



## PREFACE

# Everyone's Business

## *Leadership for Today and Tomorrow*

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*The Leadership Challenge* is about how leaders mobilize others to want to get extraordinary things done in organizations. It's about the practices leaders use to transform values into actions, visions into realities, obstacles into innovations, separateness into solidarity, and risks into rewards. It's about leadership that creates the climate in which people turn challenging opportunities into remarkable successes.

Certainly there are no shortages of challenging opportunities today. In these extraordinary times, the challenges seem to be increasing—and through our responses, we have the potential to profoundly change the world in which we live and work.

When we published the first edition of this book in the late 1980s, the entrepreneurial spirit was blossoming. When the second edition was released in the mid-1990s, the flower of inventiveness was in full bloom. Then, as we turned the corner on the second year of the new millennium, it all seemed to wither and wilt. The freshness was gone, and people began wondering if what was true about leadership seven, fifteen, or twenty years ago still applied and whether leadership mattered at all. How is leadership different today? Will it be different tomorrow? Does leadership make a difference?

## LEADERSHIP IN A NEW CONTEXT

As part of our research for this significantly revised and updated version of *The Leadership Challenge* we asked leaders the same question being asked of us: "What's new, and what's different?" The responses were identical. Whether in their early twenties, late seventies, or anywhere between, leaders told us that the fundamentals of leadership are the same today as they were in the 1980s, and they've probably have been the same for centuries. Yet the leaders were quick to add that while the *content* of leadership has not changed, the *context* has—and, in some cases, it has changed dramatically. What is this new context, and what are the implications for the practice of leadership? From heightening uncertainty across the world to an intense search for meaning, our connections as people and as leaders are part of this context.

*Heightened uncertainty.* All our lives were forever altered by the horror unleashed on September 11, 2001. Commercial jets as weapons of mass destruction. Our collective psyche resists: it remains nearly incomprehensible. Within minutes we came to feel much less safe and much less secure than when we had awakened that morning.

Even before these barbaric acts of terrorism, markets and consumers were jittery. After a thrilling eight-year joy ride, the New Economy's bubble had burst. Once high-flying icons of the Internet disappeared or disappeared. Stocks and sentiments descended, layoffs began in earnest, and people wondered if the good times would ever roll again. No wonder that more people than ever before are asking, "How do I lead during times of chaos and uncertainty?"

*People first.* Through the grief and anguish of all the tragedies, something truly amazing emerged. Sharp-elbowed bond traders on Wall Street, who once seemed more driven by greed than good, were seen openly weeping on television. CEOs of companies around the globe were advising us to "put families first." Acting as if they were one huge extended family, people across the United States and around the world began to come to each other's aid. They lit candles, held vigils, mourned, marched, sent money, gave blood, donated food and clothing, and went to religious services.

Tragedy is often a force that brings people together, and one of massive proportions shows us how connected we really are. The times seem to be showing us that we need to reconsider our priorities. Instead of placing work at the top of our agendas, perhaps we should put family and friends in the number one spot.

Will this shift to more compassion and collaboration last, or is it temporary? Will life return to the hypercompetitive, 24/7/365 world of September 10, 2001? Will profits replace people as number one on the corporate hit parade? Not according to what we've learned. The competencies of self-awareness, self-management, social awareness, and interpersonal skills are ascendant. Today there's much more demand for leaders who are exemplary coaches and individuals who show respect for people from many different cultural backgrounds. Team players are more valued than ever. We aren't naive enough to say that the brand-meism of the 1990s is gone forever, but we are certain of one thing: If you want to place a winning bet on who will be successful as a leader in these times, bet on the more collaborative person who values people first, profits second.

*We're even more connected.* A decade ago we noted that technology had connected us into an electronic global village. That seems like an absurdly provincial statement to us, now that the Internet and wireless technology have shrunk the globe to the size of a mobile phone. You wake up in Berlin knowing that you can check your personal digital assistant and link to your office, whether it's in Berlin or Boston. And, thanks to these links, you can send an electronic order today to a factory half-a-world away, and the factory can manufacture and ship the goods you want by tomorrow.

Being globally connected means much more than it did in the 1990s. Although the Internet has been exploited for its commercial capabilities—buying, bill paying, bartering, and brokering—its purpose, according to its inventors, is to help people work together. It's about enabling everyone to be more collaborative and cooperative. It's about sharing and supporting, not just buying and selling. It's a lesson being learned; the potential is there for leaders to reinvent how they use this powerful technology. So are the challenges. For instance, with access to information only a keystroke away, how do you lead in a globally connected world where hierarchy has become

totally irrelevant? How do you use technology to give power away, not concentrate it in the hands of those with the central servers? How do you stay connected yet not invade people's privacy and personal space? How do you use instant messages, pagers, PDAs, mobile phones, and e-mail to stay in touch—without letting them rule your life? How do you lead a diffuse network of people scattered all over the planet, many of whom you may never meet? And how do you not allow technology to replace the most precious human moment—face-to-face contact?

*Social capital.* We have written earlier that knowledge had replaced land and financial capital as the new economic resource. Knowledge-added is the new value-added, we said, whether in goods or services. Well, guess what? Intellectual capital is no longer supreme. It's still true that those with educational degrees have higher incomes and more opportunity, and it's still true that an organization's fitness to compete is dependent upon the mental fitness of the workforce. Even so, there's a new champ in the ring. It's social capital—the collective value of people who know each other and what they'll do for each other. It's human networks that make things happen, not computer networks. And leaders who get extraordinary things done will be those who are right there in the middle of them.

The tragedy of September 11 reinforced this on a global scale. We are indeed all connected and our alliances are key. Social capital is amassed over years of investing in building relationships. Cash flow may be the measure of our ability to finance our work, but social capital is the measure of our ability to put that cash to good use. How do you help leaders learn that it's as much the human heart as the human head that makes the world go round?

*Global economy.* Social connection and social capital extend far beyond national boundaries. The network we're talking about is global. So is the economy. Capital flows easily and instantly from one nation to another, creating a kind of volatility that is very new to the world. The health of the markets in Tokyo affects the health of the markets in the New York. A horrendous disaster in New York's financial district causes markets around the world to plummet, erasing billions of dollars in asset value.

From an economic perspective the world is boundaryless—and the implications for leadership extend beyond pure economics. The implications are cultural as well. With global economics comes a global workforce,

a fact of life for which many executives are ill-prepared. English may be the language of business, understood whatever the accent; custom and culture, however, are far from uniform. Despite the electronic linkages—or perhaps because of them—the world may be connected but it is far from a community. For all the talk of the global economy, the world is a pretty parochial place. There are more countries in the world today than a decade ago. Fierce tribal rivalries threaten domestic and international peace, and special interest lobbying tears at our sense of community. There are more products and services than a decade ago, breaking the marketplace into ever smaller bits. Whether your organization is large or small, public sector or private, service or goods, you're likely to have constituents from many countries—and even in your own country, from many segments. Each expects to be treated with respect—just as you do. Global leadership means global understanding. How do you lead in a world that is so fragmented? How can a leader unite such a diverse and disparate constituency?

*Speed.* Speed is a direct consequence of the technologies that connect us. We've been cranking up the pace for centuries now. The transcontinental railroad was one of the most significant innovations of the nineteenth century in Europe and the United States. Automobiles and highways, then airplanes and radar, sped up our expectations. The Internet changed our concept of mail. "Snail mail" was replaced by the instant message, one that beeps and flickers, saying, "Read me now. Answer me now." We've come to expect an instant response when we order, when we eat, when we work.

Much of this has improved our lives, and it's lowered the costs of doing business. Yet it's also created a hurry-up culture and not everything—such as quality human relationships—can be hurried. How do you lead an organization that has to balance the importance of being responsive to family, employees, colleagues, customers, clients, and stockholders with the importance of "quality time" with those same individuals?

*A changing workforce.* Back in the 1990s, employers and employees alike were redefining the social contract. The largest employers had shed jobs at a record pace, and the contingent workforce was on the rise. More people were self-employed by choice. Students were told to expect to change careers many times in their lives, and becoming an entrepreneur was a status sought by millions. Toward the later part of the 1990s many young people were

jumping to Internet start-ups and a chance at the IPO jackpot. Ethnic, gender, generational, and lifestyle diversity was on the rise, and it foreshadowed even more sweeping changes in the new millennium.

There's no going back to the days of a stable, homogeneous workforce. A diverse society brings a diverse workforce. And with a more diverse workforce comes a demand for a more customized approach to work. How do leaders embrace individual uniqueness and create wholeness out of diversity? How do leaders make an asset out of difference, and find a common purpose with which all can identify?

We also have to face another truth. Most of today's workers seriously question whether organizations are going to be loyal to their employees. They hear all this talk about how the organization wants loyal customers and committed employees, yet they don't experience life on the job as a reciprocal relationship. It seems to many that the notions of loyalty and job security have gone the way of the dodo bird. A certain distrust and wariness has crept into the workplace, and yet we know that trust is the foundation of any good relationship—and fundamental to getting extraordinary things done. How do you build a workplace where people can trust each other and trust the institution? How can you create a society in which people believe that they will be treated with dignity and respect regardless of the circumstances? After people have been torn apart by mergers, acquisitions, restructurings, and the attendant layoffs, when everyone assumes things won't last forever—how do leaders create commitment? How can leaders deliver on the promise of offering exciting and meaningful work and treating even the most temporary of workers with dignity and respect?

*Even more intense search for meaning.* In the last half-decade a countervailing force has arisen to combat what seemed to be an ever-expanding sense of cynicism. Younger workers aren't giving in to the idea that they don't make a difference. Aging baby boomers are back to exploring their souls. More and more of us are on a quest for greater meaning in our lives. Whether you call it spirituality, religion, faith, or soul, there's clearly a trend toward a greater openness to the spiritual side within the walls of business. Values and virtues are discussed more openly, and people worry about the legacy they are leaving. Though we still don't match the levels of faith we had in the 1940s and 1950s, recent crises have contributed to even stronger

faith-based initiatives. Not so long ago, it would've been surprising to see a cover story in *Fortune* magazine on religion in business; when one appeared in 2001, it was an interesting but not astonishing development. Business schools have long offered courses and executive seminars on ethics in business; now some are sponsoring gatherings of students and executives to examine the role of faith in the workplace. Books on spirituality are regularly on the bestseller lists. Mainstream television shows address these issues. There's a growing yearning for a sense of higher purpose. How can leaders provide a climate for people to bring their souls to work, not just their heads and hands? How do leaders balance the spiritual side of life with the secular purpose of organizations? How do leaders show respect for all faiths, and not become proselytizers of one best way? How can leaders offer more hope in an increasingly cynical world?

With all these questions, there are countless opportunities to make a difference. Opportunities to restore hope and create a sense of meaning in our lives. Opportunities to rebuild a sense of community and increase understanding among diverse peoples. Opportunities to turn information into knowledge and improve the collective standard of living. Opportunities to apply knowledge to products and services, creating extraordinary value for the customer. Opportunities to weave the innocence and wisdom of different generations into our workplace and into our products and services. Opportunities to use the tools of technology to weave a web of human connection. Opportunities to find a better balance in our always-on, 24/7/365 lives. Opportunities to provide direction and support during uncertain times.

More than ever there is need for people to seize these opportunities to lead us to greatness. *The Leadership Challenge* is about those who do. It is about how traditional systems of rewards and punishments, control and scrutiny, give way to innovation, individual character, and the courage of convictions. It offers a set of leadership practices based on the real-world experiences of thousands of people who have answered the call for leadership.

What we have discovered, and rediscovered, is that leadership is not the private reserve of a few charismatic men and women. It is a process ordinary people use when they are bringing forth the best from themselves and others. What we've discovered is that people make extraordinary things happen by liberating the leader within everyone.