Leading in Turbulent Times: Five New Habits for Effective Leadership

The Five New Habits Leaders Need to Transform Their Organizations

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THE INSPIRATION TO LEAD

Executive Summary

In industries that are being transformed by digital technology, deregulation, and new competition, many business leaders are unhappy with their organizations' slow progress in making fundamental change. They tell us the executives who report to them, as well as their direct reports, are moving too slowly and often seem to resist change.

From our 30 years of experience, the primary reason why executives are slow to get on board transformation initiatives is they've unconsciously gained habits in five areas – habits that affect how they manage themselves and others:

- **Where they place attention:** the pull toward the urgent
- **How they engage with others:** the need to exude assuredness
- **Their openness to new ideas:** equating wisdom with rank or experience
- **How they decide and take action:** relying on extensive facts and analysis
- **Their regard for employee fulfillment:** often company needs trump personal needs (including their own)

Executives and managers with such habits struggle mightily with corporate transformation initiatives. They fail to keep the company's mission in mind amidst the daily pressures and minutiae of the business and thus often get distracted from accomplishing what's most important. They don't engage with others in ways that encourage bold ideas to come forth. Even when they do, they don't act on great ideas that come from uncommon places. They don't make time-sensitive decisions fast enough. And they don't demonstrate a commitment to employees' welfare in and outside work and thus burn out top talent who are vital to the transformation.

Many executives gained these leadership habits in times when their company went through evolutionary, incremental change. In fact, you could argue those habits helped them rise to the top levels of their organization. That is the reason they become ingrained. However, at a time when an organization needs revolutionary change, these ingrained habits hold them back and keep their organizations from moving forward.

These habits are difficult to change for two reasons: 1) they are largely unconscious, and 2) they have become ingrained through success. However, companies that must transform rapidly need to help executives and managers recognize that such habits are extremely limiting. By acknowledging their impact, these leaders will be able to gain the new habits needed for transformational change.

As we put it, executives who can identify such old habits and build new ones are moving toward "conscious leadership." Leaders who can master the new habits become essential elements of rapid corporate transformation. They also become leaders who can thrive on transformation.

In this article, we look at how leaders in healthcare, finance, technology, utilities, and other industries have been cultivating the habits of conscious leadership. We explain why these habits are critical for leaders at all levels of a company. Finally, through the experiences of DaVita, Puget Sound Energy, LifeCenter Northwest, Neighborcare Health, and other firms, we show how leaders are learning the habits and helping their companies make key strategic, operational, and other changes rapidly.

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For a company whose industry had shrunk dramatically over the last 20 years in a sea of digital competition, it was surprising to see top management resisting change. In a planning retreat, executives were tasked with articulating the new values and leadership behaviors they'd have to adopt to guide their company to success in an increasingly competitive and dynamic market. But rather than mentioning values and behaviors used frequently to describe executives running forward-thinking companies – for example, agility, innovation, collaboration across silos, and willingness to take big risks – the executives held onto values they had heavily relied on over the years: integrity, trustworthiness, belief in the brand, and accountability.

They are all good values. But by themselves, they won't pull the company into a profitable place in a highly competitive landscape. It's a marketplace that rewards radical experimentation and rapid changes while marginalizing companies that cling to "the way we've always done it." Nonetheless, the team quickly shot down the proposed new values and behaviors as irrelevant. So how can such a leadership team push aggressive and uncommon changes in a business that is failing to keep pace in the digital marketplace?

We've seen this before: executives running once-solid companies that are now caught in a market maelstrom, but leading with the same beliefs and behaviors that brought their firms to this precipice in the first place. In some companies, we've seen much worse: denying outright that they are in bad shape; holding onto beliefs that customers will return after they recognize the organization's intrinsic value; dismissing emerging trends as temporary fads; and hoping new competitors will soon drop like flies.

Such reactions are worrisome to CEOs and business unit heads we know, but especially those in healthcare, energy, finance, and utilities. They are highly concerned about whether many of their team members can help them stave off competitors that are overtaking them in emerging digital and deregulated markets. Their lament is that the world is changing fast, but the leaders who work for them are not keeping up with it. They are heads-down when they need to look up and out and take full measure of the emerging future. Yet, rather than deal with a very different future, it seems such managers are hoping it will go away and that business will go "back to normal."

Why don't some team members see the same threats they see, these leaders ask us. And if they do, why aren't they moving faster to deal with them and propose innovative approaches? Organizations that have acted to remedy such managerial malaise – with reorganizations, clear mission statements, team-building programs, training initiatives, changes in incentive systems, process improvement initiatives, and more – also ask us why those measures are falling short.

We see the problem this way: Despite challenges from the top to change their beliefs about how the business must now operate and how they must behave to get it there, many leaders and managers continue to be guided by habits formed earlier in their careers. These habits unconsciously drive the way they manage in five areas:

1. **Where they place their attention**
2. **How they engage with others**
3. **How they think**
4. **How they make decisions and take action**
5. **The importance they place on employee fulfillment**

As we'll explain in this paper, when leaders are driven by habits formed during times of incremental and evolutionary market change, they can get locked into thinking, interacting, and decision-making styles that prevent or slow down radical changes from happening right around them. Unless they understand the habits that are driving them (often to their surprise) and why they get in the way of corporate transformation, these managers are unlikely to carry out the dramatic changes their company now requires.

Albert Einstein once said, "No problem can be solved by the same level of thinking that created it." Einstein produced what he did through the continuous process of questioning his thinking, taking risk, inquiring into the relationship of things, and working from inspiration. The same working principles apply today to senior executives who must make radical changes in their companies so they can thrive and, in some cases, survive. They must deeply question what they believe about their business and then be prepared to

How Leadership Habits Can Lock-in Incremental Change

adopt whole new and often contrary beliefs. Then they must be ready to act on them.

But, as we argue in this paper, to fundamentally change their beliefs and behaviors, leaders must first recognize the habits that are driving those very beliefs and behaviors. (To understand how these habits unconsciously shape what leaders believe and how they behave or act, see the sidebar.)

"To develop leadership is less about learning new skills and more about unlearning habits and breaking free from limiting mindsets we have already acquired," wrote leadership professor Peter Hawkins.[1] Let's begin by looking at the five unconscious habits that drive many leaders today and how they are antithetical to corporate transformation.

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We think we deeply understand why so many leaders and managers of companies that are under the gun of transformation have difficulty getting off the dime. The way we see it, the habits they have gained in five basic areas of leadership (what they focus on daily, how they interact with others, whose ideas they value, how they take action, and their regard for employee fulfillment) are what helped make them successful in the past.

HERE'S HOW IT WORKS:

- **Leadership habits** on how to engage, how open to be, how to make decisions, and employee well-being (including their own) drive …
- **Beliefs** about the business and how it must compete in its industry, who its competitors are, and how to win business, which in turn shape …
- **Behaviors,** specifically the ways they devise strategy, design operations, structure the organization, measure and recognize employee performance, etc., which in turn generate …
- **Organizational impact,** that is the quarterly and annual operating and financial improvements driven by leaders. Years of operational and financial success then further reinforce those leadership habits.

In markets characterized by incremental change, leaders of companies with consistent operating and financial improvements could quite rightly have assumed that the habits, beliefs, and behaviors that formed over their careers have been the right ones. If anything, those leading highly successful companies could be proud of the habits they gained – even if they're not fully aware of them.

Yet when their industries are no longer marked by incremental change, these habits (and the beliefs and behaviors they create) need to be rethought. If they become rigid and unquestioned, the habits that executives formulated in their rise to the top become cement boots that prevent them and their organizations from transforming themselves for a whole new market.

Companies that are forced to transform themselves in the face of digital competitors, deregulation, and other disruptive forces must help leaders at all levels understand the habits that are limiting their ability to drive big change and then gain the new habits they need for their company to succeed.

1 Peter Hawkins, *The Wise Fool's Guide to Leadership* (London: O Books, 2005).

The Leadership Habits That Form in Static Markets

Executives running companies in relatively static industries quite naturally cling to the habits that got them to the top of their companies – especially if they drove beliefs and behaviors that helped make the company successful. What they don't realize is that those habits and behaviors blind them to the big changes they must make next.

When their companies face formidable new competition that swoops in via deregulation or digitization, the habits acquired during the good times of the past can unconsciously prevent them from moving forward. In consulting on leadership issues for 30 years, we've seen how five leadership habits – ingrained as executives rose to the top in previously static markets – become barriers when a company faces a turbulent future.

Habit #1: Making the Urgent Most Important

In our wired world, it's harder than ever for leaders to get everything done in a day's work. With little time to step back and reflect, most leaders are "heads down," trying to get stuff done, always rushing to meet a deadline.

But being consumed by the urgent ultimately can damage a company's performance for five main reasons:

1. **It doesn't make room for the kind of creativity that corporate transformation requires.** To do fresh thinking, we have to slow down a bit and be open to new

HABIT		RESULT
HABIT # 1	Making the Urgent Most Important	Most leaders are "heads down" trying to get stuff done, always rushing to meet a deadline. But being consumed by the urgent ultimately can damage a company's performance
HABIT # 2	Recognizing Only Wisdom That Emanates From the Top	The problem with this belief is simple: Bold new ideas from customers, key stakeholders, and the middle or bottom of the organization are typically neither sought out nor considered.
HABIT # 3	Exuding Assuredness at All Times	When a company's leaders act so assured that they appear inflexible, they discourage debate and healthy dialogue, whether they know it or not.
HABIT # 4	Being Risk Averse and Opting to Security First	Competitors that are not restrained by incremental thinking or incremental resources can easily leapfrog the incumbent company that continually "thinks too small."
HABIT # 5	Valuing the Health of the Company Over the Health of its People	This attitude guarantees burnout – including in the leaders who apply it to themselves as well as their staff. It also guarantees turnover of valuable and talented people.

ideas or seeing patterns that are not immediately visible.

2. **It crowds out intuitive sensibility** – that little voice that can help a leader make the right decision.

3. **It dampens collaboration.** Constantly operating heads-down, we get into the habit of working alone. We just do it ourselves. In gathering 360-degree feedback on leaders in their assessments, we often hear complaints about how they don't include others in decision-making or execution.

4. **It enables leaders to lose sight of the company's long-term strategy and vision,** which trickles down and leaves the organization's front lines in a reactive state.

5. **It diminishes professional fulfillment because leaders are reduced to managing countless (and often menial) tasks.** Leaders we coach often complain to us about getting caught up in endless back-to-back meetings and chasing email.

Business history is replete with stories of lower-level employees who couldn't get a receptive internal audience to their ideas, and who exited and struck it big.

Habit #2: Recognizing Only Wisdom That Emanates from the Top

Leaders often say they want input from everyone below. However, the often-unconscious habit they've gained is the belief that the best wisdom lies at the top in an organization or in the most experienced employees. As a result, these executives are susceptible to adopting the view that their peers are the wisest people in the organization to consult about what needs to be done.

This is understandable in companies that were long successful in static or slow-changing markets. The company's longstanding strategy is still working (or it was until recently), and its ways of marketing, selling, manufacturing and conducting other operations may appear to need only tweaks, not wholesale re-engineering. Quite predictably, executives can feel their peers at the top are the wisest people to consult, since they are the ones who set the company on its course.

The problem with this belief is simple: Bold new ideas from customers, key stakeholders, and the middle or bottom of the organization are typically neither sought nor considered. For employees below the C-suite, this sets a discouraging tone, one that doesn't welcome new ideas of any type. For example, a new hire who previously worked at an entrepreneurial startup tech company may have ideas about a far superior customer experience or new cloud-based product. Executives operating from a legacy habit about where the greatest wisdom resides in the organization are likely to view those ideas as "uninformed" or "impractical."

These executives are not reacting specifically to the new ideas; instead, they are habitually wired to think the greatest wisdom resides at the top. They thus shoot down ideas that don't start there.

Business history is replete with stories of lower-level employees who couldn't get a receptive internal audience to their ideas and who exited and struck it big. Legendary Vogue magazine editor Anna Wintour was fired from her job as junior fashion editor at Harper's Bazaar because her boss thought her innovative photo shoots were a bit too racy. Microsoft co-founders Paul Allen and Bill Gates were programmers at Honeywell (which made computers at the time) outside of Boston in the summer before they launched Microsoft. John Lasseter, chief creative officer at Pixar Animation Studios, was fired from his job as an animator at The Walt Disney Company. His vision for computer animated films preceded that of his leaders. John went on to find success at Pixar, and, 22 years later, Disney bought Pixar for $7.4 billion.

It is not too far-fetched to imagine that it would have served these companies to capture and empower the entrepreneurial instincts and emerging talent of these now global leaders.

Habit #3: Exuding Assuredness at All Times

When a company has a long run at success without the need for transformation, the leaders who can claim responsibility for that success gain confidence in their abilities, as they should. And the more they move up to higher levels and greater responsibilities, the more self-assured they become.

This should be expected. After all, success builds confidence, and exuding assuredness helps leaders make things happen faster. How so? Even without words, executives who maintain an air of authority communicate that they are confident about what is right. That reduces the likelihood their direct reports will push back and perhaps gives the message not to question but merely carry out their directives. This results in behaviors such as not being open to feedback, cutting people off, being dismissive, always having the "right" answer, and surrounding themselves with "yes men and women." It also produces leaders who become isolated, acquiring knowledge that only supports their current worldview.

This may be fine when the only changes a company must make every year are small tweaks to its operating model (tweaks that its executives intrinsically understand). Executives with unquestioned authority can make these tweaks happen much faster, with no room for debate. But such assuredness becomes a huge problem when the company is experiencing major challenges attacking from the outside. They become closed to employees who are sounding the siren for far-reaching changes. Having confidence that what worked in the past will work in the future can become a big liability.

When a company's leaders act so assured that they appear inflexible, they discourage debate and healthy dialogue, whether they know it or not. Leadership consultant Patrick Lencioni refers to this trait as "invulnerability" and says it's one of CEOs' five biggest temptations that can lead to their failure. "The old adage, 'Don't let them see you sweat' may be appropriate for actors or salespeople, but for leaders it is a problem. This hampers our ability to build trust among our people," he wrote. The result, Lencioni says, is that CEOs don't admit to being wrong, a behavior that employees then emulate, which becomes "a never-ending posturing exercise, where real dialogue and decision-making die."[2]

If anything, the followers of a leader who constantly exudes assuredness eventually understand they need to quickly agree with their boss – even if they strongly disagree – and remain silent. This leads to compliance and complicity – even willful blindness, including deciding not to acknowledge big problems when they see them (e.g., lead in the water of Flint, Mich.).

The longer a successful executive has been at a company, the stronger his or her assuredness will grow, and the more that assuredness will tune out radically different ideas that come from the "wrong" places in the organization. Two decades ago, MIT Sloan School of Management lecturer Donald Sull wrote that the success of a business provides feedback that "reinforces managers' confidence that they have found the one best way, and it emboldens them to focus their energies on refining and extending that winning system." When market conditions change dramatically, these executives can't change their thinking and behavior fast enough, a condition that Sull called "the dynamic of failure."[3]

2 Patrick Lencioni, "The Simple Difficulty of Being a CEO," https://www.tablegroup.com/imo/media/doc/The_Simple_Difficulty_of_Being_a_CEO.pdf (The Table Group Inc.: 2014).

3 Donald Sull, "Why Good Companies Go Bad," *Harvard Business Review* (July-August 1999).

Habit #4: Being Risk Averse and Opting to Security First

Successful leaders of successful companies in relatively stable markets haven't needed to take a lot of risk. Their business has operated well for many years by not "trying to fix things that aren't broken." These companies breed conservativeness in their leaders for understandable reasons: The company's past strategy and ways of operating have been eminently successful. But when senior leaders become highly conservative, they can too quickly dismiss risky ideas and ignore signs of disruption in their marketplace.

It's one factor that led to the demise of Blockbuster Entertainment, the dominant U.S. video rental store chain in the 1990s. In 2000, when it was a $5 billion (revenue) firm, CEO John Antioco met with the CEO of upstart Netflix, Reed Hastings.[4] Hastings' company, which at the time was focused on movie rentals distributed through mail, had lost $57 million that year. Hastings was worried his three-year-old company might fail. He pitched an alliance or even his firm's outright sale to Blockbuster, which was booming. But Antioco "expressed skepticism about the viability of the Internet companies and groused that the market had grossly overvalued unproven business models," according to a book on Netflix. Blockbuster management vetoed any deal with Netflix.

Buoyed by years of strong and profitable growth, Blockbuster saw Netflix as risky and unnecessary to its success. In other words, Blockbuster's past success made its top management too conservative to consider working with Netflix, even in a joint venture. It took Blockbuster four more years before it had its own online video rental site, but by then it was too late. Netflix had vaulted ahead. Nine years later, Blockbuster filed for bankruptcy. By that year (2013), Netflix was a $4 billion company with 44 million customers in 40 countries and a pioneer of streaming video programs over the Internet. In a market in which customer ordering and supply chain were totally reconfigured by the Internet, Blockbuster was done in by its conservativeness.

This dynamic can be especially true of leaders in highly regulated industries – e.g., utilities, finance, and healthcare. They have strict rules of operating and significant compliance initiatives to ensure employees adhere to the rules. But when a company encounters daunting new customer and competitive challenges in its once-staid marketplace, leaders' conservative outlook on risk can dampen initiatives that require innovation. The long-ingrained habit of not taking risks produces behaviors that frown on experimentation (especially when it's costly) and on anyone in the company who suggests risky-sounding ideas.

No matter how many brainstorming sessions executives hold for employees to come up with "breakthrough" and innovative new product or marketing ideas, the ideas are likely to be incremental improvements on what is already in place. In other words, innovative ideas will take a quick "flight to safety." The problem, of course, is that competitors that are not restrained by incremental thinking or incremental resources can easily leapfrog the incumbent company that continually "thinks too small."

Habit #5: Valuing the Health of the Company Over the Health of its People

When a company has been successful in a slow-changing market for years, its leaders can view the organization as a machine

4 Gina Keating, *Netflixed: The Epic Battle for America's Eyeballs* (Portfolio/Penguin: 2012), 66-67.

that will regularly generate profit no matter who is working there. Executives can presume anyone can be replaced without missing a beat. And with an ingrained habit of treating employees as interchangeable cogs in a machine, executives can look at employees' personal lives as being subservient to, or at times in direct competition with, the corporation's needs.

Leaders possessing such a habit can ask or even demand that people regularly work long hours and on weekends, be available by cellphone or email on vacation, and be away from home for days or weeks at a time if a big project requires it. The leaders' thinking can come down to this, even if unarticulated: "If they want to keep their jobs, they need to put the company's need ahead of theirs. If they don't, we can easily replace them."

Since 1976 we have seen a steady decline in workers who are willing to sacrifice their personal well-being for corporate good.

This attitude guarantees burnout – in the leaders who apply it to themselves as well as their staff. It also guarantees turnover of valuable and talented people. It loosens people's connection and commitment to the company's mission. And it diminishes loyalty and robs the workplace of inspiration and forward-thinking energy. For those who stay, it means the specter of working themselves to death through stress, lack of exercise, bad eating habits, and strained relationships at work and with loved ones at home.

At the very least, leaders with this habit will encounter rising workforce resentment. We have seen a steady decline in workers who are willing to sacrifice their personal well-being for corporate good. Surveys of young American adults conducted over the last 30 years show a lower percentage of "Gen Xers" (typically viewed as born between 1965 and 1979) and Millennials (born between 1980 and 1994) are willing to work overtime than are Baby Boomer generation adults.[5]

This is not a fad. In fact, it is an emerging way of working to which corporations must adapt. These younger workers value their time away from work much more than their Baby Boomer colleagues ever did. And emerging leaders are no longer willing to sacrifice their lives for the corporate good.

Leaders who ask employees to make great sacrifices in their personal lives for the good of the corporation will chase away highly talented employees. People with deep and uncommon skills – skills that become essential to the company in a highly competitive market – are not likely to stay long.

Additionally, the most talented people typically won't sacrifice their personal lives for the company because they are in such high demand that they can easily jump to a friendlier firm. Companies that are so desperate for their talents are not likely to attract or keep them very long. The result: a languishing bench of ready leaders who are uniquely qualified to move the company through the turbulence.

5 Jean M. Twenge, "Do Millennials Have a Lesser Work Ethic?" *Psychology Today* https://www.psychologytoday.com/blog/our-changing-culture/201602/do-millennials-have-lesser-work-ethic (Feb. 24, 2016), citing the Monitoring the Future study, http://www.monitoringthefuture.org.

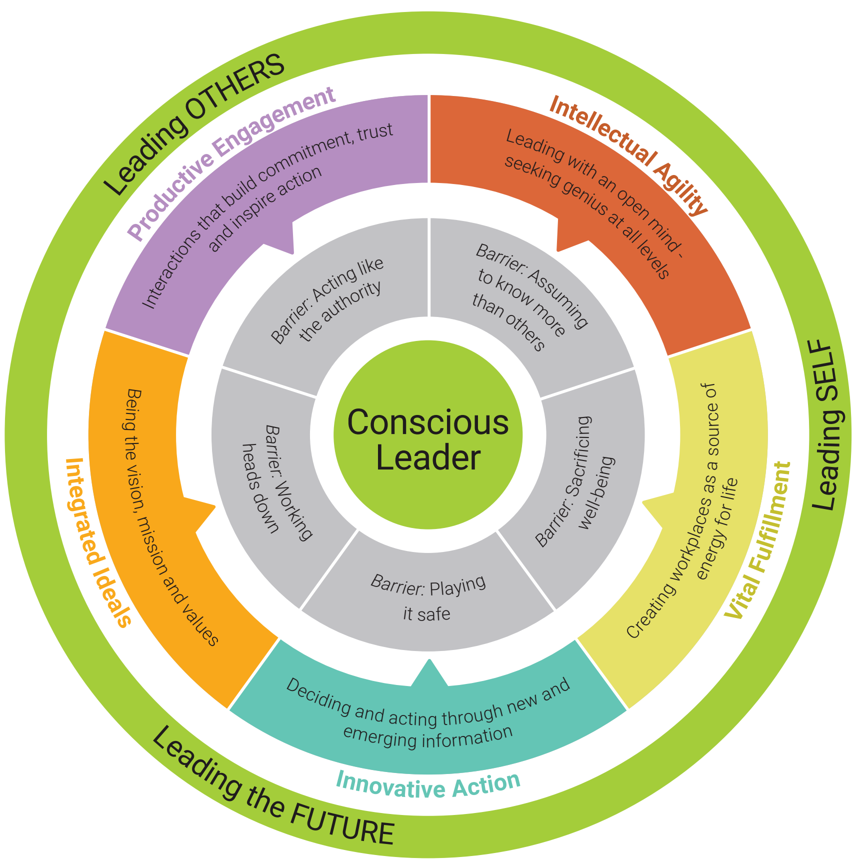
Conscious Leadership: The Ingredients for Transformation

As we've stated, the habits many leaders acquire in running successful companies in times of incremental market change are habits they don't even realize they've gained. Those habits need to be brought to their attention. But even more important, they need to supplement those habits with new ones.

We are tasking leaders with the work of evolving legacy habits – of moving beyond the old habits that served them well in less turbulent times. Leaders who want to help usher in fundamental and beneficial change to their organizations *must* cultivate five new habits, including how they engage people, where they seek advice, what larger ideals guide their choices and behaviors day-to-day, how they make and take action, and how they navigate the boundaries between work and personal life with new approaches. We refer to these leadership habits as:

- Integrated ideals
- Productive engagement
- Intellectual agility
- Innovative action
- Vital fulfillment

The rest of this white paper dives deeply into each of these habits. Leaders who can build strength in each area can master the capabilities necessary to guide transformational corporate change, a skill set that we refer to as "conscious leadership."



Key Points of Comparison	Indicators of Old Habits	Indicators of New Habits
Where you place your attention	**Consumed by the Urgent** • Leaders make short-sighted decisions and quick fixes • Leaders are consumed by minutiae	**Guided by Ideals** • Actions arise from a big idea • Solutions are future oriented and informed by the guiding ideals
How you work with others	**Exuding Assuredness** • Leaders believe they must maintain appearance of confidence and authority • Use of positional power to "motivate" employees	**Productive Engagement** • Leaders are aware of and responsible for the impact their words and actions have on others • Leaders consciously create an empowered work environment
How you think	**Wisdom Emanates from the Top** • Leaders seek minimal feedback • Employees assume leader has the right answer, reduce creative contributions	**Intellectual Agility** • Leaders are open to perspectives and emerging possibilities from any level in the organization
How you decide and take action	**Risk Aversion, Security First** • Leaders avoid failure at all costs • There is a delay in critical decisions	**Innovative Action** • Employees bring their best thinking forward • The culture encourages experimentation, iteration, and learning
How you relate to organizational health	**Subjugating personal health for corporate health** • Top leaders model the belief that 24/7 work availability means loyalty to the company • Employees are seen as interchangeable and easily replaced	**Vital Fulfillment** • Senior leaders demonstrate commitment to quality of life inside and outside the organization • Good people stay – retention is solid

Academics and consultants have written for years about the need for leaders to shift their management styles when their organizations are pressured to change quickly. Two professors summarized this well in an article that explained the differences between "transformational leadership" and "transactional leadership." In their survey of workers at Southern California companies, they found four traits of transformational leadership (required in companies undergoing big change): charisma, intellectual stimulation, individualized consideration, and inspiration.[6] In contrast, transactional leadership (a style more conducive to companies undergoing incremental change) is characterized by leaders who focus on efficiency, avoid risk, clarify tasks for followers to implement, and reward those followers on how well they execute those tasks.

We view conscious leadership as similar but distinct in two ways: that it's not an either/or on the five sets of habits (e.g., leaders can exude assuredness and generate productive interaction), and that the five new habits are most important to a new generation of leaders and employees (e.g., not intruding greatly on leaders' and workers' personal lives).

Let's explore each element of conscious leadership.

Integrated Ideals: Staying Connected to the Vision, Mission and Values

> *If you want to build a ship, don't herd people together to collect wood and don't assign them tasks and work, but rather teach them to long for the endless immensity of the sea.*
>
> - - **Antoine de Saint-Exupery** (French writer and pioneering aviator)

An organization's ideals remind people of the larger picture of which they are a part. And yet we all know how fast people forget about the bigger picture – especially when their company is undergoing massive changes in strategy, marketing, and sales approaches, the product line, and much more. In these times, it's important to help team members remember what they are giving their time and energy, and even their lives, to. A leader can help his/her team gather around integrated ideals – the potent reason for doing what they are doing. Your ideals should inspire each and every team member.

Ideals are essential for the leader, the team, and the organization. They define who the leader is and inform others where they are going together. Some companies call this a vision or a mission, and that's fine. What we call it isn't as important as what it does: help employees every day make choices that are squarely in line with the guiding ideals.

Quite often, vision and mission statements end up as well-crafted words on a company's website or letterhead, but are soon forgotten in the demands of daily work life. Guiding ideals are informed by a big idea. They pull employees at all levels into continual learning and yet are not completely attainable.

LifeCenter Northwest, an organ and tissue donation company based in Bellevue, Wash., is facing the need for transformation. In the past, the organization (like others in the business) dealt with a shortage of donor organs. In more recent times, it has dealt with the opposite issue: a surfeit of donated organs. "We noticed that as the number of donors increased, the number of organs that were used from each donor dipped," said Virginia McBride

6 Ilir Boga and Nurcan Ensari, "The Role of Transformational Leadership and Organizational Change on Perceived Organizational Success," *The Psychologist-Manager Journal* (2009), citing the writing of other professors (including Bernard Bass) in describing the core elements of transformational and transactional leaders.

and Dennis Wagner, members of the U.S. Department of Health and Human Services' Organ Donation Breakthrough Collaborative, in a journal article.[7] Although that dip has now begun to reverse itself, McBride and Wagner believe it revealed an important problem.

"We believe that the growing number of available organs began to stress the system, because the organ procurement organizations (OPOs) didn't have the capacity to process a higher volume of organs over a long time, and the transplant programs may not have had the capacity to receive them," said Wagner. OPOs are liaison organizations designated by the federal government to coordinate every aspect of the organ donation process for a given region of the country.

The reasons for the bottleneck are purely practical. "If you have two surgeons doing 75 kidney transplants a year, and you need them to accommodate 250, that program has to grow in terms of staffing, nursing, space, etc.," said Wagner. When there is not adequate capacity, hospitals may not be ready to accept as many organs as they would like.

As McBride said, just in case there's any doubt about this growing reality, collaborative teams

The Ideals That Drove Neighborcare's Transformation

Neighborcare Health is the largest community healthcare provider in the greater Seattle area. In our years of working with the organization, we witnessed what is possible when an organization lives by its mission. Its core purpose is to improve health by engaging, educating, and empowering people in the communities it serves.

The transformation they undertook over the past decade was called "100% Access, Zero Health Disparities." It stretched every part of the system. Knowing this, the organization became dedicated to thoughtfully and collaboratively creating its service commitments. These commitments informed employees about how to engage with patients and each other as means to realizing Neighborcare's "100% Access, Zero Health Disparities" ideal:

- **A Warm Welcome:** We meet others with warmth and create places where people feel welcome and wanted.
- **Caring:** We recognize that knowing that someone truly cares is fundamental to good health, so we take time to listen, to inquire, and to connect.
- **Respect:** We honor the beauty of what we have in common and the richness of our differences.
- **Working Together:** We work closely together to build physical, emotional, and mental health.
- **Trusting Relationship:** We believe that healing happens through caring and trusting relationships. At every opportunity, we look for the avenue to build and nurture trust

Neighborcare made sure every employee understood what these guiding ideals meant. In addition to being the subject of training, they were embedded in meeting agendas, referenced in decision makings and included in performance evaluations. At any given moment, an employee could ask if he or she were living these commitments. Because of how the statements were created, it was easy for them to determine whether they needed to adjust their beliefs and behaviors.

7 "Organ Donation Update: Success Brings New Challenges," Institute for Healthcare Improvement http://www.ihi.org/resources/Pages/ImprovementStories/OrganDonationUpdateSuccessBringsNewChallenges.aspx.

have studied how often transplant centers have to turn down donated organs. The data clearly suggests the need for a new paradigm.

"This community of practice has to adjust to a new reality," said Wagner. "The old reality was that the benefit of transplants is limited by the availability of donor organs. The new reality is that the problem isn't necessarily a shortage of organs; it's putting more of the organs we already have available to us to good use."

LifeCenter Northwest's CEO, Kevin O'Connor, is an enthusiastic visionary who repeatedly says, "at the end of day, we are here to save lives." He rallies his team for the necessary transformation in staffing, systems, and structures by reminding them of the importance of the mission. He bases his decisions about strategic direction on whether they will move this guiding ideal forward. There is a sense of urgency when he speaks, a call to action, and messaging about not being complacent in their daily work because lives are at stake in a very real way.

LifeCenter Northwest's guiding ideal is "Working Together to Save Lives." Whether you are a visitor, a client, or an employee, this ideal is at the forefront. The organization's reception area is filled with quilts representing its donors, and its mission and vision are painted brightly and boldly on its walls. In our years of working with them, all roads lead to this ideal. During meetings, managers return to this ideal in the face of conflict and breakdown. When pulled down into the not-so-fun details, they remember that as a team they are "working together to save lives." This ideal shapes the way they connect with the families of donors, their colleagues, and their direct reports.

Integrated ideals are informed by an organization's core values, principles, and purpose. Without them, a leader will be pulled into a reactive state when faced with external pressures and circumstances. Or worse, a leader will be engrossed in daily minutiae without remembering the larger "why."

An integrated ideal is a stretch that holds the future in mind. It offers clarity to the people you lead about what the organization and team are and the direction they are heading. Every day, it is clear to you that either you are being an example of the ideals or you aren't. It is not ambiguous. It is practical and pragmatic, and it inspires people. At its best, it is leaders' natural orientation to how they lead and where they are taking their organization.

Productive Engagement: Interactions That Spawn Action and Commitment

> *Relationships are all there is. Everything in the universe only exists because it is in relationship to everything else. Nothing exists in isolation. We have to stop pretending we are individuals that can go it alone.*
>
> - - **Margaret J. Wheatley** (renowned organizational behavior consultant)

People become leaders because they inspire confidence through their knowledge, skills, and empowerment of others. Many leaders today are under tremendous pressure from stakeholders and boards to harness those personal gifts and motivate employees to make the company stronger, often in the face of withering competition and rapidly changing customer demands.

But all too often, leaders faced with such pressures lapse into outdated habits. They think they need to look like they're in control at all times. This might have worked in a bygone era when deferential employees expected the boss to have the final say. But it can be off-putting in a time when new generations of workers know the value of tapping the collective genius and when they expect to have a say themselves.

Instead, leaders who are being called to transform their companies need to master a habit we call "productive engagement." It's about interacting with other leaders and employees in ways that are far more likely to gain action and commitment. It means supplementing assuredness with openness and receptivity, being open to feedback, and taking action on it. It also means cultivating curiosity and emotional self-regulation and being accountable for your impact on others.

This might seem like an uncomfortable stretch for managers who are proud of their composure and coolness. But today's customers and employees can easily see behind the James Bond facade. Today employees and customers have many ways to express their dissatisfaction about the quality of an interaction. If a leader or company fails to address important feedback, employees and customers can easily reach thousands via various media platforms as a way of getting their voice heard.

As social media expert Charlene Li has said, employees and customers have gotten far more sophisticated in sharing, through Glassdoor, Facebook, Twitter, LinkedIn, and many other social media websites, negative opinions about management at companies. That means executives in those firms must respond effectively. "Your natural inclination may be to fight this trend, to see it as a fad that you hope will fade and simply go away," Li wrote in her bestselling book Open Leadership. "It won't. Not only is this trend inevitable, but it also is going to force you and your organization to be more open than you are today."[8] Leaders who are not open or accessible are the most vulnerable because they appear like they don't care.

Moreover, today's younger workers expect to be involved in the company's destiny, to feel valued, and to hear from their bosses frequently. Millennials, in particular, have been much more involved in their parents' lives and are less cowed by authority. They are most likely to trust someone whom they feel they know well.

This means leaders who can master productive ways of interacting with others will gain more respect than those who exude an always-in-command attitude. They will be viewed as true partners in the mission, rather than as remote oracles. Collaboration improves markedly when managers have consistently positive and productive interactions with people at all levels and make them feel valued and smart.

Steps for Managers who Want to Engage More Productively

1. Seek ongoing feedback
2. Cultivate the skill to address conflict head on
3. Be accountable for your impact and make the necessary changes

8 Charlene Li, Open Leadership: *How Social Technology Can Transform the Way You Lead* (Jossey-Bass, 2010). Quote is from the book's introduction, available at: http://www.slideshare.net/charleneli/open-leadership-introduction

How Microsoft's New CEO is Ushering Productive Engagement

Over time, highly successful companies led by their founders can face challenges in maintaining productive engagement across managerial levels – especially if these firms enjoy huge growth and their founders become celebrities. Even legendary CEOs can become so extremely assured that they become the enemy of productive engagement.

A case in point is Microsoft. The firm was led by Bill Gates from its launch in 1975 until 2000, when he handed the reins to Steve Ballmer. With Ballmer (who joined the company in 1980 as employee No. 30) as CEO, Microsoft's annual revenue rose fourfold between 2000 and 2013 (the year he stepped down), and profits remained strong. But the company's stock price lagged as the company misfired in fast-growing markets like online search engines, smartphones, and tablet computers.[9]

By 2013, the culture that both CEOs left behind at Microsoft was one of confrontation and infighting, according to an in-depth 2014 Vanity Fair article published after Ballmer's announced exit. "Microsoft's culture was confrontational from the start," wrote Bethany McLean. "But what worked so well when the company was young and small carried the seeds of future problems." A former Microsoft executive told her that when the confrontational behavior set down by Gates and Ballmer was replicated by "people three levels down … it is not pleasant."[10]

But the firm's third CEO, Satya Nadella, appears to be bringing highly productive interaction to Microsoft. He is noted for being an extremely good listener and is pushing for collaboration and a growth mindset, rather than presenting himself as an all-knowing figure at the top. A Fortune magazine article describes Nadella as "a man who managed to thrive as an exception to a corporate culture built on type-A personalities – the very kind that his predecessor embodied."

> *"It is a skill that helped propel Nadella's unlikely rise, says Blake Irving, who joined Microsoft the same year as Nadella and went on to work with him in the company's cloud-computing division before becoming CEO of GoDaddy. 'There are two types of conversations you'd have at Microsoft when you'd explain things,' Irving says. 'One type of person waited for a break in the argument to argue back. The other listened to learn. That was Satya.' Well before he was named CEO, Nadella 'could suspend his disbelief and opinion to listen to you thoughtfully. The slight difference between listening to argue and listening to learn is not subtle. It's huge. Satya is soft-spoken but energetic, which is a weird combination.'"*[11]

The Fortune article goes on to say that Nadella values three traits in leaders at the company: the ability to create clarity, create energy, and "suppress the urge to whine." Such leaders are refreshing in the ways they encourage others to open up to them and collaborate more effectively, as this anecdote from Nadella demonstrates:

> *"The energy you create around you is perhaps going to be the most important attribute – in the long run, EQ trumps IQ. Without being a source of energy for others, very little can be accomplished."*

9 Dina Bass, "Ballmer by the Numbers," *Bloomberg Business Week*, https://www.bloomberg.com/news/2013-10-24/ballmer-by-the-numbers-how-microsoft-fared-during-the-ceo-s-reign.html (Oct. 24, 2013).

10 Bethany McLean, "The Empire Reboots," *Vanity Fair*, http://www.vanityfair.com/news/business/2014/11/satya-nadella-bill-gates-steve-ballmer-microsoft (Oct. 8, 2014).

11 Andrew Nusca, "The Man Who Is Transforming Microsoft," *Fortune*, http://fortune.com/satya-nadella-microsoft-ceo/

So how can managers who want to engage more productively start to evolve? We suggest three steps: seek ongoing feedback, cultivate the skill to address conflict head on, and be accountable for your impact and make the necessary changes.

The first step is to encourage executives to discover how others see them, typically through a 360-degree leadership assessment. This helps them understand perceptions about the persona they present to others – the attitudes and behaviors that their demeanor sets in motion.

[A 360-degree leadership assessment] helps [managers] understand perceptions about the persona they present to others -- the attitude and behaviors that their demeanor sets in motion.

We also encourage leaders to cultivate the skill to seek this feedback face-to-face rather than anonymously. Once a leader has a snapshot of people's perceptions, he or she can get busy working on increasing awareness and response. For example, a leader who gets feedback about being hurried and distracted in meetings and one-on-ones may need to practice patience, slowing down, and listening more intently. He or she may need to learn to focus and not get distracted by the many other tasks that await. Executives should measure the progress they're making in part by asking for feedback again in a year or so. This tells leaders where they have made progress and what work remains to be done.

Here's an example of a manager who did the rigorous work of engaging more productively with employees. Karen, a vice president in a financial services company, was having problems because her direct reports had stopped talking directly to her. Turnover among her staff was high. Yet Karen was brilliant and well-educated, strategic, and results-oriented. She knew how to make things happen and get results. What could possibly be wrong?

The problem was that Karen's many achievements and supreme confidence made her appear arrogant and forbidding. She was impatient, punitive, dismissive, and judgmental. She would rap her pen on the table and say things like, "You've missed the point!"

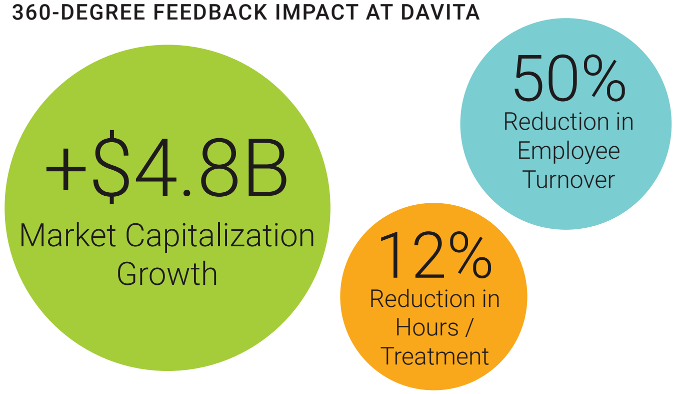
To improve her leadership and stop the high turnover, she sought feedback and coaching. She incorporated the feedback from her coach, her employees, and her peers into her style and worked on having more productive engagement. Three years later, Karen's staff loves working with her. They view her as a strong listener who is patient, approachable, and non-judgmental. With a finely developed habit of productive engagement, she has gained an exceptional ability to move things forward under pressure instead of stopping.

Multiply Karen's story by dozens or hundreds of leaders at a single company, and you can get a sense of the profound impact of this way of relating to others.

At DaVita, a Denver-based $13.8 billion global operator of kidney dialysis centers whose revenue has grown nine-fold since 2000, leaders receive 360-degree feedback every other year. They do this by gathering feedback from the 12 to 15 people they work with: their bosses, peers, employees, patients, and partners. Once the leaders have this feedback, they are asked to share the themes of what they heard with these key stakeholders and let them know what they will do to improve. They develop action plans and timeframes for changing the behaviors that are barriers to productive interaction – for example, how they communicate and deal with difficult situations.

Today this transparency and openness to feedback is one of the many strengths of DaVita's culture. It is a "feedback-rich" culture, which means it has more information to use for good purposes. And the "good" for DaVita is lower turnover, higher retention of key talent, and excellent growth in revenue, profit, patient outcomes, and job satisfaction.

360-DEGREE FEEDBACK IMPACT AT DAVITA



By the way, the "good" is measurable: DaVita's market capitalization has grown from $200 million to more than $5 billion. Its clinical outcomes have become the best in the industry. Employee retention has improved dramatically, with a 50% reduction in turnover. Among nurses, annual turnover has been reduced from 24% to 9%. Employee retention has improved 30%; hours per treatment have dropped by 12%. The subjective data shows that people enjoy their roles more, have better morale, and produce better patient outcome results.

Intellectual Agility: Having an Open Mind and Seeking Genius at All Levels

> *The organizations that will truly excel in the future will be the organizations that discover how to tap people's commitment and capacity to learn at all levels in an organization.*
>
> - - **Peter Senge** (senior lecturer, leadership and sustainability, MIT Sloan School of Management)

Markets disrupted by digital technologies and deregulation put a premium on new ideas. One reason is such forces create highly complex environments that grow beyond the capacity of a CEO, a business unit head, or a team to figure out. Acclaimed organizational theorist Ron Heifetz refers to these as "adaptive challenges" – problems and solutions that are too big and complex for any one person to identify and manage. In Heifetz's view, such adaptive challenges require strong collaboration among people who cross reporting lines, geographies, and organizations.

Company leaders who can master what we call intellectual agility can expand what they think is possible. They remain open to new ideas, no matter where they come from, inside and outside the company, whether from the front lines, customers, suppliers, or the board.

Often, the most important ideas that companies must act upon exist at the bottom or the middle of an organization, not at the top. As Bart Becht, the former CEO of UK-based healthcare products company Reckitt Benckiser PLC, once said: "The chance for new ideas is much greater when you have people with different backgrounds" in the same room. "The chance for conflict is also higher – and conflict is good per se, as long as it's constructive and gets us to the best idea."[12] Such intellectual agility helped Becht (now chairman of Coty Inc.) increase Reckitt Benckiser's revenue nearly eightfold over 11 years (to $25 billion by 2010).

Leaders must also be far more open to ideas that come from outside the organization. "Very successful companies need to be extremely focused on forward-looking indicators," said Nokia Chairman Risto Siilasmaa, who

12 Herminia Ibarra and Morten T. Hansen, "Are You a Collaborative Leader?" *Harvard Business Review* (July/August 2011).

was brought in to turn around the Finnish telecommunications company in 2012, in a recent interview. "I often jokingly say that in business we all drive cars where the whole windshield is a rearview mirror. And we have only a small opening somewhere in that mirror surface through which we can look forward."[13]

However, cultivating those ideas requires leaders to be open to emerging possibilities, the cornerstone of the habit of intellectual agility. That, in turn, requires skills in gathering perspectives from all organizational levels – especially with employees on the front lines, customers, and other key stakeholders – and using that data to sense new trends.

In creative industries such as media and entertainment, research has found the best collaborations involve "experienced people and newcomers and bring together people who haven't worked with one another before," according to management scholars Herminia Ibarra and Morten T. Hansen.[14] But to make such collaboration happen, leaders must promote it actively. "Left to their own devices, people will choose to collaborate with others they know well or who have similar backgrounds. Static groups breed insularity, which can be deadly for innovation."

How Best Buy Founder's Intellectual Agility Helped Create a $40 Billion Retailer

Intellectual agility is a far different habit for executives to master than always demonstrating that they "know." It's one of the habits that helped the founder of Best Buy Co., Richard Schulze, lead it to become America's largest consumer electronics retailer, with $40 billion in revenue. In his book, Schulze wrote that "companies that fail to leverage the strengths of their people, in whatever way is necessary, get themselves in trouble. That's what happened to Circuit City, Highland, and Montgomery Ward. Their leaders thought they had all the answers and failed to pay enough attention to the people around them."[15]

Best Buy regularly offers awards to store employees who contribute ideas that make an impact. Store managers can lower prices if a nearby competitor offers the same product for less. Managers take cashiers out for breakfast to ask them questions about customers' preferences and biggest complaints about the shopping experience. Stores are laboratories for innovative ideas generated by employees, and information on both successes and flops is shared freely with other stores without fear of punishment for failures.

None of this would have happened at Best Buy had its CEO not shown intellectual agility throughout his tenure.

13 "Nokia's Next Chapter," *McKinsey Quarterly* (December 2016).

14 Herminia Ibarra and Morten T. Hansen, "Are You a Collaborative Leader?" *Harvard Business Review* (July/August 2011).

15 Richard M. Schulze, *Becoming the Best* (Idea Platforms, 2011).

So how can leaders become receptive to new ideas – become intellectually agile? It requires several important shifts:

- **Engage in continual learning** – never assume you are done learning.
- **Be present and "quiet the chatter."** Keep the focus on what is wanting to happen, rather than on the past or the future.
- **Welcome diversity in thinking and approach** – i.e., realize that many issues have multiple and conflicting perspectives and at least two "truths."

Not surprisingly, many leaders' efforts to get their companies to change are hindered by fear, judgment, and cynicism at the middle management level and below. To counteract this, leaders must bring attention to how they think and listen. They must become curious and open. One good way to make this shift is to start asking open-ended questions that begin with "What" or "How might we?" They must work hard to understand the perspectives of others.

To become intellectually agile, leaders must also gain "mental mastery": the ability to focus their attention during a meeting or conversation. In a wired world of infinite distractions, focus is becoming more and more important for effective leadership. Being present means that you are right here – with a focus and attention that expands and enriches conversations and meeting outcomes.

Leaders can cultivate the skill of being "present" by keeping learning journals in which they write about critical events that occur each work day – writing down what happened, how they handled it, and what they would do differently the next time a similar circumstance arises. This allows a leader to reflect on these situations and develop more productive responses in the future. Such reflection is critical to changing habits. All too often, leaders put a quick fix in place without truly looking at what just happened. As a result, they fail to gain insight on the root of the problem. Reflecting on what they've done that may not have been helpful can allow them to respond more effectively the next time the situation occurs.

Truly understanding another's perspective is a rare skill. Our team values the importance of working hard to understand diverse perspectives – the importance of having an open mind – especially when others' views fundamentally oppose our own thinking. We know that all points of view are valid – even those we don't agree with. On occasion, we will immerse ourselves in listening to a divergent perspective to gain a deeper understanding of it.

In the fall of 2016 during the U.S. election process, there was a tremendous amount of controversy and divisiveness between

SHIFT		ACTION ITEM
SHIFT # 1	Engaging in continual learning -- *never assume you are done learning.*	Ask open-ended questions that begin with "What" or "How might we?"
SHIFT # 2	Being present and "quieting the chatter."	Keep a learning journal about critical events that occur each work day - write down what happened, how you handled it and what you would do differently next time.
SHIFT # 3	Welcoming diversity in thinking and approach	Occasionally immerse yourself in listening to a divergent perspective to gain a deeper understanding of it.

political parties. One of the candidates presented points of view that were in direct opposition to much of what we believe it takes to have our nation run safely and effectively. Carol was dedicated to opening her mind – to demonstrating our leadership habit of intellectual agility. She decided to attend this candidate's political rally when it came to Seattle. She wanted to understand why people were voting for this candidate – their hopes and aspirations, what wasn't working for them with the way things were.

Carol walked along the long line of citizens waiting to go into the rally. She introduced herself to people and asked them questions. She listened and asked more questions. She was demonstrating beautifully the habit of intellectual agility – the ability to drop your defenses, your story, and judgments and listen wide open. Most importantly, she was learning about the needs in our country that she had overlooked.

What was the learning, the advantage that was gained? Carol returned with clarity about why her fellow citizens were supporting this candidate. She gained compassion and understanding. It humanized the election for her. It was no longer just a competitive political game. She was able to see the real human needs. The people voting for this candidate weren't who she thought they would be. She dropped her assumptions and judgments long enough to learn.

This allowed her to be more effective with clients and others who held similar views – people she had previously misunderstood or held judgments about. Her worldview got bigger. Her mind got bigger. And we all know that a larger mind is a good thing. Narrowmindedness is not for leaders.

In an energy and utility company, the Vice President of Operations was promoted into the position for his deep expertise in the industry. While his staff respected the new VP, they experienced fear, burnout, and frustration in the first year. The Chief of Operations was a hard-driver and led by "command and control," an outdated leadership style. Needing all the facts first, he was slow to make decisions. He didn't value collaboration or diversity. He believed he possessed all the knowledge necessary to make key decisions. Hyper-focused on goals, he often lost sight of his impact on his people.

The effect on his talented team was devastating. Because he micromanaged, team members felt he didn't trust them. They started working on their resumes and checking out other job options.

Fortunately, the company's CEO has an active commitment to growth and development. She encouraged the new operations VP to make some needed changes. The VP began slowing down by implementing a few simple, daily rituals, including a five-minute sit to calm his mind and focus on outcomes for the day. He also wrote in a leadership journal. All of this took less than 15 minutes a day, but it helped increase his awareness of his leadership style and how it affected others. His biggest personal insights were about the habit he had acquired unconsciously: that wisdom emanates from the top of an organization. He began to understand how it drove his leadership style. This insight helped him engage his team in more decisions, surrender control over the details, and renew his commitment to ongoing learning.

Today, the operations VP is training his team to do the same. Inspired by his own results, he wants to instill a culture in his department of self-reflection and personal growth, innovation that comes from trusting their instincts, and communication that builds trust. Through better communication and collaboration, his department is more aligned on what he wants it to achieve. His people are more inspired by and engaged in their work. That has helped boost the department's productivity by 65% and increase retention by 30%.

Innovative Action: Deciding and Acting from Emerging and New Information

> *The faster we make our ideas tangible, the sooner we will be able to evaluate them, refine them, and zero in on the best solution.*
>
> - - **Tim Brown** (CEO of design consultancy IDEO and author of *Change by Design: How Design Thinking Transforms Organizations and Inspires Innovation*)

The leadership habit that's a supplement to the legacy habit of avoiding risk by delaying action is what we call "innovative action." It's the ability to learn the best course of action through experiments, innovation, and learning as you go.

Executives in companies undergoing a critical transformation can't afford to take weeks or (in some cases) days to make an important decision. What often holds us back from taking action is fear – fear that it will be the "wrong" decision, fear that we don't have enough information, fear that the repercussions will be too big if we make the wrong decision.

We encourage leaders to think about action-taking as a learning opportunity. You experiment – you try a part of the solution and you learn from it. This informs the next set of actions to take.

Building competence in innovative action not only helps executives reduce bureaucracy and hesitation, it works to create an environment of curiosity and learning – of trying on new ideas and abandoning those that aren't working after reasonable effort. The executive who can balance a conservative approach with innovative action is much better able to get people fully engaged and aligned on goals.

Leaders with the ability to balance conservatism with innovative action give staff members license to do the same – to make rapid decisions without being afraid of missteps. The result is that decisions and actions happen much faster. This creates strong, collective momentum for numerous pieces of a corporate transformation initiative that must fall in place quickly.

The phenomenal rise of the Swedish online music streaming company Spotify is a testimony to the power of leaders who excel at innovative action. The company was launched in 2006 in the crowded space of online music and has since become a $2 billion business whose revenue nearly doubled between 2014 and 2015.[16] It brought a monthly subscription model that has attracted 30 million paying customers (who enjoy their music ad-free) and 70 million non-paying customers.[17] Spotify CEO Daniel Ek has said maintaining a culture of constant experimentation is crucial at the company. "We aim to make mistakes faster than anyone else," he has said. But that won't happen unless Spotify executives continue to demonstrate innovative action and encourage the trait in those below them. Company slogans such as "minimum viable bureaucracy" and "put the right people together and trust them" continually make the rounds at Spotify.

16 Adam Levy, "Spotify's Annual Report Shows How Hard It Is to Make a Profit Streaming Music," *The Motley Fool*, http://www.fool.com/investing/2016/05/27/spotifys-annual-report-shows-just-how-hard-it-is-t.aspx (May 27, 2016).

17 Peter Antman, "Growing Up with Agile - How the Spotify 'Model' Has Evolved," speech at the Bay Area Agile Leadership Network, http://www.slideshare.net/peterantman/growing-up-with-agile-how-the-spotify-model-has-evolved (March 15, 2016).

But a word of caution: To build a capability of innovative action, executives should not abandon data, research, and other information necessary to make key decisions – particularly when there's much riding on them. Nonetheless, given the extreme amount of data leaders have access to, they are at risk of slipping into analysis paralysis. With the world moving fast and decisions needing to be made faster, the question every executive must ask these days is when to stop reviewing the data and take an action.

More importantly, when executives postpone action, what are they protecting? Is it themselves? The organization? Both? If it's themselves (the classic "cover your ass" syndrome), that will be an organizational problem; companies in the middle of a transformation can't afford the bureaucracy that comes from self-protection. For example, they can't require 14 signoffs before they give a job offer to a critical digital marketer, customer experience designer, or other key hire. The best and scarcest talent will likely get a job offer elsewhere in the weeks it takes to make those signoffs happen.

Executives at DaVita purposefully nurture employees to act innovatively and take risks. One of its managers told us about coaching an employee to take more risk, with this advice: "You don't get fired at this company for making mistakes. We just fix them."

How can a leader build the capability of innovative action in his/her executive team and cascade it throughout the organization? Start with an internal initiative and tell the executives to run it in an entirely new way. In addition to the traditional prerequisite of being "on strategy" (i.e., it will help the company further improve its business model and direction), the initiative needs to demonstrate the importance of highly creative experimentation and ideas from all levels, the ability to admit to failure quickly, and the capacity to learn from failures and move on.

How Puget Sound Energy is Developing Staff to Act Innovatively

Puget Sound Energy, a $3 billion Seattle-based energy and utility company, recently demonstrated how its executives and team can take innovative action. Its senior vice president of customer experience was charged with designing a company-wide employee recognition program. But figuring out how to identify and reward 2,800 people in an effective way – one that would recognize and encourage effectiveness at all levels – was no small task. Executed poorly in the past, it had become a mandated and perfunctory process. Managers procrastinated in submitting names; the awards ceremony was uninspiring and sparsely attended; and employees saw the whole thing as meaningless.

The SVP of customer experience believed the team needed to come to an answer quickly and creatively. He decided they didn't need an extensive survey of employees, deep reviews of other utility recognition programs, and a big consulting team to analyze all the data. That would have taken months. Instead, he convened a two-day meeting of 20 task force members. Facilitated in partnership with Toronto's Experience Point, they started by asking themselves this question: "How might we help employees feel recognized for doing meaningful work that adds value to the organization?" They discussed possibilities. Then they decided to test their assumptions. They conducted nearly 30 interviews of customers, family members, and employees from a wide range of levels in the organization in just four hours. These interviewees surfaced widely divergent points of view, which helped the recognition team gain insights. They then came back, shared their findings, and tested some new recognition programs with small experiments. They ran the experiments quickly and on a minimal budget.

The team designed one experiment to test whether making it easy for employees to commend good work would increase such appreciation. Several members created a "recognition box" with items that could be offered as a way of saying "thanks for a job well-done." The recognition box contained cards, balloons, flowers, $5 coffee cards, stickers, and more. If people wanted to honor someone by giving him or her something from the box, they had to write down who the item was going to and what the person was being recognized for. The recognition box was a hit, and nearly all items were distributed in two weeks.

While some experiments similarly succeeded, others failed. The cost of these experiments was minimal. But the insights gained about effective reward programs were invaluable. They resulted in three solid options for a recognition program.

The SVP's recognition team presented the program to top leadership, who applauded them for the creative approach they took to developing it. The new rewards will be far more customized to employees' preferences. For example, one reward will be for family members who were essential to an employee's success. The new recognition program is being rolled out this year in larger pilots so they can be fine-tuned.

Designing the new reward program this way illustrates the value to executives of developing an innovative action muscle. Such a capability enables executives to engage employees in a collective decision – not execute their orders. The SVP of customer experience could have simply told his team what the new rewards program would be and then ordered them to roll it out. Instead, he got them involved in creating a far more innovative solution than one he could have designed. The new employee recognition program is likely to have a more widespread and positive impact on Puget Sound Energy's culture.

Vital Fulfillment: Creating Workplaces as a Source of Energy for Life

We have a succinct way to explain this fifth habit of conscious leadership: vital fulfillment, when embraced, will create a culture where employees use their full range of abilities, tapping into their best. The executive who masters vital fulfillment will feel she's being "well-used" instead of "used up." And so will her employees.

> Leaders who have a full life outside of work and who subjugate personal lives for the corporate good only during critical periods will be much more productive.

There's a big difference between the two, and they must be understood by executives operating in workplaces marked by high stress, long hours, and ever-acute fears of career and corporate survival. Those are hallmarks of companies undergoing transformation. If yours is in the middle of one, it will need to help executives gain a heavy respect for their own fulfillment, as well as the fulfillment of those below them.

Workplace surveys tell us most companies have a long way to go on this front. In 2016, only 44% of U.S. workers believed their organizations supported employee "well-being," according to a survey conducted for the American Psychological Association. But the percentage was 73% in organizations whose senior executives were involved and committed to well-being initiatives, compared with only 11% in organizations whose leaders didn't actively support them.[18]

We see this problem in most of the organizations we consult to – employees at all levels who view themselves as victims of the organization. They feel they aren't allowed to say "no" to onerous requests to travel extensively, work weekends, or labor through the night to meet ambitious deadlines. Despite statistics that show only 12% of employees of U.S. companies worked 50 hours or more a week in 2015,[19] we know many organizations where leaders put in many more hours than that. For instance, in many healthcare systems, we see doctors working an enormous number of hours, yet have little time to spend with each patient. Some physicians have told us they feel like they're working in a factory, getting patients in and out quickly, like moving widgets on an assembly line. They feel they have no choice; they must do it to keep their jobs. They feel like victims of the organization – victims of a hospital group that may now own their medical practice or victims of the greater healthcare system.

Transformations in organizations like these will chew up and spit out many of the most valuable employees. It doesn't have to be that way. Executives who feel well-used rather than used-up can take far better care of the business as well as of themselves outside work. And since employee health, emotional states, and stress levels affect both work and personal lives, those who feel "well used" are better able to care for themselves when the stress levels rise.

Leaders who have a full life outside of work and who subjugate personal lives for the

18 "Workplace Well-Being Linked to Senior Leadership Support, New Survey Finds," *Science News*, (American Psychological Association: June 1, 2016).

19 "Work-Life Balance," Organisation for Economic Co-Operation and Development (OECD), http://www.oecdbetterlifeindex.org/topics/work-life-balance/ (2015).

corporate good only during critical periods will be much more productive. And of course, if work/life balance matters to them, they are likely to last longer in your organization and perhaps live longer and healthier lives.

How can leaders achieve vital fulfillment and wrest their private time back from the company without hurting their careers? How can they say "no" in those moments when they must but don't think they can? How can they ensure their whole life is being well tended to? How can they create a culture that nurtures fulfillment and sees it as a key to boosting the bottom line? To build muscle in vital fulfillment, executives must embrace three challenges:

- **See themselves as creators rather than victims** at the disposal of their boss or their company
- **Create workplaces as a source of energy for life**
- **Work more efficiently** by prioritizing and delegating

To build the leadership habit of consistent vitality, executives first must stop feeling victimized. If they don't, they'll always believe someone has control over them. When leaders operate from a victim mentality, they remain focused on the problem. That limits creative solutions and diminishes energy.

"Self-pity is easily the most destructive of the non-pharmaceutical narcotics; it is addictive, gives momentary pleasure, and separates the victim from reality," once wrote John W. Gardner, a member of President Lyndon B. Johnson's cabinet and later the founder of Common Cause, the grassroots organization that pushed for civil rights, voter participation, and the end of the Vietnam War. Leader vitality enables leaders to focus on the outcome, determine what they need to achieve it, and move toward it.

The work of building consistent vitality involves remembering the cost (past and future) of not caring for oneself – the cost to physical and emotional health, family relationships, and employees.

Historically, most companies we know have rewarded their executives' competence on the job (their intellect) while ignoring their life away from work (their emotional, physical, or spiritual well-being). However, not paying attention to a person's welfare in this larger context leads to burnout, health issues, and financial cost to the business. By tending to the whole leader – not just the leader at the office – companies can more fully engage executives in their work. Addressing physical health head on, making room for flex schedules that allow people the time to tend to personal relationships, and managing energy will help leaders keep pace with today's challenges.

Emotional and physical stress are directly linked to one's work experience. Many senior leaders tell us they spend upwards of three-quarters of their day in meetings, many of which are either stressful or less productive than they could be. Additionally, they often skip meals, eat boxed lunches while in a meeting, or grab quick meals due to lack of time to sit quietly and eat a well-balanced meal, all of which risk poor nutrition and obesity. In findings from a study at Duke University, obesity sets back American businesses a mammoth $73 billion a year in medical expenses and lost productivity.[20]

Being well-used means delegating or stopping altogether the tasks that don't make the best use of one's talent, and then holding other people accountable to pick up those tasks. This step is crucial. An executive can vow to take back his

20 "The Costs of Obesity in the Workplace," Journal of Occupational and Environmental Medicine, 52, 10 (2010).

life. But unless he sheds work that isn't necessary for him to do, the unnecessary tasks and emails will continue to pile up.

This may sound like common sense – yet it is uncommon. When it happens, it can turn a productive leader into a star, and a far happier one. Take the case of Joe Mello, former Chief Operations Officer at DaVita. With such a big job, Joe had to become a master of creating clarity, focus, and capacity. Every Monday morning, he wrote on a Post-it note his three most important priorities for the week. He didn't keep a running list of dozens of priorities to get done that Monday. This simple task created focus for Joe and his direct reports. In their very demanding jobs, it helped them develop the crucial leadership habit of vitality.

The people who worked for Joe were clear about their own priorities, because Joe encouraged the same practice that worked so well for him. He and his team had much more productive days because they regularly identified the important few critical process improvements to make. In the time that Joe worked as COO, DaVita tripled in size to become a global leader in healthcare. We believe that Joe's habits allowed him to become a far more effective COO, citizen, and friend to people outside the company.

With a company's executives, we often facilitate an exercise we call "The Best Use of Me." Each leader must write a Post-it for every task and activity they can recall doing in an average week. These Post-it notes are then categorized under the leader's top three to five priorities. The executives are then told that they must delegate, stop, or change all the tasks or activities on the Post-its that do not fit into their top priorities. The end results often are attending fewer meetings and having more time for innovation and heads-up thinking. The exercise empowers people and trains them how to delegate.

A senior leader in the financial services organization we mentioned earlier completely reorganized her department and her staff's accountabilities after completing this exercise. She realized that she had never stopped to question why she was still doing some of what she had inherited or started years ago. It was "just the way it gets done around here."

Try it: "The Best Use of Me" Exercise

1. Create a post-if for every task and activity done in an average week.
2. Categorize the post-its with your top 3-5 priorities.
3. Delegate, stop, or change the tasks/activities that do not fit into those priorities.

Mastering Conscious Leadership: Adding, Not Subtracting

The habits of conscious leadership may sound like they replace the ones leaders gained in rising to the top level of organizations. It may appear that by staying connected to guiding ideals, productive interaction, intellectual agility, innovative action, and consistent vitality, executives can now relinquish the traits that got them there.

The answer is actually that they don't. The legacy habits that we laid out at the beginning of this paper are still necessary under some circumstances. But they can no longer unconsciously drive leaders' beliefs and behaviors – at least, not in leaders of corporate transformation.

As leaders at DaVita, Puget Sound Energy, Microsoft, and other companies are finding, the ability to make a big transition in the marketplace requires developing new habits at the top of the organization. These habits enable executives to remain focused on the complex work of corporate transformation, make better and faster decisions, listen to and act upon better ideas at all levels of the organization, generate far greater employee engagement, and make everyone far more productive and satisfied, both in and outside of work.

But gaining these habits requires a conscious effort – both in understanding unexamined assumptions that drive suboptimal actions and understanding the habits required to get employees to help raise organizational performance to uncommon levels. Those who master the new habits can become powerful accelerants of transformational change.

About Henley Leadership Group

With over 30 years experience in leadership development, HLG's leadership team understands the challenges our clients face. Our clients engage in custom design solutions that focus on executive development, team development, collaboration, and innovation.We partner with our clients to disrupt the status quo so as to bring about new ways of working that result in thriving workplaces.

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Dede Henley has been in the field of leadership development since 1982. She brings breadth and depth as a designer, consultant, and executive coach. She is dedicated to calling forth the highest and best from her clients, their leadership teams, and their employees. Dede holds a Masters degree in Organization Development from Pepperdine University and has served as adjunct faculty member at Pepperdine.

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