items and included such ingredients as initiative and strategic vision.

**Idea in Brief**

What distinguishes great leaders from merely good ones? It isn’t IQ or technical skills, says Daniel Goleman. It’s *emotional intelligence*: a group of five skills that enable the best leaders to maximize their own *and* their followers’ performance. When senior managers at one company had a critical mass of EI capabilities, their divisions outperformed yearly earnings goals by 20%.

The EI skills are:

- **Self-awareness**—knowing one’s strengths, weaknesses, drives, values, and impact on others
- **Self-regulation**—controlling or redirecting disruptive impulses and moods
- **Motivation**—relishing achievement for its own sake
- **Empathy**—understanding other people’s emotional makeup
- **Social skill**—building rapport with others to move them in desired directions

We’re each born with certain levels of EI skills. But we can strengthen these
abilities through persistence, practice, and feedback from colleagues or coaches.

When I analyzed all this data, I found dramatic results. To be sure, intellect was a driver of outstanding performance. Cognitive skills such as big-picture thinking and long-term vision were particularly important. But when I calculated the ratio of technical skills, IQ, and emotional intelligence as ingredients of excellent performance, emotional intelligence proved to be twice as important as the others for jobs at all levels.

Moreover, my analysis showed that emotional intelligence played an increasingly important role at the highest levels of the company, where differences in technical skills are of negligible importance. In other words, the higher the rank of a person considered to be a star performer, the more emotional intelligence capabilities showed up as the reason for his or her effectiveness. When I compared star performers with average ones in senior leadership positions, nearly 90% of the difference in their profiles was attributable to emotional intelligence factors rather than cognitive abilities.

Idea in Practice

Understanding EI’s Components
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Idea in Practice

Understanding EI’s Components
<table>
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<tr>
<th>EI Component</th>
<th>Definition</th>
<th>Hallmarks</th>
<th>Example</th>
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| Self-awareness | Knowing one's emotions, strengths, weaknesses, drives, values, and goals—and their impact on others | • Self-confidence  
• Realistic self-assessment  
• Self-deprecating sense of humor  
• Thirst for constructive criticism | A manager knows tight deadlines bring out the worst in him. So he plans his time to get work done well in advance. |
| Self-regulation | Controlling or redirecting disruptive emotions and impulses | • Trustworthiness  
• Integrity  
• Comfort with ambiguity and change | When a team botches a presentation, its leader resists the urge to scream. Instead, she considers possible reasons for the failure, explains the consequences to her team, and explores solutions with them. |
| Motivation | Being driven to achieve for the sake of achievement | • A passion for the work itself and for new challenges  
• Unflagging energy to improve  
• Optimism in the face of failure | A portfolio manager at an investment company sees his fund tumble for three consecutive quarters. Major clients defect. Instead of blaming external circumstances, she decides to learn from the experience—and engineers a turnaround. |
**Strengthening Your EI**

Use practice and feedback from others to strengthen specific EI skills.

*Example:* An executive learned from others that she lacked empathy, especially the ability to listen. She wanted to fix the problem, so she asked a coach to tell her when she exhibited poor listening skills. She then role-played incidents to practice giving better responses; for example, not interrupting. She also began observing executives skilled at listening—and imitated their behavior.
The five components of emotional intelligence at work
Other researchers have confirmed that emotional intelligence not only distinguishes outstanding leaders but can also be linked to strong performance. The findings of the late David McClelland, the renowned researcher in human and organizational behavior, are a good example. In a 1996 study of a global food and beverage company, McClelland found that when senior managers had a critical mass of emotional intelligence capabilities, their divisions outperformed yearly earnings goals by 20%. Meanwhile, division leaders without that critical mass underperformed by almost the same amount. McClelland’s findings, interestingly, held as true in the company’s U.S. divisions as in its divisions in Asia and Europe.
work best with a change of pace in their working day, they pick two tasks. I have never encountered an executive who remains effective while tackling more than two tasks at a time. Hence, after asking what needs to be done, the effective executive sets priorities and sticks to them. For a CEO, the priority task might be redefining the company’s mission. For a unit head, it might be redefining the unit’s relationship with headquarters. Other tasks, no matter how important or appealing, are postponed. However, after completing the original top-priority task, the executive resets priorities rather than moving on to number two from the original list. He asks, “What must be done now?” This generally results in new and different priorities.

Idea in Brief

Worried that you’re not a born leader? That you lack charisma, the right talents, or some other secret ingredient? No need: leadership isn’t about personality or talent. In fact, the best leaders exhibit wildly different personalities, attitudes, values, and strengths—they’re extroverted or reclusive, easygoing or controlling, generous or parsimonious, numbers or vision oriented.

So what do effective leaders have in common? They get the right things done, in the right ways—by following eight simple rules:

• Ask what needs to be done.
• Ask what’s right for the enterprise.

• Develop action plans.

• Take responsibility for decisions.

• Take responsibility for communicating.

• Focus on opportunities, not problems.

• Run productive meetings.

• Think and say “We,” not “I.”

Using discipline to apply these rules, you gain the knowledge you need to make smart decisions, convert that knowledge into effective action, and ensure accountability throughout your organization.

To refer again to America’s best-known CEO: Every five years, according to his autobiography, Jack Welch asked himself, “What needs to be done now?” And every time, he came up with a new and different priority.

But Welch also thought through another issue before deciding where to concentrate his efforts for the next five years. He asked himself which of the two or three tasks at the top of the list he himself was best suited to undertake. Then he concentrated on that task; the
others he delegated. Effective executives try to focus on jobs they’ll do especially well. They know that enterprises perform if top management performs—and don’t if it doesn’t.

Idea in Practice

Get the Knowledge You Need

**Ask what needs to be done.** When Jack Welch asked this question while taking over as CEO at General Electric, he realized that dropping GE businesses that couldn’t be first or second in their industries was essential—not the overseas expansion he had wanted to launch. Once you know what must be done, identify tasks you’re best at, concentrating on one at a time. After completing a task, reset priorities based on new realities.

**Ask what’s right for the enterprise.** Don’t agonize over what’s best for owners, investors, employees, or customers. Decisions that are right for your enterprise are ultimately right for all stakeholders.

Convert Your Knowledge into Action

**Develop action plans.** Devise plans that specify *desired results* and *constraints*
(Is the course of action legal and compatible with the company’s mission, values, and policies?). Include *check-in points* and *implications for how you’ll spend your time*. And *revise* plans to reflect new opportunities.

**Take responsibility for decisions.** Ensure that each decision specifies who’s accountable for carrying it out, when it must be implemented, who’ll be affected by it, and who must be informed. Regularly review decisions, especially hires and promotions. This enables you to correct poor decisions before doing real damage.

**Take responsibility for communicating.** Get input from superiors, subordinates, and peers on your action plans. Let each know what information you need to get the job done. Pay equal attention to peers’ and superiors’ information needs.

**Focus on opportunities, not problems.** You get results by exploiting opportunities, not solving problems. Identify changes inside and outside your organization (new technologies, product innovations, new market structures), asking “How can we exploit this change to benefit our enterprise?” Then match your best people with the best opportunities.

**Ensure Companywide Accountability**
Run productive meetings. Articulate each meeting’s purpose (Making an announcement? Delivering a report?). Terminate the meeting once the purpose is accomplished. Follow up with short communications summarizing the discussion, spelling out new work assignments and deadlines for completing them. General Motors CEO Alfred Sloan’s legendary mastery of meeting follow-up helped secure GM’s industry dominance in the mid-twentieth century.

Think and say “We,” not “I.” Your authority comes from your organization’s trust in you. To get the best results, always consider your organization’s needs and opportunities before your own.

Effective executives’ second practice—fully as important as the first—is to ask, “Is this the right thing for the enterprise?” They do not ask if it’s right for the owners, the stock price, the employees, or the executives. Of course they know that shareholders, employees, and executives are important constituencies who have to support a decision, or at least acquiesce in it, if the choice is to be effective. They know that the share price is important not only for the shareholders but also for the enterprise, since the price/earnings ratio sets the cost of capital. But they also know that a decision that isn’t right for the enterprise will ultimately not be right for any of the stakeholders.

This second practice is especially important for executives at family owned or family run businesses—the majority of businesses in every country—particularly when they’re making decisions about people. In the successful family company, a relative is promoted only if he or she is measurably superior to all nonrelatives on the same level. At DuPont, for instance,
The most pernicious half-truth about leadership is that it’s just a matter of charisma and vision—you either have it or you don’t. The fact of the matter is that leadership skills are not innate. They can be acquired, and honed. But first you have to appreciate how they differ from management skills.

Management is about coping with complexity; it brings order and predictability to a situation. But that’s no longer enough—to succeed, companies must be able to adapt to change. Leadership, then, is about learning how to cope with rapid change.

How does this distinction play out?

- Management involves planning and budgeting. Leadership involves setting direction.

- Management involves organizing and staffing. Leadership involves aligning people.

- Management provides control and solves problems. Leadership provides
These two different functions—coping with complexity and coping with change—shape the characteristic activities of management and leadership. Each system of action involves deciding what needs to be done, creating networks of people and relationships that can accomplish an agenda, and then trying to ensure that those people actually do the job. But each accomplishes these three tasks in different ways.

Companies manage complexity first by planning and budgeting—setting targets or goals for the future (typically for the next month or year), establishing detailed steps for achieving those targets, and then allocating resources to accomplish those plans. By contrast, leading an organization to constructive change begins by setting a direction—developing a vision of the future (often the distant future) along with strategies for producing the changes needed to achieve that vision.

Management develops the capacity to achieve its plan by organizing and staffing—creating an organizational structure and set of jobs for accomplishing plan requirements, staffing the jobs with qualified individuals, communicating the plan to those people, delegating responsibility for carrying out the plan, and devising systems to monitor implementation. The equivalent leadership activity, however, is aligning people. This means communicating the new direction to those who can create coalitions that understand the vision and are committed to its achievement.
Management and leadership both involve deciding what needs to be done, creating networks of people to accomplish the agenda, and ensuring that the work actually gets done. Their work is complementary, but each system of action goes about the tasks in different ways.

**1. Planning and budgeting versus setting direction.** The aim of management is predictability—orderly results. Leadership’s function is to produce change. Setting the direction of that change, therefore, is essential work. There’s nothing mystical about this work, but it is more inductive than planning and budgeting. It involves the search for patterns and relationships. And it doesn’t produce detailed plans; instead, direction-setting results in visions and the overarching strategies for realizing them.

*Example:* In mature industries, increased competition usually dampens growth. But at American Express, Lou Gerstner bucked this trend, successfully crafting a vision of a dynamic enterprise.

The new direction he set wasn’t a mere attention-grabbing scheme—it was the result of asking fundamental questions about market and competitive forces.

**2. Organizing and staffing versus aligning people.** Managers look for the
right fit between people and jobs. This is essentially a design problem: setting up systems to ensure that plans are implemented precisely and efficiently. Leaders, however, look for the right fit between people and the vision. This is more of a communication problem. It involves getting a large number of people, inside and outside the company, first to believe in an alternative future—and then to take initiative based on that shared vision.

3. Controlling activities and solving problems versus motivating and inspiring. Management strives to make it easy for people to complete routine jobs day after day. But since high energy is essential to overcoming the barriers to change, leaders attempt to touch people at their deepest levels—by stirring in them a sense of belonging, idealism, and self-esteem.

*Example:* At Procter & Gamble’s paper products division, Richard Nicolosi underscored the message that “each of us is a leader” by pushing responsibility down to newly formed teams. An entrepreneurial attitude took root, and profits rebounded.

Finally, management ensures plan accomplishment by *controlling and problem solving*—monitoring results versus the plan in some detail, both formally and informally, by means of reports, meetings, and other tools; identifying deviations; and then planning and organizing to solve the problems. But for leadership, achieving a vision requires *motivating and inspiring*—keeping people moving in the right direction, despite major obstacles to change, by appealing to basic but often untapped human needs, values, and
Many employees are ambivalent about the efforts and sacrifices required of them. They often look to the senior executive to take problems off their shoulders. But those expectations have to be unlearned. Rather than fulfilling the expectation that they will provide answers, leaders have to ask tough questions. Rather than protecting people from outside threats, leaders should allow them to feel the pinch of reality in order to stimulate them to adapt. Instead of orienting people to their current roles, leaders must disorient them so that new relationships can develop. Instead of quelling conflict, leaders have to draw the issues out. Instead of maintaining norms, leaders have to challenge “the way we do business” and help others distinguish immutable values from historical practices that must go.

**Idea in Brief**

What presents your company with its toughest challenges? Shifting markets? Stiffening competition? Emerging technologies? When such challenges intensify, you may need to reclarify corporate values, redesign strategies, merge or dissolve businesses, or manage cross-functional strife.

These **adaptive challenges** are murky, systemic problems with no easy answers. Perhaps even more vexing, the solutions to adaptive challenges *don’t* reside in the executive suite. Solving them requires the involvement of people *throughout* your organization.
Adaptive work is tough on everyone. For leaders, it’s counterintuitive. Rather than providing solutions, you must ask tough questions and leverage employees’ collective intelligence. Instead of maintaining norms, you must challenge the “way we do business.” And rather than quelling conflict, you need to draw issues out and let people feel the sting of reality.

For your employees, adaptive work is painful—requiring unfamiliar roles, responsibilities, values, and ways of working. No wonder employees often try to lob adaptive work back to their leaders.

How to ensure that you and your employees embrace the challenges of adaptive work? Applying the following six principles will help.

Drawing on our experience with managers from around the world, we offer six principles for leading adaptive work: “getting on the balcony,” identifying the adaptive challenge, regulating distress, maintaining disciplined attention, giving the work back to people, and protecting voices of leadership from below. We illustrate those principles with an example of adaptive change at KPMG Netherlands, a professional-services firm.
Get on the Balcony

Earvin “Magic” Johnson’s greatness in leading his basketball team came in part from his ability to play hard while keeping the whole game situation in mind, as if he stood in a press box or on a balcony above the field of play. Bobby Orr played hockey in the same way. Other players might fail to recognize the larger patterns of play that performers like Johnson and Orr quickly understand, because they are so engaged in the game that they get carried away by it. Their attention is captured by the rapid motion, the physical contact, the roar of the crowd, and the pressure to execute. In sports, most players simply may not see who is open for a pass, who is missing a block, or how the offense and defense work together. Players like Johnson and Orr watch these things and allow their observations to guide their actions.

Business leaders have to be able to view patterns as if they were on a balcony. It does them no good to be swept up in the field of action. Leaders have to see a context for change or create one. They should give employees a strong sense of the history of the enterprise and what’s good about its past, as well as an idea of the market forces at work today and the responsibility people must take in shaping the future. Leaders must be able to identify struggles over values and power, recognize patterns of work avoidance, and watch for the many other functional and dysfunctional reactions to change.
1. **Get on the balcony.** Don’t get swept up in the field of play. Instead, move back and forth between the “action” and the “balcony.” You’ll spot emerging patterns, such as power struggles or work avoidance. This high-level perspective helps you mobilize people to do adaptive work.

2. **Identify your adaptive challenge.**

   *Example:* When British Airways’ passengers nicknamed it “Bloody Awful,” CEO Colin Marshall knew he had to infuse the company with a dedication to customers. He identified the adaptive challenge as “creating trust throughout British Airways.” To diagnose the challenge further, Marshall’s team mingled with employees and customers in baggage areas, reservation centers, and planes, asking which beliefs, values, and behaviors needed overhauling. They exposed value-based conflicts underlying surface-level disputes, and resolved the team’s own dysfunctional conflicts that impaired companywide collaboration. By understanding themselves, their people, and the company’s conflicts, the team strengthened British Airways’ bid to become “the World’s Favourite Airline.”

3. **Regulate distress.** To inspire change—without disabling people—pace adaptive work:

   - First, let employees debate issues and clarify assumptions behind competing views—safely.
• Then provide direction. Define key issues and values. Control the rate of change: Don’t start too many initiatives simultaneously without stopping others.

• Maintain just enough tension, resisting pressure to restore the status quo. Raise tough questions without succumbing to anxiety yourself. Communicate presence and poise.

4. **Maintain disciplined attention.** Encourage managers to grapple with divisive issues, rather than indulging in scapegoating or denial. Deepen the debate to unlock polarized, superficial conflict. Demonstrate collaboration to solve problems.

5. **Give the work back to employees.** To instill collective self-confidence—versus dependence on you—support rather than control people. Encourage risk-taking and responsibility—then back people up if they err. Help them recognize they contain the solutions.

6. **Protect leadership voices from below.** Don’t silence whistle-blowers, creative deviants, and others exposing contradictions within your company. Their perspectives can provoke fresh thinking. Ask, “What is this guy really talking about? Have we missed something?”

Without the capacity to move back and forth between the field of action and the balcony, to reflect day to day, moment to moment, on the many ways in which an
In the course of regulating people’s distress, a leader faces several key responsibilities and may have to use his or her authority differently depending on the type of work situation.

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<tr>
<th>Leader’s responsibilities</th>
<th>Type of situation</th>
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<td></td>
<td>Technical or routine</td>
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<tr>
<td><strong>Direction</strong></td>
<td>Define problems and provide solutions</td>
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<tr>
<td><strong>Protection</strong></td>
<td>Shield the organization from external threats</td>
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<tr>
<td><strong>Orientation</strong></td>
<td>Clarify roles and responsibilities</td>
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<tr>
<td><strong>Managing conflict</strong></td>
<td>Restore order</td>
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<tr>
<td><strong>Shaping norms</strong></td>
<td>Maintain norms</td>
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Third, a leader must have presence and poise; regulating distress is perhaps a leader’s most difficult job. The pressures to restore equilibrium are enormous. Just as molecules bang hard against the walls of a pressure cooker, people bang up against leaders who are trying to sustain the pressures of tough, conflict-filled work. Although leadership demands a deep understanding of the pain of change—the fears and sacrifices associated with major readjustment—it also requires the ability to hold steady and maintain the tension.
Reveal Your Weaknesses

When leaders reveal their weaknesses, they show us who they are—warts and all. This may mean admitting that they’re irritable on Monday mornings, that they are somewhat disorganized, or even rather shy. Such admissions work because people need to see leaders own up to some flaw before they participate willingly in an endeavor. Exposing a weakness establishes trust and thus helps get folks on board. Indeed, if executives try to communicate that they’re perfect at everything, there will be no need for anyone to help them with anything. They won’t need followers. They’ll signal that they can do it all themselves.

Idea in Brief

The question “Why should anyone be led by you?” strikes fear in the hearts of most executives. With good reason. You can’t get anything done without followers, and in these “empowered” times, followers are hard to find—except by leaders who excel at capturing people’s hearts, minds, and spirits.

How do you do that? Of course, you need vision, energy, authority, and strategic direction—and these four additional qualities:

• Show you’re human, selectively revealing weaknesses.
• Be a “sensor,” collecting soft people data that lets you rely on intuition.

• Manage employees with “tough empathy.” Care passionately about them and their work, while giving them only what they need to achieve their best.

• Dare to be different, capitalizing on your uniqueness.

Mix and match these qualities to find the right style for the right moment.

Without all four qualities, you might climb to the top. But few people will want to follow you, and your company won’t achieve its best results.

Beyond creating trust and a collaborative atmosphere, communicating a weakness also builds solidarity between followers and leaders. Consider a senior executive we know at a global management consultancy. He agreed to give a major presentation despite being badly afflicted by physical shaking caused by a medical condition. The otherwise highly critical audience greeted this courageous display of weakness with a standing ovation. By giving the talk, he had dared to say, “I am just like you—imperfect.” Sharing an imperfection is so effective because it underscores a human being’s authenticity. Richard Branson, the founder of Virgin, is a brilliant businessman and a hero in the United Kingdom. (Indeed, the Virgin brand is so linked to him personally that succession is a significant issue.) Branson is particularly effective at communicating his vulnerability. He is ill at ease and fumbles incessantly when interviewed in public. It’s a weakness, but it’s Richard Branson. That’s what revealing a weakness is all about: showing your followers
that you are genuine and approachable—human and humane.

Idea in Practice

Reveal Your Weaknesses

Nobody wants to work with a perfect leader—he doesn’t appear to need help. So show you’re human—warts and all. You’ll build collaboration and solidarity between you and your followers, and underscore your approachability.

Tips:

• Don’t expose a weakness that others see as fatal. (A new finance director shouldn’t reveal his ignorance of discounted cash flow!) Choose a tangential weakness instead.

• Pick a flaw that others consider a strength, e.g., workaholism.

Become a Sensor

Hone your ability to collect and interpret subtle interpersonal cues, detecting what’s going on without others’ spelling it out.
*Example:* Franz Humer, highly successful CEO of Roche, a health-care research company, senses underlying currents of opinion, gauges unexpressed feelings, and accurately judges relationships’ quality.

Tip:

- Test your perceptions: Validate them with a trusted advisor or inner-team member.

**Practice Tough Empathy**

Real leaders empathize fiercely with their followers and care intensely about their people’s work. They’re also empathetically “tough.” This means giving people not necessarily what they *want*, but what they *need* to achieve their best.

*Example:* BBC CEO Greg Dyke knew that to survive in a digital world, the company had to spend more on programs and less on people. He restructured the organization, but only after explaining this openly and directly to the staff. Though many employees lost jobs, Dyke kept people’s commitment.

**Dare to Be Different**

Capitalizing on what’s unique about yourself lets you signal your separateness as a
leader, and motivates others to perform better. Followers push themselves more if their leader is just a little aloof.

Tips:

• Don’t overdifferentiate yourself—you could lose contact with followers.

Robert Horton, former CEO of British Petroleum, conspicuously displayed his formidable intelligence. Followers saw him as arrogant, and detached themselves from him. He was dismissed after three years.

• Distinguish yourself through qualities like imagination, expertise, and adventure-someness.

Another advantage to exposing a weakness is that it offers a leader valuable protection. Human nature being what it is, if you don’t show some weakness, then observers may invent one for you. Celebrities and politicians have always known this. Often, they deliberately give the public something to talk about, knowing full well that if they don’t, the newspapers will invent something even worse. Princess Diana may have aired her eating disorder in public, but she died with her reputation intact, indeed even enhanced.

That said, the most effective leaders know that exposing a weakness must be done carefully. They own up to selective weaknesses. Knowing which weakness to disclose is a highly honed art. The golden rule is never to expose a weakness that will be seen as a fatal flaw—by which we mean a flaw that jeopardizes central aspects of your professional role.
power that could resist bureaucratization was charismatic leadership. But even this has a very mixed record in the twentieth century. Although there have been inspirational and transformational wartime leaders, there have also been charismatic leaders like Hitler, Stalin, and Mao Tse-tung who committed horrendous atrocities.

By the twentieth century, there was much skepticism about the power of reason and man’s ability to progress continuously. Thus, for both pragmatic and philosophic reasons, an intense interest in the concept of leadership began to develop. And indeed, in the 1920s, the first serious research started. The first leadership theory—trait theory—attempted to identify the common characteristics of effective leaders. To that end, leaders were weighed and measured and subjected to a battery of psychological tests. But no one could identify what
of the responsibility for running their workplace. Further, he created an environment where dissent was not only tolerated but also encouraged. The plant’s lively independent newspaper, the Bolivar Mirror, gave workers a creative and emotional outlet—and they enthusiastically skewered Harman in its pages.

Harman had, unexpectedly, become a pioneer of participative management, a movement that continues to influence the shape of workplaces around the world. The concept wasn’t a grand idea conceived in the CEO’s office and imposed on the plant, Harman says. It grew organically out of his going down to Bolivar to, in his words, “put out this fire.” Harman’s transformation was, above all, a creative one. He had connected two seemingly unrelated ideas and created a radically different approach to management that recognized both the economic and humane benefits of a more collegial workplace. Harman went on to accomplish far more during his career. In addition to founding Harman International, he served as the deputy secretary of commerce under Jimmy Carter. But he always looked back on the incident in Bolivar as the formative event in his professional life, the moment he came into his own as a leader.

Idea in Brief

What enables one leader to inspire confidence, loyalty, and hard work, while others—with equal vision and intelligence—stumble? How individuals deal with adversity provides a clue.
Extraordinary leaders find meaning in—and learn from—the most negative events. Like phoenixes rising from the ashes, they emerge from adversity stronger, more confident in themselves and their purpose, and more committed to their work.

Such transformative events are called **crucibles**—a severe test or trial. Crucibles are intense, often traumatic—and always unplanned.

The details of Harman’s story are unique, but their significance is not. In interviewing more than 40 top leaders in business and the public sector over the past three years, we were surprised to find that all of them—young and old—were able to point to intense, often traumatic, always unplanned experiences that had transformed them and had become the sources of their distinctive leadership abilities.

We came to call the experiences that shape leaders “crucibles,” after the vessels medieval alchemists used in their attempts to turn base metals into gold. For the leaders we interviewed, the crucible experience was a trial and a test, a point of deep self-reflection that forced them to question who they were and what mattered to them. It required them to examine their values, question their assumptions, hone their judgment. And, invariably, they emerged from the crucible stronger and more sure of themselves and their purpose—changed in some fundamental way.

Leadership crucibles can take many forms. Some are violent, life-threatening events. Others are more prosaic episodes of self-doubt. But whatever the crucible’s nature, the people we spoke with were able, like Harman, to create a narrative around it, a story of
how they were challenged, met the challenge, and became better leaders. As we studied these stories, we found that they not only told us how individual leaders are shaped but also pointed to some characteristics that seem common to all leaders—characteristics that were formed, or at least exposed, in the crucible.

**Idea in Practice**

**The Crucible Experience**

Crucibles force leaders into deep self-reflection, where they examine their values, question their assumptions, and hone their judgment.

*Example:* Sidney Harman—co-founder of audio components company Harman Kardon and president of an experimental college encouraging student-driven education—encountered his crucible when “all hell broke loose” in one of his factories. After managers postponed a scheduled break because the buzzer didn’t sound, workers rebelled. “I don’t work for no buzzer,” one proclaimed.

To Harman, this refusal to bow to management’s senseless rule suggested a surprising link between student-driven education and business. Pioneering participative management, Harman transformed his plant into a kind of campus,
offering classes and encouraging dissent. He considers the rebellion the formative event in his career—the moment he became a true leader.

The Many Shapes of Crucibles

Some crucibles are violent and life-threatening (encounters with prejudice, illness); others are more positive, yet profoundly challenging (such as demanding bosses or mentors). Whatever the shape, leaders create a narrative telling how they met the challenge and became better for it.

Example: While working for former Atlanta mayor Robert F. Maddox, Vernon Jordan endured repeated racial heckling from Maddox. Rather than letting Maddox’s sadism destroy him, Jordan interpreted the behavior as a desperate lashing out by someone who knew the era of the Old South was ending. Jordan’s response empowered him to become an esteemed lawyer and presidential advisor.

Essential Leadership Skills

Four skills enable leaders to learn from adversity:

1. Engage others in shared meaning. For example, Sidney Harman mobilized
employees around a radical new management approach—amid a factory crisis.

2. **A distinctive, compelling voice.** With words alone, college president Jack Coleman preempted a violent clash between the football team and anti-Vietnam War demonstrators threatening to burn the American flag. Coleman’s suggestion to the protestors? Lower the flag, wash it, then put it back up.

3. **Integrity.** Coleman’s values prevailed during the emotionally charged face-off between antiwar demonstrators and irate football players.

4. **Adaptive capacity.** This most critical skill includes the *ability to grasp context*, and *hardiness*. Grasping context requires weighing many factors (e.g., how different people will interpret a gesture). Without this quality, leaders can’t connect with constituents.

  Hardiness provides the perseverance and toughness needed to remain hopeful despite disaster. For instance, Michael Klein made millions in real estate during his teens, lost it all by age 20—then built several more businesses, including transforming a tiny software company into a Hewlett-Packard acquisition.
**Highly capable individual:** Makes productive contributions through talent, knowledge, skills, and good work habits.

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### Idea in Brief

Out of 1,435 Fortune 500 companies that renowned management researcher Jim Collins studied, only 11 achieved and sustained greatness—garnering stock returns at least three times the market’s—for 15 years after a major transition period.

What did these 11 companies have in common? Each had a “Level 5” leader at the helm.

Level 5 leaders blend the paradoxical combination of **deep personal humility** with **intense professional will.** This rare combination also defies our assumptions about what makes a great leader.

Celebrities like Lee Iacocca may make headlines. But mild-mannered, steely leaders like Darwin Smith of Kimberly-Clark boost their companies to greatness—and keep them there.

**Example:** Darwin Smith—CEO at paper-products maker Kimberly-Clark
from 1971 to 1991—epitomizes Level 5 leadership. Shy, awkward, shunning attention, he also showed iron will, determinedly redefining the firm’s core business despite Wall Street’s skepticism. The formerly lackluster Kimberly-Clark became the worldwide leader in its industry, generating stock returns 4.1 times greater than the general market’s.
Humility + Will = Level 5

How do Level 5 leaders manifest humility? They routinely credit others, external factors, and good luck for their companies’ success. But when results are poor, they blame themselves. They also act quietly, calmly, and determinedly—relying on inspired standards, not inspiring charisma, to motivate.

Inspired standards demonstrate Level 5 leaders’ unwavering will. Utterly intolerant of mediocrity, they are stoic in their resolve to do whatever it takes to produce great results—terminating everything else. And they select superb successors, wanting their companies to become even more successful in the future.

Can You Develop Level 5 Leadership?

Level 5 leaders sit atop a hierarchy of four more common leadership levels—and possess the skills of all four. For example, Level 4 leaders catalyze commitment to and vigorous pursuit of a clear, compelling vision. Can you move from Level 4 to Level 5? Perhaps, if you have the Level 5 “seed” within you.
Leaders *without* the seed tend to have monumental egos they can’t subjugate to something larger and more sustaining than themselves, i.e., their companies. But for leaders *with* the seed, the right conditions—such as self-reflection or a profoundly transformative event, such as a life-threatening illness—can stimulate the seed to sprout.

**Growing to Level 5**

Grow Level 5 seeds by practicing these good-to-great disciplines of Level 5 leaders.

**First who**

Attend to people first, strategy second. Get the right people on the bus and the wrong people off—*then* figure out where to drive it.

**Stockdale paradox**

Deal with the brutal facts of your current reality—while maintaining absolute faith that you’ll prevail.
Buildup-breakthrough flywheel

Keep pushing your organizational “flywheel.” With consistent effort, momentum increases until—bang!—the wheel hits the breakthrough point.

The hedgehog concept

Think of your company as three intersecting circles: what it can be best at, how its economics work best, and what ignites its people’s passions. Eliminate everything else.

He showed the same iron will when he was at the helm of Kimberly-Clark. Indeed, two months after Smith became CEO, doctors diagnosed him with nose and throat cancer and told him he had less than a year to live. He duly informed the board of his illness but said he had no plans to die anytime soon. Smith held to his demanding work schedule while commuting weekly from Wisconsin to Houston for radiation therapy. He lived 25 more years, 20 of them as CEO.

Smith’s ferocious resolve was crucial to the rebuilding of Kimberly-Clark, especially when he made the most dramatic decision in the company’s history: selling the mills.

To explain: Shortly after he took over, Smith and his team had concluded that the
And so, like the general who burned the boats upon landing on enemy soil, leaving his troops to succeed or die, Smith announced that Kimberly-Clark would sell its mills—even the namesake mill in Kimberly, Wisconsin. All proceeds would be thrown into the consumer business, with investments in brands like Huggies diapers and Kleenex tissues. The business media called the move stupid, and Wall Street analysts downgraded the stock. But Smith never wavered. Twenty-five years later, Kimberly-Clark owned Scott Paper and beat Procter & Gamble in six of eight product categories. In retirement, Smith reflected on his exceptional performance, saying simply, “I never stopped trying to become qualified for the job.”
and individual performance vary according to action logic. Notably, we found that the three
types of leaders associated with below-average corporate performance (Opportunist,
Diplomats, and Experts) accounted for 55% of our sample. They were significantly less
effective at implementing organizational strategies than the 30% of the sample who
measured as Achievers. Moreover, only the final 15% of managers in the sample
(Individualists, Strategists, and Alchemists) showed the consistent capacity to innovate and
to successfully transform their organizations.

Idea in Brief

Every company needs transformational leaders—those who spearhead changes
that elevate profitability, expand market share, and change the rules of the game in
their industry. But few executives understand the unique strengths needed to
become such a leader. Result? They miss the opportunity to develop those
strengths. They and their firms lose out.

How to avoid this scenario? Recognize that great leaders are differentiated not by
their personality or philosophy but by their action logic—how they interpret their
own and others’ behavior and how they maintain power or protect against threats.

Some leaders rely on action logics that hinder organizational performance.
Opportunists, for example, believe in winning any way possible, and often exploit
others to score personal gains. Few people follow them for long. Other types prove potent change agents. In particular, Strategists believe that every aspect of their organization is open to discussion and transformation. Their action logic enables them to challenge perceptions that constrain their organizations and to overcome resistance to change. They create compelling, shared visions and lead the pragmatic initiatives needed to realize those visions.

Though Strategists are rare, you can develop their defining strengths. How? Diagnose your current action logic and work to upgrade it. The payoff? You help your company execute the changes it needs to excel.

To understand how leaders fall into such distinct categories and corporate performance, let’s look in more detail at each leadership style in turn, starting with the least productive (and least complex).
The Opportunist

Our most comforting finding was that only 5% of the leaders in our sample were characterized by mistrust, egocentrism, and manipulativeness. We call these leaders Opportunists, a title that reflects their tendency to focus on personal wins and see the world and other people as opportunities to be exploited. Their approach to the outside world is largely determined by their perception of control—in other words, how they will react to an event depends primarily on whether or not they think they can direct the outcome. They treat other people as objects or as competitors who are also out for themselves.

Idea in Practice

Seven Types of Action Logic
### Changing Your Action Logic Type

To change your action logic type, experiment with new interpersonal behaviors, forge new kinds of relationships, and seize advantage of work opportunities. For example:

<table>
<thead>
<tr>
<th>Type</th>
<th>Characteristics</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunist</td>
<td>Wins any way possible. Self-oriented; manipulative; “might makes right.”</td>
<td>Good in emergencies and in pursuing sales.</td>
<td>Few people want to follow them for the long term.</td>
</tr>
<tr>
<td>Diplomat</td>
<td>Avoids conflict. Wants to belong; obeys group norms; doesn’t rock the boat.</td>
<td>Supportive glue on teams.</td>
<td>Can’t provide painful feedback or make the hard decisions needed to improve performance.</td>
</tr>
<tr>
<td>Expert</td>
<td>Rules by logic and expertise. Uses hard data to gain consensus and buy-in.</td>
<td>Good individual contributor.</td>
<td>Lacks emotional intelligence; lacks respect for those with less expertise.</td>
</tr>
<tr>
<td>Achiever</td>
<td>Meets strategic goals. Promotes teamwork; juggles managerial duties and responds to market demands to achieve goals.</td>
<td>Well suited to managerial work.</td>
<td>Inhibits thinking outside the box.</td>
</tr>
<tr>
<td>Individualist</td>
<td>Operates in unconventional ways. Ignores rules he/she regards as irrelevant.</td>
<td>Effective in venture and consulting roles.</td>
<td>Irritates colleagues and bosses by ignoring key organizational processes and people.</td>
</tr>
<tr>
<td>Strategist</td>
<td>Generates organizational and personal change. Highly collaborative; weaves visions with pragmatic, timely initiatives; challenges existing assumptions.</td>
<td>Generates transformations over the short and long term.</td>
<td>None</td>
</tr>
<tr>
<td>Alchemist</td>
<td>Generates social transformations (e.g., Nelson Mandela). Reinvents organizations in historically significant ways.</td>
<td>Leads societywide change.</td>
<td>None</td>
</tr>
</tbody>
</table>
Opportunists tend to regard their bad behavior as legitimate in the cut and thrust of an eye-for-an-eye world. They reject feedback, externalize blame, and retaliate harshly. One can see this action logic in the early work of Larry Ellison (now CEO of Oracle). Ellison describes his managerial style at the start of his career as “management by ridicule.”

“You’ve got to be good at intellectual intimidation and rhetorical bullying,” he once told Matthew Symonds of the Economist. “I’d excuse my behavior by telling myself I was just having ‘an open and honest debate.’ The fact is, I just didn’t know any better.”

Few Opportunists remain managers for long, unless they transform to more effective action logics (as Ellison has done). Their constant firefighting, their style of self-
and Diplomat; the most effective, the Strategist and Alchemist. Knowing your own action logic can be the first step toward developing a more effective leadership style. If you recognize yourself as an Individualist, for example, you can work, through both formal and informal measures, to develop the strengths and characteristics of a Strategist.

<table>
<thead>
<tr>
<th>Action Logic</th>
<th>Characteristics</th>
<th>Strengths</th>
<th>% of research sample profiling at this action logic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunist</td>
<td><em>Wins any way possible.</em> Self-oriented; manipulative; “might makes right.”</td>
<td>Good in emergencies and in sales opportunities.</td>
<td>5%</td>
</tr>
<tr>
<td>Diplomat</td>
<td><em>Avoids overt conflict.</em> Wants to belong; obeys group norms; rarely rocks the boat.*</td>
<td>Good as supportive glue within an office; helps bring people together.</td>
<td>12%</td>
</tr>
<tr>
<td>Expert</td>
<td><em>Rules by logic and expertise.</em> Seeks rational efficiency.</td>
<td>Good as an individual contributor.</td>
<td>38%</td>
</tr>
<tr>
<td>Role</td>
<td>Description</td>
<td>Suited to Role</td>
<td>Percentage</td>
</tr>
<tr>
<td>------------</td>
<td>------------------------------------------------------------------------------</td>
<td>---------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Achiever</td>
<td><em>Meets strategic goals.</em> Effectively achieves goals through teams; juggles managerial duties and market demands.</td>
<td>Well suited to managerial roles; action and goal oriented.</td>
<td>30%</td>
</tr>
<tr>
<td>Individualist</td>
<td><em>Interweaves competing personal and company action logics.</em> Creates unique structures to resolve gaps between strategy and performance.</td>
<td>Effective in venture and consulting roles.</td>
<td>10%</td>
</tr>
<tr>
<td>Strategist</td>
<td><em>Generates organizational and personal transformations.</em> Exercises the power of mutual inquiry, vigilance, and vulnerability for both the short and long term.</td>
<td>Effective as a transformational leader.</td>
<td>4%</td>
</tr>
<tr>
<td>Alchemist</td>
<td><em>Generates social transformations.</em> Integrates material, spiritual, and societal transformation.</td>
<td>Good at leading society-wide transformations.</td>
<td>1%</td>
</tr>
</tbody>
</table>
All this work has led us to develop a model of distributed leadership. This framework, which synthesizes our own research with ideas from other leadership scholars, views leadership as a set of four capabilities: sensemaking (understanding the context in which a company and its people operate), relating (building relationships within and across organizations), visioning (creating a compelling picture of the future), and inventing (developing new ways to achieve the vision).

Idea in Brief

Have you ever feigned confidence to superiors or reports? Hidden the fact you were confused by the latest business results or blindsided by a competitor’s move? If so, you’ve bought into the myth of the complete leader: the flawless being at the top who’s got it all figured out.

It’s an alluring myth. But in today’s world of increasingly complex problems, no human being can meet this standard. Leaders who try only exhaust themselves, endangering their organizations.

Ancona and her coauthors suggest a better way to lead: Accept that you’re human, with strengths and weaknesses. Understand the four leadership capabilities all organizations need:
• Sensemaking—interpreting developments in the business environment

• Relating—building trusting relationships

• Visioning—communicating a compelling image of the future

• Inventing—coming up with new ways of doing things

Then find and work with others who can provide the capabilities you’re missing.

Take this approach, and you promote leadership throughout your organization, unleashing the expertise, vision, and new ideas your company needs to excel.

While somewhat simplified, these capabilities span the intellectual and interpersonal, the rational and intuitive, and the conceptual and creative capacities required in today’s business environment. Rarely, if ever, will someone be equally skilled in all four domains. Thus, incomplete leaders differ from incompetent leaders in that they understand what they’re good at and what they’re not and have good judgment about how they can work with others to build on their strengths and offset their limitations.

Sometimes, leaders need to further develop the capabilities they are weakest in. The exhibits throughout this article provide some suggestions for when and how to do that. Other times, however, it’s more important for leaders to find and work with others to compensate for their weaknesses. Teams and organizations—not just individuals—can use this framework to diagnose their strengths and weaknesses and find ways to balance their
Idea in Practice

Incomplete leaders find people throughout their company who can complement their strengths and offset their weaknesses. To do this, understand the four leadership capabilities organizations need. Then diagnose your strength in each:
<table>
<thead>
<tr>
<th>Capability</th>
<th>What it means</th>
<th>Example</th>
<th>Look for help in this capability if you ...</th>
</tr>
</thead>
</table>
| Sensemaking | Constantly understanding changes in the business environment and interpreting their ramifications for your industry and company | A CEO asks, “How will new technologies reshape our industry?” “How does globalization of labor markets affect our recruitment strategy?” | • Feel strongly that you’re always right.  
• Frequently get blindsided by changes in your company or industry.  
• Feel resentful when things change. |
| Relating   | Building trusting relationships, balancing advocacy (explaining your viewpoints) with inquiry (listening to understand others’ viewpoints), and cultivating networks of supportive confidants | Former Southwest Airlines CEO Herb Kelleher excels at building trusting relationships. He wasn’t afraid to tell employees he loved them, and reinforced those emotional bonds with equitable compensation and profit sharing. | • Blame others for failed projects.  
• Feel others are constantly letting you down or that they can’t be trusted.  
• Frequently experience unpleasant, frustrating, or argumentative interactions with others. |
| Visioning | Creating credible and compelling images of a desired future that people in the organization want to create together | eBay founder Pierre Omidyar envisioned a new way of doing large-scale retailing: an online community where users took responsibility for what happened and had equal access to information. | • Often wonder, “Why are we doing this?” or “Does it really matter?”  
• Can’t remember the last time you felt excited about your work.  
• Feel you’re lacking sense of larger purpose. |
|-----------|---------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inventing | Creating new ways of approaching tasks or overcoming seemingly insurmountable problems to turn visions into reality | eBay CEO Meg Whitman helped bring Omidyar’s vision of online retailing to life by inventing ways to deal with security, vendor reliability, and product diversification. | • Have difficulty relating the company’s vision to what you’re doing today.  
• Notice gaps between your firm’s aspirations and the way work is organized.  
• Find that things tend to revert to business as usual. |