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VINCE MOLINARO

THE LEADERSHIP CONTRACT

THE FINE PRINT TO BECOMING
AN ACCOUNTABLE LEADER

SECOND EDITION

Signature

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The Leadership Contract

The Fine Print to Becoming
an Accountable Leader

Vince Molinaro

WILEY

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INTRODUCTION

What does it really mean to be a leader? It's an important question that I believe every single one of us in a leadership role needs to answer.

Why? Because what it means to be a leader today is very different than it was a generation ago. You know this to be true. The world in which you lead is more dynamic and complex.

But there's more. Since releasing the first edition of this book just two years ago, I have continued to see signs that leadership is still in trouble. Consider some of the following examples:

- A former industry-leading innovator in the technology sector loses its market dominance in a matter of months and now struggles to survive.
- The chief executive officer (CEO) of a retailer is forced to resign after having an inappropriate relationship with a coworker. The founder and chair of the board of the same company is pushed out after it's revealed that he knew about the relationship and did nothing to inform the board.
- No fewer than 18 executives connected with a major international organization are indicted for their participation in a culture of systematic, cynical, constant corruption.
- A CEO of a clothing manufacturer is ousted after a leaked video shows him dancing naked in front of his employees.
- The board of a company issues a press release with the following headline: *Our CEO and CFO [chief financial officer] are missing, and so is all of our cash.*
- A global study by a major research firm finds that 51 percent of leaders have essentially checked out, which means they show up every day, caring very little about their job, their people, and their company.

What is going on?

Stories of corruption and scandal are now so commonplace that we don't even react to them anymore. Our trust and confidence in senior leaders have been destroyed. Survey after survey finds employee engagement is chronically, crippling low. Managers say the new generation of workers is unmotivated and entitled, while many millennials say they're simply not interested in rising through the ranks in the traditional way. Meanwhile, you and your colleagues feel overworked and pulled in about a dozen directions at once.

These aren't separate problems. I believe they're all part of one crisis, a crisis that companies worldwide are spending an estimated \$60 billion trying to solve—and getting nowhere.

It's a crisis in leadership.

Leaders are supposed to lead. But in reality leaders do not always lead. In many cases and with increasing and alarming frequency, the claim that "leaders are supposed to lead" is simply not true.

Organizations in virtually every industry have leaders who can't, won't, or simply don't know how to lead. This exists today even with the considerable and ongoing investment in leadership development. We have to face reality. There is a demonstrable gap between what is expected of leaders and how they are actually performing.

At the moment when our world is more complicated than ever, is changing faster than ever, and is more radically transparent than ever, we desperately need our leaders to be stronger than ever. And they're not. They're failing us. They are unaccountable and untrustworthy. And we're becoming disillusioned.

In the years I've been thinking and talking about leadership, I've come to realize that the desperate need for accountable leaders is the fundamental challenge organizations are facing today. It's at the heart of every other problem we face.

I call it the *leadership accountability gap*, and it is a global problem. Truly accountable leadership is the only way to build an organization that can not only survive in our increasingly complicated world but also succeed and grow. And yet, based on my research, this is a challenge that few organizations are facing head-on.

I've been studying leadership for 25 years. As an employee I've worked for some great leaders and some not-so-great ones. I know firsthand the effect leadership has on employee engagement and organizational performance. As a consultant, I've worked with hundreds of leaders and

organizations. I've also held leadership roles myself—whether it was at the frontline, middle management, or C-suite level. I know at a personal level how challenging leadership can be if you want to do it well consistently. I also know how great it can be when you get it right.

Since the first edition of this book was released, I've continued to talk to leaders like you, and they have confirmed that leadership accountability is a critical business issue in their organizations.

A while back I set up a Google Alert for the word *accountability*. It became immediately clear from the search results that the world is in dire need of real accountability. There are cries for accountability in the banking sector, from a corporate governance perspective, in education, at all levels of government, in the military, in health care, in police forces, in the media—you get the picture. It doesn't matter what facet of our society you look at; real accountability is lacking. What is also clear is there appears to be a lot of talk about the need for accountability but little action to make things better. I find the same dynamic inside organizations. Every CEO I work with wants to drive real accountability, but making it a reality is not easy.

I have also learned that we are paying a real price for bad leadership. I appeared on a radio talk show recently. I was asked to share my thoughts about how and why so many people have lost trust and confidence in their leaders.

I was struck during the radio show to see just how deeply this problem affected everyday people. The host took calls from listeners, several of whom had very moving stories about how they had been personally let down by bad and ineffective leaders. Most were cynical and very disappointed with their experience of leadership.

One call came from a woman named Marian, who talked about how she had just quit her job to escape a bad leader. Her voice trembled as she described this painful decision. It was a courageous move—to leave her job—but in taking a stand, she demonstrated just how damaging bad leadership can be to an organization. Unfortunately Marian felt she had no choice but to quit.

I believe that a generation ago, a company could get by with bad leadership. Most workplaces were dominated by baby boomers who were more likely to put up with bad leaders. As difficult as it is to believe, tolerance for bad leadership was considered a badge of honor for them.

The business world is much different today. The competition is fierce. People expect more from leaders. They also demand much more

accountability from them. The workforce is now also populated with a new generation of employees that, in general, won't put up with bad or mediocre leaders like the boomers did. Like Marian, they'll just leave.

I talk to leaders every day who recognize that the world has changed for them. Some feel they are not keeping up. Others believe there is something fundamentally wrong with how we have come to think about leadership. They know their organizations are struggling just to stay abreast of a changing world, and they know that in their desperation they're *settling*. When everything on your to-do list is urgent, things such as inspiration and motivation seem like luxuries. You feel like the leadership parts of your role are just that: parts, something separate that you do from the corner of your desk.

But leadership is not a luxury. You can't settle or you risk becoming lame. Your organization needs great leaders at all levels, now more than ever. You need to be the best leader you can possibly be. Leadership has changed and you are now under more pressure than ever before.

Take the example of McDonald's CEO, Steve Easterbrook. His company has been experiencing declining profits and increased skepticism about its hiring practices. Easterbrook set out to breathe life back into the iconic fast-food empire. In May 2015, he presented his strategy in a 23-minute video that was shared with all employees. His goal was clear: to explain how McDonald's was adopting a new culture that embraced risk and sought to create "brand excitement."¹

The only problem was that the video was boring. His tone was monotone. Industry experts, analysts, and investors had watched the speech closely, and the reviews were not good. These observers remarked how Easterbrook barely changed his expression over the entire 23 minutes. Here's the amazing thing: The company's stock dropped 1 percent in trading immediately following the video's release.

Just take a moment to consider this series of events: A video of a CEO talking to his employees is released and judged to be extremely underwhelming, and the company stock immediately drops as a result. It's a testament to the scrutiny that leaders face today.

Being a leader isn't an easy job, and the pressures can be intense. Let's look at a few of the big ones:

1. *The pressure to differentiate*: Whether it's a private sector company or a public sector organization, every enterprise is trying to differentiate

itself. All organizations have competitors, whether for market share or government funding, and that competition is fierce. Whatever competitive advantage you thought you had seems to have a shorter and shorter shelf life, as rivals copy it almost overnight. You face unrelenting pressure to innovate and look for ways to stand out from the crowd.

2. *The pressure to execute strategy:* You face tremendous pressure to execute strategy. If you've been a leader for a while, you know how hard this can be. Success is hard to come by for many organizations. Research repeatedly shows that only 10 to 30 percent of organizations ever succeed at executing their strategy. I believe the reason is that many organizations don't fully appreciate the deep connection between strategy and leadership. It's leaders who create the strategy, and they need to work together to align the organization. Leaders need to ensure that everyone from the front line to the senior team understands the plan. If leaders fail to live up to this accountability, there will be gaps in strategy execution.
3. *The pressure to manage complexity:* A global study IBM conducted of 1,500 CEOs found that complexity is a big challenge for leaders today.² Seventy-nine percent of leaders surveyed believed the future business environment would be even more complex than today's. Less than 50 percent were confident they would have the ability to deal with it. Complexity isn't just increasing; it is also accelerating. As a leader, you will need to help your employees and organization manage this heightened level of complexity in your business environment. You must also do it at a time when you feel like you have diminished power. The days of command and control are over, and now you must influence and bring stakeholders along with you as they try to manage the complexity in their own lives.
4. *The pressure to create enduring value:* You are also under continuous pressure to deal with ever-increasing expectations from customers, boards, and shareholders. The scrutiny you are under is intense. Customers want value and will go wherever they must to get it. Their loyalty is fleeting. Boards and shareholders want a short-term increase in share price and long-term enterprise value—not an easy tension to manage for senior leaders.
5. *The pressure to build future talent:* You also cannot focus solely on the present. You are being called upon to build the next generation of

leaders. The challenge you face is that after years of shedding costs and people, organizations are now realizing there are significant gaps in their leadership pipelines and succession plans. It seems like everyone finally understands that leadership does matter. The problem is we have a new generation of employees who aren't necessarily that keen on taking leadership roles. We have demographic trends working against us.

If you are like the leaders I work with every day, you personally feel the impact of all these pressures. You feel the increased ambiguity of your business environment. You can feel the scrutiny you are under. You understand the high level of accountability you have for the success of your organization. You are keenly aware of the impact you need to have on customers, employees, and other stakeholders.

Take a moment and reflect on these five pressures. How are they affecting you in your leadership role?

Redefining How You Lead

Taking all of these pressures together, it's obvious that old models of leadership just won't cut it anymore. It's time to redefine leadership for the new world we're living in. What worked in the past isn't going to work in the future. More is expected of leaders today. All of us need to start demanding more from ourselves as leaders.

I believe a set of new leadership expectations is redefining how each of us will need to lead in the future. As a leader you will need to take accountability to:

- *Align and engage.* You need to understand your company's strategy and your role in executing it. You must then align and engage employees so that they can effectively deploy the strategy in a way that ultimately delivers value to customers, shareholders, and society.
- *Take an enterprise-wide perspective.* You must define success at the company level. This means you will need to collaborate across silos and do what's right for customers and the entire organization. All leaders in your organization need to share this *one-company* mind-set.
- *Build relationships.* In our interconnected and interdependent world, relationships matter more than ever. You have to invest time in getting

to know internal and external stakeholders. You must also build relationships with a foundation of trust and transparency.

- *Master uncertainty.* Today's increasingly complicated business environment creates a lot of challenging situations and risk. Your role as a leader is to create focus and help employees deal with ambiguity and the stress it brings.
- *Develop other leaders.* You must leave a legacy of strong leadership within your organization that goes beyond yourself. It's about making your leaders stronger so that they can make your organization stronger.
- *Model the values.* You cannot be focused exclusively on your own personal agenda or team goals. The organization's vision, values, and goals trump ego and self-interest. This means balancing strong self-confidence with humility. You need to set the bar high for yourself as a leader because mediocrity in leadership isn't acceptable anymore. It never was.

All leaders today are being called upon to redefine how they lead. This process starts with you, and it starts now. Are you ready?

The Leadership Contract

Let's begin with an analogy. You know that experience you have when you're online looking to buy a product or a service. At some point in the transaction, an online contract appears. To complete the purchase, you have to click that Agree button. Almost everything you do online today requires you to click this Agree button, and when you do, you also know you are agreeing to pages of tiny single-spaced text outlining a set of complicated terms and conditions. You go ahead and click Agree. But do you actually read those terms and conditions? If you are like most people, you don't. You simply click away without really thinking about it.

Studies show that only 7 percent of people ever read those terms and conditions of online contracts.³ Yet with that simple click, you are agreeing to quite a lot. You have some sense that you have just agreed to a contract, but you don't know what it entails. You don't understand the fine print.

I believe something similar is happening in leadership today. A lot of leaders have clicked Agree to take on a leadership role without thinking through the terms that come with what I call the *leadership contract*.

You may have clicked Agree for a valid reason—to get the promotion, the higher salary, the perks, the power, or the opportunity to have a real impact—but if you don't fully appreciate what you have signed up for, you won't be effective in leading through the pressures of today's business environment.

Redefining leadership for the future begins with recognizing that there is in fact a leadership contract. It's not a legal or formal contract that you sign. It's a personal one. It represents the commitment you must personally make to be an accountable leader. It's a deep commitment to redefine how you lead and become the leader for the future. And when you sign the leadership contract, you are agreeing to a set of four terms that you must live up to.

Here they are. Here's the fine print to becoming a truly accountable leader.

1. Leadership Is a Decision

Every leader's story begins with a decision. I have heard lots of people describe a moment in their career when they made the conscious decision to be a leader, whether it was their first promotion or the day they stepped into the executive suite. These moments demand that we reflect on why we want to lead, whether we are ready for a new role, and how committed we are to becoming great leaders. This term of the leadership contract demands that you make the personal commitment to be the best leader you can be.

2. Leadership Is an Obligation

Once you decide to lead, you quickly learn you are going to be held to a higher standard. You also realize that you have obligations that go beyond yourself. It's not just about what is best for your career anymore. You are obligated to your customers and employees, your organization, and the communities in which you do business. This term of the leadership contract demands that you step up to your accountabilities and live up to your obligations as a leader.

3. Leadership Is Hard Work

Leadership is hard, and it's getting harder. We have to stop pretending that it is easy or that some quick-fix idea is going to make things better.

You need to develop the resilience and determination to tackle the hard work of leadership. You need personal resolve and tenacity to rise above the daily pressures and lead your organization into the future. This term of the leadership contract demands that you get tough and do the hard work that you must do as a leader.

4. Leadership Is a Community

In our complex world, no one leader will have all the answers. The idea of the lone hero who can save us all was yesterday's model of leadership. Today, we need to build a strong community of leaders. Imagine if you and your colleagues were all fully committed to being great leaders and focused on supporting one another to be better—this would set your organization apart. This term of the leadership contract demands that you connect with others to create a strong community of leaders in your organization—a community where there is deep trust and support, where you know everyone has your back, and where all leaders share the collective aspiration to be truly accountable leaders.

A Word of Warning

I believe leading an organization is one of the greatest honors and challenges that any individual can assume. However, it's not a job for everyone. And there is only one way to ensure that you have what it takes to be a truly accountable leader—you have to make a conscious decision to lead, with full awareness of what that means.

So, this book is going to ask a lot of you. It has to because leadership matters more than ever. Your organization needs you to be the best leader you can be.

There may be times when you feel overwhelmed by the ideas in this book. You may feel they are completely unrealistic. But you'll also realize something else—these ideas are ones you've already thought about. Deep down, you know that we all must redefine how we are leading today. We all have to. It's not just you. We all need to be more accountable as leaders.

You will also need to think hard about whether you are ready to commit to accepting the four terms of the leadership contract and become a great leader, the kind of leader your company needs you to

be. You can't be a good or average leader any longer. You can't make leadership just a part of your job, something you focus on only when you have a few minutes of spare time. You need to make leadership your whole job. It's time to aspire to more. It's time for you to be a great leader. But this is going to take some serious work on your part.

To help you through this, you will find a section at the end of each chapter called "The Gut Check for Leaders." Inspired by my weekly "Leadership Gut Check" blogs, I'll ask you a series of reflective questions based on the ideas in each chapter. They will be tough questions that I believe all of us in leadership roles need to think about. I believe it is critical to reflect on what it means to be a leader today and how you can truly be an accountable one. I encourage you to pause when you get to this section and think about your answers to the gut check questions.

Now if you're *not* ready to challenge yourself, you might want to put this book back on the shelf for a while. But if you believe, as I do, that we desperately need great leadership today, then read on. And if the ideas in this book speak to you, I hope you'll join others who share your passion at www.theleadershipcontract.com.

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CHAPTER 1

My Personal Leadership Story

Great leaders aren't born; they are made—made and shaped by their experiences. Gandhi's mother was very religious and influenced by Jainism, a religion founded on the idea of nonviolence toward all creatures. A village schoolteacher refused to teach a young Susan B. Anthony long division because she was a girl. Margaret Thatcher gained experience weathering criticism when, as education minister in the early 1970s, budget cuts earned her the nickname “milk snatcher.” When Richard Branson was about seven years old, his mother, Eve, left him 3 miles away from his home on the way back from school so he would be forced to figure out how to get home on his own. She did it to help him overcome his crippling shyness. It took him 10 hours, but he did it; and it helped him become the person and the leader he is today.

Like Gandhi, Anthony, Thatcher, and Branson, every leader has a story. But most leaders aren't fully aware of how their experiences have shaped them to be the leaders they are now. I believe it's crucial for leaders to take time to think about their history and their own personal leadership story.

Take a moment to think of the key experiences that have shaped you as a leader. I hope some stories are already coming to mind for you. Some will be stories of peak experiences when you had a significant impact, when you were at your best. Others will be more negative—moments when you struggled and your personal resolve was tested.