



# Better

UNDER PRESSURE

*How Great Leaders  
Bring Out the Best  
in Themselves and Others*

Justin Menkes

HARVARD BUSINESS REVIEW PRESS

# Better

## UNDER PRESSURE

*How Great Leaders  
Bring Out the Best  
in Themselves and Others*

Justin Menkes

HARVARD BUSINESS REVIEW PRESS

*Boston, Massachusetts*

Copyright 2011 Esaress Holding, Ltd.  
All rights reserved  
Printed in the United States of America  
5 4 3 2 1

No part of this publication may be reproduced, stored in or introduced into a retrieval system, or transmitted, in any form, or by any means (electronic, mechanical, photocopying, recording, or otherwise), without the prior permission of the publisher. Requests for permission should be directed to [permissions@hbsp.harvard.edu](mailto:permissions@hbsp.harvard.edu), or mailed to Permissions, Harvard Business School Publishing, 60 Harvard Way, Boston, Massachusetts 02163.

Library of Congress Cataloging-in-Publication Data  
Menkes, Justin.

Better under pressure : how great leaders bring out the best in themselves and others / Justin Menkes.

p. cm.

ISBN 978-1-4221-3870-0 (hardcover : alk. paper) 1. Executive ability.  
2. Leadership. I. Title.

HD38.2.M46227 2011

658.4'092—dc22

2010047556

The paper used in this publication meets the requirements of the American National Standard for Permanence of Paper for Publications and Documents in Libraries and Archives Z39.48-1992.

## Introduction

---

# Great Leadership in a World of Ongoing Duress

**A**s I sat in the conference room of one of the largest companies in the world, the board members and the CEO and chairman were nodding their heads in agreement to several statements written on a white board in front of us. We had spent the last two days going through a process my colleagues and I facilitate at the beginning of every CEO succession effort—identifying all of the strategic challenges facing the business, and thus the skills the CEO’s successor would most need to thrive. The list of challenges, any of which would mean a massive, fundamental shift in the company’s ability to make money, included items such as these:

- Nationalistic movements in countries where our production is based threaten to renegotiate our contracts or annex our facilities outright, threatening 70 percent of our supply lines.
- Political leadership is proposing dramatic new taxes on our industry that would radically reduce our profitability.

- Our product is being called a threat to the environment. Therefore, much of our customer base is calling for a sharp reduction of our product's use or its outright replacement within the next decade.

All of the threats on this list of doom were highly plausible. Was this company in trouble? It was. It also happens to be one of the most profitable companies in the history of private enterprise.

The CEO remarked nonchalantly as the group stared at the list, "That looks about right."

That's when the full impact of what I'd been observing at companies over the last decade hit me: no matter how successful, thriving, or seemingly secure any business appears, there are no longer periods of calm seas for leaders in any industry. Leaders today must be at home navigating a ship through forty-foot waves—oceans that will never again be serene—and still be able to guide their crew safely from port to port. In other words, they must continue to be highly effective, particularly in an environment of extraordinary, ongoing stress. They must be better under pressure.

A broader statistic clarifies this point about the new operating environment: more than half the companies that were industry leaders in 1955 were still industry leaders in 1990. Yet, more than two-thirds of market leaders in 1990 no longer existed by 2004.<sup>1</sup> Bethlehem Steel, Woolworths, Arthur Andersen—all corporate institutions that endured for a century or more—have disappeared in the last ten years.

What kind of leader does it take to help companies survive—and thrive—in the midst of such a fundamental shift in the operating environment? What qualities make leaders able to sail through the rolling ocean that is the new normal, and bring their people with them? And how can leaders develop those attributes?

To perform their best in precisely such an atmosphere of multiple ill-defined and ongoing threats to the enterprise's survival, a leader

must possess a highly unusual set of attributes that often run counter to natural human behavior. This book, written for leaders and aspiring leaders, will explore those attributes in detail—and show you how you can begin to develop them yourself. These attributes also add up to a new definition of leadership. The definition takes into account the way that all individuals—leaders and the led alike—are influenced by those around them in their quest for success.

## A New Definition of Leadership

As a psychologist who works with the world's top CEOs, I have spent the last eight years specifically studying the differences between CEOs who fail and those who have shown remarkable staying power. I've worked with companies as they vet candidates for their top positions, helping them understand the key attributes needed for a person in that position to succeed. The findings in this book are based specifically on in-depth psychological interviews conducted with dozens of CEOs from the world's largest companies, both retired legends and those considered current masters of their domain, as well as analyses of performance evaluations for more than two hundred candidates being considered for chief executive roles.

Two of those conversations in particular help frame the most important lessons about what sets the best leaders apart under today's extreme conditions.

Larry Bossidy, retired chairman and CEO of Honeywell, spoke about the single thing that influenced him most profoundly during his career. "I was always really afraid that I wouldn't succeed," he told me. "I can remember on my mother's deathbed, she said, 'Larry, fulfill your potential.' She did a lot of great things for me over my life, but I've never forgotten what she said. And that's what I was most worried about. Was I going to fulfill my potential? I didn't know what that

was—certainly I didn't know I was going to be a CEO for ten years. But I just wanted to make sure that I went as far as I could. And I wanted the same for my people—for them to fulfill their potential.”<sup>2</sup>

It is clear that Bossidy, who had led one of the largest companies in the world, was never immune to fear of failure. But when he was in the face of this fear, his mother encouraged him to see the intense gratification that came from rising to ever higher levels of achievement—fulfilling his potential. He remembered this encouragement throughout his career and in turn, he himself became legendary for his ability to teach others how to do the same. Great leaders seek to fulfill their own potential but equally seek to fulfill the potential of those who work for and with them.

Another example comes from the grocery industry. David Dillon's family started a grocery store business in the early 1900s and was highly successful, with four successive generations of Dillons running the company before Dillon eventually became CEO of what we know today as Kroger. Under his leadership, Kroger has maintained a dominant market share in the grocery store business. But the way he got started in the business holds the key to his ongoing success as a leader.

In fact, Dillon had never intended to join the family business. He had planned to practice law, until one day his cousin Dick suggested that he work for the business for a couple of years first. He could gain some valuable experience, the cousin said, that he could apply to anything he decided to do in life if he didn't want to stay. But what finally convinced him was what the cousin said next: “He warned that if I decided to stay after those two years, I'd be on my own and whatever I achieved or didn't achieve would be the result of actual performance—and not because of anything they'd give me. When he said that, that's when I knew I could sign up.”<sup>3</sup>

David Dillon thus resolved from an early age to aim for meaningful personal achievement, to pursue a life focused on realizing his

potential. Inherited wealth or positions held no interest for him: he was gratified by his own triumph over obstacles, earning achievement through work, and not through connections. And whereas his cousin Dick helped create the *context* for this wisdom to emerge by pointing out to him the conditions for joining the family business, David would later create contexts that helped his people, in turn, experience the gratification and subsequent thirst for self-improvement that comes from overcoming obstacles as a path to meaningful achievement.

This phenomenon has proven itself over decades of modern management. Many years before David Dillon began working to fulfill his own potential and that of those around him, Larry Bossidy had taken to heart his mother's belief in his ability to do the same. Human beings doing their best—and helping others to do their best—are and have always been a key game changer.

In fact, this is the first of the two major points that emerged from my studies: leaders' ability to realize their maximum potential and the potential of their workforce is the most profound way that they can differentiate themselves. It is the essential part of a CEO's job. This represents such a fundamental shift in our perception of leadership that it calls for a new definition. *Leadership* means realizing potential—in yourself and in the people you lead. Yet to be effective, this kind of leadership can't be unidirectional. Rather, leader and followers cocreate their identities and performance. Thus we move away from the old paradigm in which leaders have an impact on their people, who in turn perform. The new paradigm for leadership becomes a fluid, virtuous cycle of exchange and growth between leaders and the people they lead.

The second major point is that because the external environment around leadership has changed dramatically, *how* leaders realize their own and others' potential has changed dramatically as well. Whereas in Bossidy's era, leaders could realize potential simply by working



extremely hard and insisting that their people do the same, today's leaders, like Dillon, must foster specific attributes to achieve maximum success in themselves and their people. This book therefore focuses on those critical attributes—in particular, three catalysts—that leaders must harness in today's constantly challenging world if they hope to realize potential.

## The Three Catalysts for Realizing Potential

First, let's dive more deeply into the idea of realizing potential. Far from a vague notion, *realizing potential* means rising to ever higher levels of achievement to the best of your abilities.

My research turned up three essential capabilities that allow leaders in today's turbulent world not only to perform at their best, but also to get the best out of their people. These drivers literally set in motion this fundamental function of leadership, and together they comprise the mental architecture we must develop in ourselves to be effective leaders. Each of these three traits is a catalyst of the mastery displayed by the most successful CEOs I found in my study, and I will briefly describe these catalysts here:

***Realistic optimism:*** people with this trait possess confidence without self-delusion or irrationality. These people pursue audacious goals, which others would typically view as impossible pipedreams, while at the same time remaining aware of the magnitude of the challenges confronting them and the difficulties that lie ahead.

***Subservience to purpose:*** people with this trait see their professional goal as so profound in importance that their lives become measured in value by how much they contribute to furthering that

goal. What is more, they *must* be pursuing a professional goal in order to feel a purpose for living. In essence, that goal is their master and their reason for being. They do not ruminate about their purpose, because their mind finds satisfaction in its occupation with their goal. Their level of dedication to their work is a direct result of the extraordinary, remarkable importance they place on their goal.

***Finding order in chaos:*** people with this ability find taking on multidimensional problems invigorating, and their ability to bring clarity to quandaries that baffle others makes their contributions invaluable.

Great leaders tap into each of these three abilities in a recursive, fluid way so that it isn't always easy to tease apart where one ability ends and another begins.

Beginning in chapter 2, I will define each of these catalysts in depth, including an examination of the subdrivers each contains. When I vet candidates for CEO positions in the country's top companies, I look for people who demonstrate *all three capabilities*. No organization should hire or promote into a leadership job someone who doesn't have the full suite of capabilities. They're a must-have for any aspiring leader.

The good news is that in most cases, *these three capabilities can be learned*. As I've hinted at before, people can change. By reading about the attributes of others, you can become aware of these critical attributes and choose to build them in yourself. While special training can also help, the interviews and exercises in this book offer an important starting point for that learning.

Just realizing your own potential, however, is not enough; you must also bring out the best in those you lead. Before we delve more deeply into the three catalysts, we'll look at the best way for leaders to do

this—and why it is so important in today’s world. Real leadership is what we call *recursive*: it’s a continuous process that starts with a leader and is echoed in that leader’s people. My research has shown that the best leaders work *with* the people they lead to seek their mutual maximum potential together: they cocreate their success. They don’t do so randomly or chaotically; rather, they leverage identifiable organizing principles that we’ll explore in this book. But it means that we can’t just study leadership in a vacuum, since its very existence depends on this intimate, complex, and uniquely human interaction between people. Throughout this book, I share excerpts of my exchanges with relentless leaders. I attempt to demonstrate how they flip the critical switch of engagement in their people, the most positive and valuable outcome of the core evolution that is realizing potential.

Because an individual’s own potential can only be realized through his or her work with others, success is created through a kind of recursive loop. This repeating process that drives individuals to press for ever more challenging but meaningful achievements explains why people could never hope to do so alone.

## Creating a Context in Which People Can Realize Their Potential

As we began to see in the example of David Dillon, leaders who embody realistic optimism, subservience to purpose, and the ability to find order in chaos can use these abilities to craft *contexts* in which they and others can realize potential. We are all born with an innate urge for triumph, but we are not born aware of this need or how to meet it. As a result, unfortunately, few of us ever do reach our ultimate potential. Leaders who understand this innate need are able to bring that urge to the fore to harness the utmost effort from individuals over long stretches of time. The gratification that all human

beings experience when distinguishing themselves doing something that matters lends this method its power and efficacy. Therefore, though the leader is the catalyst for people's actions, the people themselves must be responsible for realizing their own potential.

But for leaders to bring out this urge for triumph, they must recognize one of most profound truths of human psychology: that *no person has a fixed identity*. There is no lazy or hardworking person, no one who is only brilliant or stupid, conscientious or sloppy. Anyone, at any given time, is capable of manifesting any of these attributes. We are constantly making choices that determine which attribute is dominant at a given moment. In fact, all of us—including the leaders we most revere—have within us a veritable “committee of selves.” (See “Heroes and Their Committee of Selves.”) When we as leaders create a context for our people to realize their potential, we are creating a virtuous cycle that elicits our people's best selves—the selves that induce the gratification we all feel when we overcome significant challenges and realize our potential.

It is up to a leader to create a work environment in which every employee can experience the deep satisfaction of triumphing in pursuit of a worthy goal. Leaders' most critical responsibility lies in helping their people flip the switch of engagement toward realizing their potential as human beings, all within the demanding business environment of the twenty-first century. This is how a leader creates an organization that harnesses the utmost effort and resiliency from employees throughout its ranks—the only kind of organization that can survive amid ever-escalating competition. But only the most skilled of leaders can make that happen within their workforce.

Let's look at an example of how a leader can create a context for realizing potential in a situation of intense duress, rather than directly ordering a person to do something. The story is actually a well-known tale from the Bible in which Jesus is confronted by an angry mob. The crowd throws a woman onto the ground in front of their teacher and shouts, “This woman has been taken in adultery, in the very act.

## Heroes and Their Committee of Selves

To master the process of soliciting the best performance from their people, leaders must first understand one essential truth about human psychology: that every human being is capable of both mediocrity and greatness. We assume that there is one person in each body, but each of us is more like a committee whose members have been thrown together to do a job. Consider two of the most widely revered leaders in business—Peter Drucker and Jack Welch.

Drucker is globally regarded as one of the most sought-after minds in management science. But he wasn't always right. For example, in September 1929, just a few weeks before the stock-market crash that led to the Great Depression, he began his career by publishing an article explaining why the New York Stock Exchange could only go *up*. Two decades later, writing about emerging trends in the packaging industry, he based his commentary on statistical analyses that were wildly incorrect. Years later, he told a reporter that a soap bubble exists for precisely twenty-five seconds (nonsense). Largely ignored in the United States for the first half of his seventy-year career, he was forced to go to Asia to find corporations interested in paying for his counsel. It wasn't until his involvement in some of Japan's revolutionary management techniques became better known that his advice became increasingly sought within the United States. But he was not always the sage we have come to know him as today; his wise and thoughtful self is complemented by a self that perhaps made snap judgments or read the facts wrong. In the end, Drucker was successful because he brought his best self to the fore.

---

---

As CEO of one of the world's largest corporations for nearly twenty years, Jack Welch increased the market cap of General Electric thirtyfold. He was famous for spending the majority of his time developing his people into what was widely regarded as the finest team of executives in the world and in the process built a company that became almost universally known as a talent factory. He personally selected and groomed his successor to carry on this legacy. But he too had his failures. During the eight years after his retirement, the company's performance dropped precipitately—its market capitalization fell to 20 percent of what it was when he led the company. The talent factory Welch had so carefully put in place did not have staying power. Despite these later disappointments, Welch was without a doubt one of the most influential CEOs of the twentieth century; he too focused on realizing his potential and that of those around him, deliberately choosing through discipline and hard work to bring his best self to the fore.

These two examples show that we can lionize or demonize even our most revered heroes. Perhaps Peter Drucker and Jack Welch have sometimes themselves been guilty of encouraging our heroic views of them. For them, it must have been a relief to ultimately experience mass admiration after many decades of sweat, struggle, uncertainty, and at times very public and harsh criticism. There is no question that the lifelong accomplishments of both Welch and Drucker have had an extraordinary impact on business.

But these examples show that every accomplished individual is also very flawed—and we must understand this paradox if we are to recognize what enables leaders to win their hard-earned reputations. The human longing to believe in the infallible leader is very powerful. To be under the direction of infallibility eases our fears in

---

---

an uncertain future. But there are no gods in business or any other field. It's something we may know rationally, but we must truly debunk our tendencies to categorize people as heroes or losers, gods or charlatans, and we must especially eliminate our penchant for categorizing and oversimplifying great leaders. They do not get it right every time—just much more often than their competitors, and for a much longer period. All good leaders have times of weakness, when their less heroic selves emerge. These are the sides of them that we do not celebrate and choose to forget when we build them into heroic caricatures. Knowing this will help all of us on our own quest to realize our potential and bring forth our best selves.

---

The law says she shall be stoned. What say you?" The group's lust for harsh justice is intense, an aggressive challenge to Jesus's core teaching that society needs to display more compassion.

It would be easy for Jesus to take this opportunity to preach to the crowd about the importance of empathy, understanding, or forgiveness. But in this moment, he needs another, more effective way to convince the people to put aside their anger and manifest their better selves. So he resists the urge, turns from the group as if he has not heard them, squats down in the sand, and begins to simply doodle. The crowd continues to shout, exhorting him to give an answer about what to do. After a few minutes, he stands and utters a phrase that has been quoted through the ages: "Let he who is without sin among you, let him be the first to cast a stone at her." Then Jesus squats back down and continues doodling.

The crowd is silent for a few moments as the people wrestle with identifying who among them can begin the stoning. And then one by one, they walk away, chastened by their own lack of purity and how it

interfered with their entitlement to righteous condemnation. While Jesus's words are famously repeated in exhortations to us all to enact precisely this type of kind humility, I see the real brilliance here in the way that his words force the people in the mob to come to their *own* conclusions. They are responsible for the choice. Jesus is not telling them what to do; he is not telling them to condemn the woman. Neither is he telling them to stop—rather, he helps each person there to realize his or her own potential to make the most humane decision. In that way, by making the decision themselves, the people experience their higher selves.

By throwing out a question and then silently turning to his own activities, doodling in the sand, Jesus quietly creates a *context* in which his followers can internalize the importance of his mission to increase compassion in human society. This is much more effective than his other options because it makes the mob decide. And because the people have now experienced their higher selves, the incident affects how they will act in similar situations in the future.

So how does this quiet context-setting translate into today's business world? In a more contemporary example, David Novak, CEO of Yum! Brands, shared one example of how he created a context for himself and his people to cocreate success. He described his visit to the company's Fort Apache, Baltimore, location, which was struggling:

Pride is the greatest human motivator. People want to go to work feeling part of something great. But the people in that Baltimore plant, they knew they were a part of something less than mediocrity. They knew that they were absolutely not doing anything great. And they were blaming everybody else and suffered from a severe case of victimitis.

And all I did was tap into [that] fact . . . I said, "Hey, you've identified a lot of big issues that need to be solved. And you



have a lot of good ideas. You've been in this business for fifteen years. You know I'm not going to fix this. I got to go back to [the corporate office]. So if things are going to get better, it's up to you to fix this. The only thing I'm going to do is come back later to see how great you can be when you set your mind to it. I'm coming back to see what you've been able to do." And then it was like I took their excuses away.<sup>4</sup>

Not long afterward, the Baltimore plant fixed its performance problems, and Novak didn't have to fire anyone.

How could Novak trust that his people would change the way that they were working? "I think people want to go to work with a quest towards greatness," he told me. By turning the table on them and tapping into that pride—that quest—he engaged them in a way that direct orders or reprimands wouldn't have done. Instead, under Novak's leadership, the company is focused on training in the whole organization. "Secretaries, admins, VPs, they're all going through it," Novak said. "This is a demonstration that everyone counts, regardless of the level you are at in the company. We're *all* a part of something special, achieving greatness."

The best leaders can tap into the universal human thirst for pride and self-improvement, no matter what industry they are in and regardless of the content of their organization's mission statement. They do this in many ways. Herb Kelleher, founder and former CEO of Southwest Airlines, made a lot of self-deprecating jokes when I spoke with him. He argued that humility and nonhierarchical thinking play a big role in realizing the potential of a workforce:

Humility is a very important ingredient for an effective, strong CEO. And if you have that sense of humbleness, you'll feel perfectly happy making jokes about yourself because you understand

your own inadequacies, you understand how other people can help you enormously in areas where you need help, and you can have enormous fun with everybody that works for you because you're all the same. You're not members of different classes. So it's always easy to be humble when you have lots to be humble about.<sup>5</sup>

For example, Kelleher turned organizational hierarchy upside down at Southwest Airlines. One vice president even came to his office to complain that he didn't see Kelleher as much as the baggage handlers saw him. "An organization chart shouldn't dictate what you do," Kelleher told me. "I have always preached that the general office is just there to support the people in the field, the people in the trenches that are doing the fighting every day."

This lack of hierarchy at Southwest Airlines allowed him to cocreate success with his people at a company where, according to every productivity metric, the employees work harder than their peers at competing airlines. "If you like your job," Kelleher said, "you do tend to work harder at it, to show up for work more often. We do this by getting out of people's way. We say, 'We're going to give you the latitude to handle customers on the spot, give you the flexibility to deal with them because frankly, we're too stupid in the general office to know what to do with a hundred million encounters a year. So we'll leave it up to you.' And, of course, that makes people understand that they're an important part of things, that they're being trusted to make those kinds of decisions every day."

Yet Kelleher has taken this kind of servant leadership one step further: "We also give employees the opportunity to grow in what they do at Southwest Airlines. We don't typecast them and say, 'Well, gee, you joined us as a ramp agent, so I guess you're going to work on the ramp for the rest of your life.' We move people around; we look for their

stroke of genius, their inspiration, and say, ‘Hey, wait a second. We’ve got something over here that might be more rewarding for you in terms of keeping your interest.’”

Almost every human being alive today has an underutilized thirst for bettering himself or herself. It is up to leaders to discover how to trigger this thirst—in fact, it is a leader’s most critical responsibility. Doing so is challenging enough in an environment that allows for calm reflection, but today’s business world is more like the angry mob that surrounded Jesus. It is one of intense, ongoing stress, and ever-increasing complexity.

## Life at the Wheel in a Global Economy

Globalization has exponentially increased the complexity and pressure under which today’s leaders must perform. But leaders who know how to realize potential actually perform best under fire. These relentless leaders, when confronted with sustained levels of stress and complexity, become hypereffective. In a sense, they have come to master their reaction to stress in a way that turns it into a high-octane fuel that allows them to operate with peak efficiency.

Take, for example, Andrea Jung, who was named chair and CEO of Avon in 1999. At the time, the 120-year-old company was in danger of collapse. Its brand image had grown stale, and its market share was dropping at an alarming rate. Although she had never been a CEO, Jung accepted the challenge and began to remake the company and its image. By 2002, she had led the company to a phase of torrid growth, and her accomplishments marked her as one of the most celebrated CEOs in the world.

But in 2005, dramatic, unexpected shifts in the global cosmetics market placed the company in peril once again. In a conversation in

May 2008, she described what it was like to lead through a severe downturn after a period of extraordinary growth: “During times like that, the decisions I have to make are hard to bear. At times I questioned whether I had the stomach to make them. But now looking back, I realize this period was one of the most important learning experiences of my life.”<sup>6</sup>

Jung told me how shifts in the global market required her to cut costs by more than \$300 million, which meant laying off a lot of people she had personally recruited. What’s more, industry analysts criticized how she decided to use the savings brought about by this restructuring: to enter the Chinese market and increase Avon’s overall advertising budgets—rather than using the money to prop up the company’s depressed share values.

“It’s true that these moves hurt our numbers in the short term, but they were the right moves to keep us growing and competitive,” she said. “We also decided to suspend announcements of Avon’s earnings projections. Unpopular but necessary. We needed to get our focus away from meeting quarterly earnings targets and back to growing and sustaining the company over the long term.”

Jung’s actions at Avon illustrate one of the three catalysts of realizing potential in yourself and your people: *subservience to purpose*. Rather than doing what was expected, Jung found the inner fortitude to ignore the prevailing wisdom—and bad press—and follow through on a plan to secure the company’s long-term success. By 2007, Jung’s controversial turnaround plan was vindicated as Avon’s stock price reached a 40 percent premium over its 2005 low. And once again, the same business press that had begun questioning her competence was now lauding Andrea Jung. Her experience with the volatility of doing business in the twenty-first century illustrates the new normal surrounding leadership—and what it takes to maximize potential and excel in this environment. Unfortunately, few individuals find themselves prepared to

take the helm under these conditions, and as a result, otherwise very talented senior executives buckle under the pressure.

## When Leading Under Pressure Doesn't Yield Success

Realizing potential under the kinds of conditions leaders face today demands developing critical attributes (realistic optimism, subservience to purpose, and the ability to find order in chaos) that I briefly defined earlier and that this book will explore in detail. When people lacking these abilities are placed in charge of organizations, not only are they *not* up to the challenge of the new world environment, but they also can cause extraordinary damage.

For example, in chapter 2, we will look at the case of “Tom,” a candidate for CEO at an insurance company.<sup>7</sup> The board asked me to find out why, despite his outstanding qualifications on paper, Tom had been passed over for the top position at his previous company. I found that both at his old company and in our interviews, he showed little or no awareness of actual circumstances about *himself*. His acute inability to look at his own behavior rendered him a serious liability in a CEO job in today's market. Similarly, “Craig,” a CEO at a utility company (chapter 4), demonstrated a complete lack of subservience to purpose, despite being well liked by his people. His need to avoid conflict at any cost destroyed his effectiveness as the company's leader.

The challenge of leading under pressure also bested “Gary,” CEO of one of America's oldest metals companies. But in 2006, the company had to be auctioned for private sale after spiraling into a state of rapid decay.

Gary, who had degrees from Harvard and MIT, joined an elite management consulting company in the late 1970s. His success in

client services led to quick promotions up the firm's hierarchy, eventually landing him in charge of the logistics and distribution practice.

That's where, in the early 1990s, the metals company's CEO, "Mark," met Gary and was immediately impressed with his extraordinary intellectual horsepower and ideas for how to transform the highly conservative metals business. When Mark retired in 1994, he named Gary the next CEO.

But despite his obvious intelligence, Gary's response to the pressure and complexity of the job caused him to act in ways that were highly unresponsive to the realities of the steel business. His difficulties coping with the magnitude of the CEO role, coupled with an overly accommodating board, allowed the company to languish through a decade of subpar performance.

Gary's inflexibility was a key flaw. As one former colleague put it, "Prior to becoming CEO, Gary was known for his masterful strategic-thinking skills. He was top-notch. But as CEO, he conceived horribly flawed strategies and was unwilling to reconsider them when they clearly weren't working."

For instance, the commodities market had always experienced dramatic cycles of both boom and bust. But as the twentieth century came to a close, these cycles were occurring with more frequency and complexity. Gary felt that it was critical to make the company's revenue base more stable in the hopes that the firm would become more immune to these cycles. He instituted an elite-customer program, which directed the field offices to focus their energy on their highest-volume buyers, such as Caterpillar and John Deere, which were willing to sign long-term deals that locked in fixed prices. To force his regions to comply with his strategy of retaining only the largest customers, Gary sent out letters to all his smaller customers, explaining that the company would no longer be able to service their needs. In Gary's mind, he was going to take a workforce that had

become accustomed to a fluctuating marketplace and force it into a business model that maximized stability.

But the metal industry's fluidity was not going to change, and success within it required an entrepreneurial approach that Gary continued to eschew, even when this blind spot was pointed out to him. One former employee recollected, "I got a call from an appliance manufacturer that was introducing a new product line and needed a particular kind of metal delivered quickly. Speed and responsiveness was their concern, not price. There was a ton of high-margin work that would pop up around the country like this. But under Gary's new guidelines, we were unable to respond to these opportunities, and he resisted any efforts that deviated from his plan."

A man who had always been known for his prodigious intellect and exceptional strategic thinking was unable to react quickly to the multiple pressures of market changes and customer demands. He stubbornly pursued a strategy that was clearly not working, a sign that he was woefully inadequate when it came to finding order in chaos. The pressure of the circumstances was overwhelming a mind that was historically capable of brilliant analytic instincts. Gary's company quickly began to be outmaneuvered by the number two metals company, whose CEO allowed the regional offices a high degree of independence to meet changes in local demands.

As the metals market's dramatic acceleration between boom and bust intensified, Gary's company, now locked into large, long-term contracts with its buyers, could not take advantage of increases in prices during the boom times. With the company's performance continuing to languish, Gary blamed his mistakes on others, demonstrating his severe lack of realistic optimism by failing to recognize how his own behaviors were aggravating the crisis. For instance, whenever the failure of his initiatives was pointed out to him, he deflected responsibility and insisted that the company's "club" of longtime

insiders was simply out to get him by refusing to implement his ideas. To be fair, many of his regional offices were indeed disregarding his orders, but their disobedience was due to Gary's refusal to listen to their very relevant concerns and not, as he perceived, their irrational reaction to having to report to someone they considered an outsider.

He did nothing to reverse his eroded authority and simply continued to blame the "clublike" attitude of metal industry employees and their unwillingness to follow the directions of an outsider. Ultimately, all of these moves exposed Gary's inability to realize the potential of either himself or his workforce.

Yet Gary proceeded as if nothing was wrong. For ten years, the company lurched from one unsuccessful initiative to another. Finally, in 2007, its net income dropped 27 percent to \$71.8 million on sales of \$5.9 billion, while the company's closest competitor grew its earnings by 73 percent, to \$354.5 million on sales of \$5.7 billion. These numbers forced a rebellion among shareholders, and Gary's company was auctioned off to a private-equity firm, which promptly fired him.

Gary looked as though he had it all as a potential CEO: smarts, ideas, and a deep understanding of business. But he struggled in the CEO role because he lacked the critical attributes required to manifest the maximum potential of his people in today's business environment. He is not the only one: the absence of these attributes represents a common denominator in many of the underperforming CEOs I've evaluated, as I will illustrate in examples throughout this book.

## Methodology and Research

My research for this book is based on two primary sources. First, my colleagues and I gathered performance data for approximately two hundred candidates being assessed for the role of CEO at major U.S.



corporations. These assessments included cognitive-ability testing, behavioral interviewing, and peer performance ratings (this data included a normal distribution of executives possessing differing talent levels, from a wide variety of companies). Second, I conducted psychological interviews between 2006 and 2010 with just over sixty current and retired CEOs from the world's largest companies, as described below.

Why the focus on CEOs and not other types of leaders? First, CEOs are an incredibly valuable source of information about what works and what doesn't in a high-pressure business leadership role. And second, this book is intended primarily for those of you who aspire to exactly these kinds of positions of corporate and business leadership. It is my goal that the voices of these great leaders will set the context for you to realize your own potential as a leader.

How did we determine the key behavioral traits of the most effective leaders from this raw data? First we classified the two hundred candidates in our database into three groups, with the top-performing quartile labeled "highly successful," the middle two quartiles characterized as "average performers," and the bottom quartile as "highly ineffective." The behaviors of the top-performing quartile were then compared with those of the bottom by means of a behavioral analysis. We grouped together into categories similar behaviors or attributes that had been identified as being prominent in each test subject. These behaviors were cited as being largely responsible for the execution success or failure of each individual. We then analyzed those groupings to identify the underlying psychological construct that best defined the overall category.

What emerged was startling. Six critical attributes were highly consistent within the top performers, regardless of industry or job type. Clearly, this mental architecture was responsible for the execution ability of the most effective executives operating under duress. What is more, these attributes were almost totally absent among the

bottom performing quartile. Further analysis revealed that these six attributes could be sorted into three meta-attributes, or what I call catalysts earlier in this introduction: realistic optimism, subservience to purpose, and finding order in chaos.

I then set out to conduct psychological interviews with around sixty current and retired CEOs (average tenure in CEO role was nine years) to help clarify the role each of these factors played in their leadership. Of these, I included in this book twenty-five representative CEO interviews (in alphabetical order):

Gordon Bethune, chairman and CEO (retired), Continental Airlines	Dick Keyser, chairman and CEO, W.W. Grainger, Inc.
Larry Bossidy, chairman and CEO (retired), Honeywell, Inc.	James Kilts, chairman and CEO (retired), The Gillette Company
Ron Daniel, managing partner (retired), McKinsey & Company	A. G. Lafley, chairman and CEO, Procter & Gamble
Marijn Dekkers, chairman and CEO, Thermo Fisher	Ralph Larsen, chairman and CEO (retired), Johnson & Johnson
David Dillon, chairman and CEO, The Kroger Co.	Richard Lenny, chairman and CEO (retired), The Hershey Company
Fred Hassan, chairman and CEO, Schering-Plough	Ray Milchovich, chairman and CEO, Foster Wheeler
Andrea Jung, chairman and CEO, Avon Products, Inc.	James McNulty, chairman and CEO (retired), Parsons Corporation
Herb Kelleher, founder and CEO (retired), Southwest Airlines	

David Novak, chairman and CEO, Yum! Brands	Jim Skinner, Vice Chairman and CEO, McDonald's Corporation
Dave O'Reilly, chairman and CEO, Chevron Corporation	Fred Smith, chairman and CEO, Federal Express
James Owens, chairman and CEO, Caterpillar Inc.	Joe Swedish, chairman and CEO, Trinity Health Systems
Irene Rosenfeld, chairman and CEO, Kraft Foods Inc.	Chris Van Gorder, chairman and CEO, Scripps Health System
Kevin Sharer, chairman and CEO, Amgen Inc.	Miles White, chairman and CEO, Abbott Laboratories

I began the interviews in 2006 and completed the bulk of them in 2008 and 2009. Each interview lasted a minimum of sixty minutes, but most lasted several hours, sometimes spread out over two to three separate sessions. Most were done in person at the CEO's office, where I conducted an in-depth psychological interview about the leader's past and his or her accomplishments, failures, fears, and moments of pride.

One core conclusion emerged: the best CEOs had been, and continued to be, distinguished by their ability to manifest the very best from their workforce. Yet in my interviews with the CEOs, it became clear that the three attributes that allowed them to do so had become even more important by the beginning of the twenty-first century.

### *It's Not So Simple*

In my job assessing candidates for CEO positions, I am continuously pressed by boards of directors to comply with a "reductionist" model

of explaining human behavior, in which I'm asked to break issues down into component parts that can then be isolated and measured. When I walk into a board room to discuss the CEO candidates that I am assessing, the board usually asks me essentially to "categorize this person—is the candidate an A, a B, or a C?"

But inevitably, the answer is more complicated than that, and I find myself having to broaden the discussion to involve the context of the company, the job, and the team that is to be managed and how each individual's unique qualities would likely influence future outcomes. Nevertheless, as I began writing this book, I found myself falling into the same reductionist trap that my clients so often did. I was trying to reduce human behavior into a linear progression, a unidirectional model of success: "Develop attributes A, B, and C, and you too can be successful." The temptation of offering an easy solution for the reader is strong. But this overly simplistic assessment just isn't right, and it doesn't honor the very spirit of what I've found out about great leaders.

Such reductionism doesn't work, because these three attributes are a *symptom* of the mastery these CEOs displayed, as much as they are a cause. In other words, as much as these qualities did indeed differentiate the successful leaders from unsuccessful ones, the attributes are not ends in and of themselves. Rather, they are parts of a much larger whole—the whole of leaders who realize the potential of themselves and of their people. This fundamental point ties all of these people together in a way that defines their greatness. It is something they had discovered unconsciously, individually, and it has made them great.

### *The Value of the Real Thing*

Honoring this complexity has influenced the way this book is written and conceived. The real words of the interviews are brought front and

center so that they themselves can create the very real context for readers to realize their own potential. The value of the insights provided by these CEOs is best internalized and understood when we experience the leaders' own words. Their real-life experiences help us understand what it means to be a great leader. To truly understand and gain from their wisdom, we must immerse ourselves in their psychology and witness the recurring patterns of how they organize their worldview. Although I have organized the book in a way that, I hope, best illuminates these patterns, I also encourage you to decide for yourself what is going on.

Herb Kelleher, the aforementioned founder and retired CEO of Southwest Airlines, used to run a periodic event called "corporate days," which drew people from companies around the world. Kelleher recalled that the visitors would ask things like "How do you hire? How do you train? How do you motivate? How do you keep morale up?"<sup>8</sup> And most of them left somewhat discouraged when he explained that Southwest Airlines didn't have some magic formula or perfect model, any more than there is a perfect model for raising a family. "We told people that it's got to come from your heart, not your head, to be effective," Kelleher says, "that it's a feeling of empathy towards your people and of acting out of their best interests. If your people feel that you truly have their best interests in mind, they'll give you their best. And you do that by creating a system that gives them the freedom to grow, to play an important role, and to be part of something great."

The reason Southwest Airlines' visitors had such a hard time replicating this model was because they were looking for a list of practices. They wanted to analyze the system, break down its component parts, isolate what made Southwest Airlines unique from other airlines, and then replicate those practices in their own system. In trying to use reductionist thinking on a complex system, they were destroying the

core principles that made the Southwest Airlines model so potent in the first place.

So here, as was the case at Southwest Airlines, we have a unique opportunity and challenge: to explore the topic of leadership without resorting to reductionist buckets and categories, but still learning about the key characteristics that are critical to greatness in the field. In chapter 1, we will explore more deeply the core-driving principle of realizing potential. Chapters 2 through 7 will detail the components of the three catalysts we need to realize our potential in a fast-paced world. The book concludes in chapter 8 with an example in which one leader illustrates how all three drivers are leveraged toward realizing the potential of a workforce.

So now let's begin this recursive journey together. We will start with an in-depth exploration of the phenomenon of realizing potential, with all of its nuances.