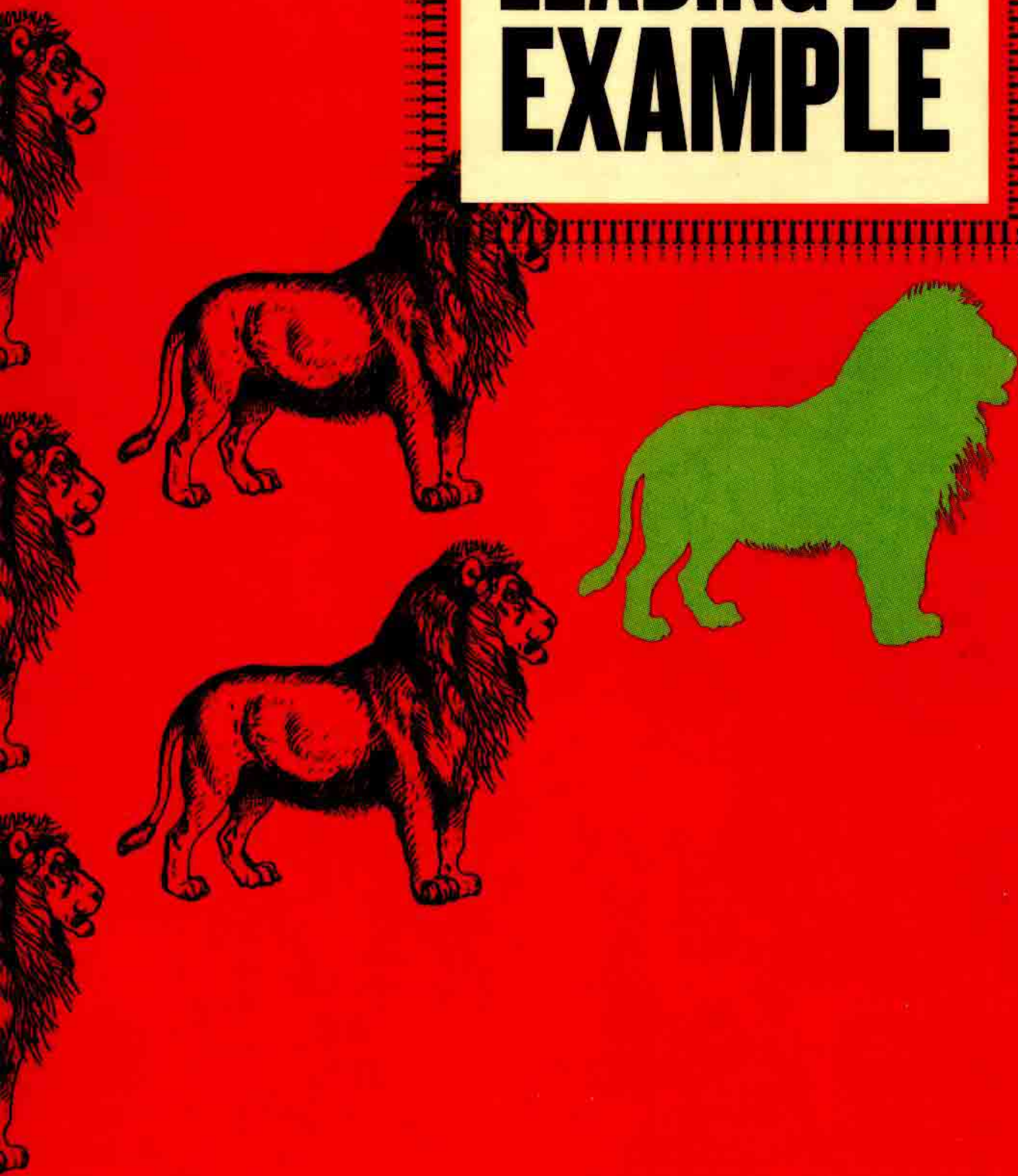


LESSONS LEARNED


STRAIGHT TALK FROM
THE WORLD'S TOP
BUSINESS LEADERS

LEADING BY EXAMPLE




HARVARD BUSINESS SCHOOL PRESS

✠ LESSONS LEARNED ✠



Leading
by Example



Harvard Business School Press
Boston, Massachusetts

→ A NOTE FROM THE →
PUBLISHER

In partnership with Fifty Lessons, a leading provider of digital media content, Harvard Business School Press is pleased to announce the launch of Lessons Learned, a new book series that showcases the trusted voices of the world's most experienced leaders. Through the power of personal storytelling, each book in this series presents the accumulated wisdom of some of the world's best-known experts and offers insights into how these individuals think, approach new challenges, and use hard-won lessons from experience to shape their leadership philosophies. Organized thematically according to the topics at the top of managers' agendas—leadership, change management, entrepreneurship, innovation, and strategy to name a few—each book draws from Fifty Lessons' extensive video library of interviews with CEOs and other thought leaders.

A Note from the Publisher

Here, the world's leading senior executives, academics, and business thinkers speak directly and candidly about their triumphs and defeats. Taken together, these powerful stories offer the advice you'll need to take on tomorrow's challenges.

We invite you to join the conversation now. You'll find both new ways of looking at the world, and the tried-and-true advice you need to illuminate the path forward.

CONTENTS

1. Will Whitehorn
**The Importance of
a Visible Leader** **I**
2. Sir Michael Rake
**Setting the Right Tone
at the Top** **7**
3. Ken Freeman
Leadership 24/7 **15**
4. Julia Cleverdon
**The Front Line Is the
Bottom Line** **21**
5. William Pollard
Be a Servant Leader **29**
6. Lord Sharman
The Head Gardener **35**
7. Dawn Airey
Listening at All Levels **41**

Contents

8.	Sanjiv Ahuja	
	Leadership Is Not a Popularity Contest	49
9.	Sir David Michels	
	Use Emotion Sparingly	55
10.	Lord MacLaurin	
	The Humble Boss	61
11.	Warren Bennis	
	A Leader Is Shaped by His Team	65
12.	Domenico De Sole	
	The CEO Sets the Tone	71
13.	Howard Lester	
	If You're Going to Lead, Trust Your Judgment	77
14.	Amelia Fawcett	
	Having the Courage of Your Convictions	83
	About the Contributors	89
	Acknowledgments	99

➤ LESSON ONE ➤

The Importance of a Visible Leader

Will Whitehorn

President, Virgin Galactic

ONE OF THE IMPORTANT lessons I've gained from working for Virgin for eighteen years is that having a strong leader in a business is incredibly important and much underestimated in large, corporate organizations—somebody who's prepared to take

Leading by Example

the heat for things and let the buck stop with him.

I remember Richard Branson being interviewed on Radio Five Live, which is a BBC radio station in the UK, several years ago. He was talking about some of the problems that Virgin Trains had had, not due to our own fault but down to something at Railtrack. We'd had a problem with a train that got stuck, but we hadn't dealt with it very effectively. He went on the radio to talk about this, and he said, "We messed up; it was completely our fault; I take full responsibility for it. We're obviously looking at not doing it again in the future, but there's no point in hiding from the fact that we've got to do this better if we're going to make this business work."

Now, a lot of business leaders wouldn't do that. They would come on the radio, for instance, or a television program, and they'd try and blame something in the organization, but before that they'd try and blame the outside world for their own issues. So I think people have more to fear

Leading by Example

from not having strong leadership in an organization than from having it, because strong leaders tend to take decisions. Again, I think one of the important lessons of business is that it is better to take a decision that may turn out to be wrong and that you might have to change than to take no decision at all and drift in limbo.

What we try to do at Virgin is to create strong leaders in the organization. They are all people who are given a sense of responsibility; the buck stops with them, and they've got to get on with what they're doing—and they are free to do so. As long as they meet the business plan—the criteria, the parameters, and the amount of money they've got to spend—they're given a lot of freedom, and we also give them freedom to build their profile.

For instance, in Australia you'll find as many Australians have heard of the guy who runs the airline there, Brett Godfrey, as have heard of Richard Branson because Brett has the profile there. We have deliberately, he has deliberately, and Richard has

Leading by Example

deliberately tried to push him to build that profile because he has to deal with the problems that the Australian business has had over the years.

The more profile you have as a business leader in a marketplace, the more chance you have of getting issues over to the public when they come about.

T A K E A W A Y S

- It is critical in business to have strong leaders who are prepared to take responsibility for the organization's actions and let the buck stop with them.
- People have more to fear from *not* having strong leadership in an organization; strong leaders tend to make decisions when everyone else shies away from them.

Leading by Example

- ✦ The more visibility business leaders have in a marketplace, the more chance they have of explaining issues to the public when they inevitably occur.

Setting the Right Tone at the Top

Sir Michael Rake

Chairman, KPMG International

IN THE LAST three or four years, we look at what's happened in the business world, and there's been a complete breakdown in trust.

There's been a complete breakdown in trust in the operation of the capital markets and a complete breakdown in trust of chief executives and the way they operate. The

Leading by Example

assumption has been that everyone operates out of a sense of greed, if not dishonesty—to enrich themselves at the expense of others. This is what’s happened as a result of all the corporate scandals that we’ve seen, not only in the United States—actually we saw it in the UK a few years ago too.

Of course, as a result of that, we’ve seen an enormous amount of regulation, legislation, litigation, and rule making. The reason we’ve had these problems—this lack of trust and these cases of extreme behavior and extreme greed—is actually because of the culture of the organization, in my view. I’ve seen it in many companies we’ve investigated. Yes, things can go wrong from a control and environmental point of view; but if you come down to the culture, how often you see that it’s the tone at the top—the tone that an individual leader sets—that is incredibly important to the way the whole organization works.

One of the things that we all need to understand when we take responsibility for public companies—whether we’re advisers to

Leading by Example

them, auditors to them, or nonexecutive directors in them—is how important this issue is. Because if you don't have the right tone, or the right culture, it's amazing how even intelligent people will somehow become overwhelmed by that tone or culture. Clearly that's the case in Enron and the case in many other companies that you've seen, where the culture went wrong at the top.

I think this leads into real leadership by example, because one of the key things leaders have to understand is that they're very visible. Anything they do is really exaggerated in the communication of any company, so their attitude toward "living what they say" is very important, as is their attitude toward the basic values. How do people behave with each other? What is the sense of integrity? What is the sense of respect for people within the organization, whatever their level; do they have real respect for them—not just have a charter? Enron had an enormously laudable charter of values in corporate social responsibility, but actually it was almost a smokescreen for abuse.

Leading by Example

What you need to have is people seeing that it isn't a charter of values or corporate social responsibility; it's actually meant to be the way that people at the top really behave—to live the values of the organization. Corporate social responsibility is not only the right thing to do in the communities in which we operate, but the business case is enormously important: it adds value to your brand, it adds prestige and pride to your people, it aids recruitment and retention, and it also creates the right culture within a capitalist world.

The only reason we have capitalism and public companies is to create wealth for many, not just a few. Trust in organizations has to be seen and believed by employees, regulators, politicians, and journalists. The company has to act it out; it has to really deliver and live it—and that always starts, in my experience, with the example of the guy or the lady at the top.

In investigations we've done into companies and individuals where things have gone wrong, what's stunning is that very often you

Leading by Example

find people within an organization where the culture's wrong, or the tone at the top is wrong, that have crossed from white, to gray, to black. Most of them have to operate in the gray a lot of the time, and often when they cross into the black and they've committed an illegal act—actually criminal—they haven't realized it. When you talk to them and interview them, you find that because the culture of the organization's gone wrong—the tone at the top is wrong—and because of the aggressiveness with which the targets are set or the way in which their achievement of those targets is rewarded, intelligent, honest people suddenly think that this act is okay: because within that environment it seems to be okay. It isn't okay; they've actually done something which is illegal or amoral.

You have to create an approach that actually rewards the right culture. You have to have some role models: people who are promoted who are seen to be those who demonstrate these values, that integrity, and that approach to others. You have to be seen