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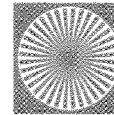
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Imagining the Future of Leadership



To build a better future do we need a radically different kind of leadership? If so, what might allow us to build a better model?

Imagining the Future of Leadership

The New 21st Century Leaders

8:25 AM Friday April 30, 2010
 by Bill George | Comments (25)

(Editor's note: This post is part of a six-week blog series on how leadership might look in the future. The conversations generated by these posts will help shape the agenda of a symposium on the topic in June 2010, hosted by HBS's Nitin Nohria, Rakesh Khurana, and Scott Snook.)

During the last half of the 20th century, business leadership became an elite profession, dominated by managers who ruled their enterprises from the top down. Influenced by two World Wars and the Depression, organizational hierarchies were structured along military lines, with multi-layered structures to establish control through rules and processes. People climbed the ranks in search of power, status, money and perquisites, as described in William H. Whyte's 1956 classic, *The Organization Man*, and Sloan Wilson's 1955 novel, *The Man in the Gray Flannel Suit*.

In the last quarter of the twentieth century the stock market became increasingly short-term, causing corporate leaders to concentrate on quarterly earnings, often to the exclusion of long-term growth. In the past decade it all blew up, from the ethical scandals exposed by Enron and WorldCom to the Wall Street meltdown. As a result, people lost trust in business leaders to build sustainable institutions instead of serving themselves and short-term shareholders.

What happened? The hierarchical model simply doesn't work anymore. The craftsman-apprentice model has been replaced by learning organizations, filled with knowledge workers who don't respond to "top down" leadership. Seeking opportunities to lead, young people are unwilling to spend ten years waiting in line. Most important, people are searching for genuine satisfaction and meaning from their work, not just money. For example, Medtronic's 38,000 employees are motivated by the company's mission of "restoring people to full life and health."

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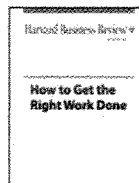


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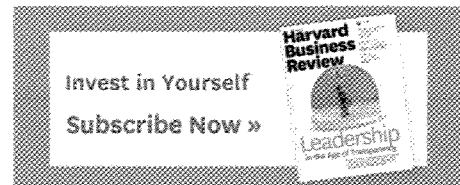
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In response to these changes, a new generation of leaders is reshaping the best-led global companies. Authentic leaders focused on customers are replacing hierarchical leaders that focus on serving short-term shareholders. Typical of these leaders is Unilever CEO Paul Polman, who recently told the *Financial Times*, "I don't work for the shareholder. I work for consumers and my customers."



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In the 21st century the most successful leaders will focus on sustaining superior performance by aligning people around mission and values and empowering leaders at all levels, while concentrating on serving customers and collaborating throughout the organization.

Aligning: The leader's most difficult task is to align people around the organization's mission and shared values, which is far more challenging than making short-term numbers. Gaining alignment is especially difficult in far-flung global organizations where local employees may be more loyal to native cultures than their employers, especially regarding business practices.

Traditional leaders thought they could solve this problem with rulebooks, training programs and compliance systems, and were shocked when people deviated. Aligned employees commit to the mission and values of the organization, and want to be part of something greater than themselves. Johnson & Johnson is a classic case of an aligned organization that uses its famed *Credo* to guide global employees in their actions.

Empowering: Hierarchical leaders delegate limited amounts of power in order to retain control. In contrast, 21st century leaders empower leaders at all levels, combined with sophisticated accountability systems to ensure commitments are met.

Front-line leaders without direct reports are especially needed. Here's an empowered leader who sets standards of excellence for other employees that I met at Medtronic's heart valve facility. A Laotian immigrant, she told me, "I make heart valves that save people's life. I do my own quality control, because if one of the valves I make fails, someone will die. At Medtronic 99.9 percent quality is very good, but I couldn't live with causing someone's death. My satisfaction comes from the 5,000 people alive today because of heart valves I made."

Serving: As Polman points out, the leader's first obligation is not to shareholders, but rather to customers. CEOs who spend too much time listening to Wall Street risk ignoring their most important stakeholder — their customers. Any organization that doesn't provide its customers with superior value relative to competitors will find itself going out of business. Employees are much more motivated by serving customers than they are by getting stock prices up, and that's what leads to innovation and superior customer service. Satisfied customers and motivated employees are key to sustaining revenue growth and, ultimately, shareholder value.

Collaborating: The challenges businesses face these days are too complex to be solved by individuals or even single organizations. Collaboration — within the organization and with customers, suppliers, and even competitors — is required to achieve lasting solutions. Leaders must foster this collaborative spirit, eliminating internal politics and focusing on internal cooperation. After becoming CEO of IBM, Sam Palmisano transformed IBM's long-standing bureaucracy into an "integrated global network," shifting to "leading by values" and breaking down silos that kept people from collaborating.

The ultimate measure of effectiveness for leaders is the ability to sustain superior results over an extended period of time. Organizations filled with aligned, empowered and collaborative employees focused on serving customers will outperform hierarchical organizations every time. Top-down leaders may achieve near-term results, but only *authentic leaders* can galvanize the entire organization to sustain long-term performance.

We need them to rebuild the trust that has been lost in capitalism.

Bill George is professor of management practice at Harvard Business School, the author of four best-selling books on leadership, including True North, and the former chair and CEO of Medtronic.

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