

The Leadership**Impact** Newsletter

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Effectiveness: Can We Be People-Centered & Profitable Too?

NUTS: Southwest Airlines' Crazy Recipe for Business and Personal Success by Freiberg & Freiberg:

"There are no heights to which the human spirit can't rise when people see that their work has meaning and purpose.... The people of Southwest Airlines ... work there because they see how the company's fight to survive is tied up in their own need to make a difference...."

The people of Southwest Airlines ... find extraordinary qualities in people because they take the time every day to rediscover the people they know.

In our quick-fix, instant gratification society, we have fallen in love with techniques.... We want techniques that are simple, fast, and effective. Yet the technique driven business system that we have created in this country is failing to inspire people.

Results that Last by Quint Studer:

"When organizations help employees reconnect to their values and passion for doing worthwhile work, they balance the flywheel and inspire them to commit to some prescriptive to-do's that turn it. This creates results that generate increasing momentum for more results on the journey to service and operational excellence -- until those to-do's are hardwired.... But it is important for each organization to determine what techniques need to be standardized to drive their desired results.

The most successful leaders ... organize around passion, prescription, and results because this leads back to the ... universal yearning to have purpose, do worthwhile work, and make a difference.

The tragedy of our time is that we've got it backwards. We've learned to love techniques and use people. – Freiberg & Freiberg

Years ago I read a book by John Gardner whose title and theme have remained with me since: *Excellence: Can We Be Equal and Excellent Too?* I was intrigued by the title because it put into words a basic question that was behind many of the education policy debates of the time.

In business, our analogous question is: *Effectiveness: can we be people-centered and profitable too?* The issue is more subtle in business, however, than was Gardner's question in education. Most managers and executives imagine that they are already both person-centered and profit-oriented. They would describe themselves as hard-nosed but fair, as task-focused *and* people focused. They would say that -- but many of them would be deceiving themselves.

I have asked hundreds, perhaps thousands, of managers about their principles of leadership, and the most common answer I get is, *"I am fair. I follow the Golden Rule; I treat other people the way I would like to be treated, and I don't ask them to do anything I am not willing to do myself."* Here's where the deception comes in -- treating other people like yourself is not being people-centered; it is self-centered. It's not bad, but it is not the ideal.

In addition, most managers may want to be people-oriented, but finances, peers, and role expectations all pressure them to put profits before people. The role models that are held up for emulation are often the tough-minded "kings of industry" who slash through obstacles and move companies by force of will and dominant personalities. As E. F. Schumacher said: *"It is a frequent experience that as soon as a working man finds himself saddled with managerial responsibility he begins to develop an almost uncanny understanding for and sympathy with the current preoccupations of management."*

I used to be surprised, for example, by how often I would hear leaders in "faith-based" organizations repeat the cliché "no margin; no mission," as an excuse for pursuing aggressive practices seemingly in contradiction to their professed core values. I have heard it enough that I am no longer surprised. Schumacher got it right. When I see companies adopt practices or techniques such as automatically cutting the lowest 10-20% of performers annually, I recognize that formulas are substituting for thought, and imitation is replacing judgment. When executive salaries continue to rise as their companies weaken or fail, I know that a basic split has occurred between what those leaders profess and what they do. Many leaders live in a bubble -- and when candid feedback is limited, self-deception is easy.

It's not hopeless, however. The answer to my question, *"can we be people-centered and profitable too?"* is "Yes." The list of the best companies to work for is also a good list of companies to own or invest in. There are good examples, such as Southwest Air (Sidebar), of organizations getting both parts right. You can too.

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Effectiveness: Can We Be People-Centered & Profitable Too? – Continued

Here is the key: the question above actually sets up a false premise. It implies that there is a conflict between people-centeredness and profitability. It reinforces common sense notions of trade-offs between desirable objectives, just as quality and cost were once seen as inversely related. Now we understand, however, that when quality is built in, real costs can be decreased significantly. Similarly profits can be enhanced by working to blend employees' needs and organizational needs, rather than by treating them as incompatible.

This is not a new insight, of course. Douglas McGregor wrote about Theory X and Theory Y years ago. Blake and Mouton developed their explanatory Blake-Mouton Managerial Grid in the early 60's. Both were staples of business education curricula and made the point that effective performance and good results stemmed from a high leadership concern for both people and tasks.

“During my time as chairman and CEO of Medtronic in the 1990's, I witnessed first hand many of the wrong people being chosen to run corporations. Under pressure from Wall St. to maximize short-term earnings, boards frequently chose leaders for their ... image instead of integrity.... They lost sight of their True North and put their companies at risk.... The result was a severing of trust with employees, customers, and shareholders.... In business, trust is everything.” – Bill George

It is a lesson that has to be relearned every few years, however, both by new managers coming into the ranks and by experienced leaders who drift off their desired course under the stress of current demands. As pressures to produce ratchet up, even the best leaders can feel a sense of urgency that causes them to transmit demands directly down the line. The increase in tension is felt acutely at each next level. Short-term strategies and behaviors often push aside management philosophies based on the long view. As the old saying goes: “when you are up to your neck in alligators, it is hard to remember that your original intention was to drain the swamp.”

The economic downturn we are in now seems deeper and more treacherous than most business cycles because of the fundamental weaknesses in the economy that have been exposed. We have seen that the banking system and many other parts of the financial services sector built an elaborate, interlinking house of cards. They employed huge monetary incentives to drive behavior that focused only on immediate returns. They multiplied those returns through aggressive leveraging, thus increasing the risks beyond all levels previously understood as prudent.

I don't believe that the impacts of the leadership model of the financial sector on management and leadership across the country are yet understood. I think that the apparent success of the model until recently, and the investment bubbles that were supported by it, distorted the decision criteria of leaders in many other industries.

It also further pushed the central role of growth as an end in itself. Quoting Schumacher again: “*The modern industrial system has a built-in tendency to grow; it cannot really work unless it is growing. The word 'stability' has been struck from its dictionary and replaced by 'stagnation'.*” The bubble and the leverage risks taken

on by both companies and consumers depended on continued growth, which placed enormous strain on leaders and planners. Now with the bursting of the bubbles, the weakening of demand, and the tightening of the credit markets, leaders and planners must cope with a whole new set of stressors.

To keep your sense of balance in a situation like this and to avoid the temptation to flee to unproductive, autocratic leadership models, keep these principles in mind:

- Your best source of competitive advantage is in your knowledge workers.
- Your competitors can buy the same things you can buy and hire generally from the same employment sources as you, but you can be differentiated in how you develop and manage your people.
- The advantages you achieve through a committed and knowledgeable workforce are hardest for a competitor to replicate.
- Task focus and people focus are not a trade-off. You do not need to choose one or the other or compromise between the two. Organizations such as Southwest Air show convincingly how to achieve high task standards and maintain high people focus simultaneously.
- Your organization's ability to adapt and succeed will depend not just upon top management but also on the engagement, commitment, understanding, and ideas of people throughout the organization. Losing people focus now is a sure way to cripple your organization when you most need agility.
- This is a time to communicate with others even more than usual. Not only will they feel more informed and involved, this will also ensure that you remain people-focused now, when you most need to be.

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mcginn@leadershipimpact.com or phone 607-206-5187

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