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A New Model of Leadership

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Abstract

In this paper we provide a new definition of leadership that gives organizations and individuals access to new power, performance and accomplishment. In our model leadership consists of four critical elements:

- The creation of a vision for the future that represents a significant departure from the past, one that requires breakthroughs for its realization.
- The creation of a system that facilitates enrollment into and elicits voluntary commitment to the vision by the critical mass of people required to discover and implement the breakthroughs required for realization of the vision.
- The creation of a system that ensures both the timely identification of breakdowns (and the dissemination of information about them) that, if unresolved, would prevent the successful realization of the vision.
- The creation of a system for managing breakdowns that causes people to voluntarily recommit to the vision and maintain these commitments through to the implementation of the breakthroughs required for the realization of the vision.

We give examples and summarize evidence illustrating our principles and their productivity, and provide advice for putting these principles into action.

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I. LEADERSHIP AND LEADERS

A. The Literature on Leadership

There is an extremely large and continuously growing literature on leaders and leadership. Bass's Handbook of Leadership (Bass (1981)) references over 4,500 studies of leadership as of the 1981 date of that book, and Rost (1993, p. 46) reviewed over 312 books and chapters on the topic produced in the 1980-89 interval alone (his book contains 25 pages of references), and the rate of output has surely increased in the interim. Indeed, a search of Amazon.com for "leadership" yields 191,530 hits.¹ Yet with some brilliant

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¹ Accessed on Jan. 14, 2007.

exceptions much of this literature is not rigorous or even useful. It is not our intention to summarize it here. Joseph Rost (1993) does a good job of that in his excellent book, *Leadership for the Twenty-First Century*. Indeed, with few exceptions there is little that can be said to be a science of leadership. Rost has it close to correct when he writes:

“The facts are that in the 1990’s, the concept of leadership does not add up because leadership scholars and practitioners have no definition of leadership to hold on to. The scholars do not know what it is that they are studying, and the practitioners do not know what it is that they are doing.” (Rost 1993, p. 8)

“Many scholars have studied leaders and leadership over the years, but there is still no clear idea of what “leadership” is or who leaders are ... The problem with [this] statement is not that it is inaccurate but that, having made it, 95 percent of the scholars ignore the statement and write their book, chapter, or article as if they know what leadership is. Worse many scholars write as if their readers know what leadership is and their readers’ understanding is the same as their own.” (Rost 1993, pp. 13-14)

With some exceptions Ross’s statements remain true today. The best of the literature tends to focus on the psychological, personal and other characteristics that can make one person a more effective leader than another, including, for example, managerial mindsets² and managerial roles³. In addition, the outstanding books by Bennis (2003) and Bennis and Nanus (1997) deal with the essential competencies and characteristics of a leader as well as key aspects of leadership and its functions.⁴ The leading books by Heifitz (1994) and Heifitz and Linsky (2002) deal with the challenges of leadership and how they can be met.⁵ Heifitz (1994) focuses on how to create a vision that will call people into action and continue to motivate them in the face of the obstacles they encounter. Heifitz and Linsky (2002) describe how to effectively deal with the inherent risk and dangers of leadership. Our model of leadership is consistent with the principles

² Gosling and Mintzberg, 2003, "The Five Minds of a Manager", Harvard Business Review, November

³ Mintzberg, 1990, "The Manager's Job: Folklore and Fact", Harvard Business Review, March

⁴ Bennis, 2003, *On Becoming A Leader*, New York, NY: Basic Books; Bennis and Nanus, 1997, *Leaders: Strategies for Taking Charge*, New York, NY: Harper Business

⁵ Heifitz, 1994, *Leadership Without Easy Answers*, Cambridge, MA: The Belknap Press of Harvard University Press; Heifitz and Linsky, 2002, *Leadership on the Line: Staying Alive through the Dangers of Leading*, Boston, MA: Harvard Business School Press.

and practices described in all of these books. Seen through the lens of our new leadership model, we believe the content of these books becomes even more powerful.

We focus in this article on what leadership is, not leadership traits, behaviors and styles, nor how leaders are selected or trained.

B. Definition of Leadership

We define leadership is that set of actions, including language actions (words), whether taken directly or by empowering others to act which fulfills visions, and produces results, outcomes, and consequences that otherwise would not have occurred.

Leadership can be evaluated or described in four dimensions: scale, scope, effectiveness, and normative value.

- Scale measures the magnitude of the vision, i.e., the magnitude of the results to be produced.
- Scope measures the magnitude of the effort, i.e., the resources required to produce the result.
- Effectiveness measures the actual results in comparison to the desired results (i.e., the vision), and the actual resources required to produce the results.
- Normative value is the desirability/acceptability of the vision or the results to be produced and the results actually produced. Simply put, are the vision and the actual results assessed as desirable or undesirable, i.e., good or evil?

The scale of Leadership can range from small visions/matters (such as arranging a tennis game amongst friends) to large matters (such as putting a man on the moon). The difference between small-scale leadership and large-scale leadership is the size of the vision or challenge that a person or group chooses to take on. Leadership begins with being the leader in one's own life and scales up from there.

The scope of Leadership is a measure of the resources required to produce results and outcomes that satisfy the vision.

Effective leadership can produce either desirable or undesirable results and outcomes, and the determination of desirable and undesirable depend on both the results

and the normative value judgments of the observer. Most readers can identify historical figures who were effective leaders that produced results that were considered to be evil. Our model of leadership does not address this normative dimension.

C. The Four Aspects of Leadership

Our model of leadership consists of four aspects. While these elements can be thought of as occurring serially, in practice, they are usually overlapping and present simultaneously. In addition, while we often speak as though the leader is doing these four functions what we actually mean is more subtle. In a large organization, a single leader cannot do it all. A successful leader will create an environment or culture in which the four aspects of leadership are highly valued and are therefore nurtured, created, applied, and effectively implemented. The four aspects of leadership are:

- **VISION:** Creating a vision for the future – a vision that goes beyond what is predictably going to happen and therefore goes beyond what anyone now knows how to accomplish.
- **ENROLLMENT:** Enrolling sufficient numbers of others in making a voluntary and personal commitment to realizing the vision.
- **BREAKDOWN:** Creating systems that quickly identify and widely communicate the existence of breakdowns – any perceived gap between the committed vision and what predictably will be accomplished given current circumstances and knowhow that is seen as a threat to the realization of the vision. Widespread awareness of a breakdown increases the likelihood that a solution – a breakthrough – will be discovered or invented.
- **MANAGING BREAKDOWNS:** Creating an environment that successfully resolves the breakdowns. Such an environment supports people in the organization (on the team if it is a project) so they renew their commitment to the realization of the vision in the face of the breakdowns.

D. Leaders

The Oxford Dictionary⁶ defines leader as “the person who leads or commands a group, organization, or country”. Defining a leader by the existence of followers has a long tradition, but it is not useful in attempting to improve the leadership of organizations. We define “leader” as an *ordinary* human being with both a commitment to produce a result whose realization would be *extraordinary* given the current circumstances as seen by the participants, and the integrity⁷ to see this commitment through to its realization.

II. LEADERSHIP DIFFERS FROM MANAGEMENT

In an early and excellent discussion of the issues, Zaleznik (1977) (followed by Kotter (1990) and Rost (1985, (1993)) emphasizes the fundamental differences between management and leadership and the potential conflicts between them. Kotter (1990, pp. 3-4) characterizes management as “planning and budgeting”, “organizing and staffing”, and “controlling and problem solving”. More specifically he argues that management involves setting targets and goals, establishing detailed plans for reaching goals, allocating resources, establishing organizational structure, delegating authority and responsibility, monitoring results vs. plan, identifying deviations from plan, and planning and organizing solutions. Building on Kotter’s insights, we conclude that management in its purest form is about minimizing risk and maximizing predictability and adherence to plan. In contrast, leadership deals with the unknown, the dreams, the vision that creates

⁶ Oxford American Dictionaries, 2005, Dictionary and Thesaurus, Version 1.0.1: Apple Computer, Inc.

⁷ By integrity we mean integrity as it is defined in Erhard, Jensen and Zaffron, 2007, "Integrity: A Positive Model that Incorporates the Normative Phenomena of Morality, Ethics and Legality", Harvard Negotiations, Organizations and Markets (NOM) Working Paper No. 06-11; and Barbados Group Working Paper No. 03-06 August (available from the Social Science Research Network eLibrary at: <http://ssrn.com/Abstract=920625>): Integrity is honoring one’s word, and that means either keeping one’s word or acknowledging that one will not be keeping one’s word and cleaning up any mess that causes for those who were counting on that word being kept.

something new and heretofore unknown. Not surprisingly, what is seen as possible by one person is often deemed a pipe dream by another. Thus, it is unavoidable that the domain of leadership is one where the results to be produced are accompanied by significantly more risk and uncertainty (and often more controversy) than what is normally considered to be acceptable in the domain of pure management.

Kotter (1990, pp. 5-7) defines leadership as consisting of the following three elements: 1) establishing direction, 2) aligning people, and 3) motivating and inspiring them.⁸ Our definition of leadership is consistent with Kotter's, in the sense that his elements 1 and 2 correspond reasonably closely with our first two elements (Vision and Enrollment). Our model of leadership goes beyond Kotter's because his third element (motivating and inspiring, that is, "Keeping people moving in the right direction despite ... barriers to change by appealing to basic, often untapped human needs, values and emotions") does not provide actionable access to the critical last two elements that we emphasize in our model of leadership (that is, creating and communicating breakdowns, and managing breakdowns).

Before delving into our concept of leadership in detail we highlight Kotter's insightful conclusion that leadership and management are potentially in conflict with each other—even though both are required for a well-functioning organization. In Kotter's words:

“. . . even more fundamentally, leadership and management differ in terms of their primary function. The first can produce useful change, the second can create orderly results which keep something working efficiently. This does not mean that management is never associated with change; in tandem with effective leadership, it can help produce a more orderly change process. Nor does this mean that leadership is never associated

⁸ In (Kotter's 1990, p. 5) words the actions associated with these concerns include: [1] "Developing a vision for the future ... along with strategies for producing the changes needed to achieve that vision. ... [2] Communicating the direction to those whose cooperation may be needed so as to create coalitions that understand the vision and that are committed to its achievement. ... [3] Keeping people moving in the right direction despite ... barriers to change by appealing to basic, often untapped human needs, values and emotions."

with order; to the contrary, in tandem with effective management, an effective leadership process can help produce the changes necessary to bring a chaotic situation under control. But leadership by itself never keeps an operation on time and on budget year after year. And management by itself never creates significant useful change.

Taken together, all of these differences in function and form create the potential for conflict. Strong leadership, for example, can disrupt an orderly planning system and undermine the management hierarchy, while strong management can discourage the risk taking and enthusiasm needed for leadership. Examples of such conflicts have been reported many times over the years, usually between individuals who personify only one of the two sets of processes: 'pure managers' fighting it out with 'pure leaders.'" (Kotter (1990, p. 7))

We consider the conflict between leadership and management highlighted by Kotter to be important, potentially destructive if not handled properly, but critically useful when kept in appropriate balance. Creating this balance is not a trivial exercise. The tension created between pure management and pure leadership is useful because it is one source of locating and defining breakdowns. Management pulls for the predictable; leadership pulls for the vision. As we see later this defines the breakdown. In our model the two viewpoints must coexist without one overpowering the other; otherwise, the breakdown disappears and therefore loses its power. When the breakdown is resolved, both points of view are satisfied.

Nevertheless, we shall ignore the conflict between leadership and management in the remainder of this paper so as to focus on highlighting the critical, counter-intuitive and often unrecognized last two elements of effective leadership emphasized in our model.

III. CREATING A VISION

There is a significant amount of literature on creating visions and strategies for enterprises of various types. Virtually all of it applies here. However, in the domain of leadership, the creation of a vision for the future takes on additional properties. First, leadership is about creating a vision for a future that is not an extrapolation from the past. Leadership is *not* about applying known techniques, processes, and technology to create

something that is therefore the next step in a predictable continuum or a logical progression. Successfully continuing from the past is a management function. Leadership is about creating a future that could not have been predicted.

There is a special case that, unfortunately, occurs with great frequency. Suppose that management has set a goal whose achievement is highly predictable given the organizations resources, knowledge, skills, budget, schedule, and so on. Further suppose that some unpredicted or unpredictable event occurs which alters the circumstances; and, as a result, the goal is no longer seen as achievable with the required degree of certainty. The pure management response to this situation would be to restore certainty by, for example, extending the schedule, adding resources, changing the goal, or killing the project altogether. The response of leadership would be to remain committed to the goal. In the words attributed more than 2,200 years ago to the Carthaginian general Hannibal when asked how he was going to get his army across the Alps into Italy: “We will either find a way or make one!”⁹

A. The Language of Commitment is the Language of Management and Leadership

Assertions are the language of management

It is helpful at this point to distinguish different types of commitment. Winograd and Flores (1987) distinguish four generic types of commitment: Assertion, Declaration, Request and Promise. The first two are pertinent for our purposes here. An “assertion,” is a statement that propounds a point of view, theory, or idea that the listener or reader is asked to accept as true. The commitment associated with an assertion is that its author will provide evidence to back up what is being asserted and is willing to be accountable that the evidence will be sufficient to ensure that the listener will find that evidence valid

⁹ QuoteWorld.org accessed Sun, Jul 16, 2006, <http://quoteworld.org/quotes/6231>

for himself or herself. In the context of this paper, assertions about the future are of the utmost importance to management. A typical management assertion would be “Project X will be complete within budget by the end of this year.” The evidence that could be provided is the detailed plan to accomplish the project — a plan the listener would accept as convincing.

Declarations are the language of leadership

The second type of commitment is a “declaration.” A declaration creates a state change. The identity of the declarer and how his or her words are heard by listeners play an essential part in the effects of a declaration. For example, when the umpire in a baseball game calls a pitch a “strike” it is a strike – and not before he has declared it so. If the catcher calls it a strike, the statement is, at best, an assertion, and most likely is heard as an opinion (i.e. a report on one’s internal state of mind). When the prosecutor in a criminal trial says the defendant is guilty, an assertion is being made. When the judge says the defendant is guilty, it is a declaration that creates a state change.

Perhaps the most famous declaration in modern times was made by President John F. Kennedy in May, 1961 during his address to a joint session of the U. S. Congress in which he declared that the United States would put a man on the moon by the end of the decade (Kennedy (1961)). The particular language that Kennedy used during his speech is less important than recognizing that his words created a state change – instantaneously creating a national conversation about putting a man on the moon. This conversation and the acts associated with it led to the creation of the Apollo Project, and the landing of a man on the moon on July 20, 1969.

A more commonplace example is appropriate. During a software development project led by one of the authors, a serious problem with a critical component was uncovered. Fixing this problem using standard processes would have caused a substantial delay to the entire project. While the managers of the project were wringing their collective hands, one of the engineers declared that he would fix the problem quickly

enough so that the overall project could stay on schedule. In effect, he *declared* that if management left him alone he would do in 3 months what others thought would take six people six months to complete. Management's initial reaction was to hear the engineer's offer as an *assertion*. They asked "How do you propose to do 3 person-years' worth of work in 3 months by yourself?" The engineer had no real answer to the question other than to repeat the declaration. The project manager accepted his declaration (the only other alternative was accepting a substantial delay in completion of the project), and thereby bet on the engineer's creativity and ability to produce the results in 3 months. Fortunately for everyone, the engineer delivered the fully functioning component on time and with outstanding quality.

Note that the engineer did not say he would "try" to fix the problem in 6 months. That would not have been a declaration or even a commitment. The hallmark of commitment is that it creates risk, and there is no risk created by any statement that one will "try" to do anything. "Try" is not part of the language of leadership.

In the domain of leadership, declarations create new possibilities but not certainty. As we implied above, leadership declarations are fraught with risk because they are in a domain beyond that which can be asserted. Declarations are the means of communicating the committed visions of leadership.

IV. ENROLLMENT

A. Personal Commitment

By authentically declaring a vision, a leader creates his or her personal commitment. Since most major accomplishments require the efforts of other people, success requires that enough people with the right sets of skills and resources be similarly committed to

the realization of the vision. We call the process that leads to such commitment “enrollment,” and it consists of two parts:

- Communicating the vision to others in a way that the vision is seen by each person as a compelling personal opportunity, and
- Inviting each person to choose freely to commit personally to the realization of the vision.

A leader must communicate the vision and his or her personal commitment to that vision in a way such that other people see the vision as a personal opportunity that promises to fulfill or contribute to one or more of their personal concerns. The more compelling the vision statement, the broader will be the impact and enrollment. President John F. Kennedy’s declaration to the joint session of Congress on May 25, 1961 to have a man on the moon by the end of the decade is an example of a brilliantly stated vision that excited, engaged, and enrolled a substantial fraction of the U.S. population—enough, in fact, to begin the process that resulted in its realization.

“Finally, if we are to win the battle that is now going on around the world between freedom and tyranny, the dramatic achievements in space which occurred in recent weeks should have made clear to us all, as did the Sputnik in 1957, the impact of this adventure on the minds of men everywhere, who are attempting to make a determination of which road they should take. Since early in my term, our efforts in space have been under review. With the advice of the Vice President, who is Chairman of the National Space Council, we have examined where we are strong and where we are not, where we may succeed and where we may not. Now it is time to take longer strides—time for a great new American enterprise—time for this nation to take a clearly leading role in space achievement, which in many ways may hold the key to our future on earth.

I believe we possess all the resources and talents necessary. But the facts of the matter are that we have never made the national decisions or marshaled the national resources required for such leadership. We have never specified long-range goals on an urgent time schedule, or managed our resources and our time so as to ensure their fulfillment.

Recognizing the head start obtained by the Soviets with their large rocket engines, which gives them many months of leadtime, and recognizing the likelihood that they will exploit this lead for some time to come in still more impressive successes, we nevertheless are required to make new efforts on our own. For while we cannot guarantee that we shall one day be first, we can guarantee that any failure to make this effort will make us last. We take an additional risk by making it in full view of the world, but as shown by the feat of astronaut Shepard, this very risk enhances our stature when we are successful. But this is not merely a race. Space is open to us now; and our eagerness to

share its meaning is not governed by the efforts of others. We go into space because whatever mankind must undertake, free men must fully share.

I therefore ask the Congress, above and beyond the increases I have earlier requested for space activities, to provide the funds which are needed to meet the following national goals:

First, I believe that this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to the earth. No single space project in this period will be more impressive to mankind, or more important for the long-range exploration of space; and none will be so difficult or expensive to accomplish." Kennedy (1961)

An individual commits himself or herself by a declaration. Such declaration includes both the substance of the future state (vision) that is to be attained and the individual's personal commitment to the realization of that vision. The power of declaration is not widely understood. Just as in the case of Kennedy's declaration to put a man on the moon when no one at the time knew how to do it, the declarations of any person create risk and uncertainty. Such declarations are generally associated with uncomfortable feelings on the part of most human beings.

In an almost magical way declarations create a future which shifts the world in very important ways. W.H. Murray (1951), of the Scottish Himalayan Expedition expresses the point very well, and we recommend that all readers who have not experienced the power of declaration re-read his following statement after they have experienced the power of declarations that are pursued with integrity:

"Until one is committed, there is hesitancy, the chance to draw back, always ineffectiveness. Concerning all acts of initiative and creation, there is one elementary truth the ignorance of which kills countless ideas and splendid plans: that the moment one definitely commits oneself, then providence moves too.

"All sorts of things occur to help one that would never otherwise have occurred. A whole stream of events issues from the decision, raising in ones favor all manner of unforeseen incidents, meetings and material assistance which no man could have dreamed would have come his way.

"I have learned a deep respect for one of Goethe's couplets: 'Whatever you can do, or dream you can, begin it! Boldness has genius, magic, and power in it.'"

B. Creating A Committed Team Or Organization

Commitment only occurs when it is possible to say yes or no

The second aspect of enrollment, the invitation to commit to the vision, requires free choice. Because commitment is a personal phenomenon, it is impossible to *force* another person to be committed. Authentic personal commitment is thus possible only in an environment in which an individual truly has a free choice; that is, a person can commit to yes only to the extent that he or she can choose to say no.

Groups or organizations can be committed to something by an individual who is authorized to make such commitments. But this does not necessarily mean that any other individuals in the organization are personally committed.

We define a team as a group of people that is working toward the realization of a common vision or set of outcomes. We use the term “outcome” to denote a result to be produced that is required to realize a vision. People may be committed to the vision, a specific sub-set of the outcomes required for that vision, or both.

Our interest here is in how leadership creates an effective team in an environment with large numbers of people. While other approaches can work with small groups, the general method for creating a team is to recruit or identify those with the skills and resources needed to realize the vision and have nearly all of them be personally committed to realizing the outcomes or vision. This is accomplished by inviting each relevant individual to make a personal commitment to the realization of the vision. In practice, a number of people will decline. The goal here is to create a process that will ensure (to as great a degree as feasible) that those who decline to commit to the vision are at least committed to the *possibility* that the vision will be realized. There will be two remaining groups of people; those who are indifferent to the success or failure of the vision and those who are committed to the outright failure of the vision. Attempting to eliminate or otherwise punish these people is a common mistake.

Naysayers are valuable

We recognize it is counterintuitive to say that we should not eliminate or punish people solely because they do not voluntarily commit to the realization of the vision, or even if they are committed its failure. But keeping these people is often the lesser of two evils, and keeping them may well be critical to the ultimate success of the project. Moreover, even if everyone commits at the beginning of the project, it is likely that some will withdraw or modify their commitment in the face of the inevitable breakdowns that will occur. Obviously, at the extreme, welcoming participants who, in effect, are committed to sabotaging the project is a mistake, but we have found that, in practice, there are few instances of individuals taking this extreme position.

One objective of the enrollment process is to minimize the number of people who are indifferent to the success or failure of the vision, or are committed to its outright failure. Punishing or eliminating such individuals demonstrates that people did not actually have a free choice. Creating such an environment drives people to sacrifice their integrity (by saying they are committed when in fact they are not) in order to keep their jobs or avoid other negative consequences. And this lack of integrity will affect the integrity of the entire effort and thereby reduce performance.

In fact it is useful to have some people in each of these two groups (uncommitted or committed to the failure of the vision) on board the team for two reasons:

- First, their continued presence means there really was free choice. And this becomes highly productive in a situation where open and accurate communications are critical to success of the vision. In effect, punishing such people results in creating systems in which we inadvertently “pay people to lie”. See Jensen (2001, (2003)).
- Second, overt naysayers are useful because they will help identify problems or hurdles that must be overcome. We deal with these issues more extensively below where we discuss breakdowns, recommitment, and breakthroughs.

In practice we have not seen more than a small fraction of the members of the team or organization who fall into one of these categories. The next section discusses procedures and techniques for ensuring that this is the case in any particular effort.

Extending and deepening the commitment to the vision

A powerful technique for enrolling each member of the team or organization in the vision and for increasing the probability of success is to have the members of the team create the details of the outcomes they are committing to as well as the conditions that they will operate under. For instance, a product engineering team was asked by management to commit to increasing their productivity by a factor of two. Needless to say, most of the potential team members were not inspired by this vision. When the team met, they restated the vision as: “Our product will be the leading-edge offering in its field within two years.” Energized by this possibility the engineers enthusiastically committed to it. It turned out that the productivity improvement required to achieve this restated vision was greater than a factor of two. See Scherr (2005)

When a team creates their own version of the vision or their version of the conditions they believe are necessary for their commitment and realization of the vision, the leadership must be willing to accept these conditions or negotiate with the team or teams to reach a mutually acceptable statement of the vision and the conditions underlying the resources, timing, and deliverables. When this process is successful more people will be committed to the vision and the likelihood of success will increase. In effect, these discussions lead to a condition in which leadership and the team are committed to the same thing. To do otherwise separates the leadership from the rest of the team and can ultimately sabotage the project. Like maintaining two sets of accounting books, this situation lacks integrity, and therefore workability and performance will be impaired.

Having the team address the conditions they believe are necessary for realization of the vision can eliminate concerns that people are signing up for a “death march” where

they will work 100+ hours a week and take no vacations, etc. Some examples of such conditions:

- “We commit to realizing this vision by the required date, to having every team member take his annual vacation, and to have no team member work more than 10% overtime.”
- “We commit to realizing this vision by the required date and request that management provide us with a conference room dedicated to this project.”
- “We commit to realizing this vision by the required date, and that Harry will be able to take two weeks off when the new baby arrives.”

When the leadership and the teams can mutually commit to such conditions (and this means the leadership, who may not be interested in these additional conditions or restrictions, must commit to their fulfillment) the likelihood of success increases substantially.

A word of caution is in order at this point. We assert that a leader cannot fake or pretend to be committed to something and expect to be successful in enrolling others to his or her vision. Enrollment, as we have defined it, will not occur if the leader's commitment is feigned. In this situation, enrollment degenerates into manipulation, that is, the attempt to control or influence others through clever, insidious, dishonest, or unscrupulous means. Manipulation, no matter how skillfully done, will generally be detected sooner or later by the participants with undesirable results. When people sense that they are being manipulated they are less likely to commit themselves and their commitment will generally be weak or conditional, and much less likely to lead to breakthrough performance.

V. Breakdowns

No vision of the future that is beyond what will predictably occur can ever be accomplished without the occurrence of breakdowns. A breakdown is a situation where the people committed to a vision are confronted with the fact that on their current trajectory they will fail. This can materialize in many ways, for example, by realizing the present circumstances (resources, know-how, etc.) are inconsistent with the on-time achievement of the committed outcome or vision. Contrary to what people generally believe, *breakdowns are the driving force behind innovation and the breakthroughs that we emphasize in this paper*. A common, but less rigorous way of saying this is: “necessity is the mother of invention”.

Recognizing that breakdowns are the force that drives innovation and breakthroughs leads to the counterintuitive proposition that even though people generally dislike breakdowns they must be sought out and welcomed. We deal first with the structure of breakdowns before addressing their creation and management.

There are two essential elements to every breakdown: 1) the committed vision or outcomes and 2) the recognition and acknowledgment that, given the current course and speed, the committed vision or outcomes will not be realized. Without both of these elements there will be no breakdown.

First, if there is no commitment there will never be a breakdown; because in the absence of any commitment, whatever happens is acceptable. And, to the extent that the commitment is unclear or vague, the existence of a breakdown will lack urgency, and perhaps not even be visible to some or all of the people involved.

Second, to the extent that we can accurately predict the outcome of the present circumstances, breakdowns will be identified earlier, and thereby increase the likelihood that they will be resolved. Alternatively, to the extent that we cannot see that the

predictable outcome of the present circumstances is failure, no breakdown will be noticed, and when it is noticed it will likely be too late to overcome the obstacles¹⁰.

Thus, three of the four critical elements of leadership are a powerful vision, the successful enrollment of others into making personal commitments (declarations) to fulfill the vision, and the creation of a rigorous management system that will identify the inevitable current and future failures, thereby turning them into breakdowns. As we said earlier the fact that breakdowns must be sought out and embraced is often counter-intuitive as well as counter-cultural. Hence, the existence of breakdowns is often actively suppressed in organizations with the costly result that important breakthroughs are never realized.

Great leadership requires effective systems to *create and publicize* (not suppress, hide and cover up) breakdowns and thereby contribute to resolving them successfully. However, once the two elements (personal commitment and acknowledgment of impending failure) are firmly in place, the existence of a breakdown is typically resisted by those who are involved. People upset at the prospect of failure often engage in non-productive behavior (e.g. looking for excuses, scapegoats, and questioning the commitment). When a situation appears to an observer as if it should be a breakdown but is not being experienced as such by the people involved, one of the two essential elements must be missing. That is, either the people involved are not committed to the outcome or vision, or they have not recognized that current circumstances are inconsistent with the on-time achievement of the committed outcome or vision.

¹⁰ Most people have directly experienced the phenomenon called “beginner’s luck.” The usual explanation is that novices are willing to commit to produce results that more experienced people would back away from. But novices have a handicap—they are usually unaware of breakdowns because of their inability to predict the probable outcome of their selected course of action. Yes, occasionally beginners produce spectacular results because they made the attempt that more experienced people would have declined. However, we have seen cases where beginners have failed miserably because they did not see the abyss coming until it was too late to avoid it.

Obviously, and as we indicated above, the sooner a breakdown is recognized, acknowledged, and broadly communicated, the more options there are to resolve it and the more likely it will be resolved successfully. For example, it will do little good to realize that we are going to fail to deliver on our commitments the day before the deadline of a yearlong project.

Handling breakdowns by openly welcoming them is counter to most organizational cultures we have worked with. Thus one of the important aspects of leadership is to shift the culture of the organization from one in which breakdowns are seen as “problems” to be resisted to one in which breakdowns are welcomed as “opportunities for breakthroughs”. Resisting a breakdown does nothing to resolve the inevitable failure associated with it. Indeed it is highly likely to cause it to persist (a good example of the ontological law “What you resist, persists”). We observed a major cultural shift in one organization we worked with when the resistance of a team disappeared. In the middle of a tense discussion regarding a breakdown that the team was refusing to recognize, one of the major participants suddenly proclaimed: “I get it. We’re having a breakdown. Oh goody, that’s an opportunity for a breakthrough.” That shift in the way the situation occurred for that person shifted the way the breakdown occurred for the team as a whole and brought about dramatic results. In a short period of time the team resolved the major issue that had existed for years, and the culture of resistance in that part of the organizations shifted to one where breakdowns were welcomed as opportunity for breakthroughs.

In the domain of breakdowns, leadership must:

- Create and implement management systems that predict breakdowns as early as possible so that the maximum amount of time is available to resolve them.
- Create systems and cultures where breakdowns are acknowledged, welcomed, and broadly communicated so that the maximum number of people can focus on resolving them.

One of the more common failures in handling breakdowns is not recognizing them until it is too late to do anything about them. Management systems must be put into place to recognize breakdowns as early as possible. For example, many years ago, a company in Japan identified an urgent requirement for a new semiconductor manufacturing plant. The executive in charge of the project committed to the board of directors that the plant would be in operation within 12 months. Such construction projects would normally take three years or more. Therefore, a breakdown occurred immediately. When the executive's staff created a detailed plan to meet the 12-month deadline, it became apparent that the foundation for the building would have to be poured within the next three weeks. (We discuss below the breakthrough on this issue that allowed the on-time completion of the plant.) There were other less immediate breakdowns as well, many of which were revealed by the detailed plan that turned one large breakdown (a 3-year effort to be completed in one year) into a series of smaller, more immediate and more tractable breakdowns.

The fundamental principle here is that there should always be a view of what is predictable so that the gap between what is predictable and what is committed is understood as clearly as possible. In this way, specific breakdowns can be identified and dealt with. Having a detailed plan (based on best current knowledge) for achieving what is committed is important because it will identify where breakthroughs are required. Such detailed plans are in the domain of management, but are essential in the exercise and design of leadership systems.

Another important way of identifying breakdowns is to examine what is not broken with an eye toward improving it. The classical quality circles take this approach. We have seen by bringing in a fresh perspective to look at what is "business-as-usual" that breakdowns can be seen that had been heretofore invisible. One of the authors was working with a group that provided customer support for a web site that allowed users to add material to a publicly accessible database. The purpose of the meeting was to find

ways to ease the workload of the group and provide better service to customers. The focus was on finding new and more efficient ways to process the workload. In response to questions about why the work was there at all, the group discovered that a major part of each person's workload was spent in manually processing submissions that were not directly and fully accepted by the software. Apparently, the software engineers and early managers had concluded that completely automating the submission process was too expensive, and everyone involved had left it at that. The cost of automating the process was trivial compared to the wasted time of the customer support group and the annoyance caused to customers because of delays in the submission process. But the people operating the system and processing the submissions simply took the current design of the system as given, and this made the opportunity for improvement invisible. Business-as-usual can make huge problems invisible. Once the breakdown was declared, it took only a few minutes to suggest changes in the system that were implemented in days and eliminated the problems.

Acknowledging and communicating breakdowns does not come naturally to most organizations even though the benefits far outweigh the costs. First of all, until a breakdown is acknowledged, it will not be attended to. If it is not communicated, no more than the few people who know about it can apply themselves to it. As an illustration, there is a story from the Apollo Project that makes the point well. It seems there was a contamination problem with the rocket fuel, and the engineers and chemists were unable to locate the source. Finally, after the contamination problem became common knowledge, the source of the contamination was found by one of the maintenance people. The janitor would undoubtedly not have been looking for the contamination source unless he knew about the breakdown and, at some level,

experienced it as a personal breakdown because of his commitment to the success of the project.¹¹

In short, breakdowns are a call to action for the people experiencing them. The following section discusses possible actions that can be taken to resolve breakdowns.

A. How Breakdowns Can Lead To Breakthroughs

The Oxford Dictionary¹² defines a breakthrough as “a sudden, dramatic, and important discovery or development; a significant and dramatic overcoming of a perceived obstacle, allowing the completion of a process”. This is consistent with our use of the word. But we also include as a breakthrough some previously unknown or unseen path, process, or technology (even those that are not dramatic or important developments) that, when adopted, resolve the breakdown. Unfortunately, there are other possible reactions to and outcomes from a breakdown.

Typically, the first reaction to the prospect of failure (that is, a breakdown) is an emotional upset and the resistance that almost always brings. People inherently dislike breakdowns and the failures they portend; they’re apt to point fingers, assign blame, ask “how did this happen?” or “what’s wrong with X?” where X = Harry, Sue, the company, the customer, and virtually anything else that comes to mind. At this point, the commitment that lies at the source of the breakdown is usually called into question. If the commitment is abandoned or suitably modified, the breakdown is resolved. Slipping the schedule, adding budget or manpower, accepting higher production costs or lower quality, setting a higher price, killing product features are all examples of how many breakdowns get resolved in life. All these actions are intended to create “predictable success” from the intolerable situation of “predictable failure”. And, in a sense, they

¹¹ The authors have been unable to verify that this incident actually occurred, but the story makes the point so well that we use it even if it turns out to be apocryphal.

¹² Oxford American Dictionaries, Dictionary and Thesaurus, Version 1.0.1

represent good management actions. Unfortunately, the original vision is sacrificed. Moreover, this is probably not the last time, because in any major project there inevitably will be many breakdowns.

Thus, the result of substituting “management” for “leadership” (as we have defined leadership), is chronic slippage: where slippage includes slipped deadlines, increased costs, reduced quality, and in general a substantial shortfall from the original commitment.¹³ There is, however, another alternative.

The first choice confronting the breakdown participants is whether or not to remain committed to the vision. At this point it is critical to manage the breakdown so as to avoid the all-too-common slippery slope (giving up parts or all of the vision) that restricts us only to outcomes that are predictable. Moreover, if breakdowns are handled this way the organization becomes trained to commit only to outcomes that are predictable. In this equilibrium, management drives out leadership. Of course, there are always situations in the lives of organizations where the optimal action is to return the situation to predictability by changing the commitments. However, if the organization is to remain committed to the vision in the face of the adverse circumstances, leadership must take several actions to maximize the probability of success.

First, the leadership must choose whether to remain committed to the vision or to give it up or modify it. Recall that we define a leader as a person with a commitment to an outcome that is extraordinary given the circumstances. Another (and less comfortable) way to say this is: a leader is someone who has a commitment to ongoingly create, confront, and manage breakdowns.

One of the executives we worked with returned from a two-week vacation to find, much to his surprise, that his second-in-command had added three months to the delivery

¹³ The press headlines over the year or two prior to the release of Microsoft’s new Vista operating system documenting the continued delays in the promised delivery dates and reduced functionality of Vista are an excellent example of the consequences of a “management” response to breakdowns.

date of a product that had been due to ship in three months. Without really understanding what had happened, the executive promised his boss that he would fix whatever the problem was and ship the product on time. His commitment was based on the conviction that nothing could have happened in the two weeks he was gone that couldn't be fixed somehow. As it turned out, the slippage was based on the prediction that given the available resources the final test of the product would take an additional three months. Standing in the commitment to restore the original schedule, the executive looked at the testing protocol with some of his technical experts. They redesigned the protocol to use fewer resources and, at the same time, perform a more effective test. The product shipped on time and with good quality.

Secondly, and somewhat counterintuitively, all participants in a breakdown must be given the formal opportunity to choose to recommit to the outcome or vision. This process is valuable for three reasons: (1) It offers an opportunity to adapt the commitment to the present circumstances – that is, to re-evaluate all of the outcomes that have been committed to and decide whether they are still necessary to realizing the vision. (2) It can reveal that different people are committed to different things. Clarifying and resolving these conflicting commitments can result in substantial breakthroughs. (3) It shifts people's focus from actively resisting the breakdown (e.g., looking at what or whom to blame for the breakdown, what's wrong with him, it, you, me, or X) to looking at solving the breakdown.

In our work on breakdowns, we have often seen solutions appear as soon as people re-create their commitment – often within minutes or hours of the recommitment. Renewing the commitment shifts people's point-of-view and often allows them to see opportunities and solutions that were not previously visible. Re-evaluating committed outcomes is also useful because the sequence and content of these outcomes may not be optimal for realizing the vision in the light of current circumstances.

Returning to the example of the 12-month project to put a new semiconductor plant on-line, the original plan called for building a construction road to the site from a nearby highway prior to pouring the building's foundation. With only three weeks allowed for pouring the foundation, building the road beforehand was out of the question (just getting permits for the new road would have taken months). The team turned their attention to how to pour the foundation without a road to the site. The resolution of the breakdown was to pump the cement from the public highway to the site over a distance of several hundred meters. This was an unusual solution because cement pumps are typically used in urban high-rise construction projects, not for ground-level foundation slabs.¹⁴

The third step, as we explained in the previous section, is to broadly communicate the existence of the breakdown. We have found that when breakdowns are broadly communicated, significant solutions often come from unexpected quarters. If everyone is committed to the same overall vision, then a breakdown in another area that will prevent the overall vision from being realized is a breakdown for all. Marketing may come to the aid of Sales, Sales may come to the aid of Manufacturing, Manufacturing may solve a problem for Engineering, and so on. It is the role of leadership to ensure that every resource is potentially available to resolve breakdowns.

During a software project at IBM, a breakdown occurred because a certain function key, when pressed, didn't always produce the intended result. There were certain timing conditions that, whenever they occurred, would make producing the intended result extremely difficult, requiring a huge software investment. When this breakdown was made known to one of the hardware engineers, he asked what was the probability of these timing conditions occurring. The answer was estimated to be on the order of 1 in

¹⁴ We are indebted to Ron Steiger, who discovered this example while conducting an IBM study on manufacturing plant construction projects.

hundreds of thousands of uses. The engineer then said that the intermittent failure rate of the key was about that same magnitude, and that the software could use the same error recovery procedure that the hardware used: have the user hit the key again. The probability that the key would malfunction twice in a row was virtually zero, and even if it did, the user would probably press the key repeatedly until something happened. Thus, the breakdown was resolved at zero cost.

Communicating breakdowns upward in the organizational hierarchy also has a powerful effect. First, it significantly reduces the tension caused by the breakdown. Keeping the breakdown secret from upper management creates significant stress – particularly over the possibility that they will find out about the breakdown through other sources. Second, given upper management’s commitment to the same vision and outcomes, their considerable resources can be brought to bear on the breakdown. Moreover, keeping the breakdown secret from the upper level managers that are responsible for the overall success of the vision sacrifices the integrity of the team or group and thereby further reduces the productivity and performance of the group.¹⁵

The fourth and most difficult step is to remain committed in the face of circumstances that are inconsistent with the realization of the commitment. Not everyone will remain committed in these circumstances, particularly if the leadership falters. We have seen leadership back off from their commitment to realizing a vision with devastating results. When this happens, it is an invitation to everyone else to back off. Sometimes upper management has been covertly willing to accept less than what they have been publicly committed to. We call this “keeping two sets of books.” These “secret” commitments to lesser results (that often arise out of a system of “stretch targets” where there is no authentic commitment to the stretch target by upper level bosses)

¹⁵ For a detailed discussion of the effect of the lack of integrity on the performance of an individual, team or organization, see Erhard, Jensen and Zaffron, "Integrity: A Positive Model that Incorporates the Normative Phenomena of Morality, Ethics and Legality", .

usually come to the fore the first time a breakdown takes more than a few days to resolve. Worse than that, the suspicion that management is willing to back off can encourage the people who are truly committed to the larger vision to keep breakdowns from being broadly communicated. And this again reduces the integrity of part or all of the system with the inevitable negative effect on performance.

There is a fifth step that is often omitted, particularly if the breakdown is resolved with a breakthrough — to get to the source or root cause of the breakdown and correct it so that the breakdown never occurs again. This is an idea borrowed directly from the quality movement, and it works.¹⁶ This step is not about fixing blame for the breakdown. Rather, it is about getting at the weaknesses in the process or tools that were used that allowed the breakdown to occur in the first place. Even if the breakdown is not resolved successfully, doing this step might find a way to prevent it the next time or at least have it be detected earlier.

Sometimes it may be necessary to recognize that there is no breakthrough possible. This is a judgment that leadership must make. At this point there are many possible choices that range from abandoning the vision to committing to a suitably modified vision. This decision to back off must not be taken lightly because it will, as mentioned above, weaken the ability of leadership to lead in the future. Nor should a decision to back off be taken quickly. The team should be allowed to work the breakdown for enough time to ensure that no solution of any type is possible. One of the alternatives that should be investigated before giving up the vision is the possibility of cleaning up the mess caused by the current breakdown in other areas of the enterprise — using, for example, engineering personnel to solve a customer service problem, using marketing to sell customers on a change in engineering specifications (a/k/a “if you can’t

¹⁶ See iSix Sigma LLC, "Determine The Root Cause: 5 Whys", <http://software.isixsigma.com/library/content/c020610a.asp>)

fix it, feature it”), or solving a manufacturing problem by changing the engineering specifications. Only after all alternatives like these are exhausted, should the vision be questioned and revised to take an intractable breakdown into account.

The authors have seen endeavors cancelled because of breakdowns that upper management thought could not be solved while at the same time the people at the working level were convinced that they would solve the problem. This situation should be avoided either by giving additional time to search for solutions or, at least, having all levels communicate openly and honestly about their positions regarding the breakdown.

Whenever a vision is abandoned there is fallout — the plans of other organizations may be impacted, revenue or budgets may have to be adjusted, organizational downsizing may be called for, and so on. Dealing with this fallout is another leadership responsibility. The mess that was made by renegeing on the original commitment must be cleaned up. To do otherwise compromises the integrity of the leadership and their organizations and will reduce future performance.

VI. KEEPING IT GOING

There are a number of issues that arise when the principles described in this paper are utilized on an ongoing basis. The most common dilemma has to do with confronting a situation where the results produced are far beyond what could have been predicted, but still short of the committed vision. We call this the “More-than-expected but less-than-promised” issue. Suppose that the committed vision is to achieve a level of performance that is 3 times what could reasonably be predicted in a “business-as-usual” environment. Further suppose that the results achieved were “only” twice the business-as-usual level. What should the leadership response be? If the organization is simply punished for falling short of its commitment, the people in it will be more conservative the next time a commitment is called for. Ultimately, this can lead to a culture that rewards participants

for lying. In more polite language this response to such “failures” leads to the commonly observed principle of “under-promise and over-deliver.” And we believe the performance reductions that result from this are large, but generally unnoticed.

On the other hand, if the organization is simply rewarded for doubling the usual performance, the people in the organization will see that their commitments are not taken seriously, and that their bosses were actually committed to results that were less than the formal public commitments.

At this time we do not have as rigorous an answer to this issue as we would like. The most effective response that we can offer to this complex situation is a combination of actions. First of all, the organization should be rewarded for its extraordinary performance. Secondly, the organization should be praised and perhaps rewarded for taking the risks involved in making the extraordinary commitment. But finally, the fact that the organization did not fully deliver on its commitment should not be ignored. There should be negative consequences for missing the commitment. Obviously, a careful balance must be maintained. Otherwise, our policies could easily create a culture of low integrity with the concomitant reductions in performance that will generate. Two phenomena would be present: 1) subordinates would lie in this game in which they under-promise and over-deliver, or 2) managers would be lying when they commit to commitments (that is, accept commitments) that are beyond what they themselves are committed to (or in other words, what they would be satisfied with). This latter condition is what is commonly called “stretch goals” — non-commitments masquerading as commitments. Either of these phenomena will result in substantial reductions in performance.

In “Paying People to Lie: The Truth About the Budgeting Process,” Jensen (2003) discusses the details of how this equilibrium occurs in most organizations. Restoring integrity to the organization cannot be accomplished without fundamental changes in the annual budgeting and compensation system that reward people for meeting or beating

their budgeted targets. In particular he argues that pay-for-performance reward and budgeting system must be free of all kinks and non-linearities.¹⁷

Another issue has to do with what looks like burnout. In other words, organizations that handle breakdown after breakdown to produce breakthrough after breakthrough ultimately reach a point where extraordinarily high levels of performance become business-as-usual. At this point further breakthroughs are harder to come by, and if commitments continue to ratchet up, irresolvable breakdowns become more frequent making the organization look like it is suffering from burnout.

In many of the organizations we have worked with, the culture of under-promise, over-deliver has kept the organization's performance substantially below its real potential. Getting spectacular performance gains from such an organization is relatively easy. The breakthroughs come easily as the latent performance potential is tapped. However, once this potential is mined, breakthroughs are harder to achieve. At this point, the risk of failure is higher, and the leadership principles outlined in this article become critical.

In effect once the low-hanging fruit caused by the prior low-integrity, low-performance equilibrium has been harvested, the organization's leadership is now challenged to create and realize visions that no one knows how to accomplish based on current knowledge. In other words, now the real risk taking and real leadership begin.

B. The Critical Role of Integrity

Underlying virtually every aspect of our model of leadership is the notion that authentic commitment drives everything. Enrollment is about communicating and soliciting commitment, breakdowns occur only when there is commitment; breakthroughs

¹⁷ See also Jensen, 2001, "Corporate Budgeting Is Broken: Let's Fix It", Harvard Business Review, V. 79, November: pp. 94-101 (available from the Social Science Research Network eLibrary at: <http://papers.ssrn.com/Abstract=321520>)

come from maintaining commitment in the face of breakdowns, and so on. Obviously, these commitments are established and communicated by people giving their word to produce or realize a vision or produce particular results that are required for the realization of the vision. Given the risk associated with bringing to fruition an unprecedented vision, being able to keep one's word is never a sure thing in the domain of leadership. Throughout this paper we have said that leadership requires both personal and organizational integrity on the part of the leaders and the individual and organizational participants in the effort. The dilemma for the leader is how to maintain integrity in the face of making commitments that are risky and may not be fulfilled.

The resolution to this apparent contradiction is explained in a recent article by Erhard, Jensen, and Zaffron (2007) in which integrity is defined as: Honoring one's word. "Oversimplifying somewhat, honoring your word as [they] define it means you either keep your word (do what you said you would do and by the time you said you would do it), or as soon as you know that you will not, you say that you will not to those who were counting on your word and clean up any mess caused by not keeping your word."

When an individual or an organizational unit commits to the realization of a vision it has given its word. And, in the context of that vision, when an individual or organizational unit commits to produce one or more elements necessary to the realization of that vision it is critical that the individual or unit honor that word. Widespread out-of-integrity behavior, ie., not honoring one's word means that the productivity and likely realization of the vision will fall dramatically.

Allan Scherr provides a discussion in Appendix A of IBM's success in creating and realizing its vision of its dramatically new System 360 hardware and operating system in the 1960s and its MVS operating system in the 1970s. He attributes much of that success to the culture in IBM at that time that giving your word to produce results was very important as was honoring that word. He also discusses the cultural change that occurred in IBM in the period leading up to its efforts to create its first personal computer

in the early 1980s. By that time the culture had changed so that people and units no longer put high priority on honoring their word to other operating units. As a result, many product groups including the group developing the PC in Boca Raton, FL refused to work with other IBM units. Even though IBM had operating system software and chip design and fabrication facilities in-house, the PC group chose to outsource these two critical components to a fledging Microsoft and Intel. As a result IBM gave up value that today amounts to almost three times its current total market value of \$123 billion.

VII. Summary and Conclusions

At the beginning of this paper, we discussed the different roles and processes that characterize management and leadership. It should be clear now that both skills are required for leadership to produce breakthroughs. Leadership without management will generally produce pipedreams and failures. Pure management without leadership will never produce breakthroughs. Consequently, a true leader must have skills available in both of these domains and be able to integrate both. From our point of view, here are the aspects of effective leadership:

1. The ability and willingness to personally commit to a vision of the future that is well beyond what current know-how and resources provide a clear path to achieving.
2. The ability to communicate this vision in such a way that the mass of people needed to realize the vision voluntarily commit themselves to produce the necessary outcomes.
3. The creation of an organizational culture and environment where risk-taking and honest communication is valued, and breakdowns are seen as positive evidence of both and welcomed as opportunities for breakthroughs.

4. The integrity and courage to remain visibly and publicly committed to the vision in the face of the breakdowns, and to “walk the talk”.
5. The integrity to communicate completely and honestly about the true nature of one’s commitment so that there is never a doubt about what it is.
6. The courage and patience to stand with a team that is grappling with breakdowns.
7. Finally we quote (Rost 1993, p. 102) who says “The definition of leadership is this: Leadership is a relationship among leaders and followers who intend real changes that reflect their mutual purposes.” We agree, and we have provided a framework in this article that gives leaders and followers access to accomplishing these changes.

At the beginning of this paper, we stated that we were not going to address leadership from the point of view of the qualities and characteristics of exemplary leaders. This is not to say that these qualities and characteristics are not important – they certainly are. The underlying principle in the leadership model described in this paper is the authentic commitment of the leader. Based upon our work with leaders in a variety of organizational settings, we believe that many of the qualities and attributes of leaders spring from their commitment. A leader demonstrating his or her strong commitment becomes an attractor of supporters. People naturally and perhaps sub-consciously are drawn to such a person. While this phenomenon is often labelled with mystical terms like “charisma,” we conjecture that one essential source of charisma is the unequivocal commitment of the leader to bold visions and the courage to stand for them in the face of seemingly insurmountable hurdles.

Appendix A

A Case Study on Leadership and Integrity

Allan L. Scherr

I was a manager and then executive in IBM software product development from the late '60's through the early '90's. The change in IBM's organizational culture over that period was dramatic.

During the '60's, IBM embarked on a international, multi-product development effort that resulted in the System/360 – a product line with several new software operating systems and at least 8 different hardware systems along with a new line of peripherals. The development of these products spanned the globe and took place in more than 30 groups in approximately 15 different locations from Europe to North America to Japan. There were countless interdependencies among these groups and, as might be expected, rivalries and conflicting priorities among them. But a few, relatively small, central groups in upstate New York were successful in managing the interfaces and interdependencies between the many components of the various hardware and software systems, the schedules and the budgets. Bob O. Evans was the overall executive in charge of development in those days. He was a man of impeccable integrity – his word was his bond, and he insisted on the same kind of behavior throughout his organizations. Failing to give your word to provide a necessary component on schedule was unacceptable. Not honoring a commitment was inexcusable.

The System 360 project was sometimes referred to as a “bet-your-company” effort and its success set the growth path for IBM for the next 25 years.

A few years later, in the early '70's, when Evans was the president of the product development division, I managed the creation of the first version of the MVS System which was, up to that point, the largest single software project IBM had ever attempted. Twenty different groups in 12 locations were involved—a total of nearly 3,000 people at its peak. Each of the groups reported to geographic executives that often had other conflicting priorities – their own pet projects, non-software products that they were also responsible for, budget and headcount constraints, and so on. Even so, it all worked.

When we had to add a critical feature in the midst of the project, we recruited what became the 20th group in the 12th location to do the work. We never thought it would be a problem, and it wasn't. Despite numerous breakdowns, very few people even tried to renege on their commitments (and no one ever succeeded), and the project was successful. Today MVS remains IBM's primary mainframe operating system.

Ten years later, after Evans had been moved out of line management to direct the corporate technical staff, things had changed. I was on the management team of a project that spanned eight groups in six locations, all of whom reported to the same executive. The project lurched and finally sputtered out of existence because virtually every breakdown was resolved by backing off from the commitments, that is, people not honoring their word. This experience was repeated several times on other projects. Around this time, most IBM product development people concluded that creating projects that spanned multiple locations and business interests was not feasible within IBM. The consequences of this shift were enormous.

When IBM's first personal computer was being developed in the early '80's in Boca Raton, FL, the management of the project refused to work with or depend on other IBM groups because they perceived them as undependable and self-serving. The term "bureaucracy" was often used; and it referred to the fact that if a group no longer wanted to do something they had committed to, they could throw up a myriad of procedural barriers to anyone trying to get them to honor their word. As a result, even though

superior technologies were available within IBM, those technologies were spurned in favor of using outside suppliers.

Specifically, IBM Research had already developed a superior software operating system for a microprocessor, and the IBM Components Division had superior chip design and manufacturing capabilities to provide microprocessor chips. Because of the lack of trust inside of IBM and the fact that IBM management did not see the personal computer or software as important future businesses, the PC project was allowed to contract outside the company for operating system and chip solutions for the new personal computer.¹⁸

The rest, as they say, is history – those outside suppliers are today's household names: Microsoft and Intel, and today the market capitalization of these two companies totals \$404 billion, more than 2.7 times the current \$149 billion of IBM.¹⁹ Furthermore, IBM is no longer in the personal computer business having sold it to a Chinese company. Thus, this failure of leadership, integrity and therefore trust within the company cost IBM the equivalent of almost 3 IBM's of today.

¹⁸ While it is certainly the case that the financial deals that IBM made with Microsoft and Intel turned out to be huge giveaways, these deals would not have happened had IBM stayed with inside sources. In fact, the PC project was the first time in the author's experience that IBM had ever gone outside for a major hardware system component or a software operating system.

¹⁹ As of August 22, 2007.

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