

Musings from



Musings from Gate 44 is a series of papers written from one of the most sacred reflective places in a consultant's life – the airport. As we depart our client's cities, we are often decompressing, celebrating, venting, strategizing and reflecting on behalf of those we serve. We're inviting you into our private thoughts about...you. "You" means those of you leading complex organizations trying to grow, change, improve and compete. These "musings" are stimulated by patterns we see over and over again as we work. Our hope is that letting you into our inner thoughts will help you grapple with the issues that frustrate your noblest aspirations and thwart what you seek to achieve. (We hope we'll also have a chance to laugh gently together at some of the silly things organizations can do.)

Powerful Leadership in Uncertain Times: An Honest Re-Look at a Leader's Integrity

By Josh J. Epperson and Ron A. Carucci

"Ladies and gentlemen, our flight is completely full today. Please only use the overhead bins for your roller boards and save the space underneath the seat in front of you for smaller items. We'll be happy to check anything you can't fit." We're sick of hearing this announcement. The strained economy has airlines cutting back so many routes that every flight is overbooked. And the flight attendants are more irritable than ever. We got a big huff from one when we asked for two small bags of pretzels – we had skipped lunch. Instead of food, she returned with a copy of a memo from the airline threatening the flight staff with consequences unless they stopped offering "unauthorized snacks" on certain flights. As we read it, she said, "I'd love to give you better service, but

as you see I'm not allowed. All this nonsense in the ads about a great flight experience! You should see what they're doing to us!" We looked at each other and thought, "Great – just what we needed today. A victimized flight attendant who's justifying her poor behaviour because of what 'they' are doing to her. And the scary part is she actually believes that waiving this memo in front of us is the 'honest' thing to do!"

We're hearing the same line at every client we've visited in the past two years: "This isn't how I thought the story would go." Sometimes it's about the budget ax that keeps swinging towards people. They dodge it one more time, but wonder when their luck will run out. Or it's the HR executive, numb from delivering so much bad news to people she's known for 20 years. If she has to fire one more person whose wedding she's been to, she thinks she'll scream. Or it's the call center manager who has to get his team to speed up customer services calls with 20% fewer people. He's actually had to fire the reps with the best customer reviews because they spent too long

forward motion for leaders and organizations

PASSAGES
consulting



listening to the customers' problems and resolving them. Or it's the sales reps whose phones ring only about a third as much as the same time last year. They have some ideas about what to do to drum up business, but they're so afraid of being noticed by management that they don't say a word. Every one of these people ends their story with, "When I started, I never imagined it would turn out like this."

Do you lead people who are hungry for inspiration? Do your people want to see you as credible and trustworthy but doubt everyone in authority? Do you know what you're going to say to them or do you need a big shot of inspiration yourself? If you're like the executives we've talked with recently, you're probably at a crossroads in your mind – questioning where your company is going and how you can keep things moving.

The economic meltdown of 2007-2009 was the result of too many leaders promising the moon – and getting rich in the bargain. After millions of jobs lost and pensions wiped out, you can feel a deep cynical distrust of everyone with an ounce of power in organizations. We believe this is a symptom of a deep seated questioning of what it means to have true integrity as a leader today. Too many high profile leaders have shown both opportunistic greed and a delusional sense of invulnerability. People have been left jaded, starved for hope and desperate for a leader they can trust. But after the economic firestorm we've been through, how do we even tell what that leader looks like?

Nobody starts out in business saying to themselves, "I'm going to work super hard so I can rise to a position of responsibility and fire 6,000 people, close down plants that will turn four US towns into jobless slums, gut my employees' pension fund, take our share price from \$93 to \$4 and fail so badly that the American taxpayer will have to lend us \$30 billion to prevent a financial disaster – oh and then I'll pay myself a retention bonus of \$1.4 million out of the bailout money." There isn't an executive alive today who actually started out thinking that was the story they would write for themselves. But when you look around and ask if that is the story that actually happened, then a lot of folks will fall silent. You could be talking about a bank or a brokerage firm or an insurance company. You could be looking at the

real estate industry – residential or commercial. Or the auto industry. Or an airline. This story fits in far too many places right now.

And here's the thing – it doesn't have to be this way. Anyone who starts out in business has a different story in mind. It has things in it like, "I'm going to take share price from \$1 to \$100." "I'm going to link services together so people can get much more of what they want, easier and for less money." "I'm going to create 10,000 new jobs." Actually, the more people we talk to, the more strongly we feel that the stories they want to be a part of are the antithesis of the story we've seen in the past couple of years. Our economy has been a tale of loss and people wish they were part of a story of creation. Let's use stronger words – people want to be part of a *generative* story, but today's headlines are telling a *degenerative* story. When we say "generative," we're thinking about health, growth, adaptability and sustainability. All the things we want to see in our professional lives – and our personal lives as well. When we say "degenerative," we mean anything that is destructive and contributes to decline. Who in their right mind would actively choose to be degenerative? The answer is a lot more people than you'd think.

Ask yourself this question:

How can you write a different story for yourself and the people you lead? How can you create a generative instead of a degenerative future for your company? What core principles of your integrity call for redefinition in the face of deflated organizations desperate to be re-energized?

These aren't rhetorical questions. The simple truth is that a degenerative future does not have to happen. We aren't just passive characters in our own story – we *author* our story. And we should act on our authority to do so. If we are focused on generative behaviors, our story will be about growth and new opportunities. If we focus on degenerative behaviors, our story will be about scandals, restatement of financial figures and downsizing. We dictate how the next chapter gets written, good or bad.

But before you get writing, you have to let go of some potent illusions that may pull you off course. We've had an excess of degenerative leadership and that's left us with a whole batch of assumptions that need to be seriously re-thought. Recognizing these illusions for what they are is the first thing you need to do to write a generative story, and it involves much more than the power of positive thinking.

The Illusions of Leadership That Got Us Here

What is so dangerous about an illusion? Why do you need to actively expose it and banish it? Illusions distort our sense of reality. They lead us to decisions that make some of our fears a self-fulfilling prophecy. They make us blur lines we should never get near. They dilute standards and give us the rationalization for doing so. They increase the enticement of opportunities that are really just fantasies.

The danger of illusions is that they are seductively believable and simultaneously unreliable. They collapse on you when you need them. Think about boosting sales. Anything that increases sales is a good thing, right? Not always. Boosting unit sales could actually bankrupt your company if your cost of goods sold is too high. That sounds too simple to be an illusion, but all three big US auto makers blew this one in 2008. Two went bankrupt despite tens of billions of dollars of bailout money.

It's time to talk frankly about the degenerative behaviors that lead to illusions. These are the illusions that got us here and hijacked our stories.

Greed Disguised as “Free Markets”

Adam Smith recognized the difference between enlightened self interest and plain old greed 200 years ago. People with some information and a healthy scepticism coming together and separating what they value and what they don't is the basic pricing mechanism in the free market. It worked on the corner of Wall Street and Broadway in 1790. It works on eBay today. Smith distrusted greed. He knew that people naturally want to control the market and rig the price, causing damage in the economy as consumers are priced out of the market for essentials. Degenerative behaviors aren't new. The US Congress agreed with Smith's attitude toward monopolies in the 1890s when they broke up Standard Oil. They did again in the 1980s, breaking up AT&T. We're confident that we can portray the US between the 1890s and the 1980s as a free market economy. A bit of government regulation is good for you.

Yet, we are in a vitriolic argument over that very thing. Anything that threatens “profits” is labeled an assault on the free market. We've seen massive deregulation in the past fifteen years, which has led to gargantuan fortunes for some and an \$8 trillion collapse in the stock market for everybody else. Think about what happened to oil company profits after Hurricane Katrina. Average gas prices in the US nearly doubled. A lot



of US oil and gas refining capacity sits along the Gulf of Mexico, so the free market argument was that the spike in gas prices reflected the sudden decline in refining capacity. This argument fell down as soon as the US oil companies reported their next quarterly earnings figures. They posted the largest quarterly profits in US history after Katrina. Clearly, at least some of the price spike had been cynical manipulation of public perception which turned into windfall profits. We're not really talking about defending free markets with behaviour like this – it's hard to call it anything other than greed.

The lines aren't always this stark, either. When does “controlling inventory levels” blur into channel stuffing? How about “cooperation?” When does that blur into price fixing? The lines aren't always as fine as we make them out to be.

Arrogance Disguised as “Vision”

Dick Fuld, as head of Lehman Brothers, was legendary for his arrogance and aggressive stance. He was known on the Street as “the gorilla” and he was lauded for his vision in building Lehman from an underperforming acquisition spun off by American Express to a financial services powerhouse right behind Goldman Sachs. When Lehman collapsed in 2008, Fuld angrily spat at critics, “I've given you 14 years of earnings. I have one bad quarter. This is how you respond?” But that response covers the fact that by 2008, Lehman had borrowed \$32. for every \$1. it had on hand. Even Goldman, admittedly overextended in 2008, had only borrowed \$25. to every dollar it had. And when you think about it, can you imagine walking down to the bank and asking for a mortgage over thirty times the size of your downpayment or your earning power? At the end of the day, you're left wondering if Lehman was able to leverage itself so dramatically based on Fuld's bullying and willingness to drive everyone around him. Unfortunately, once the thin ice Lehman stood on was exposed, Fuld had nothing but more bluster. At the end of the day, arrogance can't save your company, no matter how visionary you've been along the way.



Driven leaders shouting “be #1 or #2 or get out of the market” can have destructive effects on cultures which in turn become very insular when they realize success. A local gym chain in our area bears this out. The owner made all the local papers for a few years in a row with an aggressive vision of expansion fuelled by competitive pricing. The downturn hit all businesses reliant on discretionary income like gyms hard, but his chain failed outright and now all of his locations are vacant. Like many visionary leaders, he was absolutely convinced his ideas were strong enough to ride anything the market could throw at him. His early success fed his arrogance and made it impossible for him to self-correct when conditions changed – his very success translated into hubris that only served to accelerate eventual decline.

Rampant Corporate Ambition Disguised as “Increasing Shareholder Value”

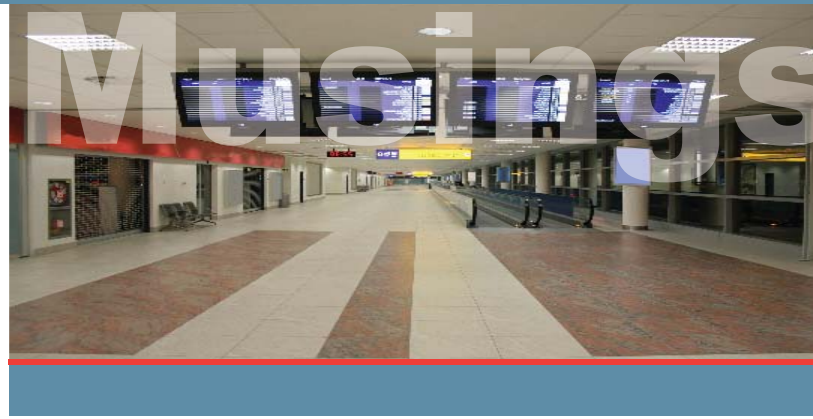
Corporate raiders always sing of their love for shareholders. And one thing is certainly true – you wouldn’t have an American economy at all if you didn’t have a way for raising capital by promising return. When you think of how much capital in the US stock market comes from pension funds, you can argue that the shareholders are really every working American. But “shareholder value” is overused as a shield for a lot of dodgy behaviour. In our book *Future in-Formation*, we talk about the example of Angelo Mozilo, the former CEO of Countrywide Financial. At one point, Countrywide was touted as the “28,000% stock” because its strategy for expanding home ownership through innovative financing was part of the massive US housing boom. Remember buying a house and being able to sell at twice the price in just a few years? Hard to imagine now that we’re a few years past that point, but for a couple of decades that was the story in many parts of the country. Countrywide was an innovator in ever more complex financing options like sub-prime mortgage backed derivatives and the credit default swaps used to offset them. Does that last sentence sound like gibberish? Starting in the first half of 2007, the markets seemed to think so, and

the collapse in value of these derivatives was the first link in the chain that set off the banking collapse of 2008. The thing about rampant corporate ambition is that the people in charge recognize when the game is up. Mozilo took \$102 million of his money out of Countrywide stock in the run up to the 2008 collapse, even though he assured investors that the company was sound. Countrywide actually went bankrupt in 2008 and was sold under US Government auspices to Bank of America, which continues to struggle with the byzantine tangle of Countrywide’s mortgage portfolio.

And let’s bring this example much closer to home. With well over \$12 trillion in national debt, the US is now the world’s largest debtor. At what point will we relinquish the illusion that “this will all work itself out” and that we can continue to delay pain with the band aids of national debt without the sacrifices necessary to truly rebuild? Has this crisis really taught us the hard lessons of financial discipline and the importance of delaying the gratification of profits we haven’t yet earned? Average Americans are getting the message. Productivity is higher than any time since 1965 and the savings rate has ticked sharply upwards. A recent CBS News poll revealed that the average American would take a \$500 windfall and pay off debt, then save the balance rather than spend it. Bank of America, on the other hand, is trying to raise the equity to pay \$45 billion in Federal bailout money back – more to avoid Federal caps on executive compensation than to pay the debt back. The bank is still losing money, so this act really looks like a desire to avoid public scrutiny. We see a yawning gulf between corporate behaviour and average people who are confronted with some harsh reality. Sure, part of a leader’s reformulation of integrity must include an honest reassessment of “net present value,” whether taking on debt for her organization, or her family. Have we taken the saying “you have to spend money to make money” to an illusory place?

Excessive Individualism Disguised as “Career Development”

For years, senior executives have built their careers the way they imagine generals would wage campaigns. The media and the big consulting firms have fed this – remember McKinsey’s “War for Talent” literature? Many companies in the Fortune 500 have an “up or out” culture – if you don’t keep hitting promotions every three years, you have a bull’s eye on your back. Add to this the constant improvement ideas that come out of GE – fire the bottom 10% of performers regularly so you keep raising the bar – and you achieve a kind of Kafkaesque existence at some companies where you’re always asked for more no matter how much you’ve done and you’re actually at risk for staying in one place because you like your job and do it well. Now, we’re



not knocking quality – customer experience is vital for companies today and is frequently the only thing that distinguishes one company from its competitors. But we've met far too many senior executives who have risen to the top because of a narrow focus on their own performance. One executive in a technology company we worked with aggressively campaigned to break business accounts out of the nation wide regional sales structure and make it a stand alone channel. As the leader of his new channel, he did very well servicing large, high profile accounts, but several medium sized accounts found it difficult to get service from the company. The regional sales channels actually lost ground with small and medium sized businesses. So you had a superstar blazing his own trail to the detriment of the company overall. This sort of thing happens all the time.

Have you ever seen people in your company who jostled for a position and left bodies in their wake? Does your company have reward systems that pit people against one another or that have "fast track" leadership development processes that move people along before they are ready? We've coached enough people who have survived these things to know there are a lot of them out there. With the best of intentions, these mechanisms are fuelling levels of individualism and self-involvement that have surely come back to bite us now that we need people to think beyond themselves.

Irresponsible Growth Disguised as "Strategic Opportunity"

The failure rate of mergers has always been huge. Mergerstat.com analyzed 8,224 domestic mergers and acquisitions in 2001 and concluded that 80% of them failed to produce at least as much value as the separate companies would have. The mergers studied represented \$702 billion in value, so over \$560 billion worth of assets were tied up in underperforming companies thanks to merger and acquisition activity. AOL Time Warner is always cited as the mother of all failed mergers (actually, the Time and Warner merger of 1990 and the AOL and Time Warner merger of 2000 were both multi-billion dollar duds). But a lot of sober, respected business leaders get carried away by the heat of the deal and wind up damaging their companies severely.

Only ten years ago, Chrysler was the most profitable car company in the world. The company had found a successful niche with the Dodge Ram and the Jeep Cherokee that set it apart from the imports and gave it a solid quarter of the US domestic car and light truck market. The company had brought itself back from the brink of bankruptcy four times since World War

Two. It had so much cash on hand, it was considered a takeover target. Despite a strong market and cash position, Chrysler's leaders focused on the "strategic opportunity" of "not going it alone" into the new millennium. Daimler-Benz also wanted a partner in the late 1990s. With less than 1% of the US market, Daimler felt Chrysler was a perfect partner in an ideal market position. Daimler and Chrysler merged in a \$37 billion swap deal in 1998, then the largest trans-Atlantic merger. This "merger of equals" was meant to take advantage of "unparalleled strategic opportunities for growth." The merged company had a market cap of \$100 billion. Three years later, market cap had sunk to a mere \$44 billion, roughly what Daimler was worth before the merger. The culture clash between the German headquarters and American plants was insurmountable. Daimler's CEO actually let it be known that the "merger of equals" statements were just window dressing to win the support of American workers and the public, but were never meant to be real. The once independent Chrysler, completely beholden to its masters in Stuttgart, saw its US market share slide to 14%. Ironically, Daimler's leaders complained, "What happened to the cowboy culture we thought we bought?" Daimler sold Chrysler to the Cerberus Group, but by then, the company was cash poor and weakened. The 2007 to 2009 crisis sent it to bankruptcy court.

Why didn't Chrysler have the sense to "go it alone" – especially when so many mergers turn out so badly? Read the literature from the time of the merger and you can feel the same "deal heat" that pulls every failed integration apart – people get so caught up in the "strategic opportunity" that they miss vital pieces of information. Daimler wanted a "US cowboy culture" – but they always planed on keeping Chrysler on a short leash and running it from Germany. Does that seem like a potential deal killer to you?

Mergers large and small, in every industry, fail repeatedly because the "deal fever" obscures deep cultural, market positioning, financial, and structural defects. Think of the last time you came home with an impulse purchase that turns out to be a waste of money – we're really talking about the same effect. Come home with a tie or power tool or piece of jewellery you



really didn't need, and you can get over your buyer's remorse with one glass of red wine. Come home with a multi-billion dollar company that never should have been in your portfolio, and thousands of people are out of jobs.

Irrational Execution Targets Disguised as “Customer Focus”

One of the technology companies we've worked with tried to explain their plan to improve their execution targets. They wanted to be sure that customers who came into their retail outlets were greeted, properly qualified, shown a list of devices, encouraged to purchase ancillary devices, encouraged to purchase a service plan, encouraged to purchase an equipment extended warranty plan, asked about the quality of service they received . . . the list just went on and on. In the interest of creating a “good customer experience,” the retail representatives were being scripted to the nth degree. And they were being measured on how well they hit all these targets. Any spontaneity was completely planed out of the “customer experience.”

Have you ever been on the phone with a telephone representative and been unable to get them off their prepared script so they can just deal with your problem? Same thing. In the name of “customer focus,” our ability to deal – and deal well – with the complexity of economic life is forced into a small number of artificial solutions. It's great to train people to be customer focused, but we have seen customer service reps reprimanded because they didn't make the customer jump through all the hoops. Ironically, these are reps who got the highest marks from the customers themselves for actually helping. Many companies suffer from initiative proliferation – SAP, CRM, training, etc. These are too often taken as stand ins for “customer focus.” Stand ins don't work. When someone listens to your problem then works constructively with you to fix it, *that's* customer focus. Irrationally raising the bar in the name of customer focus isn't.

Degenerative Behaviors That Enable Illusions

Greed, arrogance, ambition, excess, irrationality and irresponsible growth all distort our perception of the world. And worse, our perceptions of one another and ourselves also become distorted. Untangling the illusions that come out of degenerative behaviour is critical. You can't write a different story without eliminating these illusions from your available options. You can't see how things could be different with these illusions in the way.

There are numerous behaviors that perpetuate, even encourage, these degenerative illusions, making them seem like something noble and good. Here are the most pernicious ones we've seen.

Defensiveness in the Name of “Confidence”

If you're in a company that has just posted horrible financials – let's say you've lost a billion dollars – you're switching into defensive mode. You know the things you've got to do to protect yourself. You know the things to say to let other leaders, or your CEO, or your Board know that you've got it under control. You have a plan and it will work. In your mind, you're telling yourself that if heads start rolling, you're not going to be one of them. In the old days, they called this “every man for himself.”

Cowardice in the Name of “Prudence”

This is where you say things like, “This isn't the time for making any risky bets” or “we're focusing on the essentials.” Sometimes, you have to focus on your core business if that makes business sense. But many times, this is a platitude covering up the fact that you're not sure what to do next, so you shy away from doing anything that requires risk. Maybe this will all blow over soon anyway, right? Ironically, sometimes the very risk you're runing from could be the next smart move.

Terrorism in the Name of “Motivation”

You can call this illusion the “Machiavellian Approach to Motivation.” This is where you whip your people into shape through fear. You'll say things like, “Well, I heard there is another round of cuts coming...you better watch yourself...” Here's another two factoids we heard walking through the airport – unemployment

in the US has topped 10% and per capita productivity has risen more sharply in the last twelve months than at any other time since 1965. Does it sound like the folks who still have jobs are pretty effectively terrorized to you? Sure, some people are feverishly performing because they do actually love their jobs. But too many would simply love not to lose them.

Hiding in the Name of “Humility”

This is where people say to themselves, “Nobody really cares what I think anyway, so why risk it?” It’s the sort of heads-down behaviour people employ to miss the downsizing ax one more time. It’s also what stifles innovation, muffles communication, lowers morale and makes a company so weak internally that more downsizing becomes a self-fulfilling prophecy.

Self-Involvement in the Name of “Survival”

You meet this when you hear a person say, “I need to watch out for me first...I have kids to feed.” Here’s a true clue for this guy – *everyone* has kids or parents or partners or pets or themselves or a spouse to feed. A lot of us would stay home to be with our loved ones if survival were as easy as breathing. We all joined organizations because we could accomplish more together – make more things, reach more customers, make more money, all that good stuff. The “survival” illusion is where we lose touch with that and think we can hold onto our own paycheck even if we see all our colleagues get let go. When everyone in the company becomes self-involved, then everyone’s livelihood is at risk.

Entitlement in the Name of “Experience”

You’ll hear someone say, “I have more experience than anyone here...there’s no way they would ever cut me loose.” Of course, the flip side is that your CEO may also see you as a powerful roadblock to needed change. Your sense of entitlement based on your experience might be the very thing that puts a target on your forehead.

Desperation in the Name of “Intense Focus”

This is where you try to stack the deck in your favour. A good example is when someone says, “Why don’t we try re-pricing to get buyers to sign on for longer



contracts...that way we lock them in for the duration of this mess.” A lot of companies try this, and then suffer huge drop-offs when their contracts reach maturity. Customers don’t like being kidnapped and tied down, especially when new products come out and they’re stuck with you for another year. This is not a good way to build long term relationships.

Rites of Passage: Shaping Generative Leadership

The illusions that tie us down are born of the degenerative behaviors we see too often. That’s the bad news – but it’s also the good news. When you tear down these illusions and see them for what they really are, you can see how to change the underlying behaviour by reformulating the traditional definitions of integrity into a broad set of character traits and practices that can begin to counter flawed character. All of the degenerative behaviors that enable these illusions are learned – which means they can be unlearned and rebuilt. That’s what you need to do in order to write a different story going forward.

Unprecedented times call for unprecedented leadership, and frankly unprecedented character. We haven’t seen economic challenges like the ones we face in the US right now in our lifetimes. Even as the economy improves – and it will – we’ve gotten a clear signal that we can’t simply go back to the degenerative patterns that got us here and keep us here. We need to adopt generative behaviors to thrive in a different economic world where consumers have different values and there is a “new normal.” The generative leadership we need involves three things:

- The changes you have to make within yourself
- The changes you have to make between yourself and others
- The changes you need to make among the communities or organizations or departments or teams that you lead

Here’s a starter set of behaviors and character traits to begin overhauling how we think about integrity as



leaders – what you need to do to transform the integrity-killing illusions that keep us here into generative leadership that makes these changes possible.

Empathy

Defensiveness in the name of “confidence” must give way to empathy. In a defensive posture, you’ll say things like, *“We had to make the hard calls now before things got worse.”* This is no way to motivate people who remain in the company – it’s impersonal and inhuman. Decisions about reducing the size of your organization have to be made in certain circumstances. It may be the only way to stay in business and protect the jobs that remain. If someone were to ask you if this decision was easy, you should be able to say truthfully to yourself, *“No, it was very hard. It was the only sensible course of action.”* When you make these tough decisions, share them empathetically with your people: *“You have a right to be sad. Seeing colleagues and friends depart is always hard. Even though we believe our business choices were sound, it doesn’t make it any less difficult.”* Extend your empathy to those who depart. Show them respect – none of this “clean their desks out while they go to HR to get the bad news” business. Let them leave with dignity and offer what support in getting placed elsewhere you can. Don’t be afraid to invite your people back when conditions improve. If you are genuine in your empathy, your people will respond and pull together even when tough decisions have to be made.

Courageous Risk

Cowardice in the name of “prudence” must give way to courageous risk. The voice of “prudence” is clear: *“We need to hunker down now. We can’t use up the resources. Sorry, but you’re just going to have to put that on hold.”* These statements mask a cowardice that will doom your company to last place status just as surely as if freak fires burned all your offices down in a single day. Have the courage to take reasonable risk. Say things like: *“That’s a pretty cool idea. How did you imagine implementing it? Resourcing it? I know some people may not like it, but I also know that if we*

don’t invest in our own development now, I doubt we’ll be ready when things start to turn around. Let’s talk about how we get this done given the bleak resource picture, and how we position this with the folks upstairs so they can support it.” When you read this you’ll see we’re not endorsing careless risk-taking. Unrealistic mismanagement of risk can be a potent degenerative behavior. But taking some risk is essential to being in business. Don’t be afraid of it. Think it through, make a good case for it, know the downside, and make a judgment call that you can live with. Free yourself from fear and get on with growing your business responsibly.

Liberation

Terrorism in the name of “motivation” must give way to liberation. You can recognize the voice of the terrorist in the work place every time you hear: *“I heard there is another round of cuts coming. Look, you’re lucky you still have a job. If I were you, I’d be careful how much frustration I showed around here. Do us both a favor and focus on what’s important right now.”* Employees running scared do not make up a company running well. The tension will be unbearable and people will be quick to stab each other in the back. Productivity will suffer along with morale. Innovation will be unknown. And the moment the recovery gets going, people will jump ship. Liberate yourself and your people from this destructive relationship. Be a calming voice in the storm. Free people up to express themselves constructively. You are all business people. This is a business challenge. Use your talents to solve it. Say things like: *“Look, I know you’re frustrated. And I know you’ve got a lot of ideas you want to share. I need you to know that if you share them as if you are angry, it’s hard for people to hear, especially in this climate. And I know some of your ideas are really good. We need innovative solutions now more than ever. Let’s work on how we can get them heard, and more importantly, figure out how you can champion them so they can do some real good.”*

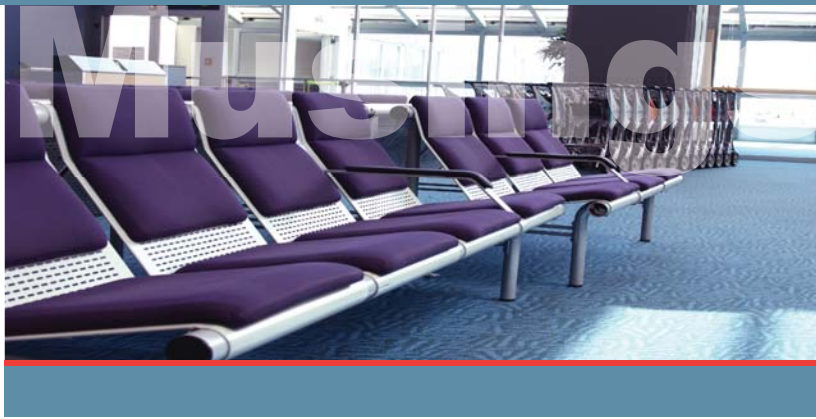
Vulnerability

Hiding in the name of “humility” must give way to vulnerability. We’ve just talked about the “terrorist” in the organization, and a lot of leaders making deep cuts must look pretty terrifying to employees. But we’ve spoken to a lot of those “terrifying” leaders and we’ve heard something like this from quite a few of them: *“I know they hate me now. And I deserve it. I actually come in the back door now and keep my office door closed. If looks could kill I’d be dead a hundred times a day. I wish they knew how hard this was for me. I’m not a monster. These were business decisions, pure and simple. They don’t even know that I took a pay cut to avoid even more pain for the group. They just think*

I saved my own ass. Maybe they're right." Remember what we said earlier about empathy? If you come clean with people, they'll surprise you every day of the week. But if you hide in your office, they'll think the worst of you. How are they going to know any different? You're not telling them. You're adopting a course of action they don't like and you're letting those actions speak for themselves. Don't let this happen – it's as destructive to you as it is to your people. You need to say to yourself: *"I have to find a way to talk to them now. I know they feel betrayed and I honestly don't know if I made the best decisions or not – I've never had to do this before. But I do know I have a clean conscience about it – I did the best I could. I have to find a way to face their anger because I can't stand hiding in my office and sneaking around trying to avoid everyone. It's eating me up inside and I can't sleep. Maybe if they know the full story and all the sacrifices that were made, they'd be more understanding."* You take a chance by making yourself vulnerable like this. And you have to be 100% authentic. You're not asking for pity here. You're laying it out on the table. You're a human being making some tough choices to keep your business going. Be open about this all through the process and your people will be open with you. They may even make some suggestions you could really use.

Generosity

Self involvement in the name of "survival" must give way to generosity. Self involvement is the "ambulance chaser" mentality – making a sale no matter what the context is for the would-be customer. And if you can chain the customer to you, even better: *"Hey, if we don't sell, we don't stay open. We've rigged up all these pricing plans to make it hard to say no, and if that's what it takes to get one more sale, then that's what it takes. It's a street fight out there now and I'm not going to lose."* In the "new normal" that is just beginning to take shape, we have a strong hunch that consumers will reject these "survival" tactics at every opportunity. You're seeing the first ripples of this in the cell phone industry. The headlines all go to smart phones, but there is also rapid growth in the pre-paid and pay-as-you-go options being offered by companies at the periphery. Consumers are very eager to break the onerous service contracts the big wireless companies all insist on. The first "pay-as-you-go" company to really offer a robust network and a smart phone could easily take the lion's share of the market – because this is what consumers really want. The voice of generosity sounds like this: *"I wish I knew more about what my customers really needed now. It can't just be about spending less money. I still want them to be glad to hear from me, and not roll their eyes or think I'm trying to gouge them. I wish I knew how we both could win, and how I could surprise them with help they didn't expect..."* Listen to your customers. Get your own



survival worries out of the way and listen to what they want. The future of your company sits in the answers they can provide. You just have to be generous enough to lend them your ear.

Gratitude

Entitlement in the name of "experience" must give way to gratitude. There is a difference between expecting something as your due and being grateful for it. Entitlement speaks by saying: *"I'm not surprised that they keep asking me to take on more. Given how tough things are, it makes sense to put your best people on the most important issues. And since I've delivered the kinds of results I have, they know they can rely on me. Some feel exploited by that, but not me. I know I deserve the shots I've gotten. And if it gets me a promotion, all the better, right?"* Gratitude on the other hand, says: *"I know it sounds like a cliché, but given how many of my friends have lost their jobs, I really am grateful to have mine. None of us 'deserve' our jobs. I want to stay as good at mine as I can because I can never take it for granted. I know that I have before, but these days my eyes are open. I thought I missed the axe because I'm "good" at my job. Turns out my boss told me it's because she trusts me. I'm thankful she saw something in me I didn't realize was so important."*

Hope

Desperation in the name of "intense focus" must give way to hope. Intense focus driven by desperation leads to burn out. We hear people say: *"I'm almost past caring whether I hang onto this job or not. Some lunatic upstairs thinks that if we just quadruple the workload, we'll quadruple the results. And now there are fewer of us to do all this damn work. If I hear someone yell 'focus, focus, focus' one more time I'll go postal. It's starting to sound pathetic now, and only makes me think they're hiding how hopeless things are."* You give employees hope in a tough economy by getting out of your office, going to where your employees are and opening up the dialogue. After all, what does "focus" even mean, anyway? Focus on strategy? Focus on productivity? Focus on cost



control? Get yourself focused on your people and get in front of them to guide and lead. Here's what the voice of hope sounds like: *"I'll be the first to admit that we've never faced anything like this before, and are making it up as we go. My natural inclination is to do what I've always done – which is more of the same – and that's not fair to you. I know what we need is new thinking and ideas, not what we think has always worked. I honestly haven't lost hope – I do believe we can come through this better than we've been. I'm not just saying that. But I need all of our hearts and minds and skin in the game."*

The table below summarizes the required shifts from disguised illusions that create destructive futures to generative postures that lead to growth.

It would be all too easy to dismiss these behavior changes as polyanna-ish and excessively touchy feely. But the truth is, the way into the deepest parts of our employees' minds and hearts – where their best performance resides – is getting more and more narrow with each passing day of corrupt leadership failure and organizational uncertainty. More of the same, just "couched differently" won't get us anything new. This isn't the time for rearranging our behavioral deck chairs. Irene Peters so aptly said, "Just because everything is

different doesn't mean anything has changed." So how do we traverse this leadership mess we're in? How do we regain the lost trust of those who bet their lives and livelihoods on those who lead them? It's going to take dramatic changes in leadership behavior – a fundamental re-formulation of integrity. We will need to be more fully human than ever. More truthful. More vulnerable. More accessible.

When you transform degenerative illusions into generative behaviors, you will fundamentally change the game. Not only that, how we'll begin framing solutions to such degenerative cycles will become even more generative. Many have become quite astute at identifying degenerative behaviors in an organization and frankly most people can recognize them fairly quickly. However, the solutions created are in effect degenerative too. In other words, in an attempt to help leaders become more empathetic you command them to dispense one-minute praising sessions to meet their empathy quota. Or you push for vulnerability in a way people don't desire and end up with group therapy sessions throughout your organization. Or your solution to increased generativity inadvertently strips individuals, teams, and entire organizations of their choice to participate in those generative solutions. So, not only can we become more generative communities, workplaces, teams, and individuals, we can begin to define a different way of shifting our approach to getting there.

In a generative environment, integrity can then take on an entirely new identity. It's not about being nicer. Or sounding bolder. Or reacting to hard times with "tough sounding truths." Or any other cosmetic version of these behaviors. It's about change at our core. Each of these generative choices emanates from the deepest place within us as leaders. That's also where they become corrupted with degenerative bait. So it's at that deep place where change must occur. This time,

Degenerative Behavior	Pretending to be . . .	Generative Integrity Required
Defensiveness	Confidence	Empathy: <i>Choosing to walk with and stand beside others even when it's hard</i>
Cowardice	Prudence	Courageous Risk: <i>Choosing to thoughtfully "step out" and try something new</i>
Terrorism	Motivation	Liberation: <i>Choosing to free others up to fully express themselves</i>
Hiding	Humility	Vulnerability: <i>Choosing to acknowledge your limitations with those you lead</i>
Self-involvement	Survival	Generosity: <i>Choosing to act upon the valuable ideas and desires of those you serve</i>
Entitlement	Experience	Gratitude: <i>Choosing to be thankful for your present opportunity and not take it for granted</i>
Desperation	Intense Focus	Hope: <i>Choosing to personally connect with others to help them believe in the future</i>

new techniques won't cut it. This time, the change has to be profoundly real.

Think about all these generative elements – empathy, generosity, hope, vulnerability, liberation, gratitude, and courageous risk – that play into the story a number of leaders have begun to write. Faced with sharp sales declines, these leaders have had very frank and open talks with their employees about what they can afford to do. They've said things like "We have to reduce costs by 15% to keep going. You see the numbers – that's what we're up against to stay in business. Now obviously we could cut 15% of the employees or we could ask everybody in this room to take a 15% cut in pay so everybody stays on the job until conditions improve. We're all in this together, so we figured we should all decide on this together." We've seen employees ask for 15% cuts so they can keep everyone in their company, and everybody has worked it through. This to us is an example of a company that is already writing a new generative story for itself. It has found a way to keep everyone on board and all of its capacity intact. While this may not work for every organization faced with the need to make unwanted cuts, the more fundamental point isn't that the leader convinced everybody to spread the pain equally. It's that they trusted their people with a level of honest engagement that summoned their collective best in the face of their worst nightmare. When the recovery gets under way, companies like this have everything they need in place to ramp back up to full productivity. Those that don't will surely see well deserved defections of their best people.

Change Must be Individual and Organizational

Perhaps more importantly, generative organizations have a decision making capability that touches everyone in the organization and shows how generous and willing to work together people are, especially in tough times. While this *Musing* has focused largely on the importance of an individual leader's integrity, the roots of corrupt leadership are also found at systemic levels. Cultures that promote extremely competitive, even cut throat individualism, reward structures that reinforce results at all costs, governance structures that replace rational, data based decision making with arbitrary emotionality, product development processes that are compromised by revenue models that sacrifice quality and service, all proliferate systemic lacks of integrity as well. As such, they must be addressed at the systemic level. No degree of individual change can happen in a sufficient degree of time to eradicate organization-wide corruption. Still, there are fewer things more influential than the power of the example set by a leader for those she leads. Degenerative leaders encourage



degenerative leadership. Generative leaders promote generative leadership.

That's what a fundamental redefining of integrity will require. And it starts with each one of us making the personal choice to change. At the end of the day, powerful leadership is a personal choice. We can look at the macro trends of degenerative leadership as a global pandemic, but we can also look in the mirror. If every leader chose to shift our behavior one degree more toward generative choices every day, that's when real transformation will happen. And that's what will lead to sweeping reinvention of integrity, and a hoped-for restoration of credibility and trust.

Where are you compromising? Justifying? Rationalizing? Retro-fitting excuses? Turning a blind eye? Colluding? Somewhere while reading the illusions discussed above, as your mind flooded with faces and names of people you know who fit each one, you must have been tugged on just a bit as you saw the one you know applies to you. And if you listened to that tugging, what might you change? You get to choose whether the experience of those you lead is generative or not. You get to choose if you are viewed as a leader with unassailable integrity or not. And you get to choose now.

We're about to land so it's time to shut our laptop down. We hope we've helped you see some of the illusions that might be corroding integrity as you try to write a different story for the people you lead. At the very least, think about the illusions that may be knocking you off course and hijacking your integrity. Where can you replace a degenerative behavior with a generative one? Imagine the extraordinary future you just might discover as a result.

*If you want to hear more, drop us a line at:
josh@passagesconsulting.com or
ron@passagesconsulting.com*

© 2010 Passages Consulting.
All rights reserved.

forward motion for leaders and organizations

PASSAGES
consulting



For more Musings visit us at www.passagesconsulting.com

