

Our Leadership Manifesto

We aim with this Leadership Manifesto to inspire, empower, and enable people who have the aspiration to become leaders to make a difference in their world.

Better Leaders, Better World

By Robert Hargrove

Our intention in this Leadership Manifesto is to sound the tone for "Better Leaders, Better World." We believe that leaders in business, government, healthcare, education, and other organizations who hear this tone and come to the tone by taking a stand for leadership development will be met with unparalleled success. We believe that those who are indifferent to the tone will be met with mixed fortunes at best. And those who do not hear the tone, like so many fallen CEOs, may be crushed by it.



We are committed to the proposition "Better Leaders, Better World."

Just think for a moment what the implications of this statement might be in your world. As Benjamin Disraeli, the great English Prime Minister, once said, "The planet goes on because of leaders who take a stand and make a difference." In most businesses, governments, and other organizations, there are a critical few extraordinary leaders who take a stand and make a difference—and a lot of very ordinary people who never stand for anything except more of the same. What if you could increase the number of those critical few leaders, even if only by a small margin?

We are sounding the tone that leadership development—your own and others'—is the most high-leverage thing you can do. Imagine how leadership development would impact creating an inspired, high-performing business organization. Imagine how it would impact issues like achieving peace in the Middle East, ending hunger and starvation in Africa, improving the healthcare system in the United States, or even bettering the schools in your own neighborhood. The persistence of these issues on a global, national, and local level is a red flag for the fact that leadership is often missing. If we can acknowledge that leadership is missing and see it as an opportunity rather than a threat, we can begin to call forth the extraordinary leadership that is needed and wanted.

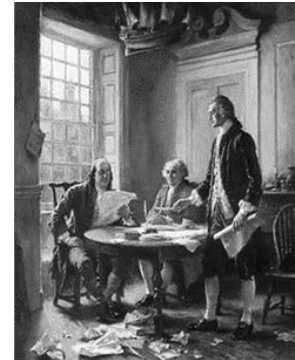
What is leadership?

We believe that leaders are ordinary people who become extraordinary in daring to take a stand

that a difference can be made with respect to deplorable conditions and throbbing human needs and wants. Leaders stand for a possibility larger than themselves that represents what's missing that, if provided, would produce a breakthrough: a Bill of Rights versus tyranny, a plan for prosperity versus poverty, healthcare versus disease.

To transform a mere possibility into a reality, leaders must mobilize people to make the effort successful by speaking to the vision that already exists in their minds and hearts, as well as demonstrating strong intentions in the face of difficult facts and circumstances.

The American Revolution and United States Constitution would not have been possible without the brilliant constellation of leaders like George Washington, Thomas Jefferson, James Madison, and Thomas Paine. Nor would America exist today without the exceptional leadership of Abraham Lincoln or Franklin Delano Roosevelt.



Millions more would have died from diseases like smallpox and polio had it not have been for the leadership of people in medical science like Louis Pasteur and

Jonas Salk. Thanks to the leadership of Craig Venter of Celera Genomics, scientists are that much closer to eliminating possibly dozens of genetic disorders and diseases from human history.

Leaders of grassroots political movements, like Martin Luther

King Jr. who advanced the cause of personal and civil rights for millions. This cause was embraced by others around the world, like Nelson Mandela, who worked to end apartheid in South Africa, and Vaclav Havel, who rallied the Czech people against their Communist oppressors.

Leaders in design like urban planner Norman Krumholz and architect I.M. Pei used modern, efficient designs to provide affordable, aesthetic housing to thousands of low-income people. The engineering and leadership genius of Frank Crowe led to the construction of the Hoover Dam before the deadline and under budget, providing thousands living in a destitute area of Nevada with jobs and drinking water during the harsh years of the Great Depression.

A leader captures the vision that is already in people's minds & hearts.



I have a dream....

Nor would our quality of life be the same without the technical leadership of Thomas Edison and Alexander Graham Bell, whose inventions added untold convenience to the lives of millions. Business leaders like Henry Ford, who invented the Model T, and Stephen Jobs, who created the idea of the "people's computer," revolutionized the manner in which we live our daily lives.

The acid test of leadership

The "acid test" of leadership in any field is to initiate and bring about sudden and irrevocable change in deplorable situations that might otherwise last for decades or even centuries. We are speaking about change that is consistent with fundamental human values.

This acid test of leadership may sound simple and straightforward enough, but there are in fact very few people in leadership roles who are able to pass the test. How many American presidents do you associate with bringing about an "irreversible change" that resulted in a better world? How many CEOs could you write down on your list? How many scientists, artists, or college professors? For many leaders, the challenge of tackling the status quo and making a difference, while simultaneously engaging in the political realities of attaining a top leadership position, building high-leverage relationships, or even clinging to an executive role can be a daunting one.



The acid test of leadership is being able to mobilize people to bring about irrevocable change, consistent with fundamental values.

Furthermore, many people in top positions are not in fact leaders who want to make a difference, but rather power-wielders who operate from a position of shortsighted, reckless self-interest. Dennis Kozlowski of Tyco, Ken Lay of Enron, and "Chainsaw" Al Dunlap of Sunbeam Corporation all stand out as examples of corporate anti-heroes.

The idea of political villains, from President Richard Nixon to former Congressman James Traficant, expelled from the House for ethics violations, is so ingrained in our culture that we seldom raise an eyebrow at the news of a scandal on Capitol Hill. Every day we read about leaders who have fallen from grace, ruining their careers while causing untold damage to their organizations. Perhaps the biggest dilemma facing leadership today is a lack of integrity, dangerously coupled with an overabundance of gluttony.

We wrote this Manifesto with a view toward creating a cultural clearing for leadership development in business, government, healthcare, education, science, the arts, and other organizations and institutions. The early drafts of the Leadership Manifesto on our website www.MasterfulCoaching.com created the opportunity to engage leaders from different fields in a robust dialogue that raised a number of pivotal questions: Why is leadership development so important today? How do you transform ordinary people into extraordinary leaders? What is the best delivery mechanism for that transformational process?

The corporation has been our laboratory for studying leadership, but the lessons can be applied anywhere

We are interested in developing leaders in all domains: business, government, healthcare, education, and other organizations. We want to see more able leaders as presidents of countries, CEOs of corporations, directors of hospitals, chancellors of universities, and so on. However, during the last decade or so we have used corporations as a learning lab for discovering what it will take to develop leaders in these other areas. We have seen firsthand the impact of the presence or lack of leadership and clearly it is the difference between an inspired and a resigned organization, between a successful strategy and a bankrupt one, between accomplishing what needs to be accomplished and watching the best laid plans go astray.

Executive leadership development is not exclusive to the corporate boardroom. Every organization with a hierarchical, fluid power structure—from corporations to government agencies to charities—has key leadership positions that will require effective leadership today and competent successors in the future. That means that today's leaders must focus on developing themselves as able leaders while developing the next generation of leaders to take the helm. Thus, we assert that

Today's leaders should put leadership development, their own and others', at the top of the agenda.

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Why leadership development today is a "got to have" versus a "nice to have"

Consider these facts:

◆ The rate of CEO dismissals has increased by 170% from 1995 to 2003

◆ 1/3 of all CEO turnovers in 2003 were involuntary

◆ 20% of current Fortune 700 CEOs have been in their current position for one year or less

◆ In 1980, more than half the CEOs of Fortune 100 companies were in their 60's; today barely a quarter

◆ The younger the CEO when hired, the higher the likelihood of being fired

We have directly witnessed, through our coaching work with corporate executives (this can be applied to any organization), that when a leader makes the leap from "good" to "great," it can make a huge difference in the success of his company. In some cases, paying attention to leadership development could be a matter of survival. In 2003, Drake Bean Moran, an international Human Resources consulting firm, reported the results of a research study that showed that roughly 30% of *Fortune* 500 CEOs are replaced every year due to performance issues. We wonder if this would occur if CEOs paid more attention to leadership development.

Secondly, a good reason for prioritizing leadership development concerns some disturbing demographic trends. In the years ahead, there will be a declining leadership pool to choose from. According to research by global HR outsourcing and consulting firm, Hewitt Associates, as aging baby boomers move from the boardroom to the golf course over the next decade, there will be a 15% decrease in men and women of "key leader age." On top of that, many women are choosing not to enter the job market, and more and more executives are choosing to downshift, as one might say, to "doing their own thing." If you are not actively developing the next generation of leaders today, the chances are that the competition for leaders on the open market will be so stiff in the years ahead that your organization may be priced out of the market.

The financial consequences of selecting and developing the right people are huge; the difference between one person in a role vs. another may be 100 to 150%.

Thirdly, which people are chosen for executive roles could equate to savings of at least hundreds of thousands and upwards of millions of dollars. According to Claude Pepper, CEO of Proctor & Gamble, "We give two of our market development teams the same products, initiatives, and resources. The results of those teams may vary as much as 50%. The distinguishing difference is who the leader of the team is."

Finally, the challenge of managing organizations on a global basis in the midst of demographic shifts, joint ventures, and disruptive technologies will increasingly require extraordinary leaders who can develop a vision for the future, increase creative collaboration, and mobilize people from top to bottom to bring about change. Having effective leaders can directly translate to game-changing products or ideas, millions in profitable growth, and even billions of dollars in market value.

How do you create a powerful Leadership Pipeline that will give your organization an edge or advantage?



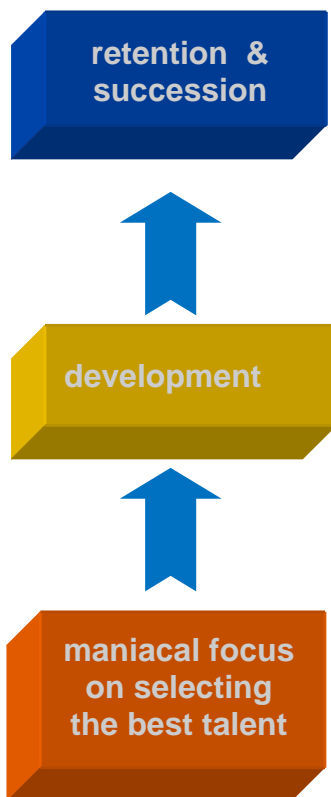
Developing leaders is more important than developing a strategy.
- Jack Welch

Today, almost every major enterprise has a strategic planning book that is over one hundred pages long. In most cases, however, the number of organizations that devote even one page to developing leaders is scarce. Research shows that the vast majority of corporate executives spend less than 10% of their time on leadership development. Our initial inquiries have shown that the figures for non-corporate organizations, like government agencies or NGOs or universities, are even lower.

There are notable exceptions, and they are to be found in the top performing companies. CEO Jeff Immelt of General Electric, Larry Bossidy of Allied Signal, Claude Pepper of Procter & Gamble, and Roger Enrico of PepsiCo are noted for spending 25% to 50% of their time on leadership development. Why? These leaders make the business strategy and people strategy link. Leadership development gives them the organizational capability they need to reach their strategic goals, mid-term milestones, and immediate financial objectives.

Leadership development may be a matter of CEO survival.

Making the business strategy and leadership strategy link gives you the organizational capability you need to succeed.



The 3 Keys of Leadership Development Process

According to Larry Bossidy, make sure that these are integrated, systematic and repeatable.

For example, Larry Bossidy personally interviews and conducts reference checks of all his direct reports and their direct reports. Jeff Immelt spends 50% to 70% of his time in April and May alone on "Talent Reviews." Roger Enrico conducts three to four weeklong "special classrooms" for high potential leaders every year that include an assessment of development needs, as well as stretch assignments, breakthrough projects, and ongoing coaching and mentoring.

Furthermore, research presented in the book *Leading the Way*, by authors Robert Gandossy and Marc Effron, demonstrates that companies whose CEOs are involved in leadership processes delivered a three-year total return to shareholders (TRS) of 22% rather than a TRS of negative 4% where they were not involved.

Whether the CEO is a Secretary of State, agency head or chairman of a non-profit, and whether the TRS takes the form of breakthroughs in problem areas, greater initiatives that are acted on, or more money raised, the fact is that leadership development is equally applicable and crucial to *any* organization that needs to produce significant results.

The key to the leadership development efforts of these companies is that they exceed such gestures as the royal appearance of a CEO at a leadership course, occasional 360°-feedback, or yearly performance reviews where "coaching points" are discussed. These top-performing companies generally have institutionalized a leadership development process that has been integrated with the development of their businesses. Larry Bossidy believes that there are three key processes in every organization: 1) the people process; 2) the strategy process; and 3) the operations process. Of the three, he believes the people process is the most important.

Getting the right leaders into the right jobs and developing them, Bossidy believes, will almost automatically result in inventive and effective strategies, as well as superior execution. Thus, he makes selection, development, and retention success the three keys in his leadership development processes and thereby ensuring they are integrated, systematic, and repeatable. In most organizations, these processes are non-existent, broken, or piecemeal.

How do you take one person and develop him or her as a leader?

Creating an effective leadership pipeline not only involves designing the building blocks of a systematic people process, but also involves being able to answer some fundamental questions with sufficient granularity. For example: How do you take one person and develop him or her into a leader? Most companies adhere to the Darwinian theory that leaders are born, not made, and try to hire or buy leaders that fit the right profile, paying scant attention to development.



Next, there is a small but growing number of CEOs who believe that leadership is not just a matter of being a natural-born agent of change, but of being cast into a situation that allows a person to discover and express his or her leadership ability. This leads to "stretch assignments," where people are expected to learn by doing. Proctor & Gamble consciously and intentionally hires the best and the brightest, then develops leaders by giving them opportunities to lead early in their career, especially with new product development teams. People learn not in the classroom, but in the process of doing.



Leaders develop by creating futures, not filling gaps; through experiences, not abstract training programs.

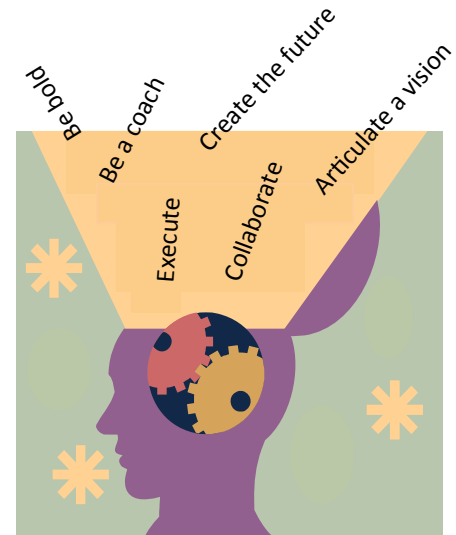


Gates, Jobs, Disney: filling a gap or creating a future?

Finally, we have the prevailing paradigm of leadership development that is based on the "characteristics and traits" school. It teaches that leadership can be learned by studying great leaders, coming up with lists of corporately sanctioned competencies, and identifying and filling gaps. It usually involves marching hundreds of people off to an abstract training program, having a talking head stand in front of the room and provide descriptions and explanations about leadership, dragging out the list of the corporately sanctioned leadership characteristics and traits (competencies), assessing development needs with 360° tick sheets, devising a personal vision statement with respect to desires, goals, and change, and throwing in some classroom exercises to supposedly develop new skills and attitudes.

The prevailing paradigm of Leadership Development is wrong-headed

We believe that, despite millions of dollars spent, despite thousands of three-day training programs presented, despite hundreds of hours of preparation, and despite its almost universal acceptance by HR managers, there is almost not one shred of evidence that the prevailing paradigm of leadership development works. The reason is that it is based on wrong-headed assumptions; if you get the assumptions wrong, everything else will be wrong, too.



How do we get these leadership attributes into people?

The Prevailing Paradigm

- ◆ Leadership development is the charge of HR or OD people
- ◆ Leadership development is for the masses
- ◆ Leaders develop in the process of identifying and filling competency gaps
- ◆ Leadership development happens in abstract training programs within limited time frames (for 3 days)
- ◆ Leadership skills and attitudes are a matter of tips and techniques

The New Paradigm

- ◆ Leaders developing other leaders, starting with the top executive
- ◆ Leadership development starts with the critical few
- ◆ Leaders develop in the process of taking a stand to make a difference and producing extraordinary results
- ◆ Leadership development happens by coaching people in specific situations in real time (for 12 to 18 months)
- ◆ Leadership skills are a matter of having something at stake, a sense of urgency, practice and study

A new paradigm for leadership development

We would like you to re-imagine a bold new paradigm of leadership development that is based on a set of assumptions that are as different from the prevailing ones as night and day! Let's build out the new paradigm of leadership development that gets right to the heart of our Leadership Manifesto.

Companies where the CEO is heavily involved in leadership development delivered a total return to shareholders of 22% over three years, as opposed to minus 4% where they weren't.

New Paradigm # 1. The CEO and top executives are rigorously involved.

The CEO is directly involved in leadership development in those companies that produce a graduating class of CEOs for other firms, as well as leadership bench strength. The most famous example is Jack Welch of General Electric who said he spent 50 % of his time on leadership development. He developed his successor, Jeff Immelt, Larry Bossidy of Allied Signal, James McNerney of 3M, and Robert Nardelli of Home Depot. CEOs need to "own," not automatically defer leadership development to others. They must think of themselves as the top HR person in the company. Coaches (both external and internal) need to build a powerful relationship with the CEO aligning on achieving business goals, which will automatically alter traditional leadership development efforts. Learning must be totally integrated with performing, not a separate activity.

New Paradigm #2. Start with a critical few to spearhead a breakthrough in leadership development.

At Masterful Coaching, we confess that a big part of the reason why we get great results from our leadership coaching work is that we start with a critical few great people who have the aspiration to be great leaders. For example, we received a call from Joe Franklin, division vice president of a Fortune 500 corporation, who had been given an executive assessment that showed his strengths and gaps. Joe had a reputation as being a brilliant dealmaker and solid manager. I asked Joe what he wanted to get out of the coaching. He said, "I want to make the shift from a dealmaker to a leader and create a future that I can be proud of."

Coaching even one to two critical leaders to develop in this manner often becomes a spearhead for developing leaders at all levels. For instance, when people start our executive coaching and take a stand for an extraordinary future for themselves and their company, they then often decide to work with one of our coaches and their leadership team in an Action Coaching program. Each individual

in the group commits to a significant business breakthrough in service of that extraordinary future, as well as a significant leadership breakthrough. Participants of the Action Coaching are then asked to coach two to three other people who report to them, and a snowball effect occurs.

Have you ever had a relationship with someone who took you beyond what you could see, and inspired you to achieve something beyond what you thought was possible?

New Paradigm #3. Extraordinary leaders develop in the process of producing extraordinary results.

We are often asked by sincere, well-intended HR people to give our opinion about their leadership development programs. These programs are usually based on the prevailing paradigm of leadership development—studying characteristics and traits, filling competency gaps, and classroom exercises. Our typical response is, "A lot of the design elements of your leadership program are great. However, when you are designing a leadership development program, the first question to ask is what is the bow of the boat? Or what is the starting point that informs everything else?" Our belief is that the bow of the boat in any leadership program is achieving a business breakthrough. Rather than first asking, how do you need to develop as a leader? ask, what is a significant business challenge you would like to achieve? As people reach beyond themselves to achieve it, this then leads to a corresponding leadership development breakthrough.

New Paradigm #4. High value-added coaching works inexplicably better than training.

It takes more than you can get in a three day training program to gain mastery in your field of endeavor. Think about Tiger Woods winning the Masters and then working with coach Butch Harmon for an entire year, marching down every fairway in every tournament, talking about the right attitude that makes someone a champion, as they practice driving and putting on a day-in, day-out basis. Now imagine you or me, the average hacker, taking three sessions at the driving range or a week at golf camp. This metaphor shows the difference between learning new skills in a classroom and learning them in a real world performance situation, between practicing and studying with a coach who gives you live feedback and a packaged solution or ultimate answer, and between knowing "what" and knowing "how." In organizations, the kind of coaching we are talking about would show up as helping people to define significant business and leadership breakthroughs, then working with them shoulder to shoulder over the course of a year to achieve them.

New Paradigm #5. People learn new skills when they are faced with an immediate challenge and alternate between practice and performance.

Change does not come easy and requires commitment, dedication, and time. We have found that the best way to imbed new ways of being and new behaviors or skills is to alternate between practice and performance in the face of a meaningful challenge. For example, one leader I coached, Greg, wanted to create an inspired organization. He created a Source Document that contained his vision and values. I then gave Greg some pointers on how to communicate his Source Document in a way that people were inspired by it. The feedback Greg received after a few town hall meetings showed that, while people liked Greg's ideas, he showed up a bit cool and intense. I then coached Greg on calling himself forth as warm and engaging, and the feedback reflected he had made huge progress. Again, this leadership transformation took place by intervening in the situation over time.

The power of coaching is that it is focused on the individual's leadership and business breakthroughs; it is situation specific and happens in real time.

What To Do With the Leadership Manifesto: Better Leaders, Better World

The purpose of this Leadership Manifesto is to sound the tone for leadership development and put it at the top of the agenda of every enterprise, public and private. It is also about smashing the prevailing paradigm of leadership development based on abstract training programs, and creating a powerful new paradigm of leadership development based on the notion that extraordinary leaders develop in the process of producing extraordinary results. The idea here is to generate a new conversation about leadership development that is based on the premise that soft leadership skills produce hard results. If you find yourself aligned with the ideas presented here and want to be part of the future of leadership in the 21st century, please consider the following ways of participating:

- ◆ Send us an e-mail with your views on the Leadership Manifesto—whether you agree or disagree with it.
- ◆ Send the Leadership Manifesto to a leader whom you admire and respect, requesting his or her written comment. We would like to attach the written endorsement to the Manifesto itself.
- ◆ Generate a conversation by sending the Leadership Manifesto to everyone on your e-mail distribution list and asking, "What do you think?" When you ask people this question, they get involved.
- ◆ Invite people to a brown bag lunch meeting where you will discuss the Leadership Manifesto. Ask people what they like about it, as well as if they have any builds.
- ◆ Take a stand for leadership development in your organization. If you need help in bringing a leadership development forward or in designing one, please call us for a free consultation

Contact us for more information on how Masterful Coaching can help you improve your leadership strategy and realize your business strategy.

Masterful Coaching

50 Hancock Street

Watertown, MA 02472

USA

+1-617-739-3300

Robert.Hargrove@MasterfulCoaching.com

www.MasterfulCoaching.com

www.RobertHargrove.com

Www.MyFirst100Days.net