

Essay Two

Riverboat Pilots, Riverboat Captains: A Meditation on Leadership

(In which Mark Twain and JCPenney help us explore leadership)

By

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After careers in the military and the corporate world, I embarked on an academic career when I received my Ph.D in strategic management and ended up teaching strategy and leadership at West Point for seven years. If there is one word that is most commonly associated with West Point, that word is *leadership* and so it never surprised me that cadets were intensely interested in the concept of leadership. The surprise came after I retired from West Point when I frequently had the opportunity to talk with professional groups about strategy and leadership. Over the years, I have talked to CEOs and other executives from a wide variety of industries, I have talked to CEOs, professors, doctors, lawyers, architects, government workers and executive MBA students. Regardless of the audience, I always encountered a strong thirst for knowledge about leadership. Upon reflection, such a widespread interest in leadership should not be a surprise because the concept of leadership has attracted and mystified all sorts of people since the dawn of history.

The purpose of this chapter is to discuss three fundamental truths about leadership. The first truth centers around a task of clarification and it requires untangling the concept of “leadership” from the broader organizational concept of “management.” The distinction between managers and leaders is not clear to many people and this confusion is an impediment as people seek to develop themselves as leaders. The key to the distinction is that managers have *authority* (which is given to them by their organization) while leaders have *influence* (which is self-generated). The value of understanding this distinction is that it clearly delineates the unique role that leadership plays in the lives of people and organizations.

The second truth about leadership builds on the first. The realization that leadership is different than management and has unique value associated with it leads to the inevitable question- how do I become an effective leader? Reflecting on this question will lead us to the insight that *leadership is a social contract*. Leadership only exists as an element of the relationship between people. If certain ingredients are added to the relationship by the leader, then the team will generate certain positive outcomes. Teams will become more cohesive and will perform at a higher level with the input of an effective leader. Any discussion about this truth is endlessly interesting because the task of actually applying this simple theory in the real world is astonishingly complex, as we will see.

A consideration of these two truths will help develop a clear understanding of the general concept of leadership but there is one final leadership truth of interest to those who aspire to leadership. The final truth is that there are two completely different models of leadership. Simply put- being a leader *in* an organization is different than being a leader *of* an organization. In other words, leadership that is effective at the tactical level of organizations is very different than leadership that is effective at the strategic level of organizations. In the context of a retail company, the leadership model of the CEO is fundamentally different than the leadership model of a store manager. Someone once said that tactical and strategic leaders play the same instruments and the only difference is that strategic leaders play in front of a larger audience. Not so. Strategic leadership is completely different than leadership exercised at lower levels of organizations. The difference is striking and worth exploring.

The case at the end of this chapter comes from the corporate world and examines the challenge faced by a strategic leader who took over an organization in crisis. Actually, to be accurate, when the CEO of this company arrived, the firm was in difficulty but the new CEO inadvertently and quickly escalated difficult times into a full-blown crisis and more than a decade later, the company has still not fully recovered. The CEO is Ron Johnson and the company is JCPenney. This episode provides insight into the truth that leadership is a social contract. As with any contract, both sides have specific expectations and assumptions. If these are ignored, chaos often ensues.

Introduction to the idea of leadership

Napoleon once said that there are no bad regiments, only bad colonels. This idea helps us realize that strategy is inherently a process that is dominated by the behavior and nature of people. People decide on goals and set direction; people develop resources and demonstrate the willingness to use them in purposeful ways; people make plans and implement them in the face of uncertainty and risk. Even though strategy is shaped by people and the quirks of their behavior, the field of management has not gotten to the point of completely understanding the nature of human interaction with strategy and nowhere is this lack of understanding more evident than on the topic of leadership.

One of the reasons why this topic is so challenging is that many academics seem to ignore or minimize the subject of strategic leadership. I have had conversations with business school professors who refuse to teach strategic leadership to undergraduates, deeming it to be a topic of such complexity that it should only be tackled in MBA programs. Respected articles from top-tier academic journals contain statements such as “*many academic publications assert that executive leadership is an inconsequential determinant of organizational performance.*” The perspective of management scholars who are ambivalent about the importance of leadership reminds me of President Reagan’s famous

observation- *"Economists are people who see something that works in practice and wonder if it would work in theory."* As a result of this neglect by management scholars, many organizations don't realize the importance of leader development programs. *Fortune* magazine once calculated that most companies spend more on maintaining their copy machines than they spend on developing their future leaders.

It is surprising that leadership is such a contentious issue because people have been seriously thinking about the nature of leadership for thousands of years. One of the oldest, most commonly read pieces of literature in the Western world is the great war-poem known as the Iliad. The Iliad is almost three thousand years old but what makes it interesting and relevant to our discussion is that the Iliad focuses in a serious way on important questions of leadership.

In the Iliad, we find two very different leaders in the Greek army and from the very first stanzas we see Agamemnon and Achilles furiously dueling for power and prestige. These two men are a fascinating contrast because their influence as leaders derives from completely different sources. Agamemnon is an influential leader because he is invested in the divine authority of kings (*"a sceptered king to whom great Zeus gives glory"*). In contrast, Achilles is an influential leader because of his unmatched prowess as a warrior on the battlefield (*"here the man stands over all Achaea's armies/our rugged bulwark braced for shocks of war"*). Achilles is a completely different type of leader than Agamemnon yet both of them have a powerful ability to shape the morale, the behavior and the performance of Greek warriors. Some of the Greek warriors are so savage that they willingly engage the Olympian gods in combat and yet these same warriors lose heart when Achilles departs the battlefield.

I don't bring up the Iliad because it is a quaint example of historical interest. I bring it up because people in the 21st century think of leadership the exact same way more than three thousand years later. At West Point, I always used a classroom exercise to begin our discussion of leadership. I would give every cadet an index card and a simple set of instructions- write down a personal list of five great leaders. Who are leaders that we can study if we want to learn about leadership? They had to choose public figures whose achievements were widely known. I didn't want anyone writing down the name of their high school soccer coach or their mom because such choices weren't people that the rest of us could study. I told them it could be a person from any walk of life and from any period in history. I told them that they could even write down the name of a fictional leader- if that fictional leader had enriched the cadet's understanding of leadership. This exercise developed some interesting insights into leadership (including the insight that some cadets considered Professor Dumbledore to be a great leader).

Cadets always came up with a large and diverse group of leaders which left me with a challenge- what sort of conceptual “buckets” could I create in order to logically group and classify these leaders? This exercise in taxonomy led me to an interesting insight. More than eighty percent of all of the leaders that were chosen by cadets fell into one of two general categories. The first, and largest, category, I classified as “leaders of authority.” Many of the great leaders chosen by cadets were presidents, generals, football coaches and CEOs- people whose leadership influence had a solid foundation of organizational authority. The second largest category, I classified as “leaders of excellence” because many of the great leaders chosen by cadets were people who excelled at an activity that the cadets admired. The most frequent examples in this category were combat commanders or great athletes. Remember the two different types of leaders in the Iliad (created almost three thousand years ago)? Cadets think about leadership in the same way as ancient Greek warriors. They are influenced by leaders of authority (the Agamemnon model of leadership) and by leaders of excellence (the Achilles model of leadership).

Leadership is different than management

It is useful to begin a discussion of leadership by making distinctions. What is the difference between a manager and a leader or, in other words, what is the difference between authority and influence? Organizations create managers by hiring or promoting people and giving them a certain level of authority. When a company hires someone to run a store, that person is given a specified amount of authority over the resources of that store. Generals always have more authority than lieutenants; store managers always have more authority than cashiers. Having authority gives a person the ability to control a specific set of organizational resources, whether those resources are buildings, money or even people.

Being able to effectively use one’s authority as a manager is a complex, valuable and difficult task. People spend years in business schools to learn how to effectively use managerial authority. The ability to develop a realistic and coherent strategy, the ability to motivate talented people with effective evaluation and compensation plans, the ability to effectively monitor what is going on in an organization – all of these tasks are management competencies. They are not leadership. Those who learn to use authority effectively can accomplish a great deal within organizations even if they lack leadership ability.

Authority can extend in several directions. Managers have the authority to designate the tasks that workers need to accomplish and the acceptable performance standards for those tasks. To use an example that I am sure will be obsolete in the very near future, let’s consider a manager of a grocery store who hires someone to work as a cashier. The manager has the authority to assign certain tasks to cashiers. They have to ensure that the barcode of each item registers with the scanner. They have to put the scanned items in

grocery bags. They have to take payment for the purchase. The manager also has the authority to set standards for cashiers- they have to show up at a certain time and their cash register has to balance within a certain amount at the end of their shift. If cashiers carry out their assigned tasks and meet their assigned standards, that does not necessarily mean that the manager is a great leader. It might just mean that the manager has a control system that measures tasks and standards and a compensation system that reinforces these tasks and standards.

In sharp contrast to managers who are given authority, an organization cannot give leadership influence to people- only the existence of willing followers can do that. Someone is only a leader if there are people who choose to be influenced by the leader. To revert to our previous example, a store manager has the authority to tell cashiers when their shift begins. The manager does not have the authority to tell talented cashiers that they have to work in their grocery store forever. A manager's authority does not extend that far. A cashier might choose, however, to work at one particular store for an entire career because he or she is motivated by the leadership of the store's general manager. In other words, leadership extends the limits of managerial authority. People often carry out tasks that they are not required to do and they frequently perform at a higher level than they need to do. These characteristics are frequently the result of great leadership.

People who know how to effectively employ the authority they have been given demonstrate the advantage of having one very effective tool in their managerial toolbox. But it is only one tool. Managers who know how to generate leadership influence to go along with their managerial authority now have two very effective tools in their managerial toolbox.

It is useful to consider leadership as a subset of management- but just try selling any Army officer (or West Point cadet) on that distinction. No officer wants to be known as a great manager if they can be known as a great leader. Cadets in my class would always push back on my assertion that leadership is a subset of management and it was clear that they thought that being a manager is much less desirable than being a leader. I would catch them saying things like "*he's just a manager*" as if being a manager were less complex and challenging than being a leader.

Leadership *is* a subset of management. All sorts of resources can be managed but only people can be led. Most management textbooks are organized around a coherent framework of basic management principles. This framework usually consists of four fundamental functions of a manager, which are commonly described as: *planning*, *organizing*, *leading* and *controlling* organizations. Notice that, according to this framework, management consists of three important functions in addition to leadership. Managing all

aspects of an organization is a far more extensive challenge than simply exerting leadership. - but it is only one tool and it is only suited for specific tasks.

Leadership as a social contract (1): the inputs of the leader

The range of theoretical concepts surrounding the idea of leadership is astonishingly broad and dauntingly complex. Bass & Stogdill's *Handbook of Leadership* is a work that attempts to provide a comprehensive overview of leadership research. One of the most impressive features of the book is that it contains one hundred and eighty-nine pages (double-columned!) of references. In other words, this book had to examine *almost seven thousand scholarly works* to comprehensively discuss the concept of leadership. At its most basic level though, it is useful to consider leadership as a social contract - with inputs (provided by the leader) and outcomes (provided by the team).

Let's talk about inputs first. Potential leaders are expected to possess several different characteristics in order to achieve influence with their followers. The general nature of these characteristics has been known for centuries. Napoleon once said, "*A military leader must display as much character as intellect- the base must equal the height.*" While it is accepted that leaders need to demonstrate competence and character in order to generate influence, the complicated part of this observation is that these ingredients are specific to time and place. This comment shows why leadership is such a contentious topic (and why it has generated so much debate over the years). Some of the essential elements of a leader's character and competence are determined by general expectations derived from society and culture. Other aspects of character and competence are dictated by the specific nature of an organization. There is no comprehensive, single set of general leadership competencies and character traits. In his famous leadership biography of Franklin Roosevelt entitled *The Lion and the Fox*, James MacGregor Burns noted, "*it is a central finding of social scientists that leadership is not a matter of universal traits but is rooted in a specific culture.*"

When I was the commander of a field artillery battery in the U.S. Army, my unit spent a lot of time out in the field (because, for one reason, you can't fire a self-propelled howitzer just anywhere). Whenever we were lucky enough to have a mess truck catch up to us and provide hot food, I never ate until all of the soldiers in my unit had eaten. My behavior did not make me special. That type of behavior is a governing trait of the U.S. Army (*officers eat last*) and it is a well-recognized example of the Army value of "selfless service." Notice the salient point- in the culture of the U.S. Army, the willingness to eat last is admired and considered to be a valued aspect of a leader's character. In other cultures, at other times, eating last would be considered a sign of weakness. In those cultures, leaders who ate last would be demonstrating their lack of power and they would not be respected by those who wanted to be led by the powerful. The task of identifying the essential elements of a

leader's character is a tricky process. Aspects of the character of leaders are influenced by the values of their society and even by the values of the specific organizations in which leaders find themselves.

Here is a corporate example of what I mean by the assertion that the characteristics required of a great leader depend, to some extent, on the nature of the leader's organization. The CEO of a well-known consulting firm discussed this point with the cadets in my strategy class. He said that many firms are looking for strategic leaders who are "rock stars", which was his term for those who generate leadership influence through the exercise of great personal charisma. His firm, on the other hand, was not interested in having rock star leaders. His firm had become successful because it had leaders who were willing to contribute to the firm's fund of institutional knowledge (because consulting firms live and die based on their level of institutional knowledge). This meant that his firm was not interested in having rock star leaders. They valued leaders who were willing to be productive members of the wolf pack. His firm had survived and thrived because it had leaders who displayed the generosity of spirit and cooperation that is essential for building institutional knowledge.

The nature of a leader's character is one of the primary inputs for generating influence – but in addition to a leader's character, people want to be reassured that leaders know what they are doing. In the early days of Walmart, Sam Walton would fill out his monthly P&L by hand and give it to his assistant to get typed. One day, the assistant asked Walton why some of these financial statements had the initials ESP at the bottom. Walton responded that ESP stood for "error some place." Clearly, Walton's ability to influence others didn't depend on his competency as an accountant. People decide whether or not to follow leaders based on considerations of specific aspects of the leader's competence. The type of competence that is demanded of leaders will depend on the nature of the situation in which leaders and followers exist.

The HBO miniseries, *Band of Brothers*, provides an insightful example of the competencies that are expected of leaders and how these expectations can change over time. The first episode is set in the early days of World War II and shows the process by which ordinary young Americans were transformed into elite paratroopers. The commander of E Company, 506th Parachute Infantry Regiment during their basic training at Camp Toccoa, Georgia was Captain Herbert Sobel. Sobel displays a dizzyingly steep character arc during the episode and this arc provides valuable insight into the concept of leadership. Sobel first appears on-screen while he is inspecting the soldiers of E Company. I have known officers who inspected soldiers by glancing at the shine on the toes of boots. This is not the case with Sobel as we learn when he inspects one soldier's weapon. Instead of saying "You have rust on your weapon" Sobel says, "*Rust on butt plate hinge spring*" thus displaying a

formidable (and intimidating) level of knowledge of the component parts of an Army weapon.

Sobel displays other traits that are used today as exemplars of effective leadership. The real-life regimental commander of the 506th Parachute Infantry, Colonel Robert Sink (portrayed by Dale Dye) intended the 506th to be an elite unit and one of his defining criteria of elite status was physical fitness. As a result, basic training at Camp Toccoa put an enormous amount of emphasis on physical fitness. One of the banes of existence for aspiring paratroopers was the infamous run up Currahee Mountain (“*3 miles up, 3 miles down!*”). In such a demanding atmosphere, many soldiers did not measure up. In the early days of World War II, more than five thousand enlisted soldiers volunteered for airborne training with the 506th and only one-third made it through basic training and officer attrition was even higher. In this light, it is interesting that every time we see the soldiers of E Company running up Currahee in the miniseries, we see Captain Sobel running with them, easily ranging up and down the ranks, closely observing everyone’s performance. Today this would be characterized as role modeling behavior and it is considered an essential part of what leaders do.

Captain Sobel’s behavior during basic training had valuable results. It is clear that Sobel initially produced very positive effects on the combat readiness of every soldier in this newly formed unit. As the soldiers in E Company finished their basic training, Colonel Sink recognized Sobel’s results and told him that Sobel has trained one of the finest units he has ever seen. What makes this observation even more interesting is we know how the story ended in real life- Sobel’s unit went on to distinguish itself in the combat cauldron of World War II and became one of the elite units of the U.S. Army.

A remarkable and unexpected transformation occurs during the second half of episode 1 that culminates in a mutiny within E Company. The basic lesson we learn from this startling series of events is that leadership is based on a social contract. The relationship between Sobel and his soldiers begins to deteriorate once they finish individual training and begin their training as a unit. Out in the field, it becomes clear that Sobel is hopeless at land navigation. Sobel’s inability to read a map is directly linked to a body of knowledge that is expected of small-unit tactical leaders who lead people on the battlefield. His inability to read a map is seen by his soldiers as a fundamental violation of their social contract because getting lost on a battlefield increases the chances of his soldiers getting killed. His incompetence as a map reader causes his soldiers to lose trust in him. They begin to openly mock him and, in a startling development, the sergeants who are the backbone of the unit publicly state their refusal to serve under Sobel in combat. This development ultimately causes Sobel to lose his command. One of the lessons from *Band of*

Brothers is that leaders must be perceived as competent in very specific skills if they are to maintain the trust that is essential in the relationship between leaders and followers.

Leadership is a social contract and it is mysterious because the terms of this contract vary from organization to organization. There is no generally accepted set of character traits and competencies that is expected of every leader. These attributes will vary depending on the culture of societies or the nature of organizations. No one expects Walmart market managers to be proficient at land navigation. They are expected to display other competencies such as the ability to inspect a fresh produce section in a supercenter and use the results of this inspection to draw valid conclusions about the nature of the leadership and training in that store.

The idea that leadership is a social contract is of more than academic interest. The increasingly common phenomenon in corporate America of hiring outsider CEOs demonstrates the relevance of this insight. There are many large corporations that don't bother with formalized leader development programs because they think they can buy new strategic leaders when they need them. Executives who easily dismiss home-grown leadership fail to understand that people who are effective leaders in one organization cannot just parachute into another organization and be equally effective right away. This is so because the terms of the leadership social contract differ from organization to organization.

Leadership as a social contract (2): the outputs from the team

Leadership is valuable because it serves as an accelerant for managers. Regardless of how we define competence and character, those inputs into the leadership process will result in a relationship that produces valuable outcomes. Some of these outcomes are trust, cohesion and positive emotional energy. All of these outcomes have a direct and positive effect on the ability of leaders to manage their organizations. It would be possible to spend the rest of this book discussing all of the benefits of great leadership but for the purposes of conciseness, let's just focus on one benefit of leadership- the creation of a trusting relationship between leaders and team members.

Some people might dismiss the importance of trust within a team as a warm and fuzzy concept that carries no real benefit to strategic leaders but these dismissive attitudes overlook the tangible and valuable benefits that trust can bring to organizations.

One important benefit of trust comes from the realization that people react in interesting ways when faced with risk. Imagine that you are a young Army officer and you are given the task of leading a convoy of supply trucks from point A to point B. In peacetime, this task is routine and predictable but in wartime, the exact same convoy traveling the exact

same route is a very different story. What if there is an ambush? What if there are IEDs? What if there is an air attack? Under wartime conditions, the exact same task might take far longer to accomplish even if nothing dangerous actually occurs. The reasons for this variance in human performance are obvious and have been understood for centuries. In his monumental contemplation of the nature of warfare, Clausewitz identified this phenomenon (which he called friction) and discussed its implications for leaders. Clausewitz noted that actions that are simple to achieve in peacetime become increasingly difficult to achieve in wartime. When people work in an environment of risk, uncertainty and ambiguity, their efficiency declines. This observation applies to civilian organizations as well as military ones. So, if people are asked to carry out a new and risky strategic move (like an expensive merger or a move into a foreign market), they are frequently hesitant and unsure of their actions. What enables organizations to overcome the pernicious effects of friction? One of the most powerful antidotes is trust in one's leaders. Even if a new strategic plan seems risky, people are more likely to willingly carry it out if they trust their leadership. Trust can be a powerful strategic tool.

A second benefit of trusting relationships comes to light when considering the task of analyzing an organization for strengths and weaknesses. Managers will have a difficult time identifying the strengths and weaknesses of their own organization unless they have open and effective lines of communication with other members of their team. Open and effective communication, however, depends on the level of trust that exists between leaders and followers. And the existence of trust on the part of followers depends on their perceptions of the competence and character of their leaders. All of these aspects of the leadership equation are connected to one another like links on a steel chain.

Applying these two leadership truths in reality

In order to clarify these ideas of leadership, consider the modern distribution center. Retail giants like Walmart and Amazon, supply chain giants like Fedex and UPS have dotted the American landscape with hundreds of gigantic distribution centers. In addition to being impressive, a million square foot distribution center can be a dangerous place to work. High-speed sortation systems, forklifts whizzing about, pallets of freight stacked on steel racks forty feet in the air all add up to an environment that has the potential to be a dangerous place to work. As a thought experiment, imagine that you are hired as a general manager of a distribution center and that you have been given the task of improving the safety record of your DC. Your specific goal is to come up with and implement ideas that will significantly reduce the amount of work-related, lost-time accidents in your facility.

Consider the task of achieving this goal in two very different ways. First, what can you do as a manager to achieve this goal? Second, what can you do as a leader to achieve this goal? It turns out that you can make considerable progress towards achieving your safety goal by

simply relying on your authority as a manager. For instance, general managers can decide to evaluate employees based, in part, on their safety record. General managers also might decide that bonuses will be based on safety trends. Notice that I have identified two ways of motivating people that have nothing to do with leadership- specifically, evaluation and compensation decisions. In addition, a general manager has the authority to spend money on safer forklifts and the authority to spend time on training programs that help employees improve their forklift driving skills. All of these steps can help achieve the goal of improved safety and none of them involve leadership.

This, of course, leads to the second question- what unique actions can general managers take as leaders to achieve their safety goal? One action might be the creation of an inspiring vision of the future for those who work at the distribution center. Perhaps the DC already exceeds OSHA standards, maybe it even exceeds company standards but the general manager can present an inspirational and achievable picture of the future to workers that revolves around the ideal that no one should ever expect to get hurt while at work (*I want this DC to be a safer place to work. I want this DC to be a better place to work. I want you to be proud to work at this DC*). A general manager can also take steps to ensure that the entire workforce at the distribution center is a cohesive team rather than a random collection of workers. One result of being a cohesive team is that workers are more likely to focus on keeping each other safe rather than simply focusing on keeping themselves safe. A third aspect of leadership is the atmosphere of trust that great leaders inspire. The presence of trust results in better communication and a leader who is better informed has a better grasp of organizational problems. That is why I tell cadets that leadership is a subset of management- it is like the icing on the cake.

The nature of the social contract that is leadership can be illustrated by recounting an anecdote of the Vietnam War. It was told to me by a retired Army general who was highly decorated for his actions in combat as a young officer. Upon arriving in country, he was put in charge of an infantry platoon that consisted of soldiers who had been in Vietnam for a long time. Soldiers who were due to rotate back to the States were often very risk-averse. One day, his platoon was given a dangerous mission and the young lieutenant was told by his platoon sergeant that his soldiers did not want to participate in this combat operation. In an attempt to motivate his soldiers and gain their willing participation, the lieutenant did two things. First of all, he gathered the entire platoon and gave them a complete picture of the combat plan that he had developed for the mission. He discussed his indirect fire plan, his close air support plan and his plan for coordinating with units on either flank. After making them aware of the plan, he added one additional bit of information- he, of course, would be leading all of them into combat instead of monitoring events from the command post. The briefing was a success, the soldiers were motivated and the combat operation achieved its goals.

Notice that the young officer demonstrated two ingredients that his followers considered to be essential to leadership. First, he demonstrated the competence that his soldiers expected. He took steps to maximize the chances of success while minimizing the dangers of their mission. Secondly, he demonstrated relevant aspects of his character. He had the patience and the ability to effectively communicate his plan to his soldiers. He demonstrated moral courage by focusing on the mission and physical courage by leading from the front in time of danger. In short, he used his competence to minimize risk and his character to share risk. This was the point that Clausewitz made more than two hundred years ago. People are more likely to trust the plan if they trust the leader. Great leadership can help reduce organizational friction.

Strategic leaders are different than tactical leaders

As a special article for their 75th anniversary edition, *Fortune* magazine asked the famous management author Jim Collins to come up with a list of the ten greatest CEOs of all time. The most striking aspect of his list is that Collins chose Charles Coffin of GE as the greatest CEO of all time. In his rationale for this choice, Collins wrote that, "*Coffin oversaw two social innovations of huge significance: America's first research laboratory and the idea of systematic management development... More than any other leader, Coffin made GE into a great company, creating the machine that created a succession of giants.*"

The choice of Charles Coffin as the greatest CEO of all time is interesting because- who has ever heard of Charles Coffin? In a discussion about corporate strategic leaders, most people are so ignorant of this field of leadership that one likely contender for the title of "the greatest CEO of all time" is virtually unknown. It clearly illustrates the ambivalence that most Americans have about business leaders even though these leaders, to a great extent, influence the productive capacity of our economy and enable our standard of living.

Strategic leadership is a complex topic because it requires a careful dissection of two extremely complicated ideas. The first idea to take apart is that of leadership itself- its definition, its value and the ways in which it fits into the practice of management. The second idea of interest is created by putting the modifier strategic in front of the word "leadership." The term "strategic leadership" contains the assumption that there are different models of leadership.

What do we mean by a strategic leader? Take a minute to consider a 19th century Mississippi riverboat. In his memoir "*Life on the Mississippi*," Mark Twain provides a vivid recollection of the adventures he experienced while fulfilling his boyhood ambition of becoming a Mississippi riverboat pilot. He remembers his sense of pride after serving a long and arduous apprenticeship when he finally "*learned the name and position of every*

visible feature of the river... I had so mastered its shape that I could shut my eyes and trace it from St. Louis to New Orleans." What made this phenomenal feat of memory more impressive was that he was expected to be able to pinpoint his location under any conditions - daytime, nighttime or periods of bad weather. Twain remembered his sense of accomplishment when he realized that he could read the river like a book while passengers all around him simply saw a blank sheet of water. He gloried in his achievement and he began to think of himself as a riverboat pilot.

Given the scope of this accomplishment, Twain was, therefore, completely unprepared for what happened next. One day, the old pilot who was his mentor asked Twain to estimate the height of a river bank they were passing. Twain hazarded a guess and was astonished when his mentor followed up by asking him to compare today's height of this particular bank to *the last time they had sailed this stretch of the river*. The flabbergasted Twain was learning that he couldn't call himself a competent pilot just because he could recognize his current location on the river. A good riverboat pilot should be able to gather clues from his current location in order to estimate the state of the river twenty miles downstream. Piloting a Mississippi riverboat required knowing one's exact location but it also required a constant and accurate awareness of what lay far downstream. After all, piloting decisions are not based on where you are, they are based on where you are going.

A little more than a century after Mark Twain published his memories of becoming a riverboat pilot, *Fortune* magazine published an article that was a retrospective of Phil Knight's career at Nike. The arc of Knight's career was breathtaking. He began his career by selling cheap athletic shoes from the trunk of his car and ended it as the CEO of a global corporate empire worth billions and widely known around the world. *Fortune* was interested in learning how he achieved this level of success because it wasn't as if Knight had simply ridden on the back of a good idea. Of particular interest to the business reporter was the fact that, time and again, the Nike ship had found itself in rough water. In the mid-80s, Nike missed out on upcoming fitness trends that weakened its sales. In the mid-90s, Nike was damaged by accusations of child labor in Asia that weakened its sales and brand equity. Every time Nike was in trouble, Knight was there to bring Nike back to smooth water. The journalist from *Fortune* finally came to the conclusion that Knight *"manages to do three things better than just about anyone else in the business: hire good people, shuffle them around and inspire them."*

Thinking about examples such as Mark Twain and Phil Knight help to develop an understanding of strategic leadership. The stories of Twain and Knight are alike in that both of them eventually realized that there were entirely unforeseen layers to their job that they had to master in order to achieve long-term success. Twain learned that riverboat pilots needed to think in terms of time as well as space. It wasn't enough for him to possess

an accurate awareness of his location because knowing his location didn't tell him whether the river was rising or falling. Only a temporal awareness provided the answer to questions such as that (*does this stretch of river look different than it did last week?*). Similarly, Knight found out that running a company that sold shoes required very different competencies than an ability to sell shoes.

Where the stories of Twain and Knight differ is in terms of their perspectives. Twain was the *riverboat pilot* and consequently the river was his focus. Riverboat pilots didn't worry about the riverboat; their sole focus was their external environment as they worked to understand the dynamic nature of the river on which they sailed. Knight, in contrast, was a *riverboat captain*. One of the interesting conclusions of the *Fortune* article is that Knight wasn't renowned as a riverboat pilot and he could seldom see trends that were downstream. Aspects of Nike's competitive environment repeatedly changed in very fundamental ways and Nike was repeatedly caught by surprise with devastating consequences for its sales and profitability. According to *Fortune*, Knight was renowned for his ability to focus inwardly and care for his ship. Just as a riverboat captain focuses on his engine and crew, Knight focused on the nature of his top management team and the motivational level of his employees. *As we will see, a great strategic leader combines the attributes of a riverboat pilot and a riverboat captain.*

In order to clarify the unique nature of strategic leadership, it is useful to examine the differences between leaders **of** organizations (strategic leaders) and leaders **in** organizations (tactical leaders). These two categories of leadership are different and they have different responsibilities. We expect leaders **in** organizations to win the daily battles while we expect leaders **of** organizations to win the long-term wars. Strategic leadership is not a function of size; it is a question of ultimate responsibility. In a retail chain of one thousand stores, those who are in charge of one hundred stores are not strategic leaders. In contrast, an entrepreneur leading a start-up consisting of ten people might be a strategic leader.

Clausewitz once said, "*every level of command has its own intellectual standards, its own prerequisites for fame and honor.*" In order to talk about the unique responsibilities of strategic leaders, we will focus on four specific tasks. During the seven years that I spent teaching strategy at West Point, I was lucky enough to have many famous and highly successful strategic leaders such as four-star generals and prominent Fortune 500 CEOs come and talk to the cadets in my class. Each of the four responsibilities of a strategic leader that we will discuss was specifically identified by one or more of these leaders as their primary challenge. And all four of these responsibilities relate to our expectations of riverboat pilots and riverboat captains.

Knowing what is happening downstream

For more than two centuries, leaders of the U. S. Army have faced a constant problem- how to spot changes in the external environment that are so significant that they require the Army to undergo strategic change. During every war in American history, the wartime version of the Army ended up being very different than its pre-war counterpart. In other words, the U.S. Army seldom undergoes strategic change until forced to do so. In order to survive threats or take advantage of opportunities that develop in the external environment, organizations need to ensure that their rate of internal change keeps up with the rate of external change. I call this process “*strategy from the outside in*” and it is so complex that it is the subject of one of our upcoming essays. Strategic leaders are instrumental in this process because they are the riverboat pilots who recognize the need to change course while sailing down the river. Organizations don’t change unless their leaders recognize the need for change. Organizations that can embrace strategic change quickly and effectively stand a better chance of achieving long-term success. If an organization persists in its old ways and refuses to change, it will die.

Is your ship ready for what lies ahead?

It is one thing to know what is happening downstream and to make decisions based on that perspective. That is strategy from the perspective of the riverboat pilot. It is an incomplete perspective of strategy because strategic decisions also need to be based on the resources of the organization. This is “*strategy from the inside out.*” This is thinking like a riverboat captain and it presents enormous challenges to strategic leaders. More than two thousand years ago, Sun Tzu observed that knowing the capabilities of one’s organization was an essential leader competency because it is a primary key to victory in war (*Know the enemy, know yourself, you will win one hundred battles*).

As we will see in an upcoming essay, strategic choices cannot be made and strategic goals cannot be achieved unless leaders have a clear-eyed assessment of the capabilities of their organizations. In the 1930s and 1940s, Japanese strategic leaders provided a stark example of the consequences of pursuing strategic goals without understanding the nature and utility of strategic resources. With an economy only one-tenth the size of the U.S. economy, Japan embarked on a war of attrition with the United States. Japanese leaders were well aware of the size of the U.S. economy; their error lay in assuming that their intangible resources of national spirit and strategic audacity would outweigh the tangible advantages conferred by the size and scope of the U.S. economy.

Communicating with your crew

In addition to understanding the two challenges mentioned above, there are several other unique tasks for strategic leaders. All leaders are required to be good communicators but more than anyone else in their organization, strategic leaders are *symbolic* communicators.

The idea of “symbolic communication,” refers to the words and actions of strategic leaders that convey a variety of important messages to multiple audiences about the nature of their organization. The words and actions of strategic leaders can provide insights into the values and culture of their organizations.

Symbolic communication occurs many different ways. The first time that I drove to the Walmart home office in Bentonville, Arkansas is a case in point. The main entrance of the corporate headquarters of the largest company on Earth is so unprepossessing and commonplace that I drove right past it. I remember glancing over my left shoulder and thinking *Well, that can't be their headquarters*. I gradually realized that their corporate headquarters was not really a building- it was a specific act of symbolic communication. To reinforce this point, consider what happened on the day that Mike Duke, the CEO of Walmart came to West Point to talk to the cadets in my class. After his talk, I brought him down to my office in Thayer Hall. He looked around and said, *“Wow, Mike you have a really nice office.”* He was not being facetious or condescending. I have been in the office of the Walmart CEO on several occasions and his office matched the rundown, unpretentious air of the entire corporate headquarters. My office in Thayer Hall (which was a windowless, reconfigured storage room) compared well to his office.

How can a building (or a CEO's office) be an act of symbolic communication? Easy. In this case, it is relevant that one of the most important keys to success for any discount retailer is their ability to control expenses. Discount retailers exist and operate in a very low margin world. It should come as no surprise that the first chapter of Sam Walton's autobiography is entitled “Learning to Value a Dollar.” Walton bragged that *“a lot of first-time visitors are kind of shocked by our executive offices. Most people say my office... looks like something you'd find in a truck terminal.”* Walton explains that his unique approach to interior decorating is part of a larger philosophy. *“We have always operated lean... We have had our people do more than in other companies. I think we came to work earlier and stayed later. It has been our heritage- our obsession...”* There are over two million people working for Walmart these days and it is impossible for the CEO to have a conversation with each of them about the importance of controlling expenses. Having a headquarters that looks like a reconverted warehouse is the equivalent of the CEO whispering in every employee's ear- *don't even think about being extravagant.*

Strategic leaders constantly engage in many different types of symbolic communication. I once saw the three-star general who was the superintendent of West Point lead a formation of cadets on a five-mile run in his PT gear and reflective belt. This was also an act of symbolic communication. Army officers are expected to maintain a high level of physical fitness throughout their careers and fitness is an important component of Army culture and values. I once served in an Army unit where the commander would send a

memo every year to every officer in the unit. The subject of the memo was his level of physical fitness. The colonel would specify how well he had done in the Army physical fitness test (sit-ups, push-ups, two-mile run) and he would always end the memo by saying “*the challenge is out, the standard is set... Beat me if you can.*” Like the colonel in my unit, the three-star general at West Point was not just going for a run, he was actively but symbolically communicating this aspect of Army culture to every cadet.

Identifying and developing the next generation of riverboat pilots and captains

Joshua Bell is one of the best-known classical musicians in the world. As a young violinist, he made his Carnegie Hall debut at the age of 17. He eventually owned a \$4 million Stradivarius and played all over the world with symphonies, in movies and on television. In 2007, a newspaper columnist asked Bell to take part in an experiment. Dressed in jeans, flannel and a baseball cap, Bell played a forty-five minute set of classical music in a Washington D.C. Metro station. While he played, more than one thousand commuters walked by. Only seven people stopped to listen. The moral of the story? Sometimes genius is hard to recognize. The relevance of the story? Sometimes great strategic leaders are equally hard to identify.

The last unique task of strategic leaders that we will discuss is the task of identifying and developing the next generation of strategic leaders. Jack Welch, the famous CEO of General Electric, once said that strategic leaders have two tasks- allocating capital and evaluating people. He reinforced this point by once saying in a speech that he spent time every day thinking about his successor and this comment is noteworthy because it was made ten years before Welch actually retired as CEO. The well-known management author, Jim Collins, echoes this sentiment. In a speech to the Corps of Cadets at West Point, Collins asserted “*the greatest executive skill is identifying the right people and putting them in the right jobs.*”

In her book, *Team of Rivals*, Doris Kearns Goodwin focuses on the political genius of Abraham Lincoln and her evidence is Lincoln’s ability to create a wildly improbable political team that helped him win the Civil War. Goodwin, however, spends much less time on Lincoln’s lack of success at the task of building an effective military team. Consider this list of names: Winfield Scott, Irwin McDowell, George McClellan, Henry Halleck, John Pope, George McClellan (again!), Ambrose Burnside, Joseph Hooker, George Meade and Ulysses Grant. What do all of these people have in common? They were all generals who were temporarily given high command by President Lincoln in his quest for victory in the Civil War. Most of them are forgotten by history. It took a long time for Lincoln to master this particular responsibility of a strategic leader. It wasn’t until Lincoln gave overall military authority to Ulysses Grant that he finally found a commander with whom he could work to win the war.

The issue of identifying competent leaders is a challenge faced by leaders in all types of organizations. Abraham Lincoln faced this challenge during the Civil War and it took him years to master its complexity. The same challenge occurred in France during the early days of World War I. After its humiliating defeat in the Franco-Prussian War of 1870, the French Army spent the next forty years thinking about and preparing for renewed conflict with Germany. At great expense and with great deliberation, France raised an army of one hundred and three divisions that was designed to produce victory in any future conflict. As a necessary component of the expansion of the French Army, a great deal of thought had to be given to the ways in which the officer corps was trained, evaluated and managed. At a minimum, the army needed one hundred and three competent generals who could be entrusted with the command of these divisions in combat. Yet as John Keegan points out in his history of the First World War, the French Army achieved nothing of the sort. Instead of having a reliable body of senior officers, the French high command ended up relieving ninety-two division commanders during the first four months of World War I. The long-term, deliberate process used by the French Army in peacetime to identify effective combat commanders proved to be wrong ninety percent of the time. Just as we saw from the example of Lincoln in the Civil War, the task of identifying competent leaders is exceedingly difficult.

The leader development process

When I taught at West Point, the mission statement of the United States Military Academy boiled down to a surprisingly simple goal: *"To educate, train and inspire the Corps of Cadets so that each graduate is a commissioned leader of character..."* A consideration of this goal reveals an interesting assumption about leadership. West Point is clearly making an assumption that leaders are made, not born. If leaders were born, then there would be no need for places like West Point with its leader development program. The process of making leaders can be examined from two perspectives. First, can organizations develop the leadership abilities of their members? Second, can individuals develop their own leadership ability?

One of the first things to consider is that the task of developing a strategic leader entails a great deal of risk- for the organization and for the leader. I remember having a conversation with the CEO of a large retail company and he told me about one of his most memorable days. He had started at his retail company in the logistics and transportation end of the business because his background was in trucking. He had achieved great success and eventually became the executive vice president of logistics in the retail company. At this point in his career, he had a tantalizing conversation with his CEO who asked him to give up his logistics position and become the executive vice president of merchandising for the company. The reason for this surprising request was that the company wanted to see if

this executive had the bandwidth to be considered as a potential future CEO. But notice the degree of risk inherent in this leader development path. Asking a logistics person to be in charge of merchandising obviously carried a high degree of risk for the company. After all, retail companies live or die based on the choices that they make about the merchandise they put on their shelves. The degree of risk was also high for the logistics executive. If he were not suited for the merchandising position, he would not be able to ask for his old job back. Leader development can be an exercise filled with risk.

In addition to being a task that is carried out by organizations, leader development is also an intensely practical process for individuals. One year, a noted explorer and mountain climber talked to the cadets in my management class and she said something interesting that can be applied to leader development. She talked about the process of getting ready to climb Mount Everest when she had to balance the demands of a busy career with the requirement to get into the best shape of her life. After going through a variety of different fitness programs and being dissatisfied with the results, she finally realized that the best way to prepare for climbing a really big mountain is to climb lots of smaller mountains.

The same approach has been chosen by West Point for leader development. During their first year as plebes, cadets don't focus on learning how to be great team leaders- they focus on learning how to be great team members. After climbing that small mountain, cadets in their second year focus on being responsible for one or two underclassmen. During their third year, they have the opportunity to be responsible for small groups of cadets and during their last year, they have the opportunity to be responsible for large groups of cadets. The leadership mountains get bigger with time.

Being an effective team member, an effective leader of small groups and an effective leader of large groups are distinctly different activities but they are linked by the underlying thread of leadership. Each of these steps differs from the others because they each require different capabilities and mindsets. As we have seen in this essay, leaders *of* organizations have different responsibilities than leaders *in* organizations. One of the most basic organizing principles of leadership development is that it is progressive by nature.

The relevant point of this discussion is that the entire four-year experience at West Point is designed to produce competent tactical-level leaders. Cadets are engaged in a very structured development system for four years and the targeted end state is competence at the tactical level of operations. One of their future challenges is that strategic leaders are different than tactical leaders and their West Point experience is not designed to make them proficient strategic leaders. If they want to prepare for greater responsibility, they will have to construct their own leadership development journey after they leave West Point. Once they graduate, they leave behind the most formalized leader development

program they will ever experience. They will face the same question faced by any young manager with career ambitions- how do they continue their leader development journey and get ready to meet the unique challenges of strategic leadership?

One of the most challenging aspects of a leader development journey is the ability to effectively engage in the practice of self-reflection. Most of the organizations I have seen in the corporate world are not good at self-reflection. So, for example, once the retailer finishes with their back to school sale, they don't spend time looking back on lessons learned, they just look forward and prepare for the holiday sale. People are like that. In order to get cadets to consider the value of reflection, I would normally show the cadets a list of books that have informed my understanding of leadership. These range from the classical- *The Art of War*, the *Iliad* and Shakespeare (the *Henriad*) to the modern (*The Smartest Guys in the Room* and *Parting the Waters*). What they all had in common was the fact that they provided valuable insights into leadership when I reflected on what I had read. When I would show cadets my list, they would automatically begin to write down the titles and I would have to stop them to make my meaning clear. I was not showing them my list of books in order to get them to read the books that influenced me. My point was that, over time, they should systematically think about the nature of leadership. There are a variety of different things that they can do to create their own leader development journey. Coming up with their own individual reading list is one minor tool they can use to refine their individual understanding of leadership by engaging in the practice of reflection.

Leadership case study

The extended case that ends this chapter is designed to promote reflections on leadership. It is an example of leadership in the corporate world and we will see the consequences of leadership decisions for one of America's best-known retailers.

In 2011, the corporate board of JCPenney decided to roll the dice. Desperate to reinvigorate the stagnant sales of the century-old retailer, the board decided to hire a brash retail rock star named Ron Johnson from Apple as the company's new CEO. Johnson was famous in the retail world for two reasons. He helped establish Target's "discount chic" image and, subsequently, he worked with Steve Jobs to set up Apple Stores. These stores quickly became the most productive retail space in the world and were the envy of the retail industry.

Johnson came to JCPenney with a goal of radically reinventing the company and in little more than a year, the company had been transformed- but not in a good way. In his first full year as CEO, JCPenney suffered a catastrophic twenty-five percent loss in sales, which was a decline without precedent in the history of American retailing. Johnson's tumultuous eighteen-month tenure ended when he was abruptly fired by his one-time supporters on

the JCPenney board. *Fortune* magazine noted that “*the only thing speedier than Johnson’s planned changes was the velocity at which they unraveled.*” In the years since Johnson’s departure, it has become clear that the company was fundamentally, and perhaps fatally, wounded by this radical experiment in retailing. JCPenney has never regained the level of sales it enjoyed before Johnson’s arrival. It has gone through three CEOs in six years and its stock recently fell below \$1 per share. How did this disaster happen? One of the most important aspects of this debacle is a consideration of strategic leaders. Ron Johnson clearly understood the retail business, given his past success at Target and Apple. The question for us is whether he understood the leadership business.

During the CEO search process that resulted in his hiring, the JCPenney board focused on Johnson in large part because of his association with Steve Jobs and the success of Apple stores. In other words, the board of JCPenney made two assumptions. They assumed that the performance of Apple stores was caused (to some degree) by Johnson’s leadership and they further assumed that Johnson’s leadership was a resource that was easily transferrable to other retail organizations. This is a common reflex when hiring an outsider as CEO and Johnson himself shared this mindset. Disregarding the significant differences between the two models of retailing, he constantly referred to his Apple experience when talking to JCPenney managers and he brought in other Apple and Target co-workers who dominated the ranks of his new JCPenney top management team. What became rapidly apparent, however, was that leaders who achieved strategic success in one set of circumstances are not always capable of achieving success elsewhere. You can’t always transplant leadership.

It is noteworthy that JCPenney was driven to hire so many outsiders in 2011. At that time, JCPenney had about 159,000 employees so it was, in effect, an organization as large as the U.S. Army at the beginning of World War II. As the world erupted in global war in 1940, the Army was able to produce leaders such as Marshall, Eisenhower, Bradley, MacArthur and a host of other generals. It is useful to wonder why the Army had a ready supply of dependable leaders and an organization of similar size such as JCPenney did not. One aspect of this case centers on the advantages and disadvantages of having an insider or an outsider as a CEO. Under what circumstances is an outsider effective as a CEO? Why should a large company ever have to rely on hiring an outsider as a CEO? Is it a reflection of their inability to develop strategic leaders from within? Companies like GE have devoted substantial amounts of time and money to the task of educating and training executives for greater responsibility. Is this a good idea and is it an idea that is transferrable to other companies?

Earlier in the chapter, we saw that strategic leaders communicate in symbolic ways to shape the nature and values of their organizations. Consider the symbolic nature of some

of Johnson's actions. Johnson and his band of outsider acolytes rapidly took over most of the positions of authority within the company. As they assumed control, they displayed unmistakable contempt for existing JCPenney procedures and values. They disavowed the JCPenney name (preferring the more hip "JCP"). They disavowed the Penney product line and pricing strategy- getting rid of hundreds of brands and discontinuing the decades-long practice of discount pricing. They even disavowed the physical layout of Penney stores as they made the decision to transform stores into a collection of mini-boutiques under one roof. They set up ceremonies at JCPenney headquarters where employees were encouraged to publicly throw away items that displayed the traditional JCPenney logo. Their degree of disdain was apparent to Penney veterans (thousands of whom were rapidly fired) and to the business press (who, within months, were using words like "hubris" and "arrogance" to characterize Johnson). These actions were intended to communicate the need for strategic change but they also contained several dysfunctional elements. They told JCPenney employees that experience accrued while working at JCPenney was worthless. They also warned JCPenney veterans (who were lucky enough to survive the initial purges) that they would need to unquestioningly adopt a new way of thinking.

Consider the long-term consequences of such actions. After all, leadership is a social contract. If leaders publicly display a fundamental lack of trust in their followers, it should be no surprise that this will have a strong effect on the attitudes, behavior and performance of followers. This situation was exacerbated because, in the JCPenney case, leaders were attempting a rapid and radical strategic transformation of the company. Such complex, risky and uncertain circumstances will inevitably produce organizational friction for a wide variety of reasons. Some employees will not understand the new plan, some employees will disagree with the new plan and some employees will act in a hesitant manner. As Clausewitz reminds us, great leadership is one of the primary ways of overcoming friction but leadership depends on a relationship of trust between leaders and followers.

Johnson planned to take JCPenney in a completely new direction and his strategic challenge was easily stated- his new strategy had to attract a sufficient number of new customers before his company suffered the results of alienating old customers. Or, in the words of a prominent retail CEO, his actions needed to be governed by Tarzan's rule of retailing- never let go of vine #1 before having a firm grip on vine #2. This type of high-wire strategy requires skill, luck and the trusting support of willing stakeholders. Johnson went into this battle enjoying a great deal of influence because of the reputation he had earned on previous retail battlefields. In a short period of time, he squandered that influence and failed to retain the support of employees, customers and members of the board. JCPenney suffered historic losses and his tenure at JCPenney lasted a mere eighteen months.

Conclusion: think of leadership as a resource

In his autobiography, *Made in America*, Sam Walton spends an entire chapter talking about how he resisted investing in distribution systems and information systems. He says, “*some of the guys around here find it amusing that I get so much credit for Wal-Mart’s reputation as a world leader in retailing and distribution technology... They’re amused because...I’ve put up a pretty good fight every time somebody wants to buy some new system...*” Walton resisted investing in computers because at the dawn of the computer age, he had never experienced the game-changing benefits of a computerized retail system. But Walton was smart enough and flexible enough to listen to others. Eventually, his company developed competitive advantage in its industry because it was able to manage inventory costs, reduce out of stocks and generally improve customer satisfaction through the effective use of information technology.

Walton’s attitude towards computers is a useful analogy because, at a very fundamental level, his attitude towards computers is similar to the attitude that many in the corporate world have towards the idea of leadership. Many people don’t really understand the concept of leadership and, as a result, they fail to see the value of leadership as a resource.

While this observation might seem commonplace, it is important to reflect on the useful implications of seeing leadership as a resource. Thinking of leadership as a resource is not widely accepted in the corporate world. To support this point, consider that managers are usually held accountable when they misuse organizational assets such as financial or physical resources. In other words, people are held accountable when they fail in certain aspects of their responsibilities as managers. Carry this thought process from management to leadership. One of the most popular research topics in the field of management is that of employee retention. What sort of factors influence an individual’s decision to leave an organization? One finding in this research is that many people don’t leave their jobs because of dissatisfaction with their organization. They leave because they are dissatisfied with their boss. In other words, people aren’t fleeing bad organizations, they are fleeing bad leaders and most companies have absolutely no way of holding bad leaders accountable. One of the reasons why dysfunctional leadership can even exist within organizations is because many organizations don’t understand the value of leadership. Dysfunctional leaders are frequently rewarded if they achieve short-term financial or operational goals but they are not held accountable for the long-term costs of bad leadership such as attrition, low morale, lack of trust and people not performing to their potential.

Our extended meditation has led us to consider several ground truths about leadership. First of all, leadership is different than management. Managers achieve goals because their authority gives them the ability to control procedures and resources that are denied to

others. In contrast, leaders are those who demonstrate the ability to get groups of people to achieve goals without having the authority to demand compliance. Secondly, leadership is a social contract. Leaders are obliged to provide basic elements towards a leadership relationship and, if these elements resonate with followers, all sorts of organizational magic occurs. Random groups of people become teams, apathetic people become motivated, fearful people become resolute. And finally, we saw that strategic leadership is different than tactical leadership. Tactical challenges are the small mountains that initially hone leadership reflexes while strategic challenges are the Himalayas that loom in the distance. These simple truths about leadership are derived from thousands of years of military history and more than a century of corporate history. They should be guiding principles to anyone interested in developing themselves or others as leaders.