

## WHAT LEADING EXECUTIVES KNOW

### *AND WHAT YOU NEED TO LEARN*

Howard J. Morgan

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Up until the 1980s, being a successful executive meant that you possessed superior industry knowledge and the most relevant technical expertise. Of course, it went without saying that your loyalty to the company was unquestioned. You were promoted by being better at what you did than were your colleagues in the company. We all remember early charts on management practices that graphically presented the need, as we advanced in the organization, to prioritize time spent on strategic initiatives while decreasing our day-to-day tactical focus. It meant getting financial and competitive results on a consistent basis year-over-year. Of course, these were also the times when changing your company's relative ranking amongst your competitors was a slow process at best and difficult to accomplish. Holding the number one position in your industry meant that you had better distribution channels, more organizational depth, and customers liked the perceived reliability that being the largest supplier represented.

Then came dramatic increases in information technology. We now had the ability to view critical operations within an organization through the computer on our desk. This advance finally resolved the long-standing debate over centralization versus decentralization: it became irrelevant. Technology allowed us to make quicker and more comprehensive decisions. Unfortunately, it allowed our competitors to do the same thing. In fact, technology facilitated great advances in virtually all operations of the business, particularly in distribution, manufacturing methodology, and even the geographic determination of plant sites. With the

advent of this innovation, once-leading companies were now faced with the challenge of determining “competitive advantage.” After years of enjoying the benefits of size and volume, executives were now charged with finding solutions within their business that would allow them to maintain or ideally build upon their standing in an increasingly competitive marketplace. Although several avenues were explored, the “opportunity” that drew the most attention was the idea of investing in human capital.

After taking a “back seat” to technology and systems in many companies, “the individual” began to draw increased attention as a variable that could play a significant role. Thought Leaders spent the 1990s helping organizations to grow from good to excellent through the effective use of human resources. Executives who focused on achieving results through values-driven leadership appeared to have great success in charging to the front of the competitive marketplace. However they were then faced with the dilemma of how to manage senior leaders within their organizations who had successfully led their businesses to record earnings in the past using outdated business practices. It was difficult to simply fire them—after all, they were a major part of the past success of the company.

This need to “retrain” senior leaders in organizations led to a new focus on leadership development. Granted, leadership development was not a new concept, but its importance increased as an organizational priority. It was also being offered internally at executive levels for the first time. While historically most companies valued and rewarded loyal, committed employees that spent their entire careers within one organization, outside hires were now considered a refreshing way to facilitate new thinking on critical issues. Indeed the movement of executives between organizations was becoming more common as a mechanism to ensure that companies had the best talent that they could afford. This movement once again altered the focus

on executive development, both in direction and in content. The “new” CEO had things to learn about the organization and in turn he or she set the strategic direction for learning and people within the company.

Today we see another shift and what a difference just a few years can make... After a prosperous economic decade in the 1990s, the recession that followed forced shareholders to reevaluate what they expected from the executives of those companies in which they had invested. Shareholders also expected quicker responses to business challenges and grew increasingly impatient waiting for business results. Executives had gone from being judged using a measure of five-to-ten-year periods to their achievements being assessed in mere months, in business quarters. The business environment today is even more competitive and executives are under increasing pressure to bring in short-term results to ensure shareholder confidence while also ensuring that dividends are paid.

Moreover, there is increased scrutiny on “executive behavior,” which makes it more interesting for us to examine what today’s executive needs in order to be successful. In addition, there is money at issue—big money—beyond the expected bottom-line. With over \$50 billion spent annually on leadership education and development, defining the knowledge and attributes integral to the success of today’s executive appears to be prudent.

## INTEGRITY

There was a time when integrity was taken for granted, when it was assumed behavior. No longer. The events of the past several years have put a new focus on integrity and have defined its importance as an integral organizational value. The living definition of integrity for executives requires that they conduct themselves in a manner consistent with the organization’s value and ethics. Recent history has taught us that executives safeguard the livelihood of the

entire employee population through their effective or ineffective handling of issues as interpreted by shareholders, regulatory bodies, or the media. It is also important to recognize that executives are expected to hold themselves to a higher standard of behavior than employees at lower levels in the organization. There is added pressure for these executives to mirror behaviors that leave no room for ambiguity or interpretation. Put another way, it is easy to talk about values; it is far more difficult to actually live values in a dynamic, competitive business environment.

### FORWARD LOOKING VISION

Today, more than ever before, a critical attribute of successful executives is the ability to anticipate future trends in their industry and make decisions that allow them to be first to market. It is the instinct to see the great opportunities from myriad good ideas. However, simply seeing the vision is no longer enough. Today's executives must have the ability to inspire. They must fall in love with their vision and have the skill to articulate it clearly to others. Truly gifted executives possess the art of making their vision come alive for other leaders, employees, and shareholders in a way that builds confidence and demands patience during the journey. It is the ability to increase the knowledge and understanding of each of these constituents that allows leaders to "buy the time" necessary to stay the course. Over the last several years, there are a number of executives from large organizations who have been given the time necessary to implement their visions. These leaders have achieved this by having the wherewithal to accurately predict the steps in the process and to deliver against those predictions. The successful executive must not only have the ability to see the vision, he or she must also be able to paint the path for all to understand and follow.

## ATTRACTING AND RETAINING TOP TALENT

For those of us with an understanding of the sales process, it is apparent that keeping and building business with an existing customer is significantly easier than is bringing on board a new customer. The same is true for the employees within a company. Great employees are always in demand and in short supply. Part of an executive's role is to build a culture and organization that prospective employees find appealing and want to join. The inspiring leader who knows where he or she is going and how to get there and who creates a learning organization where everyone feels challenged to be better has founded an exciting place to work. It is important, however, that the executive articulate in detail these benefits to the prospective recruit. The second part of the challenge for today's executive is to retain the talent that exists within the organization. Part of ensuring that your top people are committed to their leaders is by letting them know that they are valued. Many executives never think about going to their top talent on a regular basis and reinforcing the impact that they have on the organization and how much the work they do is appreciated. This is especially true of people in leadership positions. The impact that their good work and leadership capability has is felt through a major part of the organization. The disruptive effect that their leaving could create, while not easily measured, is nonetheless very visible.

## CULTURE CARRIERS

It is becoming increasingly important for executives to both define the culture of their companies and to implement the steps necessary to create the desired culture. Leaders, by definition, should be visible within the organization so that employees will learn to achieve by emulating their demonstrated behaviors. The old saying "do as I say, not as I do" does not apply to organizations. Most organizational behavior is copied from the senior leadership. Indeed,

learning by example is one of the most successful ways to transmit cultural behavior, and it offers the highest probability for success. Whether we want to admit it or not, organizations are political and the most effective way to get ahead is to demonstrate like-minded attitudes and behavior. Therefore, how executives handle questions, risk, and other issues form the backdrop for the corporate culture. In many cases, decision-making, and other procedural and policy issues within a company, mirror those of the executive. It is not enough for them to talk about the importance of culture; the executive must actually role-model consistent behaviors.

### COMMITMENT TO SELF-IMPROVEMENT

The business world has changed dramatically. Fifty years ago, your broad-based knowledge was perhaps the most important characteristic governing whether you were promoted in an organization or not. Today, the technical and technological components of the workplace are changing at such a fast pace that it is impractical for an executive to have the time or the resources to stay current. However, those who are seen to be committed to improving their leadership skills are perceived to have great credibility within their organizations. As such, focus has been directed to building “learning organizations” in recent years. Billions of dollars have been spent to find better, more cost-effective ways to increase customer satisfaction through initiatives such as Six Sigma, TQM, and Just in Time. As these programs continue to drive savings and customer satisfaction with the business, it is becoming increasingly apparent that improving the capabilities and talent of the workforce offers similar, if not greater potential benefits to the bottom line. Executives who establish a company culture that encourages continuous improvement will create a more personally rewarding workplace as well as an environment that fosters innovation and creativity. Without focusing on self-improvement as a valued part of the attitudes and behaviors of the company, the focus will be on what people know

rather than what they have the potential learn. Similarly, talented employees (those eager to learn and to grow) will be less satisfied with their company and more likely to leave. Most importantly, there is a strong correlation between employees' satisfaction and long-term shareholder return and stock appreciation.

### ABILITY TO INSPIRE

Inspiration has long been viewed as being analogous with charisma. While charisma can, indeed, be inspiring, you can have the ability to inspire others without being charismatic. The ability to inspire is central to an executive's ability to create passion, commitment, and unqualified enthusiasm to go in a given direction. If an executive does not possess the skills to inspire in today's business climate, it may have a negative effect on the company's ability to succeed, given the economic pressures in the marketplace. For an executive to cultivate this enthusiasm within an organization, he or she first needs to be inspired. As such, it is closely linked to an executive's ability to craft a meaningful, vital vision for the business. It is widely understood that a salesperson cannot sell something that he or she do not believe in. The same is true for executives. If they have developed a cohesive vision, they need to fall in love with it. They then need to convey it to others with the same passion that they feel. They also need to talk specifically about what excites them about the direction or vision. Finally, they need to make sure that the message is clear and concise—that the path is visible for all to follow. People like having something exciting happening at work. An executive who conveys enthusiasm through his or her message provides the foundation for pride and self-satisfaction at all levels of the company.

## DEALING WITH AMBIGUITY

Executives may have signed up for their jobs knowing that change is inherently a part of the situation but no one could have anticipated the existing economic and political turmoil in which we find ourselves. Certainty has become the dinosaur of the business world and having all of the facts before making a decision is a luxury that few executives can afford. For most initiatives, executives begin the journey knowing that the end will very likely look quite different than what they had envisioned. As they chart their course, required modifications and outside influences necessitate a new direction. Given that most people find greater comfort in stability than in constant change, it is important for executives to lead in a purposeful and deliberate fashion. Indeed, it is not that people dislike change itself, they simply dislike the uncertainty that change brings. Even as organizations have continued to change, most people take comfort from a predictable workplace. This is driven by life responsibilities, such as mortgage payments and the cost of raising children. Therefore, the challenge is to bring a sense of comfort to the organization that the executive him or herself may not enjoy. The most critical task for executives to undertake during change-intensive times is to establish a direction, even though it is highly likely that the direction will change. The next most critical task is to communicate this direction clearly and repeatedly so employees will know the next steps in the plan. People are more comfortable with a direction that changes than with the uncertainty that the unknown presents.

## KNOWING HOW TO DEPLOY RESOURCES

One of the key attributes of today's successful executive is the strategic sense that he or she possesses on where and how to deploy resources so as to ensure the greatest return. These executives have an ability to look at a project/initiative and see its true value and worth, not just



the obvious benefits, the real potential that lies beneath the surface. It is this wisdom and business instinct that facilitates entry into new markets or infusion of capital where there is the greatest possibility of product growth. Many times, we question these executives on the logic of their decisions only to find out later that their intuition was not only right, but helped make a stellar year for the company. The same aptitude for putting resources into the right places is true for human capital as well. It is recognizing the right person for the right job. Generally, there is more than one person who could do a specific job. It is the executive's ability to assess what will be required 6 to 12 months down the road that allows him or her to make the best decision in asset allocate.

### BUILDING RELATIONSHIPS

The current business environment presents a significant challenge to talented executives. On the one hand, they need to develop a cohesive strategy/vision and inspire their people to tactically execute the strategy. On the other hand, events over the last couple of years have put significant pressure on executives to produce short-term results. Many boards of directors have increased their involvement/fiduciary responsibility in company operations to ensure that dividends are paid and short-term financial results are solid. To achieve the "right" balance, an executive must be able to command the respect of the board and the shareholders in order to mitigate any lack of confidence. As mentioned previously, it is incumbent on the executive to have a vital vision and tactical plans to provide direction. Moreover, the executive must communicate his or her confidence to all concerned stakeholders to ensure their buy-in and continued support. This will happen when the executive demonstrates that his or her business/function is providing a financial scorecard that exceeds stakeholder expectations. This confidence can be built by accomplishing the following two main objectives: 1. communicating

enough to build a comfort in the strategy, and 2. avoiding any “surprises” that negatively affect financial performance. In other words, it is the credibility that the executive earns that has the greatest positive effect on his or her plan’s sustainability.

### LEAVE THE PAST BEHIND; THE FUTURE’S THE GOAL

The world’s greatest leaders have the ability to learn from the past without dwelling on it. We are all told that we should learn from our mistakes and move on, but we often keep revisiting corporate “stumbles” when making decisions about the future. Care needs to be taken that a past failed initiative is not labeled as a “permanent failure,” because new circumstances may lead this to be the best solution or development. It may have been a great idea at the wrong time. It is about having the courage to fail, learn from the failure, and determine what would need to be changed to make it successful. Further, it is also recognizing when an idea has been exhausted and should be dropped. Many executives hang on to an initiative too long because they do not want to be perceived as having failed. A failure is taking a good idea that isn’t working and letting it hurt the corporate performance by supporting it too long. Moving on and exploring new possibilities is an important step for executives today. Similarly, successful executives know the importance of rewarding creativity and innovation. If a leader under their direction fails at a venture with inherent risk, the executive ensures that the leader is positioned in a new role that will be both good for the individual’s career and for the overall organization. It is critical that the leader not be punished for a well-conceived, high risk venture that fails. To do so would be to kill all innovation in the organization. This philosophy is particularly important given the current economic reality. We must constantly look ahead and remain solidly competitive; we must be proactive in seeking new opportunities while mitigating unnecessary risk. In most companies, the executives hold both the responsibility and authority for that direction.

Being an executive today is perhaps both the most exciting challenge and the most tenuous position in the organization. There have been few, if any, times in history when executives have been under as much pressure to perform, and assuming as much accountability for the health and welfare of their organization. With that responsibility comes an obligation to protect both the internal stakeholders (employees) and the external stakeholders (shareholders). To reach that goal, executives need to learn the lessons of the past, do more of what they do well, and reinvent themselves to do that which they have not done before. Future leaders will follow suit.