 low level bank employees schemed to destroy Wells’ culture without any direction from the head of the consumer banking unit? Similarly, should the public believe Volkswagen USA CEO Martin Horn’s assertion that Volkswagen’s fraudulent emissions tests were the work of “two rogue engineers?” Or that Mylan wasn’t making an enormous profit on sales of its EpiPens?

Responding to growing pressure from Wall Street to increase their stock prices, these leaders created high pressure environments focused on short-term performance. The CEOs enjoyed the largest fruits of these rewards with millions in bonuses and stock options. Often employees have no choice but to comply or lose their jobs.

There is a well proven path to crisis response, one that was demonstrated by Johnson & Johnson CEO James Burke in the wake of the Tylenol drug tampering disaster: Step up to the crisis with full public disclosure, identify the root cause, and implement disciplined plans to fix the problems permanently. In so doing, Burke put his company on the successful road it has navigated the past 30 years.

Had these other CEOs followed Burke’s example, their companies

would have fared far better. Burke's approach is the route that General Motors' CEO Mary Barra has taken in response to GM's ignition switch problem. She is using that crisis to effect permanent changes that make GM's closed culture more transparent, while at the same time improving the design and quality of its vehicles.

Successful leaders demonstrate courage to own the problems created under their leadership, and take personal responsibility to fix the problems. Here is what leaders should do when confronted by crises:

When the first sign of a crisis appears, CEOs and their top teams should go to the site of the problems, witness the extent of the damage firsthand, and apologize to the victims. In the first 48 hours of a crisis, it is critical to be present and to take action, not wait for reports from lower level teams.

An action team of technically competent leaders must work diligently to solve the problems permanently. Only when they are confident that they fully understand the issues can they announce a fix to their customers and take full financial responsibility for its impact.

While the people closest to the problem are searching for solutions, their CEO needs to be fully visible, holding daily or weekly press conferences to brief the media and all interested parties, and ensuring full transparency about what the company knows (and doesn't know). In addition, top executives should hold regular town hall forums for employees, recognizing that whatever is said there becomes public information.

Next, they need to create customer and public response teams, composed of top people, not just lawyers and PR specialists, that can

respond to all inquiries and provide specific advice about what to do.

Finally, they should appoint a senior level team to reexamine the entire business and its culture, and recommend permanent fixes.

Leading through a crisis is never easy, yet CEOs who take immediate action and follow a clear, transparent process can use the crisis to transform their institutions for the better, and gain public respect through the process.

The original article was published on October 13, 2016 in Fortune Magazine.

WHAT MARK ZUCKERBERG CAN LEARN ABOUT CRISIS LEADERSHIP FROM STARBUCKS

Bill's Commentary: There is no doubt that Mark Zuckerberg has built an amazing company in Facebook. It is hard to believe that he has attracted 2.2 billion users to his site – that is one in every three humans on the planet. But has he done so on a premise that is not well understood: you get free access to Facebook in exchange for your profile being used to sell advertising. If all users understood that proposition, there would be no problem here. But Zuckerberg's disappearance in the first five days of the greatest crisis his young company has faced, and his transparent attempt to make this issue only about Cambridge Analytica imply he is concerned about this deeper issue. Meanwhile, Starbucks' leadership was very clear about its values and the issues created by its crisis and moved swiftly to correct them.

Starbucks and Facebook present a contrast in crisis leadership. While Starbucks CEO Kevin Johnson stepped up to take responsibility and met with victims, Mark Zuckerberg delayed action and side-stepped responsibility.

Johnson & Johnson CEO Jim Burke's leadership during the 1982 Tylenol crisis is what we at Harvard Business School teach as the standard for handling a high-stakes public crisis. Now, we have a new exemplar: Starbucks CEO Kevin Johnson.

His response to the eviction of two African American men from a Starbucks store in Philadelphia will define for today's leaders how to respond to crisis. Facebook founder Mark Zuckerberg, who struggled from repeated missteps in Facebook's current data privacy crisis, could learn a lot from Johnson.

Let's examine how Johnson and Zuckerberg measured up against what I have identified as 7 Lessons for Leading in Crisis.

1. **Face reality, starting with yourself.** Johnson realized immediately that, as Starbucks' new CEO, he had to take the lead. He understood the incident's implications went well beyond the specifics, triggering widespread concerns about racial bias in the country and threatening to damage Starbucks' image as a safe, friendly place to gather with friends or work alone. In contrast, Zuckerberg characterized Facebook's issue as a political problem and tried to shift the blame to Cambridge Analytica's bad actors for violating Facebook's rules for application developers. He ignored the deeper problem that Facebook users want privacy for their personal information.
2. **Use your teammates.** Johnson had the full support of founder Howard Schultz and his team in Philadelphia. Zuckerberg did not seem to rely upon the wisdom of Chief Operating Officer Sheryl Sandberg or lead board director Susan Desmond-Hellmann. Instead, he trotted out his deputy legal counsel at a town hall meeting for all Facebook employees after four days, sending the message that he thought this was a legal problem rather than an issue of consumer trust.
3. **Dig deep for the root cause.** Johnson perceived that not all

his employees understood the deeper issues of racial bias, so he announced on the second day that Starbucks would close 8,000 stores on May 29 to train all 175,000 US employees about unconscious bias. Zuckerberg failed to acknowledge that the root cause of the data privacy scandal was its model of allowing developers to build their applications around user preferences—without explicit permission from the users themselves. (Zuckerberg says this is not the same as selling user information. You be the judge.)

4. Get ready for the long haul. Johnson's planned training sessions demonstrated his commitment to ensure all employees are dedicated to making its stores safe, friendly, and welcoming for everyone. Zuckerberg said that he had known about the Cambridge Analytica problems since 2015 but wouldn't acknowledge he had failed to correct them. Nor has he announced plans to do so now. This issue will plague Facebook for years before trust can rebuilt with users.
5. Never waste a good crisis. By immediately flying to Philadelphia and personally apologizing to the two victims, Johnson enabled them to become spokespeople for the broader issue of racial bias and neutralized protesters gathered outside Starbucks. Zuckerberg wasted his opportunity to address data privacy issues; instead, he is inviting government regulators to do it for him. As a result, Facebook's employees lack direction for using this crisis to rebuild confidence with 2 billion users.
6. You're in the spotlight: Follow True North. Starbucks' Johnson jumped into the spotlight the next day by apologizing for his

employees' handling of the incident and announcing plans for a companywide "lessons learned" meeting and training programs. He affirmed Starbucks' True North, stating, "The video shot by customers is very hard to watch, and the actions in it are not representative of our Starbucks mission and values."

In contrast, Zuckerberg ducked the spotlight for five days and even then tried to shift the argument away from data privacy. In terms of public support, this tactic backfired because he undermined Facebook's mission "to build community and bring the world closer together." In a recent Harris poll, 88 percent of respondents think Facebook should be regulated, with 67 percent favoring requiring an opt-in feature before personal data can be used.

7. Go on offense, focus on winning now. Kevin Johnson seized upon the incident to clarify Starbucks' desire to overcome racial bias and encourage acceptance and integration. Johnson will benefit from engaging all of his employees in discussions about serving customers well and using the company to make a positive difference in its communities. Meanwhile, Zuckerberg remains on the defensive about Facebook's policies rather than offering clear solutions. One possibility: a premium site for those who want to protect all their information. In the meantime, users may shift to competing social media sites.

The greatest test of leadership

When a crisis erupts, the CEO's actions and attitude in the first 24 to 48 hours sets the tone for the organization's response. In Johnson's

case, this meant making a clear statement apologizing and accepting responsibility, going to the scene of the incident, and meeting personally with people effected. Facebook's Zuckerberg did none of these things. After those first days, the moment had passed and other voices were crowding out his company's messages.

Leading in crisis is the real test for leaders. Zuckerberg failed his big test and will struggle to recover. Johnson has rebuilt goodwill with Starbucks customers and the general public, and has given clear direction to employees about what the company stands for. That will serve Starbucks well for years to come.

The original article appeared in Harvard Business School Working Knowledge on April 24, 2018.

FORD CEO HACKETT'S DECISION TO DUMP CARS 'MAY PROVE FATAL'

Bill's Commentary: The automobile business is a long-term one, so it may take decades before we know the consequences of Ford's decision to move away from cars to concentrate on SUVs and trucks. Now a greater issue has arisen with the U.S.-initiated trade wars with China, Canada, Mexico and the European Union. Mounting threats and counter-tariffs are disrupting complex supply chains that all automobile makers use to build their global business while optimizing their supply chains to produce the latest designs at the lowest cost. We can only hope that the rhetoric will settle down and return to sound economics that will enable Ford, and its arch-rival competitor General Motors, to remain as leading global companies.

Ford's new CEO, Jim Hackett, just announced a bold strategic move for America's most enduring automaker: abandoning the car business. Hackett completely reversed former CEO Alan Mulally's full-line strategy to focus on trucks and SUVs. A 3 percent jump in Ford's stock price validated Hackett's decision, but that adrenaline shot could be short-lived. Jettisoning automobiles may prove fatal for Ford, leaving the market to GM and foreign producers.

Bowing to short-term shareholder pressures that felled predecessor Mark Fields, Hackett is undoing 115 years of Ford's automobile legacy. Unlike General Motors CEO Mary Barra, labeled a "car gal" for her

38 years in the business, Hackett has no experience in automobiles. He comes from thirty years of making furniture and most recently as interim athletic director at the University of Michigan.

Founder Henry Ford didn't create the automobile, but he turned it into "every person's vehicle" in launching the Model T in 1908. In 1913 he introduced the first moving assembly line. The following year he offered a fair day's work for a fair day's pay, doubling wages to \$5 per day to enable his workers to enjoy an adequate standard of living and be able to purchase the cars they produced.

That rich history may seem irrelevant to today's global world. Not so. When Alan Mulally became CEO in 2006, he fully embraced Ford's heritage and restored its focus on automobiles, insisting Ford could make money in a full range of cars by being cost competitive with foreign automobile plants in the South.

In 2007 Mulally borrowed \$23.6 billion by mortgaging all of Ford's assets, including the famous Ford Blue Oval, and acted decisively to focus on the Ford brand by spinning off Jaguar and Land Rover. He used the loan and proceeds from asset sales to finance a major overhaul of the company's automobiles and factories and provide "a cushion to protect for a recession or other unexpected event."

At the time the loan was interpreted as a sign of desperation. Even General Motors CEO Rick Wagoner belittled the move. When the economy collapsed the following year, Mulally's vision saved the company as GM and Chrysler were forced to declare bankruptcy. By the time GM was back in business and Chrysler was bailed out by Fiat, Ford had a five-year head start in revamping its product line.

Ford's F-series and its Ford Focus became America's best-selling cars, and its F-150 the top-selling truck, enabling Ford to reverse its declining share in the U.S. In addition, Mulally negotiated a landmark labor agreement with the United Auto Workers in 2009 that eased onerous work rules and introduced a 50 percent lower wage for new factory hires. Mulally's strategy turned Ford around, as it went from losing billions to solid profitability.

Hackett is correct in acknowledging that today's market has shifted to SUVs and trucks and in recognizing the success of Ford's Expedition and Explorer SUVs and F-150 trucks. But he is overplaying his hand by jettisoning automobiles.

The dramatic drop in oil prices to \$40-60 in the past four years after a decade of \$100 per barrel oil has lessened consumer concerns about gasoline prices and boosted SUVs and truck sales. Hackett is gambling that the present oil glut will keep gas prices so low that consumers won't worry about fuel costs, but history shows that oil prices fluctuate wildly and will eventually get back to \$100.

Hackett is also betting President Donald Trump will withdraw the Corporate Average Fuel Efficiency (CAFE) standards that Mulally signed up for in 2012. They require automakers to double fuel efficiency to 54.5 miles per gallon by 2025.

The demise of CAFE standards, administered by National Highway Traffic Safety Administration (NHTSA) under the 1975 law, is anything but a sure bet. Furthermore, President Trump may be unhappy about the factory closures and massive layoffs Hackett has triggered, especially if foreign manufacturers capture Ford's sales.

However, the biggest winner from Ford's move may be GM's Barra. In four years at the helm, she has committed GM to a full line of automobiles and trucks, positioning the company to grab the share Ford abandons.

With its 50-50 joint venture with China's SAIC, GM is currently selling more cars in China than it does in the U.S., as China accounts for more than one-third of GM's global sales. In the future GM will likely import Chinese-made cars into America, giving it a large cost advantage over domestic-made cars.

The stock market has recognized GM's strategies are paying off, pushing its stock up 23 percent in the past two years as Ford's declined 15 percent.

Ford may survive for a long time as a producer of trucks and SUVs, but it will no longer be the great American automobile company Henry Ford created and Alan Mulally restored. Playing to short-term shareholder demands rarely results in long-term success.

On the other hand, Hackett may be betting when he moves on, Ford's strategic dilemmas will rest with a future CEO.

The original article appeared in CNBC on April 30, 2018.

AS CONSUMER GIANTS STRUGGLE, UNILEVER RISES ABOVE THE PACK

Bill's Commentary: Better than any business school theory, Unilever's success under Paul Polman makes the case for building a long-term strategy with a multi-stakeholder approach that focuses on customers and employees as well as shareholders. As the cliché goes, "the proof is in the pudding." Unilever's results show that this approach works exceptionally well in the long-run. It was ironic that Kraft Heinz (KHC) tried to take over the company with a hostile bid in February 2017. That episode pitted KHC's short-term, cost-cutting approach against Polman's philosophy and his leadership was an ideal test of Polman's philosophy. As the article indicates, had Unilever shareholders accepted KHC's offer, their holdings would be worth 50% less.

Denise Morrison's sudden retirement as CEO of Campbell Soup highlighted the struggles that all consumer-packaged goods (CPG) companies are having in today's rapidly changing markets.

Except one: Unilever

Since Paul Polman assumed the helm as CEO in January 2009, Unilever has risen above the pack with a long-term vision and consistently strong performance. In many ways, Unilever is the epitome of PepsiCo CEO Indra Nooyi's model of "Performance with Purpose." As

consistently strong as its performance has been the past five years under Nooyi's leadership, even PepsiCo's stock price has struggled in the last two years.

In recent years CPG companies have struggled to keep pace with dramatic changes in both consumer preferences and the retail environment. On the consumer side, millennials have asserted themselves with their rejection of traditional brands in favor on smaller new brands featuring healthy and sustainable ingredients. Meanwhile, retailers have also struggled with millennials' preference for buying online as Amazon takes an ever-greater share of consumer wallets, triggering price wars and a shift to private label merchandise among big box retailers like Wal-Mart, Kroger, Safeway and Target.

What has enabled venerable Unilever to avoid these pitfalls, and come out on top?

Turnaround

When Polman took over in early 2009, he inherited a moribund company with declining revenues and declining profits. Unilever then was beset with internal politics, endless reorganizations, and an aging portfolio of brands. In short, the Anglo-Dutch company had focused more on internal tug-of-wars between its British and Dutch leaders than on its customers. Polman moved quickly to globalize Unilever, setting bold goals of doubling its revenues from 40 billion Euros to 80 billion by 2020 and increasing its share of business from emerging markets to a stunning 70 percent.

In his first year, Polman introduced The Compass as Unilever's strat-

egy for sustainable growth. It gave Unilever a clear vision, focused on winning, and elevated performance standards for its leaders. It also became a unifying force for Unilever's 175,000 employees spread across 150 countries. The following year he established Unilever Sustainable Living Plan (USLP) as Unilever's True North, driving it through its supply chain and its products with detailed metrics. To simplify Unilever's complex organization structure and reduce internal politics, Polman simplified Unilever's complex organization structure, with four product groups and eight regions.

Polman is a strong believer in building Unilever's global leadership team. As he says, "The only true differentiation between companies is the quality of leadership." Most importantly, he raised the bar for Unilever leaders to be authentic and high-performing, requiring high intellectual intelligence with even higher emotional intelligence. He created the Unilever Leadership Development Plan (ULDP), putting its top 900 executives globally through a customized leadership program in cohorts of twenty leaders.

To some outsiders, Polman is an enigma. One day he is preaching the gospel of sustainability and long-term focus to CEOs at Davos. The next day he is tough-minded, demanding closed loop performance from his leaders to improve earnings. All the while, he insists on high values and ethical behavior.

Better record than Buffett

Shortly after taking over Unilever, Polman met with investors in London and withdrew guidance to security analysts and quarterly earnings, telling them, "My job is not to serve shareholders, but to

serve consumers and our customers.” Of course, he believes that in doing so, Unilever will indeed serve its shareholders better over the long-term. Unilever’s results in nine years back up Polman’s contention: Unilever’s stock value has grown 155 percent during his tenure. As he jokingly told CNBC’s Jim Cramer, “Our record is better than Warren Buffett’s in this time frame.”

The joke, however, is also true

Under Polman, Unilever has eschewed big acquisitions, the largest being the purchase of Alberto Culver. But the company has transformed its portfolio by acquiring a series of small companies that strengthened its sustainability offerings, e-commerce business, and attractiveness to the millennials. Included among them are Dollar Shave Club, Seventh Generation, Sir Kensington’s, Talenti, Sundial, Living Proof, and Schmidt’s Naturals.

Polman’s toughest test came in February, 2017, when Brazilian investment fund 3G Capital attempted a hostile takeover through its Kraft-Heinz Company (KHC), offering \$143 billion for Unilever. 3G had the backing of Warren Buffett, and had established itself as a fierce, unyielding acquirer. KHC offered a modest premium of only 18 percent and planned to shift Unilever from its growth posture to 3G’s trademark “lean and mean” mode, employing zero-based budgeting to cut costs 30 to 40 percent to increase earnings and cash flow. As Polman noted wryly, “You can’t cut your way into prosperity or growth.”

Many analysts thought Unilever was a goner. Yet, Polman immediately swung into action, firmly rejecting the 3G offer, not even leaving the door open to negotiation for higher offers. Polman’s rebuttal was so

fierce that within 48 hours KHC withdrew its offer, and has shown no further signs of renewing its attack. Nevertheless, Polman committed to a complete review of ways Unilever could improve shareholder value. Six weeks later he announced a 7-point plan to enhance value that include spinning off Unilever's legacy spreads business, improving operating margins from 16 percent to 20 percent, buying back 5 billion euros of stock, cutting costs by an additional 2 billion euros, and consolidating its foods and refreshments business units into one. More recently, Unilever announced it will move its corporate headquarters from London to Rotterdam.

Shareholder Beware

As attractive as takeover attempts are to short-term traders, shareholders need to be confident in the stock they are trading for. Since KHC's takeover attempt began, Unilever stock has climbed by 38 percent, while KHC's stock dropped 32 percent, as it no longer has cost cutting opportunities remaining. Had Unilever shareholders swapped their shares for KHC's, today they would be worth 50 percent less.

Why has Unilever fared so much better than its competitors? One could sight its clear vision, long-term approach, consistent performance, and a host of other factors. Instead of debating endlessly the shareholder model versus stakeholder model, it is time to recognize that shareholders are best served by companies that have a clear sense of purpose and strategy, practice consistent values, and motivate their employees to peak performance with authentic leaders at all levels – just as Unilever does.

In my opinion, everything traces to the leadership of Paul Polman for

the past decade. He has succeeded in turning a moribund company into a powerhouse by staying true to his mission and his principles.

As he tweeted this week, “A multi-stakeholder, long term responsible business model drives not only long-term value for society but equally importantly for shareholders. Focusing myopically on one or other does not get you there.”

The original article appeared in CNBC on May 25, 2018.

PART 4

GLOBAL LEADERSHIP



GLOBAL LEADERSHIP

As leading companies become more global, there is an extreme shortage of global leaders – people who can operate effectively anywhere in the world because they have the “global intelligence” (GQ) to lead people with a deep understanding of cultural differences and the needs of people – customers, employees and government officials – in distinctly different environments. The articles that follow call for a new generation of global leaders to step forth and lead globally.

THE NEW GLOBAL LEADERS

Bill's Commentary: The growth of global companies searching for opportunities around the world is demanding a new generation of global leaders to step up to these added challenges. No longer can company leadership be dominated by home country nationals with limited global exposure. Instead, this new generation of global leaders should take over. In this article I introduce my concept of GQ, or "global intelligence." GQ highlights the additional qualities leaders must have in order to be effective in global organizations, especially in emerging markets.

When 31-year-old Facebook founder Mark Zuckerberg decided he wanted a deeper understanding of China, he made concerted efforts to learn Mandarin. He later demonstrated his acumen by speaking comfortably with Chinese students. In May, Alibaba founder Jack Ma promoted 42-year-old Daniel Zhang to CEO to "hand over leadership to those born in the '70s." These are just two examples of the new global leaders.

As they focus on expanding their business around the world, companies are facing a dearth of experienced global executives capable of leading in all parts of the world, especially in emerging markets. We can rise to the challenge of how companies develop authentic global leaders of all ages by increasing their global intelligence (GQ). Given the enormous volatility of emerging markets, leading today's global organizations requires different skills and personal qualities than in the past. Just a few years ago, geographic managers could ensure suc-

cess by relying on their knowledge of local markets, operating skills, technical understanding, and financial acumen.

No longer.

To create dynamic global strategies and adaptive organizational structures, today's leaders must understand the global context of their business and possess awareness of how geopolitical events can impact it. They must be skilled in aligning their multicultural organizations around the company's mission and values, making them the unifying force coalescing their far-flung organizations. Interpersonally, they need high levels of self-awareness, cultural sensitivity, and humility to empower people throughout the world. Finally, they must be able to develop other global leaders and serve as their mentors and role models.

Beyond those challenges, today's society is demanding that global leaders practice the highest ethical standards and contribute meaningfully to countries in which they do business. It is no longer sufficient to meet the demands of the shareholders and laws and ethics of their home markets without regard for the negative consequences that their businesses may have on the countries where they operate. As a result, global leaders are partnering with local governments to support the progress and growth of their societies.

While it is challenging to possess all these qualities, nothing less is required to sustain superior performance. Firms run by a cadre of global leaders effective in operating in this new world will be more competitive, more productive, and more profitable over the long term.

The multinational model, with its matrix structure that attempts to balance strategic business units with geographic organizations, has

become the dominant organization form, but today its effectiveness requires different kinds of leaders. In the past, multinational organizations like British bank HSBC sent talented expatriates from their home countries to lead regional and local units and transfer headquarters standards, processes, control systems, and marketing approaches to local countries. These expatriates often failed to take advantage of the creative skills of their local teams and thus were unable to meet the unique needs of local markets. Consequently, they couldn't compete with skilled local companies with deeper understanding of local consumers.

To maximize growth in emerging markets, companies are recognizing they require greater diversity in their decision-making ranks rather than dominance by headquarters nationals. As a result, they are opening up their executive ranks to the best leaders from around the world, without preference for home country executives. Unilever's chief operating officer, Harish Manwani, says, "If 70 percent of our future business comes from emerging markets, then 70 percent of our leaders must come from emerging markets."

Yet even the most progressive companies are struggling to develop top global leaders from emerging markets. Under the leadership of former CEO Daniel Vasella, M.D., and CEO Joe Jimenez, Switzerland-based pharmaceutical company Novartis has been one of the most progressive in expanding its executive ranks beyond its historic Swiss management. Today, its nine person executive committee consists of four Americans, including CEO Jimenez, two Swiss, and a Belgian, Briton, and German. Yet neither Vasella nor Jimenez considers Novartis's top team as global. Says Vasella, "We won't be global until

we have a Chinese, an Indian, and a Latino as well as more women.” Adds Jimenez, “It’s not because we aren’t looking, but we haven’t been able to develop them.”

“The big difference between global executives and Americans who have never worked outside America,” continues Jimenez, “is respect for cultural differences. I have seen many people who can’t become global leaders because all their decisions are steeped in their home country’s culture.”

It isn’t just American companies that are dominated by local nationals. Even at Japanese, Indian, Chinese, and German companies it is rare that a non-national executive breaks into the company’s top ranks. As Siemens’ CEO Peter Loescher said in 2008, “Siemens is not achieving its full potential on the international stage because its management is too white, too German, and too male. If you don’t reflect your global client base, you cannot achieve your full potential.”

Historically, companies focused on sending promising leaders from their home country overseas for developmental assignments to position them for key corporate positions. That relegated foreign executives to being country managers and didn’t prepare them to run global business units or reach the top executive ranks. Meanwhile, many foreign nationals who came to headquarters for development faced “tissue rejection” when they returned home.

Developing Global Leaders with Global Intelligence

To address these challenges, leading-edge companies are developing a new generation of global leaders effective anywhere in the world.

They recognize that ultimately the diversity of their top leaders must reflect the diversity of their customers. Developing these new global enterprise leaders will require different types of experiences combined with leadership development programs vastly different from today's corporate training programs. The shortcomings of many global leaders—and subsequent failures—usually result from the lack of leadership capabilities that together make up what we call “global intelligence” (GQ).

GQ consists of seven elements, all of which are essential for global leaders:

- 1. Adaptability to changing world**
- 2. Self-awareness**
- 3. Cultural curiosity**
- 4. Empathy**
- 5. Alignment**
- 6. Collaboration**
- 7. Integration**

Let's explore each of these seven characteristics.

Adaptability to Changing World

Being a global leader today requires understanding the world and anticipating changes ahead. Global leaders must be able to respond quickly to the rapidly changing global context by shifting resources to opportunity areas and developing contingency plans to cope with

**GQ CONSISTS OF
SEVEN ELEMENTS:**



adverse geopolitical situations.

Novartis's Vasella, who spent his formative business years working in the U.S., is an example. He is a visionary who built Novartis from the outset of the 1996 merger of two midsized Swiss pharmaceutical companies (Sandoz and CibaGeigy) into one of the world's leading health care companies. His strategic initiatives, such as moving research headquarters from Basel, Switzerland to Cambridge, Massachusetts to tap into top scientists at MIT and Harvard, were well ahead of their time. Vasella also foresaw the need to move from a Swiss-dominated management team and board of directors to a global leadership team, without regard to nationality.

Self-awareness

To understand how they will react to the cultural differences they encounter in emerging markets, global leaders must understand their strengths, vulnerabilities, and biases, starting with recognizing the dominant paradigms they grew up with versus those of their headquarters organizations. It requires humility to recognize that other cultures often have better ways of doing things embedded in their cultural norms.

When I was president of Honeywell Europe in the 1980s, the corporation sent American expatriates to Europe to transfer U.S. based marketing programs as well as engineering and manufacturing expertise. A number of them were insensitive to significant differences in these markets and were intent on imposing U.S. practices. I asked INSEAD Professor Andre Laurent to create a program for Americans to help them understand these cultural differences. He proposed two days

on American culture before getting into European cultures, because “Americans rarely understand their own cultural biases, and assume their ways are superior ‘if only the Europeans understood.’”

Cultural Curiosity

Global leaders must be curious about myriad cultures and understand how they operate and have the humility to recognize what these cultures offer their organizations. This requires an insatiable desire to learn about these cultures.

When many corporate executives visit India or China, they stay in international hotels, eat Westernized cuisine, and spend their time in offices reviewing presentations. As a result, they learn little about the local culture. Far better to get into the countryside, stay in local hotels, eat at local restaurants, and talk with local people. I learned how important it is to do this in 1975 by living for three weeks in a one-room apartment with my wife and two-year-old son in an all-Japanese area of Tokyo. Each day, we learned what middleclass life in urban Japan was like.

On my first trip to China in 1984, I spent 10 days in the countryside negotiating a joint venture. Awakened one morning by cowbells, I saw farmers leading their oxen to market. When I went to the market, I found the government market and the private market. Asking a local which had better produce, he explained, “Obviously, the private market where prices are higher, as farmers sell their required quotas at fixed prices in the government market.” This was the beginning of Deng Xiaoping’s new elite farmers. Had I stayed at Westernized hotels in Tokyo and Beijing, I never would have gained critical insights

into each culture.

Empathy

Empathy is the ability to walk in someone else's shoes. It requires engaging people from different cultures on a personal level, rather than standing back and judging them. Empathy builds rapport through bonding on a human level and the building of lasting relationships. Only with empathic understanding are leaders able to engage colleagues from different cultures and empower them to achieve exceptional performance.

On my first visit to India, I conducted a “Medtronic Mission and Medallion Ceremony” for several hundred Indian employees, giving each a bronze medallion symbolizing Medtronic's mission. Afterward, they asked me to plant a tree honoring them with my visit. Rather than a simple tree planting, this was a traditional Indian ceremony, complete with painting my face, washing my hands, and talking with a native healer. Meanwhile, the employees stood with rapt attention to observe how I was responding to their tradition.

Alignment

Global leaders need to align employees around the company's mission and values with a commitment that transcends national and cultural differences. Achieving alignment is far more difficult in emerging markets because local employees are being asked to put company values ahead of their native values, often in cultures where ethical standards differ sharply from the company's. However, this does not mean giving up their culture and their norms, as norms can differ

widely, provided that employees commit to the company's ethical standards and business practices.

Global leaders like former IBM CEO Sam Palmisano understand it isn't possible to write a code of rules and regulations covering every context. In launching IBM's 2003 "values jam," he wrote, "In this world of intense scrutiny, one reaction is to create more processes, controls, and bureaucracy. A better alternative is to trust the values that bind us together in the absence of controls. Values provide the framework to make decisions when procedures aren't clear, using judgment based on values."

Gaining alignment requires frequent face-to-face meetings in myriad countries to understand how the mission and values translate locally. Alignment is the only tool that inspires organizations to achieve superior performance and unites them in difficult times. The ability to achieve alignment in complex global organizations is the trademark of exceptional leaders.

Collaboration

In the global context, collaborative leaders create horizontal networks that cut across geographic lines, unite people around common goals, and create a modus operandi that transcends geographic goals. This requires putting the company's and project's goals first, and working in partnerships to achieve them. The most successful geographic collaborations are orchestrated by leaders who know the strengths and weaknesses of each geographic group and make assignments that take advantage of their relative strengths.

When Bangladesh-born Omar Ishrak became CEO of Medtronic in 2011, the company was struggling to establish itself in emerging markets. He immediately diversified its executive committee by promoting six executives from emerging markets and holding quarterly meetings in Shanghai and Mumbai. In addition, he created new business models for emerging markets to enable locals to gain access to Medtronic therapies.

Integration

The greatest challenge facing global leaders is incorporating local issues into an integrated corporate strategy. Such a strategy enables them to optimize their position in a wide array of local markets in an efficient manner to create sustainable competitive advantage. Doing so requires deep understanding of local markets and the vision to see how their companies can serve their customers in a superior manner by leveraging their corporate strengths. That's the only way they can outcompete local companies, which often have a cost advantage.

Unilever's Manwani takes the tradition of "think global, act local," and turns it on its head, saying the key today is to "think local, act global." In his view, all strategies emanate from a deep understanding of local needs, but if they only act local, global companies have no competitive advantage over local suppliers. Rather, they need to create global strategies to leverage their unique strengths to deliver superior solutions for customers.

Next Generation Global Leaders

Role models for these new global leaders include executives like Uni-

lever's Paul Polman, PepsiCo's Indra Nooyi, and Alibaba's founder Jack Ma.

Under Polman's leadership, London-based Unilever, with 170,000 employees in 160 countries, has become one of the world's most global companies with 55 percent of its revenues coming from emerging markets. Yet Polman acknowledges the company still has a long way to go in developing global leaders as most of its senior executives come from the U.K. or the Netherlands. Since becoming CEO in 2009, Polman has invested heavily in developing global leaders, sending its 600 top executives to London and Singapore for inhouse training as authentic global leaders. He says, "In the long run, the only true differentiation is the quality of leadership of all."

PepsiCo's Nooyi got her university education in India before attending Yale's graduate school. As CEO since 2006, she has focused on "performance with purpose" to steadily shift PepsiCo's product portfolio to healthful foods and beverages and meet the needs of emerging markets. She has also diversified her global leadership team with a wide range of nationalities.

Alibaba's Ma has emerged as China's first true global leader. A remarkable visionary who has created over \$200 billion in shareholder value, Ma is creating an ecosystem that can serve two billion Asian consumers with products from one million small businesses sourced throughout the world.

Stepping Up to the Challenge

Just as Mark Zuckerberg's success at Facebook and Daniel Zhang's

promotion at Alibaba herald the rise of younger global leaders, global companies are crying out for a new generation of leaders—regardless of age—to step up to challenging leadership roles. Progressive companies like Unilever, Novartis, PepsiCo, and Alibaba are working hard to develop this new cadre. While ideas will evolve about how to develop them, one thing seems clear: Sustaining success in the 21st century will require global chiefs with sophisticated leadership qualities that operate with high levels of GQ.

The original article was published on July 24, 2015 in People + Strategy Magazine.

A NEW ERA FOR GLOBAL LEADERSHIP DEVELOPMENT

Bill's Commentary: This article makes the case of why global companies need to create a new generation of global leaders, and how they should go about developing them. Since it was written six years ago, it is encouraging to witness so many companies moving in this direction.

The realities of globalization, with increasing emphasis on emerging markets, present corporate leaders with enormous challenges in developing the leaders required to run global organizations. Too many multinational companies — particularly Japanese, Indian, German, and some American ones — still concentrate vital decisions in the hands of a small group of trusted leaders from their home country. They hire technical specialists, local experts, and country managers from emerging markets but rarely promote them to corporate positions. Instead, they groom future global leaders from the headquarters nation by sending them on overseas appointments.

This approach worked relatively well for companies selling standard products in developed markets, but as multinationals transition into truly global organizations relying on emerging markets for growth, it's far from adequate. In order to adapt to local cultures and market needs, companies must shift to decentralized, collaborative decision-making. That requires developing many leaders capable of working anywhere.

To address these needs, new approaches for developing global leaders are required:

- The diversity of top leadership should reflect the diversity of the firm's customers.
- Global leaders must be effective in aligning employees around the company's mission and values, empowering people to lead, and collaborating horizontally rather than managing vertically.
- Rather than concentrating on the on the top 50 leaders, global companies need to develop hundreds, even thousands, of leaders comfortable operating in a variety of cultures.
- Developing global leaders with cultural sensitivities and collaborative skills requires greater focus on emotional intelligence, self-awareness, and empowerment than on traditional management skills.

To understand these approaches, let's examine what leading global companies are doing:

Create diversity among senior leadership

To make sound decisions, companies need a diverse set of leaders who have deep understanding of their local customers, especially those in emerging markets. Opportunities at the highest levels, including C-suite and CEO, must be open to people of all national origins. Atlanta-based Coca-Cola is a pioneer in geographic diversity. As early as the

1960s, the company was run by South African Paul Austin. Since that time, Coca-Cola has had Cuban, Australian, Irish and Turkish CEOs, leading to today's CEO, British-born James Quincey.

Over the past decade two Swiss companies, Nestle and Novartis, have made dramatic shifts from Swiss-dominated boards and executive leadership to a diverse set of nationalities. Both now have non-Swiss majorities on their boards and several business units based outside Switzerland. Nestlé's executive board represents ten different nationalities, while 80% of Novartis executives come from outside Switzerland.

Focus on values, not hierarchy

The characteristics of successful global leaders today are quite different than traditional hierarchical managers. They need high levels of emotional intelligence and self-awareness to unite people of different cultures, many who are new to the enterprise, around the organization's mission and its values and empower them to make decisions without waiting for higher-level directions.

Samuel Palmisano, IBM's chairman and former CEO, recognized that IBM's traditional hierarchical structure would not be effective in the 21st century because it was dominated by product and market silos. In 2003 he reorganized the company into an "integrated global enterprise" based on leading by values and collaboration, and uses special bonuses to empower leaders to extend IBM's culture globally.

Broaden the reach of leadership development

Collaborative organizations like IBM's require far more leaders than

the traditional focus on a select group of top leaders. With flatter organizations and decentralization of power, corporations must develop savvy global leaders capable of operating locally and globally simultaneously. IBM's former chief learning officer recently estimated that IBM will need 50,000 leaders in the future.

Unilever has more than half of its business in Asia, and that percentage will continue to increase. The company has undertaken a major initiative to develop 500 global leaders in intensive leadership development programs to prepare them for expanded roles. According to CEO Paul Polman, "Unilever's Leadership Development Programme prepares our future leaders for an increasingly volatile and uncertain world where the only true differentiation is the quality of leadership."

To be effective in global roles, leaders require experience working and living in multiple countries. Extensive travel overseas is no substitute for living there, gaining fluency in local languages, and deeply immersing in the culture. German chemical maker Henkel, whose executives come from a diverse set of countries, insists they live in at least two different countries before being considered for promotion.

New methods for developing global leaders

Developing global leaders necessitates a shift from focusing on management skills to helping leaders be effective in different cultures by increasing their self-awareness, emotional intelligence, and resilience. Dean Nitin Nohria at Harvard Business School recently sent 900 MBA students overseas to work with companies in countries where they have neither lived nor worked.

It's not enough just to work overseas. To process and learn from their experiences, individuals should utilize introspective practices like journaling, meditation or prayer, and develop support networks of peers like True North Groups. There they can consult confidentially with people they trust about important decisions and have honest conversations about their dilemmas, mistakes, and challenges. These experiences enable leaders to develop the self-mastery and appreciation and acceptance of people from diverse backgrounds required to become effective global leaders.

These methods of developing global leaders for the future are still in their nascent phase, but there is little doubt that they will have a profound impact on developing global leaders in the years ahead.

The original article was published in Harvard Business Review on February 18, 2012.

DEVELOPING GLOBAL LEADERS IS AMERICA'S COMPETITIVE ADVANTAGE

Bill's Commentary: Earlier in my career I believed that the companies with the best global leaders were based in smaller countries like Switzerland, the Netherlands and Scandinavia. These companies knew that their domestic markets could not support their business ambitions, so they brought leaders of very diverse nationalities into their top management teams. More recently, however, American companies have recognized similar needs as they attempt to find growth from global markets. They also have been influenced by the extraordinary success of immigrants that lead major U.S. enterprises, many of whom who have been educated in U.S. universities. As a result, many are undertaking major programs to develop global leaders from within their ranks, and open up executive leadership posts to a more diverse group of leaders.

As global companies focus their strategies on developed and emerging markets, they require substantial cadres of leaders capable of operating effectively anywhere in the world. American companies and academic institutions possess unique competitive advantages in developing these global leaders. They are remarkably open to talented people from diverse backgrounds, and are highly skilled at giving future leaders the knowledge and experience they need to lead successfully in the global economy. As American leaders work with

foreign nationals, they become more open, better informed, and more effective in collaborating with people around the world. The ability to develop global leaders strengthens American companies and the U.S. economy, expands America's global trade, and attracts foreign companies to base operations in the U.S.

Let's examine the reasons why America possesses this important advantage:

1. America's higher education system is a magnet for talented leaders from all over the world. The U.S. has become a Mecca for international scientists, engineers and business students — particularly those undertaking graduate studies. Since the 2008 financial collapse, a new generation of business school deans is placing increased emphasis on developing global leaders. In particular, Harvard, MIT, and Stanford have geared their programs toward global leaders: as a result, 26-38% of their graduate students are foreign nationals.

Here at Harvard Business School, Dean Nitin Nohria has revamped HBS's MBA curriculum to emphasize practical leadership and global experiences. In January all 900 of HBS's first-year students — 34% of whom are international students — worked in developing countries. In 2011, 71% of HBS's new cases were written about foreign companies. HBS welcomes 6,360 foreign nationals (64% of the total) to its executive education courses each year, enriching the experiences for Americans as well. As a consequence, these foreign-born executives become more interested in doing business with American compa-

nies and many will eventually work in the U.S.

2. U.S. companies actively promote executive officers with diverse geographic and cultural backgrounds. Coca-Cola has been a pioneer in developing global leaders. It started 30 years ago with the progressive and unusual step (for that time) of shifting from local nationals as country managers to global leaders from other countries. This has enabled the company to develop exceptional global leaders. As a consequence, five of its CEOs have been non-American-born, including today's CEO, Turkish-born Muhtar Kent. In addition, eight of its top nine line executives are from outside the U.S. Many global companies have followed Coke's lead by appointing foreign-born CEOs and executives. For example, PepsiCo CEO Indra Nooyi was born in India, Avon's Andrea Jung is Chinese-Canadian, and Medtronic CEO Omar Ishrak grew up in Bangladesh. UK-born George Buckley, CEO of 3M, was succeeded by Swedish-born Inge Thulin. Half of 3M's executive committee comes from outside America.

In contrast, the CEOs and executives of leading companies in Germany, India, Korea, Japan and China are almost all natives of their home countries. Swiss companies like Nestle, Novartis, and Credit Suisse are notable exceptions, as they have non-Swiss CEOs and a majority of non-Swiss executives.

3. American companies send their most promising leaders abroad for global leadership assignments. Major U.S. companies like Cargill, ExxonMobil, 3M, and IBM insist their line executives have numerous assignments running overseas operations to

ensure they understand their global businesses. They also conduct intensive development programs for global leaders through in-house training programs. Two of the best-known programs, GE's Crotonville and Goldman Sachs's Pine Street, are committed to having 50% of participants from overseas entities.

4. The U.S. leverages its pool of top talent to attract research and business units. Many foreign companies are basing research centers and business units in the U.S. to take advantage of America's talented leaders. In 2002 Novartis relocated its research headquarters from Switzerland to Boston and hired Harvard Cardiologist Mark Fishman as its leader. Nestle, Unilever, and Novartis have several business units based in the U.S. French pharmaceutical company Sanofi recently acquired Boston-based Genzyme to tap into America's intellectual capital in biotechnology.
5. America fosters risk-taking and innovation by entrepreneurs who become global leaders. America has repeatedly demonstrated its capacity to develop entrepreneurs who start with revolutionary ideas and create global companies that dominate their markets. Intel, Microsoft, Apple, Genentech, Starbucks, Google, Cisco, Amazon, Medtronic and Facebook are some of the success stories resulting from an American culture that fosters risk-taking, openness, and innovation. Their successes globally have created enormous stakeholder value for their customers, employees, communities, and investors.

In the increasingly competitive global economy, the United States needs to take advantage of its ability to develop global leaders who are

capable of addressing the complex challenges facing global institutions. Unfortunately, this unique American capability is often undermined by U.S. government policies, such as limitations on work permits for foreign graduates of American universities that force them to return to their home countries. Visa restrictions also limit U.S. companies from bringing foreign nationals to America for assignments enabling them to become global leaders. American executives, educators, and government officials need to collaborate to strengthen America's leadership of the global economy.

The original article was published in Harvard Business Review on March 02, 2012.

WHY CEOS NEED TO MAKE A BETTER CASE FOR FREE TRADE

Bill's Commentary: As this book goes to press, President Trump is pressing ahead with U.S.-initiated trade wars with China, Mexico, Canada and the European Union. Almost without exception, U.S. CEOs oppose these actions because they recognize the harm they will cause American consumers and their own supply chains. Many of them like Apple CEO Tim Cook and Cargill CEO David MacLennan have spoken out forcefully against these actions, but to no avail. Now they are voting with their feet. American icon Harley-Davidson is shifting its production to Europe and Thailand. Ford and General Motors are expanding in Mexico and China. And many others are taking similar steps to minimize the harm that these trade wars will do to their companies. How these new trade wars will end is unclear. What is clear, however, is that there will be no winners of this new round of trade wars.

Business leaders have been far too quiet on this key issue.

With the presidential election looming, this much is clear: Populism is the big winner in 2016, and America's global businesses may be the biggest loser.

Donald Trump claimed the Republican nomination on the strength of a candidacy opposed to free trade. Faced with the insurgent candidacy of Bernie Sanders, former Secretary of State Hillary Clinton, shifted her positions, most notably now opposing the Trans-Pacific

Partnership (TPP).

Business leaders face a dilemma: what should they do when both candidates are spouting positions that are directly contrary to their interests? Thus far, they are remaining silent, assuming they can recover after the election through an inside game. This may be a historic misjudgment on their part.

For the past quarter-century, global trade has been the engine of American business growth and its dominance of numerous global markets. Rather than remain silent, business leaders should offer rebuttals, speaking out now to provide policy solutions for the new administration. Let's look at some of the most vital areas:

Free Trade

Trade has created millions of jobs in the U.S., far more than jobs lost. The U.S. Chamber of Commerce points out that NAFTA alone created 5 million jobs. Other experts warn that the massive 45% tariff on Chinese imports that Trump proposes would cause a trade war with China striking back with excessive tariffs of its own or banning imports from the U.S. altogether. High tariffs on Chinese and Mexican goods would raise prices for U.S. consumers, hurting lower-income families who shop at Walmart (WMT) or Target (TGT).

As trade has opened up, American companies dominate the list of the world's most valuable companies. At the end of 2015, 579 of the 2,000 largest companies are U.S.-based. Abandoning free trade risks both jobs and economic value creation.

Job Creation

Technology and productivity gains, not trade, have held down job creation during the last decade. For example, it takes only 10% as many workers to build a Ford as it did 20 years ago, thanks to automation. Meanwhile, the U.S. auto industry is booming, producing record numbers of vehicles as the Big Three have regained competitiveness with foreign makers. Communications advances have made global outsourcing easier for large U.S. firms who can offshore lower-value jobs, such as customer care or software QA, to cost-effective locations. At Medtronic, we found every factory worker added in our overseas plants created three new jobs in the U.S. in R&D, manufacturing processes, marketing and sales. Silicon Valley companies have an even greater ratio.

Corporate Taxes

U.S.-based companies hold more than \$2 trillion of cash overseas, because they refuse to pay both overseas taxes and the higher U.S. corporate tax rate of 35% to repatriate the funds. Meanwhile, this money is not being reinvested in the United States. This dysfunctional system makes U.S. companies more valuable to foreign acquirers than their U.S. shareholders, and has caused several companies to relocate their legal headquarters outside of the U.S.

The U.S. could fix this problem by reducing corporate tax rates while eliminating loopholes in tax policy. Short-term, the government should create a foreign income tax repatriation holiday of taxes at 10-12% for companies with specific plans to reinvest the savings in the U.S. My Harvard Business School colleagues, Michael Porter and Jan Rivkin,

would go a step further with territorial taxes that tax profits where they are earned. This would eliminate double-taxation of profits, thereby enabling American companies to redeploy capital in smart investments at home. At the same time, doubling investment tax credits for new tangible assets and increased research and development would strengthen the technology advantage for America's global companies.

Education

While unemployment has dropped 50% since President Obama took office, millions of Americans that lost their jobs in the 2008-09 recession lack the skills for today's positions. The failure of the U.S. Congress to authorize funds for job retraining after the 2008-09 recession has contributed to these problems. Our K-12 and higher education systems also do not produce the talent that innovative companies need to grow.

In addition to job retraining, the U.S. needs to strengthen its vocational and technical education system, encouraging more high school students to consider these alternatives. Some companies, such as AT&T, are partnering with schools like Georgia Tech to offer specialized online training. The U.S. could do much more to ensure that educational institutions provide the mentoring, faculty and facilities that produce the types of workers companies clamor to hire.

Isolationism Won't Make America Great

Concerns about wage stagnation among U.S. workers are legitimate, but they are only part of the broader economic story. Suppressing free trade will harm these workers much more than the companies

who can access overseas labor.

Corporate leaders need to take on the importance of making American companies fully competitive in global markets. A pro-growth agenda—one that educates workers for the future, incentivizes investment and allocates resources effectively through trade—is a far better way to navigate the next decade than practicing the politics of isolationism.

Business leaders have an important case to make. There are only two months left to speak out.

The original article was published on September 7, 2016 in Fortune Magazine.

AS AMERICA RECEDES FROM GLOBAL LEADERSHIP, ITS CEOS ARE STEPPING UP

Bill's Commentary: It is very encouraging to see CEOs around the globe speaking out on public issues that impact their companies. In doing so, they risk incurring the wrath of the White House. Encouraged by their employees and their customers, CEOs today are emboldened to speak out on issues of vital importance to their companies. Their impact is being felt and supported broadly in the country.

As America recedes from global leadership under President Donald Trump's "America First" policies, a new generation of business statesmen is stepping up to take on global issues of monumental importance: global trade, climate change, job creation, and healthy living.

At the G20 summit in Hamburg, Germany, earlier this month, President Trump was "odd man out" on both global trade and climate change. China, Russia, and India joined the European nations in fostering global trading commitments and climate change. As Trump pulled the United States back, cynics started referring to the G20 as the G19 + 1.

For business leaders, the early optimism following Trump's election that corporate taxes would be reduced, America's infrastructure would be improved, and an improved healthcare system would be created has faded away. Many business leaders find President Trump's statements

on trade, climate change, NATO, immigration, and energy in direct opposition to what they need to build their companies. As a result, they are stepping up to take the lead on vital global issues.

Business leaders have a history of stepping in

This is the fourth time in my lifetime that CEOs have rallied to take on important causes. The first came during World War II and its aftermath when the future of the world hung in the balance and depended heavily on the capabilities of American business. The second came in the late 1960s when riots in major cities like Los Angeles, Detroit, and Washington, DC, woke CEOs to the reality that race issues in major metropolitan cities had to be addressed. The third instance came in the 1990s when global opportunities arose for U.S. based companies to lead their respective industries through a sustained period of growth.

This latest awakening, characterized by the outspokenness of business leaders, marks a sharp break with the past 15 years when CEOs kept their heads down to concentrate on running their own businesses. In part, they were reacting to the challenges of the Great Recession as well as the meltdowns of Enron, Arthur Andersen, and WorldCom. Those tumultuous times forced CEOs to focus on cost-cutting and strategic reorientation. As corporate earnings recovered following the recession, CEOs have maintained very disciplined spending levels and shared their growing cash flows with investors in the form of share buybacks.

However, these leaders are wise enough to know they cannot simply cut their way to prosperity. To sustain earnings growth, global companies need US government policies that support global growth. That's why

they are focusing now on issues like job creation, favorable trade relations, economic growth, and corporate tax reform that are essential for sustaining earnings growth and shareholder returns.

Concerned about the future of their global businesses, many of them are determined to go their own way. As GE CEO Jeff Immelt wrote when the president announced the US withdrawal from the Paris Climate Agreement, “Climate change is real. Industry must now lead and not depend on government.”

Immelt is not alone. Never before in modern history has the business community so uniformly opposed an action by any president, Democrat or Republican. CEOs speaking out against Trump’s climate decision ranged from energy executives like Exxon’s Darren Woods, Dow’s Andrew Liveris, and Tesla’s Elon Musk to Disney’s Bob Iger and JP Morgan’s Jamie Dimon. Iger and Musk immediately resigned from the group of powerful CEOs making up Trump’s Strategy and Policy Forum. Goldman’s Lloyd Blankfein even created a Twitter account in order to issue his first tweet objecting to the President’s decision.

A responsibility to be heard

Immelt’s statement is a clarion call to all CEOs to engage personally in public policy issues. The climate agreement is only one of their many concerns. Many CEOs are assuming leadership for global issues essential to their business strategies. For example, PepsiCo’s Indra Nooyi is advocating for healthier foods, and Unilever’s Paul Polman continues to champion greater sustainability. Health care executives are voicing vigorous public opposition to the Republican health care bill pending in the Senate.

In late June, 17 high-tech CEOs, including Amazon's Jeff Bezos, Microsoft's Satya Nadella, and IBM's Ginni Rometty, met with President Trump to talk about modernizing government technology. For these CEOs, hiring skilled workers, global trade, and H1B visas were also high on their agendas.

Technology executives such as Apple's Tim Cook and Salesforce's Marc Benioff have voiced their concerns about the impact Trump's immigration policies are having on hiring skilled workers, as well as chastising former Republican governors Indiana's Mike Pence (now vice president) and North Carolina's Pat McCrory for enacting anti-LGBT policies in their states.

In the last four months, US hiring has dropped to a meager 150,000 new hires per month, 17% lower than the 2016 monthly average of 180,000, in spite of the president's vocal support for hiring in America. At the end of May, the number of unfilled jobs (6.04 million) nearly equaled the number of unemployed Americans (6.45 million).

There is a "skills mismatch" between what workers can contribute and what companies need from their employees. To address this, the president recently announced his backing of job training and apprenticeship programs, although no specifics have been announced. Benioff has taken up the apprenticeship cause with the goal of creating five million training jobs. In June, a group of 82 CEOs on the Business Roundtable took out full-page advertisements in the Wall Street Journal and New York Times supporting Trump's proposed apprenticeship programs.

Will this upsurge in CEO engagement last, or is it merely a passing thing? From talking regularly with myriad CEOs, I am convinced it

is here to stay. America's CEOs know what is at stake: nothing less than America's leadership in the global world. America is blessed with corporate leaders whose companies dominate their global markets and who know the imperative of global industry leadership.

They also know a leadership vacuum when they see one, and they recognize how important their voices are at this vital turning point in US history. That's why they are stepping up now to address these complex global issues.

The original article was published on July 19, 2017 in HBS Working Knowledge.

JACK MA: CHINA'S FIRST GLOBAL LEADER

Bill's Commentary: In his talk at the January 2018 World Economic Forum in Davos, Switzerland, Jack Ma solidified his role as one of the wisest and most thoughtful global leaders of this era. He was fully authentic as he offered perspective on the challenges of globalization and leadership, with a humble, human touch. On leadership, he noted, "To gain success a person will need high EQ; if you don't want to lose quickly you will need a high IQ, and if you want to be respected you need high LQ - the IQ of love." Ma stressed the value of learning from failure, something he experienced earlier in his life: "If you want to be successful, learn from the other peoples' mistakes, (not) success stories. The book I want to write is Alibaba: 1,001 Mistakes."

On the future of globalization, he argued, "No one can stop globalization, no one can stop trade. Trade is the way to dissolve the war, not cause the war. Global trade must be inclusive so everyone has the same opportunity. Yet he is worried about the impact of artificial intelligence (AI) on jobs and people: "AI is a threat to human beings. Technology should enable people, not disable them. The computer will always be smarter than you are; but computers can never be as wise as man. AI and robots are going to kill a lot of jobs, because in the future they'll be done by machines."

America's global tech giants are on the defensive these days, as they

are confronted by politicians about their monopolization tendencies and open information practices without sufficient safeguards on either. Ma believes that tech giants have responsibilities to society; as he noted, “Google, Facebook, Amazon and AliBaba (I would add Apple and Microsoft to this list) are the luckiest companies of this century, but we have the responsibility to do something good. Make sure that everything you do is for the future.”

As they reach for the sky, leaders like Facebook’s Mark Zuckerberg, Amazon’s Jeff Bezos, Apple’s Tim Cook, Google’s Larry Page, and Microsoft’s Satya Nadella would be well advised to listen carefully to Jack Ma’s wisdom and be clear about how they are going to benefit and protect society, not just themselves and their shareholders.

Ma was on fire as we talked over lunch the day that Alibaba launched the largest initial public offering (IPO) in history. Its stock price makes Alibaba the 18th largest global company by market capitalization. Ma’s goal isn’t making money. Because of Alibaba’s success, he is already China’s wealthiest citizen, with a \$20 billion net worth. Yet when he asked his wife whether it was more important to be wealthy or have respect, they agreed upon respect.

In person, Ma is warm, affable, open, and authentic. For all his success, he is extremely humble, preferring to talk about building a great company that helps customers, creates jobs, and serves society. “I’m just a purist. I don’t spend 15 minutes thinking about making money,” he said. “What is important in my life is influencing many people as well as China’s development. When I am by myself, I am relaxed and happy.” He added, “They call me ‘Crazy Jack.’ I hope to stay crazy for the next 30 years.”

"THEY CALL ME 'CRAZY JACK.'

I HOPE TO STAY CRAZY FOR

THE NEXT 30 YEARS." -

- JACK MA, EXECUTIVE CHAIRMAN

OF ALIBABA GROUP



China's large and growing economy has made it an increasing economic force the past two decades, but it has not produced global companies. Instead, Chinese businesses have focused domestically and engaged in low-cost production for international companies. Ma has a very different approach. He sees the Internet as a worldwide phenomenon that knows no borders. Today, the Alibaba companies serve 600 million customers in 240 countries. Ma intends to expand aggressively in the American, European, and emerging markets by linking 1 million small businesses with 2 billion Asian consumers. He also has plans to disrupt China's commercial banking and insurance sectors.

“I want to create one million jobs, change China's social and economic environment, and make it the largest Internet market in the world.” —*Jack Ma*

In the times I have been with him, Ma relishes telling his life story. Raised in humble origins in Hangzhou in the 1980s, he overcame one obstacle after another. He was rejected at virtually every school he applied to, even grade schools, because he didn't test well in math.

Yet he persevered. From ages 12 to 20, he rode his bicycle 40 minutes to a hotel where he could practice his English. “China was opening up, and a lot of foreign tourists went there,” he said. “I showed them around as a free guide. Those eight years changed me deeply, as I became more globalized than most Chinese. What foreign visitors told us was different from what I learned from my teachers and books.”

As a young man, Ma applied for jobs at 30 companies and was rejected at every one. He seemed most stung by his experience at Kentucky

Fried Chicken where 24 people applied and 23 got jobs. Ma was the only applicant rejected. Consequently, he became an English teacher at Hangzhou Electronics Technology College. When he visited America for the first time in 1999, he was stunned by the entrepreneurial culture he saw in California. “I got my dream from America,” he said. “In the evenings in Silicon Valley, the roads were full of cars, and all the buildings had lights on. That’s the vision of what I wanted to create [at home in China].”

Returning to Hangzhou, he and Joe Tsai (now executive vice chair) founded Alibaba in Ma’s modest apartment. “We chose the name,” he explained, “because people everywhere associate it with ‘Open, Sesame,’ the command Ali Baba used to open doors to hidden treasures in One Thousand and One Nights.” Ma focused on applying his team’s ideas to help businesses and consumers find their own hidden treasures. He was unsuccessful in raising even \$2 million from American venture capitalists, but, once again, he persevered. Eventually, he raised \$5 million through Goldman Sachs, and later, Masayoshi Son of Japan’s SoftBank invested \$20 million.

Ma is passionate about building the Alibaba ecosystem in order to help people, a philosophy that he is trying to embed into the DNA of the company. At the company’s founding, he issued generous stock option packages to early employees because he wanted to enrich their lives. The day of the IPO, he insisted Alibaba’s six values— Customer First, Teamwork, Embrace Change, Integrity, Passion, Commitment—be placed on the pillars of the New York Stock Exchange.

Ma’s commitment to a cause larger than himself has propelled him forward.

My vision is to build an ecommerce ecosystem that allows consumers and businesses to do all aspects of business online. I want to create one million jobs, change China's social and economic environment, and make it the largest Internet market in the world.

American tech leaders, such as Larry Page of Google and Mark Zuckerberg of Facebook, have emphasized technology and product above everything. Not Ma. "I'm not a tech guy," he said. "I'm looking at technology with the eyes of my customers—normal people's eyes."

With his lighthearted nature, Ma participates in annual talent shows where he sings pop songs. He also practices Tai Chi and martial arts, which he calls "the most down-to-earth way of explaining Confucianism, Buddhism, and Taoism. These practices cherish brotherhood, morality, courage, emotion, and conscience."

Ma worries that China lost an entire generation when Mao Zedong phased out Confucianism and other forms of spirituality. His bold vision is to restore that sense of values and purpose to the next generation. "It's not policies we need, but genuine people," he said. Ma is highly ethical in his business practices. He noted, "I would rather shut down my company than pay a bribe."

For all his confidence, Ma is not without worries. He believes his biggest challenges are to create genuine value for his customers, to work cooperatively with the government, and to build his team of global leaders. He would like to use his wealth to found a university for entrepreneurs that can produce the next generation of Chinese entrepreneurs. "Our challenge," Ma said, "is to help more people to make money in a sustainable manner. That is not only good for them but also good for society."

Developing Global Intelligence (GQ)

Ma embodies the global intelligence, or GQ, that is needed for today's global leaders. Succeeding in the new global context will require companies to cultivate a cadre of executives—as many as 500 per company—who have the capabilities of global leaders. Developing these new leaders requires unique leadership experiences, ideally in emerging markets, combined with leadership development programs that differ materially from today's corporate training programs. Traditionally, the latter have focused on managerial skills and building one's functional knowledge. Yet the shortcomings of leaders—and their subsequent failures—usually result from the lack of leadership capabilities that we call global intelligence, or GQ.

One of the greatest challenges global leaders face is incorporating local and global issues into an integrated corporate strategy. Such a strategy enables them to optimize their position in a wide array of local markets efficiently to create sustainable competitive advantage. Doing so requires deep understanding of local markets and the global vision to see how their companies can serve their customers' needs in a superior manner by leveraging their corporate strengths. That's the only way they can outcompete local companies, which often have a cost advantage because they operate in the region.

As Unilever's COO Harish Manwani explained, “We have a globally distributed organizational model that balances local relevance with global leverage.”

We don't believe in “Think local; act global.” Instead, we believe in “Act local; think global.” The company starts by acting locally, creating relevance through an understanding of consumer needs and desires and

their local cultures. Then we leverage Unilever's vast global resources to deliver superior products to meet those needs. This is how we gain competitive advantage over local producers. We are committed to bringing our expertise to local markets.

Today's authentic global leaders recognize that in the future, businesses can only thrive by serving all the people of the world equitably while also contributing to their societies.

The original article was published in Fortune Magazine on October 22, 2015.

PART 5

ENGAGING IN THE PUBLIC SQUARE



ENGAGING IN THE PUBLIC SQUARE

Following a decade during which they were urged to “keep their heads down and focus entirely on their businesses,” CEOs have emerged in recent years as spokespeople for what they believe and their companies stand for. In assuming their oft-unwanted role as public figures, they are getting strong encouragement from their employees and support from their customers to take a stand on important public issues, even at the risk of offending some employees and customers.

Now we see leading CEOs speaking out forcefully on issues ranging from climate change, free trade, the riots in Charlottesville, marriage equality and LGBTQ rights to sustainability, health care and education. As governments become ever less able to address these vital issues, CEOs are recognizing that they must both speak out and act accordingly to ensure healthier markets and environments in which they can pursue their respective missions. And their younger employees are insisting that they do so, rather than default to elected officials.

This represents a major shift in their attitudes. At the same time they are steadily shifting from the stock market pressures to maximize shareholder value to the stakeholder model in which their challenge is to create shared value for their customers, employees, and com-

munities as well as their investors.

Personally, I welcome this change. Ever since I was in college I have believed that business leaders should be a force for good in our society. While many CEOs still place self-interest ahead of the public interest, there is a growing set of courageous leaders who are acting to make this world a better place.

A STRATEGY FOR STEADY LEADERSHIP IN AN UNSTEADY WORLD

Bill's Commentary: Looking back on this 1998 report that predicted the environment of the 21st century, the War College staff was prescient in foreseeing the volatility and complexity that dominates our world these days. Leaders in business and elsewhere need to prepare themselves and their teams for just such a world. As such, they must be much more agile in adapting to rapidly changing circumstances, but they cannot do so without clarity of vision, a deep understanding of the changes taking place in the world, and clarity in the face of chaos. Leaders with vision, understanding, and clarity are best suited to lead important organizations through the complexities and changes they will face.

Unfortunately, most of what we teach people in business schools and elsewhere is based on a stable world dominated by mathematics, economics, statistics, planning and accounting that assumes predictability. Instead, we should be teaching them how to lead people through chaos and complexity with immutable missions and values that provide the stability people need to cope with never-ending changes.

With the events of 2016—Brexit, the election of Donald Trump, threats from terrorists and cybercriminals, climate change—business leaders have entered a new era requiring new ways of leading. Traditional management methods seem no longer sufficient to address the

volume of change we are seeing, I label this VUCA 2.0.

In a 1998 report designed to train officers for the 21st century, the United States War College presaged a world that is “volatile, uncertain, complex, and ambiguous” —VUCA, for short. VUCA describes perfectly what is happening in the global business world today.

Business is not running as usual. Leaders must deal with growing uncertainty, complexity, and ambiguity in their decision-making environments. CEOs have little idea what to expect in terms of health care policy, financial transactions, national security, and global trade—all of vital importance to themselves, their employees, and their stakeholders.

Managerial training in the classic techniques of control systems, financial forecasting, strategic planning, and statistical decision making have not prepared them for this amount of flux in the environment.

In short, these rapid-fire changes are putting extreme pressure on business leaders to lead in ways not heretofore seen.

The VUCA Leader

Now is the time for authentic business leaders to step forward and lead in ways that business schools don't teach. Let's examine these different ways of leading comprising VUCA 2.0:

Vision

Today's business leaders need the ability to see through the chaos to have a clear vision for their organizations. They must define the True North of their organization: its mission, values, and strategy. They should create clarity around this True North and refuse to let external

events pull them off course or cause them to neglect or abandon their mission, which must be their guiding light. CEO Paul Polman has done this especially well by focusing Unilever's True North on sustainability.

Understanding

With their vision in hand, leaders need in depth understanding of their organization's capabilities and strategies to take advantage of rapidly changing circumstances by playing to their strengths while minimizing their weaknesses. Listening only to information sources and opinions that reinforce their own views carries great risk of missing alternate points of view. Instead, leaders need to tap into myriad sources covering the full spectrum of viewpoints by engaging directly with their customers and employees to ensure they are attuned to changes in their markets. Spending time in the marketplace, retail stores, factories, innovation centers, and research labs, or just wandering around offices talking to people is essential.

Courage

Now more than ever, leaders need the courage to step up to these challenges and make audacious decisions that embody risks and often go against the grain. They cannot afford to keep their heads down, using traditional management techniques while avoiding criticism and risk-taking. In fact, their greatest risk lies in not having the courage to make bold moves. This era belongs to the bold, not the meek and timid.

Adaptability

If ever there were a need for leaders to be flexible in adapting to this

rapidly changing environment, this is it. Long-range plans are often obsolete by the time they are approved. Instead, flexible tactics are required for rapid adaptation to changing external circumstances, without altering strategic course. This is not a time for continuing the financial engineering so prevalent in the past decade. Rather, leaders need multiple contingency plans while preserving strong balance sheets to cope with unforeseen events.

With external volatility the prevalent characteristic these days, business leaders who stay focused on their mission and values and have the courage to deploy bold strategies building on their strengths will be the winners. Those who abandon core values or lock themselves into fixed positions and fail to adapt will wind up the losers.

The original article was published in HBS Working Knowledge on February 14, 2017.

WHEN SHOULD CEOS TAKE PUBLIC STANDS?

Bill's Commentary: The next two articles highlight the remarkable courage demonstrated by Merck CEO Ken Frazier in resigning quite publicly from President Trump's Manufacturing Council after the President gave tacit support to the White Supremacists, Neo-Nazis and Ku Klux Klan members who demonstrated in Charlottesville. As a result, 42 CEOs of America's leading companies resigned en masse from two of the President's Councils – an event that has never occurred before in U.S. history

When Frazier took his courageous stand, he had no idea that so many powerful CEOs would follow his lead. He was only acting out of his own beliefs and values and those of the Merck organization that he leads. He later told me that this was “an easy decision” for him, because he is so clear in his beliefs. But it certainly was not without risk to himself or his company, as the U.S. government controls all of Merck's drug approvals and its quality standards that keep products on the market, and has a powerful impact on its pricing for half of its U.S. customers who are reimbursed by the government.

You cannot teach leaders moral courage of the kind demonstrated by Frazier, nor can you predict how they will act in a crisis like this. In my experience their ability to do the right thing under pressure emanates from their True North – their beliefs, values, life stories, how they frame their crucibles, and the principles by which they lead

– and their ability to be guided by their inner sense, not the pressures of the external world around them.

It depends upon when their mission and values are at stake

Merck CEO Ken Frazier resigned from President’s Trump’s Manufacturing Council on Monday, saying “As CEO of Merck and as a matter of personal conscience, I feel a responsibility to take a stand against intolerance and extremism.”

As of Tuesday, five more CEOs joined Frazier in resigning from the council – Under Armour CEO Kevin Plank, Intel CEO Brian Krzanich, Alliance for American Manufacturing’s Scott Paul, AFL-CIO President Richard Trumka, and former AFLCIO Deputy Chief of Staff Thea Lea.

Intel’s Krzanich explained his decision in a blog post, saying: “I resigned to call attention to the serious harm our divided political climate is causing to critical issues, including the serious need to address the decline of American manufacturing.”

President Trump issued a statement on Monday more strongly condemning racism as evil, saying, “those who cause violence in its name are criminals and thugs, including KKK, Neo-Nazis, White Supremacists and other hate groups...” Then at his Tuesday press conference he seemed to retract it, reverting to Saturday’s language, “There’s blame on both sides... What about the alt-left that came charging at the alt-right — do they have any semblance of guilt?”

Less than one hour after Frazier posted his resignation on Merck’s

website, President Trump attacked Frazier in a tweet, saying, “He will have more time to LOWER RIPOFF DRUG PRICES!”

Ironically, as chairman of the Pharmaceutical Research and Manufacturers of America, Frazier has been the leader in urging restraint in pharmaceutical prices, being the first company to offer transparency on its prices from 2010 to 2016, and calling out miscreants like Turing Pharmaceuticals’ Martin Shkreli and Valeant’s Mike Pearson. Commenting on President Trump’s tweet, CNBC’s Jim Cramer suggested that the president owed Frazier an apology.

The courageous stand these CEOs took raises the question: When should corporate leaders speak out on vital issues? What risks do they take, such as incurring the wrath of the president?

In recent months, we have been witnessing more and more leaders taking public stands on important issues. When President Trump withdrew America from the Paris Climate Agreement in June, Jeff Immelt, then the CEO of General Electric (now chairman), tweeted, “Climate change is real. Industry must now lead and not depend on the government.” CEOs Bob Iger of Disney and Elon Musk of Tesla immediately resigned from the President’s Strategy and Policy Forum following that decision.

These CEOs are walking a fine line between staying engaged by serving on presidential councils and resigning as a statement of principle over actions by public officials that run counter to their company’s values and principles. In today’s complex world, CEOs are looked to as standard bearers on important policy issues for their companies, while also representing multiple constituencies, often with conflicting views. It is in the nuance of making these tradeoffs that their true leadership is determined.

Given the importance of issues like health care, global trade, climate change, and corporate taxes, CEOs and their teams need to have access to the policy makers in Congress and the White House in order explain how these issues impact their businesses. At the same time they are charged with upholding the company's principles.

In Merck's case, Frazier must reflect the needs of millions of Merck's global patients and customers, as well as the interests of 55,000 employees around the world. These constituencies are highly diverse, reflecting every race, religion, and nationality, as well as gender, sexual orientation and political beliefs — all of which were cited by Frazier in his statement of resignation. Meanwhile, shareholders have their stake in the company and its financial wellbeing, as do many health care groups. How can CEOs like Frazier navigate these complexities?

I believe business leaders should base their stands on the company's mission and its values. If these are violated, then they have an obligation to speak publicly. Frazier felt the offense of extremists in Charlottesville this past weekend required a strong stand from the president against white supremacists and neo-Nazis, one that was not forthcoming. So did Goldman Sachs CEO Lloyd Blankfein.

Minutes after Frazier's statement and Trump's rejoinder, Blankfein posted his own tweet, quoting Lincoln, "A house divided against itself cannot stand.' Isolate those who try to separate us. No equivalence with those who bring us together."

If their positions are based on their company's principles, not just self-interest, then these leaders are on solid ground, even if they incur the wrath of some policy makers and constituents.

Apple's Tim Cook and Salesforce's Marc Benioff have repeatedly spoken out against discrimination against gays and antiLGBT policies in North Carolina and Indiana. Last week, Google CEO Sundar Pichai terminated employee James Damore for his 10-page manifesto that Pichai said "crosses the line by advancing harmful gender stereotypes in our workplace," such as suggesting that women are neurotic, characterized by high anxiety and lower stress tolerance.

As the public dialogue becomes more divisive, I anticipate that more business leaders will be taking public stands on behalf of the people and organizations they represent. I admire their courage and willingness to do so. Even when we disagree with them, we should be respectful of their bravery to stand up and be counted when the issues matter the most.

The original article was published in CNBC.com on August 15, 2017.

A COURAGEOUS LEADER TRIGGERS A MORAL REVOLT AMONG CEOS

Nothing like this has happened in the past fifty years.

Forty-three CEOs of major American corporations revolted against the president this week by shutting down two presidential advisory councils. In so doing, they may have created an unprecedented gulf between the White House and the business community.

It all came down to moral leadership. When the president refused to take the lead in speaking out against the demonstration in Charlottesville by Neo-Nazis, KKK and White Supremacist groups, America's CEOs decided this was morally unacceptable. The revolt was led by one of America's leading CEOs, Merck's Ken Frazier, who grew up in inner city Philadelphia and whose grandfather was a South Carolina slave born before the 1863 Emancipation Proclamation.

Frazier was deeply troubled last Saturday after the events in Charlottesville highlighted the emergence from the shadows of the Internet of the White Supremacist, KKK and Neo-Nazi movements. President Trump's comments striking moral equivalence between these extreme groups and people who opposed them only deepened Frazier's angst.

By Sunday Frazier had decided to resign from President Trump's American Manufacturing Council on which he was serving, and to make a clear statement opposing "hatred, bigotry and group supremacy." He reviewed his resignation with his corporate team and shared it

Sunday night with members of his board of directors, who were fully supportive of his action.

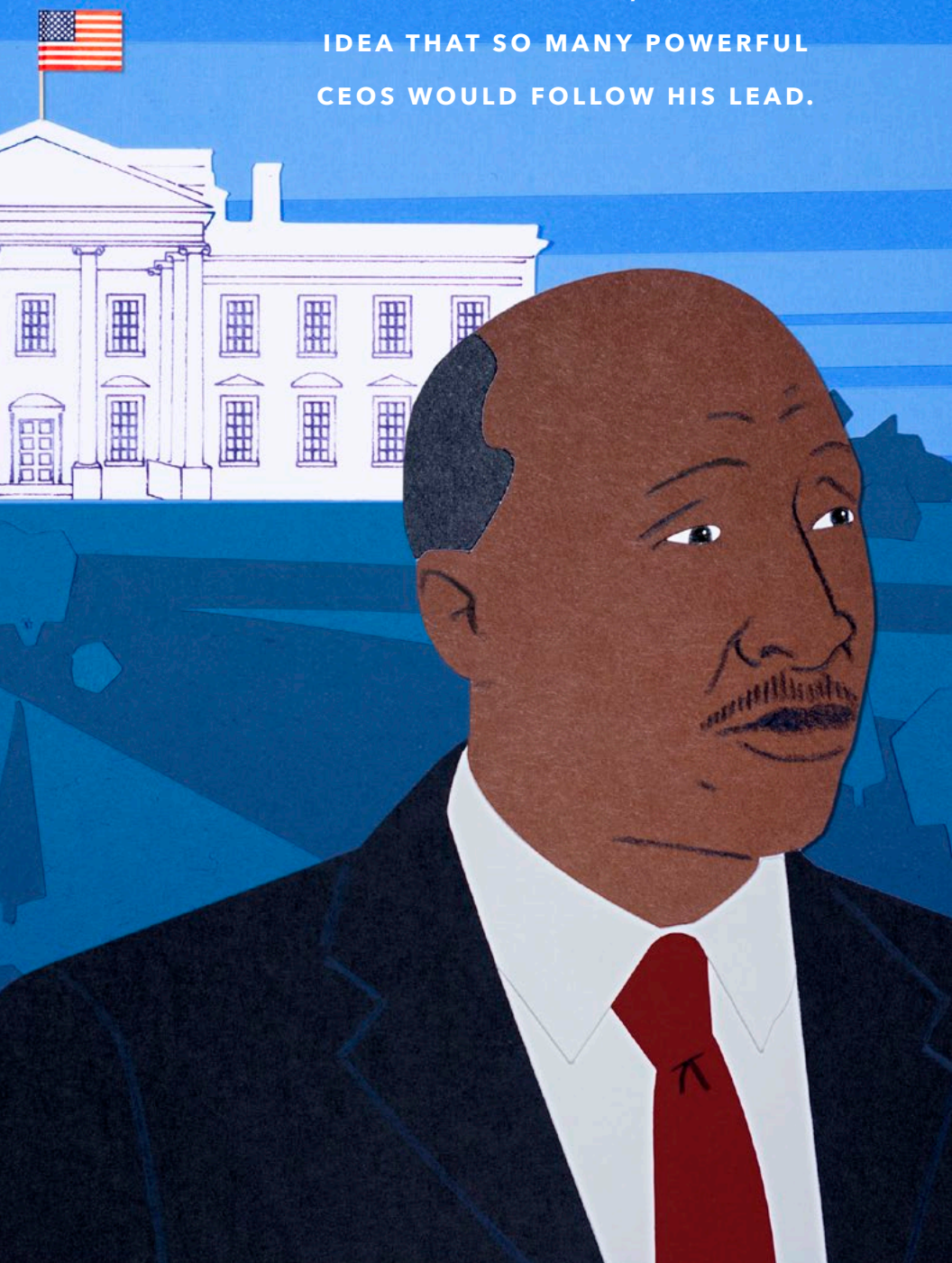
His announcement at 7:00am Monday morning set off a firestorm, heightened by President Trump's Twitter post less than one hour later attacking him and Merck. While the media immediately highlighted the significance of Frazier's statement, the initial reaction from American CEOs was quiet. Only Goldman Sachs's Lloyd Blankfein and U.K. based Unilever's Paul Polman publicly supported him. Blankfein's Twitter response was especially pointed, quoting Lincoln, "A house divided against itself cannot stand" and adding, "Isolate those who try to separate us. No equivalence w/ those who bring us together."

Behind the scenes, the 43 CEOs on the two councils were deeply troubled. During telephone calls between the three female CEOs on the Strategy and Policy Forum – PepsiCo's Indra Nooyi, IBM's Virginia Rometty and General Motors' Mary Barra – consideration was given to resigning immediately and encouraging others to do so. But the President's prepared statement on Monday cooled the tension, as Trump criticized by name the alt-right groups that had organized the Charlottesville demonstrations.

By late Monday there were further resignations from the manufacturing group by Under Armour's Kevin Plank, Intel's Brian Krzanich, and Alliance for American Manufacturing's Scott Paul, followed by the AFLCIO's Richard Trumka and Thea Lee on Tuesday morning. Walmart CEO Doug McMillon also issued a statement to his company's 1.5 million American employees sharply criticizing the president for not taking a clear stand against the demonstrators in Charlottesville.

On Tuesday President Trump again attacked these CEOs on Twitter.

WHEN FRAZIER TOOK HIS
COURAGEOUS STAND, HE HAD NO
IDEA THAT SO MANY POWERFUL
CEOS WOULD FOLLOW HIS LEAD.



But the breaking point came during his Tuesday press conference, when he reverted to his Saturday language, creating a moral equivalence between the alt-right and those that opposed them.

By Tuesday evening, Blackstone's Steve Schwarzman, chair of the President's Strategy and Policy Forum, recognized the deep unrest among his members after multiple conversations with them, and decided to call a telephone meeting of the forum members for late Wednesday morning.

In addition to those who indicated they planned to resign, several members wanted to disband the forum. Soon, the entire group agreed to shut down the forum, effectively resigning en masse. Meanwhile, more members of the manufacturing council resigned, including 3M's Inge Thulin, Campbell's Denise Morrison, and GE's Jeff Immelt. Schwarzman called the White House late Wednesday morning to notify Jared Kushner what was happening. This triggered Trump's Twitter post that he was ending both councils, "rather than putting pressure on the businesspeople."

Taking such public actions was not without risk for the CEOs and their companies. None of them wanted Twitter posts directed at their companies like Frazier and Merck got from the President. Their companies have products dependent on government approvals and major regulatory issues before Congress and the administration.

Given these issues, what does it take for CEO to speak out against the president? Moral courage.

While many CEOs prefer to stay under the radar and avoid public scrutiny, Ken Frazier led the way with his example. As the chair of

PhRMA, the pharmaceutical manufacturers association, Frazier has led the initiative for restraint in drug price increases and transparency about prices. He initiated a 32% price reduction on one of Merck's most promising new drugs for Hepatitis C, Zepatier. In addition, he called out industry miscreants like Turing's Martin Shkreli and Valeant's Mike Pearson for excessive price increases.

In today's era of pragmatic CEOs, moral courage in the form of public statements is rare indeed. With such sharp divisions in the country, any statement at all is certain to incur the wrath of one side or the other. That's why Frazier's actions and the subsequent CEO revolt are so significant.

Today's CEOs are public figures, with responsibility to uphold their company's mission and values. When these values are violated, even by someone as powerful as the president of the United States, they are obliged to take a clear stand. In this era of instant global communications and social media, it is no longer possible to hide in the shadows.

Ken Frazier's example now resounds. Leaders of all five military branches have made public statements against racism. Republican Congressional leaders are questioning President Trump's statements on race.

The ripple effects of Frazier's courageous stand could change the nation.

The original article was published in HBS Working Knowledge on August 18, 2017.

CEOS SHOULDN'T BE AFRAID TO STAND UP TO TRUMP

Bill's Commentary: I wrote this article just a month after President Trump's inauguration. At the time I was deeply concerned about the number of CEOs racing to Washington or making public statements targeted to curry favor with the President. I was especially concerned about the President's attacks on free trade and his desire to coerce CEOs to bring their Mexican and Chinese manufacturing back to the U.S. coupled with regular announcements from companies to comply. In reality, however, these announcements amounted to nothing more than affirmations of previously announced plans, not changes in direction or supply chain strategies.

As time wore on, it became clear that there was little connection between the threats contained in the President's tweets and the actions of the U.S. government. For his part, the President astutely realized he could use his tweets to reaffirm his campaign promises to his base of supporters without actually disrupting the finely tuned balance in the U.S. economy. As a result, more and more CEOs felt emboldened to stand up to the President. As they returned to business as usual, they also felt called to challenge Trump on policy issues.

A year later the "America First" initiative has entered a new phase. As he ushered out the free traders in his administration, the President has united with the hardliners to initiate a trade war with China based on the mistaken belief that trade balances determine who is "winning"

in trade, not the capture of global markets by U.S.-based companies. While initially the President met frequently with CEOs of major industries, now those meetings seem to have ceased, in spite of loud warnings about the harm trade wars can do to American companies and farmers.

At this point, the outcome of this American-initiated trade war is uncertain.

President Donald Trump's actions are sending shock waves through the business community, but will CEOs have the courage to challenge him?

Publicly, most CEOs are declaring how pleased they are with the President's attention, which has been greater in the past three months from President Trump than it was in eight years under President Obama. Trump is promising them lower corporate taxes, fewer regulations on financial services, health care and energy, and improved infrastructure, while acknowledging business as the driver of economic growth. Every week the President is meeting with CEOs from major industries. Last week it was retailers; before that, airlines and automobiles.

Beneath these rosy promises, Trump's policies are setting off alarm bells in Csuites. Even before his inauguration, he shook business leaders with a series of tweets attacking such great American stalwarts as Ford, General Motors, Boeing, Lockheed Martin, and United Technologies, criticizing their global manufacturing plans, while threatening them with large tariffs for imported products.

Ford and United Technologies' Carrier division immediately offered compromises to avoid Trump's wrath. Concerned their companies

might be the next recipient of a Trump tweet, the CEOs of Amazon, Fiat/Chrysler, and Sprint rushed to Trump Tower with offers to employ more Americans. In reality, they were just reannouncing previously published expansion plans. CEO Brian Krzanich told the President that Intel was restarting a \$7 billion facility in Arizona, which was originally launched in 2011 under President Obama, and then postponed in 2014 due to lack of demand.

In a recent interview with *Harvard Business Review*, former U.S. treasury secretary Larry Summers called on business leaders to stand up to the Trump administration, asking, “If CEOs who employ hundreds of thousands of people are not in a position to speak truth to power, who is going to do so?” Rather than trying to curry favor with President Trump, business leaders need to advocate for their long-term needs, and challenge him when his actions will harm their long-term futures.

Since his January 20th inauguration, President Trump has signed more than 20 executive actions on issues including jobs, trade, immigration, national security, health care, and financial regulations. Most controversial to date was the 120-day travel ban, a move the State of Washington challenged as unconstitutional. The Washington court temporarily lifted the ban, which the Trump administration challenged in the Court of Appeals.

This represented a seminal challenge to technology companies that rely heavily on immigrants. With more than 5.5 million jobs going unfilled for lack of qualified applicants, they cannot afford to hire only American-born citizens. Thus, 97 technology companies including Apple, Google, Facebook, Microsoft, eBay, and Intel, stepped up

by taking the unprecedented step of filing a joint amicus brief challenging the order, claiming it “threatens companies’ ability to attract talent, business, and investment to the United States.” They were joined by Coca-Cola, General Electric, Goldman Sachs, JPMorgan, Starbucks – more than 140 companies in all – marking the first time CEOs had actively challenged Trump. On February 8, the President had his most significant defeat when the Court of Appeals refused to reinstate the travel ban.

In addition to the travel ban, Trump’s actions are shaking up leaders in other sectors. His proposed border adjustment tax on imports would adversely impact major apparel and electronics retailers like Wal-Mart, Target, Best Buy, Nike, and Under Armour that rely on overseas production. A 20 percent border tax would lead to a 20 percent price increase for consumers, creating more strain on their wallets and threatening the jobs of 15 million retail employees. Trump’s egregious tweet against Nordstrom accused the company of treating his daughter Ivanka unfairly for discontinuing her branded products.

Nordstrom defended its decision, citing declining sales of Ivanka’s products.

Under Armour CEO Kevin Plank tried to curry Trump’s favor, calling him “a great asset to America.” He was forced to recant when Steph Curry, his firm’s top sponsored athlete, responded he would agree if Plank removed the letters “et” from his praise. Plank acknowledged the border tax would hurt his firm’s sales since “there are no apparel makers or textile companies left in America.”

Trump’s numerous executive orders are easy to issue but often vague or unclear about details, making their implementation complex and

confusing. As Trump tries to repeal Obamacare, he is learning how hard it is to design a reasonable replacement. The same is true for reducing financial regulations by gutting the 2010 Dodd-Frank bill, since no one wants to risk a 2008-style collapse.

Given the chaos in Washington, how should business executives lead in the Trump era? Will they have the courage to step up to these new challenges? My advice is to stay focused on their business, while not letting the president's machinations throw them off course and speaking out whenever required.

Here are five recommendations for business leaders:

1. **Focus on True North.** Stay focused on realizing your mission despite the uncertainty. Do not deviate from the core principles that define your company for fear of retaliation from the Trump administration. Staying on track will deepen the loyalty of customers and employees – the people who matter most.
2. **Build on your strengths.** Develop a clear vision of how your company will win by strengthening unique differentiators setting you apart from competitors, and leveraging these strengths to gain competitive advantage.
3. **Adapt your tactics, not your strategy.** Continue with strategies established before Trump took office, but rapidly adapt tactics to this era of extreme volatility. Encourage employees to stay agile and think creatively about different ways of achieving their goals, despite roadblocks they face. You may be forced to make tactical adjustments, but pursue your strategy with laserlike focus.

4. Don't abandon globalization. Globalization is a reality that will continue despite the administration's recent efforts to halt it. An "America First" mentality limits your growth potential, so continue to build your global business without backing away from expanding overseas. Embrace globalization by targeting new foreign markets, hiring diverse employees, and building overseas operations. At Medtronic we hired three Americans for every job created overseas as the company expanded from 4,000 employees in 1989 to 85,000 today.

Prepare for the jobs of the future. Speak out publicly to encourage Trump to address the real jobs issue: the skills gap created by the lack of lifelong training and education. Prepare your workforce for jobs of the future instead of protecting antiquated jobs as Carrier agreed to do. Take a cue from Amazon, General Electric, and SAS, whose programs enable employees to develop skills required for tomorrow's world.

Business leaders have a responsibility to step up to the challenges presented by Trump's administration and lend their voices to shape a better country. By building their businesses for the long-term, they will strengthen the country.

The original article was published in CNBC.com on February 24, 2017.

THE WORKING PERSON'S 'CRY FROM THE HEART'

Bill's Commentary: Looking back, it is now clear that the 2016 election results reflected widespread anger and angst from working people, especially those in manufacturing industries, as their jobs were eliminated by automation and globalization. These hard-working people had been neglected or ignored in the past decade by both the politicians and business leaders, as both the government and business failed to retrain them for the jobs of the future. A year later, little has been done to resolve these issues, as the American workforce slips farther behind its global competitors. Putting protective tariffs on imported goods and initiating trade wars will not solve these problems. While the economy is strong at the present due to skillful management by the Federal Reserve, President's Trump's corporate tax cuts, and the global strength of American companies, eventually these issues must be addressed in order to maintain U.S. competitiveness.

The media has explained the election by creating narratives of the two wealthy New Yorkers who had contrasting beliefs on government, race and gender.

A look back at the election reveals something more fundamental. Its clear message is a cry from the heart of working class America. Hillary Clinton, a cabinet secretary, senator and first lady, epitomized the establishment while Donald Trump became a vehicle for Americans'

disillusionment with it.

For two decades America's working class has worked harder to earn declining incomes just to keep their jobs. They watched as the American dream of a thriving middle class vanished. Many blue-collar workers laid off in the recession of 2009 found themselves taking service jobs that paid just over the minimum wage with no health care benefits.

Meanwhile, the elite 1 percent accumulated wealth as incomes of bankers and executives escalated rapidly. When CEOs' compensation averages 400 times their lowest paid employees, the disparities are no longer acceptable. So they turned out in record numbers and voted to restore their jobs, their lives and their dignity.

The results of this election should not only be felt in Washington. Business leaders ignore its message at their peril.

It is the 99 percent of hardworking workers that enable our enterprises to flourish. The task of executives is to create conditions so they can be successful and reward them fairly for their efforts, not to squeeze employees' incomes in a quixotic quest to maximize shareholder value. While corporate headquarters may be in urban areas, most factories are in the heartland of America that gave Trump his Electoral College triumph.

At Medtronic I told employees, "You make Medtronic successful by carrying out our mission to restore health to millions of people. You create the innovations in the labs, ensure that every product produced is of 'unsurpassed quality' and support doctors and nurses to ensure the patient's health. My job is to create an environment where you can do your jobs well and be rewarded for it." Losing sight of this

principle endangers the social compact that makes capitalism work.

Wells Fargo former CEO John Stumpf forgot the importance of Wells' frontline workers. He blamed 5,300 first-line employees terminated for creating 2 million phony consumer accounts. "If they're not going to . . . put customers first, honor our vision and values, I don't want them here," Stumpf said when the crisis became public.

It is inconceivable that these employees, most of whom earned \$1214 per hour, all acted independently without direction from their leaders. When the Wells Fargo board "clawed back" only \$19 million of retail banking head Carrie Tolsted's departing compensation of \$124 million, many people compared this to robbing a bank and netting \$105 million.

No wonder people are angry and willing to accept any promise of change. As American companies shutter factories and shift work overseas rather than increasing productivity and innovation here at home, factory workers lose middle class jobs and must choose between lowpaying service work or unemployment compensation.

The solution to wage stagnation and unemployment lies not in cutting interest rates below 0 percent nor in erecting walls around our borders. Rather, we must address the root cause: our failure to train people for today's and tomorrow's jobs. As technology has advanced rapidly, we find ourselves with an increasingly obsolete workforce. Thus, the paradox of having 7.8 million people unemployed, while 5.4 million jobs go unfilled for lack of skilled workers.

For America to succeed in the global economy, we must train people for the jobs of 2020 and pay them fairly. Too many young people

graduate from high school and college without the skills required for today's jobs. Companies fail to train them to become computer operators, robotics technicians, MRI repair people, as well as skilled carpenters, electricians and plumbers. If we don't correct this problem, social unrest will intensify as the U.S. loses its competitive standing in global industries.

Contrast this with Germany. It has long recognized its economic future lies with a highly skilled workforce that enables it to dominate high-tech fields like automobiles, machine tools and chemicals. A significant proportion of German students join apprentice systems that guarantee jobs when they complete their training. German workers earn 50,000 euros per year, have assured pensions and comprehensive health care, and enjoy 4-5 weeks of vacation. They are proud and fulfilled, as they should be, and their high-tech manufacturing companies dominate world markets.

States and the federal government must take the lead in building our vocational and technical education systems, which should team with local companies to develop Germanstyle apprentice and retraining programs to ensure their employees earn much higher wages. An excellent example can be found in Charlotte, NC, where Central Piedmont Community College with its 70,000 students is teaming with Siemens and local companies to train workers with the high-tech skills they need to compete in the global market. That's one reason Charlotte has an unemployment rate of only 4.5 percent.

American companies and their employees will flourish only if we invest in the high-tech workforce that will enable the U.S. to dominate world markets. Business leaders cannot wait for the Trump administration

to solve this problem. They need to collaborate with state and local education systems to ensure American workers are the most highly skilled in the world.

The original article was published on CNBC.com on November 17, 2016.

DANGERS OF STEREOTYPING PEOPLE

Bill's Commentary: This article tackles a complex subject –diversity and inclusion in the workplace, using Google's termination of an engineer as a case study. The Google controversy, which reverberated in workplaces across the country, pitted the advocates of free speech in the workplace against the defenders of creating safe workplaces that neither discriminate nor exclude people based on their differences, nor do they stereotype groups of people. My view is that there must limits on inappropriate expression or stereotyping of people in order to enable everyone to flourish and to have a diverse, inclusive workplace. In this regard we still have a long way to go.

Was Google CEO Sundar Pichai right to fire engineer James Damore after his condemnation of the company's diversity initiatives? I believe he did the only thing he could do. Treating colleagues as gender stereotypes rather than as individuals poisons the workplace.

Google software engineer James Damore's ten-page manifesto exco-riating his employer for its diversity initiatives incited a major contro- versy in August about affirmative action and free speech. Damore's text went viral to 40,000 people at Google and millions more around the world before Google CEO Sundar Pichai terminated him. The ensuing debate expanded far beyond the Google campus, during which many people sided with Damore as being treated unfairly for

expressing his opinions.

The central issue here is not political correctness, free speech, or affirmative action. It is relating to people as authentic human beings, not as representatives of a group or class. Great harm is done when groups of people are stereotyped as having certain characteristics, rather than looking deeper at the individual person.

Pichai correctly analyzed this as the issue, noting that Damore's document "crosses the line by advancing harmful gender stereotypes in our workplace." This violated Google's code of conduct, thereby triggering his termination.

In his manifesto, Damore asserted that women have more "openness directed toward feelings and aesthetics rather than ideas, a stronger interest in people rather than things, prefer jobs in social or artistic areas, extraversion expressed as gregariousness rather than assertiveness, and neuroticism, characterized by high anxiety and lower stress tolerance." As the Economist magazine pointed out, he justified his assertions by cherry picking research on gender differences.

The real risk of Damore's generalizations, expressed in a business context, is that they give license to people to behave as if those beliefs are true. This can lead to hidden or overt discrimination against women in the workplace. Such stereotypes have been used for decades by majority groups to hold people back and put them down for their race, ethnic origins, sexual preferences, and religion, as well as their gender. The aftermath of the Charlottesville demonstrations by neoNazis, KKK, and white supremacists brought these once hidden issues back to the forefront of social consciousness.



DIVERSITY AS A
COMPETATIVE
ADVANTAGE

Stereotyping contributes directly to unconscious bias, a subject about which Mahzarin Banaji, chair of Harvard's psychology department, has written extensively. In male-dominated environments, these biases keep women from advancing and make their work lives uncomfortable.

In my experience, Damore's assertions don't match the reality in today's corporate environment. Having worked with female CEOs under enormous pressure, such as General Motors' Mary Barra, PepsiCo's Indra Nooyi, DuPont's Ellen Kullman, and Xerox's Anne Mulcahy and Ursula Burns, I have witnessed firsthand just how well they handle extremely stressful situations. For Damore to say women are more neurotic, anxious, and lack tolerance for stress implies that women cannot handle top leadership jobs.

Irresponsible generalizations about groups of people lead to individuals being judged by external characteristics such as gender, race, and national origin rather than the authentic person within. As with many complex issues, business leaders must explore these foundational issues of identity with compassion, humility, and sensitivity.

The real danger from stereotyping

In my classes at Harvard Business School (HBS) many executives express concerns about experiencing these biases in their workplaces. However, we have learned through our executive leadership classes, which put people in diverse groups of six people, that encouraging them to open up and share their authentic selves, life stories, crucibles, and their hopes and dreams enable them to flourish and grow as leaders by feeling fully accepted.

The real danger of labeling people by their external characteristics is that it robs them of their uniqueness and even their humanity. As employers like Google attempt to create authentic cultures that enable people to be themselves, categorizing them according to their gender, race, or national origin inhibits people from expressing their true feelings and may even cause them to wear masks for fear of being stereotyped.

As a white American male, I recognize that throughout my life I have been the beneficiary of positive assumptions about my abilities and my potential—assumptions that did not benefit most of my female colleagues. I have not had to overcome discrimination based on my gender or race that many others have faced. Yet, I find Damore’s blanket statements that men prefer things to people; are less open, less extroverted, and less cooperative; have less empathy; and are less interested in worklife balance than women are not necessarily true among today’s corporate leaders. These are the very traits that the authentic leaders in my research—both male and female—strive to not achieve.

It is regrettable that such important issues as workplace culture, creating environments that do not discriminate or stereotype groups of people, or ensuring that all employees have equal opportunities to succeed are being consumed by the larger political debate in our country. The challenges of building healthy workplaces have been with us for many decades. Google is at the forefront of progress in this area, as Laszlo Bock, its human resource head, captured so well in his book, *Work Rules*. If the controversies stirred up by Damore’s manifesto lead to healthy, open discussions at companies determined

to make progress in this complex area, the Google affair will have had a salutary benefit.

Only by eliminating stereotyping in the workplace—both explicit and implicit—can companies enable employees to be themselves and behave authentically. Add to that the need to judge all individuals on their merits and their performance, not making assumptions about them based on flawed stereotypes. Then companies can create true meritocracies where men and women perform to their full potential.

The original article was published in HBS Working Knowledge on September 14, 2017.

ONE OF THE BEST WAYS TO BECOME A TOP PERFORMING COMPANY

Bill's Commentary: Here I make the argument that diverse, inclusive companies perform better than homogeneous ones. Diverse companies make better decisions because the people around the decision-making table can offer a range of perspectives from their experiences. The greatest risk is that the powerful voices all come from people with similar backgrounds and experiences, and often lack the capacity to see issues from other perspectives. This is true for failed retailers like Sears and K-Mart, where males were so dominant, yet women accounted for more than 70% of the buying decisions. It equally applies to companies seeking global markets whose leadership teams are entirely made up of home country nationals, which is common among Japanese, Chinese and Indian companies. Companies with diverse top management teams like those in Unilever and Nestle inevitably outperform their less diverse peers.

Diverse, welcoming companies perform better than their more homogeneous competitors.

Want to become a top performing company? Create a diverse leadership team that reflects the diversity of the customers you serve, and ensure that everyone on your team feels fully included as a vital member.

Target, the nation's No. 3 retailer, has long been a role model for diversity. Its board of directors includes only five white males among 14 members. They serve with six women, two African Americans, and three Hispanic people. It's a group that reflects Target's highly diverse customer base, where women make more than 70% of buying decisions. The company's top management is equally diverse, with five women on its 11-person executive committee.

Target is also one of the most progressive companies when it comes to welcoming gays and lesbians. And CEO Brian Cornell actively responded to reactionary forces trying to limit transgender persons' use of gender-appropriate restrooms. In a recent announcement, Cornell said transgender people can use the gender restroom they identify with at Target locations.

When the American Family Association organized a boycott of the retailer, claiming one million signatures, Cornell did not back down. "We've had a long history of embracing diversity and inclusion," he said on CNBC, noting Target used African-American models in its ads as early as the 1960s.

Challenges to diversity are certainly not exclusive to business boycotts. They are playing out in state governments as well. When North Carolina's state legislature created an uproar by passing a bill that would restrict transgender persons from using gender-appropriate public restrooms, former presidential advisor and North Carolina native David Gergen spoke out forcefully about the harm this law would create. In his commencement speech at North Carolina's Elon University, Gergen told an audience of 12,000 that "forces of political extremism" were damaging the state's reputation. "Enough is enough," he

declared. “It is time to raise our voices against this darkness. Indeed, it is time for fellow citizens of all stripes – white and black; young and old; native and newcomer – to join forces and preserve the best of who we are as a people.”

Other leaders are speaking out, too. In Georgia, vocal pressure from Salesforce’s Marc Benioff, Delta’s Richard Anderson, and Georgia Tech President Bud Peterson persuaded Governor Nathan Deal to veto similarly restrictive legislation.

Diversity Is a Competitive Advantage

In spite of some politicians’ attempts to stir up resistance to diversity, there is remarkably strong consensus from business leaders on the matter. They view diversity as a competitive advantage. To make sound decisions, these executives believe diverse points of view must be included.

Studies demonstrate that more diverse businesses perform better than their less diverse competitors. McKinsey research has shown that companies in the top quartile for racial and ethnic diversity were 35% more likely to have higher financial returns than companies in the bottom quartile of diversity. For every 10% increase in racial diversity on the senior executive team, earnings before interest and taxes rose by 0.8%.

In a study of 2,360 companies, Credit Suisse found a positive relationship between the number of women on a board and return on equity. Similarly, when experimenters compared the composition of team members and the team’s success, they found that the number

of women in the group was the strongest predictor of success. This far exceeded the predictive power of individual IQs, group cohesion, or even group motivation.

Attracting Better Talent

If companies want to have the most capable leaders, they will have to create workplaces that are both open and welcoming to everyone. If they don't, they will find themselves losing talented leaders.

Companies, like Airbnb, Pinterest and Oracle have hired diversity consultants to overhaul their hiring process to eliminate implicit biases. Millennials in particular are insisting on working only in meritocracies, where people are judged on performance, not their racial, gender, or religious identity.

Diversity Alone Is Not Sufficient

How inclusive is your company of people from diverse backgrounds? Have you created a genuinely inclusive environment that allows everyone to perform to the best of their abilities?

To enable people from diverse backgrounds to flourish in your organization, you cannot have a few “token” people on your team. Instead, companies need a critical mass of diverse people who feel included in all decisions and respected for their contributions. No one wants to be singled out or given special treatment for their diversity status; they want to feel welcome, included, and valued for their talents.

Many companies work hard to hire diverse individuals, but they do little internally to prevent them from receiving unfavorable treatment.

Researchers from the National Academy of Sciences recently completed a study that showed that minority employees feel they have to achieve a higher standard of performance to receive the same credit as other individuals.

Leaders must ask questions about inclusion, such as “Have you noticed any other obstacles in the way to your success?” or “In terms of mentorship and promotion, do you sense that those happen without bias?” Nothing can change immediately, but small steps like these can add up.

Diversity and inclusion are no longer just social or moral questions. They are competitive requirements for every company.

The original article was published in Fortune Magazine on June 13, 2016.

OBAMACARE’S ‘ORIGINAL SIN’ IS STILL THE BIGGEST PROBLEM WITH US HEALTH CARE

Bill’s Commentary: For many decades U.S. health care policy makers have concentrated their energies on making health care more efficient and available to all. While these are certainly laudable goals, they are overlooking the root cause that explains why U.S. health care costs are the highest in the world, while the health of U.S. citizens continues to fall. The real reason –and greatest killer of all is unhealthy life styles, especially obesity that leads to heart disease, cancer, diabetes, and problems with hips, knees and the spine. Sadly, these obesity-related ailments are concentrated in lower social-economic brackets where people lack access to healthy foods and exercise facilities and lead very stressful lives. At present, unhealthy life styles account for nearly 70% of U.S. health care costs, yet we spend less than 5% of our health care investments in trying to improve life styles, especially for those with the greatest need.

Trump’s decision to terminate cost-sharing payments under Obamacare will destabilize health insurance markets. But to fix our system, we have to address the root cause of America’s health care problems: Unhealthy lifestyles that account for 5070 percent of health care costs.

Until we address the lifestyle issues creating the need for expensive treatments, costs will continue their rise inexorably.

President Trump's latest actions on health care – his executive order creating “association health plans” and terminating cost-sharing payments under Obamacare – will further destabilize health insurance markets and create chaos for tens of millions of Americans who need health insurance.

The Trump administration's lack of a viable strategy for American health care just magnifies the original sin of the 2010 Affordable Care Act (ACA), which failed to address the root cause of America's health care problems: Unhealthy lifestyles that account for 5070 percent of health care costs. Even if Senators Lamar Alexander and Patty Murray broker a short-term compromise to renew insurance subsidy payments, we are only putting Band Aids on a broken system. Until we address the lifestyle issues creating the need for expensive treatments, costs will continue their rise inexorably.

Consider these sobering facts:

America ranks 42nd in life expectancy, among the lowest of all developed nations. In 2015 the U.S. spent \$9451 per capita on health care, highest of all developed nations. Obesity among American adults has grown from 13 percent to 38 percent. More than 70 percent of Americans are overweight.

A sound American health care program must contain four essential pillars:

- 1. Improving individual health status**
- 2. Realizing efficiency and effectiveness of clinical care**
- 3. Shifting from fee-for-service to value-based healthcare**

4. Achieving equity in access to health care

Access to government paid health care has improved significantly under the Affordable Care Act (ACA), but these gains are being undermined by removing individual and employer mandates, refusing to reimburse insurance companies as required under ACA, and eliminating information programs encouraging people to sign up for insurance. These actions will cause major increases in 2018 insurance premiums, putting comprehensive, affordable health insurance out of the reach of many Americans.

“As citizens, we have the responsibility to lead healthy lives, and share the fiscal consequences of our decisions when we don’t. Until we do so, health care costs will continue to escalate, while our collective health declines further.”

The current health care debate in Washington centers around who should pay. Democrats want universal coverage with the state paying for those who cannot afford it. Republicans prefer a private system while continuing Medicare with constraints. After Republican bills to “repeal and replace” ACA failed three times, the President shifted his focus to undermining it by executive orders. But the reality is that neither political party’s actions will result in a sound, sustainable health care system focusing on improved health.

Instead of waiting until people are seriously ill with chronic, often incurable diseases, America should shift its efforts to keeping people healthy in the first place. As citizens, we have the responsibility to lead healthy lives, and share the fiscal consequences of our decisions when we don’t. Until we do so, health care costs will continue to escalate, while our collective health declines further.

A recent study by the Harvard School of Public Health (HSPH) demonstrated 80 percent of coronary artery disease could be prevented by four basic lifestyle improvements:

- 1. Don't smoke (or quit if you do)**
- 2. Maintain a healthy weight**
- 3. Be active and exercise**
- 4. Eat a healthy diet**

Note that Harvard is not suggesting anything radical, or even increases in cardiovascular drugs, inpatient programs, or unproven forms of medical treatment. The HSPH study indicated these four improvements could reduce 50 percent of ischemic strokes, 80 percent of sudden cardiac deaths, and 72 percent of premature deaths related to heart disease.

Public opinion shifts and commonsense laws have dramatically reduced the number of Americans who smoke. Now, the same can be done to address obesity, inactivity, and excessive stress, which are the major causes of cancer, cardiovascular disease, Type 2 diabetes, joint and spinal surgery, and many other chronic diseases.

Efforts for healthy living are accelerating across the country, but are disproportionately concentrated among those who can afford them. People in lower socioeconomic categories are more likely to live in “food deserts,” areas that lack access to healthy foods. They have more limited opportunities for exercise. In addition, they are often beleaguered by toxic stress and trauma – serious problems that are better handled outside institutional health care.

There are no easy or immediate solutions to such intractable problems. Achieving success will require sustained commitment across the country from government programs working in public-private partnerships with health care institutions, corporations, and nonprofit organizations.

A comprehensive plan should include these elements:

- Develop a nationwide public awareness program to encourage healthy eating, exercise and stress reduction programs through electronic and print media and social media.
- Broaden reimbursement for complementary procedures such as acupuncture, therapeutic massage, physical therapy, and weight reduction programs that have been verified by research.
- Establish local community health centers concentrated in economically disadvantaged areas, supported by local, state and federal resources, with an emphasis on group classes for healthy eating and nutrition, exercise, and healing from trauma and toxic stress.
- Introduce mindfulness programs for stress reduction in schools and communities.
- Address the growing opioid crisis with drug addiction programs offered locally.

The resolution of our nation's health care problems won't happen overnight. Steady progress can only be achieved by a sustained national effort, just as it was with smoking. If instrumented correctly, this type of comprehensive program will prevent expensive medical treatments,

and population health cost will fall. Such proof points will provide a model for more expansive government programs.

Unless we have the will to address these root causes of America's health care problems, costs will continue to rise rapidly as health declines further, regardless of what politicians in Washington decide.

The original article was published on CNBC.com on October 23, 2017.

INNOVATION IS KEY TO SOLVING AMERICA'S HEALTH-CARE PROBLEMS

Bill's Commentary: While many people decry health care innovations as furthering the "medical arms race," I have seen so many instances where lives were saved and transformed by these innovations. There is no doubt that many people's lives are being saved from high tech breakthroughs like implantable defibrillators and new drugs for treating advanced cancer. But health care innovations go far beyond the research laboratory. In this article, I describe the breakthroughs in new business models (outside the institutional setting) for delivering health care and improved use of data analytics, measurement and diagnostics to solve health problems. But the biggest breakthrough of all will come from creative ways to improve our unhealthy life styles for all segments of the populations - from mind-body therapies to improved exercises and healthy diets.

As politicians debate who should pay for America's declining health and ever-increasing cost of health care, they are overlooking the key to simultaneously improving the health of Americans and cutting costs: innovation.

Innovation can solve many of our most pressing health-care problems by transforming lives, preventing disease, restoring people to full health and making the health-care delivery system more efficient.

To address these long-standing issues, innovation is required in five areas:

1. **Medical technology innovation to restore health to people suffering from chronic disease.**
2. **Scientific breakthroughs in drugs that treat and cure the most debilitating diseases.**
3. **Delivery of health care outside of the hospital setting, letting hospitals focus on the most seriously ill patients.**
4. **Innovative use of information to improve diagnosis, treatment and after-care.**
5. **Moving upstream to prevent disease occurrence with innovative approaches that enable people to lead healthy lives.**

Medical technology innovation

In the last 30 years, breakthroughs in medical technology have transformed the treatment of cardiovascular disease with implantable defibrillators and drug-coated stents, of Type I diabetes with the sensor-based pumps and the advent of the artificial pancreas, and of spine, hip and knee surgery with implantable prostheses. Now, advancements in medical technology are addressing debilitating neurological diseases like Parkinson's, incontinence and sleep apnea. With investment and imagination, the future of medical technology to help people seems almost unlimited.

Breakthrough drugs

Decades of scientific investment in genetics, genomics and proteomics have led to treating the immune system as the most promising way to cure cancer and other debilitating diseases. Breakthroughs in personalized medicine like immunotherapy and CAR-T therapy hold the potential for genuine cures, not just palliative treatments.

To make these high-priced treatments more affordable, they should be offered on a sliding scale based on ability to pay. Meanwhile, a wider array of generic drugs should be approved for traditional drugs such as statins to lower the overall cost of drug therapy. In addition, the multiple layers of drug distribution should be creatively disintermediated by direct-to-consumer approaches, thus dramatically cutting the overall cost of drug therapy.

Innovation in health-care delivery

In recent years, focus on health-care delivery has been making doctors and hospitals more efficient, leading to shortening appointments to less than 10 minutes — only enough time to issue a prescription without thorough diagnosis — often creating misdiagnosis and excessive drug use. Instead, we need to rethink the entire health-care delivery system by changing the basic model of one-to-one physician-patient interaction in a traditional health care institution by providing health care in community centers, YMCAs and retail centers like Minute-Clinic (now owned by CVS), using nurses, allied health professionals and group classes.

Hospitals need to undergo massive consolidation to ensure that severe diseases and complex treatments can be carried out in the

highest-volume centers that will lead to improved outcomes at lower costs. This will require clear movement away from fee-for-service to innovative health plans covering total costs with people having a fiscal stake in their health.

Innovative use of information

Health care's information technology is woefully inadequate. From inability to match patient records with claims data to inadequate cost accounting data to poor transparency of prices to consumers, health care has been unable to provide even the basics of information. Now, however, opportunities to use the internet to connect patients and their basic information like EKGs to their physicians and healthcare teams, along with artificial intelligence and big data married with patient data, offer entirely new fields for innovation, improved diagnosis, treatment and after-care.

Leading healthy lives

This fifth category of innovation – leading healthy lives – holds the greatest promise of all, as self-care becomes the new primary care. It is well known that unhealthy life styles account for 50 to 70 percent of healthcare costs. For example, America's obesity epidemic is the leading cause of Type II diabetes, heart disease, and spine, hip and knee issues. Yet instead of focusing on enabling people to lead healthy lives, we concentrate downstream on those who are sick and extremely ill to the point of non-recovery.

To enable Americans to lead healthy lives, we should focus on three basic areas: 1) eating healthy, 2) physical fitness, and 3) stress reduction.

How can innovation change life styles? Let's look at some examples:

Eating healthy

Innovative food and beverage companies, such as Boulder Brands and Suja Juice are transforming eating and drinking habits along with products like Earth Balance all-natural spreads, Udi's gluten-free cereals and baked goods, and organic juices.

Physical fitness

A relatively simple device like Fitbit has become transformative in changing people's behavior by walking at least 10,000 steps per day or exercising in Lifetime Fitness clubs that focus on healthy living.

Stress reduction

The mindfulness movement is revolutionizing daily behaviors that reduce stress through myriad mindfulness practices. Don't know how to meditate? Innovative online products like Headspace provide guided meditation sessions and mindfulness training.

Today, the usage of these products is heavily concentrated among the middle and upper social-economic classes. The key now is to get them as ubiquitous as mobile phones by offering them in local communities and at lower prices.

For decades, American healthcare systems have been mired in trying to become more efficient with essentially the same methods. What is needed to transform health care's broken system is much more radical transformation that these innovations can bring. Rather than

looking for political solutions to a broken system, the focus must shift to innovation to create more radical approaches that create entirely new systems.

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AMERICA IS IN THE MIDDLE OF A PHILANTHROPIC REVOLUTION

Bill's Commentary: The silver lining in the increasing disparity of the net worth of Americans is the rapid growth in philanthropy. People with means are directing large portions of their wealth to correcting society's ills and overcoming political gridlock with gifts that propose to solve intractable problems of poverty, health care, education, the environment and other issues where added resources can make an enormous difference at the margin.

America's philanthropists aren't waiting any longer for politicians or businesses to solve the world's most pressing problems.

To those optimistic, persistent souls who have a vested interest in seeing positive social change in the U.S., here's a sobering message: if you are looking for meaningful government support, don't hold your breath.

Political gridlock and mounting federal debt have effectively rendered the U.S. government impotent, robbing it of its historic ability to spur social change. Americans give Congress a miserable 11% approval rating, and when the government does take action, it seems to bungle the job. President Obama's Affordable Care Act promised to transform health care. After debacles in the rollout of the law, many Americans are accepting penalties versus buying insurance due to the increases in health insurance premiums. Meanwhile, rapid escalation of drug prices continues unabated.

Can business step into the void and champion meaningful change?

Many companies are making important contributions, but CEOs have less leeway than ever to make bold investments in their communities. Due to growing pressures from short-term shareholders and increasing regulations, companies have been severely constrained in making targeted, long-term investments that drive social change.

America's philanthropists aren't waiting any longer for politicians or businesses to solve the world's most pressing problems. They are committing massive amounts of their own money to solve the most difficult challenges in health, education, job creation, and the environment.

In doing so, they are elevating the importance of philanthropy in American society and across the world. By targeting their funds to achieve tangible results, philanthropists are demonstrating they are indeed "the passing gear of society."

Following a long line of benefactors like Andrew Carnegie, John D. Rockefeller, and Henry Ford, Microsoft founder Bill Gates ignited the current philanthropic revolution. In 2000, he and his wife Melinda announced they were creating a foundation worth \$44 billion—half his net worth. Inspired by Gates' passion and effectiveness, his friend Warren Buffett announced in 2006 he would contribute \$30 billion of Berkshire Hathaway stock and have it managed by the Gates Foundation. Since 2000, the Gates Foundation has given away \$39 billion to eradicate diseases in developing countries, enable people to emerge from poverty, and improve K12 education.

Bill and Melinda Gates are anything but "checkbook philanthropists." They are devoting the bulk of their time traveling the world searching

for opportunities to make a difference with their funds. Their focus on overcoming disease, improving education, and lobbying for climate change initiatives is having a powerful impact. They have also built an organization of 1,200 talented people who manage their grants.

In 2011, Gates and Buffett decided to recruit other philanthropists by launching “The Giving Pledge.” By the end of 2015, they had persuaded 141 wealthy couples and individuals to give away at least 50% of their fortunes—a clear indication of the growing power of philanthropy.

Their efforts have borne fruit in the case of Facebook founder Mark Zuckerberg and his wife, Dr. Priscilla Chan. After giving \$100 million to Newark, New Jersey schools, \$120 million to Bay Area schools, and 18 million Facebook shares (now worth \$1.9 billion) to the Silicon Valley Community Foundation, they made the audacious announcement that they would give away 99% of their Facebook stock during their lifetime, an amount currently valued at \$45 billion. They decided to make these contributions through a limited liability company (LLC) to have greater flexibility to make grants, lobby for causes, and invest in promising innovative ideas. If Facebook continues its remarkable growth, the ultimate value of the Zuckerbergs’ giving could easily exceed \$100 billion.

The ChanZuckerberg Initiative makes clear the dedication of Millennials to drive social change. Millennials have a deep passion for making a difference in the world and are focused on making a difference throughout their lives, rather than waiting until their death. At 31, Zuckerberg’s commitment comes at a much younger age than even Gates and Buffett. As he wrote in his inspiring letter to his

newborn daughter, “We must make long term investments over 25, 50, or even 100 years.”

In Zuckerberg’s case, it didn’t take long for the cynics to pounce. Because their investment vehicle is an LLC rather than 501(c)(3) foundation, writers like Jesse Eisinger in *The New York Times* accused Zuckerberg of a public relations coup, saying, “we are turning into a society of oligarchs.” Eisinger apparently fears the power of the wealthy to influence social change, as Rockefeller, Ford, and Carnegie did in the early 20th century.

Eisinger even had the audacity to assert that he could do a better job of distributing this money than Zuckerberg. Without a touch of humility, he wrote, “I think I might do a good job allocating \$45 billion. Maybe even better than Zuckerberg.” Eisinger ignores one simple fact: it’s not his money.

Critics like Eisinger are missing a critical point. Rather than hoarding their money or creating family dynasties as many of their predecessors did, a growing number of wealthy Americans are pledging their fortunes to benefit society.

The critics argue the allocation of these funds is the proper role for government. As Eisinger wrote, “Society can’t rely on the beneficence and enlightenment of the superwealthy. We need to take a portion uniformly—some kind of tax on wealth.”

This perspective is misguided. The technological and organizational genius of leaders like Gates and Zuckerberg can bring tremendous contributions to the improvement of social welfare. The critics’ apparent alternative—to redesign the U.S. tax system by instituting

additional levies on income, capital gains, and estates—would inevitably backfire. They ignore the reality that excessively high tax rates would shut down the incentives that have made America the world's most entrepreneurial nation—and also the most generous. Because European countries do not permit deductions for philanthropic gifts, philanthropy in those countries pales in comparison to charitable giving in America.

The magnitude of giving by these philanthropists marks a turning point in American society. Rather than criticizing leaders who are stepping up to help solve the most pressing problems of global society – devoting not just their money but their time as well – we should be venerating them. As a result of their remarkable generosity, philanthropy in 2016 is poised to stand alongside government and business as one of the most powerful forces influencing social change.

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EPILOGUE



EPILOGUE:

SERENITY

Bill's Commentary: We close this e-book with a reminder of the ways we can gain serenity in our lives. Serenity begins with an understanding that the world has many ills that go far beyond our capacity to solve. In accepting this, we can find serenity. Indeed, true joy in life comes focusing on the things we can change - those that are most important to us, our families, our friends, and our organizations - and then having the courage to devote our whole selves to making them better. Often in life, we start out with the passion to change the whole world, until our crucibles force us to recognize our limitations. It is only from these crucibles that we gain the wisdom that enable us to discern what for us is LEAD TRUE - our True North. When we discover our True North, we will know where we should devote our energies and our lives.

The past year has been a painful one for many Americans. Our political differences have separated us into two camps, with angry and hostile words thrown at each other. Long before Election Day, it was clear that regardless of who won, the new President would face a deeply divided nation. Today, weeks after the election, many people are still focusing on the political scene, feeling angst over the latest Cabinet appointment.

For myself, I have decided to adopt American Theologian Reinhold Niebuhr's "Serenity Prayer":

“God, grant me the serenity to accept the things
I cannot change,
Courage to change the things I can,
And wisdom to know the difference.”

This prayer challenges us to be serene amid turmoil and chaos, while using courage and wisdom to make a difference in the world. This isn't easy but is a goal worth pursuing. Such equipoise is the mark of authentic leaders.

Serenity

Accepting the things we cannot change is difficult for anyone with the passion and belief that he or she can change the world for the better. When I was young and naive, I thought I could tackle the world's greatest problems – from war to health to poverty – and have a leadership role in eliminating them.

The reality is that none of us can independently eradicate poverty, eliminate disease, ensure quality education, guarantee rewarding jobs for everyone, or ensure all people have financial security. Even Bill Gates must feel humbled by the vastness of the world's challenges as he applies his vast resources. But if we focus our energy and our efforts on specific goals that are within our grasp, we actually can change the world – the world in which we live.

Accepting our limits in dealing with intractable problems requires

serenity – the quality of being calm and tranquil. When we get caught up in our 24/7 society and upset by the outrage on social media, it is all too easy to become stressed out, discouraged, and angry at the world. When we are too reactive, we lose perspective that our actions are part of the long arch of human progress, and their impact may not be immediately apparent.

When I feel anxious about the world, I have found my meditation practice helps me regain that sense of tranquility and serenity. It also enables me to focus on the most important things in my life and be grateful for my blessings. In this way, I have learned to accept the things I cannot change. Then I can put aside my frustrations with the world and set more modest goals for things that I can change.

Courage

Courage is the quality of the spirit enabling people to face difficulty, danger, and pain without fear. Courage cannot be learned in the classroom; it must be experienced in real world situations.

At Medtronic, we focused on restoring health for patients struggling with chronic disease and discovering ways to help more people. Our proudest accomplishment during these years was increasing the number of people restored annually to full health from 300,000 to 6 million per year. Today, some 14 years after I retired, that number stands at 30 million people annually.

In retrospect, growing this number demanded a great deal of courage from my colleagues. They took risks to discover breakthrough therapies, challenge the approval process of the U.S. Food and Drug

Administration to get them released, and ignore Wall Street's short-term pressures and invest for the long-term.

When I retired from Medtronic in 2002, I searched for a new purpose in my professional life. After exploring leadership opportunities in government, business, and nonprofits, I went on a working sabbatical in Switzerland to learn and teach at two leading Swiss institutions. It was there that I realized I was most passionate about helping develop a new generation of authentic leaders. I recognized this purpose required a high level of humility about the limits of this goal. There was no chance we could eradicate all the poor leaders, nor claim any credit for the success of the authentic ones. But an emerging new generation of authentic leaders gave me great hope for the future.

Since 2004, I have pursued that goal by teaching at Harvard Business School (HBS) and applying those ideas through writing books and articles, as well as mentoring many emerging leaders. This took a surprising amount of courage as all my 30 years of experience had been in running large organizations. In Switzerland and at HBS, I was all alone in creating new courses for which I had no training or experience. While my colleagues at HBS were extremely helpful, in the classroom I was on my own with 90 challenging students with very high expectations. When I proposed a new course called Authentic Leadership Development that included a small group format (a radical change for HBS), I was required to go to the dean for approval.

As a first-time author, I also faced monumental challenges in getting a book published on authentic leaders. My first book draft was rejected by a dozen publishers. Thanks to my mentor, Warren Bennis, I was able to write *Authentic Leadership*, which was published in 2003 and

became a modest bestseller. That gave me the courage to conduct research on 125 authentic leaders and publish *True North* in 2007, which is widely read today and used by corporations and academic institutions in developing leaders.

Wisdom

My grandfather, a Dutchman who came to the U.S. in 1878 at the age of two, had a plaque in his home that read:

We grow too soon old, and too late wise.

Wisdom requires discernment and the insights that come from experiencing life's challenges. It took me decades to recognize how long it takes to acquire wisdom. In my younger years, I thought I was a lot wiser than I was. This was especially true in accepting the limits of my ability. It was only by processing the pain of disappointments and acknowledging my limitations that I gradually accumulated a modest amount of wisdom.

In college, a wise mentor told me, "Bill, you can't change human nature," but I didn't believe him. It wasn't until my forties that I accepted just how hard it is to change other people to behave authentically and ethically. You can only have a modest impact on those people you are in direct contact with, and limited impact on others. When I finally accepted this reality, I have found great satisfaction in taking vicarious pleasure – but no credit – in the accomplishments of authentic leaders.

When we have the wisdom to acknowledge our limits and the limitations of our impact, we can focus our energies on making a difference in our immediate world. Only then can we find the serenity to accept the

things we cannot change. This in turn gives us the courage to change the things we can – and realize the fulfillment that comes with it.

The original article was published in LinkedIn on December 15, 2016.

EPILOGUE:

REFLECTIONS ON 50 YEARS OF LEADERSHIP

As I reflect on the past half-century, enormous changes have taken place in organizations, their leaders and our expectations of these leaders. Many formerly great organizations have fallen by the wayside, as new ones have sprung up to replace them. Economists often attribute this phenomenon to rapid changes in technology and markets, using phrases like “creative destruction.”

I beg to differ with them. If there is one thing of which I am certain, it is that the difference between successful, enduring organizations and those that disappear is the caliber of their leaders – at the top and throughout the organization. Among the most important qualities for leaders, these two stand out: adaptability and courage. Darwin cited adaptability as the difference-maker long ago in his seminal text, *Origin of the Species*: “It is not the most intellectual of the species that survives; it is not the strongest that survives; but the species that survives is the one that is able best to adapt and adjust to the changing environment in which it finds itself.”

Courage is the willingness to take risks required to adapt, but that may also lead to failure. Courage to take bold risks is the differentiator between great leaders and great managers. Managers perpetuate the

past and manage the present well, whereas leaders transform their organizations with bold visions backed by creative strategies that lead rather than follow external changes in technology and markets.

Where do courage and adaptability come from? I don't believe people are born with these characteristics. Rather, they develop them through experiences in the real world and by discerning their True North. When they understand who they are at the core of their being, they not only accept themselves with all their strengths and limitations, they are prepared to behave authentically.

Throughout my life, I have yearned to be a leader who could make a difference in this world, to leave it in some small ways a better place than when I came into it. I had creative visions that looked to the future where technology and market trends were heading, but it took me many years to gain the wisdom and understanding required to become a leader – to know what it means to lead true and to follow my True North.

As a young man, I kept trying to get into leadership roles before I had gained this wisdom. Not surprisingly, I was rejected by my peers because my leadership was all about me and gaining recognition as a leader, when in fact I was anything but. I had to suffer multiple failures before I realized that true leadership is not about titles, power or recognition. Nor is it a validation by my peers.

Too eager to get ahead, I ran for office seven times in high school and college – and lost seven times in a row. I lacked the EQ and self-awareness to understand why I was losing. Then some seniors in my college fraternity at Georgia Tech took me aside and told me, “Bill, no one wants to work with you, much less be led by you, because you are

trying so hard to get ahead that you don't take time for other people.” That was like a blow to the solar plexus because I knew they were right. I saw my dreams of becoming a leader vanishing like the wind.

So I put together my own self-development program, talked to numerous people who had rejected me for good reasons, and decided to spend a lot more time listening to other people and dialoguing with them. As I slowly gained wisdom and perspective, numerous leadership opportunities in college and graduate school came my way. More importantly, I learned just how much I enjoyed helping other people with their challenges or being there for them in their times of need.

In my mid-20s three events shaped the rest of my life. Four months after I graduated from Harvard Business School, my mother died suddenly from a heart attack triggered by her cancer treatments. I was devastated. She was my rock and the source of my values and beliefs. After I recovered, I fell in love and got engaged to a woman from Macon, Georgia. Then tragedy struck again: three weeks to the day before our wedding, she died suddenly of an undiagnosed glioblastoma – a malignant brain tumor that was incurable. Now I was truly all alone in the world. My father, who loved me dearly, was unable to comfort me or share emotions with me as he had shut down his own emotions after my mother's death.

The third event happened only a few weeks after my fiancée's death. At a dinner party with friends of mine and my fiancée, I met a very special woman named Penny Pilgram. We fell in love and were married a year later. On the publication of this book, we will celebrate our 49th wedding anniversary. Penny has been the greatest gift of my life as we continue to cherish every day of our lives together.

Even as a person of deep faith, I have no easy explanations for these events. All of us will experience great crucibles in our lives from which we can discover what is real for us: our True North. Sometimes in life bad things happen to good people. There is deep learning in these experiences if we take the time to discern their meaning and reframe them to make our lives richer and more meaningful.

From my experiences, I learned what it means to lead true: my True North is helping other people lead fuller, richer lives. Through that, I hope to leave the world in a better place than I found it. Yet I struggled for many years to find the right place to devote my energies: a place whose mission and values I shared. I loved my time working in the government as a young assistant in the Office of the Secretary of Defense and for the Secretary of the Navy, but I knew my calling was in business. I joined Litton Industries, one of the great conglomerates of the 1960s. Thanks to a remarkable mentor and entrepreneur named Bob Bruder, I got my first big break at age 27. I became general manager of Litton's fledgling microwave oven division, with the charter to start and grow the consumer microwave business at a time when there was no market in the U.S. We launched into a fabulous journey as the business grew from \$10 million to nearly \$200 million in eight years. But I knew that Litton Industries' values and structure were not the place for me.

So I accepted the opportunity to join Honeywell, where I worked for a remarkable global leader in CEO Ed Spencer. He gave me the opportunity to become president of Honeywell Europe, Middle East and Africa in my late 30s and later promoted me to executive vice president in charge of nine divisions and three groups. As much as I admired

Honeywell's values and global position, and as hard as I tried, I never felt excitement about its businesses or its lack of a unifying purpose.

Thus, I decided to explore other opportunities with smaller organizations. That led me to Medtronic where Earl Bakken's inspiring 1960 mission to "restore people to full health, alleviate pain and extend life" attracted me to the company. It turned out to be the best decision of my career, as we were able to grow revenue from \$750 million in 1989 to \$6.5 billion when I retired in 2002, and over \$30 billion today. Before becoming CEO, I set a 10-year limit on being in that role. Thus, I stepped aside on May 1, 2001 at the age of 58 and retired a year later as chairman of the board.

Instead of taking on another leadership role, I decided my calling was to impact leadership by developing authentic leaders in all walks of life. For fifteen years I have had the privilege of teaching leaders of all ages at Harvard Business School, while working with some superb leaders by serving on boards of directors, giving seminars and speeches on leadership, and writing books and articles that venerate examples of authentic leaders, while critiquing inauthentic ones. I have not led any organizations in that time, but this has freed me up to work with so many exceptional leaders and to understand the qualities that make them successful.

People often ask me when I came up with the ideas for all my writings and teachings on leadership, from *Authentic Leadership* in 2003 to *Discover Your True North* in 2015 – and now to *Lead True*, this collection of essays on leadership. In truth, I have been gathering these ideas all my life through my leadership experiences, both good and bad, and from observing hundreds of leaders up close, and what

made them successful or caused them to fail.

Most significant was the realization after I retired from Medtronic that we were choosing the wrong kind of leaders. We were selecting them more for their charisma than their character, more for their image than their integrity, and more for their style than their substance. The overarching characteristic of last century's leaders was their focus on satisfying myriad forces in the external world, something many did very well – for a while, at least. By choosing leaders for charisma, image and style – subjects often taught by business schools and leadership experts in the 20th century – we were overlooking far better leaders with character, integrity and substance.

All this has changed for the better in the 21st century. The defining quality of today's leaders is their authenticity – their ability to know themselves and discern their True North. Authentic leaders are secure within themselves. They do not need external validation to prop up internal insecurity. Instead, they have worked hard to develop the self-awareness to lead with clarity of purpose, practice their values every day, discern the “sweet spot” where their motivations merge with their strengths, build enduring relationships, and inspire and empower others to rise to the challenge. They know what it means to LEAD TRUE: to have the courage to adapt to any challenge while still being true to themselves.

T. S. Eliot said it best in *Little Gidding*,

“ “We shall not cease from exploration.
And the end of all our exploring
Will be to arrive where we started
And know the place for the first time.”

When we know what it means to LEAD TRUE for ourselves, we can find that place – our True North – where we can be authentic leaders.

APPENDIX:

30 QUESTIONS TO HELP YOU DISCOVER YOUR TRUE NORTH

To find fulfillment in your life, you need to discover your True North. Only in this way can you find the unique purpose that life is calling you to pursue. But realizing it can take you many years – even decades – of experiences in the real world, mixed with reflections about what is most important in your life.

How can you discover your True North so you can take steps to get where you want to go? To that end, I've come up with this list of 30 questions to help you. Don't answer them all at once. Take a day to carefully think each one through. Remember, if you don't know where you're going, any road will take you there.

1. What do you want your legacy to be? 10, 20, 50 years from now, what will your life stand for?
2. What one word would you like people to use to describe you?
What word do you think they'd currently use?
3. If money was no object, how would you spend your time? What would your day look like?

4. Fill in the blank: My life is a quest for _____. What motivates you? Money? Love? Acceptance? Making a difference in the world?
5. If you were to donate everything you have to a cause or charity, which would it be?
6. What is your biggest regret? If you could go back and have a 'redo,' what would you change?
7. When was the last time you told a lie? Why? What would have happened if you had told the truth?
8. If you accomplish one thing this year, what would have the biggest impact on your happiness?
9. What do you think is the meaning of life? Do you live your life accordingly?
10. What would others say is your biggest asset? What would they say is your biggest flaw?
11. What did you like to do when you were 10 years old? When was the last time you did that?
12. What do you love most about your current job? What do you wish you could do more of?
13. What do you think you were put on this earth to learn? What were you put here to teach?
14. What keeps you awake at night? What gets you out of bed in the morning?
15. List your core values. How do they match up with your com-

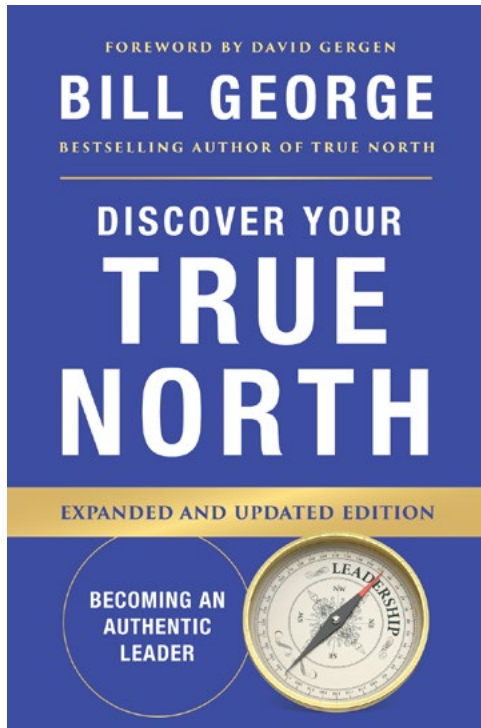
pany's mission statement?

16. What skills do people frequently compliment you on? These may not be what you think you're best at.
17. If you had the opportunity to get a message across to a large group of people, what would you say?
18. What do you not want others to know about you? Use your answer to find and conquer insecurities.
19. List the five people you interact with most frequently (not necessarily friends). How is each helping you reach your goals?
20. If your younger self from ten years ago met you today, would he/she be impressed with what you've done? Why or why not?
21. What bugs you? Can you make your anger productive?
22. Fast-forward ten or twenty years. What is the one thing that you'd always regret if you never pursued it?
23. When was the last time you embarrassed yourself? You have to be vulnerable to find your purpose.
24. What energizes you? What makes you feel depleted? Do you thrive on chaos, or prefer order?
25. Who do you look up to? Who are your role models and mentors, both those you know personally and those who inspire you from afar?
26. Think about your talents, passions, and values. How can you use them to serve and contribute to society?

- 27.** Why do you want to find your purpose? Write the answer down and put it somewhere you can see it. The journey isn't always easy.
- 28.** What in your life is 'on hold'? What are you waiting for?
- 29.** What price would you take to give up on your dreams? What price would you be willing to pay to achieve them?
- 30.** Now that you've answered these questions, what is your action plan? What steps will you take today to realize your True North?

For more insight and exercises to help you find your True North, read *Discover Your True North*. It offers a full, comprehensive approach to identify and develop your own unique direction in life.

DISCOVER YOUR TRUE NORTH



Discover Your True North is the best-selling leadership classic that guides you to become an authentic leader by discovering your True North. Based on first-person interviews with more than 100 diverse and contemporary leaders, this book is a must-read for leaders in all walks of life.

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