Transformational vs. Transactional Leadership

Executives are also tuned into the Transformers as they see the need to make sweeping changes in their own leadership styles and in the systems and structure of their companies.

ONE OF THE MOST popular lines of toys for children in the recent past has been the Transformers. These colorful units are really two toys in one: they change like chameleons from one thing to another—from robot to jet plane, for example, simply by maneuvering certain parts.

In the corporate world, "transformers" are also quite popular. At least, in the popular business literature, one encounters them virtually on every page—and with good reason. "We all have a need to reinvent what we're up to," says John Naisbitt. "It's a matter of survival."

Certainly, the world is undergoing revolutionary changes. Any careful observer will note the metamorphosis that is taking place in virtually every industry and profession. In The Aquarian Conspiracy, author Marilyn Ferguson describes it as "a great shuddering, irrevocable shift...a new mind—a turnaround in consciousness in critical numbers of individuals, a network powerful enough to bring about radical change in our culture."

It is a change so fast, so profound, so complete, that it will almost overwhelm the careful observer. Reportedly, more change will take place in the next few years than has taken place in the past few centuries. And yet, some people are oblivious to it. Like fish who discover water last, they fail to perceive the obvious. They do not sense the difference between then and now, today and tomorrow.

In my opinion, these revolutionary changes will alter forever the way many companies operate. People and products that are not in touch with these changes will fast become obsolete.

Transforming with the Trends
While some cynics may accept obsolescence as an inevitable consequence of change, proactive executives innovate and increase market share. The trick is first to identify the trends and then to transform with the trends.

For example, PC Magazine recently reported that the microcomputer, even more than the mainframe and minicomputer before it, will "transform computing, those who use computers, and even the nature of our society and life in this century."

The "megatrends" suggest that by the end of this century "there will be a computer on almost every desk—and at least as many computers as TV sets in the home. The personal computer will increase personal productivity by 20 percent; executives will begin using the computer more enthusiastically; and voice input will play an important role—transforming every telephone into a full-fledged computer terminal for both input and output."

The effective executive will note the computing trends and make necessary transformations. Many social observers are describing the "megatrends" and giving us a sense of how dynamic and radical these changes are. To simplify matters, I will consider three categories—economic, technological, and social/cultural—and contrast traditional and emerging patterns within these categories (see chart on next page).

Implications for Managers and Executives
Implied in these changes is the need for a major shift in management thought and practice. Many companies and their managers are not transforming with the trends. For example, our society values democracy, and yet most companies practice autocracy; our society values capitalism, but many organizations practice feudalism. While our society has shifted to pluralism, many companies seek homogeneity.

Perhaps the most fundamental need
TRANSFORMATIONAL VS. TRANSACTIONAL

is to understand man's full nature. Motivational theory has shifted its organization from stomach (physical and economic) to heart (good human relations, good treatment) to mind (identify, develop, use, recognize talent) to spirit (a sense of transcending purpose or meaning).

An enlarged concept of man's nature triggers another shift in the role of the manager from hero to developer, from commander to consultant, from order-giver to mentor, from decision-maker to value-clarifier and exemplar. The new manager is moving away from confrontive dialogue to empathic dialogue, from retaining power to sharing power, from adversarial relationships (win-lose) to collaborative relationships based on mutual interests (win-win).

We might think of this "paradigm shift," as historian Thomas Kuhn has called it, in terms of a continuum with external control on one side and internal control or commitment on the other side—from superficial human relations to full utilization of human resources.

The new leader is learning to "read" each situation and to adapt accordingly. An excellent model of this new leadership style is Blanchard's Situational Leadership II. As Ken describes it, this model suggests that the leader must adapt his style to suit the ability and maturity (competence and commitment) of his people. Such a leader must have good diagnostic skills, a large repertoire of management styles, and the courage and flexibility to use the appropriate one.

Personal Change Precedes Organizational Change

It's almost axiomatic to say that personal change must precede or at least accompany management and organizational change; otherwise, the duplicity and doublemindedness will breed cynicism and instability. Life's imperative is to grow or die, stretch or stagnate.

Attempting to change an organization or a management style without first changing one's own habit patterns is analogous to attempting to improve one's tennis game before developing the muscles that make better strokes possible. Some things necessarily provide others. We cannot run before we can walk, or walk before we can crawl. Neither can we change our management styles without changing personal habits.

Psychologist William James suggested that to change personal habits, we first make a deep internal commitment to pay whatever price is necessary to change the habit; second, we grasp the very first opportunity to use the new practice or skill; and third, we allow no exceptions until the new habit is firmly imbedded into our nature.

Of course, change—whether it's personal or organizational—carries some degree of risk. Because of that risk and the fear of failure, many people resist change. Those who adapt well to changing environments generally have a set of changeless values within them and are congruent in behavior with those values. This integrity boosts their self-esteem and provides a bedrock of security from which they can deal effectively with changing circumstances.

Companies on the "cutting edge" often enjoy a competitive advantage. Not surprisingly, these are often young companies, trend-setters. At People's Express, for example, there are no secretaries, no personnel office, no memos. Employees buy their own uniforms, purchase company stock, work for less than industry standard wages, accept fewer fringe benefits, work the first five weeks at their own expense, and, nevertheless, exhibit missionary zeal.

While well-established companies like U.S. Steel or General Motors won't transform in the same way, all companies must, as John Naisbitt says, "reinvent" or transform themselves. Those driven by momentum and memory may find themselves going right over a cliff.

Cognizant of this reality, the colossus Procter & Gamble is "scrambling to break out of more than a half decade of stumbling, meager growth," reports Fortune magazine. "Competitors think they are seeing a new P&G—and they are. The once supercious company... is bringing out products that follow...
over the past ten years. The day of the imperious P&G may be ending as the company adapts to some radical changes in consumer retailing. President John Smale has formed distinctly non-pyramidal business teams for certain tasks, and each division now has cost-reduction teams that include production-line workers as well as executives.

**Transformational Leadership**

Transformational Leadership builds on the mind's need for meaning; it is preoccupied with purposes and values, morals, and ethics; it transcends daily affairs; it is oriented toward meeting long-term goals without compromising human values and principles; it separates causes and symptoms and works at prevention; it values profit as the basis of growth; it is proactive, catalytic, and patient; it focuses more on missions and strategies for achieving them; it makes full use of human resources; it identifies and develops new talent; it recognizes and rewards significant contributions; it designs and redesigns jobs to make them meaningful and challenging; it releases human potential; it models love; it leads out in new directions; it aligns internal structures and systems to reinforce overarching values and goals.

**Transactional Leadership**

Transactional Leadership builds on man's need to get a job done and to make a living; it is preoccupied with power and position, politics, and perks; it is mired in daily affairs; it is short-term and hard-data-oriented; it confuses causes and symptoms and concerns itself more with treatment than prevention; it focuses on tactical issues; it relies on human relations to lubricate human interactions; it follows and fulfills role expectations by striving to work effectively within current systems; it supports structures and systems that reinforce the bottom line, maximize efficiency, and guarantee short-term profits.

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**The Transformation of Ford Motor Company**

Paul A. Banas is manager of Corporate Personnel Research at Ford Motor Company.

**What is the nature of the transformation at Ford?**

While we're still very much in the automobile business, we are now equally involved in the people business. In fact, our new chairman, Don Petersen, often says that we at Ford have two bottom lines: people and profits. He also says that we're moving from a company sometimes described as impersonal, autocratic, and management-oriented toward a company that is more personal, participative, and employee-centered. He wants Ford to be known as a people-centered company... and to me, that suggests we're headed in the right direction.

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**Paul A. Banas**

**Executive Excellence**

**April 1985**
forces are meeting to resolve problems like how to interface engineering and manufacturing.

**Why is quality job one at Ford?**
With quality products, we hope to get profits, and profits are necessary to have returns from stockholders and also to put something back into the business so we can continue to improve our technologies, facilities, and research capabilities. As we move through this transformation, the key principles are becoming more clear:

quality is number one . . . and customer service is a close second. People, products, and profits—these are the issues being stressed by top management today at Ford.

**What does this transformation mean to the Company?**
Basically, it all means that people are working closer together toward common goals. It represents a transition. We’re examining our culture to see if it fits with the social trends, the needs of people, and the demands of the marketplace. We often find that what was appropriate 20 years ago may not be adequate today. We at Ford recognize that we must look at the basic beliefs and values underlying the way people operate, and that we need to make these values and expectations more explicit to all people in the Company.

**How are your people, particularly your managers, adapting to the new culture?**
During the past year, as I have met in workshops with some 1,200 Ford managers, I have witnessed an overwhelmingly positive response. In my view, the dedication and the understanding of American managers are often underestimated. They see what’s happening, and they understand the need to manage differently.

**Why hasn’t there been more resistance to what you describe as a major change in the culture?**
Resistance usually comes from a lack of understanding. Our whole approach to PM/EI is, first, to develop a common understanding. Failure to develop a common understanding about what it is you’re trying to accomplish, how you plan to go about it, and what principles underlie it, is the major deficiency of most transformations. I can’t overemphasize the importance of a common understanding, and I think Ford has done as good a job as any company in developing it.

How are you involving people in developing common understanding?
We involve people in at least three ways: (1) through various communication channels—speeches, papers, presentations, newsletters; (2) through internal consulting with different components on the ways and means of implementing participative management; and (3) through different education and training programs. Our major program is the PM/EI workshop. In that, we communicate the principles and the action plans for cultural change.

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**In an organization the size and complexity of Ford Motor Company, how do you manage the change process?**
Managing change in complex systems, in megasystems such as Ford Motor Company, means involving a lot of people, keeping a lot of things going simultaneously, and building momentum throughout the Company. A casual outside observer might suspect, on any given day, that there’s no common thread or design to it. The whole idea is to build in understanding and then to provide people with some freedom and flexibility for doing a lot of things within the established guidelines and principles. That’s what generates ownership and commitment to change. And that’s what produces results.

**Do you form any contracts or agreements with people?**
Since 1979 we have had contractual agreements with the UAW around the issue of employee involvement and employee development. Without boasting, I think we have one of the most successful employee involvement programs in the world as a result of the joint efforts of union leadership and Ford management. Employee involvement and participative management are really two sides of the same coin, and right now, it’s the coin of the realm. It’s what’s being exchanged daily in all of our plants. And the nicest thing about PM/EI is that it virtually eliminates the need for overly bureaucratic arrangements.

**Why all the effort? What benefits are you hoping to realize as a result of this transformation?**
As John Naisbitt reminds us, there are some sweeping megatrends in society—many indications that change must accelerate, not only in Ford Motor Company, but in many organizations. And so, first, we hope to keep pace with these rapid changes and thereby enhance our competitive position. We expect to have products that lead the way and meet the demands of the marketplace; after all, we’re in business to succeed. Second, we hope to enhance in all of our people the ability to be adaptive to change. We don’t want to “institutionalize” PM/EI or any other program. Rather, we hope to become more flexible, more adaptive, more competitive in the worldwide market. Third, we hope to reinforce the values we place around our people. Through the transformation, we hope to provide people with a better working environment and a better opportunity to use all their knowledge, skills, and abilities, since people are the strength of our organization. That may sound like motherhood, but that’s the way it is.

**What do these changes portend for management?**
As I see it, there’s a much greater need now for visionaries in top management ranks. Fortunately, we have had some talented visionaries—people like Philip Caldwell, Don Petersen, and Red Poling—people who recognize that we are operating in a rapidly changing environment, in a worldwide market, and that to be competitive, we must change and adapt to the marketplace.
Imagine: If you could transform a culture based on adversarialism, legalism, protectionism and politics into a culture based upon natural laws or principles, your payoffs would be enormous. You would save big bucks by increasing the span of control and tapping into the energies and talents of people.

The world is undergoing revolutionary changes that will alter forever the way many companies operate. People, products, and companies that are not in touch with these changes will fast become obsolete. While some cynics may accept obsolescence as an inevitable consequence of change, proactive executives innovate and increase market share. They identify the trends and then transform with the trends.

Of course, change carries risk. Because of risk and fear of failure, many people resist change. Those who adapt well to change have a set of changeless values within them and are congruent in behavior with those values. This integrity provides a bedrock of security from which they deal effectively with transformation.

Begin with Self

We can’t talk seriously about transforming organizations without first talking seriously about transforming ourselves individually. The key to influencing the masses is reaching the one, beginning with self, since what is most personal, ultimately, is most universal.

Think about it. Isn’t it ludicrous to think that you could transform a culture without having the individuals change? To me it is, and yet such thinking is common: everything in this organization should change, except me. If you make yourself the exception, forget the transformation.

Suppose, for example, that you want to transform or remodel an old house that you now live in. Initially, you hope that you can do the job quickly without disrupting your quality of life, your family patterns, and your personal habits.

But as you seriously start to design, plan, budget, schedule, and negotiate with prospective builders and interior decorators, you soon realize that this task will take longer, cost more, disrupt your family, and involve you far more than you dared to think. You also realize that if you use a "cosmetic" approach—where you just move items from one place to another, paint the walls, carpet the floors, and put siding over the exterior—you will still have to live with several problems that have plagued you for years—problems such as poor space utilization, faulty plumbing, bad lighting, minimal insulation, ineffective heating and air conditioning.

You see that the very nature of things has to change because your needs have changed. You see that there is no way to remain in the house and accommodate the needs of your growing family as well as the demands of a shifting environment without making a major commitment.

The moment you commit to change, the transformation begins. It’s almost axiomatic to say that personal change must accompany organizational change; otherwise, the duplicity will breed cynicism and instability.

Attempting to change your culture or management style without first changing your own habit patterns is like trying to improve your tennis game before developing the muscles that make better strokes possible. Some things necessarily precede other things. You can’t run before you walk, or walk before you crawl. Neither can you change your culture without changing personal habits.

What happens when people get into a political environment and feel that their deal is unfair? They organize “rallies” and seek to find fault with and place blame on people and conditions outside of their direct control, thereby fostering feelings of oppression, of being “victims of the system.” They cry for redress of perceived wrongs. They may form a union, seek social legislation, or offer collective resistance. These measures tap the social need to belong, the psychological need to use creative energies and talents, and the spiritual need to have a purpose. But often the organization becomes a place where politics run the show and where people are constantly reading the tea leaves.

Such cultures breed dependency, and you can’t empower people who are dependent. That’s why most empowerment initiatives don’t work. People may act as if they are independent and empowered, but they are often loose cannons—and when they go off in the wrong directions, executives pull back power and get back into the control mode, using coercive or utility power—"if you’ll do this, we’ll do this." But old methods don’t work with new challenges. Today, nothing fails like past success.

Nothing much will change to our liking in our families, organizations, and nations until we change and become part of the solution we seek. It’s hard to be a light if we play judge all day. Real change starts with me and my family and my house. In organizations, it starts when I recognize that if it’s going to be, it’s up to me. “My circle of influence not only has to be larger, and ever expanding, but the nature of my activities has to change so that I’m in alignment with the nature of activities that work in the marketplace.”

Imagine trying to create a culture that is fast, flexible, focused, and friendly...
without having individuals be faster or friendlier, more flexible and focused. Psychologist William James said that to change our habits, first we make a deep commitment to pay whatever price is necessary to change the habit; second, we grasp the first opportunity to use the new practice or skill; and third, we allow no exceptions until the new habit is firmly imbedded into our nature.

Ten Skeleton Keys

Here are ten keys to transformation that work anytime, anywhere.

1. **Transformation starts with increased awareness of the need for change.** We need an increased awareness of where we are in relation to where we want to be. We can’t be in a state of denial about the need for change or about the kind of commitment and effort that it will take. Often increased awareness comes from 360-degree feedback that makes denial difficult and from a stakeholder information and accountability system that drives the transformation process.

2. **The next step is to enter into a “co-missioning” process, aligning your personal mission with the mission of your organization.** This “co-missioning” is best done through involvement and participation. People must decide for themselves what impact the change will have on them and their sphere of influence. When your people share the same mission, you then have the natural reinforcement in the culture to perpetuate change.

3. **Build a sense of internal security.** The less internal security people have, the less they can adapt to external reality. They have to have some sense that the ground will not shift from under them. If they try to get predictability out of structure and systems, they only create bureaucracy—fossilized organizations that are incapable of adapting quickly to shifts in the marketplace. People won’t willingly change unless their security lies within. If their security lies outside themselves, they see change as a threat. We need a sense of permanency and security. Living on unstable ground all the time is like living through an earthquake every day.

4. **You next have to make change legitimate at the personal level.** If you give people a profound learning experience on listening with empathy, for example, the next day they can do something about it. But if you ask them to do something the day before, they’ll rebel against it. They might say: “What are you trying to do? What’s wrong with the way we are doing it now?” People must acknowledge: “I need something that I don’t have now.” And they know that it won’t come by just hoping for it and envisioning it. It involves a change in mind-set and skill set. They must pay the price in a development process to get it.

5. **Take personal responsibility for results.** Executives and employees often debate the question, “How much of that development should be the duty of the organization, and how much the role and responsibility of the individual?” I think that in the last analysis, competency is up to the individual. The individual should say, “The organization is a resource to me. I can draw upon this resource or go to other resources. If the organization proves not to be a resource to me, then I will have to get the knowledge, skills, and training on my own.”

But if we look at training from the chief executive’s point of view, I would say: “Yes, the individual is ultimately responsible, but we need to create a supportive environment and provide some resources to help people develop the competency that we need to be competitive.” Many governments now give tax credits for training and development to encourage companies to invest in the health of the “goose” that lays the golden eggs.

6. **Bury the old.** Often there needs to be a “baptism”—a symbolic burial of the old body and taking up of a new body, new name, new position, new place, new language, and a new spirit. This symbolizes not that you have rejected the old, but that you are building upon the old and moving forward. I have seen this done very successfully where people get together and bury the old practices and old ways and all of the guilt associated with them. It becomes a transition time. In her book Passages, Gail Sheehy writes: “Like the lobster, we, too, must shed a protective structure with each passage from one stage of human growth to the next. We are left exposed and vulnerable—but also yeasty and embryonic again, capable of stretching in ways we hadn’t known before.”

These times of passage also become something that people can look at and laugh about. If they don’t take themselves so seriously, they can say: “We’ll be mak-

ing changes the rest of our lives. This change process is not a one-shot deal.”

7. **Embrace the new way with a spirit of adventure.** The very process of changing has to change. First, the organization should be centered on natural laws and enduring principles, because those laws are going to operate, regardless. You can’t transform a politicized workplace into a quality culture unless you build on principles; otherwise, you won’t have the foundation to support and reform initiatives.

Principle-centered leaders create a common vision and seek to decrease the restraining forces. Profit-centered leaders often try to increase the driving forces. Temporarily they can make improvements, but these create tensions—and those tensions break out in new problems, requiring new driving forces. Performance dips as people become fatigued and cynical. Management by drives will lead to management by crises.

8. **Be open to new options.** Major change requires a spirit of adventure since you are in unknown territory. You don’t know what will happen or what hand you are going to be dealt, but you are excited to discover what it is so you can appropriately respond to it.

I suggest that you enter into a negotiation or a transformation saying, “Let’s begin with the end in mind. The end in mind is that we will have a solution that will be better than what either of us now proposes. We do not know what that end will be. It is something that we will work out between us. Synergy is what we seek. Having an open mind will give us more of an immunity to dichotomous, either-or thinking. So the next time we run into a problem with each other, we can go for something better—a third alternative.” If the “end in mind” is more of a spirit or philosophy or relationship than it is a specific outcome, you can be open to new options.

9. **Seek synergy with other stakeholders.** I was visiting with a CEO the other day, helping him prepare an important speech in which he wanted to deal with the “worsening relationships” inside the organization. I suggested to him that strained relationships are often symptomatic of deeper ills inside the culture—ills such as the spirit of contention and the spirit of adversarialism in the way people solve their problems. I showed the CEO how the habits of interdependency, empathy, and synergy represent a way to deal with difficult issues and still maintain good working relationships. He said, “The other day, I met with an adversary, and said, ‘Let’s let the spirit of synergy be the spirit of our interaction with each other.’ He agreed, and our meeting was fruitful! I
Successful Transformation

Transformation is daunting yet attractive to many executives who think: "If we transform, we'll control our own destiny."

Is Transformation Possible, or is it only a pipe dream?
Successful transformation is possible, if you keep two key points in mind: 1) to take control of the future, you need to lead from the future; and 2) transformation must be an integrated process.

From Then to Now
Leading from the future means having a clear idea of your desired future—what you want to be, how you want to compete—and making decisions based on that vision. Solving today's problems will not, in itself, set you on course toward the future you need. It's necessary to approach and solve problems given your desired future. For this reason, executives are looking at the future before, or while, they assess the present. Present and future are interdependent.

To prepare for the future, executives must develop foresight—a point of view about the future that defines which customers will be served, which new benefits will be offered to customers, and what competencies must be acquired or developed.

Foresight depends on where the industry is going, which depends on changes in customer attitudes. Find out what your customers believe is valuable, and determine what you need to do to add value. Don't just react to what they say or ask them what they want now; find out how they think they're going to act and compete in the future. Ask them the questions you're asking yourself—and design products and services to support anticipated needs.

Since a company controls its destiny only if it understands how to control the destiny of its industry, ask how you can influence the industry's direction. Futurists within and outside the company can provide perspective. So can competitors.

Benchmarking is essential, but you need to go beyond benchmarking of current competitive activities. Where most leaders fail is in not getting their organizations to the future first. As one executive put it, "The trouble with following the herd is stepping in what it leaves behind." Bob Galvin, former chairman of Motorola, believes that the starting point should not be the currently served market; it should be the "total imaginable market."

Your customers, the channels by which you reach these customers, your competitors, your stakeholders, and your competitive advantage are not likely to be the same tomorrow as they are today. Let your imagination run free, stimulated by as much knowledge as you can gather.

The trick is to see the future before it arrives. Many of today's erstwhile leaders are on a slippery slope. One or more companies in their markets have increased the value offered to customers by improving products, cutting prices, or enhancing services, thus raising the level of value that customers expect from everyone. To avoid being "lost in place," these companies will need to develop strong foresight and act on it quickly.

From Here to There
The diagram shows the link between the present and the future, as well as the means for moving from here to there.

The present is built on past success, and many elements within it may be out of alignment with the desired future. The vision provides the pull toward this future and shapes the path forward.

To move toward this desired future, you need to understand where you are now: your position in the industry, your strengths and competencies, and the specific gaps and disalignments that will get in the way of realizing your vision.

For example, your goal may be empowerment, but current financial controls may not allow decision making at lower levels. Or the company's focus may be on cost cutting rather than on the creation of new value and customer "delight" that will sustain competitiveness over the long term.

Unlearning the past will present a major challenge. An installed base of thinking—unquestioned conventions, a myopic view of opportunities or threats, unchallenged precedents—can be as much of a burden as obsolete capital equipment.

Scraping everything and starting afresh, however, denies that there is anything of value in the current organization. Such drastic measures are justified only if all alternatives are more costly and more risky.

Two questions ought to govern decisions regarding the disposal of current elements: 1) What parts of our past and present represent excess baggage, given the future we want? and 2) What parts of our past and present can we use as a pivot to get to the desired future?

Strengths can be used as pivots, as long as each company knows how to use them to get to the future.

Accurate assessment of the present as it relates to the future will confront you with a choice: create new rules for competition in your markets, or rejuvenate your current business so as to win in the future by playing according to existing (though evolving) rules. Which one you choose, or choose to do first, will depend on where you are in your business cycle. If you're on an upward trajectory, leading the market, you can continue to enhance what you're doing now. But if you want to keep the upward momentum, you'd better have something new in place. This could be a reinvention, a fresh technology, or an innovative approach that will reset industry rules for competition.

Since rules are changing in every industry, you will need to change also, even if you simply elect to revitalize the business rather than remake the industry's standards. You need to ask, "How will the future of this industry be different?"

Integrated Movement
As you head toward your desired future, don't get stuck in planning, but move forward immediately on as many fronts as possible. The organization should not have to wait for a crisis to transform; the best time to change is
Transformation to Participation

Most progressive businesses now accept that the authoritarian order is obsolete.

Participation makes for superior performance, productivity, and profitability. How does the participative organization differ from the authoritarian enterprise? Here's the emerging scenario.

In the past, "thinkers" at the top of the pile spent their time strategizing and never got their hands dirty while the only function of the mass of "doers" was to obediently put the strategies into practice. This rigid hierarchy, with its strict stratification and pecking order, has softened and become fluid; boundaries have blurred. There is respect for authority, but not unquestioning reverence. Senior managers are now familiar figures on the shop floor, taking heed of people who have the up-to-date operational experience which they themselves lack.

Rank-and-file workers are not mere order-takers; they think, initiate improvements, solve problems, and make decisions regarding their own jobs and even beyond their areas of activity. Policy-making is not the exclusive preserve of senior management with little or no input from lower echelons; every one is encouraged to contribute ideas, and those with merit are acted upon. Communication is not a top-down series of directives filtering through tiers of authority, but a two-way dialogue. Everyone has a voice. Everyone understands his or her own role in relation to the big picture.

The climate of competitiveness in which the accepted way of climbing the corporate ladder was to outdo fellow employees has been replaced by shared values and a spirit of teamwork. The adversarial relationship between management and workforce where each side was bent on giving as little as possible and taking as much as it could get has given way to a "win one, win all" philosophy.

Relations with suppliers and customers are no longer characterized by unreasonable demands, hostility, and defensiveness with each party trying to outwit the other and negotiate the best deal. Suppliers and customers are not outsiders but partners and collaborators.

Stakeholders who used to concentrate on serving their own interests at the expense of others are now pooling their energy, pulling in the same direction, and actively contributing to the common good.

To many streetwise executives this utopian picture may seem too divorced from reality as they know it to merit serious consideration. And while no company has yet realized all these ideals, those that have only achieved some success in some areas are reaping the benefits.

Five Areas of Activity

Participation occurs in five categories of activity in a business organization.

1. Prescribed action. At the level of prescribed action, people follow routines and procedures. This is positive when the regulations and work processes have to be carried out in prescribed ways to ensure optimum performance. It's negative when it results in people having to follow rote orders and to "do as they are told." Though every job function includes a greater or lesser degree of prescribed activity, in traditional structures the more humble the function the more it is hemmed in by restrictive rules and the less freedom of action is permitted.

2. Activity participation. In activity participation, people make decisions concerning their own immediate jobs.

3. Role participation. In role participation, people set production and performance goals for themselves or their team. This requires wide knowledge about the organization's operations,
The Birth of Transformation

When executives ignore the very information that could lead to future success, they suffer from data disregard.

Many executives struggle with a malady we call "data disregard." In one organization, executives may choose to ignore valid information critical to the future success of their business, while in another executives regard the information, but choose not to act on it.

Recently, we facilitated a three-day retreat for a multibillion-dollar, 3,000-person corporation. During the second evening, we held a feedback session to give executives a chance to tell of the strengths that each brought to the table. After the session, the CEO asked us to stay for a few minutes to talk with him.

He asked if we thought he was very self-aware. We inquired into his motivation for asking the question. He referred to some feedback given him earlier in the evening. In essence, the observation was that when this CEO was open to information in contradiction to his view of the world, he was much more effective as a leader. When he was closed to information that contradicted his view of the world, he was considerably less effective.

Like this CEO, daily we all have access to information that has the potential to transform us. This information is available all around us and comes from every direction. Information is a gift we can choose to integrate, fight, or ignore. The question is: How open to this information are we?

A CEO may be open at one time while closed at another. When he is open, his people see him as approachable and effective. When he is closed, he is viewed as rigid, unwilling to change.

During this three-day event the CEO took in information, processed it, learned from it and ultimately made choices that will alter the relationship this subsidiary has with the parent corporation. His response to this information will transform the entire corporation.

Information Begets Transformation

All healthy systems openly exchange information within their own environment and with the outside world. Information is the source of all transformation. How we gather information, learn from it, and act on it determines our success.

Over the years, we have conducted research in many corporations. These assessments have encompassed the continuum of available information, ranging from employee satisfaction to sales results. When we present the information, people invariably tell us there were "no surprises." Our response is, "If you already knew this information, why have you chosen to do nothing about it?"

Their explanations range from denial to arrogance. Bottom line, they do not capitalize on information. Essentially, they choose to ignore a rich resource to help them transform.

Within our working and living environments, much information is free. Our bodies provide us with constant information—as do our children, customers, and employees. We have the power to observe with all of our senses and create even more information. The possibilities for information generation are endless.

We encourage you to ask yourself:
How self-aware are we?
What are we missing right now that has the potential to transform our business?
What information is available to us that provides us with a competitive advantage? Prevents or addresses problems? Improves quality, customer satisfaction, profitability or employee fulfillment? What do we do with this information?

Consider this possibility: If you are not listening to this vital information, somebody else likely is listening and acting.

Information Regard

A business imperative for every organization is to develop "information regard." Those organizations that effectively learn how to capitalize on information will win; those that do not will lose. When we stop processing information, we cease to change and ultimately die. Information is free. How we use it, and if we use it, is our choice.

Developing a competency in "information regard" includes the following:

1. Be available and open to information that both contradicts and validates your view of the world. If it validates your view of the world, allow the information to teach you something that will help you improve. If it contradicts your view, examine the information closely to test the validity of your perceptions.

2. Cultivate an ongoing quest for learning. The desire and intent to learn is key to generating and processing information.

3. Develop a culture that allows information to enter the system at any point and makes that information available to whatever part of the organization can benefit from it. For example, how many times do our employees tell us something we either do not want to hear or do not listen to, only to have the information reappear on the “radar screen” over and over again until we finally pay attention to it?

4. Ensure your information systems have useful information and make them available to everyone. Recently, we met with a leader who asks her people every Friday what they learned new about the business. She reinforces the importance of information gathering through this simple ritual in her weekly staff meetings. As systems are informal and formal, you must support both and ensure people are recognized for using them.

5. Eliminate the barriers that prevent learning from information. We often suffer from learned ignorance, the purposeful disregard of valid information for primarily self-serving reasons. Identify and eradicate whatever prevents you from capitalizing on information.

Information is free. Information is magic; it has the potential to transform us if we will only be open to it.

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Who Are You and What Do You Want?

People want meaningful work in an organization with an exciting purpose. What they all too often get is just a job.

Once in Washington, D.C., I spoke at a quality improvement conference. Following my presentation, Bill Pollard, chairman of ServiceMaster Company, spoke about the management practices that took their organization to $3 billion in sales in a few decades. In his address, he stressed the importance of clarifying purpose and living principles. He began by describing a message he’d encountered on someone’s answering machine: “This is not an answering machine; it’s a questioning machine. There are really only two questions in life: Who are you? and What do you want? Please leave your answer at the tone.”

A major movement in the Western world today is the search for meaning. We don’t just want a job or an existence. We want to make a difference. We want to know that our short time on this earth counted for something. We want more than to just get by, we want to live. We want to be energized. We want passion, excitement, and a sense of purpose.

However, many people are indifferent about what they do and detached from their work. They drift through life, reflecting the attitude on a bumper sticker, “I am neither for nor against apathy.” Working with them, or trying to follow their lead, is about as invigorating as sitting in cold drizzle watching your kid’s team lose a baseball game.

Leadership Lost

In many organizations, management has created a sterile and passionless culture. Their strategies, budgets, and business plans are cold and lifeless. So teams and frontline performers go through the motions, put in their time, and go home. Technomanagers try to energize their people by using “leader speak” and imitating some of the things leaders do. They develop statements of vision, mission, values, “strategic purpose” and the like. However, improvement programs such as reengineering, customer service, total quality, empowerment, teams, or new technology have no spirit. These programs may build up some speed and even get off the ground. But they never soar.

Morale and satisfaction levels in those techno-managed organizations have been on a long slide. I hear an increasing number of managers express their frustration with this growing energy crisis. The problem stems from the expanding gulf between rising expectations and the reality of the traditional culture. People hear senior management talk about empowerment, teamwork, and service. What they get are paternalistic pats on the head, motivation programs, and blame for not using the systems, processes, and technology dropped on them and their customers.

Too many managers are dispassionately trying to “do leadership” as if it were just another set of tools to be deployed. But an organization’s context and focus (vision, values, and purpose) aren’t techniques, statements, or approaches. They’re much deeper than that. Focus and context refer to feelings, causes, and convictions. They go to the very DNA of our being. You can’t be dispassionate about passionate issues. Otherwise, while you do your “leadership thing,” people on your team and in your organization will do their “commitment thing.” So nothing is energized.

Leaders with a Cause

People rally around passionate leaders with a compelling vision and purpose. We’re drawn, like insects to the back porch light, by those who are so passionate about their work that they have turned it into a cause. Norman Vincent Peale considered a burning conviction and contagious enthusiasm to be the most critical factors in successful living and leadership. (Listening to him speak was an inspiring and invigorating experience.) He once said, “Your enthusiasm will be infectious, stimulating, and attractive to others. They will love you for it. They will go for you and with you.” Whether you love him, hate him, or just want to ignore him, strong convictions are why Rush Limbaugh is so popular. It’s also why some of the greatest creations or transformations of our time were led by passionate leaders such as Lee Iacocca at Chrysler, Jack Welch at GE, David Kearns at Xerox, Sam Walton at Wal-Mart, and Bill Gates at Microsoft.

Effective leaders generate action. Leadership is action, not a position. One of the activities of leadership is creating energy through excitement (the pull or gain of what could be), urgency (the push to avoid the pain of poor performance), or some combination of both. This creates focus and harnesses the deep urge we all have to be part of something meaningful and to make a difference. We want to know that we are doing something worthwhile, that we are striving for a worthy goal. Effective leaders rally people throughout their organizations or teams, customers, suppliers, strategic partners, shareholders, and anyone else that can help around a cause. They transform jobs into crusades, exciting adventures, or deeper missions.

You can’t build a team or organization different from you! You can’t impassion others about their work unless and until you’re impassioned about yours.

Creating leadership energy is an inside job. The spark that ignites the leadership energy you bring to your team or organization comes from within you. But you can’t give energy if you don’t have it. And it’s hard to fake what you don’t feel. That will cause you to resent your job and eventually the people associated with it. It also sends everyone’s increasingly sensitive phoniness meter over the red line. All of this drains more of your energy and makes your work truly work.

Have you got work, or has your work got you? If you’re going to be an effective energy leader, then your work can’t be work. You need a job that isn’t a job; it’s a joy. When you love what you’re doing, you never have to go to work again. You need to either find the work you love, or