

Category: Self help/Self-improvement

Be who you are and lead in your realm

Your realm is your world – your inner world and your outer world. We all live in our own worlds. You live in yours. And I live in mine. Your world is how you see it and not what I or anyone else tells you. Hence, try to see your world anew so that you can attain greater happiness, health and respect. To my mind, anyone blessed with these three gifts has attained true wealth.



About the author

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Realm of Personal Leadership

*This book is dedicated to all those
who know they cannot wait
for a 'knight in shining armor'
to appear and rescue them from their plight.
These are people who realize they can make
a difference and are keen to be who they are
– leaders of their realm!*

Contents

Acknowledgements	01
Preface	03
Introduction	05
Chapter 1: Followership is Leadership	08
Chapter 2: The Flipside of Life	10
Chapter 3: Centre of Reality	12
Chapter 4: Confronting Ignorance	13
Chapter 5: Our Common Origin	15
Chapter 6: The Danger of Half-Truths	17
Chapter 7: Eternal Leadership	19
Chapter 8: Gift of Contradictions	25
Chapter 9: In Search of Wisdom	30

Appendix

Reading 1: Legends Never Die	38
Reading 2: Simplicity of Self Reliance	47
Reading 3: What the CEO Thing Is All About	60
Reading 4: Nissan's Turnaround ARTIST	76
Reading 5: The Power of Words	88

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Amongst my friends in Pakistan and abroad, and colleagues who are always there when I need them, I would particularly like to thank Shireen Naqvi who continues to motivate me and is also gradually nudging me towards research on management practices in South Asia, with particular emphasis on organizations (non-profit and commercial) based in Pakistan. John Hillbery, my senior colleague from BCCI¹ days (the early 80s), has been a remarkable inspiration for me. His belief in human potential, his ability to move people through his speeches and his uncanny ability to connect with people across cultures, is still fresh in my mind. We managed to reconnect on facebook last year and have kept in touch with each other since.

I am thankful to Muhammad Asif Razzaque who has promoted and arranged distribution of my previous

¹Bank of Credit and Commerce International. The bank's worldwide operations were shut down at the directive of The Federal Reserve of the US in July 1991.

book, Reinvent Yourself and continues to provide valuable suggestions for this initiative as well. My three young friends, Maryam Ahmed, Syed Nazim and Emran Baluch have teamed up yet again to ensure that the manuscript transforms itself into the book you see. Maryam Ahmad and Syed Nazim, are studying at the Lahore University of management Sciences (LUMS), and Emran Baluch, our creative guru at Navitus, continues to add value to this effort. I am forever grateful to everyone working at SoL, Navitus, Riz Consulting, and other individuals and organizations whose dedication continues to strengthen the learning and development industry in Pakistan.

Kamran Rizvi
Apr 26, 2012

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Preface

Go For It! was my first book that got published in 2010. In it, I urged my readers to get on with their life instead of just sitting and waiting for things to get better. We must not be at the mercy of events. Instead, we need to act intelligently by selecting the right moment to seize the opportunities around us, while trying to mitigate threats through concrete and practical measures.

Reinvent Yourself, published in 2011, was my second book in which you were encouraged to equip yourself with tried and tested beliefs to meet the challenges within and around you, with confidence. I shared with you the idea that our future is no longer what it was. Our rapidly changing world makes sure of this. Tools and concepts were conveyed to help you thrive in this rapidly changing world by tapping the power of your mind for your own good and for all those you care for.

In **Realm of Personal Leadership** I invite you to re-discover, analyze and expand your conceptual landscape... your playing field, so to speak.

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Your personal leadership begins when you begin to see yourself at the centre of your realm (within and outside) – which only you can determine. How big or small its size and scope is, is of little consequence. What matters more than anything is that you thrive in your realm by inspiring those in it – yourself and others.

This book is designed such that the chapters are independent of each other. Each holds its story within itself so you can open any page and carry on from there.

At the end of this book I have included inspiring articles and extracts from a book that will help you further enrich your realm.

I hope that by the time you finish reading this publication, you will start seeing yourself as priceless and feel extremely fortunate to be alive, with the power of infinite choices in your armory.

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Introduction

“It is a passion to see, almost forensically, the character, potential and quality of another human being. Understand it, admire it, or engage with it, to enhance oneself or the community as a whole. The Leader interfuses with that being and blends it with others and unites them in a purpose directed by a Vision. This is leadership.” John Hillbery

Whenever you hear yourself saying that there is a leadership crisis in the country – stop. There isn't. You are simply passing the buck! The fact that you realize the need for leadership says a lot about you. It shows you are aware that something needs to be done. Yes... You are absolutely right! But who will ultimately bell the cat? It is high time you took responsibility for your realm.

Realm, according to Encarta Dictionary, is the scope of something; an area or domain, e.g., of thought or knowledge. It is also an area of interest e.g., the realm of pure mathematics or philosophy.

Your realm is your world – your inner world and your outer world. We all live in our own worlds. You live in yours. And I

Notes

live in mine. Your world is how you see it and not what I or anyone else tells you. Hence, try to see your world anew so that you can attain greater happiness, health and respect. To my mind, anyone blessed with these three gifts has attained true wealth.

Consider this: YOU are alive and YOU can make a greater difference than you are making at this very moment. What stops you from doing more by extending yourself? Could it be fear? Or is it apathy? Whatever it is, stop looking to others to come and rescue you.

YOU were born. And it is YOU who will die, sooner or later. Life as we know it is terminal. Hence live each day, each moment, as though it was your last. Enrich your NOW with dreams of a beautiful future. Craft it brick by brick, day by day, every day, with lessons and skills you have learned from your past.

Think. It is only YOU who will wake up in the morning. It is only YOU who will eat and drink to nourish yourself. It is only YOU who can forgive yourself or someone else when YOU feel the need to; and it is only YOU who can thank a person for being of help to you in some way. It is

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only YOU who will succeed or fail in any venture you embark upon. It is only you who will be acknowledged for the positive contributions you make and it is only YOU who will be condemned for any wrong that you do. In short, YOU are responsible. Blaming others is a waste of time and energy.

We were all born to lead. We all have the requisite attributes and hidden capabilities. The question: 'Are leaders born or made?' was never valid. Instead, we should be asking ourselves, 'Since we all are born with the potential to lead, what are we doing to prepare for leadership?' What kind of a leader do we wish to become? How effective can we ultimately be? All this will depend on how aware we are of ourselves and others; how we relate to others; and how conscious we are of our environment – with all the threats and opportunities it contains.

Chapter 1

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Followership is Leadership

“Leadership is about creating, day by day, a domain in which we and those around us continually deepen our understanding of reality and are able to participate in shaping the future. This, then, is the deeper territory of leadership -- collectively 'listening to what is wanting to emerge in the world, and then having the courage to do what is required.” Joseph Jaworski

Leadership and followership go hand-in-hand. One cannot be a leader without also being a follower, no matter what role one plays in life.

Have you ever wondered why there has been little or no talk on the subject of followership? I have yet to see a book or a training program titled, “Effective Followership”! This may be because we all like to see ourselves as 'leaders' and not 'followers'. But if this is so, why is it that we keep hearing of a leadership crisis in our midst?

You are a leader if at least one person follows what you say or do. The key

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question is, 'Who do you follow?' Do you follow ideas of others, without believing in them? I hope not! Do you follow your ego? Your ego is likely to blind you to alternative perspectives, and you may end up forcing your point of view on others. You will end up saying things like, 'Do it, because I said so' or 'it's my way or the highway!' Instead, we all need to follow higher principles that govern life itself – principles of fairness and justice; protecting our own rights, while respecting the rights of others; respect for humanity and diversity etc.

Universal principles imbued by the spirit of love and generosity serve to guide humankind towards growth and progress, where everyone wins. It is our tendency to hate and our lust for fame and power that destroys the moral and social fabric of society. The good news is that we can change this through greater awareness of self.

Building a home, a family, an organization or a society is a patient labor of love – it is this finest expression of giving which rewards us with the highest sense of fulfillment. Such a feeling is unmatched and no amount of money can buy this sense.

Chapter 2

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The Flip Side of Life

In over thirty years of my professional career in international banking and later as a motivational speaker, trainer and management consultant, I have had the good fortune of interacting with a variety of individuals, from all walks of life, in my country, Pakistan, and abroad, mainly in the UK and Canada. I have come to realize that nothing in itself is new. What's new is the different ways in which we see things and interpret our own experiences.

Consciously acknowledging the reality of death as an ever present phenomenon teaches us how to live. Awareness of this fact alone keeps us from procrastination and helps us live each day to the full. Death is the flip side of life; night is the other side of day; followership reflects leadership.

Talk to anyone who has had a near-death experience e.g., an almost fatal road accident; kidnapping; or has suffered a hijacking ordeal, from which they came out alive. Their lives have transformed

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immediately after. Whereas previously they valued physical possessions, status and power, they now find greater meaning in relationships, spirituality and caring for self and others. They are free from worldly attachments and find strength in their newfound faith that stems from deep within themselves.

Whether you believe in God or not is your prerogative. However, the fact remains that life as we know it will come to an end, sooner or later. Therefore, why not do today's work today? Why leave important things in life unattended, till it becomes too late? Snapping out of torpor is the finest form of leadership. Accepting and realizing the impending reality of death helps us to do just that.

We all have different views with regards to what will happen after we die and how we came to being here – on this planet. This, before and after life, talk falls in a different realm altogether, which is not my focus here.

Chapter 3

Centre of Reality

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Stop and think for a moment. You are the centre of your own reality – your world – your universe. When you shut your eyes, everything goes dark for you. When you go to sleep, you become completely oblivious of your surroundings. When you are in severe pain, your 'world' becomes unbearable. When you are in a state of joy, being stuck in a traffic jam, feels like a celebration!

You are powerful beyond measure. Any place you visit comes to life! For example, the moment you enter a meeting room with people in it, they notice you and respond to your greeting; look at how your family welcomes you when you arrive home after a week-long trip. Is it not true that when you smile, the world smiles with you? Your sheer presence in any place makes a difference! Even your bike comes to life when you ride it!!

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Chapter 4

Confronting Ignorance

Poverty is not lack of means, but lack of choices. This stems from ignorance – ignorance about who we are and what we are capable of.

The journey of self-knowledge is never-ending. Moreover, the very process of self-discovery is rewarding. The more you know of yourself, the better you will understand others and your environment.

Our appreciation of the world we live in becomes clearer and more engaging as we delve into our own being and find glimpses of the countless gifts we have.

I have come to realize that by merely amassing knowledge and regurgitating facts with the intent to impress others is a futile activity. Such a pursuit only fascinates the ignorant and satisfies the narcissistic tendencies of those who love to bask in their own glory.

The act of learning becomes an inspiring endeavor, only when it is done to achieve a vision you hold dear. True greatness lies

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in living on purpose, as you have defined it for yourself.

What we urgently need is to be honest with ourselves and others. This begins the moment you recognize your self-interest and try to discover and respect the same in others. For example, you cannot be loyal to anyone else, unless, first, you are loyal to yourself! This suggestion may strike you as strange, but I would like you to take a pause and reflect deeply on this perennial idea.

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Chapter 5

Our Common Origin

A simple, yet profound fact connects us all. I am the son of my mother, as indeed, you are either the son or daughter of your mother. Can you think of anyone who is not a child born of his/her mother?! We share a common origin. We are alike in many ways, and yet very different when it comes to our aptitudes, attributes and attitudes.

What remains most significant is the fact that as individuals we can make a real difference in our lives and in the lives of those we care for. Your 'realm' lies within and around you. It comprises of your hidden potential, your mind, body and soul. It is only when you are able to manage your thoughts and emotions effectively that you will have a positive impact, with your direct and indirect relationships having a variety of expectations from you. What the individuals around you do each and every day, affects your life, positively or adversely. You can rely on some, if not everyone, to share in your dreams and to a lesser or greater extent, help you

achieve your shared purpose.

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The central theme in all my writings and speaking engagements is to draw the attention of my audience to one simple fact i.e., Know who you are, and be it!! Of course, this is easier said than done.

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Chapter 6

The Danger of Half-Truths

“To be hopeful in bad times is not just foolishly romantic. It is based on the fact that human history is a history not only of cruelty, but also of compassion, sacrifice, courage, kindness. What we choose to emphasize in this complex history will determine our lives. If we see only the worst, it destroys our capacity to do something. If we remember those times and places -- and there are so many -- where people have behaved magnificently, this gives us the energy to act, and at least the possibility of sending this spinning top of a world in a different direction. And if we do act, in however small a way, we don't have to wait for some grand utopian future. The future is an infinite succession of presents, and to live now as we think human beings should live, in defiance of all that is bad around us, is itself a marvelous victory.” Howard Zinn

As I see it, we are often victims of half-truths. It is only when we see the whole picture i.e., threats as evidence of opportunities; night as evidence of day; evil as evidence of good ...and so on, that

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we find the balance we need. This balance keeps us away from the dangers of mindless euphoria and a sense of total despair.

The danger of half-truths is that they blind us from the whole picture that constitutes any event and, as a result, we fail to make contingency plans. E.g., it is only natural to feel excited and happy when you get the job you were looking for. Getting a job is one thing, staying in it is quite another matter. What if you get fired for no fault of your own? Did you plan for such an eventuality? If not, you will be in for a shock.

No matter what the situation is, never get too excited or excessively depressed about it. You'll recover to a state of mental and emotional balance as soon as you see the 'whole' picture. For example, loss of a loved one will fill you with grief momentarily. You will recover your balance as soon as you realize that the individual has met with destiny, just as we all will one day.

We all know that death is inevitable. It is the only certainty in our future. Yet what remains uncertain is 'when'!

Notes

Chapter 7

Eternal Leadership

“I sense a great desire among people everywhere I go to get the country back on track, to improve education, improve performance in all fields, and recover the old commitment to the common good. The world has a vested interest in how well we succeed in that; and make no mistake: It will take a lot of strong, enlightened leadership.”

David McCullough²

We are mortal. Yet as human beings we can become immortal through our deeds by continuing to live in the memories of coming generations, long after we are gone. Socrates, Plato, Aristotle, and other legendary figures from our recent and ancient history go on having a pervasive impact on us to this day.

The thought behind Eternal Leadership was inspired by a saying that suggests we should plan as though we will never die; but when it comes to action, we need to act, as though we may not get a second chance.¹ Life is not only the time we have from birth to death. Life is more about

²Timeless Leadership: The great leadership lessons don't change. HBR, March 2008

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how long our legacy reverberates through time, once we are dead and buried.

Back in 1987 in the City of London, I met a colleague and friend of mine, Shahid Doha, in his office. He had recently returned from his honeymoon in Italy. Not having visited the country till then, I asked him to share some highlights from his experience. He took his time describing the beauty of the different cities visited. When he said, “We spent half a day marveling the grandeur of St Mark's Cathedral in Venice”, I was shocked, “Half a day?!! Staring at bricks and mortar? You could just as easily have bought a few picture postcards of the cathedral and drawn delight from them!” He replied, “If only you knew the history of this cathedral, you would not say this.” “What can be so unusual about its past?” I remarked.

As the story goes, there was a man called Mark, who, in 1100 AD, when he was 50 years old, dreamt of a magnificent cathedral he had constructed to glorify God. When he woke from his dream, he commenced meticulously working on drawings and plans for constructing this beautiful structure, which he had seen in

Notes

his mind's eye. This process took him five years. By now he was 55. He shared his plans with family and friends and tried to recruit as many hands as he could muster. According to Mark's estimates, it would take around 350 to 400 years to build the cathedral. He knew at the outset, that the task that lies before him goes way beyond his expected lifespan. Yet, despite the odds, he managed to get the project started with trusted and able members amongst his family and friends. He passed away a few years later as the massive foundations were being dug. Despite this, through several generations, his team continued working relentlessly. The job was finally done, and today, the cathedral stands tall over a thousand years later in testimony of a man with a great vision. Imagine the faith he had in people to see this mega project through. Feel the immensity of commitment and belief each one of the thousands in this story must have displayed through successive generations. Try and visualize the succession process in which incumbents passed on what they knew to those who followed, and that too, without any dilution! No wonder Mark was labeled a saint. He thought of the possibility way beyond his lifespan, in the faith that a process once commenced, will endure

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through people touched with the same eternal spirit.

Pakistan is just over sixty years old. Where are the leaders who have a compelling vision for our nation that extends beyond their mortality? You need not look around for such leaders. You are! Be the change you want to see in this world. This saying from Gandhi has almost become a cliché. What stops you from living this creed?

History illustrates enduring leadership principles handed down through centuries by individuals from a variety of cultures and traditions. Courage, honesty, flexibility, vision and persistence are timeless nuggets worth keeping in mind in your repertoire of leadership.

Michael Anthony Jackson³ brings to the surface 21st century lessons we can learn from prominent personalities of the past. His book contains revealing short biographies of five well-known individuals, namely, Alexander the Great; Changez Khan; Hannibal, Elizabeth I, and William the Conqueror. These personalities died centuries ago, but are they really dead? Lives of those considered dead today continue to guide

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us to this day. Their endurance comes from their high impact legacy.

Not to see leadership as an enduring phenomenon is to miss the point. Not entertaining eternity in your mind is to steal the 'soul' from the vital act of leadership that we can and must demonstrate in all walks of life. Our souls are eternal. What Dr Wayne Dyer says is paradigm shifting: "We are not human beings having a spiritual experience. We are spiritual beings having a human experience."

Think about it. You admire people who faced great odds and challenged status quo wisely. They shared a daring and a beautiful vision, demonstrated courage and compassion and made lasting contributions to society. In an HBR interview,⁴ David McCullough pointing to the need for leaders suggests: "We need leaders in every field, in every institution, in all kinds of situations. We need to be educating our young people to be leaders. And unfortunately, that's fallen out of fashion." He refers to leadership not being in fashion these days, particularly in the American context. I fear this trend is more widespread than we would like to believe.

⁴Harvard Business Review, March 2008

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Apathy can kill our ability to lead and to make a lasting positive difference. Pretense is our worst enemy. The first step to becoming a leader is to stop pretending. You know what you need to do – Just do it!

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Chapter 8

Gift of contradictions

"In a business, quarterly reports and an average lifespan of 40 years for big companies tend to put immortality on the back burner... The Mitsui Corporation and my old Oxford college are both over 600 years old, both still going strong and thinking far... You can only look ahead as far as you can look back."

Charles Handy⁵

Change is the eternal reality individuals and organizations have always faced, are confronting today, and will continue to encounter through time. However, it is our understanding and adherence to never-changing principles that help us thrive in change.

We all know and agree how important it is for organizations to continually learn, improve, and grow. These are eternal requirements and imply the need for us to adapt to change continuously. Such contradictions in life are everlasting and come in all shapes and sizes. They are built into the very fabric of nature - within and around us.

⁵In his book, *The Empty Raincoat*.

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If it weren't for our curious minds, would we ever learn anything new? Could we ever improve the way we think and behave? What triggers curiosity in us? Contradictions! For this reason I have associated the term 'gift' with this phenomenon.

Consider this: We are forever caught between the need to control and at the same time, to empower; Leaders need to exhibit courage, while also having capacity for compassion; Managers need to focus on goals and at the same time need to show the flexibility of mind to create and innovate.

There are numerous instances where I have seen managers 'hang' when faced with competing ideas. They need to 'reboot' themselves in order to use contradictions as a springboard for success.

Everything we take for granted today was once viewed as impossible by many. Take flying for example. The governing paradigm almost a century ago was that only lighter than air can fly. Thank God there were a vital few who had the audacity to challenge status quo and today we have over six hundred tons of

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immaculate engineering transporting a vast number of humanity across continents at the speed of a bullet!

The world-wide web is yet another example which glaringly illustrates the power of contradictions to inspire innovation. The "www" marvel is the most centralized system on earth, and has liberated individuals to access knowledge and communicate globally, instantly. The internet has transformed human possibilities beyond belief!

A colleague once asked me, "Who has been your best teacher?" I thought for a while. Names flashed through my memory. I went to the white board in my office and made a circle. In it, I placed the symbol of a question mark "?". I am eternally grateful to my colleague for asking such an innocent question. I spent that entire day pondering on what gives rise to questions in my mind. Voila!! I found the answer: Contradictions! My life changed forever. It's in small moments like these that big things happen, but only if we make time to reflect deeply.

I have since discovered many truths. That mortal beings can create immortality if they so wish. Social philosopher, Charles

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Handy is widely regarded. He is seen as the guru of the modern workplace. Many of his predictions have already come true, including the demise of the traditional organization and job and the emergence of talented individuals and entrepreneurs being outsourced for their expertise in specialized fields.

Handy concedes disparagingly that, "In a business, quarterly reports and an average lifespan of 40 years for big companies tend to put immortality on the back burner." He finds this short-sightedness ill-founded; institutions, he declares, can be immortal. "The Mitsui Corporation and my old Oxford College are both over 600 years old, both still going strong and thinking far." He continues to amplify his point, "You can only look ahead as far as you can look back."

Building trust with others and between people in organizations is the only real way to achieve greater efficiency, reduce costs and create sustainability. However, to enjoy the fruits of trust, you will have to make yourself vulnerable!

There are no perfect solutions to anything, and no one can predict exactly

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what the future may hold. The ambient paradoxes are too complicated for that, but continue to be a blessing.

Our continuing success depends on us making sense of contradictions.

Chapter 9

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In search of wisdom

Over two thousand years ago, a young man in his late teens had this intense desire to seek out the truth. He discovered that there was a man in his town he could go to in his search for wisdom – and this wise old man was Socrates.

The young man met the philosopher who took him for a walk to a nearby lake. On reaching the shore Socrates took this young man's hand in his and started walking into the water ever so slowly and continued moving gently till both of them were in waist high water. Socrates stopped, quietly placed his hand behind the young man's head and in a sudden motion, shoved the boy's head into the water and held it there. The seeker of wisdom was now in a state of terrible shock and a thought raced through his mind that maybe he had made a mistake by coming to the old philosopher. Maybe the old man had gone mad. As the seconds ticked away, the lad struggled for breath, and Socrates in turn used more force to keep him down. A point came when the boy knew that the only

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way to survive was to put all his might and lunge out of Socrates' firm grip for a gasp of air. Using every bit of his strength he succeeded to pull himself out of danger. On recovering his breath and composure, he demanded to know why on earth did Socrates do this?! Socrates replied, "Young man, the day you pursue your goals with the force of passion and courage you displayed for catching one breath, is the day you will gain wisdom!"

This parable is simple, yet profound and contains several implications for leaders whose aim it is to empower others. I have shared this parable of the young boy and Socrates with a countless number of managers in coaching and training sessions throughout the country to good effect. Brig Azhar Ansari (Retd), quoting a general he admired, once said, "You cannot lead with the heart of a sparrow."

The Random House College Dictionary describes wisdom as having knowledge of what is true or right, coupled with good judgment. In another dictionary I found wisdom to mean making correct use of knowledge. This made me think. I wondered what incorrect use of knowledge might be! And the answer was astonishing. It turns out that someone

making incorrect use of knowledge is a fool!

It would be interesting to learn how many people in top management positions today are graduates of reputable business schools and regularly read books on management. My guess is the number would be small – much less than 50% in any given organization. The next question is: Who are being more effective, those with MBAs or the ones who have practical hands-on experience and are street smart? Invariably, one finds that those with greater wisdom are not necessarily the ones with better educational qualifications or degrees!

In essence, what makes managers effective and better than their counterparts is their ability in applied wisdom – ie., knowing how to get people to work well with one another; knowing how to attract talent and get them to coach their successors; how to motivate people to do their best; how to get the whole organization strategically aligned and to act together on difficult issues. After all, management is about converting resources into results efficiently and effectively, and this goal can never be accomplished without

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people skills.

Look around you. Meet senior bureaucrats in government, top managers in companies, leading social activists and members of civil society. Notice a string of degrees some have under their names as proof of all the accumulated knowledge. What good is all this knowledge if it is not being put to correct and effective use? The more we know, the greater the chance of us acting as fools, if we fail to do what we know to be right. How many managers challenge status quo? How many directors speak up in board meetings and express views that go counter to that of the chairman's? Behind a lot of pomp and ceremony, when you look hard enough, you will find cowardice dressed up as expedience. Fear is the enemy of wisdom and turns knowledgeable workers into fools.

The rubric, 'In search of wisdom', can also be stated differently as, 'A desire to avoid foolishness!' Foolishness in Urdu means 'Jihaalat'. Sadly, in our society, people who are not literate are mostly termed "Jaahils", when, in fact, some may actually be quite wise! Knowledge is acquired through formal means e.g., Universities, colleges, schools, madrassas;

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as well as through informal sources e.g., self-study, experience etc. Experience, however, is the more relevant avenue of wisdom acquisition. There are signs for those who reflect.

Every day experiences carry immense value for us if only we develop the insight to find significance in the apparently mundane events of life and work. For example, the simple exercise of learning from one's own mistakes. The most important elements in our experience are the day-to-day routine mistakes we make. Being able to acknowledge our own mistakes and draw lessons from them is the starting point of wisdom. It takes good intent, courage and vision to be wise – wise enough to take the kind of actions that lead to improvement and enduring good in our places of work, and in our homes and communities.

Learning from our own mistakes is fine. But to supplement this by learning from the mistakes of others is even better. Obaidullah Baig recently gave an inspiring talk on 'History' to over 200 young students and professionals at the Young Leaders' Conference organized in Karachi by the School of Leadership (www.sol.edu.pk). Participants were spell

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bound for over an hour. His message was crisp and clear. According to him the study of history enriches us with the wisdom and experiences of colossal personalities who have ever lived. We learn of their thoughts, actions, and consequences of their actions. By caring to read about the great figures of history, we can learn from their mistakes and their decisions and become even wiser. But alas, what we often learn from history is that we don't learn from history!

Conclusion

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Wisdom is like excellence – an ever moving target, the pursuit of which is in itself an admirable quality in people. Not to search for wisdom is to condemn our lives voluntarily to mediocrity and indeed to foolishness.

Einstein reminds us by saying that no matter how much we know, our knowledge will always be limited. But with imagination, we can encircle the world.

I hope you have made notes of key points that you have found useful and worthy of further consideration.

Appendix:

This section contains readings that will furnish your mind with more ideas and help you enrich your realm:

Reading 1: Legends Never Die

Reading 2: Simplicity of Self Reliance

Reading 3: What the CEO Thing Is All About

Reading 4: Nissan's Turnaround ARTIST

Reading 5: The Power of Words

Reading 1

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Legends Never Die⁶

Here is a story of a legendary figure from the Asian Subcontinent which will furnish your mind with empowering ideas.

Legends never die. They live in memories of people inspired by their achievements. No one in the history of our subcontinent ever accomplished global impact of the magnitude a man did in less than twenty years (1972 to 1991). This man built an organization from scratch in 1972 that grew to being the seventh largest private bank in the world. At its height, the bank had an active presence in 72 countries with assets exceeding US \$ 50 billion (direct and indirect) by 1990. It had over fourteen thousand employees comprising 98 nationalities. Here was a global corporation with a corporate culture, mission and purpose that transcended the ordinary and conventional.

This bank, one of the fastest growing in the world, was the Bank of Credit and Commerce, better known as BCCI. It became a source of envy in the international banking community and within a few years was surrounded by

⁶Kamran Rizvi's article published in Blue Chip magazine

Notes

controversy. In 1987 it fell victim to money laundering allegations of epic global proportions and was shut down in July 1991 by the Bank of England following pressure from the Federal Reserve of the US.

Much has been written on BCCI and several paperbacks on its rise and fall found their way to the bookstores in the early nineties. What were the reasons for the collapse of BCCI? This is a big question and to answer it is beyond the scope of this article. However, I must add that much of what has been published portrays a biased picture of events that lead to its closure.

Who has ever achieved such feat in our corporate history? No one comes to mind, except late Agha Hasan Abedi, a man with a mega dream, who traveled the world, and networked with prominent figures and heads of states from the east and west, the north and south. He was given state receptions in countries like China. Amongst his close friends and associates were prominent personalities like President Jimmy Carter, late Clark Clifford, legal counsel to four previous presidents of the United States of America; Sir James Callaghan, the then

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prime minister of Great Britain, late Indira Gandhi and the like.

Mr. Abedi, his vision and his philosophy of business management were pioneering and far ahead of his time. Values are the soul of the culture, and leaders personify them. They are pivotal figures in a strong culture. He was a human being with immense strengths and dare I say weaknesses. In an interview that Mr Abedi gave to Financial Times of London back in 1978, he was asked to share his biggest strength and his significant weakness. His answer was simple, he said “people” to both. History records this to be true. It is vital to strike a balance when trusting and forgiving people. Trust should never be blind. It also needs watchfulness. In my view, it is partly this imbalance that led to the undoing of BCCI.

Mr. Abedi was born in Lucknow (India), in a family of noble descent. After taking a masters degree in English Literature and graduating in Law, he began his banking career in Bombay with Habib Bank. The partition of the Indian Sub-Continent in 1947 brought about dramatic changes in its banking system. It created a near vacuum of banking services in the area,

Realm of Personal Leadership

Notes

which became Pakistan. Habib Bank Limited moved its Head Office to Pakistan in order to fill this vacuum and became virtually the unchallenged leading bank of that country.

Seeing a unique opportunity to fulfill his inborn urge to grow and succeed, Mr Abedi made an important contribution in the growth of the newly established bank. By 1958, he felt that the economic development of the new nation of Pakistan called for greater competition and innovation in its banking system. Therefore in 1958, he founded a new bank – United Bank Limited.

In addition to the considerable banking experience he is said to have acquired, he had also developed new approaches to management and business development, which stressed individual development and autonomy. Sadly, this is still not a reality in most companies. Business development became a primary objective of management. Within ten years of its foundation, the United Bank had become the second largest bank in Pakistan and when banks were nationalized in Pakistan in 1973; it was almost as large as the largest bank in that country in terms of assets.

Reading 1: Legends Never Die

Notes

In a talk recently given by Peter Senge in Dubai, he shared his definition of learning as “a process that enhances our capacity to help us achieve our dreams.” Dr Peter Senge is a faculty member of the Massachusetts Institute of Technology, director of the Center for Organizational Learning at MIT's Sloan School of Management and founding partner of the management consulting and training firm Innovation Associates, Inc. His insights into how organizations learn and share knowledge have helped many leading companies around the world to tap into a new and very real source of competitive advantage. What Peter Senge has been saying for almost two decades, Mr Abedi has lived for over forty years.

Mr. Abedi was the first banker in Pakistan to realize the potential of people and markets, particularly overseas. As a consequence United Bank successfully established itself in several Middle Eastern countries and the United Kingdom. At the beginning of the 1970's he began to feel, in the restrictive exchange control climate of the home country, that it would be very difficult to sustain the expansion of UBL's foreign operations. Also with the emergence of the new socio-political trends in the

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country, nationalization of the banking sector appeared imminent. It was with this background that he is thought to have conceived the idea of the establishment of an international bank in a country, which offered facilities for growth and expansion.

The dramatic success of BCCI lay in the leadership and philosophy of its founder president. Mr Abedi's beliefs and insights may be summarized as follows:

- A sense of timing, a sense of history, a sense of what the future holds.
- A profound interest in human nature and the purpose of life.
- A realization of the power of the human potential and some discovery of a key factor that enables the individuals to translate this potential into tangible results and achievements.
- An extraordinary ability to relate to others and to the communities which they compose: to forge them into a powerful force by linking them in pursuit of uncommon common values, beyond their narrow interests, to an end more

Notes

universal and purposeful.

- An ability to communicate through the articulation of feelings, thereby attracting people of extraordinary commitment.

- An inherently persistent urge for growth and success, as a continuous phenomenon: a law of nature.

Mr Abedi emphasized that “The character of this institution is the result of a process of evolution in a situation of which the entire staff and such other conditions as economic, social, political etc., are the components. These components are neither created nor controlled by one person and they are constantly changing. As you know the abilities of all of us are also constantly changing. And for this reason we have been taking pains to avoid the establishment of authority and superiority of one staff over the other, except just to the extent that is necessary for keeping an order in the working”. He went on to say: “We are trying our best to create a climate of complete freedom and openness, where people can grow uninhibited by pressure of delegated authority and by sheer merit and ability... where every individual has the fullest opportunity and freedom to assume

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responsibilities on the one hand and to take the pressure of work on the other hand to whatever extent he may like. In this concept of management, there are two central points, namely, that each individual in the institution moves around objectives rather than dance to the tune of authority, and that a unity is obtained in freedom, as against a unity through authority... unity of thought, purpose and action.” Mr. Abedi said this in an interview he gave in 1966, while still President of the United Bank Limited (published in BCCI's in-house journal “International” January 1985).

The importance of managing the culture of an organization was not lost on Mr. Abedi. In his inaugural address at the 1984 convention of the Management Association of Pakistan (MAP), he said: “the culture determines how things get done in a business. Managing this culture is the principal task of the chief executive officer (also senior and middle management). The culture in turn then manages the people ... it is the vitality of the organization. Its collective energies determine the quality and quantity of our Company's performance. As custodians and keepers of this spirit, we are the ones who nurture its growth through

Notes

leadership and vision. Without this vision the energies will wane and collapse in misdirected efforts and random activities”.

It is with dreams that our learning truly starts. What are your dreams? I have met many 'pragmatic' and 'expedient' directors, general managers and CEOs in Pakistan, but few who also love to dream and inspire others through their compelling vision of the future, like Mr. Abedi. Our aspirations trigger curiosity and compel us to learn in order to build our capacity to create what we truly believe is important to us.

We dare to dream only when we have faith in ourselves and in our future. Look around you, meet people working with you, interact with friends and ask yourself how many people do you come across in your family, in your circle of friends and colleagues and community who are beacons of hope and vision? If the number is more than five, you must be in great company.

Notes

Reading 2

Simplicity and Self Reliance

Akhtar Hameed Khan⁷ had called for simplicity, renunciation and self-reliance as sanctions began to bite, says Tarik Ali Khan⁸ in his article reproduced below.

Every morning Akhtar Hameed Khan makes the journey to Orangi, Pakistan's largest unplanned urban settlement, or katchi abadi. Located 12 kilometers from Karachi's centre, it is a microcosm of this city of migrants, a sprawling community of mohajirs (Indian Muslim refugees from 1947), Biharis (more recent refugees from Bangladesh), Pathans, Sindhis, Punjabis and Balochs. Orangi has swallowed up 7000 acres of the barren Sindh landscape on the edge of Karachi and is still growing. Orangi is as big as Colombo or Amsterdam, a city within a city.

More than three and a half million people live in the 400 katchi abadis that surround Karachi. Being outside the official city plan, the migrants have little access to government-funded resources. Officials have traditionally ignored their squalor. Orangi itself began to be occupied in 1965 and grew rapidly after 1972 with the influx

⁷ Akhtar Hameed Khan is author of Rural Development in Pakistan (Vanguard Press, Lahore, 1985) and Orangi Pilot Project: Reminiscences and Reflections (Oxford University Press, Karachi, 1996).
⁸ T.A. Khan is an MSc candidate in Rural Planning and Development at the University of Guelph, Canada.

of refugees from newly independent Bangladesh.

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Orangi could have resembled the desolation of many other famous South Asian Slums. But Orangi today is a development miracle, a thriving community of middle and lower-income migrants. The difference from a 'slum' is immediately apparent: the stench of human waste has disappeared due to a network of sewerage lines, secondary drains and pour-flush toilets. Small locally-built schools vastly outnumber government schools – all built by Orangi residents with technical and organizational guidance from Khan's brainchild, the Orangi Pilot Project (OPP).

After a stint at teaching at Michigan State University in the 1970s, Khan returned to Pakistan to serve as an adviser to a rural development project near Peshawar. The Bank of Credit and Commerce (BCCI) approached him in 1980 to start a project in Orangi. With no office, no staff, and no contacts in Orangi, Khan began by walking the lanes for months. He peered into the middle and lower income houses of its one million residents, people who came in search of the economic dream in Karachi. Khan spoke to local officials,

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councillors and lobbyists and discovered how little the katchi abadi residents had in the way of rights.

Hard Program

Realizing that OPP would have little legitimacy and no authority within the traditional structures of city government, Khan decided that the solution lay in organizing residents. He got to work with them, and the communities identified health and sanitation as the primary needs. In response, OPP began to develop low-cost sanitation technologies that people could craft themselves. An engineer offered technical help and OPP-trained social organizers provided the logistics.

Work soon picked up steam. Every mohalla (locality) elected a manager, someone who would oversee the work of installing sewerage lines, secondary drains and toilets. Khan recalls: "The designs made by foreign consultants were expensive and inappropriate, we found. The ones we developed were more culturally appropriate and made at one-tenth the cost." By 1995, 76 percent of Orangi households had proper sanitation facilities. On average, only 24

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percent of Pakistani households enjoy this kind of access.

But perhaps the biggest urban management lesson was that it could all be done without grants or subsidies. Khan has been able to harness and organize the migrant's spirit of enterprise. With their own money, and supported by the OPP's technical guidance, residents constructed over 5000 sewerage lines and 80,000 latrines. With the sewage taken care of, the communities went on to build 750 schools and 646 health clinics. Residents formed their own local organizations and took over the running of the facilities from OPP.

The results have been dramatic. Between 1982 and 1991, Orangi's infant mortality rate dropped from 130 to 34 per 1000 (Pakistan's average is 95 per 1000). Property prices rose in Orangi, and the residents benefited. Through OPP's Research and Training Institute, Khan's action research approach has brought more initiatives after the initial focus on sanitation, health and education: social forestry, low-cost housing construction, and family planning.

Realm of Personal Leadership

Notes

From the Pathan children who collect plastic bags for recycling to the Banarasi silk weavers busy with their intricate work, every lane of Orangi bustles with enterprise. Khan felt the average working family's productive capacity could be improved through access to credit. In 1987, OPP established a trust which borrowed from Pakistani banks and began lending. The first two years saw high default and blackmailing, but today a tight lending policy ensures that there is a 95 percent return rate on OPP loans. New clients must be referred by a trustworthy former loan recipient, and each recipient finds himself listed in one of four categories: competent/honest, incompetent/honest, competent/dishonest, incompetent/dishonest.

Over the years, Akhtar Hameed Khan has become convinced that true development must make the poor self sufficient. Subsidies or handouts have contributed to dependence on foreign aid, which he calls the "langar khana (free food) mentality". Beginning a project like OPP was no easy task because, as Karachi mushroomed in the 1980s, politicians like the late Gen Zia-ul Haq were making wild promises to the shanty-town residents.

Reading 2: Simplicity and Self Reliance

Notes

"Whereas we were telling them not to wait for handouts and do it for themselves," recalls Khan. "It was hard to convince them."

Believing that women are generally more honest, Khan has employed an all-female staff to handle credit disbursement and repayment. The credit office at OPP has a deliberately spacious and open design to encourage transparency and prevent under-the-table deals. Khan's own daily vigilance routine also has an effect on the staff; he is still as watchful as a hawk. "All Pakistani organizations which dole out money are corrupt. Initially out of the 10 staff I hired, I had to fire five," he says.

Khan is convinced that Pakistan's problems are largely moral. Given the country's current state of corruption and debt, Khan says what it needs is a hard program of development, one that demands self-sufficiency without donor aid. At Orangi, OPP has broken the vicious circle of waiting for a free lunch: residents and staff both accept the new ethos of a hard program, even if 'leaders' do not.

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Shurfa Boy

In a country where feudal politicians, bureaucrats and the military elite call the shots, Akhtar Hameed Khan draws his inspiration from the Sufi and Buddhist principles of simplicity and renunciation. Born to a Uttar Pradesh Pathan family from Agra in 1914, Khan was bred for success. He recalls life as part of the shurfa, or Muslim middle class, that continued to survive in North India after the Mughal decline. The UP Pathans had been transformed from belligerent tribes who challenged the Marathas in the 18th century into jagirdars (landowners), policemen, soldiers and civil servants.

He was raised in the tradition of Sir Syed Ahmed Khan, the 19th-century reformer who founded the Aligarh Muslim University and encouraged Muslims to synthesize Western knowledge and Islamic thought. Sir Syed offered Muslims reformation through his humanist alternative to the religious madrassah schooling and post-Mughal decadence. His promotion of English education brought opposition from the ulema. He discouraged practices such as having multiple wives and dancing girls in the shurfa household and encouraged

Victorian self-discipline, modesty and frugality.

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Akhtar Hameed Khan says that in his college days in Meerut, he was influenced by Nietzsche and the writings of Allama Mashriqui, the latter a strong proponent of ghalba-i-Islam, or Islamic domination. In the 1930s, Mashriqui had founded the All-India Khaksar Movement. Dressed in khaki, Khaksar's largely lower-class members were organized for social service, but its militant fascist undertones were obvious. Khan eventually married Mashriqui's daughter and joined the prestigious Indian Civil Service (ICS).

But after nine years as a colonial civil servant, and having participated in the poor central planning that led to the 1943 famine in Bengal, Khan was disillusioned. The decay of the British Empire was as apparent to him as was the growing poverty of the Subcontinent. Long influenced by Islam's Sufi mystics and the writings of Tolstoy, he decided to renounce the world. He resigned from the ICS in 1945 and spent the next two years as a reclusive locksmith.

"Why did Buddha give up his prince hood to become a wandering mendicant?"

Realm of Personal Leadership

Notes

Khan muses. "Because the way to discover the meaning of life is through controlling your instincts. This is the message of Sufi poets like Jalaluddin Rumi as well. What are the three things we must control? Greed, hatred and delusion."

Khan confesses that his love of scholarship brought him back to the world. His Khaksar fantasy dissolved and he soon discovered his next teacher, Zakir Hussain, the head of Delhi's Jamia Milia Islamic University, and, later, president of India. In Zakir Hussain, he found Sir Syed's rationalism coupled with strong Indian nationalism. Khan taught English to primary and secondary schoolchildren and history to college classes at the Jamia Milia until 1949. Its extensive library allowed him to continue studying the writings of Islam's mystics and philosophers, while Partition took place outside.

But East Pakistan soon beckoned. "Zakir Hussain told me not to leave for Pakistan. He said that people like me were leaving because we were frustrated. He felt that we could better serve the Muslims of India. But I was full of Islamic ideology and thought Pakistan would be a utopia.

Reading 2: Simplicity and Self Reliance

Notes

There is no mistake in my life except this migration."

Khan's love of scholarship and free speech is often exploited by his enemies, those whose very power is threatened when the poor become mobilized. "My social work in Pakistan is like walking a tightrope. I have to avoid controversy at every turn. But the advice of the Sufis is not to care for one's surroundings. The world is within you."

In teaching, he had found his calling. He migrated to East Pakistan in 1950 where he was appointed principal of Comilla College. In addition to the writings of the sages, he began to devour books on economics and the theories of Marxism and capitalism. With his ICS experience as an administrator in Bengal, he was soon appointed director of the US-sponsored village agricultural and industrial development ("V-AID") projects. He was sent for a year to Michigan State University for training and the Americans became his new teachers. He returned to an appointment as director of the Pakistan Academy for Rural Development in Comilla (today the Bangladesh Academy for Rural Development).

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Organized Development

The task before Khan now was to figure out where to begin the development process. The colonial legacy of the British was an administration based on law and order and revenue collection. The foundation stone for maintaining the Pax Britannica in the Subcontinent had been – and continued to be – the thana, the police station. The few facilities which existed in the rural areas (schools, health dispensaries, veterinary dispensaries, and even roads) were often at the thana. For Khan, the jurisdiction of the police station was small enough, and developed enough, to serve as the centre of his activities. The Comilla experiment was underway.

Khan focused on improving rural infrastructure: link roads and irrigation channels. While development fads like community development and V-AID came and went, Comilla blossomed. It had American financial backing and the support of Pakistan's Prime Minister, Field Marshal Ayub Khan. Its thana training centers, rural works projects, and peasants' cooperatives soon became models of organized development. Khan

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says Comilla was the American answer to the socialist model of development but makes it clear he was not driven by any ideology, either communism or capitalism.

Khan left in 1969 and ended up teaching at his alma mater, Michigan State University. By the time he returned to Pakistan in the late 1970s, the east had become independent Bangladesh. Officially retired, he was soon busy giving advice on Comilla-style pilot projects at Daudzai near Peshawar, and in the Northern Areas with the Aga Khan Rural Support Program. But it is at Orangi, where he has patiently brought development according to his Sufi-Buddhist principles of right livelihood that his efforts sank deep and paid off.

Khan's towering six-foot body is now slightly stooped, the gait is slow as he arrives every morning at OPP's office to meet guests and receive reports from the staff. His associates listen intently to his booming voice as he responds to each new situation, quoting instructively from the Qur'an in Arabic, Sufi poetry in Persian and the Buddhist sutras in Pali.

Says Khan, "Although there is no concept

Notes

of an ashram in our society, I feel OPP is an ashram. And here I am not a bull baboon who demands obedience. I am more like a daadi ma (grandmother) who guides out of love.”

Asked whether OPP will survive without him, Khan sounds confident, and it is clear he is proud of his associates and the people of Orangi. "The work will go on.

We have Arif Hassan at OPP and Tasneem Siddiqui of the Sindh Katchi Abadi Authority. These people understand the self-help philosophy. We have the support of the people. And even though we criticize them, we now have the support of the government as well. We have proven here that the 'hard program' lives. It is sustainable."

Reading 3

Notes

What This CEO Thing is All About

Who better than Jack Welch⁹ to speak on the subject? After all he is one of the most admired CEOs ever to have lived. Jack started life as the only son of a railway conductor and rose to great heights in his career, before retiring at his peak, having successfully passed on the mantle to Jeff Imelt almost a decade ago who continues with Jack's legacy to this day. This succession challenge took six intense years and turned out to be an inspiring success.

I am reproducing below extracts from Jack Welch's book, Jack – Straight from the gut:

Being a CEO is the nuts! A whole jumble of thoughts come to mind: Over the top. Wild. Fun. Outrageous. Crazy. Passion. Perpetual motion. The give-and-take. Meetings into the night. Incredible friendships. Fine wine. Celebrations. Great golf courses. Big decisions in the real game. Crises and pressure. Lots of swings. A few home runs. The thrill of winning. The pain of losing.

⁹Extracts from: Jack. An Autobiography by Jack Welch (Ex GE)

Realm of Personal Leadership

Notes

It's as good as it gets! You get paid a lot, but the real payoff is the fun.

Like any job, though, it has its pluses and minuses – but the good sure overwhelms the bad. The schedule is packed, with many hours blocked out a year in advance, yet every day manages to bring new crises that butcher your calendar. The days are crazy long, yet the hours race by because you're always fighting for more time. The job never leaves you no matter what you're doing – what's on your mind is always so absorbing.

There are all kinds of boring external functions, but none internally – well, at least not for me because I set the agenda. I was invited to a lot of black-tie dinners and industry association meetings. The best thing is, I didn't have to go. Some of the dinners are real special, like the White House State Dinners you wish your parents were alive to see. I got to meet lots of bright people I'd otherwise only read about, and I found most of them self-effacing and fun.

There's no such thing as a typical day. While I was working on this book in late May, I happened to have a day that was packed wall-to-wall, with meetings from

Reading 3: What This CEO Thing is All About

Notes

0830 hrs in the morning until 2030 hrs at night.

Every day, of course, wasn't this hectic. There's no pat formula for this CEO thing. Everyone does it differently, and there's no right or wrong way to go about it. I certainly don't have a magic formula, but since I was presumptuous enough to write this book, I will take a shot at sharing some of the ideas that worked for me. I hope some might be helpful. Pick and choose among them, or just toss them all.

Integrity

Establishing integrity and never wavering from it supported everything I did through good and bad times. People may not have agreed with me on every issue – and I may not have been right all the time – but they always knew they were getting it straight and honest. It helped to build better relationships with customers, suppliers, analysts, competitors, and governments. It set the tone in the organization. I never had two agendas. There was only one way – the straight way.

Notes

The Corporation and the Community

Everybody has a view about a corporation's role in society. I do, too. I believe social responsibility begins with a strong, competitive company. Only a healthy enterprise can improve and enrich the lives of people and their communities.

When a company is strong, it not only pays taxes that provide for important services, it also builds world-class facilities that meet or exceed safety and environmental standards. Strong companies re-invest in their people and their facilities. Healthy companies provide good and secure jobs that give their employees the time, the spirit, and the resources to give back to their communities a thousand-fold.

Weak and struggling companies, on the other hand, are often community liabilities. They have little or no profits and pay few, if any taxes. They're tempted to take shortcuts to save a buck – investing little in the development of their employees and workplaces. The constant threat of layoffs breeds insecurity and fear in employees whose worries about their own future affect their ability to volunteer time and money to help others.

Notes

That's why a CEO's primary social responsibility is to assure financial success of the company. Only a healthy, winning company has the resources and the capability to do the right thing.

Setting a tone

The organization takes its cue from the person at the top. I always told our business leaders their personal intensity determined their organization's intensity. How hard they worked or how many people they touched would be emulated thousands of time over. The CEO sets the tone. Every day, I tried to get into the skin of every person in the place. I wanted them to feel my presence.

When I traveled to remote locations – Europe, Asia, or wherever – the days were 16 hours long, allowing me to touch hundreds, if not thousands of people. At Crotonville (GE's Leadership School), I've led exchanges with more than 18,000 managers. At every human resources review, I met with the union leaders to understand their concerns so they could understand mine. I didn't want to be the picture in the annual report. I wanted to be someone whom everyone in GE knew.

Notes

Maximizing an Organization's Intellect

Getting every employee's mind into the game is a huge part of what the CEO job is all about. Taking everyone's best ideas and transferring them to others is the secret. There's nothing more important. I tried to be a sponge, absorbing and questioning every good idea. The first step is being open to the best of what everyone, everywhere, has to offer. The second is transferring that learning across the organization. 'Work-Out' drove boundaryless behavior and developed ideas. We rigorously evaluated everyone on this value to reinforce its importance. Connecting all the meetings ("operating system") – from HR to strategy – gave new ideas, increased momentum and helped refine them. Crotonville helped share the learning and brought out the best in everyone.

Searching for a better way and eagerly sharing new knowledge has today become second nature at GE.

People First, Strategy Second

Getting the right people in the right jobs is a lot more important than developing a strategy. This truth applied to all kinds of

Notes

businesses. I sat in rooms for years, looking at promising strategies that never delivered results. We had great plans for ultrasound, but we could never make them happen until we found the perfect person with ultrasound in his veins. We had service strategies in aircraft engines, power, and transportation for years. Service was always a second-class citizen until we put leaders in place who had the courage to "kick ass and break glass".

We learned the hard way that we could have the greatest strategies in the world. Without the right leaders developing and owning them, we'd get good looking presentations and so-so results.

Informality

Bureaucracy strangles. Informality liberates. Creating an informal atmosphere is a competitive advantage. Bureaucracy can be the ultimate insulator. Informality isn't about first names, unassigned parking spaces, or casual clothing. It's so much deeper. It's about making sure everybody counts – and everybody knows they count. Titles don't matter. There are apaulets on shoulders, or stiffs in corner offices making all the calls – just a wide-open spirit where everyone feels they can let it rip. "Covering

Notes

your ass” is ridiculed. Passion, chemistry, and idea flow from any level at any place are what matter. Everybody's welcome and expected to go at it.

Self-Confidence

Arrogance is a killer, and wearing ambition on one's sleeve can have the same effect. There is a fine line between arrogance and self-confidence. Legitimate self-confidence is a winner. The true test of self-confidence is the courage to be open – to welcome change and new ideas regardless of their source. Self-confident people aren't afraid to have their views challenged. They relish the intellectual combat that enriches ideas. They determine the ultimate openness of an organization and its ability to learn. How do you find them? By seeking out people who are comfortable in their own skin – people who like who they are and are never afraid to show it.

Don't ever compromise “being you” for any damn job in any institution.

Passion

Whenever I went to Crotonville and asked a class what qualities define an “A player,” it always made me happier to see the first

Notes

hand go up and say, “Passion.” For me, intensity covers a lot of sins. If there's one characteristic all winners share, it's that they care more than anyone else. No detail is too small to sweat or too large to dream. Over the years I have always looked for this characteristic in leaders we selected. It doesn't mean loud or flamboyant. It is something that comes from deep inside.

Great organizations can ignite passion.

Stretch

Stretch is reaching for more than you thought possible. I've always used the annual budget process as the best example of stretch.

You know the drill. There is a business team in the field, working for a month on a presentation at headquarters; trying to develop the case for the minimum number they think they could “sell.” The headquarters team comes to the same meeting armed to squeeze out the maximum. The field team comes with all kinds of charts on the weak economy, tough competition, and says, “We can produce 10.” The top management comes in that morning wanting 20.

Realm of Personal Leadership

Notes

The presentation usually takes place in a windowless room. No customers are

present. You know what happens. After mountains of PowerPoint and hours of give-and-take, the budget is set at 15. It's an enervating exercise in minimalization.

The field team flies back, high-fiving one another. They didn't have to give all they had to headquarters. Top management thinks it had a great day, ratcheting the objectives to new heights.

Why is this game played? Over the years, people everywhere have learned that if you made your number, you got a pat on the back or better, and if you missed your budget, you'd get a stick in the eye or worse. Everyone plays by these rules. In a stretch environment, the same field team is asked to come in with "operating plans" that reflect their dreams – the highest numbers they think they had a shot at: their "stretch." The discussion revolves around new directions and growth, energizing stuff.

The team leaves with everyone on both sides of the table having a pretty good understanding of what the business will do and what they'll try to do. An operating

Reading 3: What This CEO Thing is All About

Notes

plan is put together reflecting that reality. The team knows they're going to be measured against the prior year and

relative performance against competitors – not against a highly negotiated internal number. Their stretch target keeps them reaching. We've never yet made a "stretch operating plan." Yet we've always done hell of a lot better than we thought we'd do – more than Wall Street expected.

A stretch mentality isn't easy to get, and by no means does GE have it throughout the company. Sometimes we found cases where managers at lower levels took stretch numbers and called them budgets, punishing those who missed. I don't think it happens much anymore, but I wouldn't bet on it.

Nevertheless, we'll never stop "stretching."

Celebrations

Business has to be fun. For too many people, it's "just a job."

I always found celebrations were a great way to energize an organization. From my first days in plastics, I was always looking

Notes

for ways to celebrate even the smallest victories.

At Crotonville, I'd often get frustrated by

the answer to the simple question, "Are you celebrating enough?" The students turned silent or would murmur, "No." I loved to push back on this one.

"Don't look at me. I can't celebrate for you. We're going to have a vice president of celebrations at GE." You have to consider yourself the manager of celebrations. You've got the authority. Go back and make it happen. You don't have to hand out a new Mercedes. It can be a keg of beer or a dinner for two. "Your job is to make sure your team is having fun – while they're being productive."

Aligning Rewards with Measurements

You have to get this one right.

One time, I was surprised to see a great fourth quarter revenue line and no income to go with it. I asked, "What the hell happened here?"

"Well, we had a fourth quarter sales contest and everyone did a great job!"

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"Where's the margin?"

"We didn't ask for margin?"

That's the simplest example of a universal problem: What you measure is what you get – what you reward is what you get.

Static measurements get stale. Market conditions change, new businesses develop, new competitors show up. I always pounded home the question "Are we measuring and rewarding the specific behavior we want?"

By **not** aligning measurements and rewards, you often get what you're **not** looking for.

Notes

Differentiation Develops Great Organizations

No one likes to play God and rank people, especially the bottom 10 percent. Differentiation is as tough an issue as any manager faces. I thought it was my job to talk about it, to force it every day, to demand it from everyone. From my first days, I thought it was the key to building a great organization. For us, the vitality curve made differentiation work. We used it relentlessly to push leaders to continually upgrade their teams. Year after year, forcing managers to weed out their worst performers was the best antidote for bureaucracy. Our surveys showed the lower we went in the organization, the louder the concerns about our weakest performers. The lower-level executives, more than senior managers, bore the brunt of laggards.

Differentiation is hard. Anybody who finds it easy doesn't belong in the organization, and anyone who can't do it falls in the same category.

Owning the people

We always told our business leaders, "You own the businesses. You're renting the

Notes

people." Bill Conaty and I felt we had personal responsibility for the top 750 managers. We looked after their development, their rewards, and their advancement. We ran the people factory to build great leaders.

Our business CEOs knew they would be rewarded for teeing up high potentials. Our boundaryless culture changed the game from hoarding your best people to sharing your best. Of course, I'd sometimes hear a groan on the other end of the phone when I'd call a business leader and say, "Sorry, you just lost X."

Giving up the best is not a natural act. Within minutes, we'd be talking about the backup slate to fill the new role we created. With our bench, the backups sometimes turned out better than the starters.

Appraisals All the Time

Appraisals to me were like breathing. In a meritocracy, nothing is more important. I was giving appraisals all the time – whether I handed out a stock option grant or gave a raise – or even when I'd bump into someone in the hallway.

Realm of Personal Leadership

Notes

I always wanted everyone to know where they stood. Every year, I'd send a hand written note with the annual bonus to my direct reports. I'd write two to three pages, outlining what I was looking for in the coming year. I'd attach to it the prior year's letter, which I would mark up in red, to give continuity to the process.

These notes did a couple of things. I had the chance to reflect on each business and what I thought was important. My direct reports realized that there would be follow-up – and that I cared a lot. The process was time-consuming, and sometimes late on a Sunday night, I would wish I hadn't started it, but it was great discipline for me.

Reading 4: Nissan's Turnaround ARTIST

Reading 4

Nissan's Turnaround ARTIST¹⁰

As he walked the floor of the Detroit Motor Show last month, Nissan CEO Carlos Ghosn was trailed by a sizeable entourage. There were Nissan executives from Japan and from its French partner, Renault, and a contingent from Americans – nine in all. Peppery and enthusiastic, his rectangular glasses, Ghosn (rhymes with “cone”) spent more than an hour examining new vehicles, occasionally climbing into the driver's seat. He fired off questions in French and English while candidly expressing his own opinions. “They do the minimum to make the vehicle acceptable but nothing more,” Ghosn observed about a competitor' SUV. “Good quality, but boring.”

Nothing is boring in Ghosn's life these days. Having reversed Nissan's slide towards bankruptcy and set it on a path to profitable growth, he has become a business celebrity. He didn't just rescue a company that everyone thought was doomed – the 47-year-old, Brazilian, French trained Ghosn did it in Japan, a country in which non-Japanese

¹⁰Carlos Ghosn is giving Japan a lesson in how to compete by BY ALEX TAYLOR III in Business Week, 2002

Notes

Realm of Personal Leadership

Notes

traditionally have little influence. Now Nissan, Japan's second largest automaker, is poised to challenge Toyota again in its home market, as well as in Europe and North America, and hold off an increasingly formidable Honda.

Nissan expects profits of \$2.9 billion for the fiscal year ending March 31, compared with a loss of \$5.7 billion 2 years ago. Ghosn did it by shrinking the company, streamlining its operations, and paying down debt. But just as remarkable as this financial performance is that he turned a group from losers into winners. "His greatest achievement is that he was able to restructure people's mindsets," says Norio Matsumura, executive vice president and board member.

Now the hard part begins. Ghosn has set ambitious targets for future growth: He wants to boost worldwide sales to 3.6 million vehicles, from 2.6 million now, to improve pretax operating margins to 8% from 6.3% for the first half of the year, and to pay off Nissan's remaining \$5.8 billion in debt. He has set a deadline of 2005 for those targets which would still leave the company well behind Toyota (5.9 million vehicles sold last year), but these are not impossible dreams. Says a recent report

Reading 4: Nissan's Turnaround ARTIST

Notes

from Frankfurt-based Commerzbank: "We believe that the company is on the verge of a major product revival."

That certainly is the thinking behind the Nissan's \$930 million bet in central Mississippi, where the company is building an assembly plant. An act of faith where Ghosn approved it in the dark days of 1999 – the company was close to collapse at the time – the plant is scheduled to start production in the summer of 2003 with three new vehicles aimed straight at the heart of the American market: a full-sized pickup truck, a full-sized SUV, and a minivan. Located in the small town of Canton, the factory will increase Nissan's production in North America to about one million units, bringing it closer to its Japanese rivals. (Toyota produces 1.25 million vehicles in North America and Honda 1.22 million.)

Nissan's turnaround – one of the most dramatic in Asian business history – has made Ghosn a star in Japan. Nicknamed "7-11" by the Japanese press because of his long working hours, he has written a best-selling account of his tenure at Nissan. A Japanese comic book aimed at businessmen is serializing his life story. He

Realm of Personal Leadership

Notes

causes a stir when he appears in public, whether he is being asked to pose for pictures in an airport waiting lounge or being applauded at a sumo-wrestling match. In an opinion poll Japanese woman named him one of the top four men they would like to father their children. Ghosn appreciates the recognition, not because it feeds his ego but because it serves his business purposes: “You buy cars from somebody you like.”

The most remarkable part of the Ghosn story is that he transformed Nissan's corporate culture without destroying its morale. Ghosn attributes his success to necessity – employees knew he was their last shot – and attention to detail. He was scrupulous about observing traditional Japanese social customs, refusing to lay off workers as Nissan downsized. But at the same time, he was committed to overhauling the business practices that had brought Nissan to its knees.

Ghosn's multinational background helped prepare him for his immersion in Japan. He has held executive jobs in four continents and speaks French, English, Portuguese, Italian and Spanish. (He's learning Japanese.) “He is not Japanese,

Reading 4: Nissan's Turnaround ARTIST

Notes

clearly,” says Isuru Nakamura, Nissan's chief designer. “But he is not Brazilian or French either. He is a leader. If his personality reflected a strong nationality, he might not have been very successful.”

Ghosn was born in Brazil, the son of a Lebanese businessman and a French mother. At age 6, he moved to Lebanon with his mother and sister to attend a French Jesuit school. Ten years later he was one of 300 students chosen from 6,000 applicants to attend the École Polytechnique in Paris, where he got an engineering degree. He then enrolled in the equally selective École des Mines de Paris for graduate training. At each juncture he refined his ability to adapt to new surroundings. “In any country I was always different,” he says.

After graduation, Ghosn joined Michelin, the French tire maker. Sent back to Brazil, he was chief operating officer of its South American business by the time he was 31. Four years later he was dispatched to South Carolina, where he oversaw Michelin's North American tire interests and completed a tricky merger with Goodrich Uniroyal. Since Michelin was a family run company, Ghosn had no choice to advance to the top job, so he was

Realm of Personal Leadership

Notes

looking for other opportunities when Lewis Schweitzer recruited him in 1996 to help run French automaker Renault. Ghosn closed a large assembly plant in Belgium, a tortuous proceeding that sparked massive protests, and rejuvenated the automaker's sales with new models, such as the Megane Scenic.

Two years later Schweitzer, desperate to expand Renault outside Europe, made a bid to bail out Nissan. At the time Nissan was dominated by managers who were famously bureaucratic and engineers who spent lavishly but couldn't produce the cars that made a profit. During the 1990's Nissan lost money in every year but one. Both Ford Motor and Damlier Chrysler had backed away from offers, but Renault agreed to take a 36.8% equity stake in exchange for assuming \$5.4 billion in debt. Few gave the alliance any chance of success. The idea of Renault recruiting Nissan, one observer commented at the time, was like relying on the French civil service to revive the Japanese economy.

Schweitzer tapped Ghosn for the job. Upon moving to Tokyo in 1999 with his wife and four daughters, Ghosn discovered a company in disarray. Nissan's factories had the capacity to

Reading 4: Nissan's Turnaround ARTIST

Notes

build almost a million more cars than it could sell. Purchasing costs were 15% to 25% higher than Renault's. And with debt of more than \$11 billion, it was running short of cash. Ghosn's diagnosis: "Nissan suffered from a lack of clear profit-orientation, insufficient focus on customers and too much focus on chasing competitors, no culture of working together across functions, borders, or hierarchical lines, lack of urgency, and no shared vision."

On the plus side, Nissan was in such a mess that people were looking for a savior. Ghosn's Brazilian-French-Lebanese background may have helped. Coming from outside the system, he had more freedom than a Japanese executive. But he also knew that he had to protect the identity of the company as well as the self-esteem of its employees. Simply dictating changes could undermine productivity. If he was too passive, the company would continue its downward spiral.

A week after he took over in July 1999, Ghosn created nine cross-functional teams to probe the innards of such vital functions as manufacturing, purchasing, and engineering to help him formulate a

Realm of Personal Leadership

Notes

revival plan. To promote cooperation from the whole company, he assigned a cross section of employees to the teams, not just top executives. He also salted the teams with key managers from Renault who had come to Japan with him. To make sure that everybody could communicate, he established English as the common language of the company.

Although, he was determined not to demoralize Nissan, Ghosn was quick to discard some traditional Japanese practices. One was the seniority system. Instead of paying and promoting employees according to tenure and age, Ghosn installed a merit plan. Ghosn also began offering stock options plus bonuses that sometimes amounted to more than a third of annual salaries. Finally, he created defined areas of accountability. He eliminated advisors and coordinators who had no defined responsibilities and gave all his executives direct operational authority.

While Ghosn was formulating his plan, he got a lot of advice – mostly to go slowly. “In a new situation, you have to listen to different opinions,” he says. “But a lot of people told me, 'Be patient, you can't do all this.' The question I asked myself was,

Reading 4: Nissan's Turnaround ARTIST

Notes

“Should I do what people think I should be doing or should I approach the problem directly?” the answer was clear. Says Jed Connelly, Nissan's top U.S. sales executive: “He didn't accept the old taboos about Japanese styles, and he convinced people that he was the solution. Un-compromised by old pledges or preexisting deals, Ghosn was free to do what he felt needed to be done.

By the biennial Tokyo Motor Show in October 1999, Ghosn was ready to unveil his “Nissan revival plan,” taking on some of Japan's sacred traditions. He planned to reduce Nissan's workforce by 21,000, through retirement, attrition, and reassignment to subsidiaries. He wanted to cut the number of suppliers in half and liquidate \$4 billion in cross-holdings between the companies and Nissan. The remaining suppliers were asked to deliver price reductions by 20% over three years. And what if it didn't work? Well, Ghosn said, if Nissan wasn't breaking even in 18 months, he would resign.

Bold in any culture, Ghosn's plans for Nissan hit Japan like an earthquake. At Nissan's annual meeting in June 2000, an antagonist criticized Ghosn for failing to bow before his speech, and added, “I

Realm of Personal Leadership

Notes

don't want to buy a car made by people who can't bow properly. You've got to learn some manners.” Replied Ghosn: “You are right. There are many Japanese habits I don't know because I've been working very hard. I intend to become more Japanese in the months to come.”

No part of the company was sacred. Ghosn promised to slash overhead and the number of dealers by 20%. But he also laid the groundwork for a revival of Nissan's product line. He freed designers from the tyranny of engineering by allowing them to make decisions without first considering manufacturability. He directed designer Shiro Nakamura, hired from Isuzu, to put some personality and individuality into Nissan's bland cars and trucks. And he promised to re-introduce the much-loved Z sports car as a symbol of Nissan's revival. (Look for it as a 2003 model.) He also announced a joint project with Renault to market small cars and said he would replace Nissan's European car line.

The product revival began to gather speed – and not a moment too soon. Nissan's slice of sales in Japan fell to a 27 year low of 17.4% in 2000, climbing back to 18% last year (2001). That enabled it to

Reading 4: Nissan's Turnaround ARTIST

Notes

stay ahead of Honda, which had 13.8%, but leaves it well behind Toyota with 42.2% of the market. Ghosn expected the share to rise to above 20% between 2003 and 2005, and remain there, but wasn't fretting about it. “I have no problem in losing market share that I don't deserve,” he says. “We are concentrating on profit.” In the U.S., Nissan had also lost share, slipping to 4.1% in 2001 from 4.3% a year earlier. But it reduced its marketing incentives and made its North American operations more profitable.

New models reflect the company's effort to develop a stronger identity by emphasizing edgy styling and hot engines. The revamped Altima, for example, is outselling previous versions 40% and is three times more profitable. With eight new Nissan and Infinity vehicles headed to showrooms in 2003 model year and another four arriving the following year, “Nissan has the potential to be the star among the Japanese manufacturers,” says Merrill Lynch analyst John Casesa.

Now that Nissan was back on its feet, Ghosn could turn his attention to the reason Renault bought the company in the first place: forming alliances for new

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projects that will create economies of scale. “With a multicultural company,” he says, “you have high risk, but you have higher potential and higher opportunity.” In the opinion of some analysts, the mere presence of Ghosn improved the chances of success. “Having a first-class strategist as a top manager is the most effective way to transfer capabilities,” argues Takahiro Fujimoto of the University of Tokyo, co-author of a paper on automotive alliances. “The transfer of Carlos Ghosn from Renault to Nissan may be regarded as the key to the success of this alliance.”

Although Ghosn's name is now mentioned for any vacant CEO job in the auto industry, he has vowed to remain at Nissan for at least two more years. He plans to find a Japanese executive to replace him. After that, he is due to succeed Schweitzer as head of Renault. Ghosn still maintains a residence in Paris. More than anywhere else, it seems to be where this man of the world feels most at home.

Reading 5

The Power of Words

by Harriet Rubin in Fast Company¹¹

Fernando Flores was Chile's minister of finance -- and, later, a political prisoner. Now he teaches companies how to use assessments and commitments to transform the way they do business. The outcome: executives who speak and act with intention.

Fernando Flores is pissed off. He has had enough of the bullshit. The 55-year-old philosopher, former Chilean minister of finance, former political prisoner under Augusto Pinochet's rule, has flown halfway around the world, from California to Holland, to transform two executive teams -- 32 leaders in all -- of a global construction giant. These are people accustomed to building on a grand scale. But right now, building is their problem, not their business: Their world-class reputation for being brilliantly managed, it turns out, consists only of hollow words -- words that have little power and less value.

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¹¹Harriet Rubin is a contributing editor at Fast Company and the author of *The Princess: Machiavelli for Women*.

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Flores knows about words and how they translate directly into deeds. He knows that talk is never cheap -- he often charges more than \$1 million for his services, a fee that is linked directly to specific promises of increased revenues and savings. He also knows that talk is the source of these executives' failure. Their words work against them -- which is why they can't get anything to work for them. Talk all you want to, Flores says, but if you want to act powerfully, you need to master "speech acts": language rituals that build trust between colleagues and customers, word practices that open your eyes to new possibilities. Speech acts are powerful because most of the actions that people engage in -- in business, in marriage, in parenting -- are carried out through conversation. But most people speak without intention; they simply say whatever comes to mind. Speak with intention, and your actions take on new purpose. Speak with power, and you act with power.

The team that Flores is working with is hemorrhaging money and losing market share. In charge is Anton, a Palestinian engineer, who is determined to turn things around. Last year, his division lost tens of millions of dollars -- which was

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actually an improvement over the performance of his predecessor, who lost significantly more. Anton attributes this improvement to Flores's intervention over the past six months. "We are still several hundred million dollars off our target goal," Anton informs his team, "which we will have to make up by the end of the year, only four months away. There is a look of despair in some of you. In others, there is a look of, 'I've seen this before. I can live with it.' "

Anton's language is strong, but his words are nothing compared with Flores's. "The soft issues are the hard issues," Flores begins. "Your problems don't come because you don't know how to calculate entropies or to design plates. They come because you don't know about people. Our best comes out when we have honest discussions. Our worst comes out when we behave like robots or professionals. You all have the delusion that it's your business to sell hardware. But every company of the future is going to be in the business of exquisite care -- which means quick turnaround time and convenience. To deliver exquisite care, you need an organization that coordinates well and listens well. Right now, you are in an organization that has

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poor quality and slow delivery. You have one big mythology in your favor: Everyone believes that you Europeans are impeccable. But I know you are jerks."

The temperature in the room is rising. The air-conditioning is on arctic blast, but the men are beginning to sweat. "When you get into a situation like this, nothing seems to work," Flores says. "That's when you don't need solutions -- you need transformation. You've already tried everything to stop your losses."

One executive says to Flores, "You're our last hope." "Hope is the raw material of losers," Flores shoots back.

The session has only started and already Flores has had enough. He lifts his 6-foot, 220-pound frame from his chair. Imagine a bear rising up on its hind legs: The men are simply not prepared for how big Flores is when he stands -- or how fierce. He turns on Tomas, a relative newcomer to Flores's sessions.

"Tomas," Flores begins, "tell me: Why is change taking so long here?" Tomas responds: The group is resisting Flores's approach. To Flores, Tomas's answer sounds like projection. It is Tomas who is resisting change. Flores invites Tomas's

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colleagues to "assess" Tomas. One executive leaps to the challenge. "Tomas, you are blind, egotistical, and inwardly focused," he says. "I can't challenge you without your getting defensive."

The words leave Tomas stunned. "Tomas," Flores says, "say, 'Thank you for that assessment.' " The words are part of a script written on an easel next to Flores. Tomas tries to repeat them, but he stutters when he gets to the word "sincerity," even though the rest of his English is nearly perfect. Flores prompts Tomas, "Follow the script, exactly as it is written":

Assessor: [Name], [negative assessment]; [positive assessment].

Person assessed: [Name], thank you for your assessment. I appreciate your sincerity. I would like to have further conversations with you about the topic. Assessor: Thank you. Person assessed: You're welcome.

"Tomas," Flores says, "why this rebel-child attitude? Can't you answer me?" Flores turns away in disgust. Another colleague uses the script to assess Tomas. "Tomas," he begins, "you are a bureaucrat. You are married to rules, not

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to listening." In fact, Tomas keeps his head down, scribbling notes, unable to look at his colleagues. Flores asks Tomas what he learned from this comment.

"That I have more work to do," Tomas whispers.

Flores eyes the group warily. "I am using Tomas for one purpose," he says, "to show you what transformation is not. To show you what it means to be weak and insincere. Tomas, stand up and tell me honestly what you think of me. This is how you develop trust. I know you have been saying things behind my back. I promise that no matter what you say to my face, I will reply with, 'Thank you for your assessment.' " Tomas measures out his words as if each one were a drop of poison for Flores to swallow: "I . . . don't . . . like . . . your . . . style." Flores corrects him: "You hate my style." "I hate your style," Tomas says.

"Thank you very much for your assessment, Tomas. I appreciate your sincerity. Now here is my assessment of you. You are an asshole, but less of an asshole than you were two minutes ago. You have opinions on things that you know nothing about. If you give me permission, I will train you. If you agree to

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be trained and don't follow my lead, I will kill you. And that's worse than my style." Then something amazing happens: Tomas smiles. He . . . thanks Flores for his assessment. He looks relaxed. And he recites the script word for word, this time pronouncing "sincerity" flawlessly and without hesitation. The mood in the room lifts. Tomas has walked through the fires of truth and come out safely on the other side, and there he has found trust. His colleagues beam. He is now willing to listen to what they have to say about him and to accept the truth in their criticism. He is not hiding from them or from himself. He feels . . . free. The conversion is almost spiritual.

"You feel good now?" Flores asks. "Yes," says Tomas, nodding, clearly pleased.

"That's what happens in an atmosphere of openness," Flores says. "When trust improves, the mood improves. Everyone feels more confident. One thing we need to do here is to produce despair -- because despair produces reality. A feel-good style can be a symptom of unawareness or lack of caring. I'm showing you what your blindness looks like. Drop the idea that you have a map for the future, or that you need one. I

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want you to build your sense of curiosity. If you act as if you know everything when you meet with your customers, you'll lose your job."

Tomas is not off the griddle yet. "Tomas," Flores says, "here is my prediction: You are going to be fired from this company if you don't transform yourself. You will be fired because all of the others in this room are committed to transformation, and they need you with them. If everybody here says you are full of shit, and you don't acknowledge it or see how that assessment serves you, you are doomed. You should be happy and grateful for these assessments."

Flores is making a larger point about the real source of strength in business. "In the western mind, there are two notions of compassion," he explains. "One is, I'm going to be a good Samaritan and help this guy. But that is the compassion of the weak. The compassion of the strong is in waking people up to their blindness. For that, you need to be a warrior. I am tough and sweet. I show you your bullshit, but I'm also infinitely patient with you." Flores stands up very straight and addresses the group. "Know this," he announces. "We aren't aware of the amount of self-

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deception and self-limitation that we collect in our personalities. I'm fighting for freedom, for breadth of being. I want to open up people's moral imaginations -- which will give them a strategic advantage in business, in politics, and in their personal lives."

The World According to Flores

There is magic in Fernando Flores: the magic of transformation. Like any true magician who transforms things -- or, in this case, people -- Flores is not content to describe the act of transformation. He must perform it -- which is what he has done with Tomas. To transform these executives, Flores must prompt them to engage -- specifically, through language. To get them to engage, he conjures up moments of truth and of trust. He must scare them to death about what they are not doing. "Great work is done by people who are not afraid to be great," Flores says.

The World According to Flores exists in three realms. The first is the smallest -- and the most self-limiting: What You Know You Know. It is a self-contained world, in which people are unwilling to risk their identity in order to take on new

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challenges.

A richer realm is What You Don't Know – the realm of uncertainty, which manifests itself as anxiety or boredom. Most things in life belong to this realm: what you don't know about your future, your health, your family. People are always trying to merge this second area into the realm of What You Know You Know – in order to avoid uncertainty, anxiety, and boredom.

But it is the third realm of Flores's taxonomy to which people should aspire: What You Don't Know You Don't Know. To live in this realm is to notice opportunities that have the power to reinvent your company, opportunities that we're normally too blind to see. In this third realm, you see without bias: You're not weighed down with information. The language of this realm is the language of truth, which requires trust.

As Flores practices it, transformation requires that you risk your current success -- What You Know You Know -- in order to join a more satisfying game. It allows you to enter the realm of freedom. But to get there, you have to shock your

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system out of its arrogance, blindness, and complacency. Since all action is based in conversation, the shock has to come through language.

This is Flores's realm, his gift, his invention. What Peter Drucker did for organizations, Fernando Flores is doing for individuals. Before Peter Drucker, there was no science of management. Before Fernando Flores, there was no science of organizational transformation. Flores has defined the terrain, drawn the maps, created the language -- and built the rocket ship to take you there.

The Journey of Transformation

Fernando Flores is . . . who? This is not a simple question. A magician of transformation, he is in a perpetual state of flux. Flores lives according to his own theories of language. When he speaks, he makes a commitment. If he says that he will phone you on Saturday at 9 a.m., you can set your watch by the ringing of the phone. He trusts people to be as truthful with him as he is with them; most rise to the occasion. His ambition is not to make more money: He's worth \$40 million. His ambition is not to conquer hearts: He cares only for the approval of his family

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and his clients. His ambition is to live every moment to the fullest and to help others to do the same -- which is why so many people say that Flores has changed their lives.

It's a lesson that Flores learned the hard way. In 1970, at the age of 29, he was named Chile's minister of economics -- becoming one of the youngest men in the country's history to hold that post. Later he was named minister of finance -- at a time when the country was undergoing its own transformation, from dictatorship to democracy. That transformation, however, ended abruptly in 1973, when Salvador Allende, the democratically elected president, died in a bloody coup. Flores was one of the cabinet ministers who fought Augusto Pinochet's fascist forces to the bitter end. Flores was imprisoned, subjected to mock trials, and punished with solitary confinement. For three years, he was separated from his wife and five children. Many Chilean intellectuals were reported to have "disappeared." Flores, for some reason, attracted the attention of Amnesty International, which helped to negotiate his release from prison in 1976. Being in prison changed his life: He emerged from jail with a new vision, a new

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understanding, and a new commitment to the fundamental connection between language and action.

"When I left prison, I had to figure out how to embrace my past," Flores says.

"Those three years represented a tragedy that I used to re-create myself, not something that was done to me. I never blamed Pinochet, or my torturers, or external circumstances. I feel 'co-responsible' for the events that took place. I never told a victim story about my imprisonment. Instead, I told a transformation story -- about how prison changed my outlook, about how I saw that communication, truth, and trust are at the heart of power. I made my own assessment of my life, and I began to live it. That was freedom."

In 1976, nearly broke, Flores came to the United States. In 1977, he began a PhD program at the University of California at Berkeley, drawing together several fields: the philosophy of language, computing, operations research, and management. He found himself drawn to the work of Martin Heidegger, a German philosopher whose dictum "Language is the house of being" defined for Flores the link

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between words and the self. From Heidegger, Flores learned that language conveys not only information but also commitment, and that people act by expressing assessments and promises. Computers, he concluded, would be more effective if they recorded and tracked commitments, rather than simply moving information.

In 1979, Flores completed work on his dissertation, "Communication and Management in the Office of the Future." Even before he had finished the dissertation, the power and insight of Flores's work -- in which he introduced the notion of "action language" -- had begun to make an impact. EST founder Werner Erhard heard about what Flores was working on and offered him a grant. The money seemed like a deliverance. While Flores had struggled to complete his degree, his wife, Gloria, had worked as a food preparer for Marriott. His teenage children had taken jobs at Burger King, and they contributed their wages to help keep the family going. Flores accepted Erhard's offer. After the dissertation was done, Erhard incorporated Flores's ideas into EST and invested in Flores's first company, Hermet Inc., a communications-consulting and software

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firm. But Flores soon became concerned about the direction in which Erhard was moving and broke with him. In 1984, Flores founded Action Technologies to develop software that can track the fulfillment of promises and commitments in day-to-day work operations. Then, in 1989, he founded Business Design Associates Inc., a 150-person, \$30 million consulting firm. But more than that, Flores is committed to living what he calls "life at its best." He chooses his clients. He rewards himself for his hard work with shopping splurges, sometimes buying \$1,000 worth of books -- and then rearranging his work schedule to give himself time to read them. Last year [2001], he bought a majority interest in a school in Santiago, Chile in order to test and teach his theories. It is a life filled with commitments -- a life based on freedom.

The Way Words Work

How does this all work? What is at the heart of Flores's system of transformation? To speak in language that promises action, you must practice assessments (to work on truth) and generate commitments (to work on trust). Here's how Flores's technique

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works.

Lesson One: How to Make Assessments.

The 12 men meeting with Flores are learning the baby steps of conversation, even though most of them are in their forties and fifties. "We haven't met for two months," Flores says. "Let's start with assessments."

Abel, an engineer in his fifties with a sweet, boyish face, begins. He turns to Felix, a planner. "Felix, I believe we still have many issues to discuss. There is still a lot of information that we need to share. On the positive side, I find you open to my concerns."

"Thank you for that assessment, Abel," Felix replies. "We are remiss in not discussing these problems more often."

"You're welcome," Abel says. Abel then proceeds to go around the room, assessing each man, always using the same script. When he gets to Ryan, the head of sales, Abel states that he is not getting a clear picture of what's going on in sales; on the positive side, he acknowledges that Ryan is working hard. "We're all working hard," says Ryan.

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"Especially my guys who are busting their . . ." Flores breaks in. "Don't change the story," he says, pointing to the script on the easel. "You are to use my story, not yours."

There is a method to Flores's model: Air strong opinions in public; make honest assessments in plain view of your colleagues. Truth equals trust. But you must make these assessments regularly, because, at first, people will try to game the system. They will use assessments as a way to enhance their own power or to diminish the power of others -- which is exactly what Ryan is trying to do now. Each time Ryan is assessed, he alters Flores's script slightly. He never says, "Thank you for your assessment," or "I appreciate your sincerity." Instead, he explains away the criticism that he receives. His refusal to follow the script is a red flag -- and a symbol of Ryan's problem in general: Ryan's own words reveal that he is a weak manager. Others trust him at their own peril.

Flores can take only so much of Ryan's insolence. "If people deviate from the formula," he spits out, "it is an opening for bullshit." In Flores's world, bullshit is

Notes

hypocrisy -- and it shows up in the language used within an organization.

Hiding behind hypocrisy and half-truths will weaken you and blind you to opportunity. That is why, Flores tells the men; engineers of their caliber can develop impeccable strategy and still fail. Their language lacks commitment, and that lack, in turn, generates resignation. When these men make sales calls to

clients, their speech is full of defeat. They don't notice it anymore, but their customers detect the lies and the empty promises.

That is why the assessment script is essential. If Ryan and the others stick to the instructions, they are more likely to hear the assessments made of them. If they hear the assessments, they will become less blind. If they refuse to cut one another any slack, to accept one another's lies, then they will fear nothing. Become practiced in making assessments, and you come to see others clearly, well beyond their fictions and lies. You also come to see how much influence you have over your own life. "We don't realize how much we create reality through language," Flores says. "If we say that life

Notes

is hard, it will be hard. If, on the other hand, we make commitments to our colleagues to improve our productivity, we also improve our mood, and as a result, clarity and happiness will increase. People talk about changing their thinking, but they have no idea what that is, let alone how to do it. The key is to stop producing interpretations that have no power."

Lesson Two: How to Make Commitments.

Assessments go hand in hand with one other speech act -- that of commitment. Commitments are bold promises.

According to Flores, the performance breakdowns in this company are attributable to failures of commitment: Executives make promises that they have no intention of fulfilling. "Your work is not impeccable," Flores challenges. "Ikea can't get away with selling a \$30 table with missing parts or bad instructions. But you think that you can get away with missing specs and bad quality in producing multimillion-dollar projects."

Ryan is presenting his idea for a logistics center, which he wants authorization to build and which he believes will save the

Notes

division \$2 million. "The opportunity is there," he says quietly, his tone now very different from his earlier one of cowboy arrogance.

"If you believe in this plan, why don't you close?" Flores asks. "None of your talk indicates action -- just desire." Flores has put his finger on the disconnect: Ryan has gone to enormous pains to develop a plan that doesn't excite him. Even as he presents it, he is backing away from it. He is doing what people do in organizations every day -- saying one thing, meaning another. Ryan is bullshitting his colleagues. The tragedy -- and the waste -- is not that his colleagues don't realize it but rather that Ryan himself doesn't realize it.

Felix, the planner, is already worried. Ryan's idea isn't too weak; it's too bold. "We can't make a decision like this from scratch," he says. "I don't think we're ready for it yet."

Flores lets loose. "I cannot tolerate this bullshit," he rages. "Listen, Boy Scout, what's your name? Felix? In this arena, I'm the master and you're the junior. A junior sees only one little piece of reality. The truth is, Ryan no more wants to build this

Notes

center than you do. You need to get a bold commitment from Ryan. Ryan, you say you want to start this logistics center, which will save your division \$2 million. But that is nothing! I want to teach you how to make \$20 million for your division. You need to learn to manage commitment! Ryan, what's the value of your logistics center?"

"It will give us competitive advantage," Ryan says.

In a flash, Flores becomes Ryan. He rounds his shoulders into his chest, recedes into himself, and says in a wimpy voice, "I think it will give us advantages."

Then he shouts, "There is no energy in that story! You need to put emotion into your message. If you can't put your body into it, there is no truth. And without truth, you can't sell the idea, not even to yourself."

Flores is standing. Spit is flying from his mouth. He conveys his message with his whole body. "Ryan, you are a Dilbert leader. You never take a stand. And here you are listening to Felix, who is resignation personified. You know what mood you are in? The life-is-tough mood: ‘

Notes

Don't be too optimistic. Next year, we'll lose a little less than this year.' If you live in a mood, you are blind to it. The last time I made that mistake, I was in prison for three years."

Now Flores is ready to challenge the group. He coaches them on how to develop a big story -- a story of a transformed reality, with the promise of an action plan. By the end of the morning, they have hammered out a plan for cutting construction time in half, saving \$10 million. They have also developed a bold proposal for entering the Y2K-consulting business, solving problems that some of their infrastructure clients may encounter.

Flores reminds them: This must be a total commitment. "I want you to say that the \$10 million project that you need to invent is a promise that you are obliged to keep. Can you invent a story in which you can be competitive, world-class people? That's an act of committed imagination. Your problem is not that you have to work harder. Value is not produced by hard work. Value is produced by a story. Value lies in creating a new possibility."

The team leader is pleased. "This day and

Notes

a half was the best time I have ever had," he beams. "These are ideas you can stick your neck out for. More than ever, our group feels like a team."

But Flores isn't buying it -- not yet. "Let me challenge you," he says. "In my opinion, you are still complacent. You say you have the best people, and yet you are still losing the war. How is it possible that the best troops in the world are losing the war? That's not an interesting story. Winning the war with the worst troops, as in *The Dirty Dozen*, now that's an interesting story. One element is missing from all of your stories: You have to be willing to risk your identity for a bigger future than the present that you are living. Ten million dollars isn't that much. I

think the real number to shoot for is \$30 million. And I'm a conservative guy."

How conservative is Flores? He has put his own identity on the line with this turnaround effort: He has promised to restore this business division to profitability, and he will continue to work with this client until it is satisfied. That is an interesting story. That is a bold gesture. That is commitment.

Notes

Fernando the Magician

One of Flores's critics calls him "dangerous." There is, says this doubter, something unsettling about Flores. Flores reminds him of the magician in Thomas Mann's haunting story "Mario and the Magician." In that story, the magician has the power to transform people: He gets important men to double over and bray like donkeys; he gets stylish women to leave their seats, where they sit beside their loving husbands, and to rush onstage toward him. The magician does all of this not through magic but by knowing that his audience -- powerful men and women -- have a great capacity to be led.

Does Flores think he is dangerous? A philosopher who sets out to change people and companies is playing a risky game. But most of the people he works with are desperate for change, for adventure, for a bigger playing field. These are the same people who buy books about conquering Mt. Everest, who sail dangerous waters for vacation, who seek the magic that will help them break free of the tyrannies that bind their lives and make them feel small. As for Flores, he played for even higher stakes when his

life and the lives of his family members hung in the balance in Pinochet's Chile.

Flores knows that freedom is worth the effort. "That critic who thinks I'm dangerous," Flores says, "tell him that I don't think I am dangerous enough."

Notes

Other books by the author:

- Go For it
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