

## Leadership In a Dynamic Era

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### Notes On Leadership

Today, in almost every sector of our society, we are facing a self-declared crisis of leadership. This cry is heard in newspapers, magazines, TV debates, and at dinner tables across the land. In the realm of business in particular, we seem to have a crucial need for leadership. When we look at our economic performance and compare ourselves with other countries such as Japan, China, and India, we often conclude that we have been losing ground and that over the last ten years our competitors have been doing better. At this moment we are contending with wave after wave of jobs moving overseas, the markets are whipping up and down and energy prices are rising at an unprecedented rate. As business leaders we are troubled by new announcements of once proud companies being sold, broken up or downsized. Underneath it all there is a nagging sense that something is not quite right as we face still more layoffs and plant closings, while profits go up. Some of this is clearly due to the changing nature of our economy, but we are nonetheless left wondering, who and where are the leaders of this new business world ?

In these notes we propose to take a fresh look at leadership. We aim to show that contrary to much of our current commonsense, leadership can be seen as an area of design and learning. Specifically,

we want to address the issue of how leadership is generated: how it is produced and what competencies are needed to produce it. Rather than follow the traditional approach of looking at the phenomenon of leadership and attempting to explain it we are going to "reverse engineer" it. We will demonstrate the set of competencies that generate the phenomenon and then point the way to learning how to develop the competencies.

Leadership is a term that produces conflicting and often controversial interpretations as there is no consensus regarding what the word actually means. Consequently, the ongoing attempts to distill it into check lists, habits, prescriptions, rules, tips, and techniques universally fail. Instead of attempting to simplify leadership, we suggest that we hold it as one of an extended set of practices that allow us to cope with the instability and unpredictability of our worlds. We use the term practice here to begin the process of distancing ourselves from the conventional wisdom. We are not simply talking about "things to do, tools, checklists, tips or techniques." Instead think of the "practice of medicine" as a frame of reference. In this case, the term practice refers in a holistic way to a collection of intricately harmonized actions, habits of thinking and acting, the background in which all of this happens, and the ethical orientations in which these actions are taking

place. In our view, great leaders do not spring up from nowhere nor do great leaders emerge from reading books or taking leadership courses.

Instead, they are coached by others who help them build their own practice of leadership.

Thus, we are working on developing a consistently effective practice of leadership. In doing so, we intend to address two of the central breakdowns in the business world today.

- We need a type of leadership that can, at all organizational levels, be developed, expanded, and modified as the situation demands.
- We need a unifying interpretation that allows for developing leadership as a competence.

Leaders shape a new vision of what is possible for a company, enroll others in supporting that vision, and devise strategies for putting in place the structures and resources required to make that vision a reality. In sum, leaders move us from one reality to another. In the past few years, the ever increasing pressure on business organizations to raise their level of competitiveness has placed the spotlight on leadership. Hundreds of books and articles on the topic have been written, and leadership training courses continue to proliferate. This trend confirms our claim that there is, as yet, no consensus on what leadership is. Thus, a good place to begin our work is to focus on what leadership is not and then turn to our interpretation of what it is.

### **What Leadership Is Not**

There are at least two different historical understandings of leadership and it is important to examine them both.

First, there is the idea that leadership is

the capacity to give orders. Many people imagine a leader as a General. This image represents a stereotyped military understanding of leadership connected to the action of command. In this interpretation, leaders seem to be people who get things done. As with many commonsense distinctions, this image is partly valid. Leaders actually modify how people act. However, when we restrict our understanding of leadership to the act of barking out orders, we produce a narrow understanding of what it really means to be a leader. Leaders not only get things done, they are also the inventors of what can be done.

Second, there is the view that leadership is an extraordinary capacity arising from an individual's exceptional character traits, such as vision, charisma, foresight, boldness, the ability to inspire others, and so forth. Leadership, in this interpretation, appears as something that either you have or don't have. If you don't have it, there is nothing much you can do. Within this understanding, leadership cannot be learned or designed.

As you might imagine we are going to take issue with these historical interpretations.

### **A NEW INTERPRETATION OF LEADERSHIP**

If leadership is to be an area of learning and design, we need to adopt a different approach. We need to recognize that, in the world of business, the central concern of leadership is the overall strategic direction the company will take, and the development and growth required for its continued survival, well-being, and prosperity. Management, by contrast, is focused primarily on coordinating action within the scope of objectives established by leaders.

Professor John Kotter, Matsushita Professor of Leadership at the Harvard Business School, tells us that, "... the

pioneers who invented modern management. . . were trying to produce consistent results on key dimensions expected by customers, stockholders, employees, and other organizational constituencies, despite the complexity caused by large size, modern technologies, and geographic dispersion. . . Leadership is very different. It doesn't produce consistency and order as the word itself implies. It produces movement. Throughout the ages individuals who have been seen as leaders have created change, sometimes for the better, and sometimes not.<sup>1</sup> This distinction between leadership and management is useful and gives us a good place to start our work on leadership.

Leadership, producing movement or change, becomes relevant and critical when our current way of coping with the world is no longer effective. We call for leadership in the face of:

- Substantial changes in an industry.
- Competitors or new technologies threatening to leave a company behind.
- Deeply dissatisfied customers and insufficient company response.
- Attempting new things when lacking good precedents, templates, or "maps."

Leadership's concern for the future manifests itself by asking certain key questions about the organization, including:

- Who are we? What is our vision and mission?
- Where is the world going? How is it changing?
- Who do we want to be 5-10 years from now?
- What kind of organization do we need to build to become who we want to be in the future?

- What kind of alliances will we need to make?
- What type of management practices will we have to put in place?
- What competencies do we need to have in our people and how do we develop competence and careers?

We call these and other key questions the "conversation for leadership." This large conversation sets the ground for the phenomenon of leadership. Leaders are people who recurrently engage in this conversation, asking themselves these and similar questions, and committing themselves to the answers they generate. Without asking these questions, without engaging themselves in the conversation for leadership, leaders cannot emerge.

In our view, the fundamental actions of a leader are rhetorical and conversational. This is central to understanding and learning to be a leader. Leaders move their worlds through conversations, through speaking and listening. They engage in conversations with individuals and groups, face to face and through writing, but always with a central focus on listening. Leaders listen to how others listen and challenge and shape their own listening and that of their audiences. In this sense, leadership is about listening to the world, articulating and crafting emerging concerns into visions of what is possible, and creating strategies for bringing what is possible to life. Listening is the most critical aspect of leadership and it is also usually the most difficult as people take listening for granted. We tend to think that listening and hearing are the same thing and this could not be further from the truth.

Leaders also produce movement in the world by declaring crises, priorities, and what needs attention, and by creating new experiences. They then listen to how others listened to what they said and shift their speaking to create opportunities for others to engage with the new possibilities they are bringing forth. For the competent leader,

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<sup>1</sup> Kotter, J., (1990). *A Force for Change: How Leadership Differs From Management*. New York: The Free Press.

leadership is actually quite simple. It is a conversational skill.

However, it is not easily learned, and the exercise of effective leadership is overwhelmingly complex if you don't know what to pay attention to. The central challenge is to learn to powerfully observe how leaders invent alternative futures in their conversations with other people, how they engage in and practice the conversation of leadership. To engage effectively in this conversation, leaders typically take on the following roles and responsibilities and learn the practices of:

1. Reading the world and creating a vision.
2. Declaring a mission (game).
3. Making alliances.
4. Building the organization and appointing individuals to positions of authority.
5. Creating follower ship.
6. Generating resolution and mobilizing action.
7. Managing power.
8. Producing unsettlement.

We will consider the specific competencies associated with each of these in more detail below.

What is important to emphasize at this point is the constitutive role played by language. Becoming a competent leader, as the term "conversation for leadership" implies, is inextricably bound up with competence in certain types of linguistic moves.

### **Leadership And Language**

Our central claim is that leadership happens in language. Leaders produce a certain reading of the possibilities that the world is presenting, an interpretation of where it is headed, and on this basis, articulate a vision to inspire and guide their

organization's future. They declare a mission and the team(s) that are going to achieve it. They make assessments of the possibilities they see, and formulate requests, promises, and offers to realize them. We will have more to say on this topic later. Leaders can greatly enhance the overall level of effectiveness by becoming aware of the linguistic dimensions of leadership, and, through practice, come to embody these dimensions. Leadership is also a linguistic phenomenon in the sense that, at its essence, leadership is an assessment.

When we say that someone is a leader, we are not describing some inherent set of qualities they possess, nor a position they hold in the organization. Rather, we are making the assessment that they have the authority, legitimacy, power, and the competence to take certain kinds of action, such as declaring a mission, and that they are effective at same.

There are several advantages to the interpretation that leadership is a linguistic competence as opposed to a character trait. Foremost among them is that we can become observers of the recurrent practices of leadership. This opens up the opportunity for learning, design, and accountability.

### **Recurrence Is Key**

We define "recurrence" as the repetition of certain practices. When leadership is understood as a collection of individual characteristics, it appears to offer little evidence of recurrence. Styles of leading vary widely from one leader to another. One may be admired for his boldness, another for the acuity of her vision, and still another for her commitment to the well-being of the employees. It is hard to make meaningful comparisons here. The specific mix of qualities an individual draws on, and the degree to which he or she embodies them, may vary infinitely. This way of seeing leadership offers little possibility for learning. However, when we focus on the

linguistic aspect of leadership, a set of common moves begins to emerge. There is a small, finite set of actions and underlying competencies associated with the conversation for leadership.

These recurrent aspects of leadership remain the same, regardless of the individual style and the organizational level involved. It is precisely this universal recurrence and our capacity to be observers of it that opens up leadership as a domain of design and learning.

Once we move out of the realm of individual character traits into that of recurring linguistic moves, learning becomes a possibility. When being a leader is associated with charisma, courage, or some other personality trait, we are left with just two possibilities: either the individual in question has it or he or she doesn't. By contrast, declaring a mission, making alliances, managing the action cycle, and so forth, are clearly identifiable linguistic competencies which, as we've seen in other papers and program elements, can be developed, practiced, and embodied.

When the roles and responsibilities recurrently associated with the linguistic dimension of leadership are systematically made explicit, leaders can more easily become fully accountable for what they do and the results they produce. They can also ask and expect the same from the members of their teams. Furthermore, when things go wrong, the toxic moods of blame and resentment that so easily arise can be replaced by those of acceptance and openness to learning. This is clearly not the norm in the business world today.

### **The Basic Competencies Of A Leader**

Let's turn now to a more detailed examination of the various competencies associated with the conversation for leadership.

## **1. Reading the World and Creating a Vision**

No organization is an island. Each one exists within a rich and dynamic set of social, economic, political, cultural, and institutional environments that are in a constant state of flux. To a large degree, an organization's success depends on how well it positions itself to compete in the world in which it moves. This positioning is the fundamental role of leadership. Therefore, one of the most important competencies of leadership is the ability to read the world. Reading the world is the way that we describe the capacity of leaders to listen to what is going on around them and sort through the vast array of stories or narratives that people tell about their worlds and their futures. Narratives are the source of our opportunities as they are the means by which leaders reconnect and re-couple worlds in ways that create new understandings of our pasts, new bridges to the future, and new end games. It is in our narratives that new and uncertain yet exciting possible futures have the opportunity to capture the hearts of organizations, teams, and customers. In interpreting and shaping narratives, leaders create new worlds, new opportunities, new paths to the future, and new obstacles that must be overcome. In this sense, storytelling is the means by which leaders re-craft the business space so that new offers, exchanges, and practices can be invented.

To develop competence at reading the world a leader needs to be well informed about what is happening, including emerging trends and developments in multiple areas that affect the business. Senior executives in the nuclear power industry, for example, must keep up not only with the latest technological innovations, but also with new federal regulations and guidelines, changing public attitudes towards health and ecology, the cost structure of competing forms of power generation, the likely power requirements of

developing nations, and so forth. Grounded in their interpretation of where things appear to be headed, effective leaders create a vision of the emerging world as the basis for the organization's competitive strategy. As Hamel and Prahalad point out in their book *Competing For The Future*, surprisingly few executives devote much time and effort to this exercise, in spite of its obvious importance<sup>2</sup>. A powerful, well-grounded vision of the future can open the way for a business organization to achieve long-term competitive domination. Correspondingly, failure to adequately anticipate the future can lead to an organization's rapid demise.

The capacity to read the world and create a powerful vision consists of several distinct competencies:

Observing the world within an effective framework of distinctions the world sometimes seems to be simply an assemblage of facts, and we succumb to the illusion that with sufficient objective analysis, we can arrive at an accurate understanding of it. Experience tells us, however, that the world appears differently to different observers. We interpret the world according to the framework of distinctions within which we view it. Consider, for example, the difference between a layperson and a doctor listening to a heartbeat through a stethoscope. The layperson will probably hear a series of beats and assume all is well. The doctor, on the other hand, might detect a certain arrhythmia indicating a potentially serious heart condition. Both are presented with the same acoustic signal, but the doctor, because of the distinctions he or she is able to bring to bear from her medical training, interprets the signal differently. Similarly, two business people operating with different sets of distinctions may come to widely varying interpretations of the future, based on the same factual evidence. The CFO of an organization may interpret the news that

sales are down to mean that a cost-cutting initiative is called for while the sales manager may see it as a mandate to spend more on sales activities.

### Creating a coherent narrative

Making sense of the world requires more than a simple set of facts or distinctions.

Understanding depends on coherence, on how things "hang together" for us. Our tendency as human beings is to create coherence in the form of stories or narratives. Typically, we are unaware of this. Psychotherapists are familiar with the phenomenon that leads certain patients to unconsciously order their life around a particular story such as one that has them repeating the pattern of their parents' failed marriage in their own. What matters here is not whether the story is true, but rather whether the patient can come to recognize the pattern and ultimately make sense of his or her past actions, thereby opening up a different set of possibilities. Business organizations also, explicitly or implicitly, create stories about the world from which they fashion their business strategies. To take a celebrated example from the computer industry, IBM was convinced that the main profits in the personal computer market lay in the manufacture of hardware. Bill Gates had a different story. Taking the same set of "facts" that were available to IBM, he constructed a vastly different coherent narrative that anticipated that technological advances would continuously drive down the cost of hardware. He then asked the question, "What would happen if computing power were virtually free?" The answer he foresaw was that value, and therefore profit, would reside in software. Both IBM and Microsoft had the same facts available to them, but they created different interpretations about what these signified for the future of the industry. History has shown that Gates' story, the way he made sense of what he saw, was the more powerful one, opening the way for Microsoft

<sup>2</sup>Hamel, G. & Prahalad, C. (1994). *Competing for the Future*. Boston: Harvard Business School Press.

to become one of the fastest growing and most profitable companies of the century.

### **Grounding with rigor**

We are free to make sense of the world in many different ways. There is no method that guarantees the one we pick will prove to be successful. Certainly luck and happenstance will play a role, as will the degree to which we and others remain committed to our vision. Nevertheless, we can improve the odds for success. A story about the world is a coherent interpretation consisting of a series of claims, and these can be more or less well-grounded. Gates could have found partial grounding for his claim in Moore's Law (the price / performance ratio for microchips doubles roughly every two years, thereby lowering computing costs). The more rigorously grounded the claims that constitute a story, the more effective that story is likely to prove.

This is where the traditional analytical tools of business can usefully be brought into play. They can provide a wealth of factual assertions and ways of validating assessments to support a given interpretation of current and future trends. A caveat is in order, however. The power of a story, its capacity to open the way to successful new modes of action, still depends in part on the distinctions on which it is based.

No amount of grounding will give power to a story that is formulated within an inadequate framework. The demise of Pan Am in the 1980's, for example, has been partly attributed to the fact that in the highly competitive North Atlantic routes, they interpreted customer satisfaction as being largely a matter of price value. No doubt they had plenty of grounding for assuming that a particular price point would prove competitive. What they failed to observe was that after years of cutthroat competition on price, service was becoming one of the key differentiators of customer satisfaction.

British Airways, on the other hand, grasped this distinction early and thereby gained a significant competitive advantage.

### **Evoking a mood**

Part of the power of a story resides in the moods it evokes among those whose lives are connected to it. An interpretation that prompts enthusiasm, ambition, and energy is likely to produce more commitment than one that triggers a degree of anxiety.

While we cannot claim to be able to design moods, we can say that the moods a

story tends to evoke are closely connected with the paths to action they open. The more these effectively address the concerns of participants, the more positive the moods prompted by the story.

Of all the competencies of a leader, learning to read the world and produce a powerful interpretation of the future is perhaps the most fundamental and important, since it subsumes all the others. Creating a coherent, well-grounded story that makes sense of the world in ways that evoke strong commitment is a distinctive act of leadership that can lay the foundation for future success.

## **2. Declaring a Mission**

In articulating a vision, a leader is opening up certain possible paths to the future while closing others. If, in our interpretation, software is what is going to be profitable in the personal computer industry, then it makes little sense to shift resources into hardware production. This was a mistake that Apple made, which until the advent of the iPod, had relegated it to a small player in a vast market. Out of a vision, a leader can declare a mission, or in other words a game; the organization commits to play a game that will create the organization's future. A vision, then, is about the world and the impact we aim to produce,

whereas a mission constitutes a declaration of how we intend to position ourselves to realize our vision and the results we are committed to achieving.

In declaring a mission, a leader is requesting that the organization align its actions behind certain strategic roles and objectives. The first requirement for creating a powerful and coherent mission is that these roles and objectives are based on an explicitly stated interpretation of the world. Lacking this, a mission may degenerate into little more than a cheerleading slogan. The case of Apple is instructive. Steve Jobs famously declared that the company's mission was to "create insanely great products." Few would disagree that Apple has done so, but we can make a strong case that this goal has been achieved at the expense of gaining only a minor market share. Some attribute this result to Jobs' failure to articulate a vision as powerful and coherent as Bill Gates at Microsoft.

Vision and mission, then, are interdependent: a mission without a vision is blind, while a vision without an accompanying mission can never be realized. In fact, achieving a mission may prove to be a vital contribution to bringing about a particular vision. Much of what has already been said about articulating a vision is equally relevant to formulating a mission. A mission, to be effective in determining a business organization's activities, needs to:

- Be stated in terms of a clear framework of distinctions.
- Constitute a coherent story about the future.
- Be grounded not only in a vision, but also in a set of assessments and assertions about the competence and capacity of the organization to carry out the mission.

Finally, a mission should evoke moods of ambition and willing cooperation. In other words, it should represent an interesting and

rewarding game for the participants to play.

### 3. Making Alliances

An important competence that leaders must possess is the capacity to make alliances.

Alliances make possible what was not possible before. They create new conditions that allow us to play games that could not be played before. An alliance is made when two players mutually agree to support each other while also retaining their autonomy for independent action. If, for example, they merge into a single entity, we don't call this an alliance. To make alliances the players must keep their autonomy, even though they may be engaged in common actions. An alliance is normally based on the players' assessment that by mutually agreeing to support each other, they all increase their particular capacities for action. Alliances modify the horizon of possible actions. In building an alliance the players may need to make concessions and to face some costs. However, their engagement is usually made on the assessment that, overall, they increase their power position within the game, or that they lose less than what they would have lost, without having made the alliance.

A constitutive condition of alliances is trust. Without trust we cannot make alliances.

Trust appears as the assessment players make that they will mutually fulfill their promises of supporting each other (whatever this means for them) according to their agreement.

### 4. Building the Organization and Appointing Individuals to Positions of Authority

Leaders must declare and build the organization that their mission requires. Typically, this means constituting a team that is capable of achieving the goals and

objectives of the mission. Effective leaders delegate authority to those they appoint to the team, thereby expanding their own power base and capacity for action. At the same time, they take ultimate responsibility for all the actions of the team, including hiring and firing personnel, making contracts, and achieving or failing to achieve the team's objectives. In today's world, it is essential for leaders to be mindful of the careers of the people in their organizations. Leaders know that they cannot make a promise of permanent employment. Instead, they can promise work that is satisfying and an opportunity to develop competence that will be of universal value. In our world, learning is a constant requirement. Leaders move to ensure that the people in their organizations are provided with constant opportunities to develop themselves.

Consistent with the need to develop competence is the need to develop leadership.

One of the hallmarks of great leaders is that they develop other great leaders.

Authentic leaders are not threatened by the emergence of new leadership in the organization. Instead they cultivate it, channel it, and hold it as a sign of effectiveness.

## **5. Creating Follower ship**

Leaders require direct followers who commit themselves to achieving the mission declared by the leader. Most of us prefer being a leader rather than a follower, but commonsense tells us that any organization, to be effective, needs both. Furthermore, leaders are also followers, not only in the sense of supporting others' missions, but also through subordinating their own concerns for the sake of serving those of the team or organization as a whole.

Leaders may create followers by simply

exercising the authority of their office. But the most effective way of ensuring full support is by generating positive moods like appreciation, ambition and enthusiasm. This goal can best be achieved by addressing the concerns of the team, organization, or community in a direct and meaningful way. Such concerns may include the chance to do interesting work, financial rewards for good performance, opportunities for professional learning, and career development. Declaring a mission that addresses these concerns, in whole or in part, contributes strongly to producing positive moods among followers by expanding Page 11 © 2007 their horizon of possibilities. Of course, not everyone may immediately recognize how this is so. One of the key tasks of leaders, undertaken at the outset, is to produce the listening among their followers that what they are being asked to commit themselves to will enrich their lives in multiple ways.

This point bears emphasizing. We live in an era when downsizing, increasing work hours, ceaseless pressure for higher profits, internal competitiveness, and similar factors have produced a toxic brew of resentment, resistance to change, and self serving political maneuvering on the part of many employees at all levels of the organization. The cost of all of this dysfunction is significant: projects are abandoned or fail to achieve their objectives; employees are unwilling to embrace changes in business culture; self interest takes precedence over the best interests of the organization as a whole, and so forth. Only when leaders take seriously their responsibility to serve those who support them can this trend be reversed.

One area of concern and special importance is career. Organizations provide a framework of stability for people who work for them. Despite the regular turnover of employees, organizations have become places in which many people build their public identities in life. Even when people leave the organization, what they did there

affects how they are going to be seen outside the organization. Today a great number of people develop careers within organizations. Taking care of people's identities is one of the basic competencies that someone must have to be assessed as a leader. One of the key contributions a leader can make in this domain is to create an environment in which a mood of ambition naturally arises and flourishes. There are several ways of doing this.

- Declare a mission that constitutes a game worth playing. Being part of a team committed to producing a breakthrough in battery technology for electric cars is more likely to make someone feel positive and energized about her future than belonging to a team simply charged with reducing unit costs.
- Create ample opportunities for learning. People are invariably more ambitious when they know that their work continuously provides them with possibilities to broaden and deepen the range of their competence.
- Reward effort fairly. Employees are encouraged when they see that promotion and salary increases are given in recognition of genuine effort and achievement, rather than resulting from favoritism or political maneuvering. In sum, leaders who are judged to support the career aspirations of those who work for them produce loyal followers. Leaders can support and serve their followers in several other important ways:
- Act consistently with declarations. Every leader knows the value of setting an example. This is especially true in regard to acting consistently with one's own declarations. Followers are quick to assess how far a leader's commitment to a vision and mission goes by assessing the way he or she acts. "Walking the talk" helps generate

and sustain a mood of mutual trust and respect.

- Provide timely feedback. Few things are more frustrating than having one's efforts assessed negatively at the end of a long and arduous project. Team members need feedback on their performance at regular intervals. This doesn't mean a leader has to engage in micro-management. What is required are timely assessments of a performer's alignment with strategic direction. This ensures that team efforts remain on track while reassuring each project participant of the leader's continuing interest in and commitment to the outcome.
  - Remain constant in support. Leaders want loyal followers, but this, in turn, demands that they themselves be loyal to those who serve them. When a leader's support appears to be arbitrarily bestowed, when it wavers in hard times, or worst of all, when it seems to have been removed under the pressure of organizational politics, disenchantment rapidly sets in. Correspondingly, mutual loyalty builds on itself, producing a positive spiral that often leads to extraordinary results.
6. Generating Resolution and Mobilizing Action Leaders must produce the resources necessary to attain their declared mission. To do so they develop effective practices for bringing resolution and mobilizing action.

These are conversational practices. Leaders declare and manage speculative conversations to generate possibilities. They organize and manage transitions from people's experience of frustration or excitement to sets of clear concerns and articulated actions. They dissolve hidden negative moods of ungrounded hope, resignation, skepticism, overwhelm and the like. Importantly, they remove the friction that produces something less than total commitment to impeccable execution. This

requires that they become masterful at mobilizing action and using the action cycle. In particular, this requires that they fulfill their role as customers in the action cycle. In making requests of his or her team, a leader must set out clear conditions of satisfaction. In making their promises, members of the team are then able to make clear requests for the resources they need. It is the leader's responsibility to ensure that these resources, typically in the form of budget, staffing, and time, are made available. Not being a "good customer" is a frequent source of breakdown in leadership. For example, when a leader fails to set out explicit conditions of satisfaction for a request, those who are making promises as performers may be uncertain as to what is required of them, and so in turn fail to make clear requests for resources. If, as a result, the project fails, each side is likely to blame the other, producing a mood of distrust and resentment. To develop harmony within an organization coordination of action between different individuals is needed. This is a key difference between leaders and managers. Management is the competence to coordinate the actions of many individuals to generate and deliver the conditions of satisfaction involved in the leader's promises. When a leader delegates authority, the competence of management is exercised not by the leader but by someone else. When this happens, leaders and managers appear as two different roles in an organization, with different domains of concerns. Leaders appear more strongly connected with making the basic declarations and promises that constitute the organization. Managers appear more involved in dealing in the coordination of specific promises that tie the organization together.

Although the roles of leadership and management can be separated, leaders are ultimately responsible for the actions of the whole organization. Delegating power is always at the discretion of the leader. Final responsibility over the organization's actions is never delegated, since leaders

themselves are responsible for the action of delegation.

## 7. Managing Power

In the end, business is a power game and authentic leaders accumulate, exercise, and manage power. Many people get triggered into useless assessments and moods when the conversation of power arises and thus we need to sort out a few things before moving on. In the West we seem to have curious relationship to power as we go to great lengths to disguise and distance ourselves from its use. This tendency is, in our opinion, both naïve and ultimately dangerous as it leaves us open to a host of breakdowns. In another paper we have set out a series of distinctions about power so we won't go over it all again. For now, let's say that the common aversion to

power is based on seeing it as domination. The knee jerk response is to avoid the use of power by setting up endless committees and processes and casting organizations and teams as partnerships. We see this as a poor attempt to escape the distaste for the exercise of power and is in part at the root of the breakdown in business leadership today. There is no leadership without the exercise of power. People need leaders. Of course we don't want them to dominate us. Neither do we want them to be our partners, not really. We want them to lead, to be out ahead of us.

To further distance ourselves from what we see as a broken commonsense, we are going to offer a new interpretation of power that holds that power is merely a differential capacity for action. To say that one has power is to say that he or she has the capacity to act effectively in some particular domain. He or she is able to produce results with more efficiency, speed, or quality than someone else can. It doesn't mean he or she is a better person or more dominant, it means he or she is more effective.

When we say that someone is a leader we assess that he or she can effectively use

the conversations of leadership to design and deliver a new future for an organization.

Organizations accumulate many kinds of power. For our purposes we will distinguish three kinds of power and measure the accumulation of power as "capital."

- **Financial Capital:** The traditional measure of this capital is money. In the context of organizational power it provides the holder with the capacity to make bigger requests and offers in the marketplace.
- **Pragmatic Capital:** This is traditionally seen as know-how but this is a bit of an oversimplification. Pragmatic capital is the collective power of the individual and organizational capacities to deliver specific roles. It is organized as networks of roles, skills, equipment, and technologies in unique and often proprietary configurations to deliver performance that produces a competitive advantage.

Pragmatic capital gives the organization the capacity to fulfill offers, innovate new ones, and generate ongoing value for customers.

- **Symbolic Capital:** This is the public identity, recognition, and reputation that an organization generates for itself. It is valuable in that it provides access to networks and resources which in turn give the business the capacity to be perceived and recognized in a singular way in the market place.

Power in business is about building collective identities, inventing and completing exchanges that produce value for customers and stakeholders, and insuring the long-term viability of the organization. Leaders use power to effectively attend to these concerns and those who fail to exercise power while leading tend to generate unpleasant

consequences.

**8. Producing Unsettling Effective** leaders have rich practices for producing and managing what we are calling unsettling. This set of practices gives leaders the capacity to challenge and dissolve parts of the current commonsense, upset current certainties, and create space for new questions, new ways of listening, and new concerns to emerge. Leaders produce unsettling in a host of different ways: sophisticated humor, producing brutal breakdowns, bold assessments and declarations, and carefully crafted analysis. How the unsettling is produced is far less important than having the capacity to produce it and keep people unsettled as long as necessary to produce a new shared background of understanding. Unsettling gives leaders the space to take advantage of emerging opportunities. The capacity to produce unsettling is also the reason that leaders are often characterized as rule breakers, challengers of established values, or possessed of difficult behaviors or weird personalities, as this is not a common capacity.

On the other side of the equation, after the unsettling has done its job, effective leaders also declare new certainties that reorient people to a new view of their business and reorient their actions.

Strong leaders don't just produce unsettling about the future that is coming. They are just as likely to attack our comfortable interpretations of the past as a means for re-orienting us to a new future. Powerful leaders have a remarkable capacity to attune themselves with strong historical discourses and rebuild their practices and identities out of them. We can think of a few leaders like Jobs, Gates, and Grove that have led their companies through not just one or two, but many competitive and technical challenges and cultural changes.

A critical aspect of unsettling is the capacity for self-transformation found in

many of our greatest leaders. Effective leaders often act out of the conviction that reinvention of their business is also a reinvention of themselves. These leaders engage in conversations in which they transform themselves to become critical nodes in emerging value-generating networks.

An effective leader has a friendly relationship with the unknown since not knowing is a powerful asset in the hands of a skilled leader. Contrary to the current wisdom, expanding our ignorance is the only chance we have for something new to emerge. This is the essence of unsettlement.

### Building Your Leadership

As you explore the eight basic conversational practices of leadership we ask that you be clear about a few things:

You are not at the end of the journey, but are just beginning. No one ever became a leader by reading a paper or book on the subject and this one is no exception. If you are serious about taking on the task of learning to be a leader or a more effective leader, the practices that we have set out will open a new world for you and assist you in generating a new future for yourself and your organization.

A leadership strategy is not constructed from an array of elements that are cobbled together from the current literature. Rather, it is designed as something simple yet powerful that touches the heart of the business with a few decisive initiatives that change the game.

In the Western tradition, the leader is the solitary individual who by accident, discipline, or other reasons or circumstances develops his or her skill as a leader. We do not advise that you attempt to carry on this tradition. Leadership is a phenomenon that arrives and thrives in social and organizational networks and is

best developed with the guidance of a committed coach.

### Conclusion

The traditional understanding of leadership provides an infinite list of results, qualities, and anecdotes that accompany the presence or performance of a leader or it lists tips, techniques, habits, and traits. This may or may not be a good way to observe what leaders do. However, it does not offer an acceptable interpretation about how those results were generated. It does not tell us how those qualities can be gained and how those anecdotes make sense as part of a basic learnable practice. Instead of starting from the phenomenon of leadership itself, we can now start from the competencies that constitute leadership and end up producing the phenomenon. We can now see that by developing those competencies, leadership is actually generated. All these competencies can be learned, and once learned, all the results ascribed to the phenomenon of leadership can be generated. Leadership then becomes an arena of learning and design. We have reached a point from which we can now not only describe the phenomenon of leadership, we can also explain it and produce it. Finally we must stress that merely reading this paper will not produce leadership. What the reading produces is a new capacity to see the phenomenon, not a new capacity to act. To learn to be a leader inside of this interpretation will take time, a commitment to practice, and the perseverance to stay engaged in the process of learning. We claim that in business today there is no more important commitment that one could make.

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