"LEADERS WHO MAKE A DIFFERENCE"
by

M.F.R. KETS DE VRIES*

95/24/ENT

* Clinical Professor of Management and Leadership. Raoul de Vitry d'Avaucourt Professor of Human Resource Management at INSEAD, Boulevard de Constance, Fontainebleau 77305 Cedex, France.

Printed at INSEAD, Fontainebleau, France

LEADERS WHO MAKE A DIFFERENCE

Manfred F.R. Kets de Vries*

* Clinical Professor of Management and Leadership. Raoul de Vitry d'Avaucourt Professor of Human Resource Management at INSEAD, Fontainebleau, France. Member of the Canadian Psychoanalytic Society.

Abstract

This article explores the factors that contribute to building vanguard companies. Effective leadership is considered a determining factor in the creation of high performance organizations. In making this happen, leaders assume two roles: a charismatic role and an instrumental one. Envisioning, empowering and energizing are characteristics of the charismatic role, while in the instrumental role the leader becomes an organizational architect who sets appropriate structures and systems in place.

To illustrate the various factors that help create vanguard companies, this article describes three CEOs who have achieved renown for successful management of their respective organizations: Richard Branson, of Virgin, is the helmsman of a rapidly-growing entrepreneurial company; Jack Welch, of General Electric, hailed by the press as one of the few leaders able to transform a corporation suffering from organizational arteriosclerosis; and, finally, Percy Barnevik, of ABB, who has risen to the challenge of creating a truly global organization capable of integrating many companies and national cultures. In spite of their disparate histories, these three companies nevertheless share a number of common characteristics. The way these companies have been managed can be seen as a paradigm for the corporate world in the twenty-first century.

In this article a number of the characteristics of the high performance organization are identified. For example, the design of high performing organizations tends to be of a more horizontal, rather than a hierarchical nature. As creativity and innovation necessitate transitional space, these kinds of companies do not have the classic command/control structures: instead, the focus is on self-managed teams. The *leitmotiv* in these companies is that "small is beautiful" as such a design helps develop a sense of ownership and creates accountability. These organizations are also customer-centered, maximizing supplier and customer contact across the organization. They also recognize the importance of speed. Perhaps, most remarkably, these companies have a learning culture, are highly adaptive to change, and value good corporate citizenship.

Some organizational observers argue that the leader's role is not very significant and that the importance of leadership is highly over-rated. According to this view, leadership is only static in the system since an organization is predominantly influenced by the environment in which it operates. Leaders are subject not only to many internal organizational constraints in the form of structures, procedures, and political processes, but also to numerous external constraints. They are prisoners of immutable organizational strictures that determine which companies survive in the competitive business jungle. In short, the leader does not drive the organizational bus; on the contrary, he or she is merely a passenger and -- to add insult to injury -- the kind of passenger who may have no idea where the bus is going!

There is an undeniable attraction to negating the influence of leadership. After all, adding a leadership dimension to the business puzzle does complicate the equation: if leaders really do make a difference, then a host of complicated, human variables must be taken into account. It is not surprising that the theory of the insignificance of leadership has attracted proponents. Advocates of this point of view reduce the complex person-organization-environment interface to a limited number of simple variables that are posited to influence a firm's strategic direction and performance.

Indisputably, environmental forces do play an important role in organizational life, but denying the relevance of the human factor renders the entire equation unsolvable. Shakespeare's *Henry V* without the character of King Henry, for example, would no longer make any sense. The British would certainly have lost the battle of Agincourt if they had underestimated the importance of the leadership factor. Any astute observer of organizations will agree that CEOs have a considerable impact on their companies, for better or worse, and the quality of leadership is particularly relevant in situations of strategic transformation and change. A good leader has the capacity to transform

strategic constraints into new challenges. Such leaders influence organizational culture and provide direction in their vital role as catalysts of change.

The significance of the leadership factor is exemplified in three contemporary business leaders who regularly grace the front pages of the major business journals: Richard Branson, of Virgin; Jack Welch, of General Electric; and Percy Barnevik, of ABB. These CEOs, although quite different in personal philosophy and leadership style, continue to have a major effect on the way we view organizations.

What have these three individuals done to change our way of looking at organizations? What is it about their particular way of running their companies that has made them unique? Why have they been so successful?

Chairman and founder of Virgin, Richard Branson, whose company is now one of the top five brand names in the UK, has become an international celebrity and the subject of numerous profiles in gossip magazines, the business press and television programs. In the UK Branson, who has achieved virtual folk-hero status, is frequently cited as a role model for young people who seek a career in business. Branson became one of Britain's richest people before he turned forty, running an empire that spans travel (Virgin Atlantic), communications (books, radio and television stations, computer/video games), retail (Megastores), and hotels. (The highly successful music division was sold recently.)

Jack Welch, Chairman and CEO of General Electric, runs one of the world's largest corporations. Since taking the reins in 1982, Welch has rebuilt the company into a $60 billion conglomerate that includes medical systems, aircraft engineering, plastics engineering, major appliances, NBC television, and financial services. During his term as chairman, Welch succeeded where many other CEOs of large companies have failed. He turned a plodding dinosaur that was increasingly suffering from organizational

arteriosclerosis into a lean, sharply focused company which is proving to be a paradigm for a new management style.

In 1987, Percy Barnevik surprised the business community by announcing the creation of the largest cross-border merger in modern history. In record time he combined ASEA, a Swedish engineering group, with Brown Boveri, a Swiss competitor. Since then, by adding more than one hundred companies in Europe and the U.S.A., he has created a $30 billion giant with a portfolio covering global markets for: electric power generation and transmission equipment; high speed trains, automation and robotics; and environmental control systems. Currently, a cadre of 250 global managers lead 230,000 employees in 1300 companies which are divided into 5000 profit centers in 140 countries around the world.

At first glance, there are few obvious similarities among these three organizations, and even fewer among the three CEOs. Virgin, run by a flamboyant, intuitive, disarmingly friendly entrepreneur, has a corporate culture which places a high value on creativity and innovation. Richard Branson is regularly featured dressed up as Spiderman or Robin Hood, or trying to break a speedboat or hot-air ballooning record. General Electric is a relatively well-established U.S. company, led by a highly technical individual with a doctorate in engineering from MIT. For many years Jack Welch has been featured in ***Fortune*** as the toughest executive in North America. In comparison, ABB, an amalgam of companies with many different nationalities, has for CEO, Percy Barnevik, a soft spoken, very intense, philosophical Swede, who is also a business school graduate and a specialist in data processing and information systems.

These three men differ fundamentally in their predominant operational codes. Richard Branson is a **builder:** he has created an organization completely from scratch. Jack Welch is the high priest of business process re-engineering, a highly regarded **transformer** of organizations. Percy Barnevik has been hailed for assembling the

ultimate global organization; he is seen as a highly effective **integrator**. Despite these basic differences, there are many similarities in their outlook towards organizational design and the way they view their role.

Initially, all three were dissatisfied with the way organizations are traditionally run. Consequently, they were motivated to experiment with new ways of making organizations more effective. Searching for alternatives, each one developed a new concept of how a corporation should be run and a vision of where they wanted to take *their* organization in the future.

The beliefs and values of each of these CEO's were an integral part of their vision, motivating them to spread their message with passion and conviction. Observing Welch, Barnevik, and Branson in action, we see three people who know how to create the kind of enthusiasm and commitment that inspires others to join them. They recognize the importance of their roles as change agents, cheerleaders, coaches, and mentors, and seek to change the way people work in their companies by changing attitudes. Moreover, these three CEOs want to instill in their employees a kind of pride that goes beyond the numbers game. They also aspire to contribute to society; through their collective effort, they hope that their companies will be perceived as changing the world in a positive way. As Alfred Sloan of General Motors was once the master architect of the "modern" corporation -- a model that held up for many decades -- these three executives have become the designers of a new prototype undoubtedly more suited to survival in the post-industrial age.

What makes these three men so different from many other executives? First, and most importantly, all three are adamant about releasing the creative energy at *all levels* of their organizations. They want to get their employees involved. As organizational architects, they have redesigned their corporate culture to inspire people *wherever* they happen to be positioned in the organization. They want to foster a sense of ***ownership*** in their

people. It is their strong belief that strategic awareness should not be limited to the top echelons of the organization but should be pushed deep down to the very roots. Barnevik has pushed authority, responsibility and accountability far down into the organization with never more than five people between himself and the shop floor. Welch has been called the master of "delayering," obsessed with finding ways to weed layers out of his organization. Where once there were nine organizational layers between himself and the shop floor, there are now around five. The absence of hierarchy in Virgin has become proverbial: the company is about as flat as an organization can be. Also, all three executives have designed their respective organizations to be as ***simple*** as possible, seeking to minimize the potential for confusion in the decision-making chain. They realize that organizational structure is often a competitive advantage.

Barnevik, Branson and Welch know that creating behavioral change is not easy. They realize that young employees entering organizations today are very different from their parents. The corporate culture of the post-war generation -- typified by the organization man, the loyal individual who strongly identified with his company and made a commitment for life -- has become a liability in the current climate of leveraged buy-out, merger mania, corporate downsizing, and business re-engineering.

These three CEOs are looking for radical formulas to replace out-dated concepts like lifetime employment, while at the same time encouraging the contributions of the employees in their organizations. Whereas the traditional command and control style of management and organization was designed for an unskilled labor base, the three CEOs realize that the future of the high performance organization lies in ***self-managed teams*** run by people who don't have to be continually prodded to get the job done. They look for people who set their own standards and rewards, and want employees in their organizations to be inner-driven. They try to attract the kind of people who set very high standards for themselves, and who blame themselves when they don't live up to them. They are looking for individuals who are eager to learn and know how to adapt, with a

high tolerance for ambiguity. Decentralization and operational autonomy is a *sine qua non* for the creative and high performance atmosphere found in these three companies.

All three CEOs know, however, that in creating an exciting working environment, they create a dilemma. Larger size means more possibilities, but they also realize that size can become a serious impediment to change. Economies of scale are not without serious diseconomies of size. These executives are very aware that when organizational units become too big, employees can become less involved and may experience a sense of alienation and depersonalization, with the obvious negative repercussions on creativity, innovation, and entrepreneurship.

To challenge their employees and give them a sense of ownership, Branson, Welch and Barnevik have minimized the negative aspects of large organizations by eagerly embracing the concept of ***small is beautiful.*** Within their large corporations, they have gone to great lengths to create a small business atmosphere in a high-performance workplace. They also realize that the hierarchical organization has had its day in the sun and that the organization of the twenty-first century must be more horizontal. Tall structures are out, ***flat structures*** are in, encouraging lateral rather than vertical communication. The decision-making process is facilitated by a ***network structure.*** Welch talks about the "boundary-less corporation," meaning a structure without the stifling costs of bureaucratic controls and hierarchical authority. The "loose" organizational architectures of Virgin and ABB are similar: ABB has a sophisticated global matrix structure with enormous fluidity between business area managers and country managers; and Virgin resembles a *keiretsu* organization of loosely-linked companies in which employees have the possibility to constantly rewrite their job definitions depending on the kind of new challenges they are prepared to undertake.

All three executives have created a ***centralized/decentralized structure***. They strongly believe in decentralization, but at the same time they keep a close watch on a number of

key performance indicators in order to stay informed about what is happening in their various strategic units. Designing an organization of this type would have been impossible until recently. Being big and small at the same time, breaking up a large company into a number of small, loosely-connected companies while maintaining the organization's cohesiveness has only become feasible with the revolution in information technology. ***Sophisticated information systems*** have become a major force pulling geographically dispersed employees together. It is now possible for top executives to decentralize without losing control. Naturally, success in these new structures requires literacy in modern information and communication technology.

Information technology has made it possible for Barnevik to say, "We want to be centralized and decentralized, big and small, global and local." Similar comments, although not as extreme, have been made by Branson and Welch. Branson has said that when there are more than fifty to seventy-five people in a building, they lose their sense of identity and belonging. When that happens, it is time to spin off the division to create a new business in another building. Branson applies his philosophy religiously: his organization exists of a number of ***small autonomous units***. His organization is like an amoebae, continuously dividing and reproducing. Virgin is presently a subtle network of interrelated companies with a mutuality of interests, all of which can be mystifying to outsiders. To some extent, Branson's company becomes like an ***imaginary organization*** given the existence of a myriad of alliances of which it is composed. In a similar vein, Welch has noted on many occasions that General Electric is a company made up of small companies where people are very much encouraged to take on ***intrapreneurial*** challenges.

The design of this type of structure is very much in line with the realization on the part of Barnevik, Welch and Branson that the employees of the nineties want to have some control over their own career. These three CEOs are also aware that the people who work for them are impatient. These people are not prepared, as their parents were, to

wait in line for eventual recognition: they want responsibility and rewards now. Consequently, they are attracted to organizations that offer exciting, immediate challenges and for companies in which they will be "stretched," where senior executives are willing to take a gamble on them and give them the room to learn. Learning and the permission to make mistakes appear to be closely linked. Thus they are searching for organizations in which employees are ***allowed to make mistakes***. After all, people who don't make mistakes haven't made any decisions!

That doesn't mean, however, that employees are not held accountable for their performance. ***Accountability*** is driven deep down the organization. It is impossible to be part of a winning institution without making a distinction between excellent and mediocre work. Thus constructive feedback about performance is very much part of the culture of these three organizations. There is compassion, but there is a limit to excuses.

In this new type of organizational structure, large head offices, which were previously needed to exert control over the operating companies, are no longer required. Branson doesn't really have a head office. Significantly, his head office used to be a houseboat, not a place that one can load up with people. Presently, he works out of his home. Barnevik's aversion for large head offices is well known. According to ABB's policy "Bible," an important guideline for acquiring companies is the thirty percent rule. In newly-acquired companies, this means a dramatic cut of thirty-percent of personnel to eliminate some functions, another thirty percent cut to decentralize certain functions into profit centers, and yet another thirty-percent reduction to create service centers that invoice services at market rates. Implication of the thirty-percent rule means that only ten percent of staff remains. To illustrate this rule in action, Barnevik reduced ABB's present head office to a mere 150 people (before the merger Brown Boveri had 4000 people in Baden, Switzerland while ASEA had 2000 people in Västerås, Sweden.)

In all three organizations ***bureaucracy*** is a dirty word. The three CEOs make a great effort to avoid turning their organizations into paper factories. One of Welch's solution was to introduce the concept of company "work-outs" at General Electric. Meetings are set up where all members of an organizational unit (irrespective of position) have an opportunity to review existing procedures, approval systems, measurement systems, reports and meetings, and decide whether these still add value. If not, radical surgery takes place. The executives at Virgin and ABB use a minimum amount of paper. Virgin and ABB executives prefer to use the telephone or to manage by flying around and seeing people in person.

These three CEOs are trying to create a ***climate for innovation*** whereby they very much play the role of sponsors. They know that new ideas are like delicate flowers; without a considerable amount of nurture, they quickly wilt. To get these projects off the ground, these three CEOs give not only strong financial, but also emotional support. They like to see a continuous stream of new projects and products in their portfolio, and all three have been extremely successful in doing so. Rarely a week goes by without an announcement by a Virgin spokesman or its flamboyant chairman of again another project that is off to a flying start. Similar statements can be made of General Electric and ABB. All three CEOs want a substantial part of their product portfolio to be new each year.

The principle behind Barnevik's, Branson's, and Welch's way of designing organizations is that when people have a ***sense of control***, they feel better about what they are doing and will be more creative. Moreover, research on stress has shown that when people feel they have control over their lives, and do not experience a sense of helplessness, they show fewer stress symptoms. Unless a person has a masochistic disposition, the absence of stress tends to have a positive effect on their productivity at work.

Also, when people feel a sense of ownership over a particular part of the organization, they are more committed. Equally important, they will have more ***fun*** doing their job. Most people who have fun work harder, a connection that Welch, Branson and Barnevik have thoroughly understood. In all too many organizations the word "fun" seems to be dirty word. Many top executives seem to have forgotten its importance. They don't make an effort to let people "play" in the organization. And as students of creativity will tell you, playfulness and creativity are closely related. In most organizations, however, given the abysmal state of playfulness, a version of Gresham's Law prevails. In this instance, it is not bad money that drives out good money, but non-creative people who drive out the creative ones.

Another critical theme in the design of these organizations is that they are ***customer-centered***. Close customer contact for everyone in the organization is a major pillar of the three CEOs' business philosophy. These three CEOs create a climate for service excellence as they realize that only customers can give them tenure in their organization. Superior customer satisfaction colors the design of their organizational processes. They also realize that close customer contact increases employees' sense of ownership. Becoming part of the corporate culture encourages employees to feel more accountable for maintaining customer interest and goodwill. In the design of the organization, a process orientation -- or, how best to help the customer -- is preferred to a functional structure. All structures and procedures are directed toward providing the best service to the customers. In these high performance organizations customers are not viewed as merely an abstraction, or a distraction. In all three companies the CEOs *personally* set the example by devoting a lion's share of their time to dealing with customers. And again, small business size both enhances the possibility of contact and improves the feedback loop.

Apart from organizational form, another characteristic of the high performance organization is ***speed***. As product life cycles grow ever shorter, speed to market has

become increasingly important. Too many companies have invented great products, only to lose out in the process of market introduction. It comes as no surprise that all three executives recognize the importance of speed, creating dynamic, fast-paced environments in which employees are continually challenged and can expect quick action and results. At General Electric, where speed is considered part of the company's core philosophy, Welch himself continually stresses this value. One of the key success factors in Branson's organization has also been his ability to move quickly. As he puts it: "I can have an idea in the morning in the bathtub, and have it implemented in the evening." Speed also has an essential place in Barnevik's management philosophy. In his policy Bible, he has said that "it is better to be roughly right than exactly right with respect to speed." He has made it very clear that it is permissible to make mistakes due to speed. He expects his executives to have an eighty-percent betting average. Failing to take action and losing opportunities due to reluctance to make decisions is the only non-acceptable behavior in ABB.

An important related tenet at the core of Virgin, General Electric and ABB's corporate cultures is ***continuous change***. Nurturing a positive attitude toward change is critical due to the danger of complacency faced with external threats. As the saying goes, "Nothing kills like success." Employees must realize that change is not a temporary state, but a permanent aspect of their organizations.

All three executives considered also realize that today's high performers can be compared to frogs in a wheelbarrow: they can jump out any time. Thus, imaginative human resource management systems must be found to keep them committed to the organization. Not only must people be given the opportunity to spread their wings, but they must be offered attractive material rewards; the new employee wants tangible rewards that go beyond mere salary increases. He or she wants to be rewarded according to his or her real contribution. ***Gain sharing*** is a way of tying high performers to an organization. These high-performers prefer organizations that are willing to provide them

with a piece of the action in the form of stock options, bonuses, or some other profit-sharing plan. Share ownership plays an important role in retaining the best people in a company.

Branson, who has said that he is in the business of making millionaires, makes it quite clear that he doesn't want his high performers leaving Virgin to start their own companies. He makes certain that the key players have the possibility of becoming millionaires under the Virgin umbrella. Under Welch's rule, General Electric has seen an explosive growth in the number of employees who have been granted stock options. As he observed, when the share price of General Electric goes up it really gets employees' adrenaline going. Of course, this way of rewarding employees also adds to the creation of a sense of ownership.

Barnevik, Welch, and Branson are aware that the "psychological contract" between their employees and their organizations is changing. With merger and acquisition mania, and the passion for business process re-engineering, job loyalty has flown out the window and job tenure and security are no longer givens. All three executives realize, however, that a new form of security has to be offered to make their organizations attractive. What these three executives can offer is ***employability***. They provide their executives with portable skills that, if the day comes when the organization no longer needs the services of a particular employee, will better equip them to find a position elsewhere. The implication of this new psychological contract, however, is that companies must offer opportunities to learn.

All three executives are acutely aware of the fact that successful change and adaptation to uncertainty in the highly competitive business world is most likely to occur when there is a sufficient and appropriate ***learning culture*** in an organization. All three CEOs give priority to a permanently high level of learning in the organization and hence have created organizations that provide world-class learning opportunities for employees at all

levels. It is the responsibility of the employees, however, to use these opportunities to their optimal advantage. To observe this notion of employability in action one only has to look at the number of executives that have been "poached" by competitors. A "graduate" of General Electric or ABB has an undeniable attraction to headhunters.

What holds these dynamic but diverse groups of people together? These three executives realize that there are two kinds of glue that work in loosely-structured organizations. We have already mentioned one kind of glue: sophisticated information systems. The other kind of glue is provided by the way in which Branson, Welch, and Barnevik manage their corporate cultures. ***Sharing common values*** goes a long way towards cohesiveness. These three CEOs (implicitly or explicitly) want each organizational participant to share certain values specific to their respective corporations, values that go beyond their national cultures. In General Electric and ABB, these key values are summarized in "policy Bibles." In Virgin, these values are more subtly instilled. Everyone, however, is expected to be familiar with the corporate culture of their organization. New recruits are indoctrinated in these values. The values are reaffirmed in workshops, seminars, and meetings. People are expected to internalize these values and behave accordingly, with a positive pay-off: the internalization of corporate values means less need for external controls.

Also, as ***culture guardians***, these three executives make an enormous effort to let people speak their mind; they encourage ***contrarian thinking***. They have taken to heart General Patton's comment: "When everyone agrees, somebody is not thinking." They realize that when people do not have the confidence to say what they mean, the CEO receives filtered information. One of Welch's "cultural" rules is: "Be candid with everyone!" Famous for his directness in dealing with his people, Welch expects the same treatment from them. Barnevik acknowledges the risk of not receiving enough feedback and goes to great lengths to encourage people to speak their mind. Branson has an open door policy. In some ways he plays the role of "ombudsman" in his organization, welcoming

critical comments about ways to improve the operation of his companies. He is always prepared to listen (and more importantly to act) when people have legitimate complaints.

Branson, Barnevik and Welch know that the key ingredient for encouraging people to speak their mind and be frank is ***trust***. Creating an atmosphere of trust in their respective organizations is an extremely high priority. They know that factors such as competence, credibility, consistency, support, respect, and honesty are key parts in the trust equation, but the most important factor in creating trust in the organization is ***communication***. Of course, shooting the messenger, or bearer of bad news, is also the way to kill trust in the organization.

These three leaders never shoot the messenger: instead, they handle such situations constructively and set an example with respect to openness. Expending enormous effort to practice what they preach, they take their roles as coaches, cheerleaders, and mentors, very seriously.

What these three CEOs are also trying to do is to make ***good corporate citizen behavior*** an essential part of their value systems. One factor that makes all three of these companies so successful is that their employees are prepared to go out of their way to help each other and to preserve the integrity of their organizations. In contrast to what can be found in many other organizations, their employees don't take a parochial attitude to their job, remaining silent when something needs to be done that it is not their domain. On the contrary, they are always ready to help, always prepared to go beyond their particular job requirements. What is important to them is the greater good of the organization, and to make this happen, the leaders set the example. Barnevik reminds his executives of the need "to walk the talk." The top executives of Virgin are always ready to give a helping hand where needed, and the attitude at General Electric is not that different. A good indicator is the effectiveness of GE's now-famous "work-out"

meetings, in which employees taste empowerment and can criticize standard operating practices.

What can also be seen as a contributing factor to the effectiveness of these three organizations is the fact that all three have realistic knowledge of their own weaknesses, and find people with corresponding strengths to compensate. Branson has had a series of strong managers: Nik Powell, Branson's first partner, was methodical and cautious, and took on difficult tasks such as cost-cutting and staff reduction. Simon Draper, Mr. "Golden Ears" at Virgin Music, forged Virgin's creative direction, while financial management, control systems and partnerships are Managing Director Trevor Abbot's strengths. The team is rounded out by Branson's brother-in-law, Robert Devereux, whose hands-off relationship with his boss gives him the freedom to bring Branson down to earth when necessary. Barnevik depends on a number of long-time, veteran colleagues, some of whom give him advice on long-term business developments, while others offer tactical support. Welch forms a team with his two vice-chairman and is also a regular participant in GE's now-famous "work-out" sessions.

In the context of good leadership it is important to remember that effective leaders take on two roles: an ***instrumental*** and a ***charismatic*** one. We have seen how Percy Barnevik, Jack Welch and Richard Branson handle the instrumental role in the way they have ***designed*** their respective organizations and set up the proper ***control*** and ***reward systems***. But taking these steps is only part of the equation; the charismatic role which has to do with the ***envisioning***, ***empowering*** and ***energizing*** elements of leadership is another essential part of what leadership is all about.

What makes these leaders and their organizations so successful is that all three have a strong ***vision*** of what they want to do, and where they want to go. There is a relentless quality in the way they try to get their vision across to their people. They know how to set the direction for their organization and how to build commitment to follow that

direction. They want their people to feel proud of their organizations and to experience them as something special. By pushing responsibility down the line and encouraging dialogue throughout their organizations, these leaders have facilitated a commitment to their vision. Through intensive networking they nurture strategic awareness and pride in the organization.

One of the values Welch has introduced in his organization is, "Don't manage, lead!" To make this statement more precise, he has told everyone in General Electric that he wants them to be number one or number two in whatever business segments they are in, and if they are not that, they should ask for the resources to get there. Otherwise, they should get out, or "disengage," to use his particular terminology. Branson is in the business of fostering entrepreneurship. He looks for people with innovative ideas to start new entities, and who are willing to be the best in what they are doing, be it entertainment, communications, airlines, hotels, store management or even beverages.

Barnevik, who is trying to create the world's number one engineering group, has said that he is motivated by a desire to create a better world by creating employment (particularly in Eastern Europe, where he is the largest investor), and to make the world more livable by providing clean energy and transportation. Barnevik's vision of engaging in good works, of looking beyond the bottom line, is a very effective way of motivating and challenging the people who work for him. For Branson, too, this ***social concern*** for "doing good works" is an important part of corporate philosophy, and on many occasions he has put his money where his mouth is.

Vision is important because it provides a road map for the future, generates excitement, creates order out of chaos, and offers criteria for success, but it is useless if it is not shared by all members of an organization. Branson, Welch and Barnevik, who all have something of the showman in them, recognize the importance of ***impression management***. For example, Branson has an almost exhibitionist style; Welch is an

aggressive, confrontational, "cowboy"; while Barnevik is more rational, but also humane. Although they differ in style, all three exude enthusiasm and self-confidence about what they are trying to do, and where they want to go, and that makes their vision contagious.

I have already indicated in discussing the instrumental role of leadership how these three CEO's have created organizational structures that ***empower*** people. These CEOs realize that one does not become powerful by hoarding power; on the contrary, it is the CEO who pushes power down the line who benefits in the long run. Although letting go of power may seem difficult in the short run (after all, power has an addictive quality), eventually the whole organization benefits. Employees become more productive, and the organization's increased productivity enhances the CEO's power. These three CEOs have avoided a trap that many other executives step into. Where others are seduced by short term psychological benefits that blind them to the longer term tangible ones, these CEOs have known to postpone the gratification of their more immediate power needs.

In this empowerment process, they set high performance expectations and express strong confidence in their executives because they know that high expectations are likely to motivate capable people. As Napoleon said, "Every French soldier carries the staff of a field marshal of France in his backpack."

Many organizations have depressive and paranoid characteristics. In all too many organizations the general rule is that garbage goes down and credit goes up. All too often executive interpersonal skills leave something to be desired, and all too many senior executives engage in conflict avoidance, micro-management, or abrasive behavior. Such practices arouse strong negative emotions in employees. In such situations -- as a way of dealing with anxiety -- social defenses may come to the fore that become dysfunctional. Welch, Barnevik, and Branson, however, know how to harness the ***affectionate*** and ***aggressive energy*** of their people, another critical component of the leadership "tool kit." They are aware of the importance of interpersonal and transcultural

skills in their corporations. These executives recognize and value ***people skills***. They know how to create an emotional "holding" environment. After all, one often neglected part of leadership is playing the role of "psychiatric social worker." These visionary leaders are very good at expressing affection when needed, and at being active listeners; they have excellent interpersonal skills, and -- because behavior tends to cascade down in their organizations -- they get the best out of their people.

They also recognize the necessity of harnessing the aggressive energy in their organizations, encouraging their people to direct it outwards. They know that inner-directed organizational aggression leads to excessive politicking, turf fights, lack of team work, and morale problems. To avoid these traps, they set clear boundaries, and at the same time, direct this energy toward the competition. Having a strong, common enemy gets the adrenaline flowing in an organization, and is an ideal way to give it a sense of focus. Jack Welch has said that he does not want his people to fight with the person at the next desk, he wants them to fight competitors such as Westinghouse, or Dupont. Percy Barnevik constantly reminds his people of enemies such as Siemens and General Electric. The nemesis of Virgin Atlantic is, of course, British Airways.

A metaphor for the kind of workplace that these three CEOs are trying to create is that of a ***jazz combo***, where all musicians work together to play harmonious music. For each player, however, there is ample room to improvise as a soloist. In their instrumental and charismatic roles as leaders, they have constructed the kind of high performance, learning organization that will become the standard of the future. Many business leaders would do well to follow their example.

As I have illustrated, the era of the highly structured organization is over. Rigidity in organizational design, hierarchical structure, and power-hoarding are recipes for corporate disaster. Organizations that do not integrate the individual, or maximize the

potential of today's executives will not have the kind of creativity and imagination needed to survive in the global business world of the twenty-first century.

As a caveat it should be said that some executives may not be able to deal with the ambiguities that this new kind of networking, boundary-less organization entails. The external boundaries in an organization can be removed fairly easily, but inner boundaries, the boundaries inside people's heads, are more difficult to dissolve. Some people may find it hard to adjust to these new practices. Weaning them away from their need for authority, structures and control may take considerable time and effort. In the long run, however, it will be well worth it. Eventually, they will enjoy their work more, and be more effective.

Many organizational leaders are deficient, however, in nurturing the creative potential of their people. Instead, they let it go to waste. They do not know how to create the kind of learning culture that proactively transforms itself as opposed to reacting passively to external threats or outside intervention. They create organizations in which people merely react rather than anticipate. But leaders like Branson, Welch, and Barnevik know that if people get the opportunity to spread their wings, they may really take off. These leaders know how to nurture the creative spirit in their organizations and go to great lengths to make life in their organizations a meaningful and enjoyable experience for everyone.

A wit once said that there are three kinds of people in this world: some of them make it happen, some of them see it happen, and some wonder what has happened. Branson, Welch and Barnevik seem to have realized that belonging to the latter two groups does not augur well for organizational longevity!